MODERN PENSION SYSTEM REFORMS IN LITHUANIA:
IMPACT OF CRISIS AND AGEING

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Abstract. The aim of this article is to define the actual construction of the modern 21st century’s Lithuanian pension system influenced by the last economic crisis and social challenges (ageing processes, raising social expenses) and implemented pension system reforms. Problems of the Lithuanian pension system are similar to those of the other European Union countries; therefore international organization recommendations and indications for future reforms should be evaluated and implemented. In this article Lithuanian pension system reforms are analyzed in the light of the recommendations of international organizations and situation in the European Union.

Analysis of scientific literature, legal acts, documents, historical methods, were used. It may be used as methodical literature studying the actual processes in the field of the pension system reforms of Lithuania and experience of international organizations in this field.

Keywords: pension system, reform, crisis, ageing, funded pension system.
Introduction

The right to social security has been mentioned already in the Versailles Treaty of 28 June 1919, almost at the same time as the creation of modern social insurance system in Lithuania (The republic of Lithuania declared its independence in 1918) began. The Republic of Lithuania had to create a new social insurance system, primarily focused on the prevention of occupational accidents and health care and only then at a universal pension system model. The social security pension insurance in the interwar Lithuania was expanded, but a universal pension system was not introduced before the Second World War. Currently in Lithuania the state social insurance schemes are applying for all social groups and cover all risks: pension, sickness and maternity, occupational accidents and occupational diseases, health and unemployment.

The aim of state social insurance in Lithuania is to reduce the poverty and to protect persons from poverty due to the occurrence of social risks, to promote social inclusion and equity between different social groups. State social insurance is based on the solidarity principle, i.e. social security contributors in real-time finance social security beneficiaries. The available means are no longer sufficient to meet new ends. This is particularly evident as regards the objective of extending social security coverage to all, beyond the formal economy to the masses of population living in abject poverty and insecurity. Social security reforms in Lithuania should correspond to international objectives—to promote economic development, social cohesion and democracy.

At the end of XX century, European Union countries faced with social changes in family and employment structure (growth of the number of divorces, increased demand for highly skilled professionals etc.), economic changes (decreasing economic growth and deindustrialization) and demographic challenges (ageing). Principles of social solidarity and social security, the fight against poverty faced with a liberal conception of economic development (i.e. the social security system should not hinder economic development and only liberal labour market can better regulate social security). The traditional concept of the welfare state has changed because of increasing of social security costs and the slowdown in economics, therefore states tried to find new forms of organization and management of the social security systems. The four challenges to the pension systems could be determined: i) people are living longer (but they are retiring earlier than they were 40 years ago; ii) the large generation of baby-boomers is now retiring (but the following generations are smaller); iii) some employees have been promised pensions linked to their salaries (defined-benefit schemes); iv) private sector employers are now providing pensions in which the payouts are linked to the investment performance of the funds concerned. 

European Union countries began to reform state social insurance systems in the past decades, which aim—to reduce the budget deficit, promote efficiency and strengthen

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the state social insurance guarantees. M. Ferrera emphasized that a genuine European invention, public protection schemes were introduced to respond to the mounting “social question” linked to the industrialization and the disruption of traditional, localized systems of work-family-community relations and the diffusion of national markets (based on free movement and largely unfettered economic competition within the territorial borders of each country) profoundly altered the pre-industrial structure of risk and need.³

The development of new pension system organization ideas and experience of international organizations did not bypassed Lithuanian pension system. The pension system reform of 2003 raised the wide discussion on the state social pension insurance system future development of Lithuania. This reform clearly demonstrates that the government opted for a liberal position-funded pension system’s participants on a voluntary basis (but actively promoting) has a possibility to transfer a part of the state social insurance contributions into private pension funds.

State social pension insurance and other types of social insurance and reforms in Lithuania and in other European Union countries, is an ongoing process because of changing economic, political and social phenomena, developing the concept of reforms strategies, increasing the European Union’s institutions’ activity in the field of pensions etc. Today we could underline common challenges to be met by Europe’s social security systems: demands for more personal choice and quality improvements in services and benefits; the impacts of globalization (greater flows of people, goods, services and capital across national borders); population ageing and economic, fiscal and social fallout of the current economic crisis.⁴

Analysis of recent pension reforms have rendered pension systems more vulnerable to economic shocks and have shifted financial and economic risks to individuals. But we should emphasize that most of the reform debates over recent decades were implicitly analyzed by the perceived or real need for financial stabilization, not by the social stabilization. Social stabilization implies that pension levels are not allowed to fall below a certain minimum benchmark—for example article 65 (1) of International Labour Organization Convention 102 requires a pension to be at 40 percent of the total of the previous earnings of the beneficiary after 30 years of service.⁵ R. Liddle and P. Diamond indicate that, firstly, the after-shock of the current crisis originate in long-term structural trends relating to the demography, life expectancy, globalization, and the changing shape of the productive economy in the West, not just the financial sector crash itself. Second argument is that crisis aftershocks put social and economical inequality back at the centre of the public policy agenda.⁶

State social pension insurance system reforms and effective governance should be done analyzing the best practice in other countries, identifying the social, economic and cultural phenomena in the country and identifying necessaries changes in the pension system preventing from the future financial shocks.

1. Construction of the Modern Lithuanian Pension System

Until economic recession, Lithuania in general reformed pension system in 1995 and 2003. Lithuania’s pension system model is based on classical Bismarkian principles (earning related benefits and ensured state’s guarantees) and from 2002 to 2008 had social security fund budget surplus.

Pension expenditures in Lithuania in 2007 was only 6.8 percents of GDP and it was almost twice lower than an average of EU-27 (11.8 percent of GDP in 2007): this is due to a more favourable population structure and to the fact that in the pre-crisis rapid economy growth period pensions have increased at a lower pace than the GDP. Without any pension reform the replacement rate (male worker retiring at 65 after 40 years of career) in the first pillar will decline from 48 percent to 35 percent in 2048.\(^7\)

Pension expenditures in Lithuania will grow: the change of the age-related expenditure 2007-2060 will be 4.6 percents of GDP (in EU-27 is projected 2.4 percents of GDP over the period 2007-2060), but despite of negative prognosis showing increase in pension expenditure in Lithuania, there are some factors which could mitigate the increase in the pension system and could be introduced during crisis: tightening of the eligibility for a public pension (through higher retirement age and/or reduced access to early retirement and better control of alternatives to early retirement like disability pensions), higher employment rates and reduced generosity of pensions relative to wages.\(^8\)

According to the Eurostat and Ministry of Social protection and Labour of Lithuania projections, the population of Lithuania will decline to 2.5 million from 2009 to 2060, the elderly population (aged 65 and older) will more than double from 16 to 32.7 per cent. It means that instead of the current ratio of people of working age to people over 65 years of age, which stands at 1.6, only 1 will remain. Lithuania has one of the highest negative rates of crude migration (net) in EU-27 (-4.6 percent against 1.9 percent in EU-27 and majority emigrants are 20-34 years.\(^9\) But in Lithuania still relatively high employment of the older workers (55-64 years) and it is because of younger cohorts have a high share in population structure and because of labour relations traditions in Lithuania: the employment rate of older workers in 2009 was higher (51.6 percent) than

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the average of EU-27 (46 percent in 2009). It could be pointed out that the average of expected increase in pensions expenditure in EU-27 will raise 2.4 percent of GDP.\textsuperscript{10}

Ensuring better functioning and efficacy of the modern pension system adequacy, sustainability and affordability principles should be revised.

