
**PENSION INSURANCE AND ITS DEVELOPMENT
IN UKRAINE AND MOLDOVA**

KYRYCHENKO Anastasiia,

PhD (Economics),

National University of Life and Environmental Sciences of Ukraine, Ukraine

e-mail: akyry@i.ua

Abstract: *Varieties of pension insurance are considered: joint pension insurance, funded pension insurance, compulsory pension insurance, voluntary pension insurance. The world strategies, models and levels of pension insurance are considered. Each state has chosen its path of building a pension system based on its own demographic and socio-economic characteristics of development. Nevertheless, the main tasks of any pension system are to protect against poverty and to provide a pension that could guarantee a decent standard of living for the pensioner. The analysis of pension insurance and its development in Ukraine and Moldova is carried out. The analysis suggests that joint pension insurance alone cannot cope with the provision of an aging population of countries. The conclusion is drawn on the insufficient development of voluntary funded pension insurance in the studied countries and the need to introduce mandatory funded pension insurance. An author's model of the formation of an optimal pension insurance system is proposed, which describes the problems, their solutions and the purpose of pension insurance.*

Keywords: joint pension insurance, funded pension insurance, compulsory pension insurance, voluntary pension insurance, pension funds, life insurance companies, banks.

JEL Classification: F65, H55, G22

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1. Introduction

In world practice, the main criteria for the effectiveness of the pension system are: sufficiency, financial stability, reliability and acceptability of costs. Now 9% of the world population is retired by age. By 2070, according to the UN, this figure will reach 20%. Pension systems around the world are facing unprecedented life expectancy and growing pressure on public resources to pay older people [8]. That is why, in order to guarantee a decent standard of living, one needs to analyze pension insurance in different countries. The development of Ukrainian and Moldovan pension insurance requires further reform of the pension systems of the studied states. Pension reforms are driven by an aging population, which leads to a shortage of pension funds.

2. Analysis of recent researches and publications

The problems of reforming the pension insurance system against the background of modern trends in socio-economic development are becoming increasingly important. In this sense, the works of such scientists are of interest: Datsenko V. V. [5], Evtushenko N. M., Puchko A. O., Tsaruk A. Yu. [7], Zhmurko I. V. [8], Zubik S. P. [10], Kyrylenko O. P., Malinyak B. S., Petrushka O. V. [22], Konina M. O., Reha K. Z. [12], Levaeva L. Yu., Kucherenko M. A. [13], Petrushka O. V. [20], Prokopenko V. Yu., Mishenko V. S. [21], Slobodyanyuk N. O., Reha K. Kh., Bragina O. O. [24], Chugunov I. Ya., Nasibova O. V. [25], Shcherbakova V. I. [26].

3. Paper's objective

Paper's objective – to research the problems and development trends of Ukrainian and Moldovan pension insurance.

4. Research Content

Pension insurance is joint and cumulative. Joint pension insurance provides for compulsory pension for people who have reached retirement age at the expense of working citizens (always compulsory). Accumulative pension insurance is compulsory and voluntary. Voluntary pension

insurance is based on the voluntary participation of citizens in the deduction of funds from their salaries to pension funds, insurance companies or banks (Figure 1) [11].

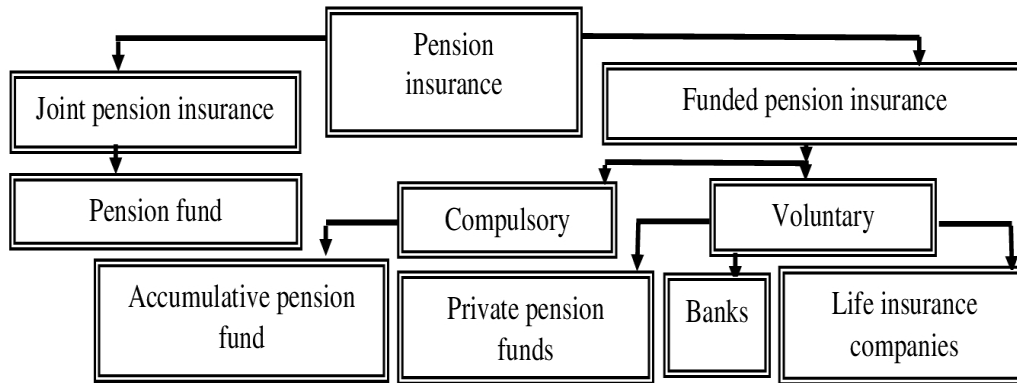


Figure 1: Pension insurance

Source: developed by the author.

The problem of effective formation and implementation of state policy in the field of pension provision has always been and remains relevant, because the most important component of the welfare of citizens, which demonstrates the true desire of the state to adhere to the principles of humanism. software. This right is realized through the provision of pensions, that is monthly cash payments for the purpose of material security of citizens due to the occurrence of social risk.

However, in recent years due to the unfavorable demographic situation in Ukraine, declining employment, inadequate wages, increasing the ratio between employees and retirees in favor of the latter, the existing solidarity pension system has been unable to quickly and fully meet modern needs [22].

