

DIRECTIONS FOR IMPROVING THE FINANCIAL STABILITY OF THE PENSION FUND OF UZBEKISTAN

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Abstract

In spite of the fact that it has a sufficiently profitable demographic situation, Uzbekistan's pension system can face severe financial hardships. There is practically no opportunity to further increase the costs of the pension fund or to further increase its profits by increasing taxes and mandatory payments and deductions to this fund. At the same time, it is only a 2-3 year period of time before the emergence of a deficit in the Uzbek pension system budget and solving the potential problems of a cooperative pension system. The author examines the current state of pension system of Uzbekistan and some developed countries and relying on them, he has made some scientific proposals and recommendations to improve the financial stability of the pension fund of Uzbekistan.

Keywords: Pension fund, financial stability, pension age, improving the pension fund, pension system, Uzbekistan

INTRODUCTION

Some measures should be taken to solve problems that may arise in the future, one of the measurements is the implementation of reforms in the pension system. The implementation of a range of retirement reforms requires relatively long time, which makes it very important to initially make the first change. The assessment of retirement pension reform is a result of the decline in the exchange rate, the coverage of pensions, and, consequently, the social protection of the elderly people. Additional expenses from the State Budget to cover the deficit of the Pension Fund and, consequently, the reduction of other expenditures, the increase of the financing burden of the country and so on. The size of the pension fund deficit can range from

6.1% to 23.2% of GDP (minimum expenditure on enabling and healthcare expenditure or maximum of all State budget expenditures).

The pension system's one of the main shortcomings of human resources in the low share of the single social payment, the payment of the pension equalizing nature, the elements of the pension fund accounts, which can be taken on investments is not able to provide income and so on. These shortcomings in the implementation of the pension reforms following the implementation of the main directions of their Pension Fund at a lot of resources to improve the financial stability of the country and create conditions suitable for use to increase the efficiency of the pension system:

- Creation of conditions for expanding the number of payers of single social payment, including the legalization of the informal economy and the conclusion of intergovernmental agreements amongst the labor migrants from Uzbekistan;
- reforming the pensions system to strengthen the linkage of pensions to the amount of contributions to the Pension Fund;
- Creation of the cumulative system performance mechanism for the money raised on individual pension accounts, which allows to receive revenues from the income of the time deposits of commercial banks, which corresponds to the income of the commercial banks.

It is important to note the need for reforms in the economic and other spheres of economic policy for the successful implementation of pension reform, which should be focused on:

- Further development of private enterprises and the informal sector of the economy as a necessary condition of legalization to reduce the cost of doing business, tax and taxation;
- development of financial markets, commercialization of further banking system liberalization, liberalization of the foreign exchange market as a guarantee for the creation of conditions for effective competition for pension savings and creation of competition between financial institutions involved and attracting population savings .

According to the international experience, it is possible to find out that there are several ways to reduce the predicted deficit of the Pension Fund in the conditions of a continuous increase in the pensions of the economy (which may be in Uzbekistan in the near future).

The first of these is the use of existing reserves, which, first of all, are related to social insurance and social security expenditures, in particular the transfer of expenditures financed from the Pension Fund at the expense of budgetary funds. Of course, since 2007, the country has been gradually funded from the state budget for various types of allowances (except for military servicemen, except for payments to other retired military servicemen). Some payments, for example, for children with disabilities, are paid to the AIDS-paying children by the Pension Fund, but the funds are disbursed from the State budget. So, as it can be seen, this reserve is

much lower. Even so, you can reserve a disability pension here as a reserve. This pension is not covered by the State budget.

REFORMS IN PENSION SYSTEM IN UZBEKISTAN

After retirement in 2010, the benefits of early retirement were minimized. As it was mentioned earlier, the number of recipients of benefits for the age group by the beginning of 2016 accounted for nearly 47.0% of all pensioners by age and about 17.0% of those newly accrued pensioners. Cancellation of privileges at the age of retirement, as evidenced by these figures, make 0.1% of annual pension payments. This indicates that this is not enough to cover the Pension Fund deficit.