The sustainability could be achieved by introducing pension system reforms (incentives to work longer, prolongation of pensionable age, occupational pensions, support for the funded schemes etc.), better management and taxation of informal economy. European Commission noted that issues of pension adequacy and sustainability need to be considered jointly: if pensions are at risk of being inadequate, there may be pressure for \textit{ad hoc} increases in pensions or higher demand for other benefits. Ensuring adequate retirement income is the purpose of pension systems and is a matter of fundamental inter- and intra-generational solidarity. Achieving higher employment rates (in particular for older workers), stimulating labour supply and higher labour productivity, growth benefits all citizens is the goal of the sustainability.\textsuperscript{11}

The affordability of social security system could be described according to the following criteria: system should be based on a reasonable relation between fiscal costs and results; it should avoid negative externalities and there should be an appropriate balance between contribution-financed and tax financed benefits.\textsuperscript{12}

International Labour Organisation does not have a specific pension model, but it does have a set of basic requirements for pension systems: \textit{i}) universal coverage; \textit{ii}) benefits as a right; \textit{iii}) equity and fairness; \textit{iv}) protection against poverty; \textit{v}) replacement of lost income; \textit{vi}) collective actuarial equivalence of contributions and pension levels; \textit{vii}) guarantee of a minimum rate of return on savings (the real value of contributions paid into savings schemes should be protected wherever these are part of the national pension systems); \textit{viii}) sound financing and fiscal responsibility (schemes should be financed in such a way as to avoid uncertainty about their long-term viability); \textit{ix}) policy coherence and coordination (providing affordable access to essential health care and income security to all those in need); \textit{x}) state responsibility (the state should remain the ultimate guarantor of the right to affordable retirement and access to adequate pensions, such guarantees can be applied to both PAYG and fully funded pension schemes).\textsuperscript{13}

Pension system reforms should be done in accordance with the social solidarity and legitimate expectation principles. Article 52 of the Constitution of the Republic of Lithuania provides that State shall guarantee to citizens the right to receive old age and disability pensions as well as social assistance in the event of unemployment, sickness, widowhood, loss of the breadwinner, and in other cases provided for by laws. The


\textsuperscript{12}International Labour conference “Social security for social justice and a fair globalization”, supra note 5, p. 61.

Constitutional Court of the Republic of Lithuania in the ruling of 26 September 2007 noted that the principle of solidarity means that the working (pursuing active economic activities) persons who receive insured income contribute to accumulation of social insurance funds, thus creating preconditions to pay payments to those persons, who must be paid the payments provided for in the law due to the fact that they have reached the pensionable age for old age pension, disability in their regard has been recognized or there are other reasons provided for in the law (inter alia when these members of society cannot work and provide for themselves due to the objective reasons provided for in the law). On the other hand, the solidarity principle also implies that the persons who pay state social insurance contributions have the right to receive, in cases and under conditions provided for in the law, to receive themselves state social insurance pensions and/or other payments, thus, they acquire a corresponding legitimate and reasonable expectation.

The Constitutional Court of the Republic of Lithuania in the ruling noted that persons have the right to a monetary payment of a respective amount, i.e. the property right (ruling of 25 November 2002). Under Article 23 of the Constitution, this right must be protected and safeguarded. One exclusion-economic crisis. But reduced pensions should be compensated in the future (ruling of 20 April 2010). Starting date of the compensation of reduced pensions—when the state social insurance fund’s budget will be balanced.

The last economic recession strongly impacted Lithuanian pension system reforms. Therefore the reforms started quite late and government had to cut pension benefits level firstly. Only in 2010 complex pension system reforms introduced and future key policies designed and adopted.

1.1. Statutory Mandatory Social Insurance Pay-as-you-go Scheme (First Pillar)

About 96% of the employed population are covered (farmers, sportspeople, creative workers receiving authorship payments are insured in a mandatory way since 2009).

Old age, work-incapacity (disability), widows’/widowers’ and orphans’ pensions (since 2004 an early retirement pension scheme for the long-term unemployed if less than 5 years were left until the retirement age (0.4% reduction for every full month remaining until the retirement age)).

Legal retirement age is 62.5 years for men (from 2003) and 60 years for women (from 2006) until 2012. From 2012 to 2026 pensionable age will be gradually increased till 65 for men and women.

Social insurance contributions for pensions: 23.3% of gross wage—employer contributions, 3% of gross wage—employee contributions. In Lithuania there is no automatic indexation rules, no minimum social insurance pension and no income tax is levied on pension benefits paid from the statutory schemes.

A person can continue working and to receive his earnings from work together with the pension (excluding temporary measures during crisis from 2010 to 2012).
1.2. Social Assistance Pensions

Social assistance pensions provide minimum income to those not eligible to social insurance pensions (old-age, disability and survivors’) and financing from the state budget.

Social assistance pension are income-tested, covers less than 4% of all pensioners and compose 2% of the total pension expenditures.

Social assistance pension calculated in relation to the basic pension. The amount of the social assistance pension in case of old age is equal to 90% of the basic pension (€ 94) that amounts to 41% of the minimum monthly salary.

Since recently only 63% of working age population is covered by pension social insurance, increase of social assistance pensions in the future is expected.

1.3. Pension Reform in 2003 and Statutory Private Quasi/Mandatory Funded Pension Scheme (Second Pillar)

In the year 2000 the Government of the Republic of Lithuania adopted the Concept of the Pension system reform. This Concept indicated the principal goal—to change the pension system in such way that persons at the retirement age could get higher pension income, the pension system should become more viable and would cover all population as well as the redistribution effect in the system should be decreased. Concept stated that quasi/mandatory funded pension system will be introduced (without increasing contribution rate for the pension insurance). It should be mentioned that the Concept has been adopted at the time of economic and social crisis: existing deficit of the state social security fund, economic recession, declining demographic situation.

