Development Tendencies of the Pension System and Problems of Financial Sustainability

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Abstract
The article analyzes the financial indicators and trends of the state pension system, the main indicators of the non-state pension system, as well as the state of formation and payment of funds of non-state pension funds and draws appropriate conclusions.

Keywords: World Bank Group, International Labor Organization, Organization for Economic Cooperation and Development, pension system, non-state pension insurance, non-state pension insurance, pension expenditures, financial resources, pension fund, pension contributions.

Introduction
In international practice, institutions such as the World Bank Group, the International Labor Organization, and the Organization for Economic Cooperation and Development, which are leading financial institutions, pay special attention to research aimed at implementing pension reform, setting priorities for structural changes and ensuring the financial stability of the country system. These studies were developed by authoritative research centers, which made it possible to improve the methodology for assessing the organizational basis for the formation of pension funds, to generalize foreign experience. However, given the specifics of the pension situation, it is necessary to achieve efficiency through structural changes in the system, determining the main directions of the pension system, identifying the practical aspects of increasing investment activity through structural changes in the pension system, ensuring structural changes in the digital economy requires the study of important issues related to the definition of priorities.

Literary Review.
According to A.V. Vakhabov, a scholar of the country, the peculiarity of non-state pension funds is that funds accumulated in other types of pension systems are returned to pensioners without additional interest. In the non-state system, savings are returned to the owners at a certain interest rate for retirees. The degree of increase in savings and the stages of their increase will be determined by the pension fund and the investment proposals chosen by the client.[1] K. Abdurakhmanov, one of the economists of our country, noted that in many developed countries of the world such non-state pension funds contribute significantly to economic development, which does not exclude the possibility of similar changes in our country, which is currently undergoing many reforms.[2]

Research Methodology.
The article effectively uses the scientific observation method, analysis and synthesis. Also using the scientific abstraction method, the scientific-theoretical views of economists aimed at ensuring structural changes in the pension system and increasing investment activity were studied and analyzed. The recommendations were used in the regulations of the International Monetary Fund (IMF) and the World Bank.

Analysis and Results.
Analysis of the financial performance of the extra-budgetary pension fund under the Ministry of Finance of the Republic of Uzbekistan shows that in 2010-2020 the revenues of the Pension Fund exceeded its costs, and over the past 10 years the Pension Fund revenues have increased by 6.7% times and costs by 6 times. The abolition of mandatory insurance contributions for...
employees (in 2018 this source of income will be included in the income of the Pension Fund (19.2%) had a significant impact on the fund's income. As a result, to cover the difference between revenues and expenditures, the Pension Fund expenditures in 2019 are projected to be higher than revenues, so the state budget allocated subsidies of 4,700.0 billion soums and deductions from the single tax payment amounted to 1,192.1 billion soums. (Figure 2).

Changes in the structure of the Fund's income, the provision of subsidies and tax deductions from the budget make it necessary to find new financial resources for the Fund in the future. At the same time, we believe that increasing employment, eliminating informal employment and implementing structural changes in the pension system will ensure the financial stability of the pension system.

Figure 1. Execution of extrabudgetary revenues and expenditures of the Pension Fund, billion soums.[3]

One reason for the steadily rising cost of the pension fund is driven by the growing number of retirees. The pension system in the country includes more than 3.6 million people, or about 11% of the total population, of whom 363,600 are pensioners. If in January 2010 the total number of pensioners was 2,829.7 thousand, in January 2020 it was more than 3,312.7 thousand. We can see that the number of pensioners with part-time employment has increased almost 11.5 times over the years analyzed. (Table 1)

Analyzing the dynamics of changes in the number of pensioners in our country, we see that the number of pensioners with part-time employment has increased 11 times over the years 2010-2020, in spite of the fact that the growth rate during the study period was proportional to the population growth, i.e. 117%. The failure to implement systemic reforms to prevent this situation predicts that the expected demographic changes could have a serious negative impact on the financial stability of the pension system (Table 1).

