

## Formation of Non-State Pension System in the Russian Federation on an Example of the Activities of Non-State Pension Fund “Sberbank”

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**Abstract:** There is a characteristic feature of system of pension provision in the Russian Federation and it is a formation of the non-state pension funds which have to become the most important institute of social security of senior citizens subsequently. In study, the non-state pension fund of Sberbank is described the purpose of its creation and history of emergence. It was analysed: the main activities of fund, the sources of formation in the income, the individual and corporate programs.

**Key words:** Pension provision of the Russian Federation, non-state pension fund of “Sberbank”, fund, sources, history, programs

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### INTRODUCTION

The major component of socio-economic status of the population is the quality and the level of pensions. The pension system is closely intertwined economic and social relations, so, that's why its development and improvement is a necessary element of state policy. Exactly the state plays a key role in the regulation of social processes in law, finance, management, coordination and supervisory levels.

It is necessary to improve the pension system, on the one hand, it is associated with an increase in the Russian Federation as in most European countries, the number of persons who have reached retirement age and reducing the number of employees. Thus, data of Russian pension about 41 million of pensioners are registered in Russian and seniors 83% of those who receive a retirement pension. On the other hand, the improvement of the existing pension system of protection is due to the need to adapt to the demands of a market economy (Adonina *et al.*, 2015; Atafar *et al.*, 2013).

**Formulation of the problem:** One of the most serious attempts to reform the pension system applies to 2002. It was at this time the government recognized the need to address the many problems of pension insurance, accumulated since the late 90's of the 20th century. The new stage of reform relates to 2012.

Despite the measures are taken with the state to change, the pension system in the Russian society has developed a critical attitude to the ongoing pension

reform (Kusina and Fisenko, 2015). This is due to very specific reasons: the situation of today's pensioners practically doesn't improve: replacement rate with pension of salary is about 28% (by the standards of the International Labor Organization, the rate should not be lower than 40%), the ratio of pension and subsistence minimum while growing but fundamentally picture does not change (<http://www.consultant.ru>). The subsistence minimum of pensioner hardly ensures his physiological survival. Money slowly build up in the storage component of the system but per person, it is so insignificant amount that the citizens aren't interested in it. At the same time to return to a distribution scheme and it has neither theoretically nor moreover, practically impossible, since, a significant deterioration in the demographic situation can lead to the fact that employees will be much less than the pensioners (Tahmassebpour, 2016).

### NON-GOVERNMENTAL PENSION SYSTEM IN THE RUSSIAN FEDERATION

In world and Russian practice, the non-state pension funds have arisen and have gained development as institute of social protection which exclusive kind of activity is non-state pension provision. The analysis of a state and structure of monetary assets of the non-state pension funds of the Russian Federation allows drawing a conclusion that on this indicator they gradually become the most important element of pension system.

Today, the pension payments consists of two parts in the Russian Federation: the single social tax and insurance payment in the form of a tax deduction. Common social tax sends for the payment of the basic part of pensions to current pensioners.

Since 2005, its value is 26% from fund of remuneration of labor. Insurance payment in the amount of 14% from the fund of remuneration of labor in part it is directed to the financing of pensions to current pensioners, its insurance part, partially it is reserved in the form of pension savings and it is transferred and optionally insured in trust authorized by this work to non-state pension funds and insurance companies. Since 2004, the pension fund of the Russian Federation has started to carry out the transfer of pension savings of insured persons in the management of state trust management companies, private management companies and private pension funds, what were admitted to working with the state compulsory pension insurance (Kaspariants and Lukianchenko, 2015).

Nowadays, non-state pension funds in the Russian Federation are an organization that is carrying out non-state pension provision (early non-state pension provision, compulsory pension insurance). According to the date of the association of non-state pension, funds in March 2015 in Russia based on license of the central bank of the Russian Federation there are 119 non-state pension funds. The 79.8% of the funds make operate compulsory pension insurance and 60% of the funds are participant's national association of non-state pension funds, what is the self-regulating organization. The number of funds are reduced due to more stringent requirements by the state annually.

The activities of annually pension funds is governed with the following documents. These are the fund charter (the founding document of the fund), pension rules (the order of fund obligations with pension contracts) pension schemes (conditions of non-state pension system), professional ethics code (to prevent conflict of interest and debate of participants), contract the provision of services with a specialized depository, agreement of trust management with a management company (management companies).