The Concept provides also that the first level (pillar) of pension system of Lithuania should guarantee the state social security pension (retirement, disability, widows and orphans). The second level (pillar) is quasi/mandatory funded pensions operated by the private pension funds. The third stage (level) of the pension system is an additional voluntarily funded pension system (operated by pension funds or life insurance companies).

In July 2003 the Parliament adopted a Law on Funded Pensions and in September 2003 signing pension capitalization agreements started. The Law on Funded Pensions provides that from 1 January 2004 the part of the contributions will be transferred to the private pension funds (if person decides to participate). The reasons to introduce funded pension system were deterioration of demographic situation, sustainability of the pension system and the surplus (in 2002) in the state social security budget.

Reform of the funded pension system means that direct financial obligations of the state for future pensioners reduced: the state obligations are smaller about 21.5% (whereas the contribution rate for the first pillar mandatory social security pensions drops by 5.5%); however the adequate or bigger pension part should be accumulated in the private pension funds (which would make investments in financial market). Pension accumulation should increase the total pension level (without increasing the contribution rate) and should encourage savings.
Contribution rate to the funded system fixed by 2.5% for the first year and increased every year by 1% to 5.5% maximum. There were no restrictions for participation by age (below the legal retirement age). For annuity calculation sex-specific life tables are used and a supplementary part of the old-age pension is reduced in proportion to the size of the contribution rate transferred to the pension accumulation.

Funded pension system participant can receive accumulated benefits at the retirement age established in the Law on State social security pensions. The volume of the accumulated sum depends on the annuity period, transferred contributions, investment results and the level of administration costs of the pension funds. Every year pension funds must inform participants about the level of accumulated sum.

Law on Funded Pensions defined that lack of finances in the budget of social security (because of transferred contributions to the private funds) may be financed from the assets received after privatization of the state property, from the assets of the state budget and other sources of financing. Each year the Law on the Approval of Indicators of the Budget of the State Social Insurance Fund of the Republic of Lithuania provides the compensation level for the state social fund.

Pension funds participant has the right to change the pension fund after three years of pension accumulation. In case of changing pension fund, deductions apply. Deductions amount cannot exceed 0.2% of the transferred amount (if the pension fund changed once per calendar year). If the pension fund changed more frequently in the year, the deduction cannot be higher than 4% of the transferred amount.

Participation in the funded pension system was active; however this may be related to the Government incentives explaining in mass media positives points to accumulate. Relatively big part of older population (from 45 year) accumulates in this funded pension system (about 28% of total population participating in this scheme in 2010). About 85% of people covered by state social insurance accumulated this type of pension in 2010. 29 pension funds are currently operating in Lithuania. They are managed by 9 management companies (7 investment management companies and 2 life insurance companies).

Economic crisis strongly influenced to the funded pension system. Implementing the program of the Government of the Republic of Lithuania and in order to ensure sufficient funds for the fulfillment of present budget commitments of the State Social Insurance Fund, the rate of a portion of state social pension insurance contributions transferred to pension funds was temporarily reduced from 5.5 to 2% of the employee’s salary in 2009–2011. Approximately 30% of agreements of participants in the accumulation of pensions are inactive (7 percentage points more as compared to 2009), i.e. a portion of the social insurance contribution is not transferred to their accounts (these are the unemployed, mothers raising children, migrants etc.).

The introduction of the funded pension system decreased the guarantees of the social security pensions and oriented the Lithuanian pension system into Anglo-Saxon model: the state social security system became partly dependent on the state budget and situation in the financial or labour market; participant of the funded pension system has less state guarantees and the level of first pillar pension decreased.
1.4. Voluntary Private Funded and Occupational Pension Schemes
(Third Pillar)

Third pillar started operating only in 2004 and actually accounting for mere 0.1% of the total labour force of Lithuania. Tax allowances if contributions to pension funds do not exceed 25% of the person’s annual earnings and acquisition of annuity is not mandatory. Voluntary accumulation can be in private funds or life-insurance companies.

Also in 2006 the Parliament adopted the Law on Occupational pensions. The aim of this law is to encourage employers to provide additional social guarantees for the employees. This law implements the Directive of the European Parliament and the Council 2003/41EC on the activities and supervision of institutions for occupational retirement provision. Occupational pension schemes have the same tax advantages as the third pillar pension savings in pension funds or life-insurance companies. Law on Occupational pensions provides two occupational pension management types: occupational pension schemes in the pension funds associations and in the life-insurance companies. Today there are no occupational pension funds currently operating in Lithuania according this law.

2. Measures during Economic Crisis

Economic crisis of 2008 was an additional financial shock for the pensions system among continuous problems since last decades: ageing society (longer live expectance, better health conditions, low fertility, dependency ratio etc.), engagements of the pay-as-you go pension systems (raising costs of pension system), unstable results of funded pension system (funded pension schemes not function better as pay-as-you go pension system and downturns in financial markets).

From the economic recession of 2008 the problems of pension system financing raised in European countries. Latvia and Lithuania strongly affected by the economic crisis. In Lithuania (according to the data of Lithuanian statistics institution) GDP declined from 2.9 (in 2008) to minus 14.7 (in 2009) and economic growth returned only in 2011; unemployment rate raised from 5.8% in 2008 to 17.8% in 2010; employment rate (15-64) declined from 64.3% to 57.8%. According to the Eurostat data, public sector debt growth from 15.6% of GDP (2008) to 38.2 in 2010. In Latvia pensions for working pensioners decreased by 70 per cent and pre-retirement pensions decrease from 80% of the full benefit to 50%, retirement pensions and length-of-service pensions decrease by 10% overall.

