



# 2017 SAKAERONAVIGATSIA OCCUPATIONAL RETIREMENT SCHEME

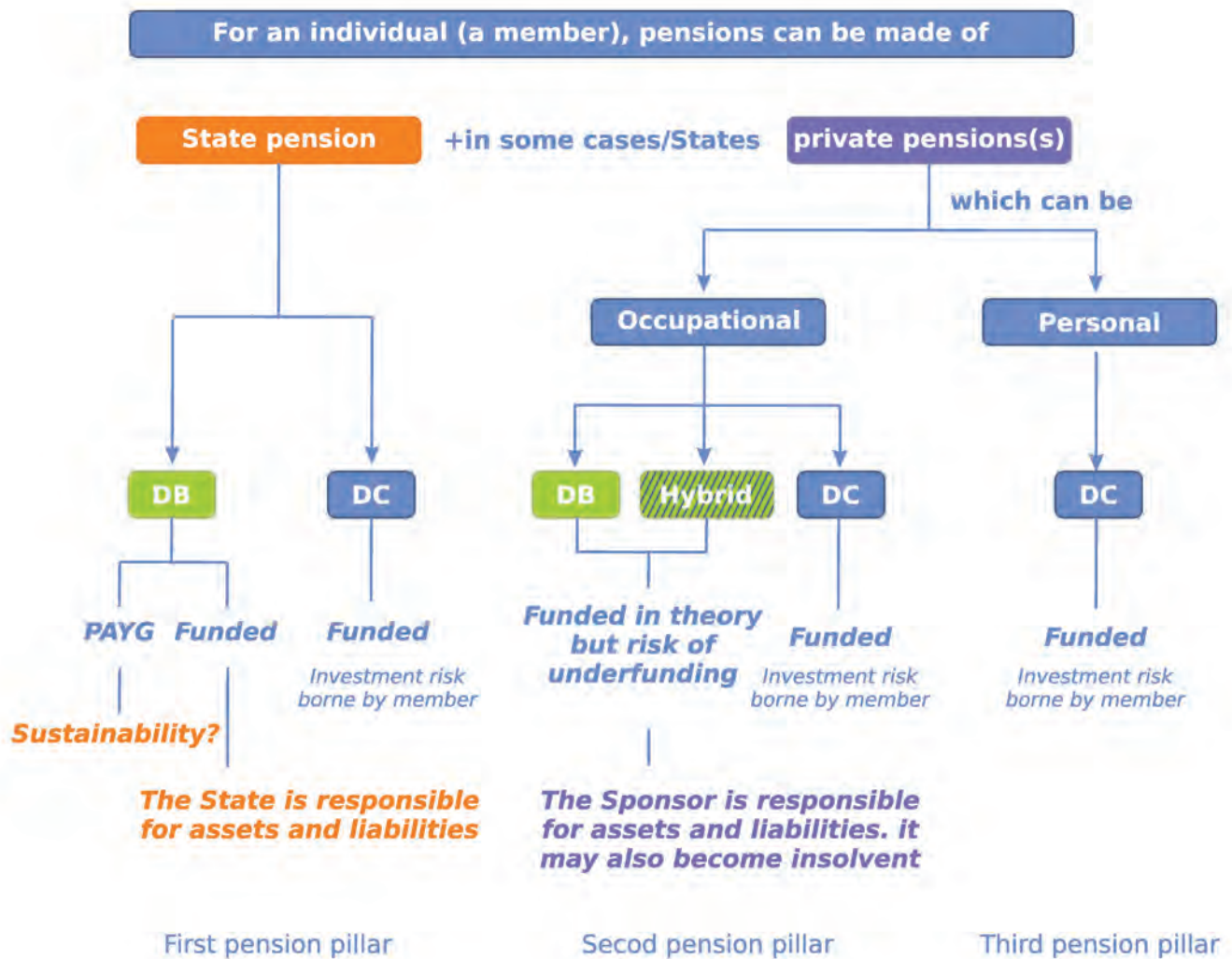
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# SUMMARY OF THE DIFFERENT TYPES OF PENSION PLANS AND THEIR FUNDING METHODS



Many developed or developing countries, including Georgia, are still in the process of modification of the pension system to improve the financial stability of the pension system aimed at providing adequate pension income to the population. Almost all countries, more or less, have multifunctional pension systems, where people with a reduced state pension will have an opportunity to earn more pension savings in occupational or individual pension systems, with more emphasis on making contributions. This is a tougher link between paid contributions and receivable pension benefits.



