

# ANALYSIS OF THE ESSENCE OF PENSION INSURANCE AND ITS PLACE IN THE SYSTEM OF SOCIAL PROTECTION OF THE POPULATION

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**Abstract.** *The purpose* of this article is to deepen the analysis of theoretical and practical foundations of pension insurance for rural population, to substantiate its further reform and development. Theoretical aspects of pension insurance have been analyzed according to different scientific opinions of both the Ukrainian and foreign scientists, according to which pension insurance is considered a difficult category, and the diversity of its interpretation means that it has not been fully disclosed yet and remains the subject of research. *Method.* In most countries of the world, the same problems of the pension system as in our country have arisen. But thanks to pension reform, they have achieved successful results. Each country chose its own way of building a pension system based on its own demographic and socio-economic characteristics. However, despite this, the main task of any pension system is to protect against poverty and to provide a pension that can guarantee a decent standard of living for a pensioner. It is proved that to carry out effective pension protection policy in the country it is necessary to continue to study the essence of the concept of "pension insurance", as well as it is important and urgent to find ways to improve the reliability and effectiveness of mechanisms for ensuring the implementation of social guarantees in the pension insurance system. It is noted that insurance came about when humanity realized the danger that the environment hides. With regard to pension insurance, its formation took place in the context of the development of the entire insurance system. *Results.* The Ukrainian scholars in the field of pensions, exploring the nature and concept of pension insurance at the current stage of development, have determined that pension insurance is based on two important principles: the principle of solidarity and the principle of personal responsibility, also scientists focus on the principles put forward by the works on social protection of the population by the International Labour Organization, which are defined in the adopted Conventions of this organization. *Value/originality.* Analyzing the theoretical nature of pension insurance, one can determine that the essence of the social nature of pension insurance lies in the social protection of persons who have reached retirement age due to disability or loss of a breadwinner, pension insurance provides social security with minimal social security, approved by the International Labour Organization for the payment of pensions. Retirement insurance is also considered to be a complex category, and its diversity of treatment means that it is not fully disclosed yet and remains a subject of study.

**Key words:** analysis, pension insurance, pension insurance systems, "social protection", "social insurance", "social security".

**JEL Classification:** G22, G23, O57

## 1. Introduction

Pension insurance is the basis of social protection for the population in Ukraine and in the world. The development of pension insurance during the years of our

country's independence was accompanied by a protracted socio-economic crisis, which resulted in the failure of the national pension system to provide sufficient and reliable retirement benefits to citizens, especially in rural areas.

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One of the main reasons for this phenomenon is the low level of remuneration and high unemployment in the countryside. Worsening the situation is also the inherent tendency for the rural population to decline and to age, to reduce the number of employees while increasing the retirement age, which in turn leads to exacerbation of the contradictions between the growing social needs of the population and the diminishing resource potential. In rural areas, there is a significant shortfall in pension payments, as most rural people working in private farms do not pay insurance contributions to the Pension Fund of Ukraine, and are therefore covered by the state budget. This indicates that the current pension insurance, especially for the rural population, is characterized by a difficult financial situation that makes it impossible to ensure a sufficient level of material well-being for rural retirees.

In most developed European countries, funds for the pension provision of citizens come from three sources, which are state pension funds, corporate industry pensions and individual pensions received under a voluntary accumulative pension insurance contract for an individual. In percentage terms, these are approximately equal shares.

Thus, it is insurance companies that are the main providers of services that allow you to accumulate the necessary funds upon reaching retirement age. There are several reasons for this. First of all, the specifics of taxation of contributions and payments under supplementary pension insurance contracts, which allow either the full or partial exclusion of the above funds from the tax base. And due to the fact that states take an insignificant part in providing guarantees for the preservation of significant income after retirement, in fact, insurance companies are the non-alternative mechanism for making savings.

## **2. Economic crisis effects on consumer behavior**

The purpose of the work is to deepen the analysis of theoretical and practical principles of pension insurance of rural population, justify its further reform and development.

At the present stage of development of the Ukrainian economy one of the most difficult problems of the transformation process is the provision of pensions. In a transitional economy, most countries are faced with the need to create the most appropriate conditions for them and an effective pension protection system.

