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FINANCIAL MAINTENANCE OF PENSION FUND OF UKRAINE

The ability of the pension system to perform the assigned tasks is ensured on the condition of sufficient financial resources and protection against risks. Today, the Pension Fund of Ukraine as an institution administers the state pension solidary system through accumulation and distribution of pension revenue. Deficit pension system does not ensure the performance of its functions obligatory state pension insurance in full and blocking the transition to the introduction of a funded component of pensions. The situation of financial security solidarity pillar is deteriorating because of the deepening problems of demographic aging of the population of Ukraine, which leads to the problem of pension fund obligations to future retirees at a subsistence level. Thus, it is necessary to develop new approaches to identify and assess the level of financial security pension system and alternative sources of further funding.

According to the Law of Ukraine «On Obligatory State Pension Insurance» finance sources of the Pension Fund are [1]: 1) receipt of payment of a single fee for obligatory state social insurance; 2) investment revenue, which is derived from the investment of reserve funds to cover the deficit of the Pension Fund in future periods; 3) the state budget and funds; 4) the amount of fines and penalties; 5) donations of businesses and individuals; 6) voluntary contributions; 7) other revenues in accordance with the laws about pensions.

During the last 10 years the budget of the Pension Fund is deficit, the payment of pensions to citizens in recent years are provided by the Pension Fund only through obtaining loans on a regular basis from the state budget.

In some nation often employers and employees based on mutual agreements and to benefit from tax incentives to employers, and deferred income to employees; agree to contribute to special pension plans design to enhance government mandated pensions with the goal of increasing the quality of retirement life. While only some specific industries and organizations offer these supplemental pension plans, these programs are becoming more popular as means to attract quality employees that seek organizations with the best salaries and benefits. Deferred salaries in the formed of stock actions can indirectly also be viewed as a form of a pension plan. A warning about these programs is that a strong regulatory and fiduciary system is indispensable otherwise employers or fiduciary agents can easily evaporate with these funds. Models in the two extremes of these plans in the USA are: a) bankrupted ENRON that had a substantial number of employees who agreed to stock options as a form of employer sponsored retirement plan, and left many employees with worthless stocks, the same happened to US steel industry employees; there are surely examples of the worst supplemental pensions, and b) well-regulated municipal and state pension programs with strong investment policies and high benefits, are a model of these extra or supplemental pension plans [2, p. 684].

Alternative sources of financing the deficit of the Pension Fund Ukraine can be cancellation of the maximum payment limit to the Pension Fund; it will give about 6 billion UAH annually to the Pension Fund. The full payment of contributions of persons-entrepreneurs will give additional revenue of 5.3 billion UAH in year. The introduction of a «social tax on luxury» base to which were revenues of over 17 living wages (10%), the market value of the previously privatized state property, the cost of luxury goods, the area leased agricultural land – would allow to generate a not deficit-free pension fund and to ensure decent old age people retirement age by implementing the principles of social responsibility and solidarity between generations. The ideal pension system should have the proper combination of contributions from the government, the employer and the employee. Additionally, an adequate pension system should have the proper incentives at all levels to maximize contributions levels, benefits and monthly cash pensions.

References

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