

## **Optimization of The Pension System of The Russian Federation: Precondition, Tendencies and Prospects**

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### **Abstract**

The subject of research in the article is the optimization of the pension system of the Russian Federation, which will determine the research topic. The study aim to put forward a hypothesis about the possible most effective methods of optimizing the pension system of the Russian Federation, to consider the options for the development of events and the likelihood of achieving the best outcome for all parties to the pension process. The objectives of the study are a review of existing methods and approaches to establishing the effectiveness of the pension system in the literature; description of the theoretical foundations defining the pension system as a state structure; confirmation of the current situation in the Russian Federation at the moment with statistical data; conclusions and results of the study. The research methodology lies within the boundaries of the theoretical systematization of previous scientific findings, the analysis of existing statistical data, and the synthesis of the conclusions of a probabilistic study of approaches to optimizing the pension system of the Russian Federation. The results of the study are the conclusions about the most likely outcome of the implementation of the optimization measures proposed for the pension system of the Russian Federation. The practical significance of the findings is determined by the high level of relevance of the issue and pension investments for the Russian economic and political community. From an economic standpoint, there is a need for the accumulation and payment of large sums, which should correspond to an adequate standard of living of the population. From a political point of view, the pension system is becoming an influential tool of loyalty to the country's leadership, which is determined by a significant number of pensioners in the Russian Federation. The solutions developed can be applied in the system of state management of pension savings of the Russian Federation.

**Keywords:** Pension; pensioners; system; optimization.

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## **Introduction**

The pension system in the Russian Federation is of tremendous social and political importance, which is determined by the presence of a large number of citizens of retirement age. In addition, it is an essential socially important pillar for the country's leadership, therefore their interests should be taken into account.

Nevertheless, several serious problems are more or less focused on the number of pension payments. Many related issues arise in the development and implementation of various forms of optimization of pension reforms. Thus, the relevance of the system under study is fully determined by the scale of problem areas and tasks when solving issues of optimizing the pension system of the Russian Federation.

The main trends include consideration of a complex demographic situation, especially in the regions; the need to develop non-state pension programs, taking into account international experience; development of strategic goals and plans of state and non-state funds for a stable financial situation. These and other areas to stabilize pension payments, and bring them to a decent level are taken continuously and truly improve the system as a whole.

The pension system in itself represents a substantial accumulation of funds, which allows it to significantly influence the economy as a whole. State and non-state pension funds of the Russian Federation are gradually becoming investors, influencing the positive dynamics of the country's economic growth.

Questions of a sufficient level of provision of citizens with the payment of retirement benefits to them become relevant for an increasing number of people, which is determined by the dynamics of market changes, which often lead to a relative decrease in payments concerning established prices for food products and housing and communal services. In most cases, it's not yet possible to talk about other expenses for Russian pensioners. A way out of this situation could be the activation of pension insurance and the development of non-state pension funds.

However, this does not negate the significance of theoretical and practical developments in establishing a sufficient level of pension payments at a level that covers the minimum cost of ensuring a decent standard of living. This is what became the topic of research in this article.

### **Research methods**

Methods of research in the study of the optimal directions of development of the pension system are most often theoretical studies - analysis and synthesis of the conclusions made by scientists, including economists; case studies; economic and mathematical modeling, and statistical forecasting. Such methods can comprehensively examine and substantiate conclusions about the most effective ways to optimize the pension system of the Russian Federation.

### **Literature Review**

Many Russian researchers include pension benefits as a system of social protection of the population, analyzing it as an important component of state social policy (Federal Law of December 28, 2013). Social protection contains a system of diverse forms and aspirations. Thus, some authors distinguish the following main forms of social protection: personal material self-defense, public philanthropy, public solidarity, state social welfare, and assistance, as well as proprietary (enterprises) social protection system (Federal Law of 12.28.2013).

Another group of authors among the forms of social protection highlights: social security, social assistance, social insurance, and charity (Shakhbanova, 2015).

