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NON-STATE PENSION SYSTEM: POSITION, PROBLEMS AND PROSPECTS

Abstract. In solving problems of social protection improving of advanced age people, non-state pension insurance is called to play a significant role. By introducing three-pillar pension system, sources of pension assets generating have been diversified. Joint system of obligatory retirement insurance permits to form state pension based at continuous years of insurance and salary (income). Accumulative forms of retirement insurance enable to generate pension-plan assets depending on the wished amount.

Our research focuses on the basic aspects of the non-state pension system efficiency. Data related to the work of non-pension funds, insurance companies and banking institutions were collected, generalized and classified. Analysis of recent studies and generalized indicators enabled us to reveal issues of concern for non-state pension insurance. We point at the small scale of insurance service development and draw our attention to the necessity to aggregate all the types of non-state pension insurance developmental indicators.

Based at theoretical generalizations and using abstract and logic methods, we substantiate the necessity to work out an integrated Index of three-level pension system. We also make proposals concerning improvement approaches to formation impediments in order to activate voluntary participation in all forms of non-state pension insurance among the citizens. These measures will enable increase functional efficiency of the national pension system for the purposes of the national social-economic development.

Keywords: pension system/scheme; non-state pension insurance; indices; development.

JEL Classification: G20, G22, G23

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НЕДЕРЖАВНА ПЕНСІЙНА СИСТЕМА: СТАН, ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ

Анотація. У вирішенні завдань підвищення соціальної захищеності громадян похилого віку недержавне пенсійне страхування має відіграти визначальну роль. Адже із введенням у дію трирівневої пенсійної системи диверсифіковано джерела створення пенсійних активів. Солідарна пенсійна система надає можливість формування державної пенсії виходячи із тривалості страхового стажу та розміру заробітної плати (доходу). Накопичувальні форми пенсійного страхування дозволяють людині накопичувати пенсійні активи залежно від бажаного розміру.

Авторське дослідження сфокусовано на основних аспектах ефективності недержавної пенсійної системи. У межах роботи проведено збір, узагальнення і групування даних про діяльність недержавних пенсійних фондів, страхових організацій, банківських установ, виявлено проблемні питання недержавного пенсійного страхування, відмічено маломасштабність його розвитку. Обґрунтовано доцільність агрегування індикаторів розвитку всіх видів недержавного пенсійного страхування. На підставі теоретичних узагальнень і використання абстрактно-логічного методу доведена важливість розробки комплексного показника розвитку трирівневої пенсійної системи.

Вироблено пропозиції щодо вдосконалення підходів до формування стимулів для активізації добровільної участі в усіх формах недержавного пенсійного страхування. Вказано заходи, які дозволять підвищити ефективність функціонування вітчизняної пенсійної системи в контексті соціально-економічного розвитку держави.

Ключові слова: пенсійна система, недержавне пенсійне страхування, показники, розвиток.

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НЕГОСУДАРСТВЕННАЯ ПЕНСИОННАЯ СИСТЕМА: СОСТОЯНИЕ, ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ

Аннотация. В решении задач повышения социальной защищенности граждан преклонного возраста негосударственное пенсионное страхование призвано сыграть определяющую роль. Ведь с введением в действие трехуровневой пенсионной системы диверсифицированы источники пенсионных активов. Солитарная пенсионная система дает возможность формирования государственной пенсии исходя из длительности страхового стажа и размера заработной платы (дохода). Накопительные формы пенсионного страхования позволяют человеку формировать пенсионные активы в зависимости от желаемого размера.

Авторское исследование сфокусировано на основных аспектах эффективности негосударственной пенсионной системы. В рамках работы проведены сбор, обобщение и группировка данных о деятельности негосударственных пенсионных фондов, страховых организаций, банковских учреждений, выявлены проблемные вопросы негосударственного пенсионного страхования, отмечена маломасштабность его развития. Обращено внимание на необходимость агрегирования индикаторов развития всех видов негосударственного пенсионного страхования. На основании теоретических обобщений и использования абстрактно-логического метода обоснована необходимость разработки комплексного показателя развития трехуровневой пенсионной системы.

