Asian Journal of Research in Banking and Finance
ISSN: 2249-7323 Vol. 12, Issue 5, May 2022 SJIF 2022 = 8.558
A peer reviewed journal

PENSION SYSTEM AND ITS TYPES IN PRACTICE OF FOREIGN COUNTRIES

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DOI: 10.5958/2249-7323.2022.00029.3

ABSTRACT

Article is devoted to studying of pension system, its essence and importance of the role of pension system in social protection of citizens. In article pension plans of foreign countries are analyzed. Questions of improvement of system of distribution and accumulative pension system in Uzbekistan are considered.

KEYWORDS: *Pension Fund, Pension Provision, Pension System, Social Protection, Social Insurance, Insurance Contributions, Income, Investment, Security, Social Risk, Accumulative Pension System.*

INTRODUCTION

The conceptual basis of the strategy to increase the welfare of the population of our country is the rationale for the need to integrate the country's economic and social development programs.

In according with the project of State program in the "Year of Science, Enlightenment and Digital Economy" implementing the Action Strategy of the President of the Republic of Uzbekistan in the five priority areas of development of the Republic of Uzbekistan for 2017-2021 Agency for Small Business Development under the Ministry of Industry, Ministry of Neighborhood and Family Support, Ministry of Higher and Secondary Special Education, Chamber of Commerce and Industry and the Youth Union of Uzbekistan, the Council of Ministers of the Republic of Karakalpakstan, regional and Tashkent city governments organized training courses for single and women with many children, unemployed, young people who are interested in vocational training in the areas of high demand in everyday life, in particular, sewing, cooking, hairdressing[1].Focus was on comprehensive and accelerated development of regions, especially districts and cities, remote settlements, which are relatively backward in terms of social and economic development, ensuring the creation of new jobs with the active participation of commercial banks, and on this basis gradually increase salaries, pensions, increase benefits and stipends, improving the living standards and quality of life of the population.

Analysis Of The Literature On The Subject

It is known that social insurance first appeared in Germany in the XIX century. According to S.V.Golubeva, "National social insurance systems now operate in almost all economically developed countries of the world, without exception, and help to establish social stability in a market economy based on economic instability."

In his book, Jung Peng divides the types of pensions into two groups: “... Defined contribution-DC and Defined benefit-DB. ”.

Barton Waring M.and Robert MertonC. "... the transition from a fixed fee to a fixed fee plan, in practice, transfers the financing risk from the plan sponsors to the plan members, if the financial security is also considered as a set of plan sponsors and members, then the financing When it comes to risk reduction, one plan will not have a distinct advantage over another. "

RESEARCH METHODOLOGY

The research methodology is based on the results of scientific work of domestic and foreign scientists on the study of pension systems and types of foreign countries, including the theory of implementation of effective types of pensions, as well as decrees and resolutions of the President of the Republic of Uzbekistan onincreasing the social protection. At the same time, based on the best foreign experience, the introduction of new types of pensions can be a great impetus. In this regard, the methodological aspect of this study is to substantiate the ways to implement the ideas of developing the practice of using advanced pension systems in our country.

ANALYSIS AND RESULTS

Experience shows that in foreign countries, value indicators have been developed to assess the effectiveness and financial stability of pension funds based on the principles of distribution and accumulation, which are important in the management of pension provision today.

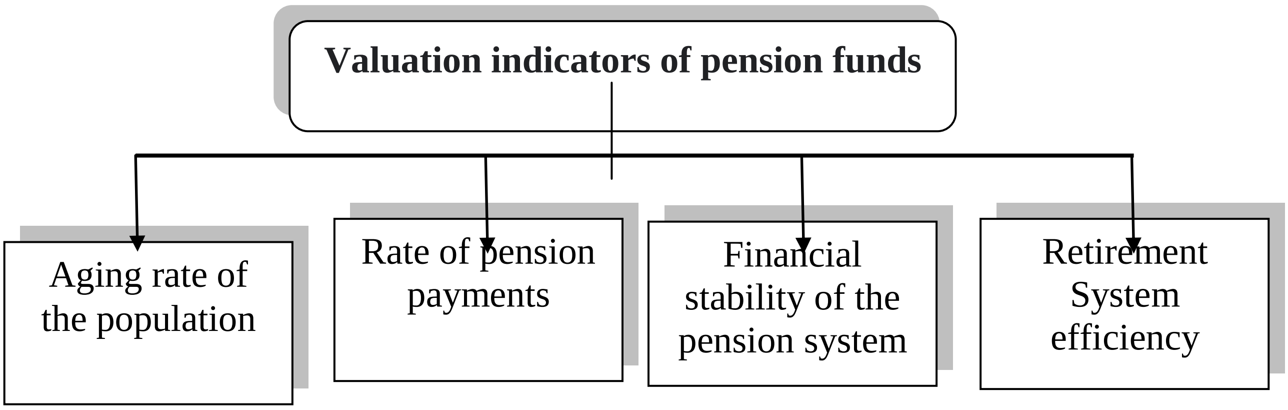

Figure 1 Valuation indicators of pension funds based on the principles of distribution and accumulation