In most countries of the world there were the same problems as in Ukraine. But thanks to pension reform, they have achieved successful results. Each state has chosen its path of building a pension system based on its own demographic and socio-economic characteristics of development. Nevertheless, the main tasks of any pension system are to protect against poverty and to provide a pension that could guarantee a decent standard of living for the pensioner. For a more detailed consideration, we analyze the strategies and models of pension insurance in different countries (Table 1).

Table 1. Pension insurance strategies and models

Strategy	Model	Pension system levels		
		1	2	3
Solidarity	Soviet	State pension (jointly)	–	–
Jointly-accumulative	Russian-Polish	State pension (joint)	Compulsory insurance	Accumulative (corporate, personal)
Accumulative and solidary	American	State pension (joint)	Labor (corporate)	Accumulative (personal)
	German (production)			
Conditionally accumulative	Japanese	Basic pension	Additional state and corporate	–
Accumulative	Chilean	Mandatory funded pension	Compulsory insurance	–
	Kazakh	Compulsory funded pension in the state pension fund	Voluntary accumulative pension	–

Source: [8].

The Ukrainian authorities have decided that the Russian-Polish model of the pension system will be implemented in our country. Today, there is almost no use of solidarity and accumulation strategy in its purest form, as most states are supporters of a mixed strategy. Therefore, the leadership of Ukraine plans to use the solidarity-accumulation model, in which all three levels will operate [8]. Despite the fact that the operation of the accumulative system of state pension insurance was provided for by the Law of Ukraine "On Compulsory State Pension Insurance" of July 9, 2003, it has not been introduced since then.

In Ukraine, the share of pension spending in budget revenues in 2018 was the highest in the world and amounted to just over 18% of GDP. In 2019, budget expenditures on pensions increased by another 27.2 billion UAH compared to the previous year, reaching 166.5 billion UAH. We are also leaders in Europe's highest percentage of contributions to the Pension Fund, in the amount of 35% of total wages [4]. In both Ukraine and Moldova, compulsory pension insurance is represented by joint pension insurance (Table 2).

Table 2. The main indicators of joint pension insurance in Ukraine and Moldova

Indicator	Country	
	Ukraine	Moldova
Retirement age, years:		
men	60	63
women	60	59 (from 2028 – 63)
Work experience, years:		
men	27 (from 2028 – 35)	34
women	27 (from 2028 – 35)	32 (from 2024 – 34)
Minimum pension, euro	56,7	57,9
Average pension, euro	104,9	94,4
Maximum pension, euro	566,7	The size is not limited (they plan to install 1 788).

Source: [3; 6; 19; 23].

As for Ukraine, our state, like most European countries, has taken the path of increasing the retirement age (up to 60 years) and insurance experience (up to 35 years). In Moldova, the retirement age is also being increased, for men it is already higher than the Ukrainian by 3 years, and for women it will become that in 2028. As for the length of service in which a citizen can count on a pension, in Ukraine it is 27 in 2020. 27 , but it will gradually grow and in 2028 will be 35 years old. In Moldova, the minimum length of service is already in 2020, 34 years for men and 32 years for women.

Table 3. The main indicators of voluntary funded pension insurance in Ukraine and Moldova

Indicator	Country	
	Ukraine	Moldova
Private pension funds		
Number of established funds, pieces	65	3
The number of operating funds, pieces	65	0
Life insurance		
Number of life insurance companies, pieces	22	1
The share of life insurance in the total amount of insurance premiums received,%	13	7
Bank deposits		
Average interest rate in national currency for individuals,%	10,87	4,86
Average interest rate in foreign currency for individuals,%	1,23	1,01

Source: [1; 2; 14; 15; 16; 17].

