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Banking department

FINAL QUALIFYING PAPER

on the topic:

Methodological approaches to the administration of non-state pension funds

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CONTENT

ABBREVIATION

NPF – non-state pension fund

GDP – Gross Domestic Product

Mln – million

NBU – National bank of Ukraine

UK – Ukraine

EU – Europe

INTRODUCTION

In the context of reforming the system of pensions in Ukraine, financing of this system is one of the most acute issues of modern social policy. Recently, the notion of "non-state pension provision" has become the subject of not only scientific discussions, but even political speculations, the understanding of its many people as a non-state commercial social payment, which ultimately gave rise to an attitude towards retirement, thereby destroying the stimulating nature of its earnings during the labor period human life.

The issue of pensions and its reformation attracts the attention of many scholars. Theoretical and practical aspects of the activities of non-state pension funds are at the center of attention of many domestic and foreign scientistseconomists, among which should be noted: M. Wiener, V. Kabanova, I. Kichko, N. Kovaleva, M. Rippi, A. Mikhailova, O. Melnyk, V. Yatsenko B. Nadtochiya. Emphasize the complexity of problems of state social programs of pensions and the issue of the importance of reforming the pension system of Ukraine: A. Necha, S. Onyshko, V. Nagorny, D. Leonov, O. Tkach, L. Tkachenko, A. Fedorenko, A. Yakimov and others.

Actuality of master diploma paper is due to the fact that in today's crisis, domestic banks face the problem of non-payment under loan agreements, which leads to an increase in credit risk and the creation of conditions for the occurrence of default in the event of negative developments.

The purpose of the paper is to uncover theoretical foundations and practical recommendations for the administration of non-state pension funds.

The tasks of the paper is:

— to substantiate the necessity of development of non-state pension provision in the economic system of the country;

— to define the economic essence of services of non-state pension funds;

— to study regulatory requirements for the administration of non-state pension funds of Ukraine;

- assess the performance of non-state pension funds administration;
- compare non-state pension funds activity schemes;
- determine the directions of investment of pension assets of non-state pension funds;
- to study the European experience of provision of non-state pension provision services and the procedure for its implementation in Ukraine;
- to offer directions for improving pension schemes of non-state pension funds;
- to define an algorithm for forming the relations between subjects ofthe non-state pension provision process.

The object of the study is the relationship between the subjects of the process of non-state pension provision.

The subject of the study in the thesis is the procedure for administering non-state pension funds.

To write the thesis, methods used such as descriptive, statistical, comparative method, elements of retrospective and perspective analysis, elements of extrapolation, intuitive method and others were used.

The information base of the research is international and Ukrainian legal acts, data published on the websites of ministries of Ukraine, foreign enterprises and international statistical committees, textbooks, manuals and scientific works of scientists, methodical materials, publications of periodicals, materials received from state statistics and analysis of the activity of the pension system of Ukraine.

The scientific novelty of the obtained results is to deepen the theoretical positions and to develop scientifically substantiated practical recommendations for the formation and improvement of the non-state pension fund system, which will allow at various stages of the management to orient the guidance on the scope and depth of processes that need to be implemented at the state, enterprise level, etc.

The practical value of the research is to be found in the context of the implementation of this report and the implementation of the refocusing of the financing of non-state pension funds.

The master diploma paper consists of an introduction, 3 chapters, conclusions and proposals of the list of sources and applications. The main text of the work is 52 pages, including 3 tables, 11 figures. List of used sources contains 45 titles, set out on 6 pages. The work contains 9 applications, set out on 9 pages.

PART 1.
Theoretical basis of non-state pension funds administration

1.1 Rationale the needing the non-state pension provision development in the country's economic system

Formation of the country's pension system is a complex process, which should take into account many factors that include socio-economic trends, demographic situation, the degree of development of the financial market and financial institutions, and tax legislation.

At the beginning of the 1990s, the World Bank has developed a three-tiered model of the pension system aimed at preventing a crisis of aging of the population. This model has been used as a basis in many countries, and it is targeted at it and the pension reform in Ukraine [1, p. 16].

Non-state pension provision is the third level of the pension system and is based on the voluntary participation of citizens, employers and their associations in the formation of pension savings in order to receive pension benefits by citizens on the terms and in accordance with the procedure provided for by law. It should be noted that the success of the introduction of the second pillar of the pension system, that is, the mandatory accumulation system, primarily depends on the successful development of non-state pension provision, which has already become an important part of the new pension system in Ukraine.

Services in the field of private pensions are provided by pension funds established in accordance with the Law of Ukraine "On private pension provision" and pension funds, which started work in the early 90's (before the enactment of said Law) and are in the process of reorganization in accordance with the law according to the plan of reorganization agreed with the State Commission for Regulation of Financial Services Markets of Ukraine [3, p. 20].

Consequently, the main factor in the proliferation of accumulative pension systems is, first and foremost, the demographic trends associated with the subsequent aging of the population and the increase in the demographic load on the contingents of working age. At the same time, the level of efficiency and development of pension systems, their specific characteristics are determined mainly by the economic model, in particular, the organization of the labor market, the presence of traditions of social dialogue, etc. The impact of other macroeconomic indicators (GDP growth, inflation) is mainly manifested in the stock regime (stock market activity, real yield of pension assets), etc. [14, p. 18].

The development of non-state pension provision as a component of the market system is also influenced by the macroeconomic situation, in particular, the growth rate and the structure of GDP determine the possibility of investing and the yield of pension assets. However, the main source of investment is still the equity of enterprises and organizations, with increasing attention being paid to bank loans and other loans. The funds of foreign investors amounted to 3.7%, and there are no trends for their growth, which indicates the low investment attractiveness of Ukraine in the global capital market [4, p. 151].

This is especially true for Ukraine, since today large contingents of the population are not involved in state pension insurance or pay lean contributions. Such categories include, first of all, entrepreneurs - individuals, other self employed and members of their families; citizens who have informal employment, in particular, illegal migrant workers and other persons whose employment is not executed in accordance with the requirements of current labor legislation; persons employed in the household or other persons who for various reasons are not engaged in economic activity. Tax incentives should encourage these segments of the population to ensure timely care for their own welfare in the elderly, enable them to reduce their shadow turnover by directing them into an investment resource, while at the same time reducing public social obligations. Therefore, the state should direct non-state pension provision activities primarily to these groups of the population.

There are a number of factors that should encourage enterprises to create a system of non-state pension provision for their employees.

This is, firstly, a preferential tax regime for contributions to NPFs - the deduction of an enterprise in favor of employees is gross expenditure, reducing the base for income tax, and in some cases, compulsory social contributions, into a corresponding amount. Non-taxable investment income derived from the operation of pension assets. Retirement benefits are taxed at a reduced rate of 60% of the base rate if the pensioner is less than 70 and is not taxed at all if the pensioner is over 70 years old [19, p. 191].

Second, it is an expansion of financial and investment opportunities. The enterprise - the founder of the NPF has access to long-term financial resources, some of which can be used for their own investment projects.

Thirdly, participation in the NPF will allow the employer to solve the problems of personnel policy (decrease staff turnover, the maintenance of skilled workers, rejuvenation of the team) and increase the level of material incentives for employees. In addition, the NPF company will strengthen the social protection of workers and thus increase the prestige and social attractiveness of the institution [5, p. 104].

Given the significant potential of NPFs, their social importance and their important role in the development of the state's economy, the issue of promoting their development deserves attention. For the development of the NPF system it is necessary:

— diversification of the structure of NPF assets in order to optimize the ratio between profitability, liquidity and risk placement of funds (in particular, World Bank experts recommend that NPFs be allowed to invest abroad);

— restoration of public confidence - NPFs will not be able to overcome stereotypes of distrust by advertising companies or promises - only reliable and efficient work for three to five years;

— creation of compensatory mechanisms (development of a deposit guarantee system and provision of payments under contracts of NPF);

— Improvement and deepening of interaction and feedback mechanisms between NPFs and other participants in the NPF system;

— improvement of legislation and regulatory framework in the field of NPF;

— availability of appropriate infrastructure, which will ensure high liquidity and absolute transparency of NPF-funded investments;

— conducting extensive educational work on the activities of NPFs, promotion of their services (including social advertising);

— development of specialized training and continuing education system based on modern educational technologies and taking into account best international practice;

— development of information reporting system of NPFs and their administrators;

— working out clear mechanisms of interaction with the NSSMC in the process of organizing continuous monitoring of the activities of NPFs, NPF administrators, asset management companies and securities.

By implementing these measures, it is possible to improve the activity of non-state pension funds, to interest citizens in the further development of these non-bank financial institutions and to solve a number of problems related to social protection of the population [15, p. 73].

Proceeding from the analysis of the indicators of the development of the contingent of pension funds and consumers of their services, as well as systematization of the provisions of the legislation of Ukraine concerning the issues of the activity of non-state pension funds, the following conclusions and proposals can be made:

1. The system of NPFs in Ukraine is at an initial stage of formation, but it is developing at a rapid pace on a market basis.

2. The main obstacles at the stage of formation and development of the contingent of NPFs and consumers of their services are the low level of awareness of potential consumers about the essence and benefits of non-state pension provision services.

3. Authorized central executive authorities should develop and start, as soon as possible, a large-scale educational and information company among the population of Ukraine and enterprises of the employers on the issues of non-state pension system activity.

4. In order to prevent the indirect tax deduction of voluntary pension savings for citizens, tax legislation needs to be improved in the area of exemption from VAT of services provided as obligatory by NPF administrators.

5. For the practical implementation of the tax incentives set forth by the legislation for depositors of NPFs - individuals, the statutory acts of the STAU should be brought in line with the norms of the current tax legislation as part of the mechanism for providing taxpayers - natural persons a tax credit on personal income tax [17, p . 25].

Consequently, the further development of the institution of non-state pension provision is hampered by problems associated with insufficient level of macroeconomic stability of the country, low level of efficiency of enterprises, insufficient positive experience of the existence of accumulation funds and distrust of the population to financial institutions.

In order to implement institutional reforms in the system of pension provision of the population, efforts should be made to introduce a complex of organizational and financial and economic measures for the development of non-state pension provision, to carry out a gradual transition to compulsory accumulation insurance and the formation of non-state pension funds.

By implementing appropriate tax, investment and personnel policies, you can increase motivation and create incentives for employers and employees to participate in the occupational pension system.

At the same time, the formation of a non-state pension provision institution should take place in compliance with the principle of parity of the representation of the parties in social dialogue in the management of the occupational pension system.

1.2 The economic essence of non-state pension funds services

According to the Law of Ukraine "On Compulsory State Pension Insurance", a pension is a monthly pension payment in the joint-stock system of compulsory state pension insurance, which the insured person receives in case of reaching her retirement age or recognition of her invalid, or receive members of her family ' in cases established by this Law [15, p. 71].

Reforming the pension system is a complex, multifaceted and complex process that must significantly change the balance of political, economic and social interests of the population, the system of public finances, the functioning of labor markets and capital. The reform of the pension system began in 2004, when the Law of Ukraine "On Compulsory State Pension Insurance" was approved [15, p. 72]

The NPF is based on the principles of voluntary participation of citizens, employers and their associations in the formation of pension savings in order to receive pension benefits by citizens on the terms and in the manner prescribed by law [15, p. 72].

The development of the NPF is a priority area of socio-economic reform of the pension system in Ukraine. This reform will allow to raise the level of pension payments, diversify the risks of the pension system, develop the sector of institutional investors with long-term strategies, the absence of which negatively affects the state of the stock market of Ukraine and the economy of the state as a whole. The development of the accumulation system of pension provision will enable the growth of factors of production, the formation of long-term investment resources and, as a result, an increase in the growth rate of the economy [9].

Specialists of the Institute of Demography and Social Studies them. MV Ptukha of the National Academy of Sciences of Ukraine, the Research Institute of Labor and Employment of the Ministry of Social Policy of Ukraine, economists S. B. Bragin, I. V. Panchenko, I. I. Priyamak, studied problem of pensions, outlined prospective directions of development of NPF. Given the multidirectional functioning of financial institutions, it is necessary to intensify the work of potential participants, provide objective information to business entities and develop methods for supporting decision-making on the choice of NPF. This will significantly accelerate the introduction of NPF by business entities.

In the process of researching the problems of the development and operation of the NPF system, the question arises of defining the financial strategy of the NPF by the subjects of entrepreneurship, which will increase the efficiency of the operation of the NPF, reliability and expansion of investment opportunities by attracting Ukrainian investments to the NPF and further development of the financial services market.

The International Association of NPF Supervisory Authorities in Ukraine has adopted the Concept for the implementation of prudential supervision of professional stock market participants [17, p. 26], the essence of which is the strict requirements of NPF capital adequacy and prudential supervision of capital markets in Ukraine. According to the Concept, prudential supervision is a system of supervisory procedures

National Securities and Stock Market Commission, observing the prudential rules of the institution, which enables to reduce the supervisory burden on professional stock market participants, whose activities do not threaten non-fulfillment of obligations to existing customers, and to strengthen the supervisory efforts of institutions whose activities are or can be be a threat to the fulfillment of such obligations [17, p. 27].

Speaking about the Concept for the Implementation of Prudential Supervision for Non-Bank Financial Institutions provides that participants in NPF, insurers, NPFs, credit unions and their clients should be encouraged to prudent (prudential) behavior when making prudential person decisions. The main objectives of the Concept for the implementation of prudential supervision of the professional stock market participants are ensuring the implementation of a single state policy, protection of investors' assets and, as a result, increasing investor confidence in the stock market of Ukraine, preventing the insolvency of professional stock market participants through the application of appropriate measures [12; 13].

