
PENSION REFORM AND MANAGEMENT ISSUES IN FOREIGN COUNTRIES

Tursunov Zohidkhodja Orifovich

Independent researcher at Tashkent State University of Economics

As of today, each country is developing its own pension reform plans based on its economic situation, available resources and demographic potential. Pension reforms are generally implemented in the medium term, i.e., within a period of 3 to 5 years or 5 to 10 years. In this context, we will examine the pension system reform in two CIS countries that are close to us—namely, the Russian Federation (2019-2028) and the development prospects in the Republic of Kazakhstan.

Russia's current pension system was introduced in 2002. Until 2010, the system consisted of three components: a pension, a conditionally funded pension based on a notional defined contribution account, and a fully funded defined contribution scheme (available only to individuals born after 1967). After 2010, the main priority became the “pay-as-you-go” (PAYGO) component.

The PAYGO pension system is an income-based pension mechanism, where contributions are deducted from employees' wages as a form of income tax. The collected amount is treated as an advance tax payment and may be refunded if it exceeds the tax obligation specified in the tax return. Contributions may include withholding for insurance premiums or similar social benefit taxes. In many countries, these contributions are determined by employers.

In the Russian Federation, as in our country, the pension system includes three types of pensions:

- a) PAYGO pension for the elderly;
- b) Survivor's pension;
- c) Disability pension.

The key objectives for Russia's pension system are to ensure adequate retirement income, maintain long-term sustainability of the system, and ensure sufficient adaptability to respond to evolving economic and demographic conditions.

E- Global Congress

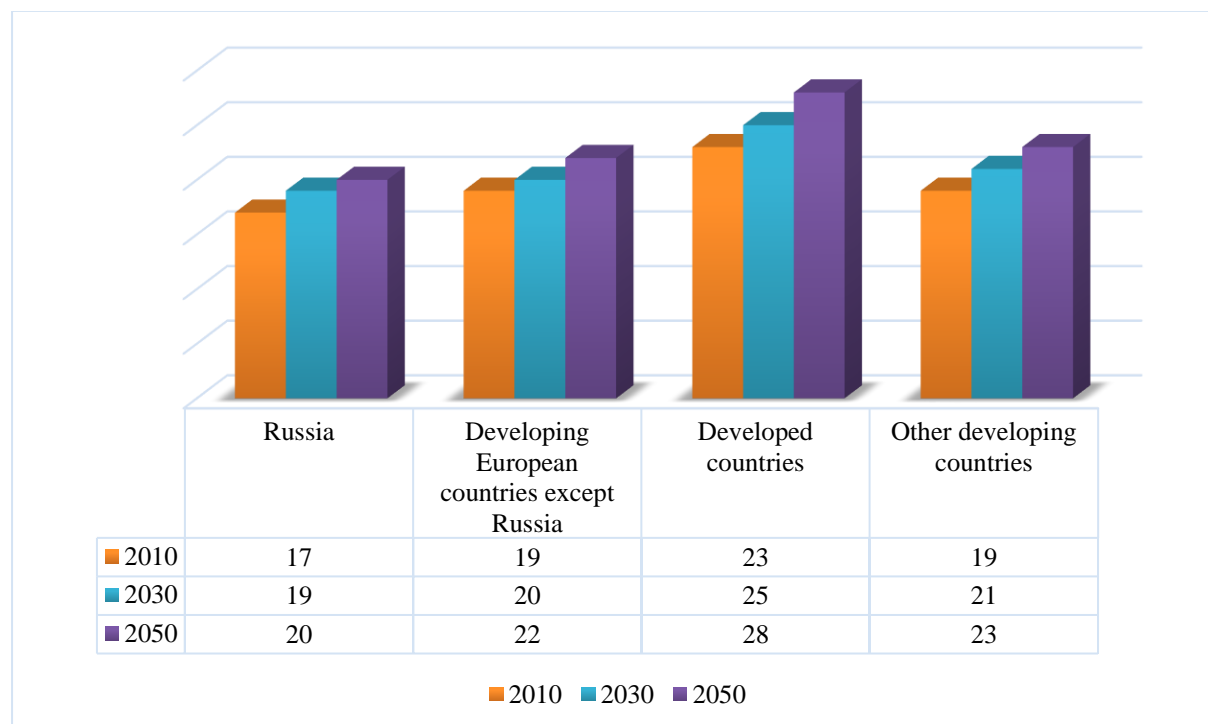
Hosted online from Dubai, U. A. E., E - Conference.

