# PROBLEMS REGARDING THE FUNCTIONALITY OF PENSION FUNDS IN POST-SOVIET COUNTRIES

*Svetlana GODOROJA,*
*Facultatea Științe Economice*

*CZU: 369:331.25* *svetlanagodoroja26@gmail.com*

Pension system is an important part of every country's economy, with a vast segment of the population relying on its effective functioning for reaching their old-age care-free. The most precise actions that governments should take in order to consolidate their own pension system can be found when analyzing countries originating from the same point - the Soviet Union, but which arrived at contrasting results, because of the actions they took – Georgia, Lithuania and Moldova.

A pension system is an organized system of collecting funds during the working lives of employees in order to support their later retirement from work by drawing regular periodic payments from those funds.

A pension system can be divided into four main tiers, two of which are mandatory. Pillar 0 consists of programmes which offer the first layer of social protection in old age and they often aim to provide some minimum standard of living in retirement. In the first and second pillars the retirement income is linked with past earnings or contributions and they intend to balance the standards of living between the working life and retirement. Finally, the third pillar represents a voluntary funded scheme, which attempts to provide incentives for additional savings for retirement.

The pension system in Lithuania consists of three pillars: State social security system (Pillar 1), funded pension insurance (Pillar 2) and voluntary pension insurance (Pillar 3). The pension system in Georgia consists of a a universal pension (Pillar 0) financed by the budget and a a funded Pillar 2 scheme, based on a 2+2+2 model. The pension system in Moldova consists of the first pillar, which aims at smoothing the levels of consumption after retirement, and of private pension funds (Pillar 3).

The pension systems of Georgia, Lithuania and Moldova have the following common issues: an ageing population, low birth-rate, high old-age dependency ratio (measured as the share of the population aged 65 or older relative to those aged 15–64), mass emigration, unemployment,

high-employment in the informal sector and small contributions that do not soothe consumption.

The issues of the pension system in Lithuania are: the markets of the 2nd and 3rd Pillar insurance are extremely concentrated, the conditions to join the 2nd Pillar are rigid, there are too many reforms in a short period of time (in the past 15 years there were 10 reforms of the social security system).

On the other hand, the pension system in Georgia faces these problems: the universal old-age pension does not manage to cover the entire population, disability benefits convert to an old-age pension at retirement, there is no survivor's benefit law for adults.

The pension system in Moldova has the following problems: there is a significant pension gap between genders (approx. 500 MDL (≈ 25€), with men obtaining, on average, a higher pension pensions are indexed twice a year with no state revenues to support it, there are priviliged pensions for the military and judiciary, the existing optional pension fund (Pillar 3) which can not function (even though there is a legal framework for the 3rd Pillar, the three existing companies cannot function mainly because of the tax regulation of the funds).

To overcome these issues we recommend the following solutions:

- Moldova: reduce the exemptions from social contributions (for the judiciary and military); reduce the pension gap between genders by equalizing income; adjust the taxation mechanism of the 3rd Pillar in order to make it more attractive to investors.
- Georgia: equalize retirement ages between men and women; increase the pension benefits; adopt the survivor's benefit law for adults.
- Lithuania: stronger oversight of pension funds for investing in correct assets; pension funds to be invested in real economic sources with a stable growth of investment projects' size and value (e.g. infrastructure-related, renewable energy sources).

***Bibliografie:***


- *Cărți și publicații monografice:*

1. International Labour Organization. (2020). *Assessment of the Social Protection System in Georgia*(Final Report). Disponibil: https://www.developmentpathways.co.uk/

- *Articole din colecții:*

2. Verulava, T. (2018). Pension System in the South Caucasus: Challenges and Reform Options. *Bulletin of the georgian national academy of sciences*, *12*(1), 168-174. Disponibil: https://www.researchgate.net/

- *Articole din reviste:*

3. Huitfeldt, H. (2020). Towards Better Adequacy & Sustainability: A Review of Pension Systems & Pension Reforms in Eastern Partnership Countries. *Discussion Paper 131*. doi:10.2765/972935. Disponibil: https://ec.europa.eu/

- *Site-uri:*

4. Lithuania - Old-age pension. European Commission. (n.d.). Disponibil: https://ec.europa.eu/
5. Making the most of emigration. Liller, S. (2018). Disponibil: https://www.md.undp.org/


*Recomandat*
*Svetlana GHERJAVCA, dr., lect. univ., cond. ştiinţific*