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GOCHA MEZVRISHVILI

## THE POWER OF PARTNERSHIPS

According to the Georgian Law on Pensions, every citizen of Georgia has a right to retirement pension (65 years for men and 60 years for women) to claim social pensions. According to international practice, the pension system with similar characteristics is called zero pillar. It aims to cover the entire population and provide equal amount of pensions. Any citizen who reaches retirement age and continues to work in the private sector, has the right to claim a social pension. The amount of social pensions is an important tool in terms of social protection. However, it does not provide a high standard of living in the given stage. Therefore, it is important to have an occupational pension scheme in the company in order to secure for each and every employee an additional pension income after retiring to provide them with a higher standard of living.

The existence of pension funds is an important step forward in the country for further development of the financial market. Since the role of capital markets in the financial sector of Georgia is small, long-term savings of accumulated LARI in the "Sakaer navigatsia" pension scheme will play a positive role in developing capital markets, accelerating the larization and eventually increasing the economic potential.



The company's Occupational Pension Scheme was based on the principle of "Defined Contributions" in order to avoid risks of rising unforeseen pension expenditures and taking into consideration the basic parameters of pension schemes existing in Air Navigation Service Providers in the Eurocontrol member States. Under this principle, the pension income of the scheme participant is based on the contributions made in the pension scheme, investment profit and the duration of the work.

We can not completely avoid risks associated with investing but we can reasonably manage these risks with partner companies. In this regard, I hope the entities inside and outside of the company such as: Non-State Pension Insurance and Provision Department, Pension Scheme Supervisory Board and Investment Committee together with the Asset Manager Company will do everything to ensure establishment of a transparent pension scheme management system based on periodic reporting to each pension scheme participant, which, in due course of time, will increase the trust factor in the company.

Establishment of an occupational pension scheme in the company and putting it into operation was a complex task that required strong character and relevant competences from our and our partner companies' staff involved in this process.

I would like to express my special gratitude for their support and being with us to:

**The Ministry of Economy and Sustainable Development:** Ms. Ekaterine Sisauri, head of LEPL "National Agency of State Property"; Mr. Levan Menabde, head of Analytical Department of LEPL "National Agency of State Property"; Mr. Giorgi Tchitchinadze, head of Pension Reform Department.

**Civil Aviation Agency of Georgia:** Mr. Levan Karanadze, Deputy Director and Mr. Zurab Koplataдзе, head of Financial and Economic Analysis Department.



**Eurocontrol and NATO: Mr. Frank Brener, Director General of Eurocontrol:** Mr. Adriaan Heerbaart, Director of the Central Route Charges office; Mrs. Sabrina Depicker, Head of the Regulation Unit of the Eurocontrol Resources Directorate; Mr. Pierre Depireux; Mrs. Barbara Jiovagnoli and Mr. Jiovani Nero, the former and current directors of the Eurocontrol Pension Scheme; Ms. Joyce Barbarich, Treasury Section Office of Financial Control NATO International Staff and Mr. Axel Rachel, Head of NATO Pension Unit.

**LEPL Insurance State Supervision Service of Georgia:** The former and current heads of the Supervision Service, Mr. Ioseb Gogolashvili and Mr. Konstantine Sulamanidze, First Deputy, Mr. Irakli Tutarashvili, Deputy, Mrs. Ekaterine Tsereteli; the Chief Specialist of Insurance Standards and licensees Department, Mrs. Eter Papiashvili.