Another reserve, which serves these goals, may be to reduce the number of pensioners or reduce their growth rates and reduce pensions. These can be achieved through a variety of methods. The most important of these are:

1. Increase or equal age for retirement for men and women. Establishing an equal age of retirement for men and women in developed countries is normally 60 to 65 years depending on the countries. In our current situation, a 55-year-old woman in Uzbekistan has been receiving an average of 21 years, and 60 years old men retire for 12 years. Thus, the amount of resources available to a woman in the pension system is 1.75 times that of an average of one man's resources. The only social payment and compulsory insurance premiums and the percentage of pensions paid are for men - 1,07 and for women - 0,49. Generally, the age or retirement age for men and women is gradually being increased. In this case, the transition period lasts for 10 years. It can prolong the smooth financing of the Pension Fund for a period of 1/3. This can also be achieved by reducing the costs of the Pension Fund, or by increasing the revenues of the Pension Fund (who are part of that category will continue to pay for their work and social taxes).
2. Increasing the rates of deductions to the Pension Fund is an acceptable option. Because it is necessary to increase the deficit in order to compensate for possible deficits. For example, the increase in the insurance premium rate to 1 percent (even if the Pension Fund's earnings increase) may lead to a retreat of the pension system by 2.5-3 years. As an alternative to this policy, increase the insurance premiums for the purpose of forming the balance of cash assets to cover the total deficit of the Pension Fund for 2020-2030. However, such measures are likely to have a negative impact on employers' financial status, competitiveness of national producers and formal employment. Experimental calculations carried out on the basis of interconnected balance indicated that the increase in the single social payment rate to 1 percent would lead to a 0.4% rise in prices across the economy or a reduction in gross profit and combined income by 9-10% will result.

3. A relative reduction in the number of new pensions may be one of the options for solving the problem. A certain work is being carried out to ensure that this reality is maintained in the country's pension system. For example, the correction factors serving these goals are revised and altered. In this area, the government may change the approach to reducing pensions in the calculation of pensions. For example, increasing the required length of service, changing minimal and maximum limits on the size of pensions, and linking them with the minimum wage. However, such measures may lead to a reduction in the social protection of pensioners, and to further strengthen the retirement of the pension system.

In general, the above-mentioned parametric measures can only lead to the retardation of the pension system from 4 to 8 years.

An important prerequisite for successful pension reform is the creation of an effective registry and supervisory body or body of organs. Their main task is to issue licenses to ensure that only qualified institutions can manage pension funds. Subsequently, this regulating body should further develop other functions, including internal and external inspections of pension funds.

ANALYSIS OF THE PENSION SYSTEMS OF SOME DEVELOPED COUNTRIES

Pension systems of countries differ from each other. We are going to analyze and compare them with our national pension system.

France: In France, pensioners receive pensions from 3-5 sources. As a result, the average pension in France is about 900 euros, and sometimes the amount of savings and allowances allows pensioners to receive pensions even more than the salary of working people. Participation in the pension insurance system is mandatory for the French - they pay 16.35% of their salary each month. Self-employed citizens and private entrepreneurs have to pay a fee on their own, but employees pay it in equal shares with employers. Despite the significant amount of deductions, all additional points and allowances allow French retirees to receive pensions, constituting about 80% of income.

Great Britain: In addition to government support, the British often participate in corporate programs, invest in Non-state pension funds and insurance companies. This allows them to have a good monthly income in old age - as the British magazine "Independent" wrote, the average total income of British pensioners in 2013-2014 was about 398 pounds, while working citizens earned an average of 384 pounds.

Denmark: Denmark has really good pension provision. Future retirees have to pay a lot for such a decent retirement benefit - taxes in Denmark usually make up 35-50% of earnings, which actually keeps the pension system. At the same time, the system itself, in addition to the state

fund, to which only part of the contributions goes, is represented by a multitude of non-state pension funds, which invest most of the funds of pensioners in risky assets. Nevertheless, participating in their programs, pensioners very often receive a pension equal to \$ 2.8 thousand, which is an absolute record for the EU.

PROPOSALS AND RECOMMENDATIONS

Thus, the proposed pension reform will take place over a long period of time. In this case, it should be ensured that parallel implementation of the two retirement systems for the first 20-30 years. This is due to a long period of time to formulate the funded component. Therefore, in the transition period, the appropriate size should also be established for the current pension system.

1. In the system of state pension provision, first of all, the mechanism of calculation and retirement of pensions is inextricably linked with minimal and maximum limitations of the required length of service, minimum sizes of pensions and their minimum wage, passive participation in formation of pension funds it is necessary to reform, despite the decrease in the social protection of the pensioners concerned. In order to ensure that the pensions are balanced, it is necessary to abolish the 8-fold limit of the minimum wage, or at least minimize the minimum wage to 10-12 times, in a cooperative pension system.

