

**CHAPTER 3**  
**RECOMMENDATIONS FOR FURTHER REFORM**  
**OF THE PENSION SYSTEM IN UKRAINE**

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**3.1 Areas for Improving the Pension System in Ukraine**

Reforming the pension system in Ukraine requires a comprehensive approach. Some recommendations in this regard can be found in research and publications. In particular, one of the recommendations is to supplement the social security system with second-tier pensions, which provides for a funded mandatory state pension insurance system [153]. However, it is important to take into account the risks associated with this step, such as low level of trust in financial institutions, poor financial literacy of citizens and limited investment instruments [154; 155].

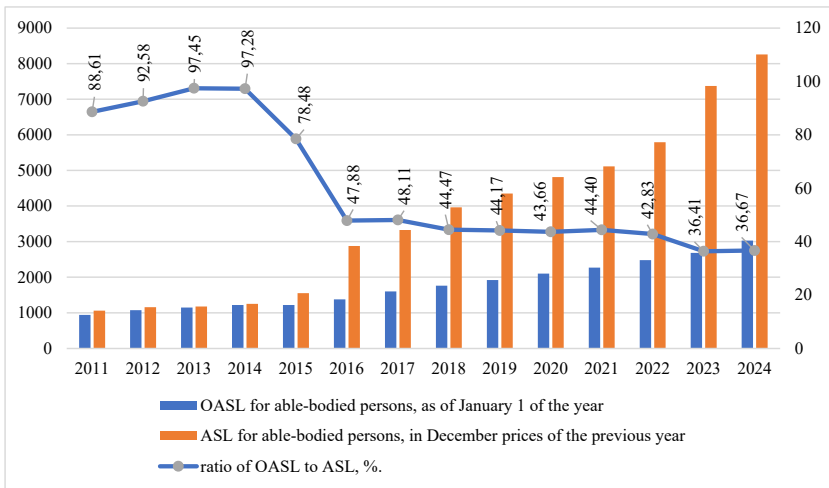
In addition, effective reform of the pension system requires sustained support from the government, constant monitoring and improvement of the market infrastructure [156]. Thus, reforming the pension system in Ukraine will require taking into account a variety of factors to ensure the stability and efficiency of the system.

Taking into account the analysis conducted in Section 2, we believe that one of the main areas for improving the PP system in Ukraine should be *creating conditions for increasing pensions to ensure a decent standard of living for pensioners*. In this context, the first thing to do is to revise the income policy in terms of labor remuneration.

For a long time now, Ukraine has been artificially underestimating the SSS, which is annually approved by the relevant legislative acts. Thus, the officially approved minimum wage is increasingly diverging from the minimum wage calculated monthly by the Ministry of Social Policy of Ukraine in accordance with the current legislation (Figure 3.1).

This has a negative impact on the formation of labor remuneration systems, especially in the public sector. Due to the significant underestimation of OASL, the salary for a worker of the 1st tariff category is much lower than the minimum wage. This has led to the leveling of qualification coefficients on the basis of which the salary for a particular category is formed.

The result is an equalization of remuneration for professionals and workers without qualification requirements, which arises from the payment of an additional fee up to the level of the minimum wage, as provided for by the current legislation. All of this will affect the amount of pension payments in the future, which will be calculated on the basis of the salaries received by the employee during his or her working life.

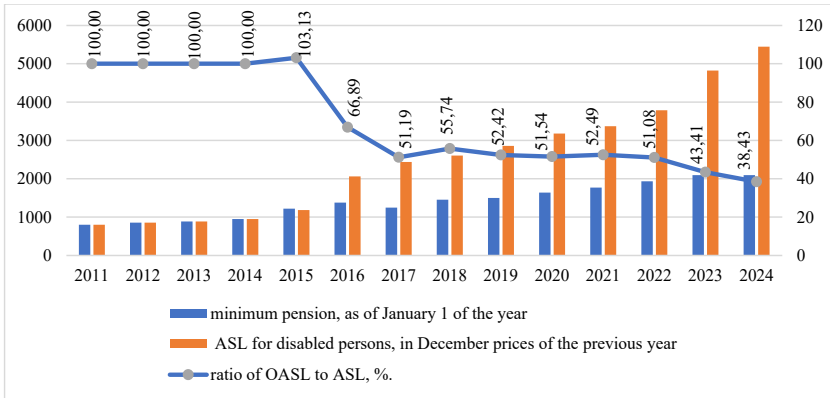


**Figure 3.1 – Dynamics of ratio of OASL to ASL, % in Ukraine**

*Source: based on data from the Ministry of Social Policy of Ukraine and Trade Unions of Ukraine on the actual subsistence minimum*

In our opinion, it would be advisable to gradually raise the OASL to the ASL, and, accordingly, the minimum wage, while reducing the difference between these indicators.

