

Non-state pension funds of religious organisations in Ukraine: Background and factors of influence

Niepaństwowe fundusze emerytalne organizacji religijnych na Ukrainie. Podstawy i czynniki wpływu

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Abstract: In this article, an attempt is made to reveal the prerequisites for and factors influencing the participation of religious organisations in establishing non-state pension funds in Ukraine. This study is based on the current regulatory framework, economic indicators, and information regarding the practical activities of the only non-state pension fund established by a religious organisation in Ukraine. Moreover, this study analyses the legal, ethical, security, economic, and corporate prerequisites for and factors that influence the formation and operation of church pension funds.

In general, the conditions for the development of non-state accumulative pension funds in Ukraine are unfavourable; this is due to the high level of inflation, the backwardness of the financial institutions in the country, and the public distrust of these institutions. However, the positive factors influencing the development of pension funds established by religious organisations include the high performance of the “Pokrova” church fund, the stability of church institutions (which can become a benchmark for citizens in their attitude towards institutions established by religious organisations), and the interest of clergy and religious organisations themselves in the accumulation of clerical pensions (either in addition to the state pension or instead of it). Despite the fact that the practice of establishing such funds is not widespread, they deserve more attention from the state, as they fulfil an important social function – the provision of pension for a specific person (whether a believer, a clergyman, or any other person).

Key words: non-state pension fund; voluntary pension provision; religious organisation; church pension fund

Streszczenie: W artykule po raz pierwszy podjęto próbę ujawnienia przesłanek i czynników udziału organizacji religijnych w niepaństwowych zabezpieczeniach emerytalnych na Ukrainie. Podstawą empiryczną tego badania były obecne ramy prawne i regulacyjne, wskaźniki ekonomiczne oraz informacje na temat praktycznej działalności jednego niepaństwowego funduszu emerytalnego utworzonego przez organizację religijną na Ukrainie. W artykule przeanalizowano ekonomiczne, prawne, etyczne, bezpieczeństwa i korporacyjne przesłanki, czynniki tworzenia i funkcjonowania „kościelnych funduszy emerytalnych”.

Ogólnie rzecz biorąc, warunki dla rozwoju niepaństwowych funduszy emerytalnych na Ukrainie są niekorzystne ze względu na wysoką inflację, słabo rozwinięte instytucje finansowe i nieufność społeczeństwa do nich. Jednak pozytywnymi czynnikami wpływającymi na rozwój funduszy emerytalnych tworzonych przez organizacje religijne są wysokie wyniki funduszu kościelnego „Pokrova”, fakt stabilności instytucji kościelnych, który może stać się punktem odniesienia dla obywateli w ich stosunku do instytucji tworzonych przez organizacje religijne, a także zainteresowanie duchowieństwa i samych organizacji gromadzeniem emerytur duchownych oprócz emerytury państwowej lub zamiast niej.

Chociaż praktyka tworzenia takich funduszy nie jest powszechna, zasługują one na większą uwagę ze strony państwa, ponieważ rozwiązują ważne zadanie społeczne – zabezpieczenie emerytalne dla konkretnej osoby, która stała się jego uczestnikiem (niezależnie od tego, czy jest to osoba wierząca, duchowna czy jakkolwiek inna).

Słowa kluczowe: niepaństwowy fundusz emerytalny; dobrowolne zabezpieczenie emerytalne; organizacja religijna; kościelny fundusz emerytalny

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Introduction

Pension provision by institutions established by religious organisations is not a new phenomenon in European countries. However, it is new for Ukraine. Moreover, the non-state accumulative system of pension provision is new in general, as it has only recently made its way into the Ukrainian reality, which is characterised by low financial literacy of the population, lack of trust in financial institutions, and excessive faith in social state pension standards.

The novelty of “church pension funds” is accompanied by the absolute absence of any studies on these funds in Ukrainian research. At the same time, the successful development of such financial institutions necessitates research into their activities and the context of their functioning, which is the goal of this article. Taking into account the prevalence of non-state pension insurance in European countries and the relative popularity of pension funds of religious organisations, the question that arises is one regarding the possibility or impossibility and the expediency or in expediency of the involvement of religious organisations in Ukraine in the process of provision of non-state pension – establishing non-state pension funds, developing them, and managing them. This article reflects on the considerations regarding the possible prerequisites, grounds, and incentives for such participation as well as the problems that are already present or may occur in the process.