In turn, any of these forms can be analyzed in relation to protection against risks that are associated with old age, disability, loss of breadwinners (what constitutes the essence of the pension system).

The World Bank's approaches to the construction of pension systems in the world (mandatory, voluntary, and individual pension insurance) from the standpoint of macroeconomics, microeconomics, and political economy were analyzed by the Nobel laureate in economics J. Stiglitz [1999]. Subsequently, R. Holzmann and co-authors [2008] investigated these approaches, having developed a criterion for their evaluation.

A. Borsch-Supan [2012] investigated the main problems of reforming state pensions (in particular, solidary pension insurance systems) in European countries from the point of view of high costs and population aging. In continuation of these studies, M. Wong [2015] considered the main shortcomings of the solidary pension system, taking into account the problem of its stability in the economy

with aging populations, distortion of the incentive to work, accumulations of implicit pension debt, as well as the main specifics of pension reforms in countries around the world, in particular, full or partial transitions from fixed-fee systems to fixed-fee systems.

In the following, the term "pensions depending" refers to the amount of government spending on the payment of different types of pensions: old age (old age), disability pensions, survivors' pension, etc., according to the data descriptions of Eurostat, used in statistical analysis.

Nobel laureate in economics R. Diamond [2011] considered the impact of different approaches to the construction of the pension system on the labor market, savings, and economic growth. In the work "Economic Theory and Tax and Pension Policies" [2011] he also studied the system of compulsory pension insurance from the point of view of the theory of optimal taxation. The author concluded that the existing systems of taxation of income from capital favor the formation of pension savings (for example, the pension systems of Australia and New Zealand).

Among the studies of pension systems in countries around the world in dependencies on their levels of economic development, we can mention the work of D. Bloom and R. McKinnon [2013], who analyzed the main aspects of the construction and implementation of the state pension insurance system in emerging and transition economies, with accounting the main objectives of such systems, which are aimed at reducing poverty, ensuring adequate levels of income for pensioners, regardless of gender differences; reduce the risk of underfunding. According to the authors, a proper pension policy should contain a set of measures aimed at optimizing insurance premiums, insurance payments, and financing, taking into account the demographic, historical, political, and fiscal situation in the country, the practice of supporting retirees, and the situation in labor markets.

E. Vogel and co-authors [2012], applying the methods of economic and mathematical modeling, studied the change in demographic situations in industrialized countries, which led to a reduction in the number of working-age populations. As a result, the main aspirations to prevent the negative consequences of such changes were established: the growth of investments abroad, the increase in the retirement age, and the endogenous increase in human capital.

Russian researchers also pay serious attention to studying the current stage of reforming domestic and foreign pension systems and their impact on the formation of the national economy.

V. A. Mau [2012] considers human capital to be one of the most important factors of modern economic growth. The impact of this factor on the economic activity of an economic entity depends, from the point of view of a given researcher, including on the outcome of the functioning of the pension system, on the formation of conditions for a qualitative leap in its formation.

Estimates of the short-term consequences of changes in the pension system of the Russian Federation in 2010 and possible long-term scenarios for the formation of a system of labor pensions are given by E. T. Gurvich [2010], arguing that if the size of the transfer to the RF Pension Fund is maintained, the replacement rate will consistently fall. To maintain it at constant levels, it is necessary to increase the size of the pension transfer by one percentage point of GDP every five years or annual increases in the pension contribution rates by one percent. A.K. Soloviev [2013] considers the situation and the formation of the pension system of Russia in the long term. At the same time, he establishes the cause of the existing deficits of the Pension Fund of the Russian Federation and shows that the main factors are actuarial imbalances in tariff policies, non-participation of the existing part of the working-age population in payments to the Pension Fund, as well as the presence of a significant number of persons who receive a retirement pension before the due date.

There is a lot of research on optimizing the pension system both in Russia and abroad. Consider some of the sources that are most interesting from the point of view of optimization.