Each state devotes considerable attention to the social protection of the population as it is one of its main functions and it also develops a system of measures to ensure the proper material and social status of citizens.

The interpretation of the concept of "social protection" is extremely important because it is an integral part of any country's public policy. Modern scientific

publications on the theory and methodology of social problems outline various approaches to define the concept of "social protection".

For the first time in Ukraine the term "social protection" has been applied since the adoption of the Law of Ukraine "On the Economic Independence of the Ukrainian SSR" No. 142-XII dated August 3, 1990, in which Article 9 has clearly stated that the state creates conditions for employment of the able-bodied population and provides social protection for citizens.

Social protection is first and foremost a problem of social justice and ensuring the normal development of the economy, it does not reduce the redistribution of income but also makes decisions that achieve the highest results in the economy, reducing the level of own and excessive levels of development so far.

According to the scientists I. Balastryk, V. Bazilevych, I. Kychko: "Social protection of the population is a legislatively secured system of state guarantees and realization of the rights of all political, socio-demographic groups of citizens, individuals regarding social security of their normal existence and life. These guarantees are implemented through socio-economic, legal and political factors that contribute to the realization of the right of citizens to work, assistance during unemployment, in case of partial or complete disability" (Plakhtii, 2019).

In particular, V. Bazilevych defines the category of "social protection" as a set of legislative norms which guarantees the state to certain sections of the population, as well as under certain economic conditions to all members of society.

The opinion of the Ukrainian scientist L. Didkovska is quite interesting, as she defines social protection as a state support for certain categories of population which may be adversely affected by market processes, ensuring an adequate standard of living by providing legal, financial and material assistance to individual citizens (the most vulnerable); as well as creating social guarantees for the economically active population, ensuring the country's living and working conditions including through establishing evaluation standards.

The authors mentioned above express unanimous opinion on social protection which is the content of the social function of the state and is a system of organizational, legal, and economic measures to ensure the basic social rights of the citizen in the state.

In particular, according to V. Moskalenko: "Social protection is a certain mechanism by which a minimum standard of living is achieved and a system of measures and appropriate institutions, designed to ensure the normal existence of a person, increase the level of satisfaction of the social needs, as well as the quality of life and prospects». However, without arguing with the outlined view it can be generally noted that this author treats the analyzed concept too one-sidedly considering the social protection of the population as the minimum payment when reaching retirement age or disability.

In a broader sense, the term "social protection" is interpreted by N. Bolotina, who defines social protection as an activity of the state aimed at ensuring the formation and development of a full-fledged personality, identifying and neutralizing the negative factors affecting it, creating conditions for self-determination and assertion in life. In the more concise concept of "social protection" it treats as a set of economic and legal guarantees that ensure the observance of the most important social rights of citizens, the achievement of socially accepted standard of living.

Based on the above considerations of researchers in the field of pensions we can conclude that these definitions reflect the approaches of different authors to the interpretation of the essence of this concept but most of them unite the fact that under social protection they understand only that amount of social guarantees, provided directly by the state and closely linked to social risks aimed at preventing their occurrence.

In view of this, social protection is a system of distributive relations in the process of which, at the expense of part of GDP, public funds are created and used for the financial support and service of certain categories of citizens. In today's context, societies are trying to create an effective social protection system that meets international standards in accordance with the requirements of the International Labour Organization (ILO) legal acts. It should also be noted that in the economic literature when characterizing the field of social protection of the population, most scientists believe that the term "social security" was firstly used in the US law in 1935 and then adopted for permanent use of the ILO. (Plakhtii, 2019).

It should be noted that the level of social protection and the level of pension provision depend on the state of the national economy and state regulation of social processes. Social protection is provided through the social insurance system as well as through payment of social assistance from the state budget.

In order to disclose the nature of pension insurance it is important to identify definitions such as "social insurance" and "social security" which are components of the social protection system of the population. The social security system itself is based on the principle of security and depending on the condition of the state budget, economic and social policy of the government, the mechanism of providing social payments and benefits to certain categories of citizens. With regard to social insurance it is characterized by the interdependence between the amount of the insured person's contribution and the amount of payment in the insured event. Currently the features of social insurance which at the same time characterize its difference from social security are as follows: performing functions not only to compensate for social risk but also to prevent adverse effects of the risk situation, to predict socio-economic risk, the ultimate duration of the risk situation.