In 2004, there were drastic changes in the pension system of Ukraine, when two new laws – the Law on Mandatory State Pension Insurance¹ and the Law on Non-State Pension Insurance² – were enforced (they were both adopted on 9 July 2003). The adoption of these laws created the basis for the development of a three-tier pension system in the state:

The first level is a solidary system created to provide the basic needs of pensioners are ensure the social protection of every citizen; the second level is an accumulation system of mandatory state pension insurance; and the third level is voluntary non-state pension provision. The system of non-state pension provision is an aspect of the accumulative pension provision system, which provides for voluntary participation and is aimed at individuals who receive pension payments in addition to the mandatory state pension insurance.

Despite the established regulatory prerequisites, currently, the second level does not operate in Ukraine, and only the solidary state and voluntary non-state accumulative pension systems are functioning.³ Consequently, the pension system has remained unreformed, although the governments’ programmes since 2012 have declared an intention to complete the reform and direct 7% of each individual’s wages to the personal accounts of citizens and then to the real sector of the economy and its development.⁴ The last political attempt to introduce an accumulation system in January 2019 was postponed on

¹ Law of Ukraine No. 1058-IV of Juli 9, 2003. Official Bulletin of the Verkhovna Rada of Ukraine [hereinafter: BVR], 2003, No. 49–51, Art. 376.

² Law of Ukraine No. 1057-IV of Juli 9, 2003. BVR, 2003, No. 47–48, Art. 372.

³ Bila-Tiunova 2022, 60.

⁴ Natsional'nyy plan diy na 2012 rik shchodo vprovadzhennya Prohramy ekonomichnykh reform na 2010–2014 roky “Zamozhne suspil'stvo, konkurentospromozhna ekonomika, efektyvna derzhava.” Approved by the Decree of the President of Ukraine No. 187/2012 dated 12 March 2012. <https://zakon.rada.gov.ua/laws/show/187/2012#n21> [accessed: 30 June 2024].

the recommendation of the World Bank and the International Monetary Fund (IMF) as it was considered premature and considered to possibly have a negative effect on the contributions to the current system and create additional fiscal obligations; moreover, the accumulation system was considered acceptable only in conditions of insufficient development of financial instruments.⁵

Simultaneously, despite the slowdown in the introduction of the second level of the pension system, the third level – the level of voluntary non-state pension provision in Ukraine – has been under development; even during the war, it reveals an increase in key indicators (number of concluded contracts, total value of assets, amount of investment income, amount of expenses reimbursed for pension assets account). In the history of the development of non-state pension provision, there were also periods of recession (2009–2012), when the number of funds excluded from the State Register of Financial Institutions increased and the number of newly created ones decreased; however, during this period, there was a consolidation of agencies that provide financial services. In particular, the total value of assets accumulated by non-state pension funds (NPFs) as of 31 March 2024 amounted to UAH 5,093.5 million, which is 18.8% more compared to the same period in 2023 and 29.2% more compared to the same period in 2022.⁶ The total number of depositors for the period from 31 March 2023 to 31 March 2024 has increased due to the growth in the number of individual depositors by 1.4% and stands at approximately 90,000 people. Moreover, as of 31 March 2024, of the 58 NPFs that submitted reports, the change in the net value of a unit of pension assets in all but three funds achieved positive dynamics compared to the same periods in 2022 and 2023.⁷

However, if the dynamics of most development indicators reveal a positive result, then the measurements in absolute units can be deemed unsatisfactory rather than vice versa. The objective indicators that make it possible to judge the level of development of non-state pension provision are the ratio to the gross domestic product and population coverage.⁸ Currently, the number of participants in NPFs in Ukraine is less than 5% of the official working population. Before the war, the assets of non-state pension funds amounted to 0.1% of the gross domestic product, and the average amount per fund member was only UAH 4,036 or USD 147.⁹ For comparison, in countries that are leaders in the development of voluntary non-state pension provision (the Netherlands, Switzerland, Canada, the USA, and partially Sweden and Denmark), assets fluctuate at approximately 5% of the GDP and coverage exceeds 75% of the population.¹⁰

⁵ World Bank Report. November. 2018. *Ukraine. Public Finance Review 2. Towards a More Effective and Fiscally Sustainable Public Sector for Ukraine*, 61. <https://documents1.worldbank.org/curated/en/186591544547101839/pdf/PPR2-Ukraine-Report-1Nov2018.pdf> [accessed: 30 June 2024].

⁶ Pidsumky rozvytku systemy nederzhavnogo pensynoho zabezpechennya stanom na 31.03.2024. National Securities and Stock Market Commission. Official cite. https://www.nssmc.gov.ua/wp-content/uploads/2024/06/npf_1_kv-2024.pdf [accessed: 30 June 2024].

