

**Transaction Description:**

**1. Public Policy/ Private Interest Clarification**

This study is about obtaining an unpaid pension payment ("Regulated Event"). The Regulated Event is among the most common situations of everyday life. It is particularly significant for the pensioners, law enforcement officials and the public administration bodies who are responsible for the elaboration of the laws concerning pension security. The persons who reach the age of 63 and have 25 years of insured length of service become eligible for the retirement pension<sup>1</sup>. They withdraw from an active career, leave the permanent paid workforce and look forward to their guaranteed annuity. Although, the amount of the average pension is very low – 8842 drams per month<sup>2</sup>, which is even lower than the extreme poverty line (12,629 drams in 2003<sup>3</sup>) and the minimum average salary (13000 drams in 2004), the pension benefit for elderly people still remains as a financial resource deserved and earned with huge efforts during the essential part of their life. The pension benefit can hardly provide for a decent life of a pensioner. Besides, it is an irrefutable fact that in Armenia the majority of elderly people are financially supported by their children. Pension benefits constitute though a small but a very significant element of the elderly people's life and they regard it as the commitment of the state to compensate for their merits to the public.

There are frequent cases when the persons who are eligible for receiving a pension benefit are deprived of their right to social security because they are not included in the lists of the government and, consequently, are not paid their pensions. Due to such deficiencies in procedural level, the state fails to effectively implement its policy in pension security and insurance sector aimed at the creation of corresponding guarantees to ensure natural and efficient operation of the system, which will in its turn ensure worthy living standards for elderly people. Moreover, when above-mentioned instances of procedural failures are not

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<sup>1</sup> Article 12, the law of the Republic of Armenia on State Pensions

<sup>2</sup> Statistical Yearbook of Armenia, 2005, National Statistical Service

<sup>3</sup> Statistical Yearbook of Armenia, 2005 National Statistical Service

reported because the procedure is too complicated or viewed as ineffective, the injury goes uncorrected, resulting in negative attitudes regarding the rule of law, government agencies and officials.

For this reason, it is important for the procedures relating to the Regulated Event to operate efficiently, produce effective results, and be well-understood by all parties. This study aims to describe, analyze and evaluate those procedures and explain to the private parties involved how to exercise their rights effectively.

### **3. Armenia Legal Framework**

In Armenia, the Regulated Event is governed by the following laws and involves the following institutions:

#### LAWS

- ✓ The Law of the Republic of Armenia on State Pensions, dated November 19, 2002, as amended through the Law of the Republic of Armenia on Amending the RA Law on State Pensions, Article 1.
- ✓ Gov. Res. No.707-N, “Establishing the Basic and Main Pension Amount and the Value of a Year of Insured Length of Service”, dated June 13, 2003.
- ✓ Gov. Res. No.793-N, “Ensuring the Implementation of the RA law on State Pensions,” dated May 29, 2003.
- ✓ Annex 1 of Gov. Res. No. 793-N, dated May 29, 2003, “Regulations for Applying for Pension Allocation, for Changing the Type of Pension, Pension Allocation (Recalculation), Payment And Keeping Pension Files.”
- ✓ Annex 2 of Gov. Res. No. 793-N, dated May 29, 2003, “Regulations for Calculating the Insured Length of Service in Regard of Pension Allocation.”
- ✓ Annex 5 of Gov. Res. No. 793-N, dated May 29, 2003, “List of Documents Relevant for Pension Allocation and Funeral Benefit Payment in Case of Pensioner’s Death.”
- ✓ The Law of the Republic of Armenia on Social Security Cards, dated September 24, 2003.

- ✓ Ministry of Labor and Social Issues, Government Building 3, Republic Square, 375010 Yerevan, Republic of Armenia - official directly responsible for the Regulated Event: Mr. Artem Asatryan, Head of Social Insurance and Pension Security Department, tel.52 04 48 – Arayik Petrossian, First Deputy Minister of the Labor and Social Issues tel.: 56 53 65
- ✓ State Social Insurance Fund, Nalbandyan str. 13, Yerevan, tel. 52 – 45 – 74 and its regional offices.