In this context, the minimum pension should also be gradually increased to the level of the ASL, which is calculated for people who have lost their ability to work. As of the beginning of 2024, the difference between them was 61.57% (Figure 3.2).



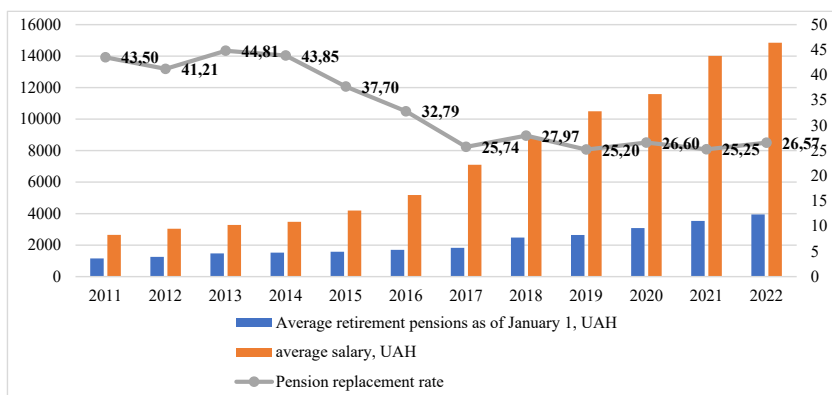
**Figure 3.2 – Dynamics of the ratio of the minimum pension to the ASL for Disabled Persons in Ukraine**

*Source: based on [157] and data from the Ministry of Social Policy of Ukraine and Trade Unions of Ukraine on the actual subsistence minimum*

As can be seen from Figure 3.2, only in 2011-2015 the minimum pension was at the level of the ASL or 3.13% higher (in 2015). Since 2016, the purchasing power of Ukrainian pensioners has been declining every year, and in 2023-2024, those who received less than the minimum pension for this category of persons could afford less than 50% of the minimum food and non-food goods and services necessary for life.

An important step in the context of this area of PP reform should be the establishment of a fair ratio of pensions to wages (for example, at least 40-50%). According to the ILO recommendations, this figure should not be lower than 40%. The pension replacement rate in Ukraine was at this level only until 2014, i.e., before the beginning of russian military aggression against Ukraine. Since 2015, this indicator has been on a steady downward trend, with the exception of 2018, 2020, and 2022. The slight increase in 2022 is due to the fact that the pension remained at the level granted as of January 1, and the growth rate of average wages slowed down due to the outbreak of war in February 2022.

One of the main reasons for the decline in the replacement rate is the limitation of the maximum pension amount, which is quite justified in the context of the Pension Fund’s budget deficit.



**Figure 3.3 – Pension replacement rate in Ukraine, %**

Source: based on [158]

The decline in this indicator signals the existence of another problem that needs to be addressed immediately – excessive wage differentiation. The ratio between the minimum and maximum monthly wages in Ukraine can reach more than 300 times in certain periods.

We propose to set a 1:15 limiting ratio of wages at one enterprise at the legislative level. This will help to raise wages not only for individuals at enterprises, but for all employees, since in order to raise the wages of some employees above the maximum allowed limits, it will be necessary to raise the wages of the lowest paid employees. This approach will help increase pension payments for employees with the lowest incomes and increase revenues to the Pension Fund.

We cannot ignore such a tool as "annual indexation of pensions to inflation." It minimizes the risks of inflationary impact on pensioners' incomes.

Within this area, it would be advisable to move to effective taxation. An important aspect of this is the creation of a transparent and fair tax system that would reduce the tax burden on those who work legally, while creating significant restrictions on those who choose to evade taxes.

In addition, it is advisable to introduce a progressive scale of personal income tax and unified social tax with its linkage to the ratio of the minimum and maximum wages at the enterprise. We propose the following PIT scale (Table 3.1).

