



UDC 349.3

PENSION SYSTEM REFORM IN UKRAINE**Rybak N.O.***PhD in Economics, associate professor
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Abstract. *The article analyzes the features of reforming the domestic pension system, identifies the main problems of its implementation. The author describes the modern pension system in Ukraine; changes of interpretation are revealed and differences and innovations of the category "insurance experience" are investigated; the rules for clarifying the provisions for those periods that are part of the insurance period have been clarified.*

Key words: *pension reform, pension, solidarity system, insurance record, pensioners, Pension Fund of Ukraine.*

Introduction. The issue of reforming the national pension system of Ukraine is an important part of the national social security system and an important condition for economic stability in the country. The more efficient and well-organized the pension system is, the more stable will be the economic well-being of the majority of social groups [4]. The process of implementing pension reform in Ukraine has a remoteness of prospects and results over time, as well as is complex and ambiguous. Pension reform in Ukraine is characterized by significant controversy, which contains progressive reform ideas and concepts, on the one hand, and on the other - contains managerial, socio-economic shortcomings and miscalculations.

The purpose of the study is to identify the features and analysis of gains and losses in the process of reforming the pension system of Ukraine. To achieve this goal it is necessary to perform the following research objectives: to characterize the modern pension system in Ukraine; identify changes in interpretation and explore the differences and innovations of the category "insurance experience"; clarify the rules for clarifying the provisions for those periods that are included in the insurance period.

It should be noted that the presentation of the problem area for the study of pension reform as one of the measures of social security of citizens is presented in the scientific works of many domestic lawyers, political scientists, sociologists, economists, social security specialists (P. Borovik, B. Zaychuk, S. Bidyuk, N. Andrusevich, O. Minyuk, A. Nechay, I. Sirota, N. Shust and others). However, taking into account the state and dynamics of Ukrainian society at the present stage with all its transformational political, socio-economic, military, spiritual processes, the need to continue deep systemic socio-economic reforms, pensions need to be properly concretized their development prospects.

The main text. According to the current Ukrainian legislation (Article 2 of the Law of Ukraine "On Compulsory State Pension Insurance") [1] and the main areas of reform, the pension system in Ukraine should consist of three levels.



The first level is the system of compulsory state pension insurance, which is based on the principles of solidarity and subsidies and the payment of pensions and the provision of social services from the Pension Fund. Solidarity, or distribution system is the so-called contract of generations. That is, it is created when the former pension contributors finance the current retirees, in which case the organization of the pension is to provide a long-term contract between the employed working population and those who due to old age (or incapacity) can not participate in the labor process, but in the past they materially supported (through the system of insurance deductions) people of working age at that time [1].

The efficiency and functionality of the pension solidarity system in Ukraine is highly questionable. In general, we say that the solidarity system is not viable and needs immediate review and reform. The minimum pension (for 2021 is UAH 2,400 with a further increase during the current year) meets only the minimum social standards, but does not meet the established social norms of life and full existence of a citizen in a developed civilized country. Most retirees are below the poverty line. According to the Pension Fund of Ukraine at the beginning of 2021, the average pension in Ukraine is 3 507 UAH. The vast majority of retirees (58%) receive less than 3 000 UAH. In total in Ukraine there are more than 11.1 million people of retirement age, of whom receive: 0,7% - up to UAH 1,400; 16.3% - UAH 1,500–2,000; 41.2% - UAH 2,001–3,000; 19.2% - UAH 3,001–4,000; 8.1% - UAH 4,001–5,000; 11.6% - UAH 5,001–10,000; 3% - more than UAH 10,000 [6].

The second level is the system of compulsory state pension insurance, which is based on the principles of accumulation of funds of insured persons in the Accumulative Fund and the financing of the costs of paying life insurance contracts and lump sums [1].