In response to the global economic crisis, other countries reviewed the benefits or taxation of the pension system. For example, Ireland introduced a pension levy of 1% across all wage earners and announced a freeze in welfare expenditure for at least two years. In Hungary the 13th-month pension and the 13th-month salary have been scrapped and the future pension increases will be indexed to GDP growth and inflation rather than wages and inflation. In Sweden a special feature was added in the form of an
“automatic balancing mechanism” in the notional defined contribution system: special
calculation methods have been established to make it possible to estimate the long-
term assets and liabilities of the pay-as-you-go scheme (if the estimated liabilities of
the system exceed its assets, the annual indexation both of acquired pension rights and
pensions in payment is supposed to be automatically reduced for the period necessary
to bring back equilibrium). Automatic adjustment mechanisms, linking pension
entitlements to the state of the pension system’s finances, also exist in different forms
in Germany and the Netherlands (occupational pensions). European Commission
noted that the purpose of automatic adjustment mechanisms is to maintain the balance
between revenues and liabilities in pension schemes, and these mechanisms impact
on both intergenerational adequacy and sustainability. These mechanisms imply that
the financial costs of demographic changes will be shared between generations subject
to a rule. To a varying degree they link: i) life expectancy to pension eligibility or
replacement rates; ii) economic performance in terms of GDP growth or labour market
performance (with valorisation of entitlements or indexation of benefits); iii) balance
of the system to valorisation of entitlements or indexation of benefits and contribution
rates with indexation of benefits. OECD (Organisation for Economic Co-operation
and Development) noted that automatic link between pensions and a change in life
expectancy could be: mandatory defined-contribution schemes substituting for or
adding to public pension provision (the accumulated contributions and investment
returns must is converted from a lump sum into a regular pension payment – annuity
and the calculation of annuity should be based on the life-expectancy of retirees at
the time of retirement); transformation of public, earning related plans into notional-
accounts schemes (also include an annuity calculation and at the time of retirement, all
accumulated contributions and notional interest is converted into a periodic payment) and
a link between benefit levels or qualifying conditions for pensions and life-expectancy.

Analysis shows that while some of the losses incurred during the crisis may be
recovered during economic recovery relatively quickly, a complete restoration of
pension finances may take many years (it means that people have lost a number of years
of savings due to the financial crisis) and might not recover during their remaining
active life (because of vulnerability of pension levels in defined contribution schemes).
The crisis has wiped out years of economic and social progress and exposed structural
weaknesses in Europe’s economy, the world is moving fast and long-term challenges:
globalization, pressure on resources and ageing. Because the public pension replacement

and beyond, supra note 13, p. 113–116.
15 European Commission. Joint report on pensions: Progress and key challenges in the delivery of adequate
and sustainable pensions in Europe (occasional paper), supra note 7.
16 Pensions at a Glance 2011. Retirement – income systems in OECD and G20 countries. OECD publishing,
17 International Labour conference “Social security for social justice and a fair globalization”, supra note 5,
p. 61.
18 European Commission. Communication from the Commission Europe 2020: A strategy for smart, sustainable
rates in general declined in the EU, reforms have given and will continue to give rise to greater individual responsibility for outcomes and it is important to provide sufficient opportunities for complementary entitlements: e.g. enabling longer working lives and increasing access to supplementary pension schemes.\(^{19}\)

International Labour organization (ILO) notes that the repercussions that these developments will have on contributors and pensions are not straightforward, and will most likely affect people who retire after the crisis but pensions funds in 2008 in many countries suffered enormous losses during the global crisis. OECD emphasized that countries private pension funds lost 23 per cent of their value in 2008. The degree of vulnerability of future pension levels to the performance of capital markets and other economic fluctuations, introduced in so many pension systems during the last three decades, was clearly a mistake that stands to be corrected. Strong minimum pension guarantees may work here as “automatic stabilizers” of retirees’ living standards. Response to the economic crisis is only possible on the basis of existing administrative structures, that is, existing social institutions which either can automatically react to changing economic conditions thanks to their design, or can be easily adjusted (e.g. extended) to crisis-induced requirements.\(^{20}\)

When revenue is declining, the simplest way to regulate the social insurance fund budget is to increase state social insurance contributions (employees and employers part) or to reduce benefits. However, these methods cannot be applied as the fastest economic effect because they are indirectly impacting the State’s competitiveness and employment policy. The growth of social insurance contributions increase manpower and create the negative investment climate. Reduction of pension benefits (therein for the working pensioners) may affect certain undesirable legal and social implications, raise the questions of social solidarity, social security unity, benefits differentiation and legitimate expectation principles. Thus, the reduction of pensions means that persons are not encouraged further work and expect a higher pension, and pensions will decline despite of paid higher social insurance contributions. The economic crisis and reduction in pensions, in general, deny the contribution-benefit balance and it’s important to maintain the principle that economic values (i.e. the current economic crisis) should be subordinated to the state social insurance pension guarantees. Reduction of pension’s part which depends on how many years person worked and paid contributions and introducing the fixed basic pension could violate main principle of Bismarck social traditions: the benefit depends on paid contributions. In this case, the actual Lithuanian pension system model is more close to the Anglo-Saxon liberal model, whose main feature is that the pension insurance is a person’s own affair, because the state only guarantees the basic amount of the benefits.

An economic crisis of 2008 hit Lithuanian social insurance pension system. From 1 July 2009 the amendments to the Pension system reform law adopted, which stipulates

\(^{19}\) European Commission. *Green paper: towards adequate, sustainable and safe European pension systems*, *supra* note 11.

that the state social security transfers to private pension funds fall to 2% (from the income from the state social insurance contributions) from 1 July 2009 and social insurance and state benefits has been reduced for 2010-2011 year.

On 28 October 2009, a National Agreement was signed between the Government of the Republic of Lithuania and social partners: the largest trade unions, business and employers as well as pensioners’ organizations. Under this Agreement, the Government undertook to implement measures for financial consolidation, including a temporary and differentiated reduction in all pensions, pursuing the essential objective to pay social benefits on time, so that recipients of the smallest pensions would be protected and recipients of bigger pensions and other income would jointly assume a heavier burden of reduction (until 2012):

- in 2010-2011 all pension above the threshold of 650 LTL temporally reduced (exception: disabled persons who lost 75-100 % of capacity for work: no reduction) – in average by 5%.
- Additional reduction for working pensioners - progressively, depending on income (max. reduction—70%; in average—17%). No additional reduction for working disabled.

Economic crisis and analysis (indicated in the Concept of the reform of state social insurance and pension scheme of 15 June 2010) showed that there are several problems in pension insurance:

- the current benefit scheme enables the duplication of benefits;
- development of state pensions system (according to the data of the Ministry of Social protection and Labour of Lithuania, over the last 7 years, from 2003 to 2009, funds of the state budget for pension benefits grew by almost 60% (from 247 million in 2003 to 394 million in 2009);
- the redistributed part of social insurance pensions (the basic pension) has great significance for the amount of the pension, while the impact of contributions paid by a person is reflected insufficiently, which makes this scheme unattractive;
- benefits are not linked to the development of this ratio or future life expectancy;
- the scheme has no incentives to postpone the payment of a pension;
- the identification of work incapacity and special needs is insufficiently transparent and controlled;
- the state social insurance scheme is financially vulnerable, in not established pension reserve fund;
- the pension benefits indexation is not linked to economic and demographic indicators and is under a strong political impact;
- no long-term strategy for financing pension accumulation has been developed.