In App. A presents the structure of the pension system in Ukraine in accordance with the Law of Ukraine "On non-state pension provision" [15, p. 70].

As can be seen from App. A., the first and second levels of the pension system in Ukraine constitute a system of compulsory state pension accumulation, and the second and third - a system of accumulative retirement provision.

Non-state pension provision is an integral part of the system of accumulative pension provision, which is based on the voluntary participation of individuals and legal entities in the formation of pension savings with the aim of obtaining the participants of the non-state pension provision additional to the compulsory state pension provision of pension benefits [21, p. 50].

The main principles of non-state pension provision are:

• voluntary participation in the system of non-state pension provision;

• economic and social interest of employees and employers; carrying out investment activity exclusively in the interests of depositors and participants of non-state pension provision in order to protect pension contributions from inflation and increase pension savings due to the receipt of investment income.

Non-state pension provision is provided by NPFs, which function as non-entrepreneurial (non-profit) legal entities by concluding pension contracts between:

• administrators of pension funds and fund depositors;

• banking institutions by entering into agreements on the opening of pension deposit accounts for the accumulation of pension savings within the amount determined for the indemnity of the Deposit Guarantee Fund of individuals;

• insurance organizations by entering into insurance contracts for trust, insurance of the risk of disability, or the death of a participant [21, p. 49].

In order to ensure the effectiveness of the NPF, the administrator utilizes the services of an administrator, an asset management company, a custodian bank and an auditor, on the basis of the relevant agreements concluded by the fund's board [37, 202-203].

There are three types of domestic NPFs operate: open, corporate and professional, with differences in the founders, depositors and participants.

In App. B gives a description of the main types of NPF, indicating differences in the distribution between founders, which differ only in the type of activity of the NPF, and participants who may be simultaneously and contributors, regardless of the type of pension funds [36, p. 1007].

A professional non-state pension fund is characterized by the fact that the payment of contributions for its founders is not mandatory, but if they decide on payment of contributions, the principles similar to the corporate NPF apply.

The advantage of professional versus corporate funds is that participants can stay in the professional fund after changing jobs if they work in the same industry without changing their profession.

It is characteristic for an open non-state pension fund that the establishment of open NPFs is prohibited by legal entities whose activities are financed at the expense of state or local budgets. A legal entity is created by only one corporate or one professional NPF. Such a legal entity is the founder of one or more open pension funds [33, p. 62].

Non-state pension funds are created on the basis of the decision of the founders and act on the basis of the charter approved by the founders of the fund, acquires the right to carry out its activities from the moment of registration in the National Commission for Regulation of Financial Services Markets of Ukraine. The National Securities and Stock Market Commission supervises and controls the activities of persons managing pension fund assets and custodians [33, p. 63].

The assets of the pension fund include: assets in cash; securities assets; other assets in accordance with the law [33, p. 64], which clearly set limits on which NPF assets have to invest in and in what proportion (App. C.).

As can be seen from App. C., government bonds of Ukraine (T-bills) are government securities that are placed only on the domestic stock market and confirm Ukraine's obligations to pay bearers of these bonds at their nominal value with payment of income in accordance with the terms of placement of bonds, and are up to 50% of the value of NPF assets.

Participation in the NPF gives the opportunity to receive additional investment resources: to attract up to 5% of the total assets of the non-state pension fund to the development of the enterprise (by acquiring non-state pension fund securities of the enterprise, provided that such securities have been listed, quoted on the stock exchange or in the trade information system and meet the requirements of legislation that are put forward for such securities); provide employers with access to financial resources accumulated in other NPFs [11].

Non-state pension funds act as an institutional investor, since they accumulate funds from legal entities and individuals in the form of pension contributions, and commit themselves to increase them by investing in a variety of financial instruments that operate on the market.

Non-state pension fund provides pension payments for a specified period, one-time payments in cash in the national currency of Ukraine and payment of a trust pension. A pension for a specified period is paid during the period determined by the participant of the fund, but it can not exceed 10 years from the moment of the first payment. If the participant is dissatisfied with the work of the fund, he has the right at any time (from the moment of entering into a contract of force for payment of pension) to apply to the administrator of the fund to transfer these funds to another NPF or to conclude an agreement with the insurance organization on trust trust insurance [16, p, 42].

In addition, pension funds are inherited in accordance with the civil law of Ukraine.

The pension is paid once also to the heir of the fund participant, and in case of death of the participant, his heirs submit to the administrator of the fund an application and documents confirming their right to receive such payment.

Only the insurance organization pays a life-time pension to a member of the pension fund after reaching retirement age.

The founding document of the non-state pension fund is a statute approved by the founders of the fund. Information on the amount of accumulated pension funds belonging to each member of the fund is reflected in his pension account, which is conducted in the system of personalized accounting. The conditions and procedure for non-state pension provision of the fund participants are established in the form of pension schemes, which are an integral appendix to the charter of a non-state pension fund.

Pension contributions to the pension fund are paid in the amount and order established by the pension contract, in accordance with the conditions of the selected pension schemes. The amounts of pension contributions paid to the pension fund specified in the pension contract may vary according to the conditions of the selected pension schemes. Pension schemes and changes to them are subject to registration at the National Commission for the Regulation of Financial Services Markets in Ukraine. The pension fund may use several pension schemes. The fund's depositors have the right to choose pension schemes, as well as the right to change the pension scheme, but not more than once for 6 months [15, p. 70].

Under the terms of financing, pension schemes that are practiced in the world and in Ukraine, are divided into: non-funded (payment of pensions from current revenues is envisaged); funded, or cumulative (targeted funds are created to provide retirement benefits); partially funded (trust funds are not created for all participants, but only for persons who retire).

In Ukrainian NPF spread both insurance and savings pension schemes. In such schemes, payments (contributions, pensions) are not associated with the probabilities of their payments, so there is no need to apply mortality tables and switching numbers, where the main argument is age.

It should be noted that non-state pension provision plays an extremely important role in the provision of pensions to the population. The development of the market of non-state pension funds should become one of the strategic investment sources aimed at supporting the economic growth of the state.

1.3 Normative requirements for the administration of non-state pension funds in Ukraine

The system of non-state pension provision is the third level of the pension system introduced by the Law of Ukraine "On non-state pension provision" [21, p. 48]. The basis of such a system is non-state pension funds (NPF).

The main objective of state policy in the field of regulating NPF activities in Ukraine is the implementation of an effective and understandable pension reform aimed at ensuring a decent standard of living for people, creating effective mechanisms for protecting the rights and interests of such citizens, and ensuring transparency of the pension system.

The Law of Ukraine [21, p. 48] defines the legal, economic and organizational principles of non-state pension provision in Ukraine and regulates legal relations related to this type of activity.

According to this Law, state regulation of NPF activities is distributed among several public authorities according to their competence and tasks (Figure 1.1).

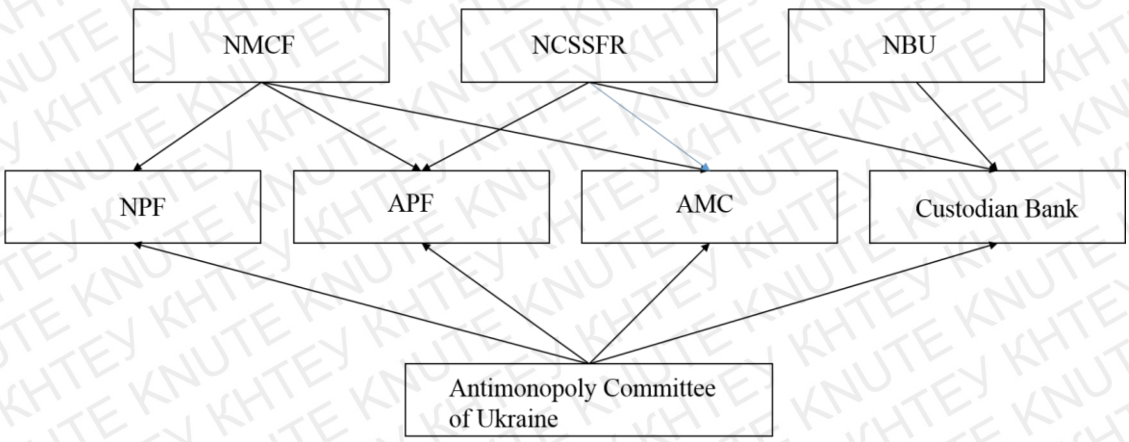

Fig. 1.1 Scheme of interconnections of state regulation of NPFs [3, p. 20]

In accordance with the Law of Ukraine, state supervision and control in the field of non-state pension provision, namely activities of NPFs, insurance organizations and banking institutions, is carried out by the National Financial

Services Commission. As a body of state supervision and control in this area, the National Financial Services Commission publishes a list of legal entities engaged in non-state pension provision, exchanges information necessary for state supervision and control in the field of non-state pension provision with the relevant state authorities (App. D.) [16, p. 44].

The decisions of the bodies that carry out state supervision and control in the field of non-state pension provision, adopted in accordance with the competence of these bodies, are mandatory for the implementation of pension funds, administrators, persons managing assets, custodians, insurance organizations, banking institutions opening pension deposit accounts.

Legislative and regulatory framework for the regulation of NPF activities in Ukraine consists of the laws of Ukraine and subordinate normative acts, which are approved by the legislative and executive bodies (App. E).

It should be noted that certain provisions of the system of non-state pension provision have been properly reflected in the Basic Directions of Social Policy for the period until 2004, approved by the relevant Decree of the President of Ukraine No. 717 of May 24, 2000.

Following the constitutional provisions mentioned above, on April 13, 1998, the President of Ukraine issued a decree No. 291/98 "On the main directions of pension reform in Ukraine" as a guarantor of observance of the Constitution of Ukraine, human rights and freedoms, which stipulates that the basis of the reform of pension provision it should be that it will be carried out on an insurance basis with the establishment of, in particular, the following types of pensions:

1) labor - at the expense of pension insurance contributions (contributions), and for certain categories of workers at the expense of the state On the budget;

2) social - at the expense of state and local budgets;

3) additional - due to non-state pension insurance [36, p. 1010].

As stated in the Main Directions of Social Policy for the period up to 2004, the main content of further work on reforming pensions should be the introduction of a three-tiered pension system.

It should be noted separately that since January 1, 2004, the Law of Ukraine "On non-state pension provision" came into force. This Law was adopted for the purpose of legislative regulation of relations in the sphere of implementation of additional to the mandatory non-state pension provision and introduction of the third (voluntary) level of the Ukrainian pension system [34, p. 93].

The law provides for the establishment of a direct link between the amount of pension contributions made to the system and the size of future retirement benefits for the benefit of citizens, the obligation to invest pension assets accumulated at the third level into stock and money market instruments for the purpose of obtaining additional income in favor of a non-state participant pension fund.

Thus, the Law of Ukraine "On Non-State Pension Provision" has expanded the multi-level system of pensions, designed to improve the lives of current and future pensioners, to ensure their comfortable existence after the completion of their employment.

Corporate pension funds are created by employers, and their participants are citizens related exclusively to employment relationships with the latter, who take on an unconditional obligation to pay additional pension contributions in favor of their employees.

Professional pension funds are created by associations of citizens or legal entities on a professional basis. Another form of savings within the third level is the opening of pension deposit accounts in banking institutions or insurance organizations on the initiative of an individual who, within the framework of this system, will have the opportunity (in case of desire and high enough earnings) to save additional savings in the Accumulation Fund, to transfer their contributions to of her elected non-state pension fund [34, p. 89].

This Law clearly defines the rights and obligations of participants and depositors of non-state pension funds. In particular, an individual in whose favor pension contributions to the NPF are paid and who is entitled to receive pension benefits from or obtains such a right is a member of this fund, and the participation itself is voluntary.

It is also provided that the retirement age, which is determined by a member of the NPF, may be less or greater than the retirement age, which gives the right to a pension on compulsory state pension insurance, but not more than for 10 years. The NPF member has the right to change the retirement age determined by submitting a statement to the administrator no later than 15 working days before the retirement age determined by him. So you can get a non-state pension for 10 years earlier or later than the state one: men are from 50 to 70, and women are from 45 to 65 years old [33, p. 64].

Thus, the legislator provides that, firstly, the size of the non-state pension will depend only on the human capacity and its desire to create proper living conditions after retirement, namely, the amount of pension contributions and the period of their accumulation. Second, throughout the accumulation period, your money "works", that is, self-investing in order to generate additional profits, the amount of which increases monthly to the amount of savings accounted for on an individual account. Thus, a person can multiply the amount of money invested several times.

Thirdly, regardless of who pays contributions to your benefit, retirement savings are solely your property. In addition, they are hereditary.

The legislator also clearly outlines the conditions that guarantee savings from bankruptcy, give you the opportunity to get your accumulated retirement funds, as a non-state pension fund can not be declared bankrupt and is not responsible for the obligations of its founders and companies that serve it. Each depositor has the right to transfer his pension funds to any other NPF, insurance company or bank. It should alsobe noted that a non-state pension does not depend on the length of employment of a person and does not deprive her of the right to receive a state pension she is entitled to, thus becoming a significant supplement to her.

