PART I
CONCEPTUAL BASIS
OF THE STATE PENSION SYSTEMS FUNCTIONING

CHAPTER 1
THEORETICAL FOUNDATIONS
OF THE PENSION SYSTEM FUNCTIONING AND REFORMING

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1.1 Pension Provision in the Social Insurance System

One of the tasks of the state is to ensure decent living conditions for socially vulnerable categories of the population, which follows from the Constitution and is a function of the state. In this case, the state acts as a guarantor of social protection.

The models of social protection that are widespread in the world today are aimed at meeting the various needs of the population, including its vulnerable categories, which change over time and space. At the same time, the main goal of social protection should be considered the task of providing all citizens, members of society, regardless of any characteristics (for example, discriminatory characteristics may include: social origin, nationality, gender, sex, etc.), with the opportunity to develop freely and realise their potential [52, p. 99].

The legal form of a pension provision depends on a number of factors. In particular, it depends on taxation and revenue policies, the level of development of financial and insurance institutions, and the country's economy. The labour market and demographic trends also influence the choice of pension model. All of these factors combine to determine the type of pension model that will be chosen in a particular country. Thus, the structure of the pension system depends on the economic and social conditions prevailing in the country.

Pension provision is a catalyst for social protection during the accumulation of national financial resources to ensure adequate living conditions in old age and other social situations.

Table 1.1 shows the interpretation of the concept of pension provision by different scholars and sources.

Summarising the theoretical approaches of scholars, we can formulate the following definition of the concept of "pension provision": it is a set of actions provided for by national legislation, including organisational measures, legal procedures and provision, and other actions that allow creating preconditions for the formation of social funds (as a system of accumulation of resources for cash payments to disabled citizens. At the same time, the right to social protection may be triggered by the occurrence of certain circumstances, which should include, as provided for in the European Social Code, in particular, disability due to injury at work or for other reasons, old age, pregnancy, and loss of the breadwinner). The amount of such payments must be at least equal to the subsistence minimum established by law.

The following are the characteristic features inherent in pension provision:

– time limits (i.e., the right to pension benefits arises when a person reaches retirement age, or when a disability occurs, or a family loses a breadwinner, or a person has completed a length of service, as well as in other cases provided for by law);

– provided regularly within the time limits established by law, in cash;

– linking payments to income (i.e., the amount of pension payments will be determined depending on the amount of accrued salary, as well as the length of employment (insurance) record or, for some professions, length of service;

– the state's influence on the financing of the respective funds (in particular, the Pension Fund is a specially created fund whose source of budgetary funds is deductions from the income of individuals, organisations and/or the State Budget;

– regulation of service users – the legislation clearly defines the range of people who are entitled to pension benefits;

– the moral and ethical purpose of this provision, which is manifested through the direction of efforts of all participants to meet the biological, social and physical needs of a person in case of loss of livelihood (resources) [62, p. 53].

Table 1.1 – Interpretation of the concept of pension provision by different scholars and sources

Source	Definition of the term "pension provision"
Pension fund	"This is a separate part of the national income, which, unlike other parts of it, is directed to the development of normal living conditions for disabled members of society" [53].
E. Malyshko	"A system of socio-political and economic relations within the framework of the state social policy that guarantees social protection to citizens who cannot continue their labour activity" [54, p. 233].
N. Myakushko, I. Fisun	"A set of economic relations concerning the production and distribution in the monetary form of a part of the newly created product that is necessary to meet the needs of disabled people" [55, p. 48].
R. Pidlypna	"A monetary form of financial support for people who become unable to work for various reasons" [56, p. 196].
G. Rusak	"A set of organizational and legal measures aimed at satisfying vital needs by making cash payments to citizens entitled to receive them, as well as guaranteeing pensioners the exercise of their rights, state protection and protection of their rights" [57]
Y. Sokorynskyi	"A type of social security for the population associated with the payment of monthly and, as a rule, lifelong cash payments – pensions – to disabled citizens in connection with the occurrence of certain most unfavourable social circumstances – old age, disability, loss of breadwinner and other cases provided for by the current legislation" [58, p. 64].
O. Sokurenko	"A form of financial support for individuals – subjects of both mandatory state pension insurance and non-state pension provision in the form of pensions and social services, formed at the expense of insurance premiums paid by legal entities and/or individuals, state and Local budgets, target funds, and are accumulated on bank accounts of the Pension and Accumulation Funds, non-state pension funds, and banking institutions" [59, p. 33].
L. Shalievska	"A set of existing legal, economic and organisational institutions and norms aimed at providing citizens with material support in the form of a pension" [60, p. 130].
I. Yaldyn	"Pension is, on the one hand, a compensation by the state for income lost by citizens due to old age, disability, loss of a breadwinner, and on the other hand, an indicator of the importance of a particular social group to society as a whole" [61, p. 42].