R. Liddle and P. Diamond argued that crisis are not only moments of catastrophe but create unprecedented opportunities for social and economic reform: in the past, change has been very difficult to achieve in EU welfare regimes, precisely because many groups have effectively defended the current constellation of social rights as being in the public interest. Social policy has to operate within the context of robust regulation
of markets, instead of relying solely on the post hoc cushioning provided by the central state.  

Economic crisis indicated new needs for future reforms which main goal should be long-term financial sustainability, need for wider role of the EU in the social policy field and finding the balance for the crisis influence to the social insurance system.

3. New Reforms in 2011

Reforming pension system governments often looking for the best practices of the other European Union’s states and recommendations of the international organizations. New concept of the pension reform in Lithuania has been adopted after such analysis. Last years the activity of the international organizations expanded because of the significant number of started reforms and economic crises.

![Chart](chart.png)


According to the European projections, ageing processes and the need for additional finances in the EU-27 will intensify: a modest recovery in the total fertility rate is assumed (from 1.52 births per woman in 2008 to 1.64 by 2060); life expectancy at birth for men would increase by 8.5 years (from 76 years in 2008 to 84.5 in 2060) and for women would increase by 6.9 years (from 82.1 in 2008 to 89 in 2060); the number of oldest-old age persons (aged 80 years and above) is projected to increase almost tripling (from 22 million in 2008 to 61 million in 2060); the ratio of people aged 65 or above relative to the working-age population aged 15-64 is projected to more than double (from 25.4% in 2008 to 53.5% in 2060); the effective economic old-age dependency ratio (the ratio of elderly non-workers to workers) for the EU-27 is projected to rise from 37% in 2007 to 72% in 2060 (ratio in 2007 was nearly 4 elderly non workers for 10 workers and in 2060 is projected more than 7 to 10).

Therefore, reforming the pension system should be taken not only the traditional simple measures (to reduce benefits and increase contributions), but to launch a new comprehensive social security system and labour law reform, with particular emphasis on means to grow the employment, more flexible employment forms and active social policies (according to the European Union recommendations), to review the entire system of social security benefits (reduce or eliminate some benefits), to introduce health social insurance contributions for pensions (pensions are taxable in many EU countries). Economic Cooperation and Development Organization in the pensions review of 2009 noted that in the face of the economic crisis, the government adopts the short-term practical solutions, meanwhile, long-term strategic plans, which are important to pensioners’ incomes, are ignored. ILO indicated that the short-term responses to a crisis—macroeconomic stabilization, trade policies, financial sector policies and social security—cannot ignore longer-term implications for both economic development and vulnerability to future crises. International Labour Organization indicated that governments should make efforts to strength management of social security funds (social security financing should be sustainable, with the assumption by the state general responsibility for it; social security funds should be protected to the best extent possible against mismanagement, cyclical fluctuations and market failures; the purchasing power of benefits in payment should be maintained by adjusting them in relation to the cost of living.

International social security association (ISSA) marked that key policy in the field of pension reforms is to stabilize pension system finances and to increase pensionable age, choosing different options to link pension benefit levels more closely to life expectancy (defined contribution plans as in Hungary and Denmark, notional defined contribution accounts as in Italy and Sweden, adjusting benefit levels in defined benefit schemes as

in Finland and Germany or changing qualifying conditions as in France and Denmark) and to introduce mechanisms to stabilize pension system finances by reducing benefits automatically as population ageing causes the ratio of workers to pensioners to decline.\footnote{International social security association. Dynamic social security for Europe: choice and responsibility: developments and trends, supra note 4, p. 8.}

EU member states have attempted to protect adequacy and to respond better to changes in labour markets and gender roles encouraging more people to work more and longer so as to obtain similar entitlements as before; the move from largely single to multi-tiered systems; measures to address adequacy gaps (through efforts to broaden coverage, support building up rights, ease access to pensions for vulnerable groups and increase in financial support for poorer pensioners) and gender dimension.\footnote{European Commission. Green paper: towards adequate, sustainable and safe European pension systems, supra note 11.} OECD stressed that older workers need help to preserve and augment their human capital to make them more employable, seniority-based wages structures (which make it expensive to employ older workers) need to be reconsidered, the health of older workers, working conditions (through rehabilitation, training, improvements in occupational health and raising awareness of the work needs of older workers), to prepare older workers for greater job mobility at the end of their careers and working-time arrangements also play an important role in retirement decisions.\footnote{Pensions at a Glance 2011, supra note 16.}

The time for reforms is actually critical: without the prolongation of retirement age and without incentives for the private pension accumulation, the deficit of state social insurance fund will be higher and the trust of people in social insurance system could fall down. In addition, after economic crisis, the demographic and macro economical situation in Lithuania should improve (the wages should increase, unemployment decrease, growth of GDP).

On 15 June 2010 the Concept of the reform of state social insurance and pension scheme has been approved. The goal of the reform is to establish essential elements of the reform of state social insurance and pension scheme, after identification of the problems of this scheme, so that a foreseen new legal regulation will ensure the scheme’s long-term financial sustainability and the scheme will guarantee adequate and target-oriented benefits and will be administered more efficiently. The goal of the pension reform will be pursued by implementing proposals based on the following principles:

1. Separation of pensions of solidarity and social insurance parts and other social insurance benefits in the scheme, “purification” of the scheme. The separation of the basic pension from the additional part of the pension may lead to a stronger and more obvious relation between contributions and benefits, and a wider differentiation of benefits, since the function of protection from poverty would be carried out in the pension scheme by the basic (or national) pension financed from general taxes.

2. Establishment of a clearer and stronger relation between contributions and benefits to encourage people to participate in the social insurance scheme by paying contributions and gaining rights to adequate benefits.
3. Establishment of a clear procedure for benefit indexation based on objective criteria.

4. Increasing the efficiency of the pension accumulation scheme, improved regulation of the scheme and its integration into the state pension scheme.

5. Gradual expansion of the funding base of the state social insurance fund by general taxes.

6. Establishment of a relation between the State Social Insurance Fund and the state budget by balancing financial flows, coordinating borrowing and the financing of pension accumulation, and by improving administration.

7. Integration of state pensions into the general social insurance and accumulation pension scheme.

In this Concept some proposals has been fixed for the first stage of reform for the pension insurance: increase the pensionable age for women and for men until 65 years of age for the both genders in 2027; no longer award new state pensions of the Republic of Lithuania (of the first and second degree for merits); to review conditions for the awarding and payment of annuities of sportsmen and artists; to change, as of 1 July 2011, the criteria for identification of special needs by introducing not only the assessment of the state of health, but also social aspects.