Important theoretical significance for the interpretation of the concept of "social security" as a category is scientific development performed by S. Yuriy. According to him, social security is a form of distribution of material goods not in exchange for the labor spent but in order to meet the vital personal needs of the elderly, the sick, the persons with disabilities, children, the unemployed, all members of society for the purpose of health and normal reproduction of labor at the expense of special funds that are created in society, in cases and under conditions established by social and legal norms.

The theoretical underpinnings of social insurance have been the subject of research by many scientist and scholars, however there is not traceability in determining the meaning of this concept.

Well-known financier S. Blankart states his position on social insurance: "social insurance is an integral part of the state's social policy, as well as one of the prerequisites for ensuring justice in society and creating and maintaining political stability in the state".

Instead, in the current economic dictionary, a group of researchers led by B. Reisberg interprets this concept as follows: "Social insurance is an established, controlled and guaranteed by the state system of providing, support for the elderly, persons with disabilities at the expense of the state insurance fund, as well as collective and private insurance funds".

According to B. Nadtochiy, the concept of "social security" is noteworthy. According to the ILO codification the current understanding of the term "social security" as a system of law includes the following concepts: social insurance, social assistance, tax-financed state aid. Thus, the scientist argues that "social security" is a broader concept as opposed to the concept of "social insurance", since the latter is an integral part of the former.

In addition, the leading Ukrainian scientists I. Kychko, B. Nadtochiy in their works on the study of various aspects of social insurance, interpret its essence from the standpoint of perception as the highest element of state social policy in the field of social protection, namely the state-established system of law on social security services and financial support of citizens in case of occurrence of sickness, total, partial or temporary disability, loss of breadwinner, unemployment for reasons other than citizenship, old age and in other cases stipulated by law, provision of social assistance financing, as well as regulation of income and standard of living of different population groups, warning and prevention of the consequences of the onset insurance risks.

The position of such scientists as V. Latugin, E. Kolomiy, O. Paliy, V. Shakhov, and E. Libanova is that, unlike ordinary insurance, social insurance is inextricably linked to the employment of a person as a member of society which is intended to compensate for social risks (Aleskerova, 2019).

In particular, considering different approaches to the definition of the concept of social insurance, it should

be noted that it is the basis of the state system of social protection of the population that arises in the relations regulated by the statutory state social norms regarding the protection of property interests of individuals and legal entities in the event of insured money funds formed from their premiums paid. Thus, firstly, the concept of "social security" is broader than the concept of "social insurance". According to most scientists, the concept of "social security" describes the measures of material support of the person and his/her family by the state.

Summarizing the positions of theorists and practitioners, we believe that social protection of the population is a complex multi-level system of social, economic and legal relations for managing social risks of society and ensuring a decent standard of living for citizens (Plakhtii, 2019).

In the system of social protection of the population an important place is occupied by pensions, since the pension system is emerging as one of the main components of the social protection system of society.

In order to understand the main place of pension provision in social protection of society better, it is necessary to analyze the essence of the pension system and pension insurance, the main elements of which are pensions.

Instead, the views of scientists were rather unanimous on the definition of pensions but there were some differences. E. Astrakhan was one of the first to propose the use of the term "pension" from the point of view of social protection. The scientist believed that retirement should be understood as periodic payments made at the expense of social insurance for the purpose of financial support of an employee, official or his/her family in connection with the final or long-term retirement of his/her full-time employees. Thus, the scientist's view stated cannot be unreservedly agreed because today such a feature of pensions as periodicity has lost its relevance, since the period has no clear time constraints.

Thus, according to researcher B. Stashkiv, "pension" was defined as a monthly payment to individuals from specially created pension funds on the terms and in the manner prescribed by regulatory acts.

In the textbook entitled "Social Security Law", edited by I. Yaroshenko, when disclosing the meaning of the term "pension", it is rightly stated that pensions include regular cash payments received by citizens from the state and special funds upon reaching the age, disability and loss of a breadwinner or years of service.