The authorities have recently paid special attention to the widespread introduction and application of non-state pension funds in practice. In particular, the Order of the Prime Minister of Ukraine of May 30, 2007 No. 364 approved a plan of measures for the explanatory work on non-state pension provision issues, which a number of ministries, departments, state administrations were instructed to take this issue under personal control However, this does not mean that the state thus tries to take away responsibility for the lives of current and future pensioners, but rather tries to improve it by doing so by providing the necessary legislative framework and hence the proper conditions for the accumulation of pension funds. Whether we use this opportunity depends on each person [18].

It should be noted that the formation in Ukraine of a complete system of prudential supervision of the functioning of the NPF. The provisions of domestic legislation already contain certain rules of prudential regulation of the activity of funds: the status of NPF as a non-profit organization; the impossibility of declaring bankruptcy and liquidating bankruptcy law; delegation of asset management authority, administration and storage of assets to other financial institutions; the prohibition of retirement pension schemes with fixed payments and lifetime pension payments; the acquisition of pension contributions from the moment they are credited to the individual pension account of the participant; limited use of pension savings; establishment of marginal tariffs for maintenance services of NPFs.

PART 2.
Practice of non-state pension funds administration in Ukraine for 2014-2018.

2.1. Assessment of non-state pension funds administration indicators

The system of non-state pension provision is the third level of the pension system. Its development is carried out since 2004 after the Law of Ukraine "On non-state pension provision" came into force. The basis of such a system is non-state pension funds.

The main purpose of investing pension assets is to get participants of non-state pension provision additional to the compulsory state pension insurance of pensions, along with securing the yield of pension assets above the level of inflation and attracting long-term investment resources necessary for the modernization of the economy.

As at first quater 2018, the State Register of Financial Institutions contained information on 62 non-state pension funds (further - NPF) and 22 administrators of the NPF (reference: as on 2017 there were 64 non-state pension funds and 22 administrators in the State Register) [18].

According to the State Register of Financial Institutions, non-state pension funds are registered in 8 regions of Ukraine (Fig. 2.1). The largest number of NPFs is concentrated in Kyiv - 44, or 71.0% of the total number of registered NPFs.

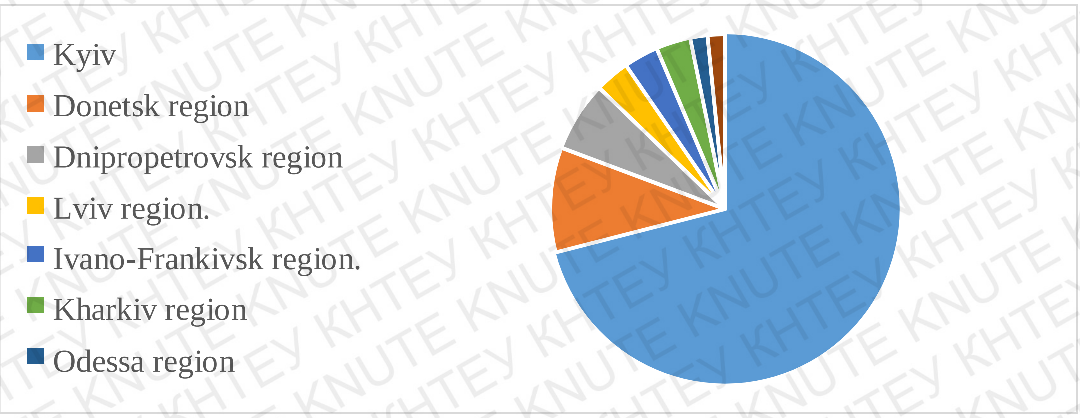

Fig. 2.1. Characteristics of the NPF on a geographical feature, first quarter of 2018 in Ukraine, %, [36]

The main indicators of NPF activity, according to the reported data, and the rate of their growth are shown in App. F..

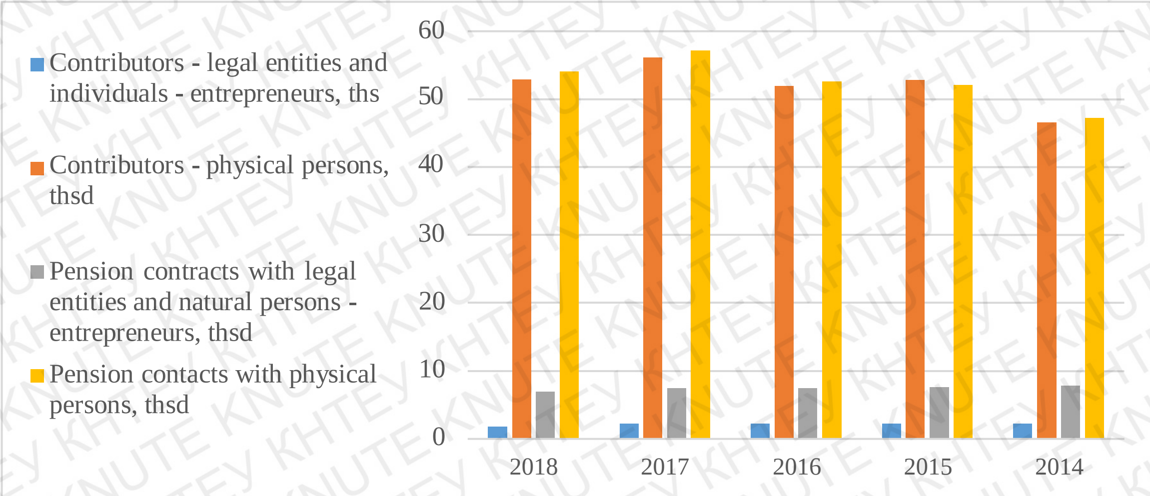

Fig. 2.2. Structural analysis of the NPF, Ukraine, 2014-2018, %, [36]

As at first quarter of 2018, the administrators of non-state pension funds concluded 61.0 thousand units. pension contracts, which is less by 5.4% (3,500 pcs.) compared to 2017.

Pension contracts as at first quarter of 2018 were concluded with 54.7 thousand depositors, of which:

- legal entities - 1.8 thousand, or 3.3% of the total number of depositors,
- individuals - 52,9 thousand, or 96,7%.

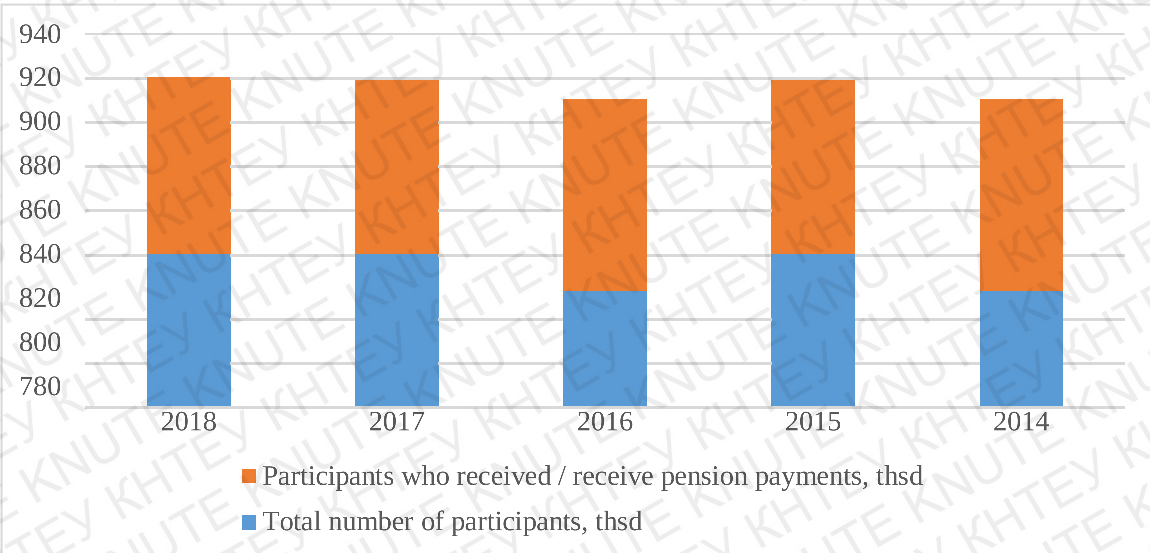

Fig. 2.3. The ratio of the total number of participants to recipients of pension benefits of the NPF, Ukraine, 2014-2018, %, [36]

The decrease in the number of depositors for the period from 2017 to first quarter of 2018 was due to a decrease in the number of depositors of individuals by 5.7% and legal entities by 21.7% (tab. 2.1).

Table 2.1

Distribution of NPF participants according to age groups, Ukraine, 2016 – 2018*

Age group	Unit	2016	2017	2018	Specific weight, 2018, %
< 25 years	Thsd.	17,9	12,1	11,0	1,3
25-50 years	Thsd.	521,5	515,9	514,4	61,0
50-60 years	Thsd.	222,1	227,4	228,1	27,1
> 60 years	Thsd.	72,5	85,4	89,7	10,6
Total	Thsd.	834,0	840,8	843,2	100,0

*compiled by the author

As at first quarter of 2018, the overwhelming majority of NPF participants comprised persons aged 25 to 50 years, namely 61.0%, and those in the age group of 50 to 60 years old who accounted for 27.1%. The share of NPF participants over the age of 60 was 10.6%, and the age group under 25 was 1.3% (Figure 2.3).

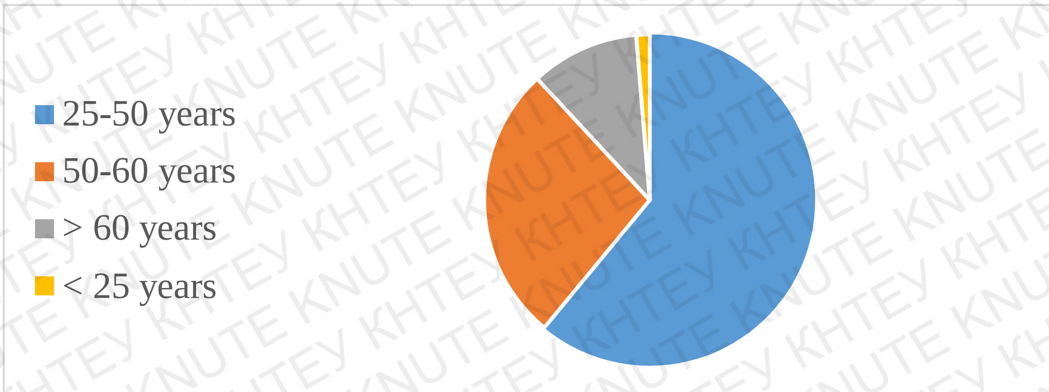

Fig. 2.3. Analysis of NPF by age, Ukraine, 2018

*compiled by the author

Figure 2.4 shows the number of NPF participants (by gender, by age group).

As can be seen from Figure 2.4, in each age group the majority are men, namely 58.1% of the total number of NPF participants. Moreover, in the age group over 60, their number exceeds the number of women more than twice (2.4 times).

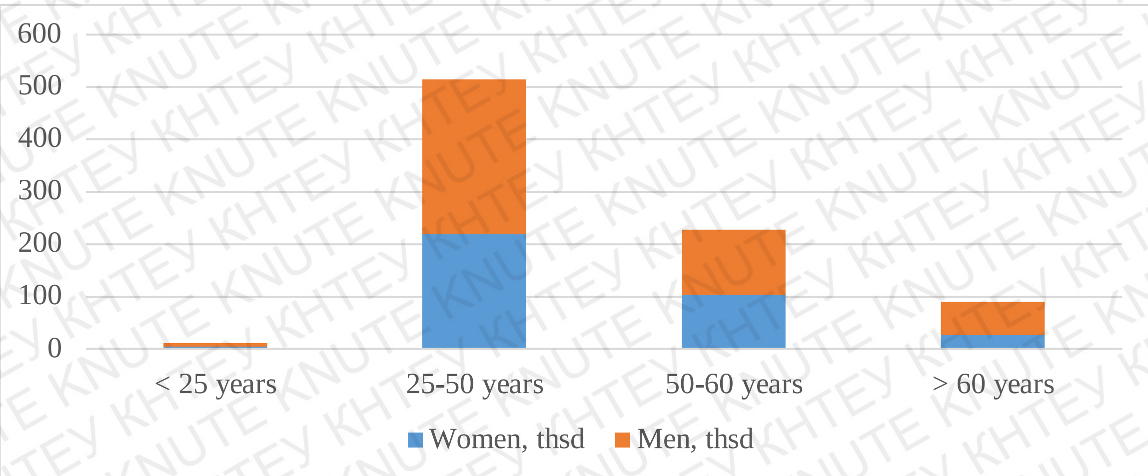

Fig. 2.4. Analysis of NPF by sex, in terms of age structure, Ukraine, 2018

*compiled by the author

Pension payments (one-time and for a specified period) as at first quarter of 2018 amounted to UAH 723.2 million, which is 10.3% more than in the same period in 2017 (Figure 2.5), with one-time payments increased by 0,9%, retirement payments for a definite period - by 43.7%.

Table 2.2

The dynamics of pension payments, Ukraine, 2014-2018

Indicators	Unit	Period					2018/ 2017, (%)
		2014	2015	2016	2017	2018	
One-time pension payments	Mln. UAH	384,6	475,7	470,4	510,5	515,0	0,9
Retirement benefits for a specified period	Mln. UAH	36,8	81,4	92,5	144,9	208,2	43,7
Total	Mln. UAH	421,4	557,1	562,9	655,4	723,2	10,3

*compiled by the author

Together with non-state pension funds, as at first quarter of 2018, 79.4 thousand participants were paid pension benefits (one-time and for a specified term), ie 9.4% of the total number of participants who received / receive pension benefits.