Table 1

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of pensioners per year, people</th>
<th>Number of part-time retirees per year</th>
<th>Number of newly assigned pensions in the reporting year</th>
<th>Number of pensioners with incomplete work experience in the reporting year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2 829 719</td>
<td>77 211</td>
<td>169 151</td>
<td>8 493</td>
</tr>
<tr>
<td>2011</td>
<td>2 807 717</td>
<td>85 367</td>
<td>193 188</td>
<td>12 037</td>
</tr>
<tr>
<td>2012</td>
<td>2 725 773</td>
<td>111 413</td>
<td>116 363</td>
<td>15 269</td>
</tr>
</tbody>
</table>
Based on the above, we believe it is advisable to gradually implement structural changes in the pension system, taking into consideration the recommendations of international financial institutions. Our country also sequentially develops the stages of the pension system, and since 2005 the cumulative pension system has been created, which is implemented through the JSC "People’s Bank". The mechanism of formation of the fund is organized in a mandatory and voluntary manner, reflecting the system of economic relations, which includes a set of forms and methods of use in old age, forming trust funds.

Accumulative mandatory pension contributions are set at 0.1% of personal income tax (by 31.12.2018 it accounted for 2%). At the beginning of 2019, the total amount of funds was 3,763.9 billion soums, an increase of 56.36% in comparison to 2018. This, of course, is mainly because the economically active population is up 1.5% from 2018, and because of tax changes, pension contributions have increased from 1% to 2%. However, due to changes in the amount of deductions under the new tax concept in order to increase the real income of the population from 2019 to the beginning of 2020, this figure will be 3,748.8 billion soums. By 2021, this figure is anticipated at 4,438.1 billion soums (figure 2).

"The International Labor Organization studied the current structural reforms of the pension system in 169 countries, raising the retirement age in 72 cases; Encouraging late retirement in 31 cases, limiting early retirement, applying fines; Changing the pension calculation formula in 25 cases; Indexing pensions in 12 cases; In 17 cases there were reforms to increase social benefits" [5]

![Figure 2. Funds and projection of the citizens' funded pension system (billion soums)](image)

According to the recommendations of the International Labor Organization, for the sustainable development of the pension system the ratio of contributors to pensioners should be 1: 4. However, we believe that the fact that today in Uzbekistan this figure averages 1: 1.4 explains the necessity of radical structural reforms to ensure the financial sustainability of the system.
If you look at the activities of the economically active population in our country, the total number of people employed in the private sector in 2010 was 9,218.2 thousand, and by 2020, this figure is expected to be 10,742.5 thousand. During the years analyzed, we can observe that, on average, 80 percent of the employed population is employed in the non-state sector. We consider as a positive situation for the prospects of the pension system the fact that by the end of 2020 in our country more than 597 thousand self-employed citizens are registered as taxpayers. Despite the measures taken to provide state pensions to self-employed citizens in the non-state sector, this issue remains a serious problem in the system (figure 4).

Based on the above, we believe it is advisable to fully cover the pension system of the population employed in the non-state sector, as well as to ensure a variety of pension programs offered to citizens to ensure a decent pension.

In addition, in the current system, the connection between the pension size and the employee's contribution (share) is not strong. The current pension system provides for the assignment of pensions to persons with at least 7 years of service, and in the future this criterion will be gradually increased. The mechanism for encouraging the permanent and long-term participation of citizens in the social insurance system remains complex and unclear, with the result that nearly 72% of the labor force (about 19 million people), i.e., 13.6 million citizens are not covered by social insurance by the state. [8]

Based on the above, the basic calculation of pensions in the field of pensions, allowances, supplements and compensation payments, as well as damages caused to employees during the work, occupational disease or other health injuries in connection with the performance of their duties allows to determine the exact amount of pension income of the same age population.

It should be noted that the system works in the country, using only 30% of the available capacity due to the imperfect regulatory and legal framework of self-employment. In most countries, retirement age of employment people is a positive factor for the economy of the country, and international practice has developed the practice of encouraging the participation of this part of the population in the economy as a taxpayer. It is noteworthy that in order to prevent poverty among the population of retirement age and to encourage the participation of working pensioners in the social insurance system, measures are being taken to increase the real income of this segment of the population. The availability of working pensioners to receive their pensions in full has ensured an increase in the real income of pensioners by an average of 20-25 percent. At present 155,000 pensioners work in the country, which is 5.4% of the total number of pensioners, and the annual amount of pensions paid to them is 2,340 billion soums. [9] (Table 2).
Table 2
On the employment rate of retired people in the world
Men and women between the ages of 65 and 69 (percentage) [10]

