

ABSTRACT

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SIGNIFICANCE OF FOREIGN COUNTRIES EXPERIENCE IN THE PENSION PROVISION SECTOR FOR THE DEVELOPMENT OF PENSION SYSTEM IN UKRAINE

The inadequacy of the pension system that currently exists in Ukraine is a widely debated topic. There is, however, a common consensus that Ukraine needs an implementation of pension reform. The solidarity system was passed down to Ukraine from the Soviet Union and is proving to be obsolete. Fundamentally, solidarity system relies on the expectation of currently working people, through making their contributions to the pension fund, to be supported by future workers during their retirement. This system, however, does not work well for Ukraine's current demographic situation.

The fact that aging population breaks the economic model of solidarity system, added to the problem of high shadow economy and payment of special privileged pensions, results in a significant deficit in the pension fund.

Introduction of the second level of the pension system means that the state is planning to partially abandon the operation of the pension system on the principle of redistributing financial resources from the working population to pensioners. Second level pension system will no longer be distributed between pensioners and will be invested in investment instruments.

It remains unclear in which assets substantial amount of cash will be invested. Weak capital market development in Ukraine and the lack of investment opportunities to invest in foreign markets make the problem even more complicated. The structural reform will begin only after the implementation of the second level will start.