**The staff of the National Bank of Georgia:** Ms. Maia Tsotskolauri, the Head of the Securities Department, Mr. Mamuka Lortkipanidze and Mr. Ucha Archuadze, the employees of the Securities Department.

**Financial Monitoring Service of Georgia:** Mr. Mikheil Roinishvili, Head of the Service, Mr. Giorgi Tevdorashvili, Deputy Head of the Service.

**Insurance Companies:** Mr. Giorgi Tatishvili, Head of Aldagi Pension Scheme Division, and Mr. David Kutateladze, Head of Sales Group of GPI Holding.

**Georgian Stock Exchange:** Mr. Giorgi Paresishvili, Director of Georgian Stock Exchange.

**The Central Securities Depository of Georgia:** Mr. Gaioz Sanadze, Director General of the Central Securities Depository of Georgia.

**Asset Management Companies:** Mr. Irakli Kirtava, Director General of Galt and Taggart, Mr. Otar Sharikadze Managing Director and Mr. Goga Melikidze, head of Brokerage Service, Mr. David Tsiklauri, Deputy General Director of the JSC TBC bank, Mr. Levan Shanidze and Mr. Avtandil Gigineishvili, Directors of TBC broker, Mr. Tengiz Lashxi, Director of Liberty Security Asset Management, Mr. George Nasibashvils, Director of Cartu broker.

**Sakaeronavigatsia Ltd.** the head of work group created with the purposes of Non-state pension scheme establishment, Mr. Irakli Zakareishvili, CFO, and the members of the work group: Mr. Levan Gegeshidze, the Deputy Director-General, Mr. Zurab Avalishvili, the Deputy Director General, Ms. Sofia Turabelidze, Deputy Director General, Mr. Dimitri Dickhaut, Deputy Director General, Mrs. Nino Djibouti, Corporate Manager, Mr. Ramin Mitaishvili, the head of Economic Department, Ms. Nino Lapachi, the head of Human Resources Department, Mrs. Lela Gelashvili, the Head of Legal Department, Mr. George Kharashvili, the lawyer, Mrs. Khatuna Salukvadze, the lawyer, Mr. Roman karasev, a Senior Air Traffic Controler, Mr. Lasha Matiashvili, Head of Flight Safety and Quality Management Unit, Mr. Yuri Trubitsin, the Head of Surveillance Department, Mr. Konstantine Adamia, The head of Technical-Organizational Activities Department, Mr. Revaz Odiashvili, the head of Economic analysis and forecasting Division and Mrs. Tamar Rekhviashvili, the head of Unit Rate Calculation and International Reporting division.



Permanent care for employees' welfare is the most important and most valuable in Human Resources Management Department.

We work in a company that serves the safety of flights, human lives, the country and at the same time continuously cares about the well-being and satisfaction of each employee. This encourages you to do more and more for your company.

This time I will not try to elaborate on the advantages that the company provides for each and every employee.

Company Management made a decision and established an Employer Retirement Scheme in December 2015. The work group, created by the Director General, has studied the practice of leading countries and international organizations of the world and founded the pension scheme in full conformity with Georgian legislation, which guarantees each of us "sweet old age".

For me, as the head of the Human Resources Management Department, it is important that this scheme increases motivation in our staff and they become more loyal to the company. I think we should really be proud that Sakaeronavigatsia, as a state-owned enterprise, first introduced a pension scheme, conceptual basis of which was developed with the maximum participation of company employees. The supervisory board, Non-State Pension Insurance and Provision Department and Investment Committee was created for the supervision of the pension scheme and its activities.

Employees in the pension scheme enjoy the following benefits:

- Participation in pension scheme is voluntary;
- Monthly contribution by the Company exceeds contribution to be made by employee;
- Participation in the Pension Scheme is based only on the period an employee has worked in "Sakaeronavigatsia" Ltd. and the same conditions are applicable for each and every employee;
- When leaving the company, employees are entitled to use their savings even if they have not reached the pension age.

According to all the above mentioned, any employee of Sakaeronavigatsia LTD. should say with pride that we are all lucky and that we have the most socially protected employees in Georgia.