Выработаны предложения по совершенствованию подходов к формированию стимулов для активизации добровольного участия во всех формах негосударственного пенсионного страхования. Данные меры позволят повысить эффективность функционирования отечественной пенсионной системы в контексте социально-экономического развития государства.

Ключевые слова: пенсионная система, негосударственное пенсионное страхование, показатели, развитие.

Introduction. The level of national social-economic development under current conditions is specified mainly by quality of life of the citizens. The position of social welfare state guaranteed by the Constitution of Ukraine assumes formation of applicable social standards [1]. Financial support of retired employees (pensioners) is specified by the level of national and social development, in which case the main load in implementation of constitutional rights of the citizens can be rested on any of the participants (categories of participants) of pension relations. The three-pillar pension system introduced into the national practice is aimed at providing diversification of the sources of pension/retirement assets. It is more pragmatic as contrasted with the system of social security, which was in effect before 2004. This is because in the mixed pension system redistribution of the roles of the state, employer and employee for generating pension assets takes place towards the latter. Insurance principles form the basis for pension system transformation. Their basic provisions are realized by means of joint system of obligatory retirement insurance and defined contribution pension system and non-state pension provision (Personal Pension Plan) [2; 3]. It is widely accepted that just by means of insurance principles the rate of retirement pension, years of insurance and salary level (income) that takes part in generating pension assets by payment of insurance fees are related to each other. It is significant that the most important instrument in increasing the rate of retirement pension is assigned to the non-state pension schemes (NSPS) in solving problems of social protection of citizens. A capacity for accumulation of pension plan assets and their transformation into investment resources is considered generally as essential facilities for development of economics.

Brief Literature Review. A lot of academic economists and practitioners devoted their research and studies to different aspects of pension system development; among them are: G. G. Zabarny, N. Yu. Balaniuk, A. V. Fedorenko, V. K. Rudik, N. V. Tkachenko, N. A. Shkanovskaya, S. V. Yushko. The essential contributions to this branch are also connected with the researches of E. Whitehouse (2008), L. Kotlikoff (2004), S. Burns (2004), R. Holtzmann (2005), R. Hinz (2005) and many others. At the same time, functioning of the non-state pension insurance in social-economic environment being transformed results in necessity for further study.

Thus, **the purpose of the paper** is the analysis of some aspects of functioning of the non-state pension insurance, identification of issues of concern and definition of directions for improvement of the concept of pension system in the context of national social-economic development.

Methodology. The research is made based on system approach using general scientific methods: generalization, tabulation procedure and comparison study. For making our conclusions we used abstract-logical method.

Results. In the meaning of our research it is important to note that in order to accomplish purpose of improving social protection of citizens in relation to the problems of pension provision it is assumed to solve a number of constituent problems. They include: maximal coverage of non-state pension fund participants; provision of high rate of insurance fees; efficient capitalization of pension plan financial resources; safety of pension assets of insured person and many others. In the modern concept of three-pillar pension insurance system non-state pension insurance is represented by the instruments implemented through non-state pension funds (NSPF), insurance companies (IC) and banking institutions (BI) [2; 3]. It is important that in order to realize the each of the mentioned instruments usage, appropriate conditions and types of pension insurance are provided. Application of various methodological approaches to generation of pension plan assets and payments has specified different necessity in the instruments of pension insurance being in effect (Table 1).

In spite of progressive development of non-state pension insurance, this process is going on a small scale [5, p. 176]. It is appropriate to point out that its activity takes place mainly due to the work of NSPF. The studies show positive dynamics relating the number of NSPF – from 54 for the time of their establishment in 2005 to 89 as on the beginning of 2014. Most of NSPF (110 units) is accounts for 2010. The number of managers of NSPF has decreased from 37 to 34 or by 8%. We note that insurance companies that include life-programs also demonstrate qualitative growth from 52 in 2005 to 62 in 2013 [4]. On our opinion, qualitative data on NSPF reflects only concentration ratio of pension insurance within NSPF and does not give any qualitative description of it. The basic indicators of the activity of non-state pension system in dynamics are shown in Table 2.