The average size of a one-time pension benefit per one NPF participant, who received / receives a single pension payment, as at first quarter of 2018 amounted to 6.8 thousand UAH (as at 2017 - UAH 6,5 thousand, as at 2016 - UAH 6,1 thousand) and the average amount of retirement benefit for a specified period for one NPF member who received / receives a pension payment for a certain the term was 51.3 thousand UAH (as at 2017 - UAH 37.2 thousand, as at 2016 - UAH 25.4 thousand).

One of the main qualitative indicators that characterize the system of non-state pension provision is paid pension contributions.

The amount of pension contributions as at first quarter of 2018 is UAH 1 910.4 million, having decreased by 0.4% (UAH 8.1 million) compared to the same period of 2017. Compared to 2016, the amount of pension contributions as at 2017 increased by 3.6% (UAH 67.5 million).

In the total amount of pension contributions as at first quarter of.2018 the main part, or 92.9%, is the pension contributions from legal entities, which amounts to UAH 1,775.3 million.

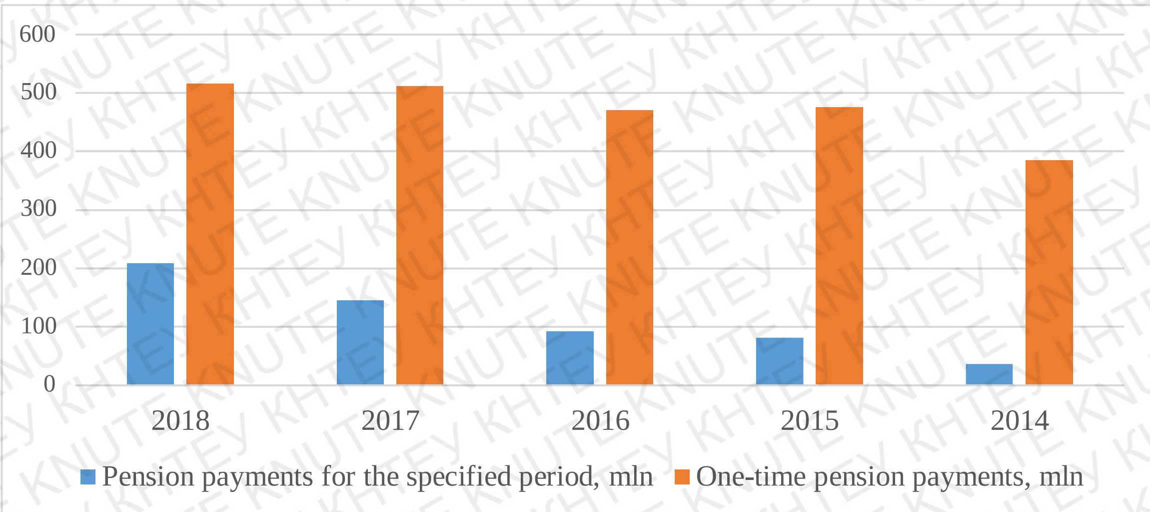

Fig. 2.5. The ratio of payments for a certain period and one-time pension benefits, NPF, Ukraine, 2014-2018, mln UAH [37]

The decrease in the amount of pension contributions as at first quarter of 2018 was influenced by an increase in the amount of pension contributions from individuals by 34.0% (UAH 34.1 million), while the amount of pension contributions from legal entities decreased by 2.3% (41, 9 million UAH).

The increase in the amount of pension contributions as at 2017 was affected by an increase in the amount of pension contributions from individuals by 25.2% (UAH 20.2 million) and an increase in the amount of pension contributions of legal entities by 2.6% (UAH 46.8 million).

The average amount of the pension contribution for first quarter of 2018 per depositor:

- legal entity and individual entrepreneur is 9 922,17 hryvnias;
- the individual is 186.85 hryvnias.

In general, the characteristics of the NPF allows us to understand the trends of its development in Ukraine, the further development opportunities and the attitude of the population towards non-state pension provision.

2.2 Comparative characteristics of non-state pension funds schemes

Since 2004 in our state there is a three-level system of pensions. The first level is a solidarity system of compulsory state pension insurance in which all funds transferred by enterprises and insured persons to the Pension Fund of Ukraine are immediately paid to current pensioners. The second level is the accumulative system of compulsory state pension insurance. These funds will be invested in the Ukrainian economy, and investment income will increase the size of future retirement benefits of participants. The third level - the system of non-state pension provision - is an integral part of the system of accumulative retirement provision, which is based on the voluntary participation of individuals and legal entities in the formation of pension savings in order to receive additional pension benefits.

The unconditional advantage of a three-tier system is that such a design unloads the system of state pension provision, solves the problem of unjustified pension benefits and provides an additional opportunity for citizens to independently determine the level of pension provision.

Currently, only the first and third levels of the pension system are really represented. The introduction of the third level is possible only subject to certain conditions, in particular, ensuring the deficit of the Pension Fund of Ukraine.

Legislation provides that non-state pension provision may be carried out by the following entities:

- non-state pension funds by concluding pension contracts between pension fund administrators and depositors of such funds.

- insurance organizations that have received a life insurance license by entering into life insurance pension insurance contracts, risk insurance for disability or death of a fund participant;

- banking institutions by entering into agreements on the opening of pension deposit accounts for the accumulation of pension savings within the amount determined for the indemnity of the Deposit Guarantee Fund of individuals (as of 2018 - UAH 200,000).

Despite the fact that the law formally provides for three equal players in the market for non-state pension provision, at present the most common form of non-state pension provision in Ukraine is non-state pension funds. Both insurance companies and banks are not yet active participants in the system of non-state pension provision, which is due to various factors, first of all, the legal-legal nature.

One can distinguish the following main problems in the activities of non-state pension providers:

• non-state pension providers act in three different laws that often contradict each other;

• The role and place of the NPF and other entities in the structure of non-state pension provision is not clearly defined [33, p. 63].

At the present stage of the market development of services for non-state pension provision, the banking sector remains the least developed. Today, banks do not take significant direct participation in the system of non-state pension provision, it is usually reduced only to the storage of pension assets. Regarding the direct accumulation of pension funds in the banking system, this is possible only through the opening of pension deposit accounts in order to accumulate funds for payment to their owner at the onset of retirement age. But here there are certain limitations and difficulties. First, the amount of pension contributions, together with interest, can not exceed the guaranteed amount guaranteed by the Guarantee Fund of individuals for the reimbursement of pension savings, which today amounts to 200 thousand UAH. Secondly, the subordinate normative NBU regulates the activity of banks in the field of non-state pension provision is not sufficiently developed. Third, according to the legislation of Ukraine, today depositors are allowed to withdraw funds from pension deposit accounts ahead of time. That is, the pension deposit account in the bank remains so only by name, whereas in its content it can not be classified as a pension because the main characteristic feature of a pension deposit account is lost - its long-term nature.

But such a possible participation of banks in the system of non-state pension provision as the creation of corporate pension funds, which enables the bank to combine the functions of the founder, administrator and asset manager.

Speaking as the founder of a non-state pension fund, the bank gains the following benefits:

1. Access to long-term cash resources through the guaranteed placement within the limits of the statutory quota on deposit accounts in this bank of the portion of pension funds of the NPF, the founder or owner of which is the bank.

2. Investing part of pension funds of NPF in securities placed by the bank.

3. Expansion of the product range of the bank through the offer of NPF services to clients of the bank, which enables to attract new customers and keep available and financial supermarkets.

4. A NPF belonging to a bank can attract clients independently, and not only through the bank's customer base, thus, simultaneously involving them and the bank.

5. The Bank, like other economic actors, considers non-state pension provision as a significant element of internal personnel policy.

6. Domestic bank, which is the founder or owner of an NPF, is more in line with the western model of banks. Banks with NPFs are more likely to cooperate with Western investors, including many foreign pension funds [21, p. 49].

It should be noted that the bank fulfills the role of the founder or owner of the NPF is beneficial not only for the bank, but also for the NPF itself. The NPF, whose founder is the bank, gains the following benefits:

1. Access to the branch network and the client base of the bank, as the bank provides sale of services to the NPF through its branch network for legal entities and individuals, ie use of the bank as an agent for the sale and maintenance of their services, avoiding the need to create their own infrastructure. NPF products are similar to traditional banking products, which allows you to use well-worked business processes, that is, to apply similar information and financial systems, marketing solutions, staff training.

2. Small NPFs in conditions of rigid state supervision in the field of pensions should cease to exist, therefore, there is a need for the consolidation of NPFs. Significant role in this process is played by banks that create and purchase NPFs. Banking NPFs have great opportunities for consolidation and consolidation. In principle, banks are often faced with a mutual overflow of frames and have quite similar pension programs. In order to avoid transferring pension funds from one fund to another in such a flow of personnel, it is advisable to create consolidated interbank NPFs that will flexibly respond to such personnel changes. When the funds are merged, the investment portfolio is also enlarging, which allows it to be placed more effectively.

Features of the bank as a participant in non-state pension provision is that working with the bank, the client is confident in the final amount of the deposit, taking into account interest income, which is also clearly defined. Consequently, on the one hand, the advantage of the bank is that it can guarantee profitability unlike NPF, which is prohibited by law, and on the other hand, the disadvantage is that the amount of income is limited in accordance with the terms of the agreement on the opening of a deposit account. But nevertheless, given that the consequences of financial crises are very serious for banks, the question arises as to the reliability of funds in these institutions. Also, with the participation in non-state pension provision through the opening of a pension deposit account, there is no insurance coverage for the client, as opposed to insurance companies and NPFs.

The other two participants in the non-state pension provision market are insurance companies that have received a life insurance license and an NPF. The activities of these two entities also have their own peculiarities.

Insurance companies that have received a life insurance license provide life-assurance, disability risk insurance, or death of a member of the fund through insurance contracts concluded in accordance with the Law of Ukraine "On Non-State Pension Provision". In accordance with this law, insurance companies are not entitled to collect pension contributions in the framework of non-state pension provision. This factor negatively affects the activities of "life" insurance companies and acts as a deterrent. Also, insurance companies engaged in life insurance in general and pension insurance in particular, are required to ensure that the client receives 4% of annual investment income. The deviation of the actual value of the client's investment income from the planned size may, however, only increase.

Probably the most important advantage of life insurance companies compared to NPFs and banks is that they only today have the opportunity to make a living (more natural for individuals and the only true from the point of view of the essence of retirement provision) to pay pensions, since nobody is interested in that to spend their retirement savings within a short period of time, and then the rest of the life to exist only at the expense of a state pension. NPFs are able to provide only a fixed-term pension, which is paid for a certain number of years and is terminated after such a term.

It is also significant that insurers can guarantee the minimum amount of future pension. In addition, by purchasing a life insurance policy, the client will know exactly the minimum amount of benefits and their periodicity, as well as those for which the assistance is entitled to count on the family in the event of his death. NPFs are deprived of such opportunities. They do not even have tools for assessing the size of the future pension, which directly depends on the profitability of retirement assets made by the asset management company [18].

Regarding the property rights to pension accumulation, the pension funds accumulated in the NPF immediately become the property of the participant, although they can only be obtained with retirement and in some other cases specified by law. Pension funds at a banking institution are also immediately owned by the participant. But the right to accumulate assets in insurance companies comes gradually, depending on the terms of the contract. In other words, if a person does not work out to the end, he or she receives either a part of the money or nothing (the system of "gold handcuffs"). The essence of the system of "gold handcuffs" is that for especially valuable employees who are the "golden fund" of an organization, employers introduce long-term cumulative insurance programs. Under these programs, a trilateral agreement is concluded between the employer, the employee and the insurance company. An employer with a certain periodicity makes insurance premiums. An employee will receive a paycheck if he / she fulfills the terms of the employer, for example, he will work for the company for 10 years. If an employee fails to comply with the employer's conditions (will not finish by the end of the term), he will not receive a monetary reward. In this case, all the accumulated funds are returned to the employer. Such insurance companies help employers who pay their employees pension contributions to retain competent, rare labor market specialists, so they are often called "golden handcuffs".

The benefits of life insurers still need to be attributed to the lack of firm attachment to retirement age, a wider range of products, the availability of insurance protection, which also matters both for the employer and for the worker. NPFs can use only products of the same type strictly defined by law. In order to ensure social guarantees, non-state pension funds are forced to purchase them from insurance companies. Unlike NPF, insurers, by most of their programs, provide clients with the opportunity to decide on the moment when the contract is concluded or at the time of receipt of the following question: to immediately withdraw the accumulated funds or convert them into a retirement pension - either temporary or permanent.

In the insurance company, the size of the cumulative contributions and the actual pension can be tied to both the hryvnia and the freely convertible currency, while the NPF is legally authorized to accumulate pension assets only in the national currency. What's better is to deal with a particular investor who should be able to choose [17, p. 26].

Also, the benefits of life insurance companies should include the availability of redemption value of insurance products. Such a moment seems very important, because the circumstances, both in the company and specific people, may vary in different ways. The money transferred to a non-state pension fund, taken up before the retirement age, is virtually impossible.

At the same time, the advantage of NPFs is the use of more transparent schemes for taxation as well as accrual of pensions. It is sometimes very difficult for insurers to explain to the client why it is necessary to make such contributions in order to receive the desired amount of pension in the future. Such complications arise because during the calculation of the size of the pension, account is taken of the weight of probabilistic parameters, as well as statistics accumulated in the state and reinsurance companies over a long period of time.