<table>
<thead>
<tr>
<th>№</th>
<th>Countries</th>
<th>Percent</th>
<th>№</th>
<th>Countries</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Iceland</td>
<td>56,3</td>
<td>12</td>
<td>Ireland</td>
<td>19,4</td>
</tr>
<tr>
<td>2</td>
<td>Indonesia</td>
<td>50,6</td>
<td>13</td>
<td>Denmark</td>
<td>19,1</td>
</tr>
<tr>
<td>3</td>
<td>South Korea</td>
<td>45</td>
<td>14</td>
<td>Brazil</td>
<td>28,1</td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>42,8</td>
<td>15</td>
<td>Norway</td>
<td>28</td>
</tr>
<tr>
<td>5</td>
<td>Mexico</td>
<td>38,6</td>
<td>16</td>
<td>Sweden</td>
<td>22</td>
</tr>
<tr>
<td>6</td>
<td>China</td>
<td>36</td>
<td>17</td>
<td>Saudi Arabia</td>
<td>21,4</td>
</tr>
<tr>
<td>7</td>
<td>India</td>
<td>35,8</td>
<td>18</td>
<td>United Kingdom</td>
<td>21</td>
</tr>
<tr>
<td>8</td>
<td>Estonia</td>
<td>31,8</td>
<td>19</td>
<td>OECD</td>
<td>20,09</td>
</tr>
<tr>
<td>9</td>
<td>United States</td>
<td>31</td>
<td>20</td>
<td>Latvia</td>
<td>19,6</td>
</tr>
<tr>
<td>10</td>
<td>Argentina</td>
<td>30,1</td>
<td>21</td>
<td>Turkey</td>
<td>19,5</td>
</tr>
<tr>
<td>11</td>
<td>Turkey</td>
<td>19,5</td>
<td>22</td>
<td>Uzbekistan</td>
<td>5,4</td>
</tr>
</tbody>
</table>

Based on our research, we assess the ratio of working pensioners in the country to the total number of pensioners as moderate. We believe that raising the retirement age at this stage of economic reforms is inadvisable.

Overall, 27.1 percent (1,463,000 people) of the employed population remain below the poverty line (although in 2000 the figure was 57 percent) and is one of the lowest in the Asia-Pacific region [11] the financial stability of the pension system and thus the economic well-being of pensioners points to the need to review funding mechanisms with an in-depth examination of the effectiveness of reforms in this area.

Conclusions and suggestions.

1. It is advisable to take a cautious approach to the implementation of age reforms in the pension system. It is necessary to take into consideration the mismatch of demographic changes in the country, the level of unemployment, the jobs created. Raising the retirement age and encouraging employment for the elderly will only make sense if unemployment is low, while introducing savings principles can only benefit if pension funds are invested wisely. In our opinion, when implementing age reforms, it is advisable to pay attention to the gradual increase in the length of service required for a pension.

2. To ensure the financial sustainability of the pension system of Uzbekistan and expand the coverage of insurance contributions, it is necessary to solve the following tasks: a) of the Tax Code on withholding voluntary insurance contributions paid by a taxpayer in favor of other persons from the tax base paragraph 25 of article 317 should be amended; b) Ensuring effective and equitable income maintenance for the retirement-age population; c) increase the level of correlation between the amount of insurance contributions paid and the amount of pension paid; d) development of the use of long-term funds in investment areas, taking into consideration the level of inflation; e) it is necessary to further increase the income of pensioners and beneficiaries through the diversification of investment activities.

3. It is advisable to improve the practice of financing the pension system in the following areas: a) it is advisable to revise the structure of current expenses financed from the pension fund, i.e., the composition of expenses financed from the pension fund should be limited to covering only expenses related to the payment of pensions to working and non-working pensioners; b) The following work is planned to further strengthen and stabilize the revenue base of the Pension Fund; c) reducing the difference in the amount of monthly pension contributions paid between its payers; d) ensuring that the amount of pension payments in force in our country corresponds to the level of insurance contributions; e) to achieve equal participation in the formation of pension
fund revenues and the use of its funds in correspondence with the gender peculiarities and specifics of professional activity of our country's citizens; e) put an end to the practice of applying various supplements to pensions that do not provide additional financial resources; f) it is necessary to cover the able-bodied population as much as possible when paying insurance premiums; g) creating conditions for expanding the coverage of the single social payer, including the legalization of the shadow economy and the conclusion of interstate agreements between countries that receive migrant workers from Uzbekistan.

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