⁷ Ibidem.

⁸ Dudchenko 2017, 536; Sokolovska 2016a, 45.

⁹ Robert Bond. 2021. *Financial sector transformation activity. Final Report*. USAID Office: Ukraine, 35. https://pdf.usaid.gov/pdf_docs/PA00Z2VS.pdf [accessed: 30 June 2024].

¹⁰ *OECD 2023, Pensions at a Glance 2023: OECD and G20 Indicators*. Paris: OECD Publishing, 152. <https://doi.org/10.1787/678055dd-en>.

At the time of the preparation of this article for printing, the State Register of Financial Institutions includes 60 NPFs as well as 18 administrators of non-state pension funds that ensure the process of managing their assets.¹¹ Two NPFs are in the process of termination and have been merged with another pension fund of the same type. However, the geography of the funds' activity is not sufficiently wide – NPFs are registered in 9 regions of Ukraine, but 70% of the total number of operating NPFs is concentrated in the city of Kyiv. Moreover, only one non-state fund, “Pokrova”, can be called a “church fund”, which was formed by a sole founder – the religious organisation called the Leading Centre of the Patriarchal Curia of the Ukrainian Greek Catholic Church.¹²

1. Economic prerequisites for the participation of religious organisations in non-state pension provision

The need to introduce an accumulative pension system in the academic literature is associated with four key factors – demographic, economic (investment), financial, and political.¹³

With regard to the participation of religious organisations in non-state pension provision, in our opinion, in Ukraine, they are clearly represented by

- economic prerequisites,
- legal prerequisites,
- ethical and safety prerequisites, and
- corporate prerequisites.

The economic prerequisite for the development of non-state pension provision in Ukraine in general and the need to develop the activities of non-state pension funds, including those established by religious organisations, are motivated by the crisis phenomena of solidary pension provision. In the modern conditions of Ukraine, indicators of the system load (ratio of the number of persons receiving pensions to the number of those paying contributions) have worsened.¹⁴ This is related to the demographic situation (the disproportion between the working population and the elderly), the impact of the macroeconomic situation (fall in the GDP level), shadow employment, and unscrupulous payment of social contributions for mandatory social insurance.¹⁵

Back in 2019, international experts predicted that the replacement rate in the solidary pension system of the first level in Ukraine would decrease after 2030 due to the demographic situation and trends in the labour market.¹⁶ Russian aggression has exacerbated the demographic crisis; the substantial forced emigration of young Ukrainians and

¹¹ State Register of Financial Institutions. National Securities and Stock Market Commission. Official cite. <https://www.nssmc.gov.ua/en/register/litsenzuvannia-ta-reestratsiia/financial-institutions/> [accessed: 30 June 2024].

¹² Official site: <https://pokrovanpf.com.ua> [accessed: 30 June 2024].

¹³ Brus 2018, 63.

¹⁴ Sokolovska 2016b, 10.

¹⁵ Cheberyako, Bykova 2020, 44.

¹⁶ USAID. 2019. *Proekt USAID „Transformacija finansowoho sektoru”. Nederzhavne pensijne zabezpechennia v Ukraini: otsinka i rekomendatsii [Проект USAID „Трансформація фінансового сектору”. Нещдержавне пенсійне забезпечення в Україні: оцінка та рекомендації]*. Kyiv, 8–9. https://knpf.bank.gov.ua/dl/nederzhavne_pensijne_zabezpechennia_v_ukraini_otsinka_ta_rekomendatsii_Text.pdf [accessed: 30 June 2024].

women with children abroad has further hastened the ageing process of the country's population in the future. According to the State Statistics Service¹⁷ and World Bank,¹⁸ the country's real gross domestic product (GDP) at the end of 2023 fell by 10.6% compared to the level at the beginning of 2022. Such indicators will likely lead to an increase in the relative importance of the pension income, which comes from additional voluntary or mandatory accumulative pension systems in the pension provision. Consequently, this will stimulate the establishment and operation of NPFs, as future Ukrainian pensioners will have to save more.

What are the current challenges facing Ukrainian non-state pension funds?

First, the accumulation and subsequent use of pension savings serves as a long-term investment resource for the modernisation of the domestic economy within the framework of the state.¹⁹ The country's future recovery requires long-term investments, and retirement savings are a great investment tool that will do two things: help rebuild the economy as well as provide additional income in retirement. In post-war Ukraine, this task is so crucial that Prime Minister Denys Shmyhal has already noted that the introduction of mandatory pension savings is one of the government's top ten priorities.²⁰

Second, this is a social task and, thus, the source of material well-being for participants; this is because in the conditions of a decrease in contributions to the solidary pension insurance system, balance can be restored by using individual accounts. However, this must be done without a significant burden on tomorrow's workers and, thus, the introduction of the second level of the pension system (mandatory savings) must be preceded by sufficient development of the third level – the voluntary savings system through NPFs.