The members of the "Sakaeronavigatsia retirement scheme Supervisory Board was elected on the company's trade union meeting in accordance with the rules established by the order of the head of the Insurance State Supervision Service of Georgia.

## SUPERVISORY BOARD

The supervisory board of SAKAERONAVIGATSIA is a supreme oversight body of the pension scheme and its activities. It protects interests of retirement scheme participants in the cases envisaged by the Law on Non-State Pension Insurance and Provision, establishes the rules of pension scheme in accordance with Georgian legislation.

The Supervisory Board consists of 4 members. Members of the Supervisory Board are elected on the meeting of the members of the Trade Union / Pension Scheme participants for a period of three years.



**Ramin Mitaishvili**  
Supervisory Board  
Chairman, Head of  
Economic Department  
of Sakaeronavigatsia  
Ltd.



**Roman Karasevi**  
Supervisory Board  
Member, Senior Air  
traffic Controller of  
"Sakaeronavigatsia"  
Ltd.



**Levan Karanadze**  
Supervisory Board  
Deputy Chairperson,  
deputy director of the  
Civil Aviation Agency



**Zurab Kuplatadze**  
Supervisory Board  
Member, Head of  
Financial and  
Economic Analysis  
Department of LEPL  
"Civil Aviation Agency"

Half of the supervisory board must be a pension scheme member and the other half should not be a pension scheme member. Members of the Supervisory Board perform their duties without remuneration. The Supervisory Board Statute is uploaded on the Pension Scheme website [www.pension.airnav.ge](http://www.pension.airnav.ge).



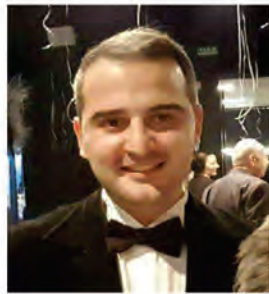
## NON-STATE PENSION INSURANCE AND PROVISION DEPARTMENT

Structural unit was established in the company for the administration of the "Sakaeronavigatsia" Occupational Pension Scheme - Non-state Pension Insurance and Provision Department. At the given stage the department works in three key strategic directions: 1. Effective and transparent administration of pension scheme; 2. Analysis of Investment Environment / Capital Markets and Cooperation with Asset Management Companies and 3. Establishing Relationships with Different Institutional Units.

The statute of the Non-State Pension Insurance and Provision Department is uploaded to the Pension Scheme website [www.pension.airnav.ge](http://www.pension.airnav.ge).



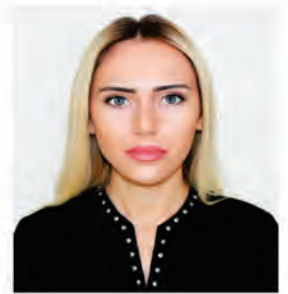
**Tamar Odiashvili**  
Head of Department.  
Provides administration of non-state pension scheme and management of non-state pension insurance and provision department.



**Giorgi Kharaisvili**  
Lawyer of pension scheme  
Provides the pension scheme participates with consultations in legal issues.



**Ivane Kvezereli**  
Finance Management Specialist  
Carries out accounting and financial reporting of non-state pension scheme.



**Ana Gulordava**  
Coordinator  
Ensures effective communication within the pension scheme.





## INVESTMENT COMMITTEE

The Investment Committee is the governing body established by "Sakaeronavigatsia" Ltd., as a non-state pension scheme founder, which oversees investments carried out by non-state pension scheme of SAKAERONAVIGATSIA.

Investment Committee consists of 5 or 7 members. More than half of the members of the Investment Committee shall be a member of Non-State Pension Scheme. Members of the Investment Committee perform their duties without remuneration.