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**Table 3.1 – Improved PIT scale**

<b>Wages amount, UAH</b>	<b>Tax rate, % (subject to the ratio of the smallest and largest wage, 1:15)</b>	<b>Tax rate, % (subject to non-compliance with the ratio of the smallest and largest wage, 1:15)</b>
from 0 to ... (the amount of the SL for able-bodied persons)	0	0
SL+0.01 – 5000.00	15	15
5000,01 – 25000,00	18	18
25000,01 – 35000,00	20	20
35000,01 – 55000,00	22	22
55000,01 – 100000,00	25	30
More than 100000.01	28	35

*Source: compiled by the author*

All funds received from personal income tax deductions in excess of the established rates, subject to the 1:15 ratio, should be transferred to the Pension Fund. We also propose to increase the unified social contribution rate to 30% if the proposed ratio is not met. Under such conditions, employers will be interested in complying with the proposed ratio and thus contribute to an increase in revenues to both the budget of Ukraine and the Pension Fund.

In modern society, the issue of legal employment and payment of contributions to the budget is becoming increasingly important. Despite the existence of legal regulations and social programs, a significant number of people continue to engage in unofficial work and evade paying contributions. Therefore, one of the areas for improvement of the PP program is to strengthen incentives for legal employment and payment of contributions to improve the situation in this area. Social incentives and fines can be effective tools in this area.

Social incentives: Government programs aimed at supporting employees and their families can be an additional incentive for legal employment. For example, the provision of social services, assistance in building retirement savings, etc. Only through the joint efforts of the government, business and the public can a significant increase in legal employment and contributions be achieved, leading to an overall increase in socioeconomic development.

## MONOGRAPH

Fines and liability. Despite the rather high fines for labor law violations, we propose to increase them, as well as to introduce fines and criminal liability for officials who cover up violations. The proposed amounts of fines are shown in Table 3.2.

**Table 3.2 – Penalties for violation of labor legislation**

Type of violation	Amount of fine, current norm	Amount of fine, proposed norm
actual admission of an employee to work without an employment agreement (contract), employment of an employee on a part-time basis or under an employment agreement with irregular working hours in case of actual performance of work during the entire working time, and payment of wages (remuneration) without accrual and payment of UST and taxes	10 MW (3 01.01.2024 – UAH 71000)	16 MW (3 January 01, 2024 – UAH 113600)
preventing the inspection to identify the above violations or creating obstacles to its conduct from being conducted	16 MW (3 January 01, 2024 – UAH 113600)	Delete as it duplicates the last one
violation of the established terms of payment of salaries and other payments for more than one month, payment of them not in full; exceeding the established permissible number of labor contracts with non-fixed working hours	3 MW (3 January 01, 2024 – UAH 21300)	Leave unchanged
non-compliance with minimum state guarantees in labor remuneration	2 MW (3 January 01, 2024 – UAH 14200)	Leave unchanged
Preventing an audit of compliance with labor legislation and creating obstacles to its conduct	3 MW (3 January 01, 2024 – UAH 21300)	32 MW (3 January 01, 2024 – UAH 227200)
admission of an employee to work without an employment contract (imposed on the employee)	absent	3 MW (3 January 01, 2024 – UAH 21300)

Source: compiled by the author based on [159]

Increased liability for illegal employment and contribution evasion will encourage companies to comply with the law. Of course, there will be certain challenges and obstacles on the way to increasing legal employment, including: economic instability, which may lead to a decrease in demand for labor and an increase in illegal employment; tax burden: high tax rates may reduce the motivation of companies to hire legally; insufficient control function: insufficient control by government agencies and NGOs may become an obstacle to combating illegal employment; unconscious consumption: lack of awareness of the importance.

However, the benefits of reducing illegal employment and paying contributions are obvious. Among them:

- economic stability: legal employment contributes to economic stability by providing regular income for employees and by ensuring that social programs and infrastructure are financed through the payment of contributions;

- social support: employees working under legal conditions have access to social protection, including health insurance, vacation, pension programs, etc.;

- entrepreneurship development: reducing illegal employment promotes entrepreneurship by creating a competitive environment for entrepreneurs and encouraging investment.

Thus, this area is very relevant in the context of raising pensions. An important component of a successful pension reform is *raising the pension awareness of the population*. More detailed measures to raise awareness may include:

1. *Information campaigns*: conducting large-scale information campaigns to explain the basic principles of the pension system, the rights and obligations of citizens with regard to pension provision. This may include television and radio broadcasts, placement of advertising materials in public places, information booklets and other types of advertising.