Date: 30th April 2025

Website: <https://eglobalcongress.com/index.php/egc>

ISSN (E): 2836-3612

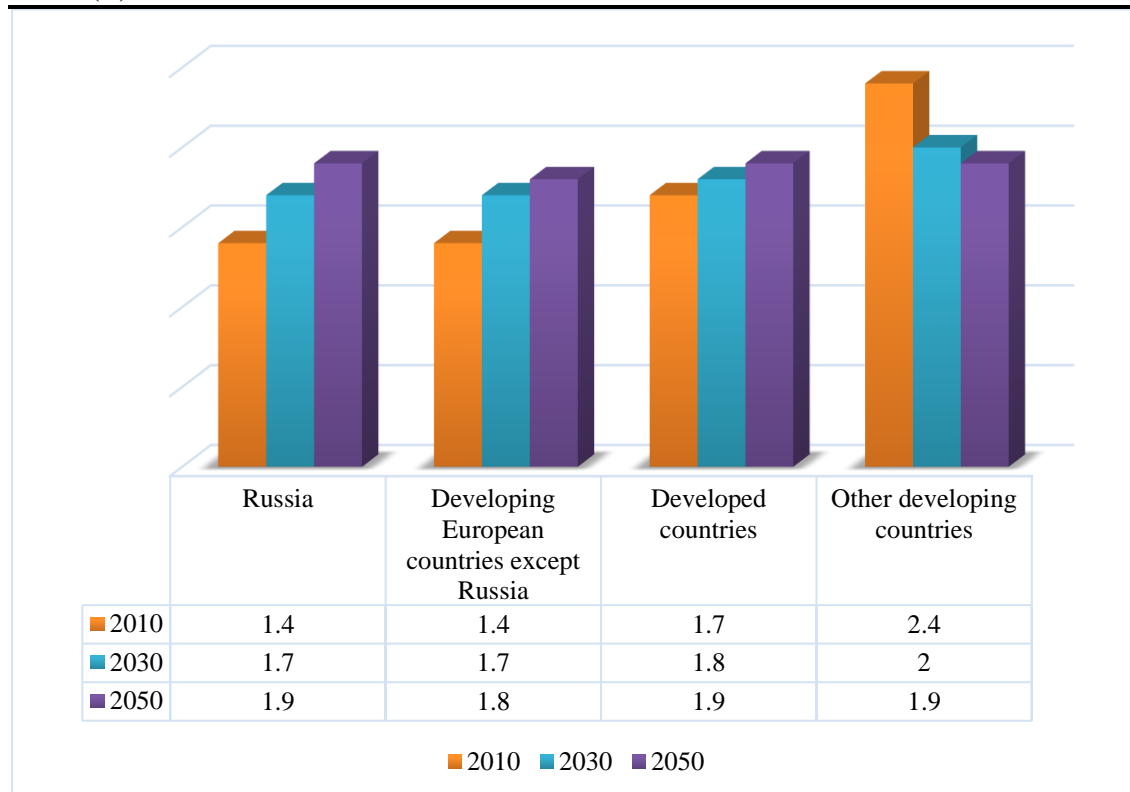
As with other developed and developing economies, Russia is also facing demographic challenges. Life expectancy at age 60 in Russia is lower than in a number of other countries - the gap with the best-performing country in developing Europe (Poland) is 3.3 years for women and 2.2 years for men. However, life expectancy is expected to increase faster than in other countries over the period 2010–2050. Moreover, there is a possibility of a faster convergence, given the high economic growth expected over the next few decades.



