

PRESENT DAY CONDITION AND REFORMING OF A PENSION SUPPLY SYSTEM IN THE KYRGYZ REPUBLIC

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Ageing the objective and predicted phenomena in life, the odds of approach which one for the majority of us is high. The considerable proportion of pension supply on old age can be afforded at the expense of self-insurance. Each sidetracks facilities for itself, transferring consumption since young, more productive years, on elderly age, when the consumption will exceed the income. However because of "near-sightedness" of the worker or by virtue of any diverse reasons, such insurance on old age in most cases should wear a binding character.

At the same time part of systems of pension supply requires join is brave also insurances or reallocating of facilities among the citizens, as a part of the people owing to the different factors can ahead of schedule leave on pension owing to physical inability, or die young and keep after itself the dependents, or live longer, than on the average, and "to go through" available resources. They can also gain during life the very low income, the size of which one is poor both within operation, and after completion of labor activity [3].

The majority of systems of pension supply now are distribution and are in administration of government, ensure "established payments", according to the formula grounded on the size of earnings and the experience of the worker, and is financed at the expense of inflows of the insurance premium payments (from current inflows). That is the deductions of the today's workers go on payment of pensions to the today's retirees. Thus it is necessary to recognize, that such systems spawn a set of problems, such, as:

- the high and rising bets of the insurance premium payments on the wages fund, that in turn can reduce in a growth of unemployment;
- the evading from payment of the insurance premium payments and "flight" in informal quadrant, where output is lower;
- insecure arranging of state resources, as the deficient tax incomes go on payment of pensions, instead of on progressing of formation, public health services or infrastructure;
- the lost possibility to augment long-term care takings etc.

Thereof, the existing systems not always could defend elderly and in some more smaller extent can defend those who will grow old hereafter.

All this forms the basis for the introducing of a system of pension supply combining obligatory self-insurance and mutual insurance of the citizens, - all-level system, in which one more notice is given to care takings, there are separate from each other dodges of financing both control for reallocating and accumulation, and also separation of the responsibility between proprietary and state quadrants. A strategic problem of pension reform - heightening of a level of pension supply of the population, and also creation of indispensable conditions for flowing and long-term financial soundness of a pension system.

Since 1996-1997 years the pitches on reforming a pension system of the Kyrgyz Republic were attempted, when pursuant to the Law "About state pension social insurance" the transferring from distributing pension system to pension insurance grounded on personal accumulations of each citizen (a conditionally-accumulative system) was realized¹.

With the purposes of reduction to conformity of the sizes of pension payments with the size of the brought in insurance premium payments and insurance experience of operation, the pension formula was resized. Under this formula the size of pension consists of a fixed part representing an aspect of state support, and insurance parts, which one allow for the experience of operation and earnings up to the introducing of the personified account, and also sum of the insurance premium payments, reflected on the personal pension scores of each insured citizen. With 1999 for 2007 stage by stage for four months the age of an exit on pension is annually increased: for the women - till 58 years and for the men - till 63 years. With the purposes of creation of the personal insurance scores and more full coverage of a circle of the contributors since January 1, 1996, the infill of the database insured and legal persons (personified account) is initiated, on the personal scores which one the information on the insurance premium payments and labor activity is assembled during all life [1]. So, the Social Fund of the Kyrgyz Republic on January 1, 2005, records of 2636 thousand the person component 94,6% from number of the taken up population and 51,5% from number of all population of republic. The regular indexing of the sums of the insurance premium payments, reflected on the personal insurance scores is carried out, within the limits of 75% from growth of a mean wage in republic actually which was adding up for year. In 2003 this indexing is held at a rate of 10,31%, in 2002 - 11,81%. The bets of the fares of the insurance premium payments from the employer are stage by stage reduced and the fraction paid the worker (the fares for 2005 is augmented are reduced with 39 to 32% as contrasted to by 1998, in that number from the employer - with 31 up to 24%).

However on it the reforming is not ended also by following stage the introducing of an accumulative member in an acting pension system is recognized schedule. Despite of a decrease, the established fare of the insurance premium payments and at the same time, not enough facilities for financing payment of pensions is still enough high. Besides there is a budget offloading on coating of the baseline part, guaranteed by the state, of

¹ At a conditionally - accumulative system the worker has the individual score, on which one its fees and accrued charges find be located. However accumulation takes place "conditionally", instead of actually, as the fees of the workers are not invested, and immediately go on payment of pensions, i.e. the system under the nature remains distribution.

pension, bound with financing of many payments, not by the reinforced insurance premium payments (and such support of a baseline part of pensions at a level is not lower than 12% of a mean wage more than 1,5 billions of catfishes) annually require, that contradicts the logician of social insurance and precludes with its progressing.