The key provisions of those laws are as follows.

1. The Law of the Republic of Armenia on State Pensions

“Article 11. Types of Pensions

The following types of pensions are defined by this law:

1. Insurance

1) retirement; 2) privileged; 3) long service; 4) disability; 5) survival benefits; 6) partial.

2. Social

1) old age; 2) disability; 3) survival benefits.”

“Article 12. The Right to the Retirement Pension and Terms of Allocation

Persons who have reached the age of 63 having 25 years of insured length of service are eligible for the retirement pension. Person eligible for the retirement pension may apply for pension allocation without time restrictions. The retirement pensions are allocated lifelong.”

“Article 15. The Right to Early Retirement

Every citizen has right to retire one year earlier than it is envisaged by article 12 of this Law, if he/she has 35 years of insured length of service, in accordance with the procedure established by law.”

“Article 67. Rights and Obligations of the Insured Physical Person

1. The insured physical person has right to:

- 1) receive pension in an established by the legislation procedure ;
  - 2) receive consultations and methodological clarification regarding operation of the pension insurance system;
  - 3) complain and make recommendations on pension security issues;
  - 4) In an established by legislation procedure receive free information on personal data reflected in his/her personal account twice in a year.
- 5) 2. The insured physical person is obligated to:
- 1) make mandatory pension social insurance payments due to the defined procedure;
  - 2) Submit accurate personal (personified) reports on mandatory pension social insurance payments due to the defined procedure and in cases defined by legislation.

#### Article 68. Obligations of the Pensioner

The pensioner is obligated to inform the pension allocating subdivision about any circumstances, which cause change of the pension amount or termination of its payment.

#### Article 69. Appealing of Pension Related Decisions

Pension related decisions made by the Pension Allocating Subdivision may be appealed to the superior entity or by judicial order.

#### Article 70. Responsibility for Violation of Legislation of Pension Security

Responsibility for violation of pension security legislation is defined by law.”

#### The Law of the Republic of Armenia on Social Security Cards

##### “Article 3. Concept of Social Card

1. Social card is a document provided to a citizen, which guarantees the exercise of the social security rights of citizens.”

1. The number of the social card shall be applied when processing personal data of citizens, including:

- 1) payment of salary or equalized incomes to the citizen, as well as assignment and payment of pension, benefit and assistance stipulated by social security and state or non-state insurance programs...”

To have a better understanding of the eligibility to receive a pension, pension allocation procedures and possible legal remedies for an unpaid pension, we should go through a detailed analysis of the relevant provisions of the laws.

According to the law of the Republic of Armenia on State Pensions there are nine types of pensions: six insurance pensions and three social pensions. The insurance pensions are the retirement, privileged, long service, disability, survival benefits and partial pensions. The social ones are old age, disability and survival benefits.

To be eligible to apply for a *retirement pension* a person must be 63 years old and have 25 years of insured length of service. He/she may apply for this type of pension without any time restrictions, as the retirement pension is allocated lifelong. Every citizen who is entitled to receive a retirement pension has a right to retire at the age of 62, if he/she has 35 years of insured length of service.

Persons eligible for *privileged pension* are those who have attained the age of 55 having 25 years of insured length of service, 15 years of which were under especially harmful and hard conditions; persons who have reached the age of 59 and have 25 years of insured service, of which 20 years were under harmful and hard conditions; persons ill with pituitary dwarfism (Lilliputian), in case of reaching the age of 45 with 20 years of insured service.

The lists of productions, jobs, professions, positions and indicators entitling to privileged pensions are defined on the basis of position certification. Procedure of position certification and lists entitling to privileged pensions are defined by the Government of Armenia.