Source: compiled by the authors based on a literature review

Pension provision can be considered effective if it is implemented in the paradigm of certain principles. In today's turbulent environment, it is important to review these principles. This will allow the state to improve the efficiency of its pension system. In this context, the principles of pension provision are the basic, formative provisions (norms) reflected in the relevant legislation. It is important that they reveal the significant features of the relationships that form the essence and content of pension provision.

Having studied scientific sources, we have identified the following principles of pension provision (Figure 1.1).

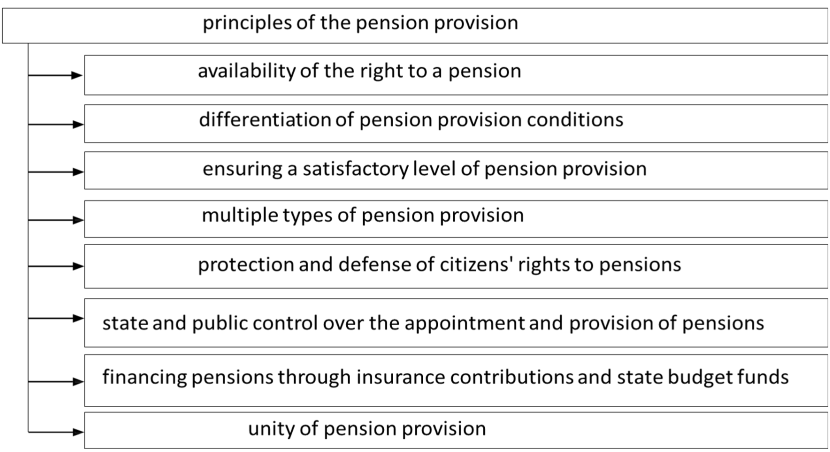

Figure 1.1 – Principles of pension provision

Source: compiled by the author on the basis of [63] and the author's own generalisations

The first principle is the principle of accessibility of the right to a pension. It is guaranteed and shows the dependence of the right on the retirement age established in Ukraine. It should be noted that ten years ago, this age was the lowest among European countries. After the pension reform, changes were made that affected this principle. Therefore, the retirement age was raised. This decision negatively affected the accessibility of the right to a pension. The principle also relates to the fact that no government can abolish the right to a pension and pension benefits. This provision is enshrined in the Constitution. In addition, international documents guarantee that when adopting new laws or introducing new amendments to existing regulations, "no narrowing of the content and scope of existing rights and freedoms is allowed" (Article 22 of the Constitution of Ukraine) [64].

Another important principle of pension provision is the principle of differentiation. It means the conditions for granting pensions may differ depending on certain factors [65, p. 34]. For example, women may have lower age and length of service requirements than men. Also, the terms and conditions of pension provision may vary depending on the field of employment, the nature of work, its duration and other features of a person's labour activity. Thus, differentiation allows taking into account the specifics of different professions and work history of citizens when granting pensions.

Under current conditions, differentiation of pension payments makes it possible to make the pension system fair by linking the amount of pension and accumulated insurance period to the amount of income (salary) from which insurance contributions were paid. This principle is widespread in international practice and is a basic one. Therefore, there is no doubt that this principle is the foundation of pension provision. At the same time, it is sometimes difficult to implement (write it out) in the regulatory documents that disclose the algorithm for calculating pensions [66].

The third principle is the principle of achieving a sufficient level of pension provision, which is enshrined in the Constitution of Ukraine, in particular, Article 43 states that pensions, as well as other types of social payments and benefits, are one of the sources of subsistence for a person who is not working, so their amount should ensure a decent standard of living (i.e. at a level not lower than the minimum wage, which is determined by the relevant law [67].

In addition, according to scholars, the principles of pension provision include the following:

– the principle of multiple types of pensions – provides for the existence of different types of pensions (old-age, disability, long service, etc.);

– the principle of the right to choose a pension plan – the ability to choose the most favorable type of pension;

– the principle of protection and defense of citizens' rights to a pension – state guarantees of the right to a pension;

– the principle of uniformity – a gradual increase in the amount of pensions;

– the principle of financing pensions through insurance contributions and the budget;

– the principle of state and public control over the appointment and payment of pensions.

Thus, there are a number of principles that define the basis of pension provision. The principle of multiple types of pension provision means that a country's pension provision system consists of compulsory state pensions and voluntary private pensions. It can be either pay-as-you-go or Defined Contribution Pension System. For example, a pay-as-you-go system involves the creation of a compulsory state pension insurance fund from which pensions will be paid: for old age, for loss of breadwinner, disability, or if a state pension is established [68].