So, Gorlin Yu.M. and co-authors in the research work “Development of a pension formula for calculating the joint pension plan, taking into account the stimulation of a later retirement”, contains proposals for optimizing the pension formula, allowing to increase the efficiency of the pension system by encouraging a later retirement period (Gorlin et al., 2019).

Barbashova S. A., Sokolova I. S., Shcherbakov E. M. in the article “Reforming the Pension System of the Russian Federation at the Present Stage” argue that it is necessary to improve the tariff-budget

policy, reform the institutions of long-term pensions and the funded component of the pension system, develop corporate pensions and pension insurance (Barbashova, Sokolova & Shcherbakov, 2016).

O. Dmitrieva and co-authors [2010] compare the performance of the accumulative and distributive pension system, stating that in the Russian condition, the pension savings rate does not cover inflation, significantly lags behind the indexation of the insurance part of the pension and even more - from the growth of average wages. As a result, with other conditions being equal, the pension among citizens with mandatory accumulative elements will be less than that of those who are within the boundaries of the fully distributable pension system.

Leonid V. Fedorov's monograph "Development of Pension Systems: Theory, Concepts, Social Dynamics, Fiscal Improvement" conducts a detailed analysis of all aspects of the pension system of the Russian Federation, proposing a set of measures to improve the financial mechanism for budgeting the pension system (Fedorov, 2016: 278).

Pavlova TM in the article "Analysis of changes in the state pension system in Russia" considers all the consequences of changes in the pension system of the Russian Federation in the period 2015–2017 (Pavlova, 2017: 194-197).

Thus, the analysis of literary sources allows us to argue about the comprehensive theoretical and practical interest of scientists to the problems of transformation of the pension system of the Russian Federation. Particular attention is paid to the pension system and its transformation by international financial and economic organizations, such as the OECD, the World Bank, the IMF, the International Labor Organization, which conduct an annual review of the pension and insurance markets and pension systems in countries and regions of the world.

The collective monograph, edited by Fedotov D. Yu., states that "the current state and prospects of development of the pension system of Russia" contains a detailed analysis of the current state of the pension system of the Russian Federation and proposals for the development of non-state pension funds (Fedoyov, 2012: 137).

A. Soloviev in the article "Long-term Forecasting of the Development of the Pension System of Russia: Factors and

Conditions” offers an analysis of the problems and prospects for the development of pension insurance as a promising strategy for the development of the pension system of the Russian Federation (Solovyov, 2012: 86-96). The same author, in the article “Problems of Forming the Insurance Pension System of Russia”, analyzes the proposals for the development of the pension system in the Long-Term Strategy for Socio-Economic Development of Russia until 2030, citing calculations to justify ways to solve the actuarial optimization of the mandatory pension insurance system (Solovyov, 2012: 83–101).

However, in the literature, the listed forms of social protection are interpreted unequivocally (Yuzvovich & Kuznetsova, 2017). Thus, a discussion of the term “social security” is provoked. For example, the authors of the textbook “Social Security Law of Russia” suggest that “modern-day social security should be understood as forms of expressions of the state’s social policy, which is aimed at providing material for the established categories of citizens from the state budget funds and specialized extra-budgetary state funds in the event of an event which are recognized by the state at this stage of its formation as socially significant, to equalize the social situation citizens compared to the rest of society”( Pavlova, 2017).

This definition refers only to the established category of citizens included in social security systems, and only in situations of occurrence of events that are recognized by the state as socially significant. In our opinion, this interpretation of the phenomenon is, firstly, not clear, because it does not identify the social groups themselves that fall into the social security systems; secondly, in the economic literature, the concepts of “social risks” have long been established, which should be taken as a base when analyzing the type and method of social security.

Analysis of the definition of the term “social security” showed that there is both a narrow and extensive interpretation of it. In the extensive interpretations, this includes such types of social security as medical, pension as well as social proper (Galimov, 2015). In narrow interpretations, social security refers only to the payment of pensions, benefits, and social services (Stetsyunich, 2016: 261-265).

