

## A cosmetic pension system reform in Ukraine

On 7 July Verkhovna Rada, Ukraine's parliament, voted in a new pension system law which does not change the present pension system – based on what is called the ‘solidarity of generations’, i.e. disbursing pensions from the fund’s current revenues, meaning contributions made by people currently in work – but only makes certain corrections (the most important one raises the retirement age for women). The introduction of individual pension accounts in the State Pension Fund was postponed until the deficit of the fund is remedied, which cannot be expected without a radical reform of the pension system. By raising the retirement age for women Kyiv fulfilled one of the key demands of the International Monetary Fund (IMF) but they are still to reform the pension system.

The most significant modifications are the following: within five years (in intervals of six months each year, starting from 1 September 2011) to raise the retirement age for women from 55 to 60 and within four years (in intervals of six months each year, starting from 1 January 2013) to raise the retirement age for men working as civil servants – from 60 to 62. Moreover, the law increases the number of years worked required to obtain a minimal pension from 20 to 30 years for women and from 25 to 35 years for men. Also the maximum value of the pension was limited to ten times the equivalent of the subsistence minimum and the value of the pension for civil servants was reduced. Salaries from the last three years of work were designated as the basis for calculating pensions, not from the final year as it had been previously. The increase in the years of work required to entitle somebody to a pension and the broadening of the basis for calculating pensions will lead to a lower value of the newly established pensions.

The changes voted in provide a short-term correction to the system, resulting from the necessity of meeting IMF requirements regarding an increase in the retirement age, which is a condition for Ukraine to obtain the next tranche of the loan. The new law does not alter the fundamental characteristics of the Ukrainian pension system. The introduction of private (open) pension funds remains a subject of expert debates in Ukraine but not even of preliminary legislative work. <TAO>