*Disability pension* is allocated for the whole period of disability to persons recognized as disabled by Socio-

Medical Expertise Commission:

- 1) as a result of industrial injuries or occupational diseases irrespective of insured length of service,
- 2) as a result of general illness – in case at the moment of disability certification the person has the following insured length of service:

<b>Age group</b>	<b>The length of service</b>
Under 23	2 years
23-26	3 years
26 - 30	4 years
30 and over	5 years

#### **4. Case Studies**

Disputes arising out of the Regulated Event are among the most common disputes in the everyday life. There are a number of court cases involving problems that arise in connection with the Regulated Event. However, most cases do not go to court. Instead they are never reported due to the complexities and uncertainties of the public institutional processes available for addressing these problems. Based on discussion with practitioners, the pension allocating bodies and the pensioners and analysis of cases, the most common issues are:

1. inefficiency in the procedural level,
2. the refusal to obtain social cards.

For example, pensioner Marline Karapetyan's authorized person, her son Sergey Grigoryan, in his appeal to the Yerevan First Instance Court of Center and Nork-Marash Districts requests the court to order the State Social Insurance Fund to pay her pension. The facts of the case are the following: Marline Karapetyan, the pensioner, has been staying in the United States for seven years. She returned to Armenia on August 2005

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and applied to the pension allocating body to restart the pension payment process. In that very month, she authorized her son Sergey Grigoryan based on the power of attorney to be the person who will later receive her pension. Marline Karapetyan left Armenia before the 10<sup>th</sup> of the next month, thus, not being able to receive her pension personally. So, her son Sergey Grigoryan on September 19, 2005 applied to the regional office of the State Social Insurance Fund to get his mother's pension but he was refused in his right to receive his mother's pension. According to article 56 of the Republic of Armenia Law on State Pensions "the pension may be paid based on the power of attorney." And what regards the provision of the same article that "the payment of suspended pension shall not be restarted based on the power of attorney," the appellant finds it unsubstantiated, as his mother being physically present in Armenia during August-September of 2005 had applied for pension payment and the suspension of pension payment was removed. This was not even discussed during the court proceedings. However, the court held for the State Social Insurance Fund as it did not find relevant documents proving that Marline Karapetyan had restored her right for pension. The appellant, Sergey Grigoryan, applied to the Court of Appeals but the Court of Appeals suspended the process and did not give any development to this case.

This case is a vivid example of the fact that ordinary pensioners do not know what their rights are and on procedural level what kind of documentation they are to receive from the state officials. And the state officials are reluctant to explain in details their rights and to give appropriate documents that are to be given to the pensioners prescribed by law. So, the incompetence of the pensioners of their rights and unwillingness of the public officials to explain them their rights brings about to frequent complaints on procedural level and, thus, to frequent judicial cases.

There is also another example that is worth mentioning as it is directly connected with such a hot issue as social security cards the introduction of which into Armenian reality raised massive public protest.

The appellant Mrs. Lusik Harutyunyan has appealed to the court stating that she is a pensioner and is eligible to receive pension according to the procedure provided by law. Nevertheless, she added that based on her religious beliefs she cannot obtain a social security card which is her constitutional right to freedom of

thought, conscience and religion<sup>4</sup>. But the state Social Insurance Fund has refused to pay her pension on the basis that along with the passport she should also submit her social card in order to receive a pension. Court held that the appellant cannot be paid her pension based on the following assertions: 1) according to the RA Government Decree #793-N, dated May 29, 2003 on List of Documents Relevant for Pension Allocation and Funeral Benefit Payment in Case of Pensioner's Death to receive a retirement pension the citizen shall submit the passport, social security card and the copies of those documents along with the application; 2) articles 3 and 11 of the Law on Social Security Cards (provided in details in the section of the relevant laws); 3) according to article 13 of the same law "citizen shall be obliged to submit his/her social card to all the bodies, which need it for the fulfilment of the requirements of Article 11 of this law;" 4) the appellant did not fulfill her duties prescribed by law, whereas according to article 14.1 of the RA Constitution "all people are equal before law." The Court also brought into light paragraph 1 of the RA Government Decree #990-N, dated July 14, 2005 which enabled citizens with religious issues to obtain social cards free of bar code and the symbol of the Ministry of Labor and Social Issues. This means that the appellant has had an opportunity to obtain a social card that is in accordance with her religious beliefs. Nevertheless, she has failed to take that chance.