In the long term perspective, several proposals fixed in the Concept: non-contributory social assistance pensions (ensuring a minimum protection of income at old age should be paid from the state budget; social insurance old-age pensions and work incapacity pensions should be paid from a separate budget of the state social insurance fund; to apply a new clearer formula for pensions and procedure for the establishment and indexation of the amount of pensions; to change the formula for calculation of the social insurance old-age pension by awarding a certain number of accounting units (‘’points’’) for each year of the social insurance record and contributions paid or to switch to the scheme of virtual personal accounts; to gradually switch to a new basic pension or a national pension financed from general taxes by expanding the funding base of the scheme; to separate the calculation of work incapacity benefits from that of old-age pensions in order to increase the clarity of the scheme and rationalize it; to optimize strategies for the investment of accumulated means in pension funds; to integrate state pensions into the general scheme of social insurance and cumulative pensions by paying higher contributions.

3.1. Political Agreement and Long-Term Strategic Plans

The Concept of the new pension reform in Lithuania has already been widely introduced to the society and organizations. The Lithuanian Parliament reached a wide political agreement and on 24 May 2011 adopted Guidelines of pensions and social security reform.

According to the obligation for the Government) as foreseen in the Parliament’s Guidelines, the Government adopted the Measures plan for implementation of Parliament
Guidelines (adopted in Government on June 8, 2011) and timetable for the preparation of the laws projects.

The reform will last few decades. The transitional period will start since 2012 and will last until 2026. Second stage will start form 2027.

The main aim of the reform as indicated in the Guidelines is to ensure that in future people would receive adequate pensions, that social insurance fund budget would be stable, non-deficit and that system of pensions would adjust more easily to economical and demographical changes. Several principles have been indicated in the Guidelines:

1. More transparency in the pension system—pension system participants should receive all information about pension rights, should know about systems’ benefits and should be constantly notified of the obtained rights to the state social security pension. Transparency can be obtained introducing better management. First, independent social partners council liable for revision of the pension system could help to consolidate management and transparency of the pension system. Secondly, it’s necessary to strengthen the State social insurance fund council’s independence, responsibility, and extend its functionality.

2. Separation of the social insurance and social assistance. It means that we should seek for the better correlation between contributions and benefits and make labour market more flexible: gradually increase a retirement age (65) and later pensionable age should be flexible (by introducing bonus-malus system), pension amounts should be related to the demographic and economic situation and government must encourage employment of elderly persons.

3. To establish clear indexation rules and clear relationship between social insurance fund and state budget. The pension benefits indexation should be linked to economic and demographic indicators (and not to the strong political impact). Others changes related to the new pension formula: to transfer of flat-rate basic pension to state budget and to introduce NDC (virtual accounts) system or accounting units (“points”) system. All reforms should be made without raising of the level of the social insurance contributions.

4. Consolidation of privileged state pensions to the state social insurance system and to professional funds: to refuse privileged benefits in future, to reintegrate all state privileged pensions to the social insurance system and to create professional pension funds.

5. Better regulation and more efficiency in second pillar private funded pension schemes. In the first place, accumulation in second pillar gradually should be restored and voluntary pension accumulation should be encouraged. In same time, measures for the better management must be introduced: introduction of the life-cycle investment system; to analyze the possibility to introduce state pension fund; to reduce assets fee and gradually abolishing contribution fee; to reduce the total deductions from the pension asset levels; to reduce the pension system participants the investment risk and to regulate the pension annuity sale process.

6. Better management of the social insurance fund is based to achieve the main goal – to balance the budget of the social security fund. In the first place, when the
budget will be balanced, pension reserve fund should start functioning. Also the state budget is guarantee (including interest rates of loans) when state social insurance fund is in the deficit and not enough the reserves in pension reserve fund. Other measures: better administration and control of the disability benefits; to distinct health insurance and pension social insurance; state social insurance fund board should pay all social insurance benefits (state pensions, unemployment benefits etc.).

3.2. Prolongation in the Retirement Age

Increasing in the pensionable age is strongly related to the longer life-expectancy. Some countries introduced fixed pensionable age, other- flexible (in Germany the pensionable age is 65 and will be 67 in 2035, but it’s possible to claim a full pension after 45 years of contributions; in Sweden and Finland pensionable age is 65 years only for national state pension and no fixed age for earning related pension).

One of the key recommendations of European Union is prolongation of pensionable age and changes in the pre-retirement pension schemes. Prolongation of pensionable age is common process in many European countries because of state social security pension system vulnerability, ageing and raising of life expectancy. European strategies indicate not only prolongation of retirement as well as working longer (especially for older workers). In the European Union’s “Europe 2020: Integrated guidelines for the economic and employment policies of the member states” is indicated that member states should emphasize promoting increased labour force participation through policies to promote active ageing. European Commission in the Green paper “Towards adequate, sustainable and safe European pension systems” indicated that member states should: i) increase in pensionable age; ii) rewarding later and penalizing earlier retirement; iii) moves from benefits based on earnings in best years towards entitlement based on working career average earnings; iv) closing or restricting early exit pathways; v) labour market measures to encourage and enable older workers to stay in the labour market and encouraging greater gender equality in the labour market.

M. Ferrera indicated that economic “fusion” requires the introduction of some common social standarts, rights and obligations through a socially-friendly institutional re-articulation of the novel Europeanised space of interaction and there are three reasons: to secure a fairer, more equitable distribution of life chances for EU citizens ("social justice" or "social cohesion" rationale), to improve the very functioning of the internal market and, thus generate more growth and job ("economic efficiency" rationale) and to secure continuing support for the integration process itself on the part of increasingly worried national electorates ("social and political legitimacy" rationale). But prolonging one’s working life is not appropriate for everyone (poor health, work in difficult conditions or persons have long contributions periods), so active ageing

29 European Commission. Green paper: towards adequate, sustainable and safe European pension systems, supra note 11.
30 Ferrera, M., supra note 3, p. 46–56.
policies have to be combined with policies in other areas: promoting employment of older workers, combating prejudice and age discrimination, fostering employability and lifelong learning, ensuring a safe and healthy working environment and adapting working time, working life and work organization.\footnote{International Labour conference “Social security for social justice and a fair globalization”, supra note 5, p. 88–89.}

On June 9, 2011 the Parliament approved the amendments to the Law on state social insurance pensions, whereby the retirement age will be gradually raised as of 2012. The retirement age will be increased by 4 months per year for women and 2 months per year for men as of January 1, 2012 until it reaches 65 years in 2026. Presently, the retirement age is 60 years for women and 62.5 years for men. This decision was adopted with regard to the longer lifespan after the retirement age. According to the data from the Department of Statistics of Lithuania, in 2009 the average life expectancy after 65 years of age in Lithuania was 13.38 years for men and 18.25 years for women. As compared to 2008, the life expectancy slightly increased, thus, according to Eurostat’s estimates, it is likely to be even longer in the future (19 years for men and 22.6 years for women in 2050).