In the world practice, there are three types of mechanisms for financing and managing the pension system [2].

1. Implementation of state pension plans financed on the basis of distribution of budget revenues.

2. Implementation of voluntary and compulsory personal pension plans.

3. Develop a pension insurance system that protects against economic risks, inflation, investment risks leading to loss and devaluation of savings.

Compulsory pension insurance is a type of compulsory social insurance. It is known that social insurance first appeared in Germany in the XIX century. At present, national systems of social insurance operate in almost all economically developed countries of the world without exception, helping to establish social stability in the context of market relations based on economic instability [3].

The principle of distribution in the pension system is a key principle in many foreign countries, including the pension system of Uzbekistan. In the practice of foreign countries, pensions are provided on the basis of pension plans. The basic retirement plans in most countries are the

Defined Contribution-DC and the Defined Benefit Plan (DB). In a fixed retirement plan, the employer guarantees the employee a fixed level of pension payments based on his or her salary and years of service.

The employer requires pension contributions from employers to fund fixed payment plans, while in the private sector such plans do not require contributions from employees, which in turn requires the employee to contribute to the public sector. It is the responsibility of the employer to find sufficient financial resources to cover the guaranteed payments. In a clear program of contributions, the employee allocates a fixed percentage of the labor or a mandatory deduction from the wage fund based on the individual or partially or fully agreed employer deduction [4].

Pension research shows that defined retirement plans represent a significant risk to pension fund sponsors. As a result of these risks and identified shortcomings in other defined payment plans, the demand for public pension reform has increased. Two types of state pension reforms were required, one gradual and one more radical. As fixed contribution pension programs increase in the public sector, it is impossible to understand the effective management of state and local pension plans without understanding the benefits and risks of transitioning from a fixed paid pension plan to a fixed paid pension plan [5].

There are several benefits to using a paid retirement plan. After retirement, the accuracy of retirement benefits is the biggest advantage, and there are three aspects to this accuracy. First, the citizen knows the amount of annual pension benefits, because the pension is determined using the established formula. Because a citizen can adequately predict how long he or she will work in the public sector and how quickly his or her salary will increase, the participant will have a good idea of how much his or her annual pension will be when he or she retires. Second, in most cases, annual retirement benefits are adjusted for inflation. Therefore, he should not worry about his retirement; he will continue to live well for several years after retirement. Third, a retiree with a fixed retirement plan should not have to worry about financial security for a long stay. The pensioner is guaranteed a pension for the rest of his life. In this sense, a fixed-term retirement plan serves as a group of more longevity insurance programs.

In the United States, there are a number of social funds that are managed at different levels to implement social programs. Here are three of the biggest funds.

1. Old-age, disability and breadwinner insurance fund.

2. Civil Servants Insurance Fund.

3. Fund for Assistance to the Needy.

In the U.S., the 401 (k) Individual Retirement Plan became a widely used type of plan after the establishment of the 401 (k) Individual Retirement Plan in the U.S. in 1981. At the same time, membership in fixed pension funds has increased.

In the public sector, people working in higher education have traditionally participated in the defined benefit pension plan. In this group, workers are required to participate in a mixed plan consisting of a fixed paid component funded by the employer and a fixed paid component funded by the workers, and the mixed pension plan includes a fixed paid component. Examples are the Indiana General Workers 'Pension Funds and the State Teachers' Pension Funds. They have two components: fixed pension funds and fixed pension insurance fund accounts. The defined benefit pension funds are fully funded by the employer. In the fixed fee section, state law requires that 3.0 percent of an employee’s taxable salary be included in the Pension Insurance Fund account. An employee may also make an additional contribution to his or her Pension Insurance Fund account if the employer allows it (Indiana General Workers ’Pension Funds) [5].

