TURSUNOV JAKHONGIR PULATOVICH (January 2023). WAYS TO REFORM THE PENSION SYSTEM BASED ON FOREIGN EXPERIENCE
***International Journal of Economic Perspectives*, *17*(01) 64-71 UGC APPROVED**
Retrieved from https://ijeponline.org/index.php/journal

WAYS TO REFORM THE PENSION SYSTEM BASED ON FOREIGN EXPERIENCE

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Abstract

This article discusses in detail the state pension system and funded pension system.In the development of the off-budget pension funds system today, scientifically based statistical indicators, such as demographic burden, government spending on pension payments, pension system assets, and the effectiveness of the pension system, are based on the concepts of economics, economics and economics. based on the concept of economic development, the possibilities have been explored.

Keywords:
pension provision, pension system, pension insurance, non-state pension funds, social risk, social protection, mandatory pension provision, voluntary pension provision, labor pension, social insurance payments

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INTRODUCTION

The pension system is of great importance in ensuring social stability and in using the fund of funds directed to prevent the decline of people's living standards and to exercise their constitutional rights. In particular, the Honorable President Sh.M. Mirziyoev expressed the following views on the government's activities in the social sphere: "Strengthening attention and practical care for the elderly, representatives of the older generation, increasing their pensions, improving medical services and social and household support from now on for the President, It remains one of the most important priorities for our government and all hokims. For this purpose, at the same time, a comprehensive set of measures has been developed to strengthen state support for pensioners, single elderly people and the disabled, and they will be implemented unconditionally" (Mirziyoev, 2017), this is the high attention paid to the pension system in Uzbekistan.

In addition, such social support is reflected in the Action Strategy of the President of the Republic of Uzbekistan on five priority areas of development of our country in 2017-2021 (PF-4947, 2017), as well as in the Development Strategy of New Uzbekistan for 2022-2026 (PF-60, 2022). found

After all, in world practice, pension provision is considered an integral part of social protection and is one of the main functions of the state. In accordance with the structure and capabilities of the state, the rights of citizens to social security are recorded in Article 22 of the "Universal Declaration of Human Rights" adopted by the General Assembly of the United Nations (UN) on December 10, 1948. According to it, pension provision is a set of legal and economic

Corresponding author: **TURSUNOV JAKHONGIR PULATOVICH**
Submitted: 27 Oct 2022, Revised: 09 Nov 2022, Accepted: 18 Dec 2022, Published: January 2023

measures aimed at materially providing the elderly, disabled and bereaved citizens with the main source of income, according to the procedure established by the legislation of a particular country.

Today, the practice of pension funds of foreign countries shows that, as a result of the demographic change of the population of the countries of the world, the improvement of the lifestyle of the population with the development of the economy, the increase in their average life expectancy and the increase in the share of pensioners compared to the population engaged in labor activities, the financial support of pension funds arises as a result of problems include the establishment of non-state pension funds, which are accumulated from the pension system based on the solidarity of generations, and the formation of active investment funds and the development of mechanisms for their effective management in order to increase their financial income.

Currently, reforming the pension system in the former allied countries, increasing its efficiency, fairness and stability is one of the most urgent issues facing the governments of these countries. As a result of the collapse of the former union, the implementation of a system with a single basis for completely opposite economic systems is the basis of the current pension problems. Their elimination will be carried out by reforming the pension system, which will certainly be achieved by studying proven experiences in world practice and implementing them based on national values.

LITERATURE REVIEW

If we take the pension system from a social point of view, we can see it as a material supply that ensures a sufficient living for people in old age, and from an economic point of view, we can see it as one of the important links that directly affects the economic growth of the country. Therefore, many researchers, scientists, people with the title of Doctor of Science in the world conducted scientific research in this field, and since the research was conducted in different areas, different conclusions were reached. As a result, they gave different comments on the forms of pension systems and the types of pension systems that are most important in the development of the country's economy in the future.

According to Rozanov, in world practice, models of accumulated and distributed pensions in their pure form are rare. A pension system with both compulsory and voluntary saving parts is valid only in Norway among the member countries of the Organization for Economic Cooperation and Development (Rozanov, 2015).

According to Vavulin, Private pension funds are non-profit financial organizations that provide pensioners with financial benefits at the expense of voluntary contributions. They are engaged in compulsory pension insurance and non-state (additional) pension provision (Vavulin, 2016).

RESEARCH METHODOLOGY

The methods of analysis, induction, deduction, systematic and complex approach were used to cover this topic.

ANALYSIS AND DISCUSSION

The formation of the pension system, without a doubt, is part of the national interests and priority strategic tasks of the Republic of Uzbekistan. After all, improving the pension system based on international experiences will serve the social and economic stable development of our country.

When reforming national pension systems, it is necessary to analyze the factors that primarily affect it:

1) Social factors - determine the level of development of public and labor relations in the country.