### **5. Step – by – step description of the Transaction**

When a person becomes eligible to receive pension, he/she should:

1. Apply to the pension allocating subdivision of his/her place of residence (persons without a permanent place of residence should apply to the pension allocation subdivision of their current place of residence.);
2. Submit the following documents: passport, social security card, the work book and the copy of it or, if necessary other documents certifying the insured length of service, a certificate on social insurance payments and a photo.

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<sup>4</sup> Article 26, Constitution of the Republic of Armenia



3. Wait for 10 days until the pension allocating subdivision processes and adjudicates the claim following the receipt of the application. In case of a decision to refuse the application, the pension allocation body notifies the applicant about it within 7 working days with the reasons for the refusal, the procedure for appeal, and returns all the documents.

The pension is allocated on the date of the submission of the application. Working pensioner receives the full amount of the pension. The pension may be paid based on the power of attorney. The payment of suspended or terminated pension may not be restarted based on the power of attorney. The pension may be paid based on the power of attorney for not more than 6 months. The amount of not received pension is paid for past periods, but not more than 3 years before submission of application for payment of pension. Pensions not paid by fault of pension allocating and/or paying department are paid without time limitation. In these cases the pensioner is paid out in a lump sum.

Pension payment is suspended if the pensioner does not personally receive pension within 6 months and if the period of disability has expired. Pension payment is terminated if the pensioner is dead or if she/he is declared dead or indefinitely absent, in case if the pensioner does not receive his/her pension personally for 12 months, if the pensioner's disability was not renewed within 3 months, if the pensioner has migrated to another country for a permanent residence, if he/she is no longer eligible to receive a pension, for example, in case some fraudulent documents were discovered in his/her pension case.

The pensioners have the right to receive a pension in a procedure established by law, receive consultations and clarifications regarding the operations of the pension insurance system, complain and make recommendation on pension issues, twice a year receive personal data. The obligations of the pensioners are confined to the mandatory social insurance payments, submission of accurate personal reports and notification of the pension allocating subdivision about any circumstances, which cause change of the pension amount or termination of its payment.

Pension related decisions made by the pension allocating subdivision may be appealed to the superior entity or by judicial order.

## **6. International Best Practice**

In common law jurisdiction, such as the United States, this kind of regulated event is handled as follows:

The law requires that employers help ensure their employees' financial security after the employment ends. One example is the federal social security system, which began in 1935. Social security is mainly financed by the Federal Insurance Contributions Act (FICA). It imposes a flat percentage tax on all employee income below a certain base figure and requires employers to pay a matching amount. Self-employed people pay a different rate on a different wage base. FICA revenues finance various forms of financial assistance in addition to the old-age benefits that people usually call social security. These include survivors' benefits to family members of deceased workers, disability benefits, and medical and hospitalization benefits for the elderly. Another way that the law protects employees after their employment ends is by providing unemployment compensation for discharged workers. Today, each state administers its own unemployment compensation system under federal guidelines. The system's costs are met by subjecting covered employers to federal and state unemployment compensation taxes. Unemployment insurance plans vary from state to state but usually share certain features.

Many employers voluntarily contribute to their employees' post employment income by maintaining pension's plans. For years there used to be frequent pension plan abuses such as arbitrary termination of participation in the plan, arbitrary benefit reduction and mismanagement of fund assets. The Employee Retirement Income Security Act of 1974 (ERISA) was a response to these problems. ERISA does not require employers to establish or fund pension plans and does not set benefit levels. Instead, it tries to check abuses and to protect employees' expectations that promised pension plans will be paid. It imposes fiduciary duties on pension fund managers. ERISA also imposes record-keeping, reporting and disclosure requirements. For instance, it requires that covered plans provide annual reports to their participants and specifies the contents of those reports. In addition, the act has a provision restricting an employer's ability to delay an employee's participation in the plan. Furthermore, ERISA contains funding and plan termination insurance requirements

for protecting plan participants against loss of pension income. ERISA preempts all state tort and consumer protection laws. ERISA's remedies include civil suits by plan participants and beneficiaries, equitable relief, and criminal penalties. The interpretation and enforcement of ERISA is handled by the U.S. Department of Labor and the Internal Revenue Service. It also establishes an entity, the Pension Benefit Guaranty Corporation (PBGC) that will provide some minimal benefits coverage in the event that a plan does not, on termination, have sufficient assets to provide all the benefits employees and retirees have earned. The PBGC is an independent agency of the United States' Government created by ERISA to encourage the continuation and maintenance of voluntary private pension plans, provide timely and uninterrupted payment of pension benefits. PBGC is not funded by general tax revenues. PBGC collects insurance premiums from employers that sponsor insured pension plans, earns money from investments and receives funds from pension plans it takes over.