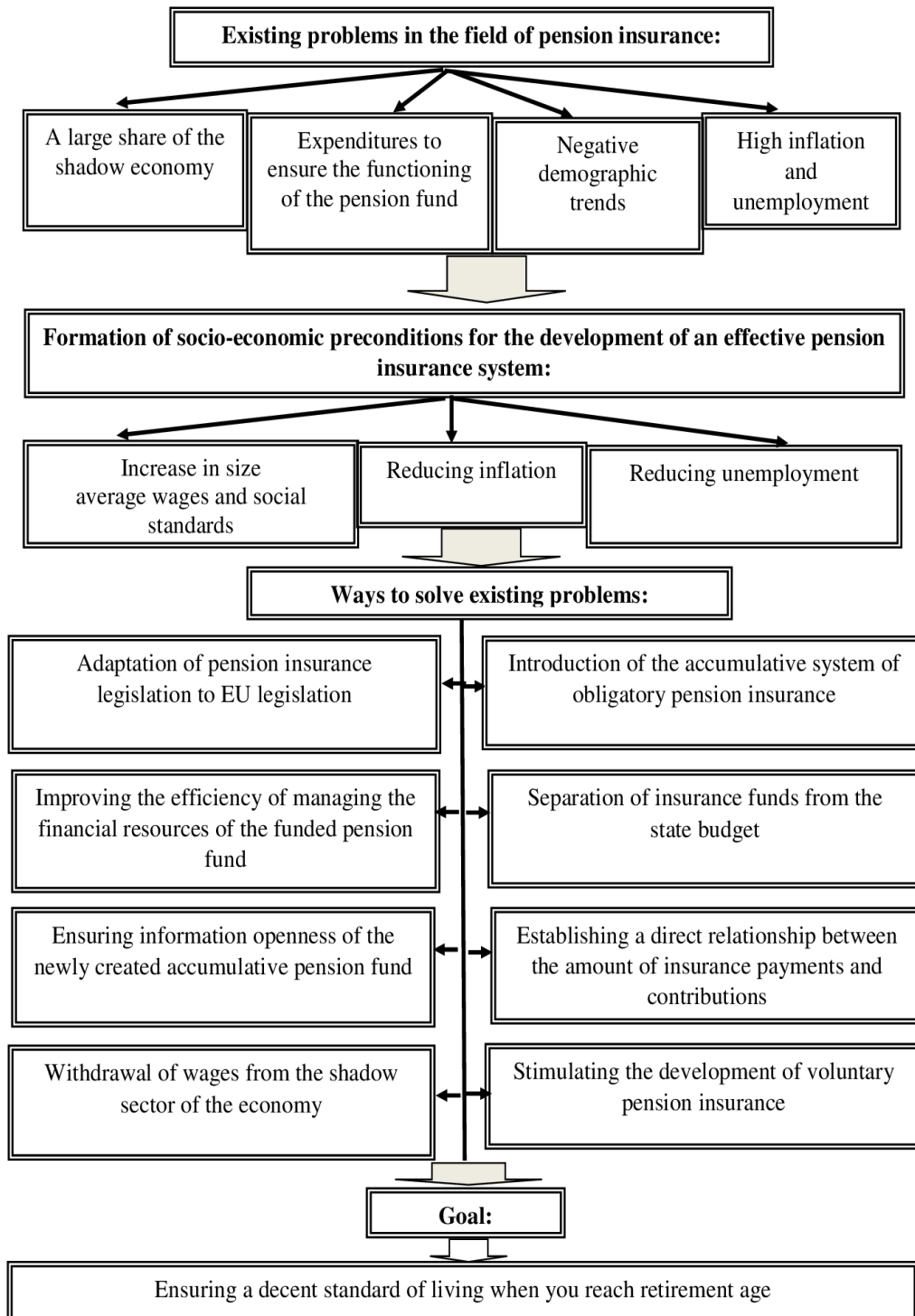


Figure 2. Model of formation of the optimal pension insurance system

Source: developed by the author.

In Ukraine, the launch of mandatory funded pension insurance has again been postponed, and this will lead to the fact that the state budget will not be able to contain such a large number of pensioners, and even pay the minimum that pensioners receive today. In addition, according to experts, a third of the country's able-bodied population (about 6 million people) work without work

books, without paying taxes and pension contributions. The same number of workers get paid in envelopes. Thus, more than half of working Ukrainians shy away from paying contributions to the Pension Fund [4]. At the same time, evading contributions, most people do not save money for old age, but rely on a joint pension insurance system.

In Moldova, over the past 10 years, the possibility of creating compulsory private pension funds has been studied as an instrument for generating additional income for state pensions, but they have not been created [1].

In the countries studied, joint pension insurance supplements voluntary funded pension insurance (Table 3).

An analysis of Table 3 suggests that three private pension funds are officially established in Moldova, but none of them work. In Ukraine, the situation is slightly better: the number of private pension funds is 65, but at the same time the number of concluded pension contracts amounted to only 77.1 thousand in 2019, pension contributions amounted to 83.75 million euros, and payments - 36.72 million Euro. As for life insurance, in Ukraine the share of life insurance in the total amount of insurance premiums received is insignificant and amounts to 13%, in Moldova this figure is even lower - 7%. Despite the reduction in interest rates on deposits, they remain the most popular tool for accumulating funds for old age in the studied countries.

Given the low level of development of voluntary pension insurance and the crisis of the joint system, the solution to problems in the field of pension insurance in Ukraine and Moldova may be the introduction of mandatory funded pension insurance, which, under favorable conditions, can stimulate savings, investment and contribute to economic growth in the country.

As a result of the above arguments, below is a model of forming an optimal pension insurance system (Figure 2).

5. Conclusions

Successful implementation of mandatory funded pension insurance in Ukraine requires at least three to five years of serious reforms in the regulation and development of capital markets. Today, financial markets are not able to offer financial instruments that would ensure the profitability of future retirees [17]. But no matter what problems stand in the way of developing pension insurance, the problem of low pensions and shadow wages can be solved only by introducing the second level of pension insurance - funded mandatory pension insurance. And for this you need to have a growing economy, a stable national currency and freedom.

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