The second level of pension provision consists of mandatory savings in accumulative pension accounts. Employees or employers on their behalf (and in some systems also self-employed) pay contributions to the funded pension fund, which are recorded in each participant's individual pension accounts. The accumulated contributions are invested, and after retirement the participant receives the right to receive a pension, which is calculated from the accumulated amount of contributions and investment income accounted for in his account. Currently in Ukraine there is a program of the State accumulative pension system of the Pension Fund of Ukraine [5].

The third level - the system of private pension provision, based on the principles of voluntary participation of citizens, employers and their associations in the formation of pension savings in order to receive pension benefits by citizens on the terms and in the manner prescribed by legislation on private pension provision [1; 2]. Currently in Ukraine there are programs for the introduction of private pension insurance in the activities of financial institutions of Ukraine (banks: Ukreximbank, OTP, corporate fund of the NBU, etc.), as well as programs for specialized firms, institutions (private pension funds: "Dynasty", "Ukraine", "ALL", "Highway", "Europe", "Social Perspective", "European Choice", etc.).

It should be noted that the first and second levels of the pension system in Ukraine constitute the system of compulsory state pension insurance. The second and



third levels of the pension system in Ukraine are the system of accumulative pension provision [1; 3].

One of the key system-forming concepts of the reformed pension system of Ukraine is the category of insurance experience. It remains important to establish the conceptual characteristics, the ratio of the category of "insurance experience". Thus, the current Ukrainian legislation establishes clear differences between the concepts of insurance and length of service. Thus, "length of service" is defined as periods of official employment, confirmed by official entries in the employment record book or other documents. In turn, it is established that the insurance period is the period for which the employee or his employer pays insurance premiums to the Pension Fund. That is, if paid, then there is seniority, not paid - no seniority. Accordingly, we conclude that since 2004 the pension is calculated only on the basis of the actual insurance record of a particular pensioner.

Note that the system and other provisions regarding those periods included in the insurance period need to be explained in detail.

Students at various levels of higher education have stopped paying contributions to the pension fund since January 1, 2004. Therefore, those who received higher education after this date will not be able to include years of study in the insurance period. However, those who have studied in vocational and higher education institutions before will be able to enroll in this period. Years of study in higher and secondary special educational institutions, schools and courses on training, advanced training and retraining, postgraduate studies, doctoral studies and clinical residency for those who studied before 2004, in accordance with the law in force at that time, will be added to the pension length of service. "On pensions" [1].

Women who were on maternity and childcare leave before 2004 will receive additional years to their insurance record, whether or not they were officially employed at the time. It should be noted that since 2004, maternity leave has been included in the pension period if a woman received childcare allowance during this period [6].

Let's analyze another important innovation: in 2013, childbirth assistance began to make contributions to the pension fund. Therefore, women who gave birth after 2013, the insurance period will also include 2 months before and 2 months after birth. After January 1, 2018, this period is also included in the retirement age [6].

Let's establish a logical relationship between military service and retirement age. Since 2007, conscripts have been paying contributions to the pension fund for their soldiers. So those who served in the army in the period from 2007 to 2017, will be able to contribute years of service to their retirement. However, there is one complication. Until 2016, military units did not submit individual reports for each employee to the pension fund. It has been agreed that within five years, reports on each soldier will be sent to the Pension Fund of Ukraine for the calculation of insurance experience. So by the time Ukrainians who served in the army between 2007 and 2017 retire, the problem must be solved. In addition, the insurance record includes being at the front and participating in hostilities in the area of the anti-terrorist operation / joint force operation. In addition, the retirement age will include the care of a child with a disability under 16 years, the care of a person with a



disability of group I, as well as the presence of a person registered at the employment center [6].

It is also important to note a very interesting fact that every Ukrainian who has a sufficient amount of insurance experience (for men - 35 years, for women - 30) and retired by age, is entitled to receive a lump-sum cash benefit (ten monthly pensions). However, this provision does not apply to everyone - only educators and doctors, and only if they have not exercised the right to retire after years of service. They are automatically credited with such assistance upon retirement.