With regard to the investment activity of these entities, it should be noted that more opportunities for its implementation are from life insurance companies. But it is necessary to take into account the moment that NPFs are only in the stage of formation and their activity is aimed at maximizing protection of pension contributions of citizens. Operations carried out by them on the market, in comparison with other subjects of non-state pension provision, are associated with a lower degree of risk. From this point of view, NPFs are more reliable.

Despite the existing benefits of the accrual system of non-state pension provision, it has still not found adequate support in society and is characterized by low development rates. Let's take a closer look at the main indicators of non-state fund activities since the Law "On non-state pension provision" came into force, that is, since 2005 [2, p. 46].

Comparing the activities of non-state pension providers, it should be noted that they can not compete among themselves, since their main activities have different goals. Nevertheless, in our opinion, non-state pension funds should occupy the main niche in the market for services of non-state pension provision, as it is promoted by legislative acts that limit the activities of banks and insurance organizations in this market and promote the development of NPFs.

Thus, the third level of the pension system - non-state pension provision - is represented by three main subjects: banks, insurance organizations and non-state pension funds. Each of these subjects has its advantages and disadvantages in providing non-state pension provision services. In view of the problems and shortcomings in the activities, it is important to harmonize the legislative and regulatory frameworks in the field of non-state pension provision in the near future in order to clearly outline the place and role of each non-state pension provider, especially in attracting retirement assets at the stage of their accumulation. Important attention should also be paid to increasing the participation rights of insurance companies in the implementation of non-state pension provision.

Taking into account the low level of participation of the population in the third level of the pension system, today it is urgent to carry out informational and explanatory work on popularization of the system of non-state pension provision among the population of Ukraine.

An extremely important factor in the development of the whole pension system as a whole and non-state pension provision is, in particular, the completion of its reform by introducing the second level. The absence of one of the levels of the three-tier system does not allow the effective functioning of the entire pension system

2.3 Directions of pension assets of non-state pension funds assents investment

Assets of NPFs are formed at the expense of pension contributions and profit (loss) from investing pension contributions. The pension assets are carried out in accordance with the investment declaration of the pension fund and the asset management agreement.

Assets of non-state pension funds can be used in the following areas:

1) for the purpose of investment activity of the fund (investing in order to generate income in favor of fund participants);

2) fulfillment of obligations of the fund to its participants (execution of contracts for payment of pensions for a specified period, implementation of one-time pension payments, payment of life insurance pension contracts, payment of insurance contracts for risk of disability, or death of a fund participant);

3) payment of expenses related to the implementation of non-state pension provision (payment of services of a social service administrator, payment of remuneration for the provision of pension fund asset management services, payment of custodian services, etc.).

There are restrictions on the placement of retirement assets by pension funds in securities:

1) securities issued by the custodian, persons managing pension assets, administrator, auditor and persons providing consulting, agency or advertising services with which the pension fund has concluded respective contracts, and related persons, founders of the pension the fund;

2) securities not listed on the stock exchange (except for cases when the credit rating of bonds corresponds to the investment level on a national scale);

3) securities of which issuers are joint investment institutions, unless otherwise stipulated by regulatory acts of the National Commission on Securities and Stock Market;

4) promissory notes, derivative securities [18].

As at first quarter of.2018, the total value of assets formed by non-state pension funds amounted to UAH 2 485.2 million, which is 12.6%, or UAH 278.9 million. more in comparison with the similar period of 2017 and by 24,8%, or by 493,1 million UAH. more in comparison with the similar period of 2016 (Figure 2.7).

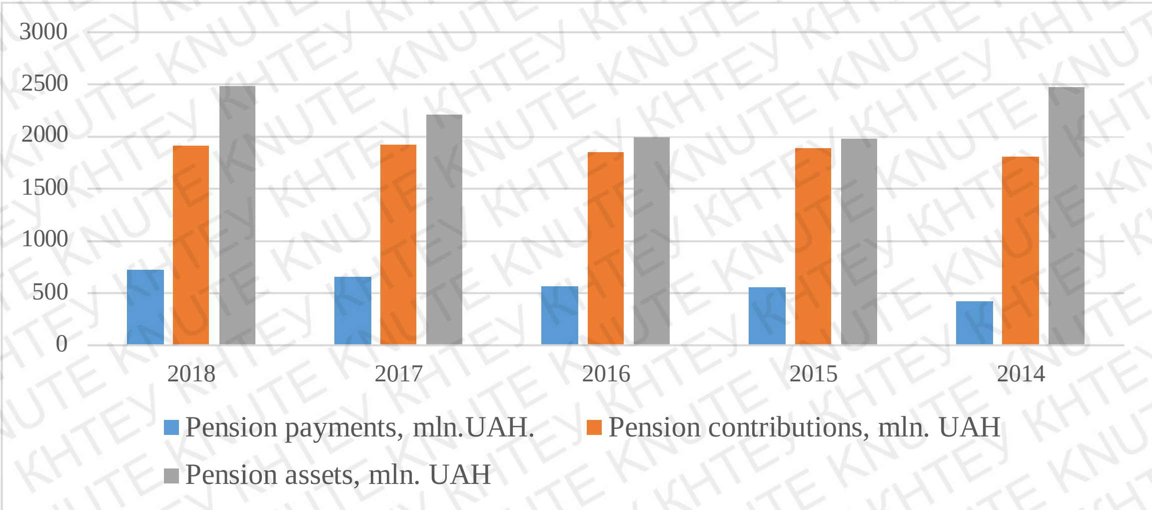

Fig. 2.7. Analysis of NPF assets, Ukraine, 2014-2018, mln UAH

*compiled by the author

For a NPF it is proper to form a portfolio that includes investment objects with a minimum degree of risk. Therefore, the choice of investment instruments, using which NPFs will be able to protect the monetary resources of the population from inflationary processes, while receiving a definite increase in capital, is of particular importance.

Table 2.3

Dynamics of the main indicators of the system of non-state pension provision, Ukraine, 2014 – 2018

Period / Indicator	Value, mln UAH					2018/ 2017, (%)
	2014	2015	2016	2017	2018	
Retirement benefits	421,4	557,1	562,9	655,4	723,2	10,3
Pension contributions	1808,2	1886,8	1 851,0	1 918,5	1 910,4	-0,4
Pension assets	2469,2	1980,0	1 992,1	2 206,3	2 485,2	12,6

*compiled by the author

As at first quarter of 2018, the prevailing areas of investment of pension assets were securities, the income of which was guaranteed by the Cabinet of Ministers of Ukraine (46.7%), deposits in banks (35.8% of invested assets), corporate bonds issued by residents of Ukraine (9 , 7%), shares of Ukrainian issuers (0.9%) (Figure 2.8).

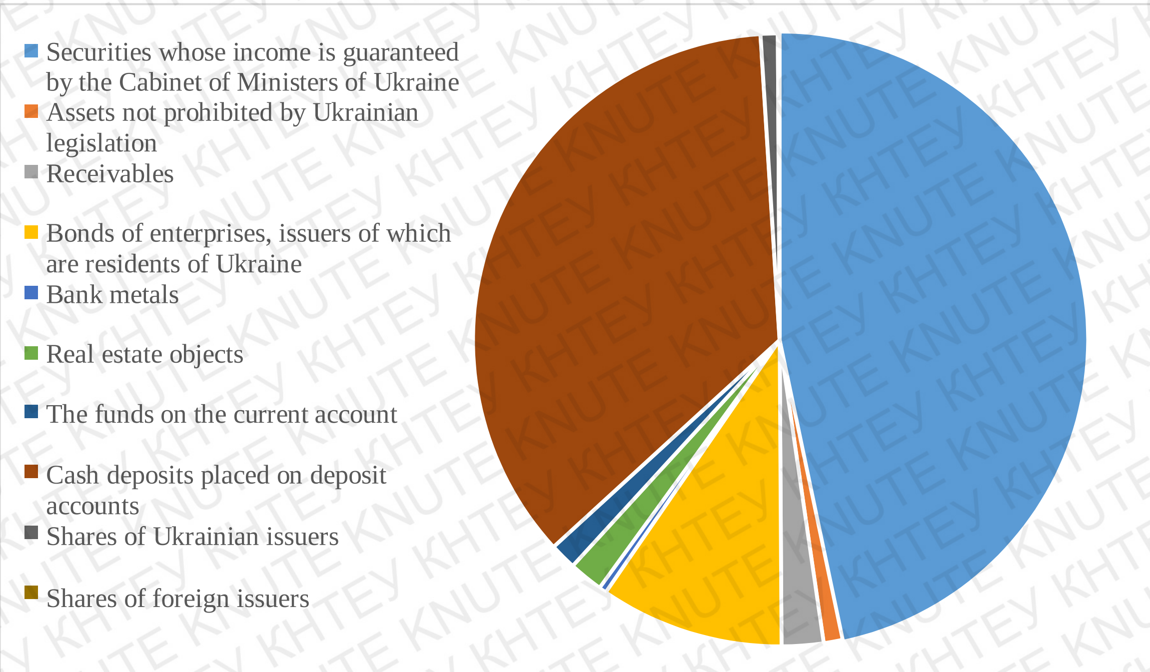

Fig. 2.8. Analysis of investment activity of NPF in terms of articles of investment, Ukraine, 2018, % [36]

The purpose of investment of pension assets is, first of all, saving of pension savings of citizens. The strategy of investing non-state pension funds is more conservative than other financial institutions.

During the period from 2017 to 2018, such expenses increased by 9.6% (UAH 24.8 million) due to provision of services for administering NPFs by UAH 9.7 million (14.3%), on asset management of NPFs by UAH 8.4 mln (5.3%), custodian services for UAH 2.0 mln (14.7%), carrying out planned audits for 1.1 million UAH (28.9%) related to the implementation of pension assets transactions, which are provided by third parties for UAH 0.4 million (11.8%) and provision of other services stipulated by the current legislation with the system of non-state pension provision by UAH 3.2 million (25.2%) (reference: as at 2017, such expenses amounted to UAH 258.6 million).

The structure of these expenditures as at first quarter of.2018 is shown in Figure 2.9.

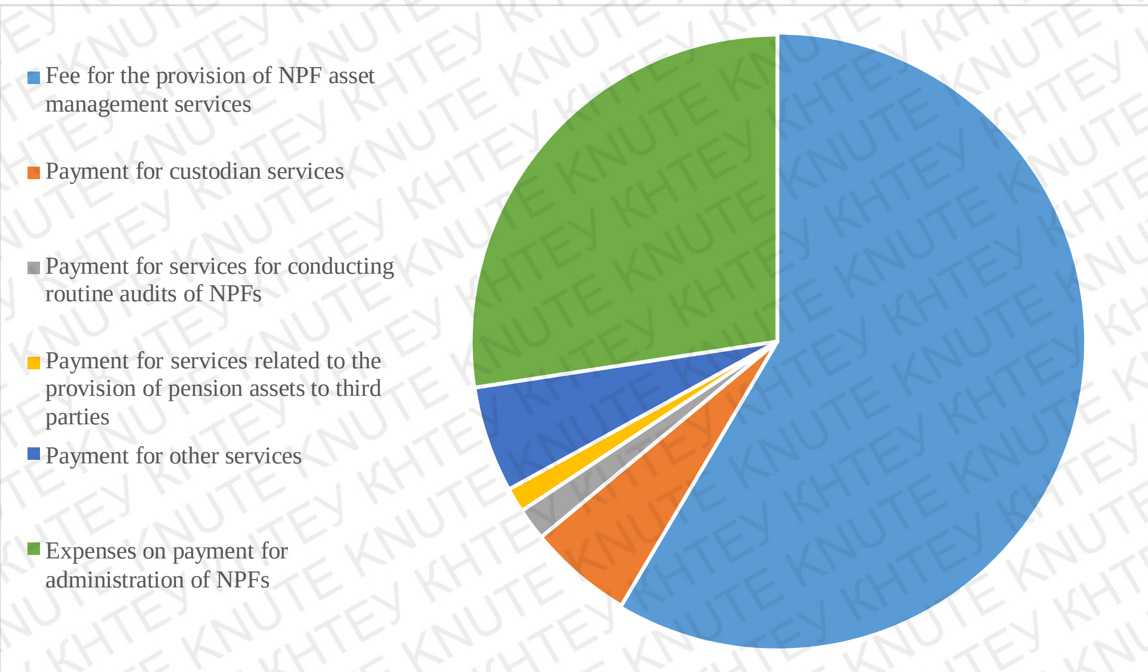

Fig. 2.9. Expenses of NPFs, reimbursed by assets, Ukraine, 2018, % [36]

The analysis showed that at the domestic financial market today there are no reliable types of financial instruments that would enable adequate diversification of pension assets of non-state pension funds. Today, the structure of NPF assets is not optimal, and is mainly represented by bank deposits. Domestic laws put forward requirements for investment, set quantitative restrictions on investments in various financial instruments. In this context, the actual task remains the diversification of investment directions. The leading role in the system of non-state pension provision is to be played by government securities - long-term government bonds indexed to the level of inflation. The increased offer of such bonds can not only improve the management of pension assets, but also contribute to the development of the market for long-term securities and the entire financial market of the country.

PART 3.
Recommendations to the improvement to the administration of non-state pension funds' of Ukraine methodological approaches

3.1 The European experience of non-state pension provision services provision and the procedure for its implementation in Ukraine

Today, the issue of ensuring a decent (decent) standard of living for people who have reached the retirement age is quite acutely practical in every country. In recent years, pension provision has undergone many changes in most of the world. In international practice, new pension systems have been created and applied, which are formed on a non-budget basis.

