

## PENSION SAVINGS, OPTIMIZATION OF PENSION SAVINGS.

Samarkand Institute of Economics and Service  
Faculty of Banking and Financial Services  
Uzbekistan

Scientific supervisor: **Mirzaxodjayev Alisher Batirovich**  
4th grade student  
**Normukhammadova Asal**



**Abstract:** In the modern world, the issue of pension savings is becoming more and more relevant. With increasing life expectancy and changes in the social security system, it is important to take care of your financial future in advance. In this article, we will look at what pension savings are, their types, as well as ways to form and manage them.

**Key words:** pension savings, savings, retirement age, salary, pension insurance.

For the first time, the term "pension" (derived from the Latin word *pensio*, which translates as payment) was recorded in the records of the Paris Accounting Chamber during the reign of Louis XI (King of France from 1461 to 1483). It referred to the payments received annually by the first chamberlain of King Edward IV of England, William Hastings, and other high-ranking officials of England. In fact, these amounts were bribes and had a very remote relation to modern pension provision mechanisms.

Since the beginning of the 21st century, in most developed countries there has been a constant change in pension systems, dictated primarily by changes in the demographic structure, including the aging of the population. At the same time, the global economy has faced the problem of slow growth in recent years. The accumulation of these global trends has led to an unprecedented crisis of pension systems in developed countries, which makes the issues of stable functioning of these systems especially relevant. They are becoming an important part of the theme

of ensuring economic security and maintaining the competitiveness of the national economy.

In the modern world, purely accumulative or distributive models of pension provision are almost not found. Most often, one can observe mixed systems that combine elements of both accumulative and distributive approaches, and the degree of state participation in them may vary. Such combined pension models are in effect in most OECD countries.

Pension savings are funds that citizens save for their retirement in order to ensure a decent standard of living in old age. These savings can be generated both through mandatory contributions to state pension funds and through voluntary savings.

Pension savings are funds that citizens save for their retirement in order to ensure a decent standard of living in old age. These savings can be generated both through mandatory contributions to state pension funds and through voluntary savings.

On the one hand, an increase in life expectancy combined with a decrease in the birth rate has led to an increase in the share of pensioners in society. This, in turn, worsened the ratio of working and retired people, as well as increased the average time spent in retirement. As a result, there is both an absolute and relative increase in government spending on pension payments.

On the other hand, there are observations about a decrease in government revenues and an increase in government debt, which was the result of the financial and economic crisis, rising unemployment and a decrease in economic activity. This is happening against the background of the growing need to finance anti-crisis measures to support the economy and the financial sector.

As for accumulative systems, volatility in financial markets and losses of pension funds due to investments of pension funds are worsened by a decrease in business activity in financing corporate programs for additional pension provision

and a decrease in opportunities for citizens to participate in additional pension insurance programs.

Pension systems in any country are designed to provide support for the standard of living of citizens upon completion of their employment. The effectiveness of achieving this goal is reflected by the replacement coefficient, which demonstrates the ratio of the pension to the salary level. Currently, scientific research identifies several methods for calculating this coefficient. It can be calculated as the ratio of the pension amount to the last salary, to the average salary for the last two years of work, or to the average salary for the entire period of employment.

Most Western European countries have developed pension systems, borrowing concepts from the German model. This model is aimed at preserving the social status of workers after retirement, while the Danish system, implemented in England, focuses on reducing poverty. In States where pension payments are equal and funded by general tax revenues, need control is abolished. The Anglo-Saxon countries and nations of Northern Europe followed the example of Denmark and New Zealand the most. These systems had different purposes.

The pension system in Uzbekistan is regulated by the Law "On State Pension provision for Citizens", adopted on September 3, 1993. Also, the accumulative pension system is regulated by the law "On Accumulative pension provision of citizens" dated December 2, 2004.

A non-working pensioner can receive a monthly supplement to his pension in the amount of 100% of the basic calculated amount for receiving an honorary title.

Citizens who have reached the age of 100 years and older can also count on a monthly supplement of 100% of the basic calculated amount to their pension.

When calculating the pension, any five consecutive years taken (at the applicant's choice) during the last ten years of work experience are taken into account, regardless of the interruptions in work.

In the application for the appointment of a pension, the person who applied for its appointment must indicate the five-year period chosen by him for calculating pension payments.