Significantly, the current return on assets of NPFs is not high. The state limits the risky placement of pension funds and certain investment instruments are completely prohibited. In particular, the Regulation of the National Securities and Stock Market Commission "On approval of the Provisions on requirements for persons engaged in professional activity in asset management of institutional investors (asset management activity), regarding the composition and structure of assets of NPFs that they manage" dated 26 April 2012, No. 582, defines which investments can and cannot form the composition of the assets of the pension fund as well as specifies the permissible ratio of assets of various types. It is worth noting that the most profitable areas of investment: shares of real estate funds, direct investment funds, and venture capital funds are prohibited. This reduces the profitability of pension funds and, therefore, their attractiveness in general. This is because the task of the pension fund is not only to accumulate funds in addition to the solidary

¹⁷ Data from the official website of the State Statistics Service of Ukraine. <https://www.ukrstat.gov.ua> [accessed: 30 June 2024].

¹⁸ Data from the World Bank's official website. <https://data.worldbank.org/country/ukraine?view=chart> [accessed: 30 June 2024].

¹⁹ Matsuk 2021, 49.

²⁰ Prem "yer-ministr: Vprovadzhennya obov" yazkovoho pensiynoho nakopychennya dozvolyt zabezpechyty spravedylyvu y dostoynu pensiyu dlya ukrayintsiv. Departament komunikatsiy Sekretariatu Kabinetu Ministriv Ukrainy. 29.06.2023. <https://www.kmu.gov.ua/news/premier-ministr-vprovadzhennia-oboviazkovoho-pensiinoho-nakopychennia-dozvolyt-zabezpechyty-spravedylyvu-i-dostoinu-pensiiu-dlia-ukraintsiv> [accessed: 30 June 2024].

system pension provision but also to preserve their value at high rates of inflation.²¹ This task is not easy to implement in conditions of high inflation (5%)²² in Ukraine. However, this is not only a problem in Ukraine. Over the past two years, inflation rates have risen in the EU as well, thereby negatively impacting the real investment returns on pension funds. Consumers also faced reduced disposable income which, coupled with increased premiums and deductibles, may have led some to deprioritise insurance and voluntary pension contributions and exposed them to future risks.²³

What are the financial indicators of the only non-state pension fund “Pokrova”, which was established by a religious organisation and currently operates in Ukraine? It is assumed that these indicators can be seen as averaged indicators for the pension fund of a religious organisation. Thus, the total number of pension fund participants who have opened individual pension accounts with “Pokrova” is merely 1,452 people. This is a low number, as, on average, one non-state pension fund has approximately 15,000 depositors. Hence, the value of the fund’s pension assets is insignificant. However, this fund occupies an average position among those funds that work with individuals. It is one of the few funds that include neither legal entities as depositors nor individual entrepreneurs who pay pension contributions for the benefit of pension fund participants who pay pension contributions for the benefit of pension fund participants. At the same time, if we analyse the quality of the fund’s work and the value of its pension assets, these indicators are significantly higher than average. In particular, the net value of a unit of pension assets as of June 2024 was UAH 3.66²⁴ (average indicator is 2.8), and the growth of the value of one unit of pension assets is one of the highest among non-state pension funds – that is, 0.15 against an average of 0.03.

Thus, a NPF fund established by a religious organisation does not significantly affect economic processes and does not generate significant investment resources; however, it clearly and qualitatively fulfils a social task – the provision of pension to a specific person who has become its participant. In general, this is the task of the organisations established by religious bodies, either educational, service, or, as in this case, financial.

2. Legal prerequisites

According to the provisions of the Law on Non-State Pension Insurance, a non-state pension fund is a legal entity that has the status of a non-profit organisation (non-entrepreneurial entity); it functions and conducts activities with the aim of accumulating pension contributions with further management of pension assets and also distributes

²¹ Pavlovska, Mrachkovska 2019.

²² National Bank of Ukraine. July 2024. *Inflation Report*. Official website of the National Bank of Ukraine <https://bank.gov.ua/ua/news/all/inflyatsiyniy-zvit-lipen-2024-roku> [accessed: 8 August 2024].

