

**УДК 364:336.5**

***Popova S. P.***

lecturer of the Department of Finance, Banking and Insurance

***Ohorodnyk O. N.***

candidate of higher education for the second (master's) level

Central Ukrainian National Technical University,

Kropyvnytskyi, Ukraine

## **PROBLEMS AND PROSPECTS OF THE DEVELOPMENT OF THE PENSION SECURITY SYSTEM IN UKRAINE**

Pension security is an extremely important area of social protection for the population in the system of creating a civil society and ensuring the well-being of the population.

The primary problem of the domestic pension system is its critical financial condition. Insufficient funding, the demographic crisis, and problems in managing funds cause serious difficulties in making pension payments, so the majority of pensioners live on a minimum pension that does not provide a sufficient quality of life.

The difficult events of recent years caused by the spread of the coronavirus pandemic, the military aggression of the Russian Federation, and acute political conflicts prevent the effective implementation of radical changes in the pension system.

All measures taken by state authorities in this direction do not bring the results expected by the population. Therefore, it is extremely important now to find ways to reform the current pension system as the basis for financial support for citizens in old age in accordance with the provisions of the social state which Ukraine positions itself as. In addition, taking into account the intensification of the processes of Ukraine's integration into the EU where the development of the social sphere occupies a special place, the implementation of effective reform of the pension system must reach a new level of quality.

The modern pension system of Ukraine has a number of problems.

The ratio of the working population to the number of pensioners is clearly far from optimal and is on average 1:1.3, that is, one pensioner is supported by slightly more than one worker, which indicates the inability of the state to provide all pensioners with decent pension payments.

Demographic trends in population aging and increased mortality of Ukrainian citizens as a result of the war as well as migration processes associated with the full-scale invasion of the Russian Federation into Ukraine increase the burden of the pension system on the working population.

The level of pension provision for the majority of pensioners is quite low. The minimum size of the pension in Ukraine in 2024 was 2361 UAH. According to the data of the Pension Fund of Ukraine, the largest number of pensioners – about 4 million people (38%) – received a pension within the range of 2000 - 3000 UAH in 2023. At the beginning of 2024, more than 51% of pensioners received payments of less than 4000 UAH. 1/3 of pensioners receive payments that are equal to or exceed the average pension, the size of which was 5385.25 UAH at the beginning of 2024. [1]. In addition, the size of a specific person's pension does not depend on the amount of his or her contributions from his or her salary to the Pension Fund, that is, pensions are assigned "according to a template" without taking into account the personal contribution of each person.

The constant increase in the budget deficit of the distribution component of the pension system leads to an increase in the burden on the state budget due to the increase in transfers to the Pension Fund of Ukraine, and as a result of which the costs of developing the real sector of the economy from the state budget are reduced. Over the past decades, the replacement rate has been decreasing, which indicates the low purchasing power of pensioners.

The functioning of the pension system is greatly complicated due to military operations on the territory of Ukraine, because of the fact that the single social contribution is not systematically paid, and because of the interruptions in the registration of pension recipients who have gone

abroad, or currently live in temporarily occupied territories and in the zone of active hostilities.

Problems in the domestic pension system are also caused by the high level of demographic burden on the working-age population, the large part of working-age citizens working in the "shadow", mass labor migration abroad, low wages, and a high level of "shadowing" of the economy which leads to an imbalance of this system and a slowdown in the development of its second and third levels.

The introduction of an accumulative system of mandatory state pension insurance is on the agenda today in Ukraine. It is capable of filling the gaps in the use of only the solidarity system. Its active implementation necessitates the need for a number of the following measures:

- de-shadowing of the labor market, which involves both monitoring the use of employers' labor potential and making employees aware that the level of future pension provision depends on their savings during active working age;

- promoting the growth of public trust in state institutions and finding tools for effective investment of accumulative pension fund funds;

- ensuring the legislative basis for the distribution of funds of the accumulative pension fund by investments in national and foreign currency in order to avoid inflationary fluctuations and preserve savings;

- state protection of invested pension funds under the accumulative system from non-return during the liquidation procedures of issuers of securities and banks or their recognition as insolvent;

- active mass awareness-raising among citizens regarding the importance of pension accumulation and ensuring a dignified old age. In this regard, it is advisable to direct all efforts of professional institutions, educational institutions, and professional retraining centers to conducting activities to popularize financial literacy among the population in the context of pension provision [2].

The introduction of the accumulative level of pension provision assumes a sufficient level of welfare of the population, economic stability of society, stability of the national currency, appropriate level of inflation, developed financial infrastructure, a set of financial instruments, primarily long-term ones which have the ability to ensure an effective investment process. The reform also requires a sufficiently high and stable level of public trust in the accumulative pension system, a favorable demographic situation, and an effective taxation system.

The strategic direction of improving the pension system in our country is the development of its non-state component. The assets accumulated in corporate pension programs can become significant investment resources for investment in the Ukrainian economy in the long term. In addition, the activation of corporate pension insurance at the company level will improve its financial condition, investment potential and image, and most importantly - increase the level of social protection of employees because people are the most expensive asset of any enterprise if it tries to become a leader in the market. Therefore, with the support of the state, corporate pension insurance should be popularized, since it acts as a significant tool for increasing the social responsibility of business and serves as an additional source of improving the material well-being of employees in old age.

The implementation of these proposals may result in ensuring sustainable and balanced development of the pension system, its harmonization with the standards and requirements of international and European partners, intensification of the activities of employers, citizens and executive authorities to achieve high standards of pension provision, as well as the creation of a favorable competitive environment for the development of state and private pension institutions.

### **References:**

1. Official website of the Pension Fund of Ukraine. URL: <http://www.pfu.gov.ua>
2. Sydor I., & Denysiuk T. (2022). Derzhavne pensiine strakhuvannia v Ukraini: vyklyky suchasnosti ta napriamy reformuvannia [State pension insurance in Ukraine: challenges of the present and directions of reform]. *World of Finance*. 1 (70), P. 22-35. [in Ukrainian].