According to Ukrainian law, if a person is entitled to several types of pensions at the same time, he or she can choose and receive only one of them. In other words, if a person meets the conditions for receiving several pensions, for example, an old-age pension and a disability pension, he or she must choose one type of pension. The law prohibits receiving two or more pensions at the same time. This provision is intended to prevent one person's abuse and unjustified receipt of several pensions.

The principle of protection and defense of citizens' rights to a pension is important. This principle is proclaimed in most domestic laws and regulations. In particular, it is enshrined in Article 46 of the Constitution of Ukraine, according to which the state "guarantees pensions in case of full, partial or temporary disability, loss of the breadwinner, as well as in old age and in other cases provided for by law". In addition, this right is guaranteed by the law on compulsory state social insurance. This right is exercised through various sources of funding. Firstly, these are insurance premiums paid directly to by individuals, as well as enterprises, institutions and organisations. Second, part of the funds for pension payments comes from the state and local budgets. In addition, other sources of funding permitted by law may be used. Thus, citizens' pensions are guaranteed on the basis of multi-channel financing with the involvement of both private and public funds

The essence of the principle of state and public control over the granting and payment of pensions is that the tasks of state regulation and supervision in the field of PP are to implement a single effective state policy. At the same time, the exercise of citizens' rights to CSPI is monitored by various civil society organisations. Together with representatives of communities and scientists, programmes are formed and measures are developed to improve the functioning and development of the CSPI system. In addition, the public is actively involved in monitoring its compliance with international standards, existing norms, approaches and procedures in the field of PP, which creates conditions for its improvement [69].

The principle of financing pensions from insurance contributions and the state budget means that different types of pensions are financed from different funds. This became possible after the reform of the pension funding system, when the sources of pension payments were clearly delineated. In particular, at present, certain types of pensions are financed from pension funds, while others are financed from the state budget [70, p. 79].

In social security, the principle of the unity of the PP system is gaining importance. It means a unified state approach to the legal regulation of relations in the field of pension provision and the implementation of a unified state policy (understood as common goals, identity of principles, uniformity of guarantees, etc.); equal accessibility of all citizens to obtain a decent level of material well- being and quality of life, which will allow a person to develop as a person. This principle is also manifested in a unified approach to determining life and other circumstances that fall into the category of insurance risks and events. They are important for the interpretation of the right to social assistance or other payments [71, p. 34]. Thus, these principles of PP form the essence of the current pension system and are the fundamental principles of regulation of social relations in this area.

The important tasks of the pension provision sector are to reduce the indicative poverty indicators in the country, reduce economic inequality due to the differentiation of incomes of the working and non-working population, reduce and compensate for the impact of economic and demographic risks inherent in any society. At the same time, the pension for the elderly, being a form of financial support by the state or other entities in the pension sector, is an integral element of the implementation of specific models of social protection of the population in general, and its reform has limitations related to the institutional framework of the political and economic systems, the level of aggravation of social problems and mechanisms for their solution.

It should also be noted that the sphere of pension provision performs three main functions that characterise its general features: distribution, reproduction and social. In the process of implementing these functions, the economic interests of able-bodied members of society who create material wealth and disabled persons should be reconciled [72, p. 60].

Based on this interpretation of the function of pension provision, the state forms its policy and adopts legislative acts that can objectively regulate the social system in general and the pension system in particular, in order to ensure economic stability in the state. Another feature of pension provision is its impact on the processes of reproduction of labour force. A completely natural social process is taking place, namely, the generation of workers who have reached retirement age is being replaced by the next generation of young workers with modern knowledge, skills and professional qualities. According to scholars, the effectiveness of the current pension system will depend on the process of generational change. It is clear that when the pension system has a lot of problems, it has a very painful effect on everyone's life and increases public dissatisfaction. Therefore, when we talk about the expanded reproduction of the labour force, we can talk about the compliance of pension provision with the needs of society. At the same time, the better the human capital, the higher the quality of the labour force, the "easier" it is for the pension system, because the economic and material components will be "in better condition", will contribute to the well-being of society, improving the availability and range of material goods that will meet the needs of the population, including those who are unable to work.

Thus, the sphere of pension provision can be represented as a set of legislative, economic, social, moral and psychological guarantees for older people, which create equal conditions for all members of society and ensure a socially acceptable quality of life.