²³ European Insurance and Occupational Pension Authority [EIOPA]. 7 December 2023. *2nd Report on the application of the Insurance Distribution Directive (IDD)*. Consumer Protection Department, pp. 13–14. https://www.eiopa.europa.eu/document/download/726b51bc-e8a0-4b1e-baef-f8d2bc93d018_en?filename=EIOPA-BoS-23-77_2nd%20Report%20on%20the%20application%20of%20the%20IDD.pdf [accessed: 8 August 2024].

²⁴ Vidkrytyy nederzhavnyy pensyynnyy fond “Pokrova”. Ofitsiyyny sayt. Finansova zvitnist’. <https://pokrovanpf.com.ua/zvit.html> [accessed: 30 June 2024].

pension payments to participants. According to the types of NPFs, they can be established as open pension funds, corporate pension funds, and professional pension funds. However, once they are included in the State Register of Financial Institutions by the National Securities and Stock Market Commission, pension funds are prohibited from changing their type and name.

The difference among the above-mentioned pension funds is mainly in the structure of the founders. The founders of an open pension fund can be one or several legal entities, the founders of a corporate pension fund can be one or several legal entities—employers, the founders of a professional pension fund can be an association of legal entities—employers, an association of natural persons (e.g. trade unions), or natural persons connected by a common profession or occupation.

The first type is open – they are open not only in terms of the founders but also to those who pay charges and have (will have) the right to pension payments – anyone willing can become their participant. The other two types are either closed (corporate), when the list of participants is determined by the founders of the fund and is limited to the framework of the enterprise or access to them is limited (professional) – their participants can be employees of a certain profession, branch of the economy, etc.²⁵

Thus, the law does not limit the ability of religious organisations to be the founders of NPFs – that is, open ones. Hypothetically, it can be assumed that religious organisations or persons associated with work (service) in the church can create corporate and professional pension funds. However, it is believed that the practicality of creating such funds is questionable due to the limited number of people who would be able to join and become their participants by concluding pension contracts and opening accounts in it. Thus, in the case of the establishment of a corporate fund, its participants can only be employees of the religious organisation that is the founder; if the fund is professional, then only, for example, clergy (priests, pastors, church fathers, etc.) can be participants in the fund. Therefore, it is appropriate for a religious organisation to establish and administer open NPFs that can provide services to clergy and parishioners and even to the general population regardless of religious or denominational affiliation. Moreover, a religious organisation is not limited in terms of the number of open pension funds for which it can simultaneously be a founder.

The classification of NPFs in the extant literature is also carried out according to the composition of the founders: public NPF – where the founders are public associations or non-governmental organisations; church NPF – religious organisations; private NPFs that are enterprises of non-state ownership.²⁶ However, such a classification is questionable, since these groups are not characterised by differences either in terms of the order of formation, organisation of activity, or manner of control. The law does not establish any legal features of the activity of NPFs, if they are established, for example, by religious organisations or other non-profit organisations. However, this also implies that the legal regulation does not limit or create additional requirements or conditions for the participation of religious organisations. Of course, there are also no additional opportunities or

²⁵ Sokorynskyi 2018, 136.

²⁶ Tsikanovska 2016, 67.

advantages (in contrast to the field of education²⁷), but this is objective and determined by the financial field itself.

Here, it is also important to understand the importance of the religious organisation itself in the activities of the pension fund that it creates. A religious organisation is a non-profit organisation, since its task – according to the law on freedom of conscience and religious organisations²⁸ – is to satisfy the religious needs of citizens to profess and spread faith. A religious organisation is entered in the Register of Non-Profit Institutions and Organisations and, therefore, its income is not distributed among the founders and members of the organisation but is directed towards the needs and activities of the organisation itself. According to the provisions of the same law, religious organisations can form enterprises whose activities are aimed exclusively at achieving economic, social, and other outcomes (such as education or publishing literature) without the goal of making a profit. Such enterprises are established to oversee the main activity of a religious organisation and, therefore, they are registered as non-profit enterprises as well.²⁹

The provisions of special legislation to regulate the activities of religious organisations are reinforced and developed in the provisions of the law on non-state pension provision, which establishes that pension funds do not aim to make a profit – that is, they are also registered as and operate as non-profit organisations. Accordingly, the significance and role of the religious organisation itself as the founder in this case is manifested not in the issue of profit distribution but in the management system of the NPFs.

In accordance with the legislative provisions, the fund's management body includes the board of the pension fund and the fund's founders meeting. Moreover, the founder creates the board; in managing the foundation, the board is accountable and responsible to the founder – that is, a religious organisation.