According to the Organization for Economic Development and Cooperation on non-state pensions in the OECD member countries, 21.6% of pension payments are paid, a gradual increase in the share of non-state pension provision in the general structure is noted (Fig. 3.1).

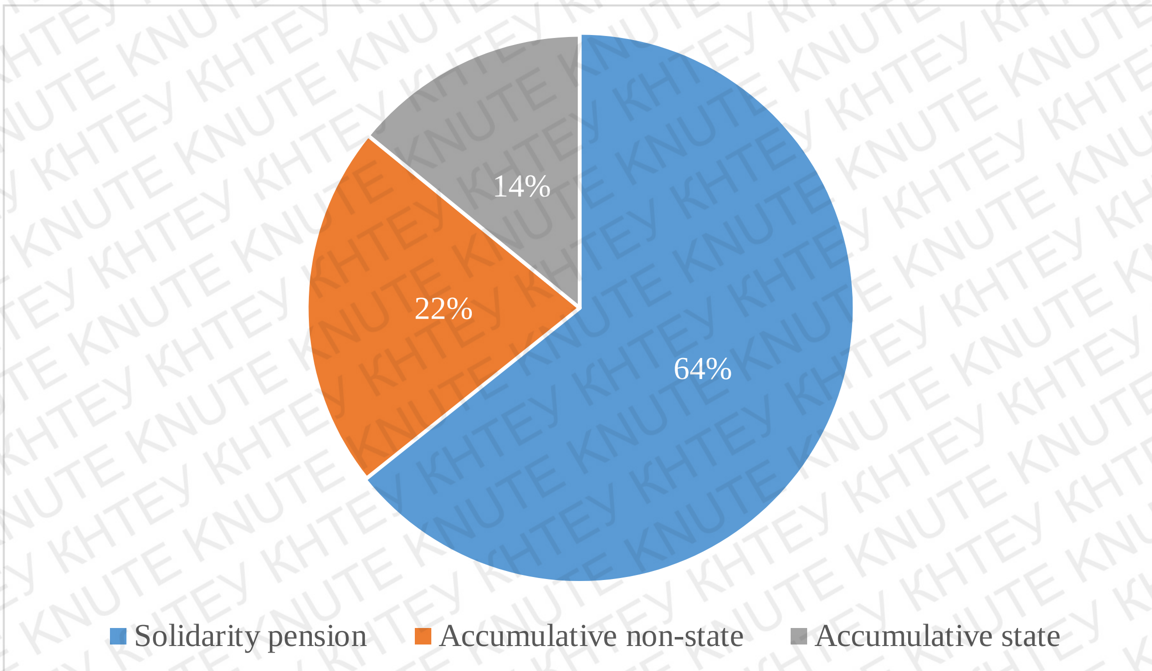

Fig. 3.1. The structure of pension schemes, according to the Organization for Economic Development, Ukraine, 2018, %

*compiled by the author

According to the OECD in developed countries, the share of funds working in the system of non-state pension provision sometimes reaches more than 100% of GDP (the Netherlands - 166.3%, Iceland - 148.7%, Switzerland - 119.0%). In Ukraine, this figure is only 0.1% of GDP (App. H).

In practice, the simultaneous successful functioning of all three pillar is rare. It is necessary to note the main features of the implementation of the system of non-state pension provision available in the EU (App. I)

Consider the pension system of the Netherlands. According to the Mercer Research Center, which annually generates Global Pension Index ratings, this country ranked first in the 2010 overall ranking of accumulated assets (as a percentage of GDP) operating in the non-state pension system. Today the Netherlands is also in the first place in the ranking.

Legislation in the Netherlands provides for a three-tiered pension system: a social pension - the first pillar the second is the pension from the employer, the third is the individual pension.

The solidarity pillar provides for the payment of pension benefits to citizens of the Netherlands, which is accrued at the age of 65 years for each year of residence of a pensioner in the country from 15 years in the amount of 2% of the maximum amount of state aid [16, p. 41].

The second pillar funds in the Netherlands are invested in non-state pension funds of around 500, from small enough to one or more enterprises to very large, such as ABP and PGGM, or the health and social security fund.

In addition, every person in the country has the right to provide himself with an additional pension on his own, but it is only possible to do this through insurance of life in the insurance company (third level). Self-insurance is designed primarily for those who work or live abroad, as well as for individuals who work as individuals entrepreneurs who do not take part in the second level. The share of pensions from employers in the Netherlands (corporate pension provision) accounts for about 45% of all retirement benefits and only 5% of retirement from insurance companies.

Switzerland has a three-tier pension system. The first two levels are state-owned. The Constitution defines the main sources of budget revenues, which form state pensions to achieve retirement age. These are taxes on tobacco products, alcoholic beverages, and gambling fees.

In addition, each employee can insure himself personally by opening a suitable pension account in any commercial bank. Pension benefits are tax exemptions. The maximum amount of such deductions per year is set: for those who take part in compulsory labor insurance - CHF 5,933, for employees who are not subject to compulsory labor insurance - 20% of annual income.

In the UK, the structure of pensions is also 3 levels: the first - the state pensions, which receive all citizens without exception in reaching retirement age; the second is the state pension for seniority, which is directly dependent on the length of service of the employee and the size of his salary; the third level - professional state pensions for senior citizens [34, p. 90].

It should be noted that the second and third levels of the pension system are voluntary, but are widely used, because the basic pension is rather low. Employers not only make contributions to the NPF, but also pay for administrative costs of funds. If the employer is not able to fully pay the full amount of the contribution specified in the contract, the employees undertake to pay their contributions in accordance with the percentage specified in the contract as a percentage of the wages. In addition, hired workers have the right to make additional contributions, which in percentage terms exceed the established, but not more than 15% of the salary.

In Germany, there has long been a "three-tiered" pension protection system. The first level includes systems that operate on the basis of legally established norms that are mandatory - the solidarity level.

Pension programs at the expense of enterprises (Level 2) are fairly common and, as a rule, are included in collective agreements. If the company accepts to participate in such a program, contributions are made in proportional shares by the employee and the enterprise. Although such programs are voluntary, almost 50% of the economically active population of Germany is "covered" by private pension plans from enterprises. The third level is also voluntary. With regard to the third level, then each person independently decides on the implementation of additional deductions to ensure their old age.

In the United States there is only the first and third level, and at the third level there is a state, at the place of work (corporate), and non-state, individual pension. The US state pension system covers virtually all employees in the private sector of the economy and is based on a distribution principle. Non-state pension funds are used to finance long-term investments in corporate securities and government securities. The NPF offers two types of retirement benefits: set-as-you-go and statutory payments. Characteristic in recent years is the rapid growth of the volume of funds raised under established installments, and contributions are made by entrepreneurs and hired workers in equal shares [34, p. 95].

The Japanese model is conventionally accumulative, because from a legal point of view it is a solidarity model. In practice, the state functions as a non-state pension fund. In Japan, the pension system is based on state social security, which is actually funded from the budget, but is secured by deductions from workers and employers. The basis of the basic pension is the pension contributions of insured workers, entrepreneurs and state subsidies. The size of the basic pension is set annually in a certain amount.

Over time, due to the aging of the nation and the increase in the number of retirees, Japan introduced a second pillar of the pension system. The second pillar pension payments are financed by contributions from employers and employees, which are formed in the form of an additional pension: state or corporate.

In Sweden, instead of the pre-existing solidarity system, the share-based system was legally fixed, according to which all citizens born after 1953 are moving to a new pension system consisting of three levels: distributive, accumulative and voluntary. The pension benefit rate is 18.5%, of which 16% is deductible for the formation of a distributive pension, and 2.5% - for a savings account. As far as contributions to the share distribution system are concerned, they are distributed on a parity basis between the employer and the employee: 9.25% (including 2.5% for the formation of pension savings) is paid by the worker, the rest - the worker.

Chile's pension reform is considered to be one of the most successful in the world. Mexico, Colombia, Argentina, Bolivia and other countries in South America have introduced the Chilean experience of pension reform, albeit significantly modified. The success of the reform was facilitated by a number of factors, namely: significant economic growth, favorable demographic situation (only 8% of retirement age in the general structure of the population) and sharp growth of the stock market in Chile, which resulted in a significant level of profitability of pension funds.

The Chilean cumulative model completely excludes the influence of the state and political factors on the system of pensions. The system is two-level. At the first level, it is compulsory deduction of 10% of the salary to the non-state pension fund. Persons are subject to compulsory social insurance until they reach the age prescribed by law (65 for men, 60 for women). Insured persons can independently choose a non-state pension fund and freely change it, while taking into account the rights to accumulated funds. Self-employed people may be insured in non-state pension funds voluntarily. In addition, in addition to retirement benefits, workers must be insured in case of disability and survivors - 3% of wages (second level).

After reaching the retirement age, the pensioner has the right to choose: either to use the accumulated capital to purchase a life-time pension in the insurance company, or to receive payments from this account in the fund, concluding an additional agreement with the NPF [33, p. 64].

Thus, based on the foreign experience of non-state pension provision, it should be noted that today, abroad paying a lot of attention to retirement plans, which is a significant motivating factor for hired employees. In most developed economies, there is an additional retirement pension from enterprises or at the expense of voluntary individual savings. Unfortunately, all the analyzed systems have their advantages and disadvantages, and the scheme that works well in one country can not be fully implemented in the other, while remaining as effective. In our opinion, it is expedient and possible to borrow from the foreign experience some elements of the organization of the system of non-state pension provision of the developed countries, provided that they are adapted to Ukrainian conditions. In particular, Chile's experience in reducing the influence of the state and political factors on the development of the pension system can be considered useful. At the stage of formation of accumulation levels a partial borrowing of Russian experience in the implementation of the distribution of compulsory contributions, depending on the age of participants in the system on the accrual level, may be possible. The application of the Hungarian experience to cover the maintenance of the fund at the expense of the founders will reduce the burden on the NPF and increase the profitability of its activities.

3.2 Pension scheme proposals improvement by non-state pension funds

One of the main priority areas of social security in Ukraine, according to the Law of Ukraine "On Compulsory State Pension Insurance", is the pension system as the basis for the material state of unemployed citizens. The state's obligation in this direction is to provide certain organizational measures that allow gradual, taking into account the peculiarities of budget filling, to reach the appropriate level of pension provision for this category of population. Since 2004, with the adoption of the Law, a new pension system is being formed that will enable citizens to provide adequate social security after the end of their work.

It is the reform of the pension system that will make it possible to determine the direct dependence of the size of future retirement benefits directly from each working person, and not only from the state.

Regarding corporate problems, although the market for NPF services is still very small, and at the same time, the scope for action is incredibly broad for all and the interests are supposedly all common, but the unity among its participants is not enough. Let's take, for example, the attitude towards the introduction of a unified procedure for determining the net value The unit of pension contributions is the estimated value of the pension contribution unit, which is determined by dividing the net asset value of the pension fund by the total number of units of pension contributions on the day of calculation. The presence of such an order will increase trust in the NPF system, as it will enable depositors to compare the activities of different funds, to be aware of what is happening with their pension money, and on this basis make informed decisions.

World experience shows that there is no other way to gain investor confidence than openness of information and an understanding of the system of performance evaluation of funds.

Let us note the ways of improving the system of non-state pension provision:

• The relevant legislative framework needs to be improved, based on the experience gained in the implementation of the NPF.

• Achievement of optimum ratio of risk and profitability among fund participants to NPF investment portfolios by introducing government changes to the regulatory framework within a wider capital market development program.

• The restrictions on currency transactions should be abolished and consideration should be given to introducing risk management, subordinated to more regulated regulation, which should include investing in low risk liquidity instruments that are in circulation in developed markets.

• Regulators should be allowed to invest only in such assets for which valuation methods that are common to all funds can be applied.

• Improvement in the management of the investment portfolio of the fund, due to the introduction in the legislation of the general provisions on risk management and the imposition of restrictions on share capital that may be held by the NPF.

• Adhere to the maximum allowable volume of investments by monitoring compliance with statutory restrictions on the investment of pension assets, which should be based on their average monthly values.

• Solve the issue with the number of non-state pension funds, with uneven placement of funds in Ukraine.

• It is also important for the proper functioning of non-state pension funds, in particular for attracting pension assets, to raise awareness among the population, employers, trade unions, associations of citizens and legal entities, in particular:

a) dissemination among the population of information on the benefits of non-state pension provision and the possibility of obtaining additional benefits when reaching citizens of retirement age as a result of participation in the NPF;

b) introduction of a system of public appraisal of the financial state of the NPF through the adoption of relevant regulations and the introduction of a system for disclosing information about non-state pension funds.

• Resolve the existence of non-transparent competition by strengthening the protection of consumer rights based on the principles:

a) clarity (transparency) - so that consumers can understand this retirement product and compare it with other similar savings products;

b) Simplicity - so that consumers can make informed, free choices to maximize profits in the long run and remain responsible for their choices.

The urgency of these ways is compounded by the fact that the improvement of the pension reform will correspond to the improvement of the whole economic system, because the creation of a mandatory accumulation fund and the system of non-state pension funds will create additional incentives for the economy to come out of the shadow and will serve as a great potential for financial resources for investment and economic development.