1.2 The Evolution of Pension Reform in Ukraine

Previous laws and international treaties stipulated that the taxation of Ukrainian citizens residing outside its territory would be carried out in accordance with the provisions of interstate treaties. In addition, they were defined as a priority compared to the provisions of the above Law.

It should be noted that since the adoption of the Law of Ukraine "On Pension Provision" [45] of 5 November 1991, the Pension Fund of Ukraine has been the main body in the field of PP.

Another breakthrough was the fact that the maximum pension that a person could receive upon reaching retirement age was actually fixed by law. It could not exceed 3 minimum pensions. The only exceptions were workers in heavy and hazardous occupations (miners, metallurgists, etc.), for whom the maximum pension could not exceed 4 minimum pensions.

As for certain types of pensions, the changes mainly concerned disability pensions. A more differentiated approach was introduced depending on the level of disability and disability group.

The list of categories of persons entitled to a reduced pension was also expanded. This resulted in an additional burden on the Pension Fund's budget. Thus, vulnerable categories, including persons with Group 1 visual and childhood disabilities, as well as men who raised a child with a disability alone in the absence of a wife, were entitled to early retirement on social grounds.

On an occupational basis, this right was granted to drivers of urban passenger transport and trucks who worked in hazardous industries related to the technical process. As well as mothers with many children who have raised more than 5 children and worked in agriculture and other categories. Preferential occupational pensions were funded by the enterprises where these individuals worked. However, despite these legislative changes aimed at expanding social guarantees, the financial strain on the Pension Fund has continued to grow. The inclusion of additional categories eligible for early retirement and preferential pensions further exacerbated the Fund's budget deficit, particularly given the declining workforce and the increasing number of retirees.

The process of pension provision reform and its development in independent Ukraine can be divided into five stages (Table 1.2).

Table 1.2 – Stages of PP development and reform in Ukraine

Stage	Characteristics
1	2
Stage 1 (1991-2002)	The establishment, development and improvement of the PP system in the first years of Ukraine's independence. The adoption of the Law of Ukraine "On Pension Provision" in 1991 marked an attempt to create a new model of PP on the basis of a sovereign state. This was the first step towards reforming the Soviet pension system and adapting it to the new economic and social realities of independent Ukraine. The PP system for disabled persons became more diverse in terms of the level of disability and disability groups, and the categories of persons entitled to privileged pensions on social and professional grounds were significantly expanded. A number of laws were also passed and special pensions were introduced for certain categories of people. Further development of the pension system took place in the context of the search for an optimal model of social protection.
Stage 2 (2003-2010)	approval of the new three-pillar PP system. The PP system was fundamentally changed with the adoption of the Law of Ukraine "On Compulsory State Pension Insurance" and the Law of Ukraine "On Non-State Pension Provision", which came into force on 1 January 2004. A new three- pillar system was introduced, comprising a pay-as-you-go (first pillar) system, a defined contribution system (second pillar), and a private pension system (third pillar). The employment record of individuals was replaced by the insurance record. The concept of minimum insurance period was introduced. Voluntary participation in the compulsory state pension insurance system was also introduced, and the link between contributions paid and the amount of pension was strengthened. This was a significant step in the reform of Ukraine's pension system.
Stage 3 (2011-2014)	began with the adoption in 2011 of the Law of Ukraine "On Measures to Ensure Legislative Support for Pension System Reform". This act amended the Laws: "On Compulsory State Pension Insurance and On Pensions. In particular, the retirement age for women was raised, the required insurance period was extended, and a number of other issues were regulated. These legislative changes were aimed at improving pension provision and continuing the pension reform in line with demographic and economic realities.

Continuation of the table 1.2

1	2
Stage 4 (2015-2016)	This stage of pension reform took place in the context of the economic crisis. In 2015, the Law of Ukraine "On Amendments to Pension Legislation" was adopted. According to these amendments, starting from April 2015, only women will receive old-age pensions on preferential terms, subject to an increase in the retirement age. The total required work experience for such pensions was also increased by 5 years for both women and men. Such measures were aimed at optimising the pension system in view of the difficult economic situation in the country. The special pensions for civil servants, prosecutors, judges and members of Parliament were also cancelled.
Stage 5 (2017 – present)	The PP reform is aimed at ensuring fair and adequate financial security for pensioners. On 3 October 2017, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Increasing Pensions" was adopted, which provided for a gradual increase in the length of pensionable service, differentiation of retirement age, reduction of retirement age, as well as reduction of the estimated value of pensionable service, multiple purchase of pensionable service, cancellation of special pensions for members of Parliament, academic personnel, civil servants, diplomats, journalists of state media, local government officials, etc.