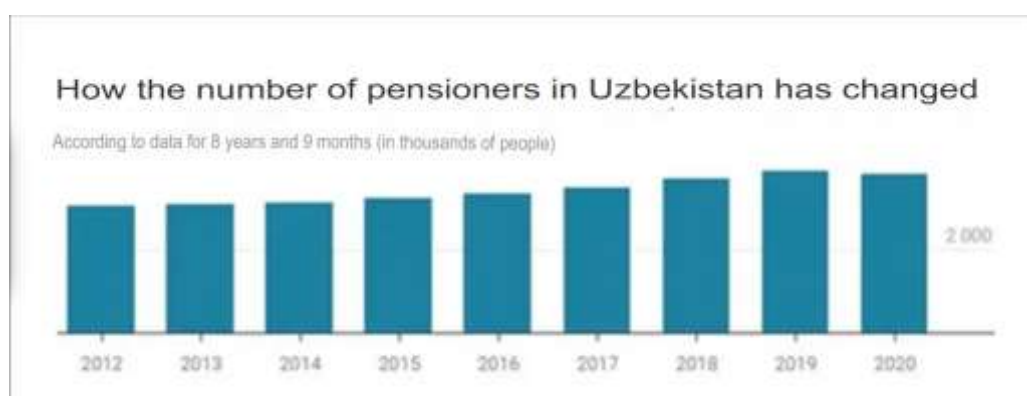
Pension savings in Uzbekistan are at the stage of development. It is important to continue reforms and improve the system in order to ensure a decent standard of living for future generations of pensioners.

The Government of Uzbekistan is taking steps to improve the pension system, including increasing contributions and introducing new financial instruments for investing pension savings.

In Uzbekistan, the retirement age is 60 years for men and 55 years for women, with the possibility of retiring 5 years earlier if there is a certain length of service. (20-25 years old)

Since January 1, 2023, the basic amount of pension calculation has amounted to 3,888,000 soums. According to this decree, in December 2022, the pension amount of 371,000 pensioners was recalculated.

As a result of the above-mentioned reforms, the average pension amount as of February 1, 2023 is 1.1 million soums, and this figure has increased by 16% compared to the corresponding period of the previous year.



According to data for 2022, there are more than 3 million pensioners in Uzbekistan. Based on the data provided by the Off-Budget Pension Fund under the

Ministry of Economy and Finance, it can be concluded that the pension in Uzbekistan has been growing since 2012 to 2022.

The basic calculation parameter for calculating pensions (BVIP) is 428,000 soums per month (previously it was 372,000 soums).

The age pension is set at 834,000 soums per month (there were 725,000 soums).

The allowance for the disabled since childhood now amounts to 920,000 soums per month (previously 800,000 soums).

For elderly and disabled citizens who do not have the necessary work experience, the allowance is 745,000 soums per month (there were 648,000 soums). From February 1, 2024, the amount of the allowance will change by 621,000 soums, and from May 1, 2024 it will increase to 648,000 soums due to the adjustment of minimum consumer expenses.

About 70% of pensioners receive pensions based on work experience, and the rest — on disability or in connection with the loss of a breadwinner.

Since 2017, an accumulative system has been introduced in the country, where employees can make additional contributions to form their retirement savings.

One of the main problems, according to experts, is the low level of coverage of the pension system. Given the high proportion of informal employment characteristic of the Uzbek economy, only 38% of citizens have access to pension insurance. Affordable individual retirement savings programs are not popular due to the low level of profitability and insufficient opportunities for spending accumulated funds.

The growing dependence of the Pension Fund on government subsidies is also of serious concern. Over the past ten years, the fund's revenues have increased 3.4 times, while expenses have increased fivefold. Starting in 2020, the government was forced to close the Pension Fund deficit through budget transfers, the volume of which, according to forecasts, will only increase in the coming years.

The availability of pension savings makes it possible to avoid dependence on a state pension, which may not be sufficient for a comfortable life. Over time, the cost of living increases, and the money you save today may lose its purchasing power. Investing retirement funds can help preserve their real value.

Economic crises and changes in legislation can affect the social protection system. Having your own savings reduces the risks.

Ultimately, it must be borne in mind that pension savings and the pension itself will ensure a comfortable and stable life in the future after the loss of good health and exhaustion at a young age. While retirement is a time of new opportunities, which provides support for the family while providing stability for children and grandchildren.

Savings can be used to realize dreams, hobbies and travel. Knowing that there is a financial cushion, even without work, pensioners can enjoy life and not worry about tomorrow.

#### **REFERENCE:**

1. Smith, A. (2020). Higher Education and Industry Collaboration: A Global Perspective. Oxford University Press.
2. Johnson, P. & Lee, R. (2019). Doctoral Education in the 21st Century: Challenges and Reforms. Springer.
3. Brown, D. (2021). Innovation in Education: Bridging the Gap Between Academia and Industry. Cambridge University Press.
4. Davis, S. & Green, M. (2022). PhD Training and Career Development in Emerging Economies. Wiley.
5. Based on the information of Ministry of Higher Education, Science, and Innovations. (2024).