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Tal'ko M.O.

*Postgraduate of financial markets  
National University of Ukraine APF***ACTIVITY PRIVATE PENSION FUNDS IN UKRAINE**

**Background.** Activities of private pension funds and their impact on economic processes are not unambiguous. Periodic crises, covering individual national markets and the global economy as a whole tend to appear as distortions in the development of the financial system and the shortcomings inherent in the activities of non-state pension funds. In particular, the recent global economic crisis has once again demonstrated the existence of a real threat to the economy in case of insufficient performance of pension funds and their regulation.

Among the main causes of the declining performance of private pension funds are the lack of state supervision over their activities, the lack of a comprehensive approach to assessing the quality of these activities.

**Analysis of recent research and publications.** The precise place and role of non-state pension funds are the focus of many domestic and foreign scholars. Today, generated considerable theoretical and applied basis. It is important to note the contribution of foreign scholars:

S. Myers, G. Markowitz, J. Stiglitz and F. Fabotstsi, J. Friedman et al. Ukrainian science since independence also made significant steps, exploring issues of private pension funds. In particular, these issues are addressed in the works of V. Korneev, D. Leonov, G. Tereshchenko, V. Unynets-Khodakivska, A. Fedorenko.

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**The main purpose of the article** is to summarize the theoretical framework of private pension funds, and perspectives for improving the system of private pensions in Ukraine.

**Statement of main content.** World experience shows that private pension fund promoted investment real economy, using the previously employed private pension assets is a necessary condition for the development of the economic system of any state. However, for optimal and efficient use of assets must first understand the nature of the PPF [13, p. 15].

The Law of Ukraine "On Private Pension Provision" (hereinafter - PPF) is a legal entity and is a non-profit organization, functions and operates exclusively for the purpose of accumulating pension contributions for the pension fund, followed by management of pension assets as well as provides retirement benefits to members in certain legislation [1]. Participation of people in any pension fund - voluntary. An individual of their choice may be a member of several pension funds [15, c. 125].

It should be noted that the main principle in the private pension system is the demarcation and separation of pension fund assets from its founders and employees - taxpayers pension fund administrators, asset managers and insurers to pension fund bankruptcy

impossible.

An important feature of private pension funds in Ukraine is that if participants are not satisfied with the fund, it may at any time transfer their savings to another fund which, in his opinion, is successful.

Positive phenomenon in the private pension system is gradual market concentration PPF. The number of funds in which assets are more than 10 million. Increased during the reporting period by 20%. Total assets of the ten largest funds in the last half of the year increased by 78.3 % to 378.2 million, or 78.7 % of the assets of all pension funds. According to the net asset value top three leading NPF are : National Bank of Ukraine - 362,5 mln., " First National Open Pension Fund " - 128.34 mln., NPF Independent Energy Industrial Union of Ukraine - 66170000 . UAH. [7, p. 228 ].

Currently, pension funds are new financial institutions for the vast majority of the population of Ukraine. This explains the distrust of citizens towards them. Today, the state does not encourage confidence in the existence of private pensions. No national strategy nor is awareness campaign on the need for independent working population ensuring their future retirement benefits. Almost 21 million working population to non-state pension funds attracted less than 2 % . In countries with developed market economies, these figures are ten times larger. Most of those who contribute to the PPF - a company. Only 4% of the contributions to the PPF - payments to individuals. With over one million employers - businesses investors pension funds over five years of their existence were only 2300 or only every five hundredth venture [ c. 14-15 ].

To increase confidence in the PPF must satisfy certain safeguards pension fund assets (Figure 1). It should be noted that one of the safeguards of NPF assets are reserve coverage. As financial institutions form the reserves to cover the risk of default of principal on loans, guarantees, purchased securities and other types of debt recognized under non-standard techniques confirmed the order Natskomfinposluzh Ukraine from 01.03.2011 № 111 [11].

Also, to protect the assets owned by the formation of PPF assets, which are forbidden by the Law of Ukraine "On the private pension system". So this law specifically defines the list of assets of the pension fund, the limits of their investment, and trims areas of asset management. Formation of PPF assets at the expense of assets in cash, securities and other assets that are not prohibited by law, in accordance with the approved investment returns, which determines the investment policy of the fund. In investment returns reflected the composition of the pension fund, the main areas of investment of pension assets and investment restrictions on pension assets, are set within the general requirements and investment limits specified by Art. 47-49 of the Law of Ukraine "On Private Pension Provision" [9, c. 13].

This pension assets may not be pledged and they can not be paid any penalty or forfeiture applied if they are formed from the funds received for reasons that are not contrary to law. In the pension assets and can not be paid any penalty for obligations founders pension fund administrator, custodian of the fund and the insurance company with which the contract of in-



Figure 1. Asset Protection PPF.