But in any of the above options, pension benefits are listed among the types of social security.

The term “pension coverage” is quite capacious and contains various forms of social protection of the population against social risks that are associated with the onset of old age, disability, loss of breadwinners. At least one can also say about several meanings of the term "pension provision". In a broad sense, “it includes not only mandatory and additional pension programs, but also other systems that allow you to maintain certain levels and standards of life at retirement age (for example, health care systems, social services, etc.)” (Matveev, 2014: 299-301).

Narrow interpretations of the term suggest that pension insurance is excluded from pension provision (Galimov, 2013: 52-56). But the situation is hampered by the circumstances that the concepts themselves are not clearly established, and the boundary between them is mobile. Quite often, questions are raised about the parallel and equivalent existence of the process indicated by the indicated term, depending on the methods of financing and the formation of a monetary fund. When financing in the form of direct appropriation from budgets, the term “pension provision” is used, and when applying the insurance method for forming a special fund, the term “pension insurance” (Gorlin et al., 2019).

The dissertation by G. G. Bykova “Development of the Pension System of the Russian Federation Based on Accounting for the Results of Parent Labor” offers a mechanism for incorporating the results of parent labor into the pension system, which can improve the demographic situation in the country (Bykova, 2016).

I.A. Gareeva and I.S. Kulinich in the article “Problems of Pension Insurance in Modern Russia” consider qualitative and quantitative characteristics that help to effectively establish the parameters of the tariff policy and the cumulative component (Gareeva, 2016: 309 – 314).

Not only scientific but also educational materials on the research of the pension system are published in open access. For example, in the textbook “Social Security of Russians: Theory and Practice” Barbakova O.M. and co-authors cite sociological diagnostics models that become the backbone of the study of the mechanisms for implementing pension schemes (Barbakov et al., 2013: 338).

The author Nizamova N. D. in the article "Problems of pension security of the Russian Federation and possible ways to solve them"



refers to the financial side of the issue, putting forward promising directions for solving them (Nizamova, 2017: 342-347).

In connection with the topic being analyzed, the approach proposed by A. A. Grigoriev, D. N. Ermakov, Yu. Yu. Finogenova and other authors are also interesting. According to Yu. Yu. Finogenov, “pension provision” is a concept that covers the designation and payment of all available types of pensions, and the concepts “pension insurance” are a form of pension benefits for citizens, and these concepts are treated as general to particular” (Barbashova, Sokolova & Shcherbakov, 2016). In our opinion, this approach allows us to consider all types of pensions within the boundaries of pension systems, connecting those that are formed and paid by the states; employers through mandatory and voluntary pension insurance; by the citizens themselves (voluntary pension insurance). Thus, the term “pension provision” is analyzed in extensive interpretations that contain all types of pensions that are formed and paid within the boundaries of the pension system, and among its forms are government pensions (narrow interpretations of this term) and pension insurance (mandatory and voluntary). It is in this aspect that this term will be applied in research in the future concerning regional pension systems.

The pension system is a complex mechanism, any failures in which instantly affects the social, political, and, consequently, the economic situation in the country. On the other hand, any economic, social and political change also affects the Pension System. Considering the fact that the levels of pensions to a significant extent give rise to the lifestyles of older people, their participation in economic activity, it is necessary to recognize the responsibility for the decision being made and to take into account the full consequences of the transformation in this area.

The pension system is a combination of institutions of social protection of the population, which regulates the legislation of the country and is aimed at ensuring and forming payments to citizens of the country when they reach retirement age.

S. Belozerov in the article “Peculiarities of national pension systems” analyzes the dynamics of pension and insurance contributions as social transfers causing GDP dynamics and other

macroeconomic indicators of the development of the national economy (Belozеров, 2017: 51-77).