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Examples of social factors include aspects of the historical and ethnic-cultural development of the state, national mentality, religious aspects of community life, the strategy and tactics of the social policy carried out by the state, the social structure of the population, the situation in the labor market, the level of remuneration for labor, etc.;

2) Economic factors - determine the capabilities of the state and the economic conditions under which the pension system is built and operates.

Economic factors include the state of state finances, the level of welfare of society, the strategy and tactics of economic policy carried out by the state, the role of the state in the economy, the level of development of production, etc.;

3) Demographic factors - reflect the society's need for pension protection and are an important target and guiding beacon in determining the optimal quality and quantity of the pension system.

Demographic factors include the age structure of the population, the percentage of pensioners in the society, the rate of population growth, the ratio of the employed population to the number of pensioners, and so on.

Today, there are mainly two models of the pension system in international experience. These are: distributive and accumulative models.

The distributive model of pension provision (pay-as-you-go system) is based on the principle of solidarity of generations and is therefore called the solidarity model. The essence of this principle is that the responsibility for pension provision of the older generation (pensioners) is assigned to the younger generation (economically active population). The distributive system is primarily a state system. In the distribution model, a guaranteed level of pensions is usually established depending on length of service and salary, but the level of pensions will not be large, since its main function will be protection against poverty. As a shortcoming of this system, it can be pointed out that it depends on demographic changes, in the conditions of a decrease in the share of the economically active (engaged in real labor) population in society and an increase in the share of pensioners by age, the financing of payments creates an additional cost for the state budget, in most cases, a deficit.

The funded model (funded system) is based on the principle of insurance - the pension payment is made from the funds formed by the participants during their working life. While most researchers emphasize the need to establish personal accounts in the funded system, it can be said from the experience of Sweden, Singapore and Malaysia that the accumulation and placement of funds within the funded pension system is personal. it can also be done in the conditions of centralized savings without keeping accounts . Such a model allows middle- and high-wage workers to actively influence the level of their future pension (planning to receive a pension at the level of their current salary).

It should be noted that this can be done in conditions of high development of the national financial market (availability of necessary infrastructure, market capacity, level of competition, quality of coordination and control, level and quality of risk management skills of top management). Currently, the accrual pension system is less dependent on demographic factors than the distributive system, but it is reasonable to say that it is strongly influenced by economic factors, which is reflected in the risk of inefficient investment process and the risk of securing financial assets due to financial and economic crises. At the same time, within the framework of the accumulation system, pension funds direct the pension contributions they have attracted to the investment of financial assets, the value of which, of course, depends on the conjuncture of the financial market (see Table 1).

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Table 1

Comparative description of distributed and accumulated pension systems (Moseyko, 2015)

Criteria	Distributed system	Savings system
The purpose	Protection of pensioners from poverty	Creating conditions for maintaining a high standard of living after retirement
Funding	Contributions are directed to current payments made from the state budget or extrabudgetary funds	Contributions are formed in personal accounts opened in special funds
Influence of demographic factors	Demographic factors have a direct impact	The influence of demographic factors is very low
The influence of economic factors	It depends on the state of public finances, does not depend on the state of the stock market, and operates mainly within the framework of the state pension system.	More depends on the state of the stock market, which operates within the framework of public, private and mixed pension systems.
Influence of social factors	The amount of the pension is clearly defined	Dependence of the amount of pension on the amount of contributions and investment processes
The role of citizens	Permanent participation is not important, the state manages	Regular participation is required

How to choose a pension scheme in an accrual system reflects the risk level ratio between the pension fund and the employee. A defined contribution pension scheme represents a relatively lower level of risk associated with changes in the price of financial assets for pension funds and a higher level of risk for employees compared to a fixed contribution scheme. But it should be noted that if the pension fund suffers a loss, the method of pension payment does not affect the total social loss, it only determines the share (ratio) of losses borne by the pensioner and the state.

Based on the accepted general terminology, it is appropriate to divide pension reforms into two types: structural and parameter reforms. When talking about parametric reforms, it is necessary to understand that certain parameters of the mechanism of the current pension system will be changed by the state. Structural reforms imply a fundamental change in the mechanism of the current pension system.

The experience of the following countries regarding the structural reforms carried out in the pay-as-you-go pension system is noteworthy. For example: in Germany, the amount of pension payments is determined inversely with the number of pensioners per worker (the more pensioners per worker, the smaller the pension amount).

In international pension theory, the concept of "pension plan" (sometimes referred to as pension scheme) occupies a central place. Pension plans, as their name implies, are asset management plans made up of pension contributions received from workers and their employers to provide them with a permanent cash supply after their retirement. Pension plans are the largest capital-intensive financial system in the world, and financial managers have a unique responsibility to manage them.