Any employee of Sakaeronavigatsia LTD may become a member of the Investment Committee in case of showing interest in the written form. Candidate for membership of the Investment Committee is a member of the Committee on the basis of the consent of all members of the Investment Committee. The Investment Committee's Statute is uploaded on the website of the Pension Scheme [www.pension.airnav.ge](http://www.pension.airnav.ge)



**Irakli Zakareishvili**

Financial Manager  
Investment Committee  
Member



**Sophia Turabelidze**

Deputy Director  
General on Euro  
Control Issues  
Investment Committee  
Member



**Roman Karasevi**

Senior Air traffic  
Controller  
Investment Committee  
Member



**Tamar Odiashvili**

Head of Non-State  
Pension Insurance and  
Provision Department  
Investment Committee  
Member



**Badri Jijelava**

Head of Meteorological  
Department  
Investment Committee  
Member

## BENEFITS AND ADVANTAGES

Non-state retirement scheme of "Sakaeronavigatsia" LTD is a occupational, defined contribution (DC) pension scheme.

The Pension Insurance and Provision Department of "Sakaeronavigatsia" LTD will open a virtual account for each pension scheme participant that will be filled up by contributions made by you and Sakaeronavigatsia Ltd. Investment of pension assets, in order to increase your pension savings, is carried out by an experienced asset management company based on the investment strategy agreed with a non-state pension scheme supervisory board and the Investment Committee.

Non-state pension scheme participants have the opportunity to take advantage of the following benefits and the advantages presented:

- ✓ Flexible means of collecting pension savings;
- ✓ Social contributions guaranteed by Sakaeronavigatsia Ltd.;
- ✓ In case of leaving Sakaeronavigatsia before reaching retirement age, the participants are allowed to withdraw the accumulated pension savings or transfer it in other pension schemes;
- ✓ Possibility to withdraw 30% of the accumulated pension savings at the time of reaching retirement age;
- ✓ Possibility of taking pension benefits in case of partial or total loss of labor skills;
- ✓ In case of death of a participant in the scheme the transfer of pension savings or pension inheritance is permitted;
- ✓ Possibility to choose the type of pension.

## WHO CAN BE A PENSION SCHEME MEMBER?

**Voluntary participation in the scheme**

A member of the non-state pension scheme can become any employee of Sakaeronavigatsia Ltd., who has accumulated 24-month or more work experience in Sakaeronavigatsia Ltd.

Involvement in the scheme is voluntary and is based on the filling application (see page 15). Based on the terms indicated in the application, the contract will be signed with each and every pension scheme participants (see the sample of the contract on the web-site

[www.pension.airnav.ge](http://www.pension.airnav.ge)). You can change the terms indicated in the application for participation in the scheme at least one year before retirement age.

## PENSION CONTRIBUTIONS

Contributions in the pension scheme are made by the employer and the participant according to the basic salary of the scheme participant. The employer's contribution is defined by 18 percent of the basic salary and the contribution of the participant is 7 percent of the basic salary. Employer and Participant's pension contributions, which totally constitute 25% of the basic salary of the scheme participant, will be reduced by the income tax payable in the state budget and the remaining amount will be transferred to the pension contribution account for making investments by the Asset Management Company.

**Employer's high share in pension contributions**

Sakaeronavigatsia LTD. will transfer contributions to the pension contribution account on the 20th of each month following the reporting month.

## PENSION ASSET MANAGEMENT AND DIVERSIFICATION OF INVESTMENTS

Investment of pension assets is carried out by the asset management company in accordance with the Investment Strategy agreed with the Supervisory Board and Investment Committee of Non-State Pension Scheme of Sakaeronavigatsia.

**Low risk,  
stable income**

At the initial stage, in order to secure stable income pension scheme assets is planned to be invested in a low risk investment portfolio. Portfolios of various risks will be created on the rise of pension assets and based on the analysis of pension scheme population: low risk stable income portfolio, high risk portfolio with higher income and medium risk portfolio. At this stage, the pension scheme participants will be able to participate in the suggested low, medium and high risk investment portfolios according to their risk appetite.

## RISK

Investments can result in growth as well as decrease. So the risk is an integral part of the investment. It is important to know that the risk is not necessarily bad and that risk can be very effective.

