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ENDOGENOUS AND EXOGENOUS RISKS OF NON-STATE
PENSION FUNDS ACTIVITY

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The functioning of the pension system is accompanied by a great number of various types of risks. In order to assess the degree of potential risk objectively and take measures to reduce or eliminate it, a clear analysis of potential hazards and the factors that influence them should be made.

All potential risks of NPF can be divided into two groups: exogenous and endogenous ones. In our opinion, the group of exogenous risks should include the following ones: political, legal, financial, demographic and social.

Political risks are related to the political situation in the state. The complexity of the situation is that, these risks are difficult to predict and take into account when creating an investment strategy for NPFs, because they are the most serious and global ones. Legal risks are risks of changes in the current legislation, its imperfections, the existence of contradictions, the absence of legislative regulation, etc. [1, p.341]. The existence of these risks leads to the functioning of the NPF in conditions of uncertainty, the destruction of the established legal norms of activity and unscheduled financial expenses. Economic risks play a major role in shaping the

development strategy of the NPF. These are the risks of reduction of the value of the fund assets as a result of unfavourable market conditions or changes in the issuer's situation, they are inherent in the macroeconomic nature.

Demographic risks impact the activity of the NPF negatively and lead to reduction in the amount of insurance premiums due to decrease in the number of able-bodied population, as well as serious obstacles to the development of a life-long pension insurance system.

Considering a group of social risks, it should be noted that this kind of threats interacts closely with a group of political risks, because the standard of living of the population, the state of unemployment in the country, the system of social protection is depend on the political situation in the state.

All endogenous risks can be divided into three groups: asset management risks, liabilities management risks and organizational and managerial risks. Actuarial risks represent risks of misestimating and formation of obligations of the fund (risks of actuarial liabilities), as well as risks that the assets of the fund in the future will be less than the estimated values (actuarial risks) [2, p.112].

Activities of non-state pension funds are impossible without influencing on it various risks that have both internal and external nature. A specific feature of these financial institutions is the long-term nature of their relationship with depositors, which involves perspective planning in conditions of uncertainty. Under the risk of non-state pension insurance, it is necessary to understand the probability of a complete absence or insufficient increase of pension savings during the insurance period.

In assessing actuarial risks, the fact that the existence of various types of pension programs involves the probability of occurrence of certain special risks is worth being taken. For example, life-annuity systems for retirement insurance systems have a risk of survival as well as the risk of a prognosis of yield. Risks arise also at various pension schemes with indexation of pensions. If the value of indexation is pre-set in percentage terms, then such a scheme will be less stable than

the scheme in which indexation will be made taking into account the income accrued to retirement accounts [3].

The risk of actuarial liabilities is the risk of incorrect assessment of the fund's pension obligations and, accordingly, the risk of erroneous formation of the structure and size of pension reserves. In our opinion, a variant of this group of risks is the risk of exceeding the real number of pension payments above its average estimate.

The third group of endogenous risks affecting the activity of NPFs is organizational and managerial. This group of risks affects the change in end result as a result of unprofessional actions of the management and fund staff on asset management. This may include the inadequate implementation of investment projects, imperfect corporate governance, the presence of drawbacks in the organization of marketing activities of the fund, etc. The main reason for organizational and managerial risks is the lack of professional skills and practical experience among NPF employees. The importance of managerial risks is evident for domestic NPFs, because their effective management is related to direct access to the financial market and market capitalization of funds. Organizational and managerial risks influence the change in the final result as a result of nonprofessional actions of management and personnel of the fund concerning asset management. This may include the inadequate implementation of investment projects, imperfect corporate governance, the presence of downsides in the organization of marketing activities of the fund, etc.

The identification of exogenous and endogenous risks inherent in the system of non-state pension insurance will ensure the introduction of a methodological basis for timely identification of the problems and disadvantages of the current pension system and will prevent their influence.

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