2. *Organization of seminars and trainings*: conducting special seminars, trainings and lectures for citizens on pension issues. These events may include explanations of the procedures for accumulating pension contributions, calculating pension benefits, choosing pension programs, etc.

3. *Creation of online resources*: development of special websites, portals or mobile applications that provide useful information about pensions.

This may include calculators for calculating pension benefits, advice on retirement planning, statistics on the level of pension benefits, etc.

4. Cooperation with the media and civil society organizations: engaging the media and civil society organizations to disseminate information about pension provision. This may include publications in newspapers, magazines, blogs, participation in television and radio broadcasts, and organization of public events and discussions.

5. Consultations and individual services: providing opportunities for individual consultations on pension issues in specialized centers or through hotlines. This will allow citizens to receive comprehensive information and answers to their specific questions.

These measures can help to increase the level of education and awareness of the population about pension issues, which in turn will contribute to more effective participation of citizens in the pension system and ensure a more stable and reliable pension system as a whole.

Another important step to improve the pension security of the population is *the development of additional pension programs*. Such programs can help citizens accumulate additional funds for retirement and provide them with greater financial stability in the future. Here are some aspects that can be taken into account when developing additional pension programs:

1. Creation of a variety of pension products. It is important to provide a variety of pension products that meet the needs of different groups of the population. These may include individual retirement accounts, voluntary pension funds, and other investment instruments that will allow citizens to choose the best way to accumulate their retirement funds.

2. Stimulation of participation through tax incentives. The government can provide tax breaks or other financial incentives for those willing to invest in supplemental pension programs. This could include exemptions from income tax for part of the contributions to pension funds or tax credits for investments in pension assets.

3. Ensuring transparency and security. It is important that supplementary pension programs are transparent and secure for participants. This means that programs should have clear terms and conditions and be well regulated to protect the interests of participants.

4. Education and information support. It is important to provide accessible information and education on supplementary pension programs



to citizens. This may include information campaigns, consultations, and educational materials to help people better understand the benefits and risks of participating in such programs.

5. Support for the development of the pension market. The government can promote the development of the pension market and create a competitive environment where different pension funds and management companies compete for clients, which will improve the quality and affordability of pension products.

The overall goal of developing additional pension programs is to provide citizens with additional opportunities to accumulate pension funds and ensure their financial stability in the future. These programs can be an important complement to the state pension system and help citizens to ensure a decent standard of living during retirement.

Due to the dynamic development of society and the increase in average life expectancy, there is a need to introduce flexible pension systems that take into account the peculiarities of professional life and length of service of each individual. This will ensure a fairer and more efficient distribution of pension benefits, reduce inequalities in access to pension benefits, and encourage productive work over a long period of time. Therefore, it would be advisable to single out such areas of PP improvement as *introduction of a flexible retirement age based on profession and length of service*.

An additional argument in favor of this direction is the increase in average life expectancy, which leads to an increase in the period during which a person can continue to work after reaching retirement age.

In addition, different occupations require different levels of physical, psychological, and intellectual stress. Some occupations may be less traumatic or less exhausting, allowing individuals to continue working for longer periods of time than in the case of physically demanding jobs.

It is also worth noting that a flexible retirement age contributes to the preservation of human capital and reduces the costs of the pension system, as people who continue to work pay taxes and contributions to the pension fund.

Within this area, it would be advisable to introduce a flexible pension system. That is, a system that allows individuals to choose the time of retirement according to their needs, health, and professional capabilities.

However, this process should be accompanied by an additional coefficient to the pension, as well as a limit on the receipt of both pensions and wages.

This restriction should be introduced for pensioners until they reach the age of 65. A person who has reached the retirement age should choose whether to continue working and receive an increased pension or to receive the accrued pension. Given the low level of pensions and the importance of education and science for the development of the state, it would be advisable to establish certain exceptions to these rules. In particular, those who retire and continue to work in working specialties may receive both pensions and salaries. Also, those who will pass on their experience and knowledge to the younger generation may be eligible for both payments. In particular, we propose to allow researchers and academic personnel employed in non-managerial positions, but only part-time, or who are involved in educational or research projects as part of academic mobility or in receiving research or educational grants based on the results of relevant competitions, to work without restrictions on payments.

Professional retraining programs can also be a good tool for people who want to acquire certain skills in trade jobs after a period of inactivity.