In the presentation “Modeling the Future of the Pension System of the Russian Federation”, D. Pomazkin and E. Yakushev present the basic arguments about the demographic processes in the Russian Federation and the need to take them into account when optimizing the pension system (Pomazkin, 2016).

### **Pension Institutions**

World practice has developed three main institutions of pension provision (Yuzvovich & Kuznetsova, 2017).

The first is the Institute for Social Assistance. This form of protection for senior citizens was the only one in Soviet times. Pension security in this system is implemented within the boundaries of the unified state budget. Centrally planned to create a social security fund (assistance), which includes an item of expenditure on a pension. For financing a social security (assistance) fund, the tariff is set as a percentage of the wages paid in the national economy. The size of the tariff is set by the state, but none of them, not even the most prosperous state, is in a position to solve the problems of providing citizens with pensions only at the expense of budget funds. World experience has shown that the Institute of Social Assistance should pay only the most vulnerable categories of citizens who cannot earn their own pensions.

The second pension institution is the so-called “on the go” system (the “pay on the go” system). This system is based on a “generational contract”. This means that the current working population and employers contribute to the pension fund, from which funds are immediately spent on paying pensions to pensioners. Thus, this system is similar to levying taxes on employees and employers for the functioning of the pension system and, of course, belongs to the state, that is. centrally because it can not be installed within the enterprise or industry.

G. Z. Umyarova in the article “Foreign experience in the functioning of the pension system” speaks of the advantages and disadvantages of the pension systems of the USA, Germany, and Italy, in comparison with the Russian Federation (Umyarova, 2017: 57-68).

Koroleva N. N. and Firstova L. A. in their work “The Pension System of the Republic of Mordovia and Ways to Optimize It” analyzes the state of the pension system and examines ways to improve it in the regional aspect (Koroleva & Firstova, 2017).

The operation of this system revealed a number of significant flaws:

- a) the absence of the basic principle of insurance - the equivalence of contributions and payments;
- b) strengthening social dependence and the negative impact on the overall levels of savings in the country, because citizens, counting on the state pension, are not inclined to save for the future;
- c) during the exacerbation of the economic situation, the government, using its monopoly, tries to limit the amount of pensions as much as possible, which adversely affects the living standards of socially vulnerable segments of the population;
- d) the system can be manipulated by various political forces due to the fact that their distribution can be used to achieve a fleeting political outcome, which ultimately damages the pension system (Stetsyunich, 2016).

The third and most promising pension system today is the Pension Insurance Institute. The essence of this system is as follows: citizens of the country pay insurance premiums during active work, which are accumulated and capitalized on their personal retirement accounts, and when the insured event (retirement) occurs, citizens receive a pension from their “personal pension” Accordingly, the more funds in the account, the more pensions. At the same time, the state is responsible for the safety of citizens' funds, regulates the activities of the pension fund and the insurance company, and guarantees minimum pensions. For individuals who have not saved enough funds for their personal account, minimum pensions are paid from the budget and/or employer contributions. It is this pension system, according to most experts in the world, which more fully meets the social insurance principle, meaning the most responsibility, solidarity, and subsidiarity.

The working population is responsible for their material well-being, in solidarity with the state, helping the most disadvantaged groups. It should be noted that these are only professional pensions. Concerning social benefits for the disabled (including children), large

families, single mothers, etc. payments to them must be made by the state within the boundaries of the Institute of Social Assistance. This system fully complies with the principle of equivalence of insurance premiums and payments. Finally, it is this system that best exacerbates people's responsibility for their own material well-being.

Within the framework of this system, there can be no equalization of pensions, at the same time, the economy receives large resources for long-term investments. In some cases, pension money management remains with the state, but often this responsibility is assumed by private companies. There may even be a system of competing non-state pension funds.