Summarizing effectiveness of development of non-state pension insurance with relation to the above mentioned indicators, we note comparatively small volume of total accumulations. The volume of pension contributions to the NSPF at the beginning of 2014 is 144.27 million UAH with 588.5 thousand participants of pension contracts. Calculated per participant the amount of accumulations is 2.5 thousand UAH [4]. Their insufficient level shows the necessity to activate the process of accumulation of pension savings. The volume of insurance premiums and insurance payments on pension contracts within functioning of insurance companies is characterized by irregularity [4]. We would like to emphasize inappreciable role of banks in the development of non-state pension provision. Researchers show practically complete absence of delivery of services at this market. They operate mainly as savers (with NSPF), provide broker services, payment and cash services for insurance companies, and operate as establishers of a number of NSPFs. Direct participation of banking institutions in non-state pension provision is limited mainly to opening of pension deposit accounts, payments on which are made before depletion of accumulated funds [6, p. 46-47]. We think that integrated analysis of qualitative characteristics for development of non-state pension insurance and each of its segments assumes system monitoring of its basic comparable indicators that requires applicable methodical normative adjustment.

Among the basic factors that determine qualitative aspects of development of non-state pension insurance G. G. Zabarny, and N. Yu. Balanyuk (2012) draw their attention to the low level of insurance contributions and personal income [7, p. 56-57]. It is important to add that just the level of income specifies predominantly the extent of coverage and categories of population as potential participants of non-state pension insurance.

At the same time, considering non-state pension insurance we can attribute also appropriate rate of pension payment within pay-as-you-go pension scheme to the critical factors for participating of a person in creating additional pension accumulations.

According to statistics, the rate of pensions granted under pay-as-you-go pension scheme can be described as comparative low [8]. Further more, the final rate of granted pension not by a long way satisfies the level of personal contribution of today's pensioners under pay-as-you-go pension scheme

Tab. 1: Description of the functioning of non-state pension insurance (NSPI)

NSPI components	Mechanism	Extent of spreading among population
Pension funds [3]	By making pension contracts between pension fund managers and depositors of such funds	Small-scale [4]
Insurance companies [3]	By making life pension insurance contracts, insurance against risk of incapacity for work or death of the participant of the fund	Weak [4]
Banking institutions [3]	By making contracts on opening pension deposit accounts for accumulation of retirement savings within the amount specified for reimbursement of deposits by Depositors Insurance Fund	Weak [4]

Source: On non-state pension provision (Act of Ukraine dd. 09.07.2003 No. 1057 [3]; data of the National Committee for Regulation of Financial Services [4]; conclusions of the author

Tab. 2: Dynamics of the basic indicators of non-state pension provision system functioning

Indicator	Period									Deviation 2013/2005	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	Absolute	Relative
NSPF											
Number of NSPFs	54	79	96	109	110	101	96	94	89	35	1.65
Number of managers	37	41	50	50	47	43	40	37	34	-3	0.92
Number of participants of pension contracts, thousands of people	88.4	193.3	278.7	482.5	497.1	569.2	594.6	584.8	588.5	500.1	6.67
Number of concluded pension contracts, thousands of units	30.6	41.5	55.9	62.3	62.5	69.7	75.0	61.4	61.3	30.7	2.0
Pension-plan assets, millions of UAH	46.0	142.0	281.0	612.0	857.9	1144.3	1386.9	1660.1	1831.9	1785.9	39.8
Pension contributions, millions of UAH	36.4	114.4	234.4	582.9	754.6	925.4	1102.0	1313.7	1442.7	1406.3	39.6
Investment income, millions of UAH	9.7	45.3	68.1	86.8	236.7	433.0	559.9	620.3	685.9	676.2	70.7
Pension payments, millions of UAH	1.7	4.0	9.1	27.3	90.1	158.2	208.9	251.9	274.3	272.6	161.4
Insurance companies (that include life-programs)											
Number, units	50	55	65	72	72	67	64	62	62	12	1.24
Insurance premiums for pension contracts, millions of UAH	-	-	-	-	291.2	35.4	31.1	2.5	46.9	-	-
Insurance payments for pension contracts, millions of UAH	-	-	-	-	9.7	15.8	199.3	325.7	13.8	-	-
Banking institutions											
-	-	-	-	-	-	-	-	-	-	-	-