To have a better understanding of how the regulated event is being handled in practice, it will be useful to refer to a relevant case in this field. The case is the following: *Office of Personal Management v. Richmond*, 496 U.S. 414 (1990). Not wishing to exceed a statutory limit on earnings that would disqualify him from continuing to receive a disability annuity based on his years of civilian service with the navy, respondent Richmond sought advice from Navy employee relations personnel and received erroneous oral and written information. When Richmond's reliance on the information caused him to earn more than permitted by the relevant statute, petitioner, the Office of Personnel Management (OPM), denied him six months of benefits. The Merit Systems Protection Board denied his petition for review, rejecting his contention that the erroneous advice given him should estop OPM and bar its finding him ineligible for benefits under the statute. The Court of Appeals reversed, ruling that the misinformation estopped the Government, and that the estoppels required payment of benefits despite the statutory provision to the contrary. The main issue of this case was whether erroneous oral and written advice given by a Government employee to a benefits claimant may give rise to estoppel against the Government and so entitle the claimant to a monetary payment not otherwise permitted by law. The Supreme Court held that payments of money from the Federal Treasury are

limited to those authorized by statute, and erroneous advice given by a Government employee to a benefit claimant cannot estop the Government from denying benefits not otherwise permitted by law. It quoted the Appropriation Clause of the US Constitution, Art. I, 9, clause 7, to support its holding asserting that a money from the Public Treasury may be paid out only as authorized by a statute. This means that the Court cannot use the doctrine of estoppel to grant the respondent money remedy the Congress has not authorized. This decision is supported by the Court's estoppel precedents, which have never upheld an estoppel claim against the Government for the payment of money. The principles of this and many other cases were reiterated in *Federal Crop Ins. Corporation v. Merrill*, (1947), the leading case in the modern line of estoppel decisions in the United States. In *Merrill*, a farmer applied for insurance under the Federal Crop Insurance Act to cover his wheat farming operations. An agent of the Federal Crop Insurance Corporation advised the farmer that his entire crop qualified for insurance, and the farmer obtained insurance through the Corporation. After the crop was lost, it was discovered that the agent's advice had been in error, and that part of the farmer's crop was reseeded wheat, not eligible for federal insurance under the applicable regulation. While the Supreme Court recognized the serious hardship caused by the agent's misinformation, it nonetheless rejected the argument that his representations estopped the Government to deny insurance benefits. It recognized that "not even the temptations of a hard case" will provide a basis for ordering recovery contrary to the terms of the regulation, for to do so would disregard "the duty of all courts to observe the conditions defined by Congress for charging the public treasury."

The analysis of these cases brings us to the conclusion that although ERISA solves vast problems of the pensioners as it preempts over tort and contract laws, it cannot in any way prevail over the Constitution because in these particular cases the objective of the Appropriation Clause of the US Constitution is to secure regularity, punctuality, and fidelity, in the disbursements of the public money vested in the Congress. Unlike in civil law jurisdictions, in common law countries the judges are given appropriate freedom to interpret the statutes and via this interpretation cover the possible loopholes that the statutes have.