3.3. Accumulation for the Retirement Pension in Pillar II and Pillar III Pension Funds

Stimulating activity of the private pension fund governments should adopt laws regarding better management of state-mandated and privately managed retirement saving schemes. In this field international organizations elaborated key policies and recommendations.

Private schemes can relieve some of the pressure on public pension provision, however, increasing reliance on private schemes has fiscal costs, given the widespread practice of providing tax incentives during the accumulation phase.\footnote{European Commission. Green paper: towards adequate, sustainable and safe European pension systems, supra note 11.} International social security association noted that in many countries, stronger regulation of private schemes to protect individual’s savings is required.\footnote{International social security association. Dynamic social security for Europe: choice and responsibility: developments and trends, supra note 4, p. 12.} International Labour Organization indicated that where the schemes were financed collectively and have been fully managed by State (in particular through PAYG financing), the immediate impact has been small. In contrast, fully funded schemes, where individual savings have been invested in relatively volatile products, have sustained severe loses. States should implement following principles: regular actuarial studies, establishment of contingency reserve or stabilization funds and strict investment rules.\footnote{International Labour Office. Social security and the rule of law: general survey concerning social security instruments in light of the 2008 Declaration on social justice for a fair globalization (ILC.100/III/1B), supra note 1, p. 183.} While some countries have directly tapped into national
pension reserves, other countries have modified the regulations of pension funds to give the government a greater say in the investments to the national economy.\(^{35}\)

On June 28, 2011 the Government has approved changes in the funded pension scheme and submitted its proposals to Parliament. The aim—to create opportunities for current and future retirees to decide how they would like to accumulate their pensions in future. According to the new proposed regulation, starting from 2013, the person’s contribution to retirement pension will consist of three parts: the contribution transferred from state social insurance fund budget, contribution paid from person’s earnings and from encouraging contribution paid by the State for participation in private accumulation.

Regarding to the first part of contribution, it is offered that possibility to participate in accumulation of pensions at current conditions, when contribution of 2% size from insurable earnings is transferred from state social insurance fund to the private funds and insurance companies, would remain. The currents size won’t change (until 2020) and will the obligatory to every participant of this scheme. Since 2020 the first part of contribution would be increased from 2% to 3.5%.

If a person on his initiative and from his earnings decides to accumulate bigger part of pension in private funds and pay bigger contribution, this possibility will be allowed. It is offered that in this case since 2013 a person would pay contribution of 1% size, since 2016—2% size from his insurable earnings to private pension fund (second part of contribution).

In order to encourage a person to accumulate in private funds, the state will financially encourage person: in this case an encouraging contribution (of size of 1% since 2013 and 2% since 2016 from an average wage in the economy) would be transferred from the state budget to a person’s pension account.

During transitional period (from 1 January 2012 to 1 September 2012) persons would be able to return to accumulating their pension only in the state social insurance fund (as it was before 2004). The possibility to abort participation in accumulation in private funds will valid only until September 1, 2012.

Others changes related to the better regulation of the pension funds. The Government’s approved the proposal to repeal the restriction to change the pension fund (actually it is possible to change pension fund for the first time only after three years). Pension fund or insurance company could be changed if a person is paid on behalf of at least one savings deposit.

It is also proposed to reduce the deductions from the assets fee and gradually abolishing contribution fee. It is therefore suggested that a maximum deductions from the assets in the conservative investment funds must be 0.7% in 2016, since 2016—0.6% and in 2017—maximum 0.5%. Maximum deductions from the assets in the non-conservative investment funds must be 1% until 2016. In 2016 it must be 0.9% and from 2017 maximum must be 0.8%. It is also proposed that the maximum deduction from the contributions must be no more than 2% in 2012 and followed by a reduction of 0.5% every year until the total relocation.

\(^{35}\) International Labour conference “Social security for social justice and a fair globalization”, supra note 5, p. 62.
3.4. State Social Insurance Fund Board Institutional Reform

The aim of the State social insurance fund board institutional reform is to improve efficiency of activity and to improve customer service quality.

International social security association indicated strategies for better management of the social security institutions: reform is increasingly complex and must be undertaken in a coordinated and tailor-made manner to pursue multiple goals (i.e. adequate coverage; improved cost-effectiveness; pluralistic delivery mechanisms; appropriate regulation and governance; adjustment to demographic change); to ensure financial health of all programmes in a context of demographic ageing and to enable the provision of quality and choice in benefits and services; improvements in policy-making require improvements in data collection; to seek improvements and equity in the quality of services delivered.\(^{36}\) In order to pursue a coherent vision, social security objectives should be clearly defined, institutional set-ups should respond to these objectives and they should be compatible with and serve wider social policy and economic policy objectives. Social security systems are only sustainable if they are designed to respond to people’s needs and if they are seen to be properly and reliably managed, governments should increase efforts to provide adequate training in financial and general management as well as policy design in social security.\(^{37}\)

After optimization of the structure of State social insurance fund board territorial institutions, the total amount of job positions will be reduced by 11.4%. None of the State social insurance fund board territorial divisions will be closed down, only the juridical status and subordinations will change (actually State social insurance fund board has 47 territorial units, will be 10). The order of servicing won’t change but customer service quality will be improved. The reform will allow saving around 10.5 million LTL per year.

This reform could help better implement electronic services and information technologies. Today person can use almost all services in electronic way: insured electronic system (EDAS), insured persons electronic system (EGAS), temporally unemployment system. In the future all services will be accessible despite place of residence.

Conclusions

Today, it is clear that the traditional concept of the welfare state has changed, but it’s a fact that fully liberal model or partial privatization of the pension system does not work.

Pensions paid through a funded scheme do not necessarily work better, there is no perfect set of reforms because no two countries are starting from the same place and

\(^{36}\) International social security association. *Dynamic social security for Europe: choice and responsibility: developments and trends*, supra note 4, p. 29.

the best way of reducing the overall pensions burden is for people work longer and increasing in the retirement age.\textsuperscript{38}

The danger is that during an era of serious fiscal retrenchment, existing welfare policy regimes will be frozen as governments struggle to reassure citizens and protect people from the adverse consequences of the crisis. The reforms is needed not only for the management of new financial pressures, but to make welfare states more resilient for the future and prevent the crisis from further damaging the life-chances of the least advantaged in society and the favoured policy response to the sustainability of welfare state is to raise the retirement age and to promote higher employment participation rates among the active older worker.\textsuperscript{39}

The biggest practical challenge in designing or realigning national social security systems is the interplay of social insurance schemes, universal benefit schemes, social assistance schemes and private benefit systems as well as integrating social security policies closely with other sectors (particularly education, health and employment).