Extremely low level of pensions (their buying power), and also abatement of a fraction of redress of the lost earnings with 50 up to 35% because of transferring to an insurance principle of the sum, reflected on the personal insurance scores, do not accumulated and are not invested, and are routed on flowing financing of pension payments. In this connection free facilities for Social fund does not remain, while the conditionally – accumulative pension system is characterized by accumulation of the pension responsibilities, but not of pension assesses.

At conservation of a conditionally and distribution pension system there are problems of supply of financial soundness of Pension Fund, equivalence of the incomes and responsibilities in a long-term outlook, heightening of a standard of living of the retirees, security against inflation of the paid fees, decrease of a load capacity on the wage bill on fees in a pension system.

Availability of such factors, as low level of a wage, abbreviation of an amount of the payers of the insurance premium payments on one retiree (the number of the unemployed citizens has the resistant tendency to magnification), and also that since 2005, despite of magnification of pension age, on demographic accounts which are taking into account high birth rate of the population after an end of the war 1941–1945, the magnification of a total number of the retirees is expected, was by weighty argument for the supporters of a following step in reforming.

The gradual introducing of accumulative members in an acting pension system is supposed, that in turn, doubtlessly, having some advantages, could help to a solution of a problem of direct relation of a pension system from the demographic plan. The introducing of members of an accumulative system guesses a possibility of deriving of higher pensions at an exit on pension, heightening of a fraction of care takings in economics, forming and stabilizing of capital markets, and also economical growth at the expense of the investments of pension assesses.

For last some years the all-level systems of pension supply were injected in many countries. Though the structural variations always go uneasy, the expertise of these countries demonstrates, that they are feasible, that in miscellaneous contexts this process accepts the different shapes and usually costs of transferring are connected to it, which one are saved during several breeds. The preliminary empirical data show that their influencing on performance and growth positively. At the same time they point and new problems, bound with high administrative costs and regulation distorting investment solutions.

The following step in reforming a pension system in our republic has met with some problems, the solution of which one also is necessary already at the given stage. In particular, the international entities (World-Wide Bank and International Monetary Fund) though do not state sharply against the introducing of accumulative members in an acting pension system, strongly do not recommend to make this pitch and tender to postpone it before

originating premises, indispensable for it. As the arguments the World-Wide Bank refers to absence in our republic of some precedent conditions, in particular, market of life insurance, investment funds, confidence to financial institutions, reliable investment possibilities well prepared agency on supervision, possibility of coating of expenditures of a transitional period at the introducing of an accumulative member, on a high level of corruption and so on.

In turn, the domestic specialists appear for the benefit of the introducing of accumulative elements, fighting for progressing of the financial markets. The accumulation of pension facilities and national investment facilities, in their judgment, is imperative for long-time progressing of economics. It will augment a level of care takings in economics, will be jerk for progressing the financial market, will promote growth of long-term national care takings, urging of creation of financial entities (controlling companies, banks), so republics, indispensable for economical progressing.

State, wishing further advance of conducted reforms and taking into consideration a situation, adding up in republic aroused by a constant budget deficit and a high level of a national debt, should troubleshoot, bound with expenditures on their realization at the given stage. At the introducing of accumulative members the bet of the insurance premium payments on solidary and distribution system should be abbreviated, that will entail abbreviation the incomes in this system. The abatement of the insurance premium payments in connection with a decrease of the fares in a solidary and distribution part should be countervailed from the republican budget. By the concept of further reforming of a pension system in he Kyrgyz Republic it was envisioned, that at abstraction of a part of the insurance premium payments on pension accumulation, the republican budget should take and expenditures on a heightening of a baseline part of pension.

On existing estimations, over half of advanced in years population of a world, depends extremely on informal and traditional dodges of supply of the incomes. The close relatives or members of the expanded family incur a solution of problems of power supply, housing accommodation and drift, and the advanced in years faces, in turn, frequently execute definite functions in family or afford the facilities [2]. Our republic in this plan is not exception. However progressing of economics results in slackening these informal systems. The sizes of families are moderated, there is them more and more strong uncoupling.

Summarizing explained above, it is possible to tell, that any reform, what good purposes it would not bully, requires as the balanced and justified operating on the part of government, and of more fissile desire on the part of citizens to penetrate into essence of conducted reforms and to see to it about the future beforehand.

Literature:

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November 2004