It will be very useful to consider the example of Chile's pension system. In 1924 it introduced the first social security program in Latin America and almost 60 years later, in 1980, its Social Security Reform, which privatized the pension system, astonished the world with results surpassing all expectations. In fact, it turned into a Chilean export product. It replaced the pay-as-you-go-system with one of individual capitalization, in which each contributor not only chooses a private institution to manage his or her social security funds, but also determines his or her retirement scheme. It was decided to make the system compulsory for those people joining the workforce after a certain date and voluntary for those affiliated to the old system, who would be able to choose. Its main objective is to provide workers with a secure future and decent old age pension. The system is based on pension fund (PFs) administered by private pension fund management companies (AFPs). It is a defined contribution scheme with individual capitalization accounts, mandatory for employees and optional for self-employed individuals. AFPs duties are to collect mandatory and voluntary contributions from fund-members; credit them to the corresponding individual capitalization accounts, invest those resources into financial instruments, obtain disability and survival insurance coverage and provide fund-members with benefits. What is of great importance is that the fund-members (pensioners) are given the freedom of choice: they can change AFP at will, define the amount of contribution above the minimum, decide when to retire by fulfilling certain minimum conditions and choose what type of benefit they want to receive. The PF and AFP are separate legal entities. AFPs are sole purpose companies. The role of the government is confined to rule-maker and supervisor, secondary guarantor and provider of minimum pensions for those who do not reach the required amount. This system is becoming an international standard: Peru, Colombia, Bolivia and Mexico are already using it; Poland is about to start; the United States, Great Britain, Russia and other European countries are studying it and adapting it to their own realities.

The natural result of the irregularities in the process of transition from one system into another was an uninterrupted flow of complaints from the public directed at the Superintendency. In 1984 the national Complaints Register was established, in which all complaints by public must compulsorily be entered and a copy of this entry with the same number be handed to the person lodging the complaint so that it could be

followed up. It also provided mechanisms according to which one AFP could assume the role of “co-coordinator” and the others, the role of “related parties”, thus, harmoniously organizing the attendance of the parties involved in order to solve the problem. The procedure also required developing complaints services within the AFPs and sending those presented before the Superintendency to them with due supervision. The Superintendency kept the responsibility and therefore the control over the timely solution provided by the AFPs, but they achieved this through strategic control, which did not tie up the whole of their inspection resources needed for other important tasks.

## **7. Procedure Evaluation**

According to article 5 of the Law of the Republic of Armenia on State Pensions “the state policy conducted in pension security and pension insurance sector is aimed at the creation of corresponding guarantees which will ensure natural and efficient operation of the system and implementation of social development programs.”

As compared with the previous law, the current law on State Pensions covers the various loopholes it used to have.

With the assistance of international experts our local experts at the Ministry of Labor and Social Issues elaborated the new law building a legal framework which corresponds to both the international standards and to the social and economic reality of Armenia. Nevertheless, we may assume from the case studies that on procedural level there still exist problems that should be addressed. This refers mainly to the complaints and dispute resolutions on pension issues. The complaints from the pensioners or the citizens who are eligible to receive a pension are being treated very inefficiently. It sometimes takes a week or two to answer a complaint and this answer almost always does not cover all the scope of the issue/s presented there. Even if the answer-letter addresses all the issues raised in the complaint it is written in such a complicated way that the poor pensioner cannot even make out anything. For example, such letters may contain references to different

articles of laws without providing the content of the relevant articles. Thus, our pensioners need simple but comprehensive answers to their complaints.

All the guidelines and procedures which come to provide for the implementation of the relevant laws and governmental decrees on pensions are also very complicated and long. It even takes the public officials themselves a lot of time and efforts to understand and to implement them. Consequently, these guidelines should also be simplified and very easy to use so that any time the pensioner comes and asks a question the staff will be ready to answer any question within a day. This will contribute to the efficiency of the whole system and the reduction of the complaints. To achieve such ends the Ministry with the help of international donors should organize trainings for the staff of the State Social Insurance Fund and the regional offices. Any innovation in the legal framework of the pension system should be explained and illustrated to the parties concerned.

The dispute resolutions in this field are carried out in the courts which are the last instance if the disputes were not resolved in the superior entity of the pension allocating subdivision. Unlike in common law countries, in Armenia the judges do not have the freedom of interpretation of the law and they are to apply the statutes as they are. No matter how perfect the law is it cannot cover all the probable instances of life and provide adequate legal solutions to all diverse issues of the pension system. This is where our country faces the lack of legal interpretation which leads to judicial inefficiency and to the increase of the number of judicial cases.