3.3 Algorithm for forming the relations between subjects of the process of non-state pension provision

In the modern economic system, non-state pension funds perform two important functions: social, which consists in additional pension provision for NPF participants, and economic, which is reduced to providing the economy with long-term investment resources. Since non-state pension provision is provided through a non-state pension fund with the involvement of many legal entities involved or providing services in the field of non-state pension provision, the non-state pension fund, together with such individuals, forms a kind of socio-economic cluster.

These features are fully inherent in the system of non-state pension provision, which is carried out through the NPF, which allows us to consider such a system as a cluster. The following legal entities may be included in its composition:

- non-state pension fund;
- founders of the NPF;
- employers-depositors;
- employers - payers of corporate NPFs;
- administrator of the NPF;
- asset management company NPF (hereinafter - AMC);
- NPF assets custodian (hereinafter referred to as the custodian);
- a securities trader through which securities transactions are carried out in a portfolio of NPFs (hereinafter - PNPF);
- Appraiser of real estate, corporate rights and other assets of NPF (hereinafter - appraiser);
- auditor of the NPF (hereinafter - the auditor);
- other persons providing NPF consulting and agency services (investment consultant, advertising agents, pension contract agents, etc.);
- self-regulatory organizations of entities providing services in the field of non-state pension provision (hereinafter - FNPF).

This circle can also include securities issuers and banks whose deposits are placed pension accumulation NPF, as well as local governments.

The system of non-state pension provision is limited to the territory of Ukraine and only in some cases the bulk of non-state pension provision activities are concentrated within a certain administrative-territorial unit: a large city or oblast with a regional center. However, such practice has not spread in Ukraine, although in the first years of the introduction of non-state pension provision, about 10 non-state pension funds were created that corresponded to the characteristics of regional (municipal), one third of which did not start its activities.

Each participant in the system of non-state pension provision receives an economic benefit from participation in the system of non-state pension provision, which largely depends on the success of the functioning of the NPF. Thus, the fund administrator and asset management company receive remuneration for the services rendered within the limits set in the percentage of the net value of pension assets held in the fund's portfolio. Depositary bank - as a percentage of the average annual cost of retirement assets held in storage. The remuneration of securities traders and agents providing services indirectly depends on the size of the attracted pension contributions, the value of retirement assets and the volume of transactions with them [39].

For Ukraine, the system of non-state pension provision through NPFs is a mini-cluster, taking into account both scarce amounts of accumulated resources and limited investment opportunities to meet the needs of issuers of securities and banks in financial resources. At the same time, in international practice such accumulative pension systems are not only powerful sources of investment in the economy of their countries, with more than 30% of the world's investment potential (about $ 30 trillion), but are also among the largest shareholders of shares, other corporate rights and debt securities issued by the state, municipal authorities and other economic entities.

The accumulative pension system around the world is a powerful source of long-term investment resources for the country's economy as a whole and for the local economy in particular. However, the possibility of forming pension savings at the regional level and directing them to the development of communal enterprises requires a targeted socio-economic policy of local authorities and self-government, aimed at creating and maintaining municipal pension funds (MPF) activities. The removal of local authorities from participating in the creation of an MPF and the involvement of a wider public of workers in the region and employers in the accumulative pension system will result in undesirable events such as reducing the level of pension provision for residents in the region and reducing its investment potential as a result of redistribution of financial resources through other financial institutions (NPFs, banks) in favor of the economic center of the country and large securities issuers [41]. But for MPFs to work on the proposed basis they need to have an opportunity to invest in local/municipal securities/debt – currently there is a lack of such instruments in Ukraine, so there is a need to create and develop them first, or in conjunction with the creation of MPFs.

In order to implement an effective investment policy, balance the economic interests of the population of the region and economic entities, local authorities and self-governments should:

- a lead the process of creating an MPF at the regional level and ensure control over their activities by means of the legislation envisaged;

- a promote participation in the system of non-state pension provision of the general population, first of all, employees of the "budget" sphere and communal services (medical and educational institutions of communal ownership, other enterprises, institutions and organizations, which are kept at the expense of the local budget); as well as self-employed persons (private entrepreneurs and persons engaged in independent professional activities);

- Carry out a series of work aimed at ensuring that local obligation, securities of local enterprises and banks comply with the requirements of pension legislation to financial instruments that may be subject to exit to retire savings of NPFs.

Today, the current Ukrainian legislation provides for the possibility of participation in the NPF of employers - legal entities whose activities are financed through the local budget, only if a special decision is made by the appropriate local council. In particular, the Law of Ukraine "On non-state pension provision" stipulates that "... a budgetary institution has the right to be the founder of a corporate pension fund or to make pension contributions to already established pension funds only if the creation of such funds or the implementation of pension contributions is provided for by laws of Ukraine, decisions The Cabinet of Ministers of Ukraine or the decisions of the relevant local councils ".

Consequently, for the participation in the MPF of employees of enterprises and organizations of communal property, financed from the local budget, it is necessary to make the corresponding decision of the local council, which:

1) to provide the right of the following legal entities:

a) to be the founder of a corporate pension fund;

b) make pension contributions to existing pension funds of all kinds (open, professional, corporate);

2) to allocate the corresponding (additional target) budget financing of communal property institutions as a percentage of the wage fund (up to 15% of the individual enterpreneur) to pay pension contributions in favor of their employees;

3) to oblige the authority authorized to exercise the powers of the owner regarding the objects of the communal property or the employer himself to make the appropriate decision on the establishment of an open MPF and the determination of the circle of its founders from the number of legal entities of communal ownership;

4) to oblige institutions and organizations of communal property form financed from the local budget and receive additional financing for the purposes of non-state pension provision of their employees, to direct the allocated funds for retirement funds solely for the purpose intended.

The pension fund may direct more or less of its savings to the development of the economy of the region through the placement of pension funds in securities and other financial instruments issued by local governments and communal and local economy entities, real estate objects and bank deposits [42].

A wide range of possible areas for investing in pension funds shows that the MPF can form an investment portfolio solely at the expense of assets of "local origin" provided that their characteristics meet the requirements of the law.

Thus, the MPF can become:

- source of financing of economic and social programs of development of the region, communal ownership entities at the expense of pension contributions of workers and employers of the same region;

- a tool for additional pension provision for communal workers (both budgetary and commercial) and other residents of the region;

- a means of legal counteraction to the outflow of financial resources, formed at the local level, beyond the region.

The highest form of the social and economic cluster in the accumulation system of pension insurance (hereinafter - ASPI) may be the Accumulation Pension Fund (hereinafter - ANF) in combination with the network of financial institutions that ensure its functioning and non-state pension funds - entities of the second pillar of the pension system , which will attract insurance premiums of the accumulation system of pension insurance in order to further invest and manage them.

With the introduction of ASPI, there are good reasons to speak not only about the existence of a three-tiered pension system in Ukraine, but also about the three-tier system of socio-economic clusters in the area of accumulative retirement provision.

The first block of this system consists of municipal, corporate and professional pension funds, created by the regional (territorial community), branch (professional association of employees) or corporate (employees of an individual enterprise or their association) feature. The second block is represented by "all-Ukrainian" open non-state pension funds available to all interested persons. The third forms the Accumulation Pension Fund with the system of NPFs - entities of the second pillar of the pension system [42].

The leading role in this triad belongs to the Cumulative Fund and as the most financially viable institution, and as the most effective factor in the financial impact on the development of non-state pension provision, and as a factor for the stabilization and growth of the stock market, the main provider of financial instruments for the placement of retirement assets.

According to calculations carried out by the USAID Financial Sector Development Project, the investment potential of the NPSP (second pillar of the pension system) may only amount to over UAH 100 billion during the first six years after its introduction, of which more than 40% can be directed to financing public debt, pension savings, to the development of the banking system - up to 20, and to the real sector of the economy - up to 40%. Part of these funds can be invested through the MPF in local obligations and issuers' securities of a particular region.

The analysis of the accumulative pension system in Ukraine gives grounds for such conclusions.

1. As non-state pension provision is provided through a non-state pension fund with the involvement of many legal entities involved or providing services in the field of non-state pension provision, a non-state pension fund is legitimate and appropriate to be regarded as a kind of socio-economic cluster.

2. The reason for the extension of the concept of "cluster" to the specified system of legal entities is the presence of the following features:

- the existence of stable economic ties between the NPF and other participants in the system of non-state pension provision;

- registration of long-term contractual relations of the NPF with other participants of the system and, in some cases, between such participants;

- regulation of non-state pension provision with unified legislation and state supervision and control bodies in the field of non-state pension provision;

- territorial localization of the main participants in the system of non-state pension provision within the geographical boundaries of Ukraine or separate administrative-territorial units;

- dependence of economic benefits received by legal entities - members of the system of non-state pension provision, on the success of the NPF they serve.

3. The main reason that constrains the non-state pension provision and reduces the efficiency of NPF activities in Ukraine is the lack of an accumulation system of pension insurance - a powerful domestic source of long-term financial investment and a factor of stabilization and accelerated development of the stock market of the country.

4. The most promising in terms of "clustering" of the system of non-state pension provision is the creation of regional (municipal) pension funds, whose

activities will mainly be localized within individual administrative units: the city-millionaire, the region and the Crimea.

5. The highest form of the socio-economic cluster in the accumulative pension system can be considered the Accumulation Fund in combination with the network of financial institutions that ensure its functioning, and non-state pension funds - entities of the second pillar of the pension system, which involve the insurance contributions of the ASPI with a view to their further investment and management.

6. From this perspective, there are good reasons to speak of the possibility of a three-tier system of socio-economic clusters in the area of accumulative pension provision: Accumulation fund - all-Ukrainian non-state pension funds - municipal pension funds.

This allows you to make a few suggestions.

1. In order to ensure the effective functioning of the accumulation pension system as a source of additional pension provision for the population and the source of long-term investment investment, it is necessary:

1) introduce a cumulative pension insurance system from Jan 1, 2019;

2) provide for the possibility of the free choice of the insured person by the accumulation of state pension insurance through the ANF or NPF - the second-tier pension system;

3) consider NF and NPFs as entities of the second pillar of the pension system as socioeconomic clusters subordinated to the achievement of two interrelated goals related to effective provision of: (1) ASPI participants - additional sources of pension insurance and (2) economies - long-term investment resources .

2. In order to implement an effective investment policy, to balance the economic interests of the population of the region and economic entities, local authorities and self-governments shall:

- to lead the process of creating an MPF at the regional level and ensure control over their activities by means of the legislation envisaged;

- promote participation in the system of non-state pension provision of the general population, first of all, employees of the "budget" sphere and the communal economy, as well as self-employed persons (private entrepreneurs and persons engaged in independent professional activities);

- create favorable conditions for attracting pension funds of the MPF to the development of local industry, utility companies, business entities in the region and refinancing of local debt through local bonds.

3. As a result of pension reform in Ukraine, not only the three-tier pension system, but also the three-tiered cluster system, which covers: the lower level - municipal, corporate and professional pension funds created by the regional (territorial community), corporate (employees of a separate enterprise or their association) or branch (professional association of employees); the average level - "all-Ukrainian" open NPFs, accessible to all interested persons; Higher level - Accumulation fund together with the system NPF - entities of the second level, providing mandatory pension insurance.

CONCLUSIONS

Non-state pension provision is the third level of the pension system and is based on the voluntary participation of citizens, employers and their associations in the formation of pension savings in order to receive pension benefits by citizens on the terms and in accordance with the procedure provided for by law. It should be noted that the success of the introduction of the second pillar of the pension system, that is, the mandatory accumulation system, primarily depends on the successful development of non-state pension provision, which has already become an important part of the new pension system in Ukraine.

By types of NPFs are divided into: open, corporate and professional. Currently, the most popular are open non-state pension funds, as the characteristics of such funds are in the interests of professional participants in the financial market, especially as an object of business. While other types of funds are closer to the corporate interests of founders, employers. The only governing body of the NPF is the Board of the Fund, which controls the current activities of the fund and resolves key issues related to the activities of the fund.

Open pension funds are created by legal entities, and their participants are citizens, regardless of place and nature of work. The peculiarity of these funds is that they can be created at the municipal level, which gives the regions a more advanced opportunity in solving social issues.

In order to facilitate the development of non-state pension insurance in Ukraine, a system of guarantees related to ensuring control and supervision by the state is introduced at the legislative level. The rate is also made for mutual control between financial institutions that invest in the structure of a non-state pension fund and support the informational transparency of the work of the funds. Based on the above, today's working population of Ukraine should understand that what kind of pension you will receive in the future will depend on the amount of contributions to non-state pension insurance assets that will pay them.

In addition, the Law of Ukraine "On non-state pension provision" provides for mechanisms for creating opportunities for the formation of voluntary pension savings of citizens through the payment of their pension contributions (contributions) by them or their employers to:

• non-state pension funds;

• pension deposit accounts of citizens in banks;

• insurance companies with which contracts for life insurance, pension for a specified period, insurance for disability pension payments and payments in case of death of the fund participant.

The formation of the system of non-state pension insurance in Ukraine is under the influence of many factors that hinder its development. The main ones are:

- low awareness of citizens about the pension reform (about 40% of respondents know nothing about the peculiarities of their functioning);

- small confidence of citizens in financial institutions (only 5% of respondents trust them);

- low stock market development;

- lack of financial support from the state;

- very low interest of most entrepreneurs to create corporate pension funds due to large deductions to NPFs.

It is the elimination of these shortcomings and can allow the reformed pension system of Ukraine to earn full value.

The state policy on the further reform of the domestic pension system should take into account a combination of risks and threats, as well as provide for the development and implementation of mechanisms for their minimization.