The pension contract provides information about the rights, duties and responsibilities of the participants, how to make the pension contributions and payments to non-state pension order, a type of pension scheme. Between the fund and the investor is a contract which contains information about the rights, duties and responsibilities of the participants, the provisions on the procedure for making pension contributions and payments to non-state pension order, type of pension scheme.

Funds cooperate with specialized depositories, managing directors, independent actuaries and auditors. It regulates the activities of the fund the bank of Russia. Their property is divided into own funds, pension reserves and pension savings (about the non-state pension funds: The Federal Law of May 7, 1998 No. 75-FL).

Pension reserves and pension savings provide ability to pay for the obligations to participants and insured persons. Pension provisions are provisions covering pension obligations and insurance reserves. Pension reserves are formed from pension contributions, income from the investment of pension reserves and directed receipts.

Insurance reserve which is subjected to separate accounting, formed in accordance with the regulations of the fund's insurance reserves under the law. It can be formed at the expense of the pension contributions, part of the income from the placement-targeted revenue. Insurance reserve is not <5% of the size of benefit obligations coating reserve.

Pension reserves, fund allocates independently or through the management company. The investment portfolio structure, the share of securities of one issuer must not exceed 15% (exception it is government securities).

#### **AN ALTERNATIVE TO THE PENSION SYSTEM IN THE RUSSIAN FEDERATION-NON-STATE PENSION FUND OF "SBERBANK": THE PURPOSE OF CREATION AND HISTORY OF ORIGIN**

Non-state pension fund of "Sberbank" is one of the largest foundations having more than 20 years of creating [<http://www.npfsberbanka.ru>]. Its origin is related to the March 7, 1995 when the decision of the Russian Sberbank with Board of Directors in accordance with Decree No. 1077 "about non-state pension fund" of President of the Russian Federation on September 16, 1992 it was decided to create a new structure.

The central office of the Non-State Pension Fund of "Sberbank" is located at the address: 115162, Moscow, Str. Shabolovka, d. 31G.

Non-state pension fund of "Sberbank", what is developing on the basis of the branches and offices of the public joint stock company, Sberbank has the geography of the Kola Bay to Kamchatka which makes possibility to enter into contracts to almost all residents of the country. Nowadays 3 million people have been as customers of N-S PF of "Sberbank" (N-S PF Non-state Pension Fund).

Non-state pension fund of "Sberbank" is the stable development of the Russian federation fund (its assets increased annually by 30-40%). Therefore, in 2015, the

Foundation's National Rating Agency confirmed the individual reliability rating of "AAA" category fund (it is maximum reliability).

The main purpose of the non-state pension fund "Sberbank" is the formation of pension savings due to: ahead of time paid from the pension fund of Russian Federation in the fund at the request of the insured person's assets. It is recorded in a special part of the individual account of the insured person. It is including insurance contributions to the funded part of labor pensions received by the pension fund of the Russian Federation for onward transmission to the fund and not yet transferred to the management company; the funds transferred to the trust fund management company in accordance with the Federal Law "on non-state pension funds". It includes net financial result from the sale of assets, changes in the market value of the investment portfolio due to the revaluation of the balance sheet date. The funds are received by the fund from the management company for the payment of the insured persons or their successors and it isn't aimed at the payment of the funded part of labor pension.

Non-state pension fund of "Sberbank" is an open pension fund have the legal form it is joint stock company. As a member of the national association of non-state pension funds, the non-state pension fund of "Sberbank" entered into one of the first system and to ensure the safety of pension savings.

#### **MAIN ACTIVITIES OF NON-STATE PENSION FUND "SBERBANK"**

Non-state fund of "Sberbank" operates on non-state pensions investors based on contracts for non-state pension provision. In accordance with the Federal Law of 15 December, 2001. No. 167-FL "On Mandatory Pension Insurance in the Russian Federation" and the contract on compulsory pension insurance serves as the insurer as the mandatory pension insurance and on professional pension insurance.

The program of non-state pension fund of "Sberbank" are intended to ensure that people in old age remains financially independent. The main purpose of the non-state pension fund of "Sberbank" is to preserve the savings of depositors that is those funds that have been made to the pension account should maintain the purchasing power for the duration of the contract and it is usually <10 years.

According analytical center foundation profitability is from pension reserves over the past 10 years 278%, exceeding 36% inflation during the same period, i.e., the purchasing power of pension contributions has not decreased.