In particular, in our opinion, the idea of S. Sunchuk is quite convincing, which considers pension a long-term payment which is assigned and paid to a person in the event of retirement age, disability, loss of breadwinner or years of service at the expense of the Pension Fund of Ukraine or budgets of different levels which is the main source of personal income (Plakhtii, 2019).

It is also quite appropriate to consider one of the most comprehensive definitions of the concept of "pension"

proposed by M. Boyko: "In modern conditions, a pension can be considered as a cash payment which is assigned in accordance with state rules to citizens who have reached the statutory retirement age or who have acquired special length of service or disability, who have lost a breadwinner and in other circumstances provided for by law, at the expense of the Pension Fund, the Cumulative Pension Fund, the Accident Insurance Fund, the Non-State Pension Funds, as well as the funds allocated for this purpose by the state from the state budget".

More justified and in line with the realities of modern law is the definition of a prominent Ukrainian scientist I. Zagorulko. According to him, pensions have a dual nature: firstly, a pension is a monetary remuneration that provides a decent standard of living for retirement citizens and is equivalent to previous earnings, that is to the level of income earned by a citizen in the course of work; secondly, a pension is a cash allowance in the amount of the subsistence level at the expense of the state budget for disabled citizens.

At the legislative level, the concept of "pension" is enshrined in Article 1 of the Law of Ukraine "On compulsory state pension insurance" as a monthly pension payment in the solidarity system of compulsory state pension insurance received by an insured person in the event of reaching the prescribed pension recognition of him/her as a person with disabilities or reaching the retirement age (Aleskerova, 2018).

At the same time, we should agree with V. Bazilevich position, who states: "A pension is a guaranteed monthly cash payment to provide citizens in old age in the event of complete or partial disability, loss of a breadwinner and in connection with the achievement of legally established work experience in the fields labor activity".

In a broader sense A. Solovyov notes that in terms of socio-economic essence, "pension" is a special form of cash payment to citizens, which should adequately compensate for the amount of earnings or other regular income from work or other social useful activities that were lost due to the occurrence of them by the statutory age, disability, breadwinner or for other reasons also provided by law.

Thus, a study of the essence of the concept of "pension" shows that this economic category is considered an integral part of the pension system through which the monthly payment to pensioners and certain categories of persons in the event of retirement age, loss of breadwinner or the onset of disability in the appointed state order.

Let us examine another component of social security pension, which also influences the correct definition of its nature, its economic and social nature, i.e., the pension system.

As for the nature of the pension system this category of pension law is quite successfully analyzed by the scientist N. Volgin: "The pension system is a set of

legal, economic, organizational institutions and norms that aim at providing financial support in the form of pensions to citizens in reaching them established by law, age, disability, loss of breadwinner or other reasons specified by law”.

M. Ripp, a specialist in pension insurance, has thoroughly studied this category and interprets it as follows: "The pension system is a complex of three institutions: economic, social, and legal, through which pension funds are formed and conditions for the provision of a disability pension are created".

According to other scientists, the concept of "pension system" is a major component of the state system of social protection of the population and certainly reflects the characteristics of this higher system, which is a system of interconnected monetary funds, bodies and institutions, entities, types of security and legal acts.

Based on the above scientific definitions of the concepts of "pension", "pension system" by, in particular, E. Astrakhan, B. Stashkiv, M. Boyko, I. Zagorulko, N. Volgin, M. Ripp and other scientists, it is formulated as follows: "The pension system is an institute that brings together a set of legal, economic, organizational and social institutions established in the state, the purpose of which is to provide retirement benefits to the elderly”.

Thus, the most important component of the social protection of the population is pension, the main tasks and goals of which are defining protection against poverty after retirement, raising the standard of living of pensioners, establishing the dependence of pensions on the size of earnings and seniority, ensuring the financial stability of the pension system and encouraging citizens to save money for old age.

The main social security institutions for people with disabilities include pension insurance as an objective basis for social insurance. Pension insurance is one of the main forms of social protection which is based on the insurance method, that is contributions to special funds of compulsory payments by business entities, regardless of ownership or types of economic activity and persons employed under working conditions and the use of these funds by the state for the financial support of citizens.