Picture 1. Average working life expectancy at age 60 in different countries, 2010-2050¹

Fertility rates are expected to remain low in the coming decades. In 2005–2010, Russia's fertility rate (children per woman) was around 1.4, similar to most other Eastern European countries. In Eastern Europe, fertility rates are expected to increase to about 1.8 children per woman per century, but they will be well below the natural replacement rate of 2.1.

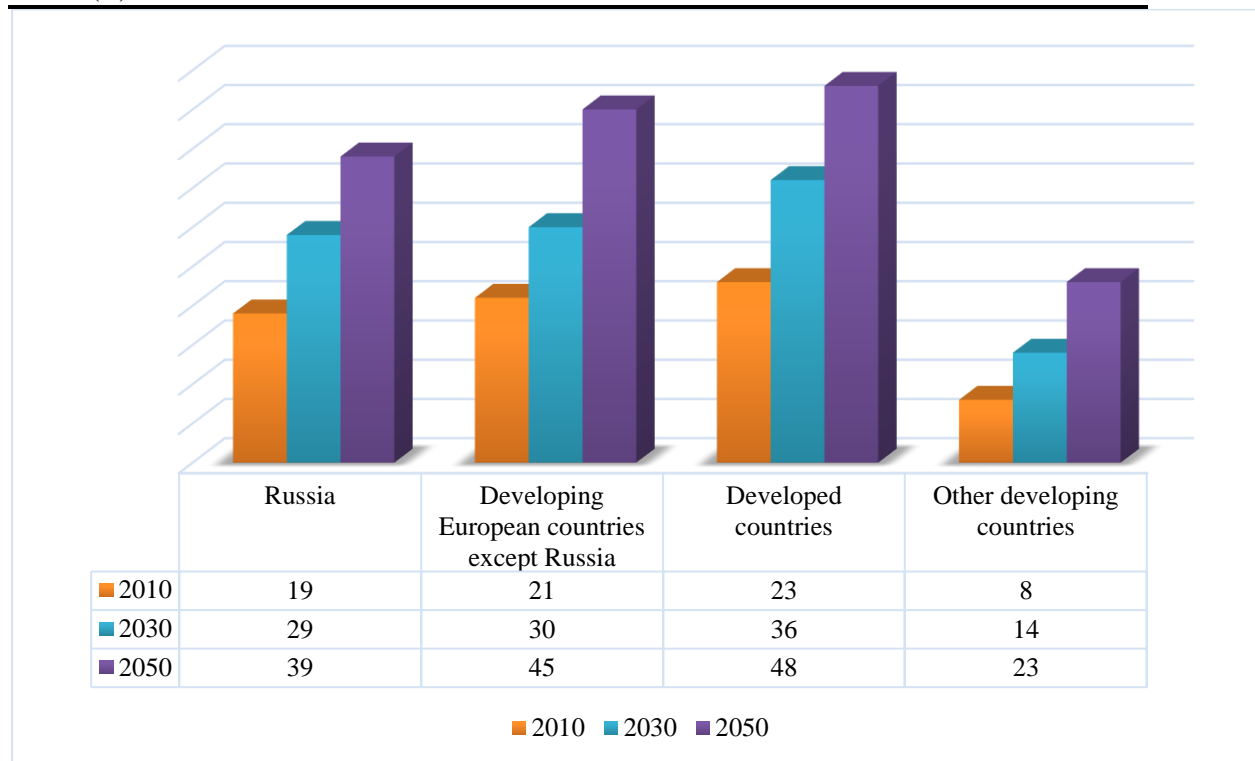
¹ <https://www.statista.com/>



Picture 2. Birth rates in different countries in 2010-2050²

The projected increase in longevity and relatively low birth rates explain the aging of Russia's population in the coming decades – the old-age dependency ratio (the ratio of people aged 65 and over to the working-age population) is projected to nearly double from 18 percent in 2010 to 36 percent in 2050. This means that the aging of the population in developed countries will increase at about the same rate as the 23 percent in 2010 to 46 percent in 2050 (Picture 3).

² <https://www.statista.com/>



Picture 3. Proportion of the population aged 65 and over to the total population in 2010-2050³

The pension reform for 2019-2028 is a stage in the reform of the pension system of the Russian Federation, which provides for a gradual increase in the retirement age for women from 55 to 60 years and for men from 60 to 65 years. After the completion of the reforms, the next increase in the retirement age will not be implemented until at least 2036.