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From the analysis of the practice of foreign countries, it can be seen that the economic importance of Pension Funds is that it acts as one of the main financial institutions in the development of the economy and serves the development of the country's economy by investing savings funds in the real economy. In particular, the results of the analysis show that the value of assets of Pension Funds in the developed countries requested for analysis is more than 35.3 trillion US dollars, and this number is on average 80% of the GDP of the countries studied (Watson, 2020).

In foreign practice, pension plans are considered the main subject of long-term investment proposals, in which they are based on the average life expectancy of the newly employed worker. That is, asset allocation decisions are made on the basis of demographic statistics maintained in the country. If an individual invests independently for retirement, then these investment assets naturally acquire a conservative character. Because the life expectancy of the worker is abstract and the ability to recover the losses from this investment during retirement is limited.

There are 3 main types of pension plans: defined benefit pension plans, state social security plans and funded pension plans. They differ from each other depending on the risk and reward of asset management, the transfer of the risk in the execution of the investment portfolio to the employer, employee or taxpayer (Tursunov, 2018).

Fixed-benefit pension plans guarantee a fixed income for the retiree and can also be risky for the employer. In other words, it assumes all investment risk while offering pensioners a guaranteed and fixed income.

Fixed-benefit pension plans are "immovable" in that benefits earned by an employee from one employer are not recognized or continued by another employer. In many cases, workers who die before retirement age do not receive earned benefits. Also, their heirs will be deprived of accrued income and compensation payments. Defined benefit pension plans are convenient for employees with only one employer.

Let's compare the cases of one worker working for 40 years in one company and working in two companies for 20 years. Both companies offer a pension equal to 1.5% of the average salary of the last five years of work and the number of years of work. Let's say a worker started his career in 1975 with an annual salary of $15,787 and ended it in 2015 with an annual salary of $50,000 (salary growth of more than 3% over 40 years). If the worker had worked for only one employer during his career, his annual pension benefit would be $28,302 (1.5% × 40 years × 47,171 (average salary over the last five years)).

In the second case, the worker worked for the first employer from 1975 to 1995 and earned an average salary of $26,117 over the last five years. This employer-earned benefit is calculated in 1995 and is equal to $7,835 (1.5% × 20 years × $26,117). The second employer paid an annual pension of $14,151 (1.5% × 20 years × $47,171). From this it can be seen that if serving the same firm for the entire working life would provide an annual pension of $28,302, in the case of changing jobs, this figure would be equal to $21,986 (7835+14151). That is, working for just one firm would have brought in $6,316 more.

The more a worker changes jobs during their working life, the more unfavorable pension plans with fixed benefits become for them. Because most of the firms introduce a qualification period (compulsory working period required for the right to receive the employer's pension) for their workers from 5 to 10 years. In this case, we can cite the following example as the worst case: a worker who has worked for 5 employers for 9 years during his 45-year career will remain without pension if the qualification period is 10 years, even though he worked for 45 years in companies offering pension.

Public social security plans provide retirement income to previously employed citizens of a particular country, regardless of whether they worked in the public or private sector. To receive this

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type of income, a citizen must have a specified minimum length of service and must have paid contributions to the state social security plan.