Source: compiled by the author on the basis on [130]

Thus, the reform introduced a number of changes to the conditions and amounts of pensions, as well as expanded the range of people eligible for privileged pensions.

In addition to the above Law, a number of other laws have been adopted, some of which continue to provide for special retirement conditions for certain categories of persons, such as prosecutors, military personnel, members of parliament, local government officials, journalists, diplomats and civil servants.

Thus, Ukraine has adopted special legislation in the field of PP since the beginning of its independence. Initially, this process undoubtedly had a noble goal – to improve the PP of certain categories of citizens, but in the end it caused a lot of discrimination, as the conditions of special pension payments were more favourable than those provided for by general legislation and the amounts of payments were much higher.

The late 1990s and early 2000s can be characterised as a period when Ukraine was looking for new opportunities to create a fundamentally new model of pension provision, as the economic and demographic situation did not favour maintaining the current system. The PP system was already functioning inefficiently.

Then, in 2003, the next wave of pension reforms began. As a result, new laws were adopted, such as the Law on Compulsory State Pension Insurance [74] and the Law on Non-State Pension Provision [75], which came into force on 1 January 2004.

The Law of Ukraine "On Compulsory State Pension Insurance" defined the basis for the three-pillar system. These legislative changes were aimed at stabilising the financial position of the Pension Fund and increasing the level of PP. This Law differed significantly from the previous Law of Ukraine "On Pensions". It introduced a number of innovations to the conditions and procedure for granting pensions in Ukraine. Let us consider some of these changes in more detail.

The first pillar, the pay-as-you-go pillar, is mandatory. It defines the conditions for retirement on the basis of age, disability and survivor pensions. An important condition for receiving the above-mentioned types of pensions has been and remains the length of service, which requires each employee to pay state pension contributions. In other words, in order for a person's employment record to affect his or her right to a pension and the amount of pension for him or her or his or her next of kin (in the event of death, disappearance or declaration of death), a portion of his or her salary must be paid. Otherwise, the length of service will not be counted. Thus, for the period from 1 January 2004, the length of service is counted as pensionable service depending on the fact and amount of contributions paid. The list of periods of non-working time that were previously included in the length of service has been significantly reduced.

The Law also allowed individuals who have reached the age of 16 to join the CSPI system on a voluntary basis. The introduction of such provisions, in our opinion, is fully justified, given the persistent problem of high unemployment. Ukrainians travelled abroad in search of work and often agreed to illegal labour. Others worked illegally in their home countries, thereby increasing the level of shadowing in the labour market. They received salaries "in envelopes", which did not involve employers paying the required insurance contributions. For these and many other reasons, a situation arose where pensioners seeking to exercise their right to a pension had no insurance record. Therefore, the only way out of this situation was to conclude an agreement on voluntary participation in the PP with the tax authorities and pay the required insurance contributions for the relevant period.

For the first time, the Law established a minimum insurance period of at least five years and a total insurance period of 20 years for women and 25 years for men. Thus, a person who had at least five years of insurance coverage was entitled to a pension upon reaching the age of 60 (men) or 55 (women). The amount of the pension was calculated in proportion to the length of service and was usually less than the minimum old-age pension.

Another progressive step was the creation of legislative conditions for the functioning of the second, Defined Contribution pillar of the pension system. The main drawback, however, is that the law did not define the conditions for its introduction, but only provided a mechanism for accumulating and receiving pension savings by citizens. Initially, it was planned to introduce the second pillar of the pension system in 2005, but no steps were taken to implement this plan as the Pension Fund’s budget expenditures in 2005 exceeded its revenues. In subsequent years, the Pension Fund’s financial position remained in deficit, albeit with positive dynamics.

As a result, the third wave of pension reform began in Ukraine, and the Law of Ukraine "On Measures to Legislatively Ensure the Reform of the Pension System" [76] came into force on 1 October 2011. This law defined a key condition for the formation of a funded pension system – the financial deficit of the Pension Fund of Ukraine, but unfortunately, this problem has not been overcome to date and the second pillar of the Ukrainian pension system is still not functioning.

The minimum insurance period required to receive an old-age pension was increased from 5 to 15 years. For the new pensions, the minimum contribution period for old-age pensions was increased from 20 to 30 years for women and from 25 to 35 years for men. Naturally, the increase in the insurance period led to a decrease in the excess insurance period, which in turn led to a decrease in the pension amount. The law also provided for a gradual increase in the retirement age for women to 60 years, with a phased increase of six months each year for 10 years.

