DEVELOPMENT OF MULTICOMPONENT PENSION SYSTEMS AS A MEAN OF PROTECTION OF CITIZENS IN OLD AGE.

Dynamic development of social and economic systems causes related transformations of financial institutions of the country. In such circumstances pension systems are also in constant development. Responding to changes of social demands and the possibility to accumulate the necessary resources, they are subject to substantial reform.

The period of formation the state pension insurance provided simultaneous development of solidarity and funded pension systems. Thus, in the Nordic countries (of Denmark, Finland, Norway and Sweden) and in the Netherlands, Switzerland and most Anglo-Saxon countries (excluding the US) universal pension systems that guarantee minimum income at a fixed value were introduced. Tax revenues in these countries served as source of pension payments. Unlike these countries, in other European countries – Germany, Austria, Belgium, France, Italy, Spain and the US pension systems developed on the principles of social insurance. Under such conditions, pensions were intended to replace lost earnings, and the source of their payment became premiums of workers and employers [1, p. 239-240]. Significant differences in the organization of state pension insurance in various countries exist till now. Thus, the above-mentioned makes it possible to conclude that from the beginning there were fundamental differences in the development of pension systems. Even the substantial differences in pension system construction did not prevent the effective implementation of pension insurance tasks.

Substantial reform of pension systems occurred in the 50s-70s of the twentieth century. During this period the state pension insurance was complemented by universal social security system, and later - voluntary social insurance system on the base of contributions mostly from employers [2, p. 59]. A characteristic feature of this period of pension system development, which is essential to study the logic of their reformation, was unification of pension systems. In developed countries funded pension systems were supplemented by solidarity systems, and the last – vice versa – by funded pension systems. In our opinion, it was a result of the inability to realize all functions of pension insurance within only one of the systems. From the above-mentioned it can be concluded that one of the important stages of reforming the pension system in market economy conditions is the introduction of tiered pension insurance systems.

As practice showed multicomponent structure of pension systems is better for solving pension insurance tasks, the most important of which is to reduce poverty, income equality and to neutralize the economic, political, and demographic risks facing the pension system [3, p. 10]. The mentioned advantages can be achieved because the multicomponent structure is more flexible and is clearly focused on the main target groups. Further reformation of pension systems was carried out taking into account these factors within the multilevel structure.

At the end of the 1970s - 1980s in developed countries a three-tier pension system was formed. It has the addition to the first solidarity level and also to the second and third - the accumulation levels. Typically, the second level of the pension system was funded system that was financed through mandatory contributions to pension funds. Later investors had the right to get contributions and also certain percentage for savings. Introduction of mandatory funded level was related to the fact that during relevant scientific research it was found that people in a situation of uncertainty are often short-sighted if they can get benefits in the distant future, prefer current consumption than revenues in future. The task of third voluntary level of pension system was to meet the demands of people who are ready to accumulate resources and wish to obtain additional income being retired. Thus, thanks to the introduction of tiered systems society has acquired new mechanisms of protection against loss of material well-being because of the achievement of retirement age.

It should be noted that together with the intensive development of pension systems in developed countries there was radical reformation of them in Latin American countries. A classic example of pension reforms of Latin American countries is Chile's pension system reform that began in 1980 and assumed personal responsibility of citizens for creating their social security. Pension reform in this country has completely changed the solidarity pension system by introducing funded pension insurance system. All employees are required to pay contributions to private pension funds, and for the uninsured a guaranteed minimum pension is provided, which is paid from the budget [4, p. 190]. The success of the reformation of pension systems in Latin America was the impetus for the development of private pension insurance in other countries.

Against the background of successful development of private pension insurance in many countries, shortcomings of public pension systems become even more noticeable. At the end of the twentieth century, the World Bank concluded on the failure of the state pension systems of the European Union Members from social and economic point of view. Devaluation of pensions, injustice in pension provision of poor, high administrative costs of public pension systems, excessive incentives for early retirement, increasing government expenditures, related to the aging population, were noted as major shortcomings.

It should be noted that the intensity of the reformation of pension systems is quite high and is the result of the rapid transformation of economic and social relations. A new milestone in the development of scientific concepts of pension system formation is inventions of leading experts of the World Bank led by professor R. Holtzman. Thus, in a public statement "A warm existence in old age in the XXI century" it was proved the feasibility of 5-element system of pension provision. Scientists have determined the purpose of each of the five elements: 1) "zero component" that is formed without any contributions from citizens and provides a minimum level of social security; 2) "the first component", formed by contributions and is associated with a certain level of wages; this component is intended to compensate the worker a part of his salary; 3) mandatory "second component", which provides the saving account of the employee, but which is used in different ways; 4) voluntary "third component" that can provide various schemes and all possible schemes are characterized by a higher degree of flexibility and are optional; 5) informal internal or intergenerational sources of financial or non-financial assistance to elderly people, including housing and access to healthcare services [3, p. 8].

Summarizing the research of pension systems reformation, we should note that radical pension reforms did not sidestep almost any country. The implementation of radical pension reforms did no have significant impact on reduction of the differences between the pension systems of different countries observed from the beginning of their evolution. This demonstrates the feasibility of formation of our own model of pension system that would not only take into account the best international experience of pension systems and public pension insurance, but also reflect the national peculiarities of the country.

References:

1. Roik V.D. Make your old age happy: Fundamentals of life of the population in older age V.D. Roik. - M .: MIC, 2008. - 432 p.
2. Khizhnyi E. State system of social protection of citizens in the countries of Western Europe: monograph. / E. Khizhnyi. - M .: INION, 2006. - 272 p.
3. Holzmann R. Old Age Income Support in the 21st Century. An International Perspective on Pension System and Reform / Robert Holzmann, Richard Hinz, Hermann von Gersdorff and other. - Washington: The World Bank, 2005. - 232 p.
4. E. Whitehouse. Pension Panorama. Pension systems of 52 countries / Edward Whitehouse / translation from English. - M .: The whole World, 2008. - 244 p..