From October 1, 2011 the bodies of the Pension Fund of Ukraine pay such categories of tax-free one-time cash benefits provided by the Final Provisions of the Law of Ukraine "On Compulsory State Pension Insurance", amounting to 10 monthly pensions on the day of appointment [1].

According to the results of the analysis of the legislation on compulsory state pension insurance [1; 2; 3], reforming the pension system of Ukraine [6] it was found that the procedure of purchasing insurance experience, if it is not enough to calculate the minimum pension. Yes, we have the opportunity to buy up to 5 years of insurance experience. According to the current legislation, the cost of purchasing seniority is calculated according to the following formula:

$$\text{Experience} = \text{single social contribution (SSC)} * \\ * \text{ratio} * \text{number of months.}$$

The ratio depends on the number of years that the person is going to buy. The more years you need to buy, the cheaper one year is. Accordingly, the coefficient for one year is 2; for two - 1.8; for three - 1.6; for four - 1.4; for five - 1.2. According to the following formula, the purchase of 1-5 years of insurance experience will cost: 1 year - UAH 24,936; 2 years - UAH 44,885; 3 years - UAH 59,847; 5 years - UAH 74,808 [6].

It should be noted that the pension reform in Ukraine has provided changes in the establishment of the coefficients of the cost of insurance. According to the existing changes, we found that the minimum pension is 40% of the minimum wage, but not less than the subsistence level for people who have lost their ability to work. That is, for 2021 the minimum pension in Ukraine is UAH 2,400 [6].

In accordance with all socio-economic, demographic reforms, a new formula for calculating pensions has been clarified, namely:

$$(RP = C S / P (3 \text{ years}) * IR C / P * K SS)$$

The amount of pension = average salary for the last 3 years * individual salary ratio * coefficient of insurance experience, where the individual wage ratio is the ratio of the amount of wages received to the average wage from which contributions are paid; the coefficient of insurance experience contains the sum of months of insurance experience.

According to the new pension legislation, the 15% restriction for working pensioners is abolished, ie this category of pensioners receives 100% of the pension; and residents of mountainous areas of Transcarpathia receive a 20% supplement to their pensions [6]. It is important to note that from 2021 the annual indexation of pensions is planned, which will take place by recalculation: 50% of the average wage for the last 3 years + 50% of the growth of the consumer price index for the last year



[6].

Pension reform in Ukraine provided for changes in the structure of the right to early retirement for so-called years of service, as well as the abolition of supplementary pensions for certain categories of workers. Thus, now the pension system has eliminated the right to early retirement for metallurgists, miners, health workers, social workers, pilots, teachers, chemical workers. This right is reserved for mothers with many children (aged 50) who have raised 5 or more children, and children with disabilities, artists (20-35 years of experience), combatants (55 years of age with 25 years of experience), people with disabilities, employees with harmful and difficult working conditions, people affected by the Chernobyl disaster, journalists who were injured in the line of duty at the scene of an emergency. The right to a supplementary pension for Chernobyl victims of the IV category, scientists, civil servants, officials of local self-government bodies, prosecutors, deputies, journalists has been abolished. However, the maximum amount of the maximum pension for deputies, civil servants, prosecutors, employees of the diplomatic service, scientists, taking into account all allowances, promotions, etc., is set at a level not exceeding 10 subsistence minimums [6].

Conclusion. Thus, the implementation of reforms in the field of pension provision in Ukraine is characterized by progressive ideas, positive achievements, the first successful results. At the same time, the pension reform is filled with great socio-economic risks, organizational and managerial failures in the issues of accrual of pension benefits and the amounts themselves in particular. The key place in the pension reform is now occupied by the category of "insurance period" with a changed interpretation and clarification of the provisions for those periods that are included in the insurance period.

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Article sent: 03.09.2021

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