2. Increasing or reducing retirement age for men and women. In developed countries it is a norm to retire at the age of 60-65, with the age of retirement age dependent on each country. The retirement age is usually step-by-step. For example, increasing the age of retirement for 6 months in each of the 10 years. This prevents the unemployment of the labor market. Under the conditions of Uzbekistan, taking into account some objective conditions, the retirement age for males and females may be raised up to 62 years for 10 years. In our opinion, the version linked to increasing the age of each of them up to the age of 5 does not seem attractive in terms of increasing the financial sustainability of the Pension Fund and enhancing the investment policy. In parallel, demand for work experience must be increased or balanced.

3. Obligatory Compensation of Social Insurance Contributions by Labor Migrants It is necessary to reach an intergovernmental agreement with the countries (first of all the Russian Federation and the Republic of Kazakhstan) actively participating in labor migrants from Uzbekistan.

4. It is necessary to introduce the annual indexation of the amount of pensions at the rates corresponding to the growth rates of the salary fund of the entire economy. Pensions must be indexed on a statistical basis. This mode of indexing allows to save a large amount of money and ensure the balance of income and expenses of the Pension Fund. Because when such a procedure applies, its revenues and expenditures grow at the same rate and stability. It is also

necessary to automatically index the pensions without accepting the Decree of the President of the country.

5. It is advisable to administer monthly pension payments and separate electronic accounting of labor activity of citizens born after 1980, for the management of processes associated with the formation of the pension fund. It is also necessary to formulate a single electronic database. The electronic database can be organized jointly with the State Tax Committee, People's Bank, the Pension Fund and employers.

6. Retirement pensioners who work as unfair and inefficient measures to ensure the employment of citizens should abolish or limit the amount of pensions.

7. It is necessary to discontinue the disconnection as a no stimulator that does not comply with the nature of the formation of the Pension Fund's income and divides social labor (the deeper the tax burden, if the labor distribution is deeper).

8. It is necessary to improve the mechanism for serving pension funds and ensuring their safety and reproduction. To do so, the institutional framework for the work of Pension Funds is required. There must be a sharp competition among them. Also, participants of the accumulative pension system should have the opportunity to choose savings according to their wishes.

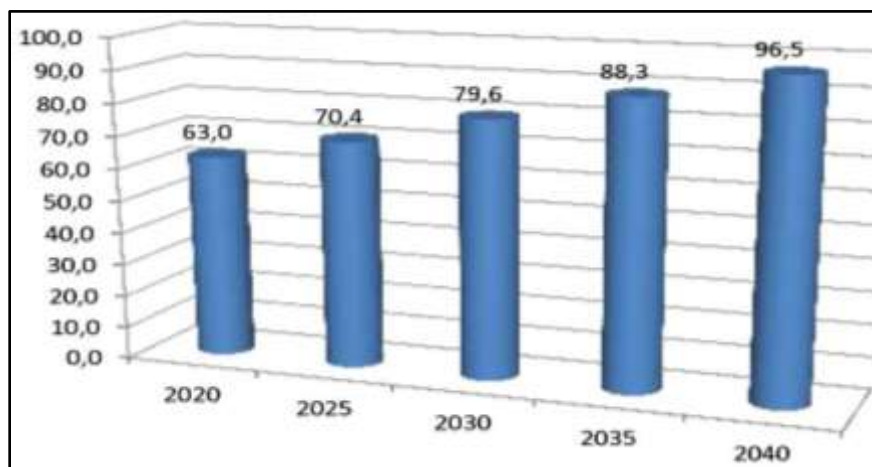


Figure 1. Contributions to the system under the new scheme
the share of payroll labor resources, % da

CONCLUSION

Thus, all of the above suggests that the lack of systematic reforms in other areas would lead to less effective retirement reforms. At the same time, it should be noted that pension reforms have a limited character (but, of course, eliminating the equation, introducing a new indexing

sequence, equalizing or increasing the retirement age), ie without introducing the funded component may also be successful. To do this, of course, the following is the high level of birth rate; Reduction of divorce level; an increase in the share of the official sector; high rates of labor productivity should be fulfilled. Although there are some issues in financial stability of Uzbekistan, a lot of reforms and improvements have been implemented since independence of Uzbekistan. Further studies shall cover the essence of Private pension funds in order to improve financial stability of the country.

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