The reform does not address the issues of pension provision for employees of government bodies, military personnel and civil servants (their pension rights are regulated by separate legislative acts outside the scope of this reform).

As planned, the increase in the retirement age will allow the funds allocated by the Pension Fund to be redirected to pensions by an average of 1,000 rubles per year. In fact, this will be redirected to the funds of older categories of citizens at the expense of younger citizens.

The legal basis for the reform is the Law “On Improving Pension Legislation”. The changes that have entered into force in the pension

³ <https://www.statista.com/>

E- Global Congress

Hosted online from Dubai, U. A. E., E - Conference.

Date: 30th April 2025

Website: <https://eglobalcongress.com/index.php/egc>

ISSN (E): 2836-3612

legislation do not affect the procedure for assigning the pensionable part of the State Pension Fund and the Non-State Pension Fund. According to this law:

change in retirement age - for women it is 60 years, for men it is 65 years;

Indexation of pensions from January 1, 2019 and ending in 2024 will be carried out from January 1, not from February 1, as before;

Annual indexation will allow increasing the average pension amount by 1,000 rubles. After 2024, pensions will be indexed twice a year, which will be higher than inflation;

A woman with three children can retire three years earlier than her due date, a woman with four children - four years earlier, a woman with five children or more - at the age of 50;

the maximum unemployment benefit for people of retirement age will be increased from 4,900 rubles to 11,280 rubles;

the right to early retirement - people who retired in the next two years (in 2019 and 2020) can apply for it six months earlier;

reducing the length of service for early retirement - up to 37 years for women and up to 42 years for men is possible. Pension reform, according to experts, will affect other aspects of social life in Russia, including the situation on the labor market, employment, the implementation of national projects and family life traditions.

The pension system in Kazakhstan was built on a copy of the Chilean pension system. On June 20, 1997, Law No. 136-I "On Pensions in the Republic of Kazakhstan" was adopted. In 1998, the pension reform in Kazakhstan began. Since January 1, 1998, all working citizens are obliged to transfer 10 percent of their income to a savings pension fund in personal pension accounts. The developers of the pension reform are Grigory Marchenko and Daulet Sembayev.

According to Article 28 of the Constitution of the Republic of Kazakhstan, a citizen of the Republic of Kazakhstan is guaranteed the minimum wage and benefits, as well as social security depending on age, in case of illness, disability, loss of a breadwinner and other legal grounds.

Pension provision in the republic is carried out in accordance with the Law of the Republic of Kazakhstan "On Pension Provision in the Republic of Kazakhstan" dated June 21, 2013.

Pension is the amount of money paid from a single main funded pension fund and a voluntary funded pension fund for pension payments and age-related pension payments.

Citizens of the Republic of Kazakhstan, foreign citizens and stateless persons permanently residing in the territory of the Republic of Kazakhstan have the right to receive pension payments, unless otherwise provided for by laws and international treaties.

Pension payments are paid from the country's pension fund. There are also non-state pension funds, but individuals can receive payments from their reserves only as a result of full financial coverage of the pension policy (programs). The state pension policy is constantly reviewed and adjusted by the current government in connection with changes in the demographic situation.

Literature:

1. On Pensions in the Republic of Kazakhstan. June 20, 1997, Law No. 136-I
2. Remington T.F. (2018). Institutional change in authoritarian regimes: Pension reform in Russia and China // Problems of Post-Communism (online edition). URL: <https://www.tandfonline.com/doi/full/10.1080/10758216.2018.1450154>
3. Shulgin S.G., Zinkina Yu.V., S.Ya. Scherbov S.Ya. (2018). Ozhidayemaya prodolzhitel'nost' zhizni pozhilykh v Rossii v zavisimosti ot obrazovatel'nogo statusa [Life expectancy of the elderly in Russia depending on the educational status]. Demographic Review 5(1) 25:38. (In Russ.). doi: <https://doi.org/10.17323/demreview.v5i1.7708>
4. <https://www.statista.com/>