### **Principles of Transition from a Distribution System to an Insurance System**

The basic principles by which an increasing number of countries are moving from the distribution system to the insurance system are as follows:

a) in the pension insurance system there is a direct relationship between how much a person has earned and how much his pension will be. Money in retirement accounts is the property of citizens, and not of the state, therefore, the reliability of pensions in the funded system increases;

b) the demographic situation in the world today is such that fewer workers fall on the share of one elderly person.

c) the savings system increases the rate of savings in the country, which is very important for accelerating economic growth, especially since the main factor determining low levels of pensions in the Russian Federation is the state of the economy and labor productivity.

The indexation of insurance pensions in 2016 took place in 2 stages: the first indexation was carried out in February, during which pensions for non-working pensioners increased by 4%. The government of the Russian Federation refused the second indexation, replacing it with a 5,000 ruble compensation payment in January 2017. The funds of these compensations were allocated from the presidential reserves formed in 2016. The measures taken had a positive impact on the receipt of the pensioners' minimum pension since this payment covers indexation, which was to be carried out in 2016.

In addition, a lump-sum payment was received by working retirees who indexed pensions, which were suspended from 2016, but in red - those who receive pensions above-average levels, because when they index their pensions in full, compensation does not apply to inflation. In addition, lump-sum payments will not change the size of basic pension payments, provided that the above measures were indexed in 2017, the budget saved about 160 billion rubles, but this was a violation of citizens' rights to the safety of their savings since the insurance pension should be indexed every year at least to the level of inflation, that is, by 12.9% for 2016.

Since February 1, 2017, insurance pensions are more than 31.4 million. Non-working pensioners increased by 5.4%, depending on the growth in consumer prices for 2016. According to Rosstat, inflation in 2016 was 5.4%, and insurance pensions of non-working pensioners are indexed for this amount. Indexation of pensions to the level of inflation for the previous year will ensure the preservation of the purchasing power of the insurance pension of non-working pensioners. The value of the individual pension ratio (pension point), taking into account which insurance pensions are assigned, is 78.28 rubles (until February 1, 2017). - 74.27 rubles). Together with insurance pensions, the fixed payment for it is indexed by 5.4%, its size is 4805.11 rubles (Galimov, 2015: 69-74).

Simultaneously with the indexation of the insurance pension, from February 1, 5.4% indexed the monthly cash payment (EDV), the most massive social payment in Russia. In modern times, the Pension Fund pays its 15.6 million federal beneficiaries, including people with disabilities, war veterans, citizens exposed to radiation, Heroes of the Soviet Union and Russia, Heroes of Socialist Labor, and other citizens. The EDV indexation rate is determined based on consumer price inflation for 2016. Funds to increase the monthly cash payments stipulated in the budget of the Pension Fund of Russia for 2017 amount to 21.3 billion rubles. The budget of the FIU is planned for total expenses for payment of all types of EFAs with indexation for 450.9 billion rubles (Galimov, 2015: 69-74).

Since February 2017, the Pension Fund of Russia has switched to the payment of all types of insurance pensions increased by 5.4%: old age, disability, loss of a breadwinner for non-working pensioners.

Workers retirees will receive a pension with indexation after completion of work. The budgets of the pension fund of the Russian Federation for 2017 were indexed at a rate of 5.8%, so it was decided to index in 2 stages: the first - in February 2017 by 5.4%, the second - in April by 0.4%, for a working pensioner, an increase to the pension is not provided for in 2017; in August 2017, no more than 3 pension points will be added to the insurance pension. After the termination of the operation, the Pension Fund will conduct indexation of insurance pensions throughout the entire missed indexation.

In 2016, a moratorium was introduced on allocating the funded part of pensions. All funds received from employers during 2016 will continue to come to the formation of the insurance part. Due to the "freezing" of pension savings, the government plans to receive 342.2 billion rubles. These measures will also help to balance the budget of the PFR, but at the same time deprive the economy of "long" money: as a result of the withdrawal of pension savings in 2014–2016, the economy will receive less than 1 trillion rubles.

The moratorium on the use of the funded part of pensions by non-state pension funds (NPF) is also explained by the fact that by the end of 2015, funds