

Improving The Mechanism Of Formation Of Pension Funds

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Abstract— *This article provides information on the implementation of the mechanism of formation of pension funds in the Republic of Uzbekistan and measures to improve it.*

Keywords— pension, pension system, living standards, income, measures, citizens, wages, poverty, population, retirement, guarantee.

1. INTRODUCTION

The pension system provides for the implementation of economic, legal, social and organizational measures aimed at improving the living standards of the disabled and needy. One of the main goals of the pension system is to protect citizens from poverty in old age, to provide a certain amount of guaranteed income in proportion to the amount of wages paid before retirement, to protect this income from future decline in living standards. In addition, the sustainability of the pension system is a guarantee of social stability in society, and, conversely, the instability of pension provision poses a strong social risk. Kazakhstan, Russia, and the Baltic states are currently in the second phase of pension reform, with many other countries already undergoing serious and comprehensive pension reforms in the early stages of reform (Ukraine, Turkmenistan, Azerbaijan, and Armenia).

2. MAIN PART

At present, the pension system of Uzbekistan is undergoing large-scale reforms. In order to further increase the effectiveness of ongoing reforms, to create conditions for the comprehensive and rapid development of the state and society, to implement the priorities of modernization and liberalization of all spheres of life, the Republic of Uzbekistan has been economically active in recent years. The burden on the population on social contributions is growing. According to demographic forecasts, the share of the population of retirement age is expected to increase sharply in 2019-2025 (average annual growth - 16 thousand people) and this is due to the high birth rate (1950-1960 - "baby boom") is related to the general retirement age of citizens born in the period. This, in turn, will lead to a proportional increase in the cost of the Pension Fund.

The country's aging rate shows that the population of retirement age is on the rise (from 5.9 per cent of the total population in 2010 to 7.4 per cent in 2018). According to statistics, the population of retirement age will increase by 9% from 2019 and will reach 11% by 2025 (compared to 6.2% in 2011).

The Government of the Republic of Uzbekistan has adopted a program of measures to comprehensively study and develop proposals for the development of the pension system and to develop a Concept for the reform of the pension system in 2019-2030.

The program includes:

1. Study, analysis of the current state of the pension system and preparation of proposals for its development. The World Bank, in collaboration with experts from the United Nations Development Program, will identify key conceptual areas for the pension system.

2. In studying the issues of improving the efficiency and social justice of the pension system, it is necessary to:

- Review the establishment of norms and standards for the appointment of social benefits for the poor;
- revise the existing mechanisms for assigning and paying pensions (social benefits) to the elderly and disabled, as well as to those who do not have the required length of service required for the appointment of state pensions;
- preparation of proposals for the optimization of benefits in the appointment of preferential pensions;
- preparation of proposals to expand the coverage of social contributors;
- Preparation of analytical materials and proposals to improve the efficiency of the pension system and ensure social justice.

3. In the study of incentive mechanisms in the pension system of citizens are:

- Encouraging long-term and continuous participation of citizens in the pension system;
- Pension depending on the length of service and the amount of salary increase in amounts (above the required standards);
- Encouragement of length of service "exit from the shadow economy";
- Involvement of migrant workers and the informal sector in the social insurance system proposals to radically increase the number of pensioners processing and substantiation, ensuring transparency of paid pension contributions;
- long-term and uninterrupted participant in the pension system preparation of analytical materials and proposals to motivate citizens is kept.

4. Voluntary participation of citizens in the social insurance (pension) system to study the mechanism:

- Voluntary participation in the social (pension) insurance system of citizens comprehensive study of issues related to the conditions of development;

- Payment of insurance premiums to citizens on a voluntary basis for third parties give the right. In the form of remuneration of the working husband (wife) Voluntary Retirement for a spouse who does not work at the expense of income to offer the right to pay insurance premiums to the fund.

Maintaining a balance between the amount of social contributions and payments is a key principle that ensures the insurance nature of the pension provision of the employed population, as well as in the financing of the pension system.

There is an impact mechanism that encourages its financial participation. The mechanism to encourage continuous and long-term participation of citizens in the social insurance system remains complex and unclear, as a result of which the working age population is about 10.2 million. the person is not covered by state social insurance, i.e. does not make social contributions to the extra-budgetary Pension Fund. According to the requirements of the International Labor Organization, the ratio of the number of contributors to the number of pensioners for the sustainable development of the pension system is 1: 4. However, today in Uzbekistan this figure averages 1: 1.5. It should be noted that the ratio of the number of retirees to the working population increased from 61% in 2009 to 66% in 2017.

Weak mechanisms to encourage long-term and uninterrupted participation of workers in social insurance force them to look for new ways to avoid paying insurance premiums. All this requires a reconsideration of the basic approaches of the social protection system in the field of pensions.

3. CONCLUSION

The main goal of further development of the pension system is to ensure a decent standard of living and living standards for retirees. To achieve this goal: improve the legal framework of the pension system, develop and adopt a new law "On Pension Provision"; based on advanced foreign experience. Development and adoption of non-state pension legislation, creation of an effective system of regulation of private pension funds, ensuring their sustainable development, etc.

4. REFERENCES

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