In the Law of Ukraine "On Compulsory State Pension Insurance" No. 1058-IV adopted on July 9, 2003, in Article 25 and Article 1 of the Basics of the Law of Ukraine "On Compulsory State Social Insurance" No. 23 adopted on January 14, 1998, it is clearly stated that pension insurance is a system of material support for disabled citizens with pensions, benefits and other types of provision ensured by law in case of sickness, total, partial or temporary disability, loss of breadwinner, unemployment from their independent circumstances as well as in old age and in other cases, due to monetary funds formed by payment of insurance premiums by the owner or authorized body, citizens as well as budgetary and other sources provided by law.

When disclosing the nature of pension insurance, I. Surota comprehensively analyzes and critically evaluates this category, proposes to take into account certain points regarding the essence of pension insurance namely: firstly, it is impossible to link the assignment of a pension to the onset of constant or permanent disability of citizens because pensions are assigned irrespective of the state of individual performance of citizens applying for a pension and sometimes without regard to their age; secondly, pensions are not remunerations for previous work, at least because, as the author notes, their size "small, insignificant... clearly do not correlate to the compensation for past work"; thirdly, despite the fact that the nature of pensions is determined by the duty of society to maintain its citizens with disabilities, pensions in the conditions of the social services market are gradually losing their alimentary character (Aleskerova, 2019).

The same definition was considered in the work of M. Boyko, who writes: "Pension insurance is a system of material support for citizens with disabilities with pensions, allowances, other types of support, which will be provided with the onset of retirement age in connection with the loss of the breadwinner or the onset of disability due to of the Pension Fund of Ukraine or the Social Insurance Fund”.

Particularly noteworthy is the opinion of some national scientists who believe that in order to more fully reflect the essence of pension insurance as an economic category, it should be considered in three aspects: as the concept of pension protection as a financial mechanism, and as a socio-economic system (Koval, 2020).

Pension insurance, as a concept of pension protection, acts in our country in the form of a solidarity system, which is based on the principles of solidarity of generations and payment of pensions, provision of social services at the expense of the Pension Fund of Ukraine. A specific aspect of this interpretation of the concept of retirement protection is the determining role of personification in enhancing incentives to work and legalizing wages since employees themselves are interested in officially recognizing real income for higher deductions for personal retirement insurance. It should be emphasized that the implementation of pension protection on personalized insurance bases minimizes a number of complex risks in the interests of participants, payers and the state, namely:

- increase of negative impact of a gradually aging population on the financial status of the pension system (demographic factor);
- decrease in the amount of private savings and consequently slow down the growth and turnover of pension assets in the financial market;
- probable increase in fiscal pressure on payers of pension contributions under conditions of a deficit of a solidary pension fund.

Regarding the contemporary context of transformational changes in the socio-economic system

in Ukraine, it should be noted that the conceptual principles of pension insurance personalization are in line with the post-soviet economic doctrine, which approved the course of building a socially oriented economy based on the example of the best European models.

On the pension insurance, as a financial mechanism that determines the procedure for financing pensions on insurance principles. Its basis is the connection of such economic concepts as "pension" and "insurance" which are structurally the form and method of the financial mechanism. The use of the term "insurance" as a method of pension insurance requires a separate explanation of its basic functional components. According to the Law of Ukraine "On Insurance" No. 85-96 adopted on March 7, 1996, Article 1 defines: "Insurance is a type of civil-law relations for protection of property interests of citizens and legal entities in case of certain events determined by the insurance contract or current legislation at the expense of monetary funds, which are formed through payment by citizens and legal entities of insurance payments and proceeds from the placement of these funds".

Considering pension insurance as a socio-economic system, it should be noted that it represents the totality of the social phenomenon of pension protection and the process of updating the pension relations in the society on the basis of insurance, which are in rapports and relationships, creating some holistic socio-economic object. Unlike interpretations of retirement insurance as a concept or financial mechanism, the object of the socio-economic system has an absolutely real manifestation in modern social life. The phenomenon of pension protection is reflected in a recognized society and a scientifically determined social institute and the process of updating pension relations is the provision of all relations in society for the accumulation of pension savings to finance future pensions. At the same time, acting as an element of reality, the pension socio-economic system is a product of previously formulated theoretical concepts and a deterministic financial mechanism which testifies to the homogeneity, integrity and close relationship between the above interpretations of pension insurance (Koval, 2020).