On 2 March 2015, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Pensions" was adopted [77], which launched the fourth wave of amendments to the Pension Code and determined that from 1 April 2015, only women will be eligible for old-age pensions on preferential terms upon reaching the increased retirement age. The total length of service required for this type of pension was also increased by five years for both men and women. The retirement age was also raised for workers who are eligible for pensions with sufficient specialised work experience and seniority, such as teachers, doctors, social security workers, flight and test pilots, and artists. For the first time, the Parliament also decided to reform the system of special pensions (e.g., for civil servants, prosecutors, judges and members of parliament).

The fifth phase of the PP reform in Ukraine started on 3 October 2017, when the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Increasing Pensions" was adopted [78]. The main innovations of this reform are a gradual increase in the required insurance period for receiving an old-age pension from 15 to 35 years and differentiation of the retirement age depending on the length of the available insurance period.

Another significant innovation is the provision that from the beginning of 2028, old-age pensions can be granted regardless of age, provided that the pensionable service period is at least 40 years, meaning that age as a legal fact establishing the right to a pension will be levelled out, and only the relevant pensionable service period will be a condition. The contribution rate was reduced from 1.35% to 1% and the conditions for special pension payments were cancelled. In particular, special pensions were cancelled for NPPs, MPs, diplomats, journalists of state media, civil servants and local government officials. In addition, Article 10 of the Law of Ukraine "On Collection and Accounting of the Single Contribution to the Compulsory State Social Insurance" [79] was amended to provide for a one-time payment for previous periods (in particular, for the period from 01.01.2004 to 31.12.2010) that were not covered by the compulsory state social insurance on the basis of a voluntary membership agreement. Starting from the beginning of 2011, the amount of the monthly unified social contribution paid must not be less than double the minimum amount established at the time of the contract, i.e., the insurance period can be purchased, but at a double rate.

One of the most important provisions, however, was the provision on the introduction of a Defined Contribution Pension System and the transfer of contributions to it from the beginning of 2019. However, by early 2024, this provision had not been implemented. At the same time, according to V. Melnyk, "the introduction of the second pillar would solve many problems in the pension sector in the future" [80].

Thus, reforming the PP system in Ukraine became a necessity due to the demographic situation and the Pension Fund's deficit.

At present, the introduction of a Defined Contribution Pension System in addition to the Pay-as-you-go System is currently the best option to address the challenges facing Ukraine. The reform should not be postponed indefinitely, but its implementation should be thoughtful and systematic.

1.3 Foreign Experience in Organising Pension Provision

In the post-war period of the twentieth century, the dominant pension system in most countries of the world was based on the principle of "intergenerational solidarity". Under this approach, pensions are paid out of mandatory contributions paid by working citizens. In other words, the Pay-as-you-go system has been the main pension system in most countries of the world. However, under current socioeconomic conditions, this "main system" is not able to meet the growing needs of the population that has reached retirement age. This is due to the rapid ageing of the population in developed countries, which results in a decrease in the ratio of working citizens to pensioners. In addition, an increase in the average standard of living requires a steady increase in pensions, which leads to an increase in state payments to pensioners, and also stimulates an increase in mandatory pension contributions, which in one way or another leads to an increase in the cost of financing the pension system (note that even in the most developed countries, such costs are constantly growing).

Today, PP systems work better only in those countries that do not face demographic problems, but there are fewer and fewer of them. Countries take care of the elderly in different ways, implementing programs for a decent old age for their population, implementing reforms, and improving the pension system. At the same time, they always take into account the socio-economic, political, demographic, moral and cultural characteristics of the country and its capabilities [81, p. 192].

Today, there are three PP systems in the world: distributive, defined contribution and mixed.

The pay-as-you-go system is also called a solidarity system because it is literally based on the solidarity of the younger generation with the older one – working people essentially provide for pensioners. On the one hand, it has a great advantage because the elderly who were unable to save for old age on their own have the opportunity to receive pension payments. On the other hand, when the standard of living increases, so does its duration, and, accordingly, the number of pensioners increases, and such a pension system ceases to cope with its task [82, p. 67].

The defined contribution system works differently: people work for their own future – individuals or their employers transfer a portion of their salary throughout their lives. It has an obvious advantage: people are responsible for themselves and are not affected by demographic trends. However, people with low incomes cannot save enough money for their future, which puts them at risk of being in a poor financial situation in old age [83, p. 28].

Finally, a mixed PP system is a symbiosis of the first two types. It is advisable to consider the peculiarities of the functioning of the PP systems in different countries.

Australia. The Australian PP system is regularly recognised as one of the most successful in the world. Pensions here consist of two parts: state and funded. The former can be received by citizens of the country from the age of 67, and the length of service and place of work do not matter in this case. If we are talking about the state pension, it is received by those residents of the country who have never worked. The amount of the pension depends on several nuances: annual income, marital status, number of dependent children and property ownership [84, p. 120].