Source: author improved the materials [9, c. 13].

insurance life annuities participants in a pension fund or an insurance contract the risk of disability or death of member of the fund.

Private pension fund allocates assets in various financial instruments that minimize risks through the distribution of funds among a large number of investment instruments. This ensures a stable investment income and reliability of future pension payments. Another significant advantage is that the ownership of the invested funds of citizens does not require any additional performance conditions and comes after the admission fee for an individual retirement account.

Statistics show an annual growth of key quantitative indicators of private pension funds, such as at 31.03.12 administrators of pension funds was concluded 74,572 pension contracts with 61,231 depositors, of which 2,385 contributors, or 3.9 %, - legal entities and individuals - entrepreneurs who pay pension contributions for members, who account for 1 098.3 million. pension contributions ( 95.4 % of total pension contributions in the system Refinery ) and 58,846 depositors,

or 96.1% - individuals, who account for 4.6 % of total pension contributions [2].

Of course the system of private pensions in recent years developed very rapidly. The main indicators of a fund and the rate of growth shown in (Table 1).

As can be seen from Table 1 that for 3 months in 2012 PPF worked almost as for the whole year 2011, as such factors as: the total assets of PPF pension contributions, pension payments and the amount of expenses reimbursed by assets, has increased in accordance with the previous year. Thus, we see that the NPF each year tends to increase, thus increasing public confidence and increases their level of financial literacy.

Please note that the employee participated in the pension fund benefit not only additional allowances in retirement, but the fact that regardless of the duration of his life if these savings will not himself, his family. Guarantee of obtaining these savings and profits in the future is to invest pension assets, the purchase of stocks, bonds, real estate, then the income from these assets is allocated in proportion to the amounts in the accounts of individuals. In order to hedge against losses PPF should be in agreement

with asset management noted the following commitment - ensuring minimum yield at the official inflation rate.

Foreign scientist George Friedman predicts that the PPF will become popular soon as PPF in the exercise of private pensions have significant advantages over other financial institutions that provide similar services [17]. Comparing the activities of banks, insurance companies and PPF advantages are as follows:

- PPF fully distributes investment income between the parties and can not go bankrupt, as provided for oversight by the state;
- To fund certain benefits provided by tax legislation;
- Unlike banks PPF requires a considerable amount for the down payment, that contributions can be made small periodic payments and in some circumstances permitted their suspension.

Despite the positive development of private pension provision in this area still remain many problems. First and foremost is the lack of financial instruments in

Dynamics of the main indicators of private pension funds

Table 1

Private pension funds	2010	2011	31.03.2012	Deviation,%
				2011/2010
Total number of pension contracts (thousands of units).	69,7	75,0	74,6	5,3
The number of participants for pension contracts (thousands of units)	569,2	594,6	586,6	25,4
Total assets of PPF (million UAH)	1144,3	1386,9	1 467,2	242,6
Pension contributions (million UAH), including	925,4	1102,0	1 151,3	176,6
- From individuals	40,7	50,6	53,0	9,9
- A legal entity	884,6	1051,2	1 098,1	166,6
- From individuals - entrepreneurs	0,2	0,2	0,2	0
Pension payments (mln.UAH)	158,2	208,9	219,5	50,7
Number of people got / get pension payments (thousands of units)	47,8	63,1	65,3	15,3
Total investment income (million UAH.)	433,0	559,9	513,0	126,9
Total expenses reimbursed by the pension assets (mln. UAH)	64,6	86,6	91,1	22,0

Source: Based on Ministry of Social Policy of Ukraine. [10]

which to invest profitably accumulated in pension fund assets. Therefore, the most effective and the fastest way to stabilize the situation on the PPF will realize savings through non-state funds rate.

Thus, the activities of pension funds play an important role in balancing supply and demand for investment resources, which in turn ensures long-term stability of the financial markets is an effective tool for the harmonious development of economy, promotes the development of both financial and industrial sectors of the national economy. For the further development of private pensions, the creation of appropriate conditions that promote stable functioning of NPF in today's market conditions, particularly in view of the negative impact of the global financial crisis, the governing body and control of private pension, you must develop a program of activities that will growth of pension funds' assets, encourage their investment activities and will increase the level of investment income of the Fund.

**Conclusions.** In summary, the development of a fund to create additional mechanisms to protect retirement savings to protect the rights and interests of investors and participants to create a reliable system of investing pension assets, providing awareness of, and creating a positive image of the PPF. These measures will help to improve the mechanism of private pensions based on effective market orientation of social policy.

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