Your attitude towards risk depends on many factors, such as your age, responsibility and past experience. In general, the investment strategy should be dependent on the investment horizons, in other words, during the period in which the contributions will be made on pension contributions account. The amount of your pension depends on the amount accumulated on your pension account. The longer the horizon of investment, the more risks you can take on yourself.

## PENSION

The participant of the scheme should make a choice between a permanent pension and a pension for a fixed term. Permanent pension is given to the participant for the whole period started from the first pension until the death and the pension for a fixed term shall be given for the agreed period (not less than five years).

Permanent pension shall be terminated in case of death of the participant, and the pension to be paid for a fixed term shall be given to his heirs in the same terms as defined for the applicants.

**Pension  
inheritance  
transfer**

Pension will be paid within one month after receiving the application based on your application.

## PENSION WITHDRAWAL

If you leave "Sakaeronavigatsia" LTD before you reach retirement age you will get pension savings accumulated on the pension contribution account without reduction.

## RETIREMENT AGE CAN BE POSTPONED

You also have the opportunity to postpone a retirement age. This opportunity is particularly important for employees of Sakaer navigatsia LTD., who have already achieved the retirement age set by the Georgian legislation (65 years for men and 60 years for women). They also have an opportunity to get involved in our scheme and to increase their pension savings.

## THE FIRST PENSION

It does not matter for you whether you get a pension at retirement age, when you lose a labor skills or at achieving a postponed retirement age, you have the opportunity to get 30% of your pension savings in the first pension. You should know that the first pension is not mandatory, and the more you get the sum of the first pension, the lower the pension you will receive later.

**30% of pension savings in the first pension**

## TAXES

Contributions made by the employer and the participant in the pension scheme on the basis of the basic salary of pension scheme participant, 25% of the basic salary in total, in accordance with the Tax Code of Georgia, is subject to taxation by income tax at the rate of 20%.

Net investment income earned from investing in pension assets is considered as a percentage and is subject to taxation by income tax at the source of payment at the time of paying accumulated pension savings or pension benefits, at the rate of 5%.

## DEATH OR LOSS OF LABOR SKILLS

In the event of death of a participant in the scheme, the pension savings existing on the pension contribution account will be fully transferred to his successors in accordance with the legislation.

In case of partial or complete loss of labor skills by the participant, the participant has the right to start receiving a pension even though he has not achieved the retirement age.

# Application to participate in the scheme N

The present application is the basis of the contract signed on non-state pension insurance and provision with the pension scheme participant and its integral part

Personal information of the participant

Membership<sup>1</sup> N \_\_\_\_\_

1. Name and Surname: \_\_\_\_\_ ID: \_\_\_\_\_

2. Date of birth: \_\_\_\_\_ 3. Gender: Female  Male

4. Address: \_\_\_\_\_

5. Telephone Number \_\_\_\_\_ 6. E-mail: \_\_\_\_\_

7. Position: \_\_\_\_\_

8. The date of the start of the work in "Sakaeronavigatsia" Ltd<sup>2</sup>: \_\_\_\_\_

Type of the pension selected by the participant

9. Pension for a fixed term  Pension Pay Period<sup>3</sup> \_\_\_\_\_ 6.

10. Permanent pension  Individual  Joint

11. The first pension<sup>4</sup> % \_\_\_\_\_

12. Pension age will be postponed<sup>5</sup> \_\_\_\_\_ Year

Signature of the participant: \_\_\_\_\_

Founder: \_\_\_\_\_

**The date of completion of the application** \_\_\_\_\_  
Date Month Year

<sup>1</sup> The membership number is assigned by the Non-State Insurance and Provision Department

<sup>2</sup> The pension scheme participant can be a person who reached the age of 18, who has been in labor relation for not less than 24 calendar month with Sakaeronavigatsia LTD.

<sup>3</sup> Pension for fixed term should not be less than 5 (five) years

<sup>4</sup> In case of first pension payment, the amount should not exceed 30% of the pension savings.

<sup>5</sup> The participant has the right to postpone the pension age set by legislation no later than one year before the pension age.

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