Australians can apply for a defined contribution pension, or Superannuation Guarantee, if they are officially employed. There are many pension funds in the country, Australians can choose them on their own, and companies contribute 11 per cent of an employee’s salary. From 1 July 2023, this number will be increased by 0.5 per cent annually until it reaches 12 per cent in 2025.

And that's not all the benefits of the system: it is possible to take advantage of the Super Co-Contribution program and thus increase your funded pension. If a citizen contributes an additional amount to the pension fund, the state also adds a certain amount, which depends on the amount of the employee's contribution and his or her annual income.

A single pensioner from Australia receives AU$1096.70 for two weeks, which is approximately AU$28514 per year. Today, the Australian pension funds system manages assets of more than $3.4 trillion.

Japan. According to statistics, the Japanese are a nation of long-livers. Japan has the largest proportion of citizens aged 65 and over among countries with a population of more than 1 million people. The average life expectancy of the Japanese is 84 years. At the same time, the share of pensioners in the country is about 30% compared to less than 25% in other rapidly ageing countries.

According to the United Nations Population Division, by 2050 the share of pensioners in Japan will exceed 36% of the population. Against this backdrop, Japan has been implementing pension reform in three areas with varying degrees of success:

– Increases the size of the workforce through immigration and birthrate policies;

– supports the participation of older people in the labour force and redistributes the costs of providing them with support;

– looking for ways to do more with less – for example, increasing productivity by investing in technology and automation [85, p. 261].

Of the pension savings generated by the working generation, those that are not used for current payments are set aside for the pensions of future generations. In the long term, about 10% of the total pension funds are estimated to come from pension reserves.

Japanese people retire at the age of 65, but they can do it earlier, at 60, but the amount of payments will be reduced by 24%. If a citizen decides to continue working until the age of 70, the pension will increase by a quarter.

The Japanese PP system consists of the following parts:

– National pension fund for self-employed persons and persons not eligible for participation in the pension insurance of employees;

– a system of employee pension insurance for company employees;

– a mutual aid pension for certain professions and industries that cannot receive other pensions administered by the Mutual Aid Association.

Today, elderly Japanese citizens receive an average of 795,000 yen per year.

Norway. The country annually ranks among the top in various rankings of global pension systems. Both men and women in Norway retire at the age of 67. There are a number of companies that, by agreement, can allow a person to take a well-deserved rest earlier – at the age of 62.

According to NAV statistics, in June 2023, the pension of a Norwegian aged 67 to 69 was NOK 23792 per month. Immigrants can also receive the full amount of their pension if they have lived in the country for more than 40 years. At the same time, part of the pension benefits are available to those who have lived and worked in the country for at least 3 years.

In Norway, elderly citizens receive two parts of benefits: an occupational pension paid by the state pension fund and a guaranteed old-age pension paid by the National Insurance System [86, p. 420]. The labour pension is calculated on the basis of pension savings and reflects the citizen's lifetime income. The special savings account of Norwegians annually receives 18.1% of the annual income of a person aged 13 to 75.

Norway's state pension fund concentrates its revenues from the sale of oil and gas abroad. It also invests in foreign large firms – today the fund owns almost 1.5% of all shares of companies listed on global stock exchanges. On the one hand, the fund was created to protect the economy from the ups and downs of oil revenues, and on the other hand, to cover budget expenditures in the context of an ageing population.

Germany. The country with one of the world's most powerful economies provides its citizens who have reached retirement age with all the conditions for a decent life. The country's retirement age is the same for men and women and is 67 years old. Despite this, citizens can retire without waiting for this age: it is possible when a pensioner pays a certain amount from personal savings to compensate for the shortfall in the pension fund (about 0.3% of available savings for each month not worked).

It would be logical to assume that the size of the pension in Germany is sufficient for the normal life of pensioners. The average pension is 782 euros.

Every German who is officially employed contributes about 20% of his or her earnings to the Pension Fund during the period of employment. At the same time, 50% of the contributions are deducted from the employee's salary, and the other half is paid by the employer.

Every German citizen has the opportunity to use the services of one of the insurance companies to independently determine the amount of pension payments and accumulate a pension. In order to receive an insurance pension, a person must have worked for one of the country's enterprises for at least 5 years. Under certain conditions, foreigners can also receive a pension in Germany [87, p. 163].

United States of America. In the United States, the retirement age for men and women is different. For men, it is 67 years old, and for women, 65 years old. On average, they receive $1,503 per month. The peculiarity of the American pension system is that everyone has the opportunity to accumulate the required amount of pension by working in one of the country's companies for 10 years. Taking advantage of this feature, many citizens manage to accumulate savings for two or even three pensions during their working lives.

