

Petrushka O.V.

Ph.D. in Economics,

*Associate Professor of Department of Finance named
after S.I. Yuriy*

Ternopil National Economic University

Ternopil, Ukraine

Shuliuk B.S.

Ph.D. in Economics,

*Associate Professor of Department of Finance named
after S.I. Yuriy*

Ternopil National Economic University

Ternopil, Ukraine

THEORETICAL ASPECTS OF PENSION INSURANCE

Nowadays the problem of pension provision for citizens is one of the dominant in the development of economies of all countries in the world. Permanent deficit of the budget of the Pension Fund of Ukraine forces to search for new forms and methods of management of financial resources of pension insurance. Foreign experience in the construction of pension systems shows that funded pension programs are an integral complement to the state-guaranteed solidarity-level pension and an effective tool for developing the national economy.

Today, funded pension insurance is a prerequisite for building a full-fledged three-tier pension system and is intended to facilitate a number of tasks, including: forming a level of pension benefits that will provide an acceptable level of replacement ratio (up to 40% of lost earnings), reforming pension mechanisms and the development of personnel management tools that will serve as a motivating factor for the professional development of staff.

According to the experience of developed countries, corporate pension insurance provides the part of pre-retirement income that is not able to be compensated by compulsory pension insurance (the rate of state pensions in general structure of pension payments in these countries does not exceed 50%). In our opinion, the main factors affecting the income structure of retirees are the level of state guarantees, the stability of the country's economy and the level of responsibility of employers and employees in the area of future retirement.

On the basis of scientific developments of leading experts of the World Bank, headed by R. Holtzman, a universal classification of pension rates is formed:

- 0 level «basic» – social pensions and payments are funded by tax revenues;
- 1 level “distributive” – pension payments are financed through distributive mechanisms in the compulsory social insurance system;
- 2 level “compulsory savings” – pensions are financed by the financial savings of employees in the accounts of non-state pension funds or insurance companies;
- 3 level “cumulative voluntary” – pension payments are formed by combining discretionary pension schemes;
- 4 level «informal» – informal intrasystem or intergenerational sources of financial or non-financial assistance [1, p. 8].

The above classification defines the following corporate pension funding models:

- 1) a defined benefit model;
- 2) model with fixed contributions;
- 3) conditional cumulative (mixed) model.

All the reforms in the field of pension insurance in different countries of the world are aimed at building such cumulative models, in which there is an opportunity to create the closest possible relationship between contributions to the pension insurance system and future pension payments. Thus, according to Towers Watson, in the North America and Asia Pacific countries and Europe, defined benefit schemes predominate (78%, 67.8% and 55.5% respectively) [2].

At the same time, the contribution model is the most popular in Latin American countries and regions with high levels of financial and economic instability.

Regarding conditional-funded corporate pension models, they are most common in some European countries in Sweden, Poland, Latvia, Germany, and others. (the rate of these schemes in general structure of corporate pension insurance is about 30%) [2]. Employee retirement benefits are determined on the basis of individual contributions, taking into account certain factors (changes in interest rates, wage increases, etc.).

References:

1. Holzmann R. (2005) Old Age Income Support in the 21st Century. An International Perspective on Pension System and Reform. Washington: The World Bank. 232 p.
2. The World’s 300 largest Pension Funds – Year End 2014 (2015) Towers Watson. Available at: <https://www.towerswatson.com/en/Types/Survey-Research-Results/2015/09> (accessed: 07.08.2019).