Source: Author calculations based at the data of the National Committee for Financial Services Regulation (<http://nfp.gov.ua/>)

[9, p. 64]. This may be the evidence of both violation in insurance principles in generating pension and other reasons. Within the frame of our research we should like to pay attention to the character of pension parameters depending on the character of employment relationship [10, p. 8]. It is specified by the difference in the rules for generating pension plan assets under different pension schemes (acts). Calculated pension interest based on the so-called special acts (70-80%) and the similar index based on the Act on the obligatory state pension insurance are considered the most controversial of the basic elements in the algorithm for pension accounting [2]. To liquidate this difference S. V. Yushko (2011) proposes for all types of pensions to be transferred under the integrated rules for pension accounting [9, p. 68]. For our part, we think that approaches to regulating interest rate for pension calculation should be considered in complex with special considerations relating the base for calculation, that is incomes of different categories of citizens. The algorithm for generating incomes in the frames of different types of government service has severe limitations on salary, holding of more than one office, capability for pension insurance at the expense of any third persons and others. In this context we may conclude that potential of non-state pen-

sion insurance in its current form focuses just on employment relationship segment that is not connected with any limitations. What are meant here are spheres, where increase in incomes is possible for participation in voluntary accumulative insurance by regulating the scope of employment relationship, their unshadowing and other capabilities.

We would like to emphasize that researches tackle non-state pension insurance mainly as ultimately an instrument for obtaining high (quite a proper) pension [11, p. 73; 12, p. 77].

In the opinion of the researches just the incapability to provide quite a proper pension by budget pay-as-you-go pension schemes has become one of the basic reasons of introducing non-state pension insurance. In such situation, to our opinion, it is important to have a more formalized notion about sufficient rate of retirement pension. Taking into account that the basic indicator in evaluating the level of pension insurance in the frameworks of joint system of obligatory retirement insurance is living wage for persons who lost their capacity for work (it is important to note that this index is also used for evaluation of poverty rate) efficient, in our opinion, can be considered the index of integrated evaluation of pension insurance, which would take into account its component parts (joint system of obligatory retirement insurance, accumulative and non-state insurance). Thus, based on the provisions of the concept of three-pillar pension system as a capability embodied in its mechanism of achieving sufficient volume of accumulations and sufficient level of pensions, such indicator would give a vision of the principles for development of the national pension insurance as a whole that requires

methodical and legislative adjustment.

What stands out is the belief of deficiency of the real prospects for improving qualitative level of social protection of future pensioners. It is considered that under existing conditions reserves for voluntary participation of individual persons in non-state pension provision scheme are practically depleted. Subsequent development of the system is possible only subject to the introduction of further motivating factors [13, p. 36; 14; 15, p. 17-18]. Accepting this point of view, we consider the necessity to delay individual consumption and the uncertainty of social-economic environment as limiting the development of accumulative forms of pension insurance (except the low level of incomes). In our opinion, the important national role of pension investment resources affords ground for formalization of more significant government guarantees and entrenchment of privileges and preferences as motivating factor for pension savings of insured persons that requires appropriate methodological and legislative adjustment.

Summarizing all the above-mentioned information we can make conclusion that potential laid in the mechanism of non-state pension insurance to increase efficiency of national social-economic development is implemented not in full. The research

has shown small scale of the distribution of accumulative forms of non-state pension insurance. With positive qualitative dynamics their functioning is characterized by relatively low level of insurance fees and assets.

Conclusions. We think that in order to solve outstanding problems considered in our paper in the framework of three-pillar pension system, it is necessary to make the following:

- to develop aggregative monitoring of all the instruments of non-state pension insurance for the analysis and evaluation of the development of non-state pension provision as a whole;
- to define the system of incentives for activation of voluntary participation in all forms of non-state pension insurance;
- to work out and introduce the concept of integrated indicator for the development of pension system.

Implementation of the abovementioned proposals will enable to activate the process of accumulative types of pension insurance development, to improve pension system financial stability, to activate economic activity of economic and business entities, to deshadow employment relationship and salary (income) that provides increase in the level of social protection of pensioners for the purposes of further national social-economic development.

Our prospects for further research in this line will be working out comprehensive conception of pension system and harmonization of its functioning in the social environment.

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