Summarizing the above scientific provisions on the nature of pension insurance, we can distinguish its generalized characteristics: firstly, it is regular cash payments, secondly, it is money paid from special funds, thirdly, the amount of pension is determined individually, fourthly, pensions are assigned with the onset of retirement age, seniority, disability or loss of breadwinner.

In turn, an important theoretical value in the study of pension insurance as a socio-economic system is the development of well-known authors under the direction of M. Kasyanenko. A group of domestic scientists has identified the main features of the socio-economic

system, which in the pension sector make it possible to reveal the essence of pension insurance more widely. Among them, researchers identify:

- 1) system purposefulness means that a certain social group of pensioners is being singled out in society which objectively requires the existence of a social system aimed at protecting them at retirement age;
- 2) availability of system functions (the system takes certain measures to achieve a certain purpose) is realized through the creation of specialized state and non-governmental financial institutes which are endowed with certain powers to provide pension protection (accumulation of pension assets, their investment, making further payments to all the retirees designated by law);
- 3) awareness (the existence and development of social systems cannot be accomplished without intensive exchange of information between the system and the environment) is the convenient, reliable and functional information support on accounting of paid contributions by employers, employees and the state, their investment and circulation in the financial market. It should be noted that the role of this feature is increasing, since the effectiveness of the introduction of new pension programs will depend on reliable information on the implementation of the pension system;
- 4) openness involves intensive exchange with the environment of information, objects. The degree of openness depends on objective and subjective factors and consists in the regulation of solidarity rules for participation of all citizens of the country in the pension insurance system, openness for fruitful cooperation with international organizations and the ability to exercise external departmental and public control over the effective use of pensions;
- 5) the desire for self-preservation is reflected in the long-term cycle of accumulation of rights to pension protection (work experience, pension contributions) characteristic of all pension systems and the possible long-term period of pension payments;
- 6) the ability to self-government, that is, the ability to maintain a coherent system that involves the transition to personalization of pension assets, the formation of an effective system for their administration.

Thus, the use of the above characteristics offered by scientists on the socio-economic system allows to solve in practice the main objectives of the pension insurance system, namely:

- to create and ensure the effective functioning of insurance companies;
- to accumulate in the insurance funds the necessary financial resources through targeted payments of the insurers;
- to ensure targeted use and distribution of insurance funds;
- to regulate relations between members of the insurance system.

### 3. Survey methodology

While exploring the nature and concept of social insurance at the current stage of development, it should be emphasized that the majority of domestic scientists in the field of pension insurance say that pension insurance is based on two important principles: the principle of solidarity and the principle of personal responsibility. Studying the nature of pension insurance, scientists focus on the principles put forward by the International Labour Organization on social protection of the population and defined in the adopted conventions of this organization (Oskar Cerrangolo, 2003). Among them there are the following:

- general and compulsory nature of pension insurance, availability of social guarantees;
- a combination of compulsory and voluntary types of pension insurance, equality and diversity of forms. The necessary level of social protection, the employee's ability to influence the level of personal protection are provided;
- state guarantee of the stability of the pension system, the level of payments from compulsory pension insurance. The minimum level of social protection for people of retirement age accepted in the world community is guaranteed (Convention 102);
- obligatory financial participation of insured persons and employers and if necessary, attraction of state subsidies;
- the interest of a sufficiently wide range of persons representing the stipulated social categories of the population (workers, employees, certain professional categories of citizens, all the population of certain territories) or the whole population of the country, in one way or another on the basis of pension insurance;
- equality of all the insured persons in terms of the obligation to finance the costs and rights and guarantees acquired;
- special order of storage of received funds, usually due to autonomy from the state budget as well as control of use through representatives of insurers and insured.

Thus, a study of the nature of pension insurance shows that this economic category is considered complex and on its principles, effectively based on the formation of a new national pension system. The ambiguity of the interpretation of the concept of "pension insurance" indicates that the essence of this economic category has not fully disclosed yet and it remains a subject of research.

At the same time, an important characteristic of pension insurance is its main function, the essence of which is to form the financial needs of members of the insurance system in the special insurance funds in case of occurrence of social risks, that is the risks related to social activity of a person, his/her health, material security in old age (Rogach, 2019).