It would also be advisable to introduce a monitoring and adaptation system that would allow for adjustments and adaptation of retirement age criteria in accordance with demographic trends, the state of the economy, and the social needs of society.

Thus, the introduction of a flexible retirement age based on occupation and length of service opens the way to a fairer and more efficient pension system. This will help stimulate labor productivity, preserve human capital, and ensure the stability of the pension system in a changing socioeconomic environment.

*Improving the pension provision system for the self-employed.* The self-employed usually do not have access to traditional pension programs due to the absence of a fixed employer to pay contributions. This leads to low levels of pension coverage and financial instability for many self-employed individuals during retirement age. In addition, self-employment is often associated with unpredictable income, making it difficult to accumulate sufficient retirement savings.

Ways to improve the pension system for the self-employed:

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1. Creation of special pension programs for the self-employed: governments may consider establishing special programs that allow self-employed individuals to pay mandatory contributions to pension funds on a voluntary basis. These programs should be adapted to the specifics of self-employment, in particular, the unpredictability of income and variable working hours.

2. Financial incentives and support: governments can provide financial incentives and support for self-employed individuals who have contributed to pension programs. This may include tax breaks, additional contributions from the state, or other forms of financial support.

3. Expanding access to information and advice: it is important to ensure that self-employed individuals have access to information and advice on retirement planning. This can help to increase awareness of the importance of accumulating retirement savings and choosing an appropriate retirement strategy.

4. Development of alternative forms of pension provision: to meet the needs of the self-employed, alternative forms of pension provision, such as investment funds or individual pension accounts, can be developed, allowing for a more flexible approach to managing pension assets.

Thus, improving the pension system for the self-employed is an important task to ensure financial stability and social security of this category of workers. The ways outlined above can serve as a basis for developing effective policy measures and programs aimed at improving pension provision for the self-employed.

Other areas of improvement of the PP system include *improving the financial sustainability of the Pension Fund* and *developing the private pension insurance system*.

The main measures to improve the financial sustainability of the Pension Fund may include:

- reforming the investment strategy. The PFU should develop an effective investment strategy that will maximize returns while reducing risks. This may include diversifying the investment portfolio, engaging professional managers, and ensuring transparency in asset management;

- ensuring transparency and openness. It is necessary to ensure transparency in the management of the PFU, including not only the publication of financial statements, but also other important data on the

fund's activities. In particular, more detailed reporting on the amount of pension payments should be expanded beyond the "UAH 10 thousand and above" column. This will help increase public confidence in the system and reduce the risk of corruption;

- development of additional pension programs. The Pension Fund can encourage the development of additional pension programs, such as individual pension accounts or voluntary pension funds, which would allow individuals to accumulate additional retirement savings;

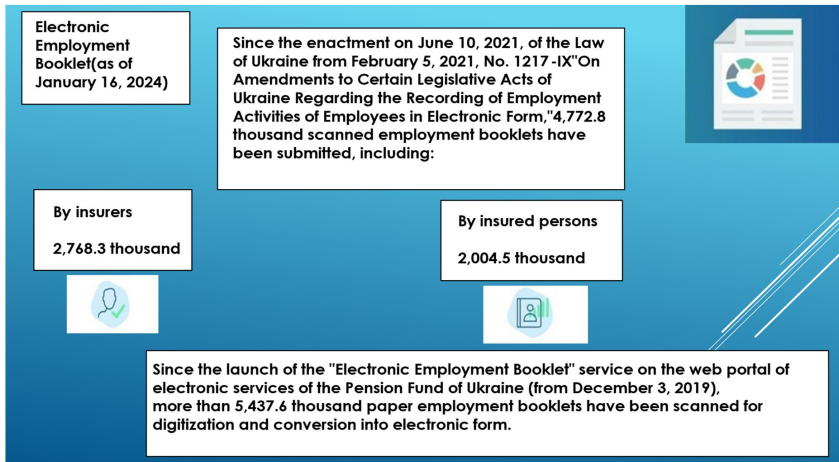
- ensuring social justice. The reform should take into account the needs of the most vulnerable groups, such as people with disabilities, low-income individuals and other socially vulnerable categories. They should be provided with an adequate level of pension benefits, and conditions should be created to prevent them from receiving pensions that are too high compared to the average and minimum amounts;

Development of the information system. It is important to develop a modern information system that will allow for efficient accounting of pension contributions and ensure prompt decision-making by fund managers. Much has already been done in this direction. In particular, as of January 16, 2024, 4772.8 thousand scanned copies of employment records were submitted to the Pension Fund institutions. Another 5437.6 thousand were submitted through the Electronic Labor Record Book service. An important step towards the digitalization of PFU services was the Electronic Cabinet, where each insured person can receive information on salaries both by month and by insured, as well as use a pension calculator to determine the approximate amount of pensions and order a certificate of income in the form of a pension.