Non-state pension fund of "Sberbank" accumulates pension contributions; places pension reserves, carries out accounting for pension obligations. It means setting and payment of non-state pension fund members.

Based on the requirements of the Federal Law of 01.04.1996g. No. 27-FL "on the individual (personalized) registered in the system of compulsory pension insurance" non-state pension fund of "Sberbank" engages in conducting pension accounts of non-state pension coverage and retirement accounts funded part of labor pension.

In order to optimize the activities of non-state pension fund of "Sberbank" enters into contracts to provide services for organizational and technical support of the fund. It makes the payment for services and reimbursement of expenses of organizations that provide services on organizational, informational and technical support of the fund, including the expense of the proceeds from the placement of pension reserves and fund investment.

In the field of the fund's powers, it includes the formation of the accumulation of pension reserves, placing their funds the investment of pension assets at the expense of proceeds from the expense management companies, specialized depositaries, etc.

Non-state pension fund of "Sberbank" carries out accounting and tax accounting as well as separate account assets intended for maintenance of authorized activity of the fund, pension reserve funds and pension funds.

**Incomes of non-state pension fund of "Sberbank":** As a result of pension "savings bank" fund receives income from the placement of pension reserves and investment of pension funds. They are divided as follows:

The income that is derived from the placement of pension reserves. It goes on replenishment of reserves and pension costs that are associated with the provision of the charter of the fund and the formation of the property intended for the authorized activity.

The income that is derived from the investment of pension funds. It is heading for the replenishment of pension funds to cover the costs associated with the provision of the charter of the fund and on the formation of the property intended for the authorized activity. Accommodation in pension reserves by the fund through managing companies for asset management agreements and other contracts in accordance with the Russian legislation or on their own.

Contracts what entered into with the fund with management companies meet the conditions of being developed based on the requirements of the Federal Law

“on non-state pension funds” and civil legislation of the Russian Federation. The fund can independently place pension reserves:

- In federal government securities
- In government securities of the Russian Federation
- In the municipal securities
- In bank deposits (deposits)
- In real property

When placing pension reserves in the real property fund is required to submit data on the assessment of the Inspectorate of the property by an independent appraiser, it has to have a permit (license) for carrying out this type of activity in accordance with the Russian legislation. Evaluation of real property value which are placed the pension reserve fund by an independent appraiser at least once a year as well as it is said the acquisition or disposal of real property fund said.

**Individual programs of the non-state pension fund of Sberbank:** For legal person the fund offers individual pension plans based on contracts of non-state pension provision, it is mandatory pension insurance and corporate pension plans.

Individual pension plans are intended for preservation of the worthy standard of living after the end of professional activity, maintenance of comfortable life on pension.

The main mission of the individual plan is a possibility of increase in the future pension. The person himself has the right to regulate the size and frequency of pension contributions. Increase in profitability of pension savings is possible by means of a social tax deduction when which determining the size the taxpayer has the right to a social deduction in the sum of the pension contributions for the contract of non-state pension provision paid in the tax period.

By drawing up of individual contracts the staff of the non-state pension fund of Sberbank studies concrete life situations of investors that promotes finding of more optimum way for the solution of tasks of preservation of wellbeing after the end of work. In order that the investor had an opportunity to make a right choice, he has to understand all variety of ways of formation and increase in future income. For simplification of obtaining necessary information on the website urgent online, the services are presented in the most convenient form. “The pension calculator” allows picking up an optimal variant of formation of future pension of the size determined by the Investor. “Private office” allows controlling a condition of individual personal account online. It is possible to take up conditions of the individual pension plan.

It is necessary to provide passport data, individual number of the taxpayer and number of the cash card for execution of the individual pension plan. After the conclusion of the pension contract, the investor has to pay an initial pension contribution within 3 working days. If the sum isn't granted in due time, then the contract will be considered cancelled.

Minimum possible sum for introduction of an initial contribution is equal 1500 rub. The initial contribution is carried out according to the contract the offer. The minimum sum of the subsequent contributions is 500 rub. Frequency of payment of contributions is any. Use and functions of automatic payment is possible at which a certain sum will be charged from the card automatically.

The possibility of early cancellation of the contract with the non-state pension fund within the first 2 years the insured person can return 80% of the paid contributions and in 2 years 100% of the paid contributions and a half of the investment income. On the expiration of 5 years the opportunity of return of 100% of the contributions paid by the person and 100% of the investment income is given.