In particular, according to the founding documents of the “Pokrova” pension fund, the founder of the fund has the right to approve the fund's charter and amendments to it; approve pension schemes and amendments to them; make decisions on the liquidation of the fund under the conditions specified by law; appoint, re-elect, and terminate the powers of board members; listen to reports of the board of the foundation; approve the results of the foundation's work; receive information regarding the activities of the foundation in the board; make decisions on bringing the members of the board to property liability; and others.³⁰

The issue of state control over the activities of the respective funds is considered urgent in terms of the legal aspect. International experts claim that certain areas, including the sphere of activity of NPFs were overregulated. In particular, it fell under the authority of two regulators: the National Securities and Stock Market Commission (NSSMC) and the State Commission for Regulation of Financial Services Markets of Ukraine (FSR).³¹

²⁷ Bilash, Karabin 2022b, 114.

²⁸ Law of Ukraine No. 987-XII of April 23, 1991, Official Bulletin of the Verkhovna Rada of the Ukrainian SSR [hereinafter: Official Bulletin of the Verkhovna Rada of Ukraine], 1991, No. 25, Art. 283.

²⁹ Bilash, Karabin 2023, 126.

³⁰ Statut Vidkrytoho nederzhavnoho pensynoho fondu “Pokrova” (kod YEDRPOU 35822572). https://pokrovanpf.com.ua/data/upload/file/Documents/STATUT_Pokrova_2021.pdf [accessed: 30 June 2024].

³¹ See: USAID 2019.

In fact, this is not surprising, given the general mistrust of citizens in Ukraine towards financial institutions and the need to establish balanced state control over the legality of the activities of market participants.

The NSSMC mainly exercises powers related to the organisation of the activities of the fund itself – for example, approves the charter and changes to it, oversees the establishment and liquidation of an NPF, establishes the procedure for submitting reports by persons managing its assets, establishes requirements for stock exchanges where securities can be purchased at the expense of pension assets, approves the methodology for evaluating pension assets at their market value.³²

However, it is interesting that most of the powers of the NSSMC and the State Financial Monitoring Service of Ukraine are exercised jointly. As a rule, one body passes a decision, and the other approves it. In particular, this concerns the establishment of the procedure for calculating and accounting for the profit (loss) of an NPF, the calculation and determination of the net value of its assets and their accounting, determination of the maximum amount of remuneration for the provision of fund asset management services, establishment of requirements for auditors who audit NPFs, etc. Moreover, they employ supervision and inspection tools, whenever necessary; implement corrective measures, early intervention measures, and influential measures; and prepare and publish statistical and analytical information on the functioning of the financial services market and the activities of its participants.³³

3. Ethical and safety prerequisites

In general, the slow development of the non-state pension system is conditioned by a number of objective factors, which have already been discussed: these are mainly traditional demographic and economic factors, but now the war factor has also been included. However, the low level of public trust in financial institutions and low awareness of the possibilities of NPFs are also factors that determine the negative trends in the development of voluntary non-state pension provision.

The European Insurance and Occupational Pensions Authority has developed requirements for European and national politicians when they require information to be made public, in particular the format of annual reports on financial decisions where members bear an investment risk.³⁴ But how can the church be useful in this regard? What can a religious organisation contribute to the development of financial institutions in this aspect? We believe that trust in an NPF fund can be higher if it is created by a religious organisation.

³² On the National Securities and Stock Market Commission: Decree of the President of Ukraine dated 23.11.2011, No. 1063/2011. <https://zakon.rada.gov.ua/laws/show/1063/2011#Text> [accessed: 30 June 2024].

³³ Bilash, Karabin 2022a, 208.

³⁴ EIOPA. 24 January 2013. *Good practices on information provision for DC schemes. Enabling occupational DC scheme members to plan for retirement*. https://www.eiopa.europa.eu/document/download/03ad98a5-203a-4b6d-bc09-c6b5ae852bc5_en?filename=report_good_practices_info_for_dc_schemes.pdf [accessed: 8 August 2024].

Of course, it is difficult to generalise the issue of trust in the church since its level varies among the clergy, citizens who have religious beliefs, and those who do not have such beliefs. Trust in the church is also different from the religious and confessional guidance of the church, which is currently rather emotional and dynamic (due to the transformations in the state–church sphere related to the Russian aggression). It is also impossible to unconditionally equate trust in the church itself with trust in the institutions established by it.

According to the results of a sociological survey conducted from 9–15 November 2023, the majority (59%) of Ukrainian citizens express their trust in the church.³⁵ This is a much lower indicator compared to that in 2010, when the level of public trust in the church reached its maximum (72.5%). However, for comparison, merely 20% of the Ukrainian population trusts financial institutions, while only 3% fully trust financial institutions.