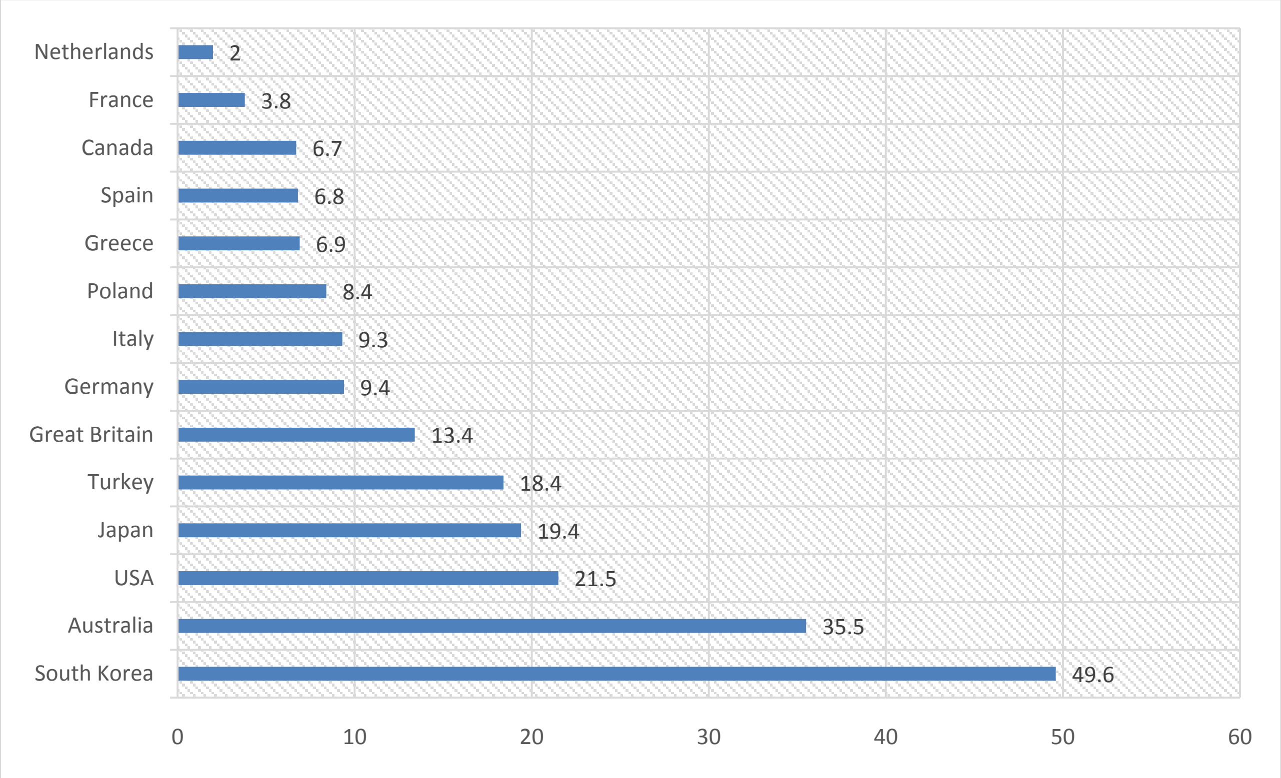

Figure 1. States with the highest poverty rates for the elderly(OECD, 2020)

Social security is more flexible in that workers have the right to pool their contributions regardless of the number of employers. Some workers, especially those in public organizations, do not receive such benefits because neither the employer nor the employee can pay defined pension contributions .

There are also cases of high levels of poverty among pensioners under state social protection plans. (Figure 1)

A report by the Organization for Economic Co-operation and Development (OECD) shows that 12.6% of people aged 65 and over in OIC member countries live in poverty.

If we look at the world, we can see from the relevant figures that South Korea has the highest level of poverty among people over 65 years old, that is, 49.6 percent. Also, Australia and the United States have high income poverty rates among the elderly, at 35.5 percent and 21.5 percent, respectively. In contrast, in the Netherlands and France, we can see that this figure is much lower.

According to the OECD, one of the main reasons for the high poverty rate among the elderly (65 and over) is the result of inadequate pensions.

Now let's get acquainted with how pension plans (schemes) that are saved abroad are valid. Under this type of plan, the employer makes transfers for each of its employees in a fixed amount and on a regular basis. In a funded pension plan, the employer has no surplus risk because assets always equal liabilities. The typical structure of this plan is as follows: the employer offers a transfer to his employee in the amount of 3% of his annual salary. In addition, the employee makes a matching transfer of one-half of the interest rate of the transfers to the employee's self-funded pension plan. For example, if an employee contributes 6 percent of their salary to a defined benefit

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retirement plan, then the employer makes a matching contribution of 3 percent (half of 6 percent) in addition to the fixed contribution of 3 percent (for a total of 6 percent). This means that the employee has invested 12% of his salary in the accumulated pension plan.

Unlike pension plans with fixed benefits, funded pension plans are more flexible (Tursunov, 2020). That is, the employer's transfers become the employee's assets at the end of the qualifying period. This flexibility is convenient for employees of companies who have multiple employers and who may face financial problems in paying the promised pension benefits over a long period of time. In the process of leaving a company, the employee has the option to transfer the accumulated funds to a pension plan offered by the new employer or to a personal pension account. From the point of view of the fact that the pension plan is a personal account, the employee's own transfers, income from investments and transfers related to the qualifying period of the employer can be given to his heirs if the employee dies before retiring (Tursunov and Ametova, 2019).

CONCLUSIONS

If we do a comparative analysis of the pension system of the Republic of Uzbekistan and the experiences of foreign countries, we will be able to see that 3 types of pension systems are used in international practice and the mechanisms of their investment activities are developed.

Based on the experiences of developed countries, the following practical experiences can be applied in reforming the pension system of our country, based on the experiences of international developed countries, taking into account different social, economic and demographic conditions:

1. Fundamental reform of the institutional foundations of the pension system of our country;
2. Development and implementation of the legal basis for the establishment of collective and private pension funds;
3. Increasing the level of coverage of the working population with the pension system;
4. Ensuring the adequacy of pension payments;
5. By increasing the profitability of pension fund funds, expanding the coverage of insurance contributions to the pension system and improving the mechanisms for encouraging the payment of voluntary insurance contributions;
6. To encourage late retirement and support initiatives to make savings for retirement during the working period;
7. Pension payment downloads private and state sources according to distribution

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