## **8. Recommendations for Reform**

### **9. Reform Implementation**

Thus, we assume that reforms need to be carried out on procedural level of the pension system of Armenia.

For this purpose there should be conducted:

- trainings for the State Social Insurance Fund central and regional offices' staff on any new legislation, amendments to the current legislation, governmental decrees and any innovations in the pension security and insurance system;
- trainings on psychological conduct of the staff while processing complaints and applications from the pensioners;
- activities for raising the elderly people's awareness in their rights for social security.

As the financial resources of the state are rather limited the trainings for the SSIF staff and the regional offices should be carried out in conjunction with the NGOs acting in the field of social security. The Ministry of Labor and Social Issues of Armenia in collaboration with the NGOs should draft the preliminary scenario of the trainings to be conducted, their main objectives, target groups, beneficiaries, the content of the trainings and submit these conceptual approaches to the procedural reforms in the pension security sphere to the international donors who will be willing to consider such initiatives and to allocate grants for such micro – projects. Besides, not only NGOs but also business organizations such as small, medium and large enterprises should also have their say in the design of such projects because they also are in everyday collaboration with the SSIF. It is very important for the SSIF to have a highly trained staff competent in almost every provision and the latest amendments of the legislation, so as the applicants could be given an up to date and comprehensive reply to the questions of great concern to them. This will contribute to the reduction of complaints and it will also enable the applicants to resolve their problems in the borders of the State Social Insurance Fund and not go to the court, thus saving a lot more time and money.

The second reform that is mentioned above is the psychological training of the SSIF and regional offices' staff. This is another imperative issue that the state should address. Anyone will agree that the staff that directly communicates with pensioners and elderly people should be very patient, courteous and should also possess good listening skills and be compassionate to the problems of every individual that has applied to them. This is hard to achieve if the staff has not be trained properly. Thus, there is an urgent need of skillful



psychologists and social workers to share with their knowledge and practice with Armenian colleagues and to teach them how to communicate with elderly people via telephone or how properly to inform a person that his or her application to SSIF has been turned down, how to explain the reasons of the rejection of an application so that the reaction is adequate. These are issues that the state should face and should find effective ways to address them.

And the last but not the least is the awareness of the elderly people of their rights in the social security sphere. Many of them are not adequately informed of their rights and this is something that should be achieved through the constant collaboration of the Ministry of Labor and Social Issues of Armenia with the mass media. First of all short and comprehensible booklets should be published which will include very simple and concise information on the relevant laws, governmental decrees and any innovations pertaining pensions and pensioners. Any novelties in the sphere of pension security and pension insurance, like for example social security cards should be consistently and meticulously explained to the elderly people through all the means of mass media. More television programs should be designed to meet the requirements of our pensioners and to raise their competence in their social rights. Thanks to these methods they will start to feel that they are also in the center of the state's concern and be more content and may be this will also in some way contribute to the reduction of the number of complaints.

The purpose of this paper was to analyze the current legislation and the procedural regulations in the pension security sphere and to give realistic solutions to the outstanding issues in this sphere.

The conclusion is that there still exist some complex situations in the daily procedures of pension allocation, payment and pension complaints resolutions. This is natural for transition countries like Armenia. But what is very essential for this stage of development of our country is to make the first step to the solution of the various issues mentioned in this paper. This challenging task can be achieved only through a consolidated and a resolute effort. The key decision-makers in this field should unite around one realistic approach to the

solution of the challenges mentioned above and work out the only probable action plan for the reforms in the pension security and pension insurance sphere.

Currently the situation needs much to be desired: there are three different conceptual approaches to the reforms of the pension security and insurance system of Armenia; one belongs to the Ministry of Labor and Social Issues, the other to the Central Bank of Armenia and the third to the State Social Insurance Fund. This is the main and the foremost issue that the Government should address now so as to initiate the first step to the implementation of the reforms in the pension sphere. The Government of Armenia should handle the tough task of merging the three different conceptual approaches into one and elaborating the best scenario for the further development of the pension security and insurance system of Armenia.

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