Of course, one can partially agree with the opinion that a high level of trust in religious organisations is demonstrated when the church does not take an active part in the political and economic life of the country and, therefore, ensures a low level of dissatisfaction and disappointment. This can also explain the decrease in this trust, which is most likely connected with recent social events.³⁶

Nevertheless, the reliability and stability of church institutions, the functioning of which has remained unchanged for centuries, can become a reference point for citizens in their attitude towards NPFs established by such organisations.

4. Corporate prerequisites

Among the prerequisites for the establishment of church pension funds is also the factor of interest of the religious organisations themselves and their employees. This aspect is due to the need to create a decent pension for the priest under the conditions of the pension system reform. It is this aspect that is becoming increasingly relevant and is being discussed among clerics,³⁷ scientists,³⁸ and employees of pension institutions.³⁹

In the historical context of Ukraine, before the Soviet period, beginning from the 1860s, clergymen and members of their families enjoyed the right to state pensions.⁴⁰

³⁵ The data are provided based on the results of a sociological survey conducted by the sociological service of the Razumkov Center from 21–27 September 2023 as part of the “Doluchaysya” Public Activity Promotion Program, funded by the United States Agency for International Development (USAID) and carried out in Ukraine. <https://razumkov.org.ua/napriamky/sotsiologichni-doslidzhennia/riven-religiynosti-dovira-do-tserkvy-konfesiyni-rozpodil-ta-mizhtserkovni-vidnosyny-v-ukrainskomu-suspilstvi-lystopad-2023r> [accessed: 30 June 2024].

³⁶ Parashhevin, Martynyuk 2016, 155–156.

³⁷ *Yak svyashchennyky otrymuyut' pensiyu. Informatsiyne ahentstvo Volyns'ki Novyny*. 25.12.2017. <https://www.volynnews.com/news/society/yak-sviahshchennyky-otrymuyut-pensii/> [accessed: 30 June 2024].

³⁸ *Pensiyne zabezpechennya klirykiv v umovakh reformy pensiyanoi systemy v Ukraini. Publichna lektsiya*. 27.02.2020. <https://andriymatsola.org/news/osvitni-proekt/27-lutogo-v-kpba-lekciyu-prochitav-oleksandr-sagan> [accessed: 30 June 2024].

³⁹ *Pratsivnyky Pensiyoho fondu rozpovily ottsyam u tserkvi, yak mozhna otrymaty pensiyu. Informatsiynyy resurs “Kurs”*. 2 June 2017. https://kurs.if.ua/news/pratsivnyky_pensiyonogo_fondu_vyihaly_v_tserkvu_shchob_49965.html/ [accessed: 30 June 2024].

⁴⁰ Kondratyuk 2021, 22.

The state (at that time the Russian Empire) envisaged expenses for the maintenance of the clergy, including pension provision.

However, modern Ukraine follows the principle of mutual separation of the state and the church; therefore there are no special norms in the current legislation that would regulate the pension provision of priests. On general grounds, pension payments under the solidary system can be received by all citizens who have paid insurance contributions to the pension fund. This is even specifically emphasised in Article 28 of the Law on Freedom of Conscience and Religious Organisations dated April 23, 1991 No. 987-XII, mentioning, in particular, that

[...] citizens working in religious organisations and at enterprises and institutions established by religious organisations on the terms of an employment agreement, as well as ministers, church officers, and persons working in religious organisations on elective positions, shall be subject to compulsory state social insurance on conditions and in the manner prescribed by the legislation on compulsory state social insurance. Religious organisations, their enterprises, and institutions [...] shall pay insurance contributions [...] for compulsory state pension insurance to the Pension Fund of Ukraine in the manner and amount established by law. All citizens working in religious organisations, their enterprises, and institutions shall be appointed and paid state pension on general grounds in accordance with the legislation.

It might appear strange that the legislation contains an instruction and separately emphasises that work in the church is regulated by labour, social, and pension legislation. However, in fact, it is connected with the need to overcome the Soviet understanding of the representatives of social sciences that religion and everything related to it should be regulated using specific legal regimes, and labour that involves a religious element is not work in the sense of labour legislation.⁴¹

According to the current regulations, if a priest is an employee, receives a salary, is a legal entity, and the employer pays insurance payments for him, then such a priest will have the right to pension. If a priest, monk, or nun has no work experience and has not voluntarily paid contributions to the pension fund, they do not have the right to pension at retirement.

