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ACCUMULATIVE SYSTEM OF PENSION INSURANCE: OPPORTUNITIES AND THREATS

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In today's realities, the pension system of Ukraine is in a crisis situation, which is primarily reflected in the permanent deficit of the Pension Fund of Ukraine, the low level of pension payments and makes people of retirement age stay almost below the poverty line. The total lack of confidence of the economically active population in the pension system of Ukraine, before the possibility of receiving pension payments upon reaching the retirement age, forces workers to agree to receive "salaries in envelopes". In addition, paying employers create a significant burden for their employees, so in the conditions of political and economic uncertainty, each of them looks for possible ways to minimize them. Therefore, the only correct way out of this situation is to introduce a funded pension system that will increase the responsibility of each employee for their financial well-being when reaching retirement age, reduce the pressure on the country's budget system, and will increase the motivation of both employees and employers for the implementation of retirement savings.

To begin with, let us consider what a cumulative level of pension insurance constitutes, what its mechanism of functioning is and the main steps that have been taken to implement this level of pension provision into the practice of functioning of the pension system of Ukraine.

According to the Law of Ukraine "On compulsory state pension insurance" the cumulative system of compulsory state pension insurance is the second level of the pension insurance system of Ukraine, "... based on the principles of accumulation of funds of insured persons in the Cumulative Fund or in the relevant non-state pension funds – subjects of the second tier of the pension system and the financing the costs of life insurance contracts and lump sum payments on terms and conditions in the order provided by law ”[1]. That is, the pension system provides the accumulation of pension savings by each individual citizen in the personal accounts of a specially created State Savings Fund or in the relevant non-state pension funds, according to the willingness of the individual.

Pension contributions to the personal pension accounts of citizens in the savings system become their private property. To save and multiply these funds they are invested in more reliable assets, defined by law, with an adequate system of state supervision and regulation [2, p.228]. Therefore, the main advantages of this system are the personal responsibility of the person for his / her future pension provision, as well as the accumulation of a strong domestic investment resource for the development of the national economy by means of a funded pension system. The mechanism of action of this system is that pension contributions will increase year by year, thus increasing the amount of investment resources for the economy, from which the pension assets of citizens increase.

The start-up of the funded pension system was forecast for 01.01.2019. However, this did not happen. In our opinion, the launch of this system in the short term will not happen due to: the lack of infrastructure for its proper functioning; the lack of a clear mechanism and answers to the questions "Who will pay?", "How much interest will be paid?", "What proportion will be kept between employers and employees?" etc.; and, the lack of an investment market in Ukraine.

Despite the obstacles for the introduction of a funded pension system, it is worth considering the possibilities that this system will provide for both citizens and the state economy. Retirement reform can be one of the real expected reform steps, as these problems have a profound impact on public sentiment, the country's finances and the economy as a whole. Otherwise, pension issues will be the basis for populist speculation, which upsets public consciousness and increases political risks [2, p.230].

In our opinion, it is worth highlighting the following main opportunities from the introduction of the funded pension system in Ukraine:

1) formation of individual retirement accounts for practically every employee, which will allow to create personal retirement savings and the possibility of their constant monitoring in real time, which will increase citizens' confidence in the pension system of Ukraine;

2) appearance of own source of long-term investments for the economy of Ukraine. These funds can be used to invest in promising sectors of the economy of the country, which will allow to generate income from investing funds for investors (depositors), and will also be a powerful impetus for the development of a national economy that can refuse external financial assistance;

3) reducing the burden on the budget system of Ukraine. Due to the fact that citizens upon retirement will receive pension payments from different levels of pension provision, this will reduce the pressure on the solidarity level of pension provision, whose budget deficit is constantly financed by the State Budget of Ukraine.

Therefore, in view of the above, the introduction of a funded pension system in Ukraine will ensure the financial well-being of its citizens, as well as contribute to the prosperity of the Ukrainian economy through internal sources of investment resources.

As for the risks of introducing a funded pension system, they may certainly arise. These risks include inefficient investment of retirement assets, which may not produce the expected return, but this risk is counterbalanced by a state-guaranteed minimum return, even if the investments made are unprofitable.

The second major risk is high inflation in Ukraine. As a result, there is a rapid depreciation of pension investments, because the accumulation period is very long (30 to 40 years), and because of the instability of the Ukrainian economy, it is very risky to invest for such a long term due to the instability of the Ukrainian economy. In addition, the volatility of the exchange rate and its sharp fluctuations also contribute to the depreciation of the investments, since the investments are made in the national currency.

It is necessary to ensure the shadowing of the economy and the legalization of remuneration as a prerequisite for the introduction of a funded pension system [3, p.100]. Paradoxically, Ukrainian realities suggest that this process should be reversed, that is, the introduction of a cumulative system will help bring the economy out of the shadows and legalize pay. However, it is worth noting that such hopes may not be justified, as the case with the reduction of the single social contribution rate was.

Therefore, as it can be seen from the above, the second level of pension provision of Ukraine is extremely important part of it, which needs immediate implementation in the practice of Ukrainian pension provision. Considering the number of positive consequences for the citizens, the state and the economy of Ukraine, and considering the possible risks, it is necessary to create the necessary conditions for its implementation in the beginning, to create a transparent mechanism of implementation that will ensure the effective functioning of the cumulative level of pension insurance in Ukraine.

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