

Студент 2 курсу

фінансового факультету ХНЕУ

## **PENSION REFORM IN UKRAINE**

*Annotation. The nature and the most controversial problems of pension reform in Ukraine are analyzed.*

*Анотація. Проаналізовано сутність пенсійного реформування в Україні та наведено його найбільш спірні положення.*

*Аннотация. Проанализирована сущность пенсионного реформирования в Украине и приведены его наиболее спорные положения.*

*Key words: pension reform, retirement age, pension.*

The living standard of population and economic level of every country depends on future pension system and labor force security. Namely, pension is the main part of population social protection. Changes in this area are extremely necessary for Ukraine. Such attention to pension issue is quite justified, because financial reform is necessary now. In addition, it is also a matter of social justice and long-term competitiveness of Ukrainian economy.

The aim of this article is to determine the nature of pension reform in Ukraine, its advantages and disadvantages and its reasons and the place it takes in the future of our country.

Many Ukrainian and foreign leading economists study this problem, because it is urgent for every country in the world. S. Berezina, I. Yaroshenko, J. Drabkin, B. Zaichuk, S. Zlupko, V. Kolbun, E. Libanova, S. Tigipko made a significant contribution to the formation of national pension concept.

The introduction of private pension insurance within which the workers pay contributions to personal savings accounts and then in the future will receive pension proportional to contributions made, was the first step in reforming of pension system. It will create incentives for honest reporting of wages and improve discipline to pay contributions. This in turn requires the creation of appropriate institutional conditions and functioning of capital markets.

Pension reform is one of the priorities of the Ukrainian Government. The new pension reform, which was adopted on the 6 of September 2011, has to improve the life of a great number of old men and women.

The following problems led to necessity of pension reform:

1) demographic problem. In Ukraine, 13.7 million people are retirees. Now pensioners are 98 100 people;

2) there is no proper differentiation of pensions depending on seniority and insurance premiums. Currently 1.5 million pensioners receive pensions less than subsistence levels and 10.1 million pensioners receive pensions within two subsistence levels [1];

3) there is a significant gap between the size of pensions for men and women.

-----

4) unbalanced budget of the Pension Fund of Ukraine is the next problem. In 2011, the Government managed to reduce the budget deficit of the Pension Fund of Ukraine to the amount of 17.8 billion, or 8.7 % of total budget expenditures of the Pension Fund of Ukraine [2].

One of the main points of pension reform is changing the retirement age for women. In Ukraine, it was one of the lowest in the world. Retirement age will increase from 55 to 60 years over 10 years, 6 months increase each year. However, it applies only to those individuals who are less than 35 at the time of this law adoption. Women, who were born before 31 December 1961, after the retirement will have 2.5 % over six months after retirement, beginning with 55 years before they reach 60 [3].

There is an increased insurance period, when an individual becomes eligible for old age pension and disability pension by a new Law. The pension age must have at least 15 years of insurance. Pensions are fixed to those individuals, whose necessary work experience is 30 years for women and 35 years for men.

The next point is that the maximum amount of pension (excluding pension payments that are made from pension accumulation fund) or monthly lifetime allowance cannot exceed ten subsistence minimum set for incapacitated persons.

There are changes in the order of determining the retirement age. Firstly, if there is a desire to postpone retirement age, an individual does not need to contact Pension Fund with a package of documents. The retirement age will be determined by the application for retirement.

Secondly, deferred retirement age can comprise even a month. Thus, old-age pension will be appointed and interest will be added:

1) 0.5 % – for each full month of insurance beyond the retirement age in case of the retirement delay up to 60 months [3];

2) 0.75 % – for each full month of insurance beyond the retirement age in case of the retirement delay for more than 60 months (as we may see the maximum number of delay months of the retirement age is not limited) [3].

To calculate pension it will be necessary to count only wages (income) for the entire period of insurance from July 1, 2000 [3].

The reform proposed by Ukraine in September 2011 is one of the most socially balanced in the region. The activities offered by the Government to solve the pension reform problems are financially responsible, socially balanced and laid the foundations for the pension system, which allows paying pensions not only for current but also for future pensioners. They should create incentives for honest reporting of wages and improve discipline to pay contributions; create the appropriate institutional conditions and functioning of capital markets and finally balance the budget of the pension fund. Results of pension reform will be visible in the near future.

*Наук. керівн. Бутковська Н. О.*

-----

**References:** 1. Datsenko V. V. Pension insurance as a factor stimulating labour activity of population / V. V. Datsenko // DSFA Bulletin. – 2010. – № 2(24) – P. 63–72. 2. Gora M. Pension reform Options for Russia and Ukraine / Gora M., Rohozynsky O., Sinyavskaya O. – Warsaw : Center for Social and Economic Research, 2010. – 50 p. 3. Про заходи щодо законодавчого забезпечення реформування пенсійної системи : Закон України за станом на 8 липня 2011 р. / Верховна Рада України. – К. : Парлам. вид., 2011.