These measures can contribute to the reform of Ukraine's pension fund and ensure the stability and efficiency of the country's pension system in the future.

As for the development of private pension insurance, this area is extremely relevant. This is because Ukraine, like other countries, is facing the problem of an aging population and a decrease in the number of employed workers, which is already leading to an overload of the pension system. The development of non-state pension insurance funds can help to partially solve this problem by attracting additional capital and offering alternative investment strategies, as well as by allowing individual choice

of pension plans. The development of non-state funds could become an additional reserve for pension payments. Ensuring the stability and high returns of pension funds may require consideration of alternative investment strategies. This may be in line with the different needs and financial capacities of the population.



**Figure 3.4 – Data on the PFU’s digitization of paper employment records as of January 16, 2024**

Source: based on [160]

### 3.2 Prospects for the Development of the Second Defined Contribution Pillar of the Pension System in Ukraine

Pension insurance is the basis for ensuring the right to an adequate standard of living in accordance with the current legislation. As mentioned in Section 1, there are three levels of the pension system. We propose to consider the prospects of introducing a funded system in Ukraine, having previously studied the world practices of such experience. In general, the transition to a funded system is an objective requirement of the current stage of society’s development. First, this is due to the increase in average life expectancy (Figure 3.5). According to statistics, life expectancy has increased among both men and women. Unfortunately, Ukraine has the

lowest rates compared to the rest of the EU. Life expectancy for women in 2020 was 76.2 years, which is almost 10 years higher than for men (66.4 years). In 2020, the longest life expectancy for women was recorded in France (85.3 years), and for men in Ireland (80.8 years). It should be recalled that the retirement age in Ukraine is set at 60 years, while in the EU countries it is 64.3 years for men and 63.5 years for women. This suggests that EU pensioners "live" longer in retirement and therefore receive payments longer.

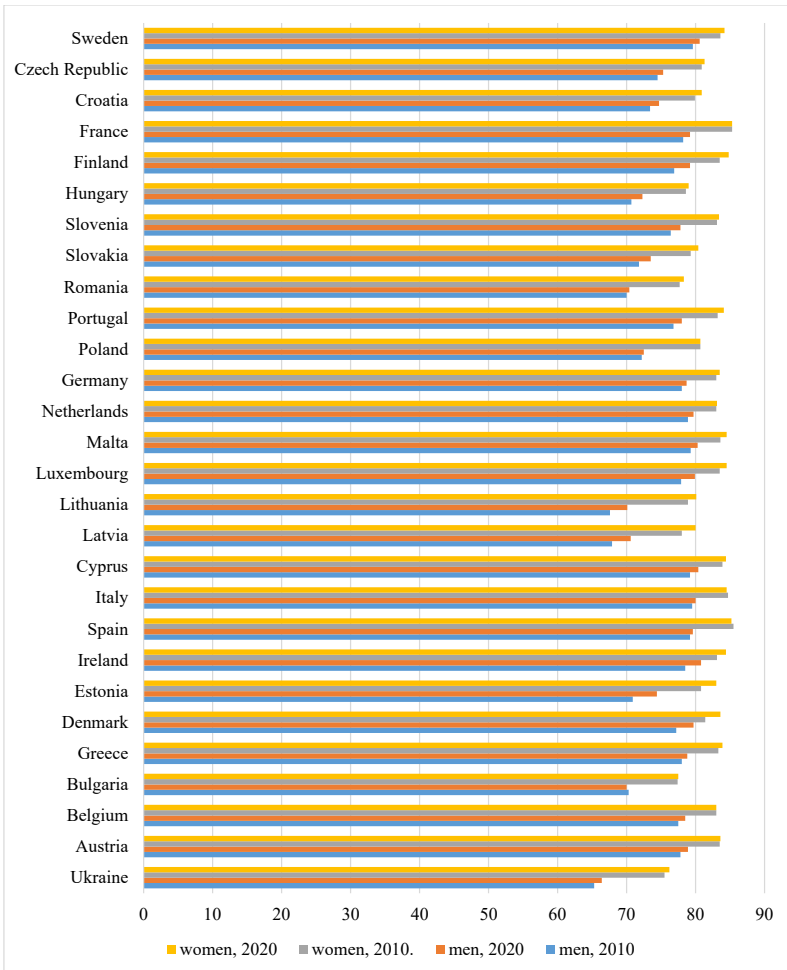
Secondly, the need to revise the pension system is driven by the aging of the world's population, in particular, the increase in the share of people of retirement age compared to those of working age. This leads to an increase in the financial burden on the pension fund budget and, as a result, the search for reserves to replenish it.