Further, the actual amount of pension payments directly depends on the insurance experience and earnings of a person. What is significant about the seniority in this context is that the insurance seniority is calculated when the salary is not lower than the minimum wage. The minimum age pension for priests is assigned with 25 years of insurance experience and is set at the subsistence level. With regard to the salary of clergymen, following Article 25 of the same Law On Freedom of Conscience and Religious Organisations, working conditions are established by an agreement between a religious organisation and an employee and determined by an employment contract concluded in writing.

Nowadays, various religious organisations in Ukraine have different policies for paying their employees.⁴² Among the religious organisations of Ukraine, the practice of maintaining labour relations with clergy (fathers, priests, pastors, etc.) is not

⁴¹ Yakovlev 2016, 108.

⁴² Kiselyova, Hyrkina 2014, 158.

widespread;⁴³ they receive no official salary or no salary at all, or the salary paid by the religious organisation is lower than the minimum wage.⁴⁴ Usually, a priest is considered a member or leader of a religious organisation, who is paid a certain maintenance at the expense of such an organisation and, in return, he performs religious rites, conducts religious services, and is engaged in other religious activities (dissemination of religious ideas, missionary work, charity, education, management activities in the system of religious organizations).

This existing practice is beneficial for a religious organisation because by employing any employee, the religious organisation acquires the obligation to pay contributions to the mandatory state pension insurance of 36.76% of the amount of actual salary expenses (basic salary payment, additional, bonuses, allowances) of such a priest. Accordingly, the full maintenance of the priest enables “saving” on charges to relevant funds.

However, this is not the best option for the priest himself, because upon reaching retirement age, he may not have any insurance experience at all and, therefore, will be deprived of pension insurance. In this case, the state guarantees him state social assistance, which is set at an amount much lower than even the minimum pension – the amount of assistance to a priest without work experience is 30% of the subsistence minimum for persons who have lost their ability to work.

Under such conditions, it is necessary for clergy to have an alternative pension accumulation, which is voluntary and outside the state; this makes it possible raise the standards of their living conditions in old age, as they accumulate a pension either in addition to the state one or instead of it. What is important in such a situation is the flexibility of conditions – that is, the ability of the depositor to independently determine the size and periodicity of contributions, their adjustment, the absence of restrictions on the minimum contribution amount, etc.

Furthermore, voluntary pension insurance aligns with the interests of religious organizations, whether it pays a salary to a priest and contributes to the pension fund, or if it does not have an employment contract with him. After all, opening an account in a non-state pension savings fund does not affect participation (or non-participation) in the solidarity insurance system. Moreover, the religious organisations contribute to solving the important social problem of pension provision for their clerics and, thus, increase the prestige of the church by establishing funds and promoting the participation of priests and other church workers in these funds.

Conclusion

In the process of development of non-state pension provision in Ukraine, religious organisations can find their own space and place among other participants in the financial services market. However, how successfully they are able to do this depends both on the activity of the religious organisations themselves and on those factors over which

⁴³ Yakovlev 2016, 108.

⁴⁴ As of 2024, most priests receive a salary of between UAH 2,941 and UAH 6,570 per month.

the religious organisations have no influence (bureaucratic obstacles from the government, risks of non-transparent competition, and economic and political instability within the country).

The initial positions – which allow us to assume the expediency of the formation of church NPFs by religious organisations – are motivated by prerequisites and influencing factors – economic, legal, ethical, safety, and corporate. However, each group of prerequisites includes both drivers and problems that stand or may stand in the way of the religious organisation and the pension fund established by it.

In general, the state took care to permit religious organisations on the same terms as other legal entities to participate in the establishment of NPFs and the management of their activities, as legal regulation stipulates this. The state is currently rather interested in the development of a system of voluntary non-state pension savings.

At the same time, the peculiarities of the founder (of a religious organisation) determine the peculiar benefits and drawbacks for the establishment and operation of such funds. In our opinion, the main restraining factor is the limitation of the number of participants and the value of the pension assets of church NPFs. Under such circumstances, it is difficult to obtain significant investment income, which would not only ensure the growth of pension assets but also protect funds from inflationary depreciation.

However, trust in NPFs established by religious organisations among the absolute majority of Ukrainians is most likely higher than that in other funds established by other founders (although such studies have not yet been conducted). This is due to a high level of trust in the church in general.

Therefore, despite the fact that pension funds established by religious organisations most likely do not have a significant economic effect within the state, it is still important that such pension funds solve an important social task – the provision of pension to a specific person who has become its member (whether a believer, a clergyman, or any other person).

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