Avoidance and minimization of risks in the system of non-state pension provision requires the application of all the participants in this market to the unified principles of the implementation of non-state pension provision through the transformation of pension schemes that do not conform to the statutory model. Implementation of these provisions is possible by amending the relevant law [3], strengthening the activities of state regulators and self-regulatory organizations, and further developing capital markets in Ukraine.

In order to boost the development of NPFs in Ukraine, it is necessary to implement measures that have a direct impact on the effectiveness of further reforming the pensions sector, namely: increasing incentives for employees and employers (first and foremost tax) to participate in non-state pension programs; to conduct more active informative and explanatory work on the types and benefits of non-state pension provision, legal advice on current legislation governing the scope of pension provision; introduction of relevant educational programs. In addition, the development of an NPF in Ukraine is impossible without the further development of the financial market and the growth of household incomes.

Taking these factors into account, further research on the development of non-state pension provision in Ukraine should include improvement of the regulatory framework in the field of regulating the activities of non-state pension funds, eliminating the disadvantages of taxing their activities, developing a set of measures to inform citizens about the development of non-state pension provision. If all these measures are implemented, one can expect the stable development of non-state pension funds, which will help to stabilize the pension system of Ukraine and increase the standard of living of persons of retirement age.

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APPENDEXES

Appendex A

The structure of the pension system in Ukraine

<table>
<tr><td colspan="6">The pension system in Ukraine</td></tr>
<tr><td colspan="2">I level</td><td colspan="2">II level</td><td colspan="2">III level</td></tr>
<tr><td colspan="2">Solidarity system of compulsory state pension insurance</td><td colspan="2">Compulsory system of compulsory state pension insurance</td><td colspan="2">Non-state pension system</td></tr>
<tr><td colspan="2">Payment of pensions and provision of solid services at the expense of the Pension Fund</td><td colspan="2">Financing of payments for the payment of life insurance pension contracts and one-time payments</td><td colspan="2">Voluntary participation of citizens of employers and their associations in the formation of pension savings in order to receive pension benefits to citizens.</td></tr>
<tr><td colspan="3">System of compulsory state pension accumulation</td><td colspan="3">System of accumulative pension provision</td></tr>
</table>

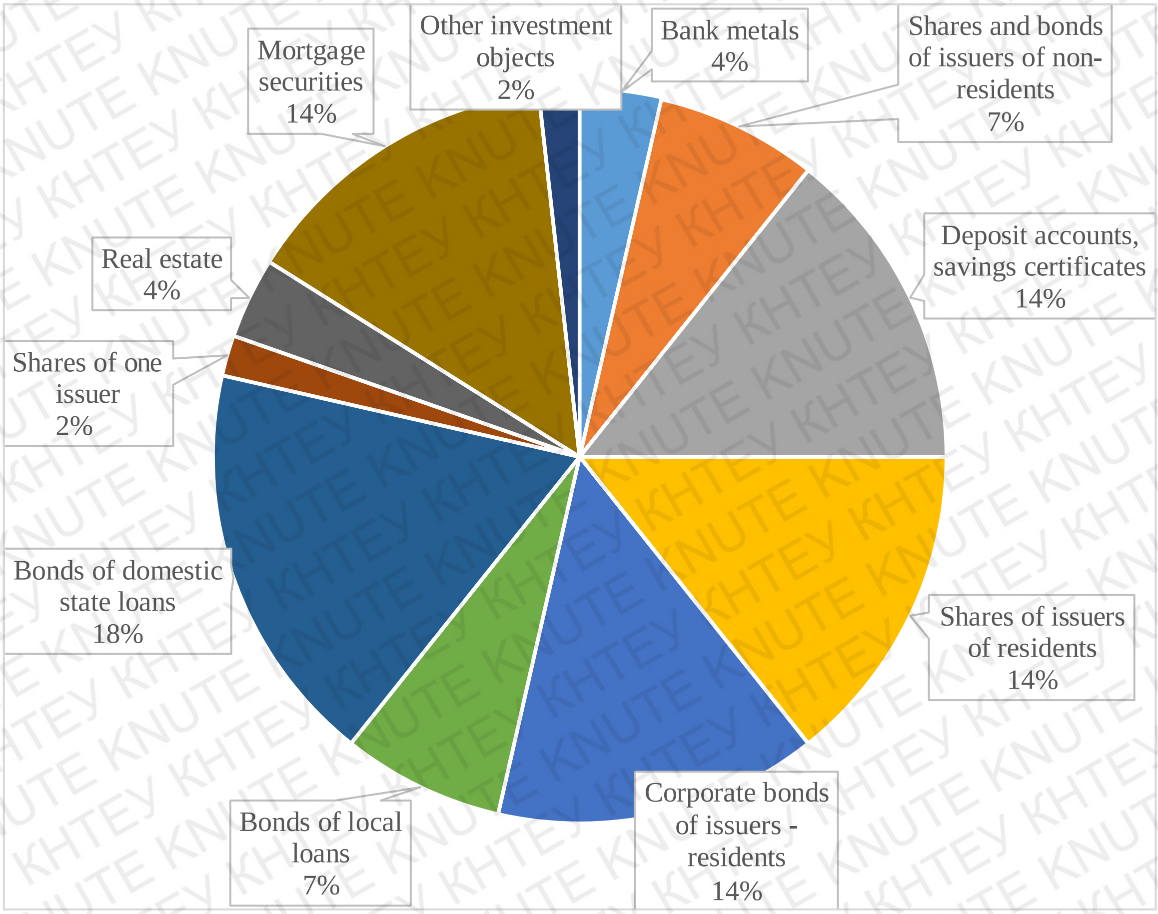
Appendex B

Characteristics of NPF species

Types of NPFs	Founders	Contributors	Participants
Open	Anyone, one or more legal entities	Any depositors	Any participants
Corporate	Legal entity - employer or several legal entities - employers, which may be joined by employers - taxpayers	Employer of the fund participant	Employees of enterprises - depositors
Professional	Association of legal entities - employers, unions of trade unions or individuals connected by the nature of their professional activities	A trade union, a union of trade unions with its members	Members of professional associations

Appendix C

The structure of diversification of the invested portfolio of NPFs according to the legislation



Appendex D

Subjects of state regulation of NPF activity

Subject	Object	Directions of supervision and control
National Commission for State Regulation in the Financial Services Markets Division of the National Financial Services Commission	Activities of non-state pension funds, pension fund administrators	Compliance with established criteria and standards for liquidity; capital and solvency; profitability; asset quality and riskiness of operations; quality management systems and management personnel; compliance with the rules for providing financial services
National Securities and Stock Market Commission (NSSMC)	Activities of persons managing assets of pension funds	Control over the reliability of information provided by issuers and persons performing professional activity in the securities market to the controlling bodies
Antimonopoly Committee of Ukraine	Protection of economic competition in the system of accumulative pension provision	Compliance with the legislation on protection of economic competition in the system of accumulative pension provision, obtaining information from the NPF within the limits of the powers determined by law

Appendex E

Legislative and regulatory framework for the regulation of NPF activities

Subject of legal regulation	Laws of Ukraine
Verkhovna Rada of Ukraine	"On non-state pension provision" [21] "On Compulsory State Pension Insurance" [25]
Cabinet of Ministers of Ukraine	The Order "On Approval of the Concept of Protection of the Rights of Consumers of Non-Bank Financial Services in Ukraine" [26]
NMCF	Ordinance: "On Approval of the Regulation on the Activities of the Administration of the Non-State Pension Fund" [27] "On Approval of Methodological Recommendations on the Accounting of Basic Operations of Non-State Pension Funds" (expired) [28] "On Approval of Methodological Recommendations Concerning the Format of the Audit Opinion on the Consequences of the Audit of the Annual Financial Reporting and Other Accounts of the Non-Governmental Pension Fund and the Administrator of Non-State Pension Funds" [29]
NSSMC	"Regulation on the procedure for determining the net asset value of non-state pension fund assets (open, corporate, professional)" [30] "Regulations on requirements for persons engaged in professional activity in managing non-state pension funds assets in relation to the composition and structure of these assets" [31]

Appendex F

Dynamics of the main indicators of non-state pension funds activity in Ukraine, 2014-2018

Indicators	31.03. 2014	31.03. 2015	31.03. 2016	31.03. 2017	31.03. 2018	Deviation, %	
						2017/ 2016	2018/ 2017
Number of pension contracts, thsd	55,1	59,7	60,0	64,5	61,0	7,5%	-5,4%
Total number of NPF participants, thsd	833,7	836,7	830,2	836,2	843,2	0,7%	0,8%
Total value of NPF assets, UAH mln.	2469,2	1980,0	1 992,1	2 206,3	2 485,2	10,8%	12,6%
Pension contributions, total, UAH mln	1808,2	1886,8	1 851,0	1 918,5	1 910,4	3,6%	-0,4%
including:							
- *from individuals*	71,4	80,3	80,1	100,3	134,4	25,2%	34,0%
- *from individual entrepreneurs*	0,2	0,2	0,2	0,2	0,2	0,0%	0,0%
- *from legal entities*	1736,1	1806,3	1 770,4	1 817,2	1 775,3	2,6%	-2,3%
Pension payments, UAH mln	421,4	557,1	562,9	655,4	723,2	16,4%	10,3%
The number of participants who received / receive pension payments, thousand people	75,6	82,2	80,3	82,0	79,4	2,1%	-3,2%
Amount of investment income, UAH mln	1266,0	872,2	899,5	1 157,8	1 468,5	28,7%	26,8%
Profit from investing non-state pension fund assets, UAH mln.	1095,0	657,0	686,4	899,2	1 185,1	31,0%	31,8%
Amount of expenses reimbursed from retirement assets, UAH mln	171,0	215,2	213,1	258,6	283,4	21,4%	9,6%

Appendix G

Dynamics of the structure of invested pension assets in Ukraine, mln. UAH

Assets	Period				Weight, (%)	2018/ 2017, (%)
	31.03. 2015	31.03. 2016	31.03. 2017	31.03. 2018		
Monetary funds placed on deposit (deposit) bank accounts	780,7	884,2	888,3	890,9	35,8	0,3
Securities whose income is guaranteed by the Cabinet of Ministers of Ukraine	675,2	875,8	932,4	1 160,4	46,7	24,5
Bonds of enterprises, issuers of which are residents of Ukraine	266,3	200,8	204,2	240,3	9,7	17,7
Shares of Ukrainian issuers	65,2	15,7	16,3	22,6	0,9	38,7
Real estate objects	72,2	86,0	84,1	45,1	1,8	-46,4
Bank metals	13,5	8,7	9,5	9,7	0,4	2,1
The funds on the current account	17,3	18,5	18,9	33,0	1,4	74,6
Assets are not prohibited by Ukrainian legislation	25,7	22,3	22,3	24,1	1,0	8,1
Receivables	63,9	26,2	28,9	55,4	2,2	91,7
Shares of foreign issuers	0,0	0,5	1,4	3,7	0,1	164,3
Total value of assets	1980,0	2138,7	2 206,3	2 485,2	100,0	12,6

Appendix H

Assets of NPF as a percentage of GDP, by geographical indication

Country	Assets of NPF as a percentage of GDP	Place in the overall ranking
Netherlands	166,3	1
Spain	148,7	2
Switzerland	119	3
Australia	103,3	4
The United Kingdom	100,7	5
South Africa	87,1	6
USA	83	7
Namibia	76,6	8
Canada	71,3	9
Liechtenstein	65,8	10
Chile	62,2	11
Ireland	55,8	12
Finland	50,8	13
Izrael	50,4	14
Botswana	42,8	15
Poland	18,6	27
Sweden	9,5	38
Bulgaria	8,7	41
Germany	6,2	48
Ukraine	0,1	68

Appendix I

Peculiarities of pension systems of European countries

Country / Pension system features	
Germany	– Retirement age for women and men - 67 years; – maximum pension is not set; – state subsidies cover approximately 31% of annual expenses; – there are no statutory minimum pensions; – the first level of the pension system - a scheme of social insurance with payments related to earnings (financing from current income); – the second is a professional retirement plan (payments are made voluntarily (about 50% of workers); – the third - private pensions and savings (carried out voluntarily)
Switzerland	– Retirement age - 65 years for men, for women depending on the year of birth; – the first level - the basic scheme - the insurance of the age and in case of loss of breadwinner; – the second level - a professional retirement plan for age, survivors, disability - the third level is absent; – retirement benefits are taxed
Netherlands	– Retirement age for women and men - 65 years; – there is no possibility of retirement before the age established by the legislation; – the first level - "national pension"; – the second level - a professional retirement plan; – the third level - private pensions or individual contracts; – Pension benefits are determined by the time of permanent residence in the country and taxed
Poland	– The maximum pension is 100% of the basic salary (from which the contributions are paid); – first level - Social Insurance Fund for "white and blue collars"; – second level - private pension fund; – the third level - private pension funds; – the minimum pension is 55% of the average pension and 70% of the minimum wage
The United Kingdom	– Retirement age for women and men - 65 years; – state pension - 90.7 pounds; – additional state pension - 153.9 pounds; – a differentiated pension of 9.09 euros / week for men, 7.79 euros / week for women; – the first level - the basic state pension for employees and the employed, the second state pension; – the second level - a professional retirement plan (46% of the employed population); – the third level - share and personal pensions; – basic state pension - a fixed level of payments of 116 euros per week; – after the age of 80, the pension does not depend on contributions and length of service