The introduction of a funded pension system in Ukraine could help address these demographic and financial challenges by diversifying the sources of pension financing. Unlike the pay-as-you-go system, where current workers fund the pensions of current retirees, a funded system allows individuals to accumulate personal savings over their working life, which are then invested and used to provide retirement income. This approach not only reduces the direct burden on the Pension Fund but also creates opportunities for economic growth through investment in national and international markets. However, the implementation of a funded system requires careful planning and the establishment of a reliable institutional framework. Key aspects include ensuring transparency in fund management, protecting savings from inflation and economic instability, and building public trust in the new system.

Migration processes in Ukraine also reduce the number of working-age people. Traditionally, workers are employed abroad due to the unsatisfactory level of labor income in Ukraine. Hostilities on the territory of Ukraine have also significantly increased the volume of migration of the working-age population. The decline in the working-age population in Ukraine is causing a decrease in the number of unified social tax payers [162]. The reduction in the amount of unified social tax paid is also caused by the introduction of the new tax regime. Employers are required to pay 22% of the unified social contribution when calculating salaries to employees, and individual entrepreneurs under the simplified taxation system, regardless of

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their income, are entitled to pay the minimum unified social contribution of 22% of the minimum wage [163].



**Figure 3.5 – Changes in life expectancy for men and women in Ukraine and the EU in 2010 and 2020, years**

*Source: based on data from [161, pp. 183-184]*

The shortfall in the UST is due to the payment of salaries to employees in "envelopes" and illegal labor activities of employed persons.

This situation causes a shortage of funds in the PFU. In the first nine months of 2022, the PFU received transfers from the state budget in the amount of UAH 147 billion. At the same time, the fund's own revenues amounted to UAH 289 billion, or 66.4% of its total revenues [164].

The experience of foreign countries demonstrates the active, long-term and effective use of the funded pension insurance system [165; 166].

The U.S. pension system has public and private programs, and in addition, there is an opportunity to participate in corporate programs and open personal pension accounts. Commercial banks, investment funds, and insurance companies are involved in this process.

The second pillar of the Swedish pension system is the defined contribution pillar. Pension contributions are paid in the amount of 2.5% of labor income, and the funds are managed by the individual.

Kazakhstan is the first country to introduce a mandatory defined contribution pension system, which consists of 2 parts – public and private. Individual retirement accounts are charged with 10% of income.

The Chilean pension model has 2 pillars. At the first level, an employee makes personal savings contributions to one of the private pension funds (controlled by the state), which will form his or her pension in the future.

Thus, as scientific studies show [167; 168; 169], the implementation of the second pillar of pension insurance is characterized by both positive and negative aspects in its operation. Among the advantages of introducing a defined contribution pension insurance system are the following:

- lack of influence of demographic processes (e.g., aging) and other social risks;
- the ability to choose a pension fund, including a program;
- a direct correlation between the amount of investments made and pension payments;
- intensification of investment activity in the economy, strengthening it, and increasing investment through pension contributions;
- reduction of the burden on state pension insurance;
- reduction of the financial burden on the employer;
- diversification of sources of pension funding;
- ownership of pension savings and the possibility of inheritance;



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- payments under defined contribution pension insurance will supplement existing payments in the pay-as-you-go system;

- reduction of the level of informal employment and the shadow economy;
- state and market mechanisms and institutions are functioning.

At the same time, the defined contribution system has certain disadvantages and limitations that it may face during implementation and operation:

- a high level of dependence on the income level of the able-bodied population;

- risks associated with the process of investing funds and conducting investment activities;

- inflationary risks;

- Ukraine is currently facing wartime risks that affect all areas of human life;

- decline of pay-as-you-go system and the deficit of the pension insurance fund;

- vulnerability to economic instability, difficulty in dealing with crises; impossibility of using pension contributions for other types of savings.