Duration of the payments is chosen by the citizen at award of pension. The minimum term is not <5 years. Inheritance is all accumulation on the account are inherited. Frequency is the payments are made monthly at achievement of a retirement age by the payer. The rest on the account will bring in the income and further.

The fact that the saved-up means aren't assessed with taxes belongs to advantages of Individual pension plans, aren't subject to the section at receivership proceeding, it can't be withheld upon the demand of the third parties. It is possible to receive a social tax deduction of 13% of the sum of the paid contributions.

Since, November 1, 2009 at the accumulation period up to 24 months the minimum size of single pension is inclusive established. It is equal 60,000 rub. It will note that the size of a pension contribution is carried out according to certain schemes which are coordinated with the investor at a stage of the conclusion of the pension contract.

The non-state pension fund allows a possibility of use of means of maternity capital for increase in funded pension of mother. In families where after January 1, 2007 the second, third or subsequent child has appeared can use the right to the maternity (family) capital.

The Federal law from 12/29/2006 defines the order of the transfer of means of maternity capital to the non-state pension fund. “About additional measures of the state support of the families having children” No. 256-FL. For this purpose, the woman has to write the application for the order means of maternity capital and submit him to territorial authority of PF of the RF (Pension Fund of the

Russian Federation) the application for the order means of maternity capital in which the direction of use of maternity capital is specified. Women who have chosen the direction of means (or their parts) maternity capital have the right to refuse use of means in this direction to formation of funded pension.

Appointment and payment of pensions is carried out according to the Federal Law from 11/30/2011 No. 360-FL "about an order of financing of payments at the expense of means of pension savings".

Payments of means are carried out by the Central office of JSC PF of the RF of Sberbank of Moscow (JSC PF of the RF (Pension Fund of the Russian Federation)). There are following types of payments to the insured people: lump sum of means of pension savings, urgent pension payment, funded pension. These types of pension savings are inherited. After the conclusion of the contract on mandatory pension insurance, any insured person can submit the application to Fund distribution of means of pension savings. The size of a share of each assignee is defined in the contract. If this contract is absent, then in case of the death of the insured person before purpose of funded pension or urgent pension payment, pension savings are paid to assignees of the first stage in equal shares. The spouse, children and parents belong to their number. If assignees of the first degree are absent, then payment is made to assignees of the second turn. These are brothers, sisters, grandfathers, grandmothers and grandsons.

Assignees of the died insured person have the right to means of pension savings of the died insured person if death of insured has come before purpose of funded pension on an old age or before recalculation of the size of this part of the specified pension taking into account additional pension savings. It is before appointment to him urgent pension payment or before adjustment of her size taking into account additional pension savings.

If the death of the insured person has come during the period after appointment to it urgent pension payment, assignees can receive not paid balance. This is the child's father (adoptive father) who in connection with the birth (adoption) of the child had a right for additional measures of the state support; minor children (child) concerning whom there was a right for additional measures of the state support and also full age children who study full-time in educational institution.

#### **CORPORATE PROGRAMS OF THE NON-STATE PENSION FUND OF "SBERBANK"**

Directed to motivation of personnel of the enterprise and are the effective instrument of performance

management of business. Corporate programs are considered as the tool of long-term personnel policy and ensuring stability of the labor relations between workers and employers.

The mechanism of corporate pension plans is as follows: the employer pays contributions in favor of employees and creates the conditions for receiving benefits and the employee performs tasks and will be entitled to the payment. As a result, the employer receives a fulfillment of the conditions and the employee it is a decent pension.

Corporate pension plans allow realizing individual approach to clients. There are important interests both the employer and the worker here. Non-state pension fund of "Sberbank" provides support for corporate pension program for the duration of the contract, advises its clients on tax and pension legislation. Participation in the corporate pension programs enhances employee loyalty to the organization and improve the image of a socially oriented company.

#### **CONCLUSION**

Thus, the formation of non-state pension system in the Russian Federation is a necessary element of social policy. Reforming the system of occupational pensions involves reducing the funds of the pension fund for financing pensions by moving to pension insurance in which the formation of mandatory occupational pensions will be implemented on the principles of cumulative funding. "Sberbank" was one of the most successful projects in the non-state pension fund. The main goal of which is to create a decent life of citizens of retirement age.

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