Article analysis leads to the following conclusions:

1. Today’s situation shows that is not enough traditional social security concept and its implementation mechanisms, therefore, we should look for common denominators across the EU. This is particularly true of pension systems, which are highly sensitive, cover all public and reforms are mostly long-term type.

2. Pension systems are reformed searching for the best model and analyzing the best practices in the other countries, but at the same time, it is necessary to identify national economic, social and cultural phenomena searching consensus between the social partners, rather than just “import” one or the other pension model.

3. There is no single “correct” model: for example, in Lithuania there is no any occupational pension fund, despite that an occupational pension is a cornerstone of Scandinavian or United Kingdom’s pension system element.

4. It is clear that government implements pension reforms generally not in economic growth cycle and will never receive the full support of society. However the key policy is to rebuild the trust in public defined benefits schemes and private funded pension schemes. Participants of the private and public pension system should be constantly and clearly notified of the obtained rights to the state social security pension.

5. Thus, a new twenty-first century concept of the pension system should be based not on traditional models (Northern, Southern, Continental, liberal or Central and Eastern European) concept, but creating new hybrid models, which include the state obligations to guarantee a certain amount of pensions and choice of private pension funds.

6. To maintain state role in pension system as pension rights guarantor. State should guarantee minimum pension and adequate pension level from the first pillar (which guarantees an adequate standard of living).

7. Therefore, the concept of social security should cover public state security schemes, state funded second pillar pensions and all private funded or occupational

\textsuperscript{38} Special report pensions, \textit{supra} note 2.

\textsuperscript{39} Liddle, R.; Diamond, P., \textit{supra} note 6, p. 73–82.

\textsuperscript{40} International Labour conference “Social security for social justice and a fair globalization”, \textit{supra} note 5, p. 82–82.
pension schemes. Social insurance pension calculation of the replacement rate should comprise not only public pensions but statutory private quasi/mandatory funded pensions (second and third pillar).

8. The challenges for the Lithuanian pension system is still ageing population (especially low fertility rate), low employment rate of active population, low pension’s benefit level and poverty of older persons, no clear indexation rules hudge emigration and projected increase in pension expenditures.

9. Pension system has to respond directly to changes in the structure of society and must be very closely related to the flexibility of labor relations regulation (introducing part-time or half-day employment, providing opportunities for longer and less interrupted contributory careers, introducing the positive returns from financial markets, more lifelong learning etc.), creation of better working conditions and the changing the approach of employers towards older workers.

10. It is necessary to intensify the pension reform in Lithuania because of sharpening of the demographic and social changes. The main goals should be: to encourage and extend employment (especially for the older workers, women and young persons), to revise all social security system pay-offs; to balance the budget of the social security fund and to introduce pension reserve fund; to decrease an administrative costs; to introduce pension benefits indexation rules; to reform unemployment social security system and to reduce the early retirement pension system (intruding flexible retirement and strengthening the bonus-malus system in pension scheme); to introduce an automatic adjustment mechanisms is to maintain the balance between revenues and liabilities in pension system (life expectancy to pension eligibility or replacement rates).

11. To introduce measures for better and stricted private pension funds management (improving management, decreasing administrative costs, the safety and efficiency of benefit accrual, better risk mitigation and enhanced capacity for shock absorption).

12. Because of not active participation, government should encourage a third pillar voluntary pension and occupational pension schemes, assigning a certain part of liability for his own welfare to a person himself.

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Provisional Law on the Re-calculation and Payment of Social Benefits of the Republic
ŠIUOLAIKINĖS LIETUVOS PENSIJŲ SISTEMOS REFORMOS: KRIZĖS IR VISUOMENĖS SENĖJIMO ĮTAKA

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Santrauka. Šio straipsnio tikslas yra nustatyti šiuolaikinės XXI a. Lietuvos pensijų sistemų ypatumus, nulemtus pastarosios ekonominės krizės ir socialinių priežiūrų (visuomenės senėjimas, socialinių išlaidų didėjimas), bei įgyvendintas pensijų sistemų reformas. Lietuvos pensijų sistemų problemas yra panasiūs į kitų Europos Sąjungos šalių, todėl, reformuojant pensijų sistemą, didelis dėmesys turėtų būti skiriamas tarptautinėms organizacijoms, įtakos socialiniam projektui, kiekvienam dalyviui pakankamas ir nuolatines pajamas.
senatvėje, gyvendinant esminius pensijų sistemos konstrukcijos principus – socialinį teisingumą, solidarumą bei nesumažinti valstybinio socialinio draudimo garantijų. Straipsnyje apžvelgiamos kaupiamųjų pensijų sistemos atsiradimo prielaidos, problematika ir naujos kaupiamųjų pensijų sistemos teisinio reglamentavimo analizė, pateikiami būsimos Lietuvos pensijų sistemų konstrukcijos vertinimai. Lietuvos pensijų sistemos konstrukcija turi būti grindžiama visų trijų pakopų plėtra, siekiant sistemos tvarumo ir finansinio stabilumo. Pensijų sistemos veikimas priklauso ir nuo lankstesių darbo santykių reglamentavimo.

Šiame straipsnyje analizuojamos Lietuvos pensijų sistemų reformos atsižvelgiant į tarptautinių organizacijų (Tarptautinės darbo organizacijos, Tarptautinės socialinės apsaugos asociacijos, Europos Sąjungos, Ekonominio bendradarbiavimo ir plėtros organizacijos) patirtį ir socialinę bei ekonominę padėtį Europos Sąjungoje. Prognozuojama, kad Lietuvoje toliau blogės demografinė padėtis, dėl menko užimtumo ir emigracijos atrės socialiniai reiškiniai. Tarptautinės organizacijos savo rekomendacijose pabrėžia socialinių garantijų svarbą bei plėtrą ir būtinybę išmokų dydžius reguliuoti atsižvelgiant į ekonominę padėtį bei tikėtiną gyvenimo laiką.

Straipsnyje taikyti mokslinės literatūros analizės, teisės aktų analizės, dokumentų analizės ir istorinis metodai. Straipsnyje pateikiami medžiaga gali būti naudojama kaip metodinė literatūra, padedanti įvertinti vykstančius procesus Lietuvos pensijų sistemoje ir tarptautinių organizacijų patirtį šioje srityje.

**Reikšminiai žodžiai:** pensijų sistema, reforma, krizė, visuomenės senėjimas, pensijų kaupimo sistema.

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