Oregon is another state that is required to participate in the intervention plan. The 72nd Oregon Legislature created the Oregon Civil Service Retirement Plan. Civil servants hired after August 29, 2003, will become part of the Oregon Civil Service Retirement Plan. The Oregon Civil Service Retirement Plan is a mixed retirement plan with two components: the Retirement Program (fixed portion) and the Individual Account (fixed contribution portion). The employer's contribution is used to fund fixed-income programs. Members of the Oregon Civil Service Retirement Plan add 6.0 percent of their salary to an individual account, and a private government agency that hires an employee may agree to pay a 6.0 percent contribution [5]. In this group, the state gives the active member the option to join either a traditionally established paid plan or a mixed plan. In addition to the voluntary fixed contribution plan, Ohio has a voluntary mixed retirement plan called the Joint Retirement Plan. According to the fixed contribution part of the joint pension plan, the employee contributions are accumulated in the individual account of the member (Table 1).

The Washington State Teachers 'and School Workers' Retirement Plan was created in 1996-2000. In 2000, the Washington state legislature passed the General Retirement Pension System, the third retirement plan. The General Employee Pension System - under the third pension plan, membership fees are credited to a separate account, and the employer's contributions are used to finance the defined contributions.

TABLE 1 COMPARISON OF FIXED PAYMENT; FIXED CONTRIBUTION AND CASH BALANCE PENSION PLANS [5].

Indicators	PENSION PLANS		
	Fixed payment	**fixed contribution**	**Cash balance**
Retirement	The length of service is based on a formula determined by the most recent salary and multiplication factor	It is based on the balance of the individual deposit account, which is determined by the amount paid and the return of the deposit	The fee and the guaranteed minimum are based on a conditional separate account balance, which is determined by the return of the deposit.
Deposit	The plan sponsor is responsible	The plan participant is responsible	The plan sponsor is responsible
The financing risk of a retirement plan	It estimates all financing risks due to uncertainty in investment and future funding requirements	It does not anticipate any funding risk	Estimates limited funding risk
Employee financing risk	Does not anticipate funding risks	Estimates all financing risks due to uncertainty in the amount of assets required for investment and retirement	Does not anticipate funding risks
Financial risk	Probability of financial risk	There is no possibility of financial risk	Limited probability of financial risk.

General employees must choose to become members of a second retirement plan (traditional fixed payment plan) or a third retirement plan within 90 days of hiring pension workers. If the employee does not select a plan within 90 days, the third retirement plan will become the standard plan and the plan choice cannot be changed. General Employee Pension System - Members of the second retirement plan can choose to switch to the third retirement plan during January each year. The data in Table 2 shows the formation of a common fixed payment and fixed contribution plan in different states of the United States. Based on a brief description of the premium pension plans established in different states, we can see that, unlike the private sector, compulsory participation in the preferential pension plan in the public sector is very rare (Table 2).

TABLE 2 GENERAL FIXED PAYMENT AND FIXED PAYMENT PENSION PLANS

Retirement plan	Mandatory	Optional
Specially defined retirement plan	MichiganAlaska	Colorado, Florida, Ohio, Montana, South Carolina
Mixed (hybrid) retirement plan	Indiana, Oregon	Ohio, Washington

When all retirement plans allowed new employees and more than 90 percent of workers who were already on the traditional plan to switch to the newly created fixed-payment plan, they decided to stay on the traditional fixed-payment plan. Because the transition from a fixed fee to a fixed fee plan, in practice, transfers the financing risk from the plan sponsors to the plan members. If the financial security is also considered as a set of plan sponsors and members, then the funding risk is reduced. When it leaves, one plan does not have a distinct advantage over another.

Today, the share of people over the age of 65 in our land is growing. According to the UN, by 2025 their number will reach 1.1 billion. That's five times more than in 1950, and the world's population is expected to only triple. [7]. Such a structure of the world's population requires the development of measures for the social protection and support of the elderly in foreign countries, as well as in the CIS.

CONCLUSIONS AND SUGGESTIONS

The increase in the share of people of retirement age in the total population in our country by 2020-2030 will require improved spending and income stratification. Therefore, it is necessary to eliminate the existing shortcomings in the pension system, which is an important part of social protection, as well as to improve the provision of pension savings, as well as the effective use of pension funds.

The criteria for improving the efficiency of the medium-term pension system in our country should be the coverage of the majority of the working population with the pension system, financial stability that provides retirees with a decent standard of living and quality comparable to pre-retirement living standards. In our opinion, it is expedient to focus on improving the value of pension funds in the Republic, which assess the stability and efficiency of pension funds based on the principles of distribution and accumulation.

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