Thus, the analysis of literature sources on insurance issues gives grounds to claim that at the present stage of development of Ukraine, pension insurance is one of the most pressing issues in the country. This is due to

the social transformations in Ukraine during the years of independence which were accompanied by a protracted socio-economic crisis, which affected the level and living conditions of the population and accordingly, its population dynamics, composition and reproduction processes.

Instead, it should be noted that it began to develop dynamically after the adoption of the Law of Ukraine "On Compulsory State Pension Insurance" No. 1058-IV dated July 9, 2003 (Koval, 2020).

This Law provided for the creation of a three-tier pension system: a solidarity system of compulsory state pension insurance (level I) based on the principles of solidarity and subsidization and payment of pensions, provision of social services at the expense of the Pension Fund; compulsory system of compulsory state pension insurance (level II) the operation of which occurs on the basis of the accumulation of funds of insured persons in a savings fund or in the relevant non-state funds and the implementation of financing the costs of life insurance contracts, lump sum payments and a system of non-state pensions provision (level III) based on the principles of voluntary participation of citizens, employers in the formation of retirement savings in order to receive retirement benefits from citizens.

Thus, the researches, carried out on the essence of the concept of pension insurance, give grounds to form an interpretation of the concept as follows: "Pension insurance is a system of social and financial relations between its subjects regarding the formation and distribution of pension funds at the expense of mandatory insurance pension contributions of working citizens for the purpose of making pension payments".

Having considered the views of scientists on the definition of the term "pension insurance", we share the opinion of such scientists who consider this economic term complex, which has a wide range of applications in the field of pension provision.

### 4. Findings

Summarizing the results of the research it should be noted that pension insurance plays a major role in the social insurance system in the country, since its primary purpose is to provide social protection for those categories of citizens who have reached retirement age, lost a breadwinner or had a disability. Pension insurance is intended to meet their minimum social standards through pension payments.

The dynamic development of pension insurance is connected with the implementation of pension reform in our country. The study of the essence of pension insurance and determining its place in the system of social protection of the population in the conditions of development of a transformative economy goes beyond only theoretical considerations. The success of the reforms undertaken in Ukraine depends to a large extent on the depth of understanding of the subject matter of the reforms, since it is impossible to improve what doesn't

have a harmonized conceptual reflection in regulations, scientific research and practical work of the subjects of pension provision. In order for the pension protection policy of the state to be effective, it is necessary to continue to study the essence of the concept of pension insurance.

It should also be noted that the ambiguity of the interpretation of the term "pension insurance" indicates that it has not been fully disclosed yet and it needs further detailed reflection and that problems in this area are considered and resolved.

## 5. Conclusions

Based on the study of the essence, concept and social nature of pension insurance it should be noted that this economic category develops in the state depending on the social, economic, demographic factors that exert their influence in society.

The main role in the social insurance system in Ukraine is played by pension insurance because it is the main form of social protection of the population which is based on the application of the method, that is the introduction of mandatory payments into the funds of business entities regardless of ownership and types of economic activity and hired persons who work under the terms of an employment contract.

The essence of the social nature of retirement insurance lies in the social protection of persons who

have reached retirement age, in connection with the disability or loss of a breadwinner. Pension insurance involves providing these categories of citizens with the minimum social standards approved by the International Labour Organization through the payment of pensions.

In particular, pension insurance is considered a complex category and the diversity of its interpretation means that it has not been fully disclosed yet and remains the subject of research.

In order to conduct an effective policy of pension protection of the population in the country it is necessary to continue to study the essence of the concept of "pension insurance" and it is also important and urgent to find ways to improve the reliability and effectiveness of mechanisms for ensuring the implementation of social guarantees in the pension insurance system.

Insurance came about when humanity realized how much danger the environment was hiding. With regard to pension insurance its formation took place in the context of the development of the entire insurance system. As the level of development of society increased, the pension insurance system became more sophisticated which testified to the strengthening of the social role of the state. An indispensable condition for reforming Ukraine's modern pension system is to take into account the historical aspect of development, advantages and disadvantages at certain stages of its formation.

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