Every American has the opportunity to retire early, for example, at the age of 62 (the earliest retirement age in the US), but then he or she will have to submit a request with a mandatory indication of the reasons that prompted him or her to take such a step. In case of a positive decision, the early retiree should be prepared for the fact that the amount of his pension will be only 70% of the amount he could have received if he had retired at the age of 67. In case of early retirement, it will no longer be possible to receive the full 100% of the pension.

Working at any enterprise, Americans, for the most part, "in addition to contributions to the state pension fund, have the opportunity to accumulate funds for future retirement in an additional pension fund, which is available in most large companies and corporations" [88, p. 107].

In the United States, contributions to the state pension fund are about 15% of salary, of which half is paid by the employee and the other half by the employer. Despite the rather high pension level, about 30% of Americans continue to work in retirement.

United Kingdom. The UK has a state, private and occupational pension system. Therefore, most experts believe that the pension system in this country is one of the best and close to ideal.

The retirement age for men is 65 years, for women – 60-65 years. If a Briton works after reaching retirement age, he or she will receive a pension supplement for each year of work. To receive the basic state pension, you need to work in the country for at least 10 years. Each year of service increases the amount of the future pension by £4.44 per week. This means that the minimum basic pension will be £44.4 per week, based on an average weekly earnings of £159. You can also accumulate a pension in private financial companies. In this case, the amount of payments is determined by the individual, and there are no restrictions [89, p. 97].

Thus, the UK has a flexible pension system with both public and private savings options. As a rule, employees contribute 5-8% of their earnings to such savings funds. In accordance with UK law, a quarter of the amount accumulated in this way can be withdrawn if necessary without paying any taxes.

Some Britons take this step, for example, to improve their living conditions. In the UK, more significant pension supplements are provided for World War II veterans, depending on their military rank or the severity of their injuries.

Denmark. Pensions in Denmark are the highest in the world. On average, a Danish pensioner receives $2,900 per month. The average life expectancy in Denmark is 80 years, while Danes retire at the age of 67. Thus, the average life expectancy of a pensioner is 13 years. The priority of the state policy today is to create the most favourable living conditions for people of retirement age, which is why Denmark is often called a paradise for pensioners [90, p. 421].

In addition to decent state pensions, Danish citizens often have additional savings in NPFs. This can make retirees' incomes even higher. This government policy is aimed at ensuring that elderly people remain independent and self-sufficient for as long as possible. After all, the maintenance of pensioners in nursing homes is funded from the budget. Therefore, the strategy of social protection in Denmark is focused on creating a decent standard of living for pensioners and maintaining their activity and independence.

In France, as in most EU countries, the retirement age for women is 65 and for men 67. The average life expectancy of the French is about 80 years, and the average pension is about €1,300.

France's pension system is part of a comprehensive social security system that is recognised as one of the most complex in the world. However, this complexity allows it to take into account a variety of life circumstances and ensure that pension payments are as fair as possible. In particular, French pensioners can count on an individual approach, taking into account such factors as disability, work in hazardous conditions, etc. In other words, the system tries to take into account all the nuances to ensure a decent standard of living in old age.

In accordance with French law, to receive the maximum pension, an employee must have worked for French companies for at least 40 years. The 25 highest salaries out of these 40 years will be taken into account to calculate the amount of the pension.

In addition to the basic pension, there is a funded pension in France, which is calculated using a special point system [91, p. 263].

Thus, a French pensioner receives a monthly state pension equal to half of his or her former salary and an additional payment from a funded pension scheme.

If a citizen of the country has worked for, for example, 41.5 years (or 166 quarters) in his or her lifetime, he or she can claim 100% of the pension payments.

Each quarter not completed by this deadline reduces the amount of payments by 1.25%. It should be borne in mind that if the work record was interrupted due to unemployment or pregnancy (up to six months), this time is taken into account when calculating the pension.

Thus, after analysing the experience of the world's leading countries in developing their pension systems, the following conclusions can be drawn:

In most countries, pension systems are universal, i.e. they consist of three levels: a pay-as-you-go system, a funded system, or occupational pension, and an individual pension system, which is based on personal contributions to non- state pension funds.

The pension system is constantly changing and improving, regardless of the country. Most often, this is manifested in raising the retirement age, increasing contributions and encouraging later retirement.

The development and status of a country does not affect the proportion of poor pensioners in the state. This is due to the short-sightedness of the population. In order to reduce the number of such people, it is necessary to carry out explanatory and encouraging work.