There are quite a few supporters of the defined contribution pension insurance system in the scientific community and among practitioners, but there are also a number of people who do not share its introduction. We support the opinion of O. Petrushka [170, p. 124] that it is worth testing this system on one of the types of pensions that exist in Ukraine. Such a pilot project will allow assessing the possibilities of functioning in practice, identify possible risks, and, if necessary, adjust the mechanisms of the funded system.

The Verkhovna Rada of Ukraine has made 15 attempts to introduce the second pillar of pension provision. The last time, the draft Law of Ukraine "On Accumulative Pension Provision" (draft law No. 9212) was submitted. The advantages of the draft law were to be:

- maintaining the UST amount, part of which will be a cumulative contribution. The amount of the accumulative contribution paid by employers will increase over three years (first year – 1%; second year – 1.5%; third year – 2%);

- co-financing of contributions, which will be made on a parity basis at the expense of the state budget. That is, the state will also pay the same amount of the accumulation contribution as the employer. For example, in

the first year, the employer transfers 1% of the payroll to personal accounts in the state authorized pension fund on a monthly basis, and the state budget will also receive 1% of the payroll on a monthly basis;

- the ability to increase independent contributions at the request of the employee, which will also be co-financed by the state on a parity basis;

- voluntary participation in the defined contribution pension system – under the "auto-enrollment" system, i.e., on the basis of automatic enrollment with the right to refuse. The World Bank approves of the "auto-enrollment" system;

- inheritance of pension savings in the event of a person's death;

- gradual introduction of a defined contribution pension system, which will be state-owned in the first three years. Insurance companies, non-state pension funds, and asset management companies will join the savings system when the structure of regulation and supervision of the non-banking private sector and the law enforcement system are able to control them.

So far, the draft law has not been adopted in the first reading. Among the main reasons for this situation, experts say that the financial system and the private sector are not ready, and that there is no legal framework for regulating and supervising financial institutions that will be involved in savings.

In our opinion, this draft law should be finalized in accordance with the expertise of professionals in various fields of law and professional areas. As of now, we see the following risks of its implementation:

- the draft law provides for a complex structure of the defined contribution pension system (payers of the funded contribution, system participants, authorized pension funds, authorized asset management companies, authorized custodians, authorized administrators, authorized insurance organizations, authorized banks, administrator of the Unified Social Register, central executive body implementing the state policy in the field of treasury services for budget funds, central executive body implementing the state tax policy). For example, state control in the area of social and labor relations was introduced a long time ago, but cases of offenses in this area occur quite often;

- almost all offenses in the functioning of the defined contribution pension system are subject to liability of up to UAH 150,000,000 – this wording, without differentiating financial sanctions by the seriousness of

the offenses, is a prerequisite for subjectivity in making the final decision on the offender;

– there is a different interpretation of the basis for calculating the limit on payments from the State Budget of Ukraine. Article 8 of the draft law states that: "at the expense of the state budget ... the accrual of and payment of an additional accumulation contribution for payers ... in the amount equal to the amount of the accumulation contribution paid by payers ... but not more than 3 percent of the average wage per participant of the mandatory defined contribution pension system per year". The Explanatory Note to the draft law has a different wording: "The state will co-finance such contributions on a parity basis within 3 percent of the average wage by type of economic activity on average in the economy." Labor market statistics show that the average wage by type of economic activity and the average wage in the economy are different. The average wage per participant of the mandatory defined contribution pension system per year will also differ from the values specified in the Explanatory Note. Thus, it is important to specify the value from which 3% will be calculated.

Based on this analysis, we can state that in order to introduce the second (defined contribution) pillar of the pension provision in Ukraine, a number of measures should be taken, including the following:

- ensure the sustainability of the country's economic growth and political system;
- ensure a decent level of wages for the able-bodied population that is able to meet the daily needs of a person and at the same time make pension contributions;
- bring current legislation and regulations into line (in particular, to provide for appropriate mechanisms and systems of relations between institutions) that allow for the full implementation of the second level of pension provision;
- take appropriate measures to increase the level of trust in pension institutions, in particular by ensuring transparency of their functioning;
- increase the level of financial literacy of the population;
- conduct an information campaign on the need and importance of introducing this level of pension provision, including through social advertising;
- to stimulate and encourage businesses to join the system (directly participate as a guarantor of investments, as well as develop social responsibility by involving their staff in pension insurance programs).