



**Yes!**

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**Why should we increase the retirement age in Ukraine?**

G.M. There are a lot of problems in the Ukrainian pension system and the retirement age increase is just one of the remedies to resolve them. According to the experts' assessment the Pension Fund of Ukraine deficit is currently about UAH 20 Bio. The Law on State Budget of Ukraine for 2010 is most likely to increase it even more, since the Law on Raise of Social Standards has become effective. The issue is how to mend this gap? One of the means is to reduce the number of people whom pensions are paid out. The retirement age increase is just to address this issue. However, it will be long before we see the meaningful effect of this measure, since it will take 10 years to increase the retirement age from 55 to 60. Besides, it will affect just a small number of people – 600 ths. persons which become pensioners annually. Eventually it will save 25% of the PFU funds.

**Should we implement this in the middle of recession when there are more than 3 Mio unemployed in Ukraine now and the workers who will not become pensioners because of the retirement age increase may still supplement this army?**

G.M. Yes, there is an opinion that we should not do this right now. But the issue is when we should do this. If we started increasing the retirement age 6 years ago the current situation in the Pension Fund of Ukraine would be much better. Delay in the retirement age increase does not resolve the issue of load on the working population let alone the employers. However, we still need to address this issue. Eventually a worker will have to choose whether to work longer or to contribute more to the PFU. What would you prefer? I think in this case it would be more appropriate to continue working.

**But this may cause public revolt.**

G.M. There is much noise around this issue but believe me it will soon subside. Many people were against the pension reform in 2003 and now they are asking why Pillar II pension system – the mandatory accumulation pension system- has not been implemented yet. People have short memory and are inclined to forget things. If we wait for too long the country will be replenished with more millions of unemployed. It's good to see pension reform continues to be a high priority.

**Should we equalize the retirement age of men and women? According to the statistics men are working almost till their death taking into account their average life expectancy.**

G.M. This is not true. The issue is that the calculation is wrong in Ukraine. There is really only one relevant measure of life expectancy when it comes to pensions. That is how long a person who reaches retirement age will live but not the life expectancy at birth as they try to show us. On average in Ukraine a man who reaches the

retirement lives till 77 years old and these are conservative numbers. According to our data these numbers are going to increase even more. If the government of Ukraine increases taxes on alcohol and tobacco the life expectancy of men will go up even more. (Laughing). Women live almost till 79 years old. In such regions as Luhansk, Donetsk and Zaporizhzhya the life expectancy must be lower, however, not much. At the same time the government does not suggest that the privileged pensions received by people who worked in hazardous jobs should be cancelled.

**So, should the retirement age be equalized?**

G.M. I think, yes. Women's retirement age should be equalized with that of the men. Isn't it discouraging that women cannot work as long as the men and earn as much pension as the men? The existing system actually deprives women of this right! They could have additional five years of service and a higher pension. This difference actually puts women into poverty. Besides, a woman working after reaching the retirement age has lower chances to get a higher salary since the employers inclined to pay less to such women. For employers they are a cost effective group.

However, Ukraine encourages such approach. If you defer your retirement by 3 years your benefits will increase 11%. This also gives additional three years of contributory service which consequently increase pension by 25%. And a higher salary is not profitable for employers, since they will have to contribute more to the Pension Fund. Just by this reason an employer may pay a part of a working pensioner's salary "in envelope" so that to reduce an amount of his contributions to social insurance funds. If, for instance, the retirement age will be gradually raised from 55 to 60 for women, the employer will not be able to do this in the period until the retirement age is reached.

**Currently we are talking about increasing the retirement age by five years? Should it be the limit for Ukraine? What is the experience of other countries in this respect?**

G.M. Ukraine should decide this for itself. Other countries have raised the retirement age by more than 5 years, for instance, up to 65 years old. In the UK the retirement age for men and women will be 68 by 2046. The USA takes measures to increase the retirement age up to 67. The most important is to do this gradually.

*\* The views and opinions of the author expressed herein do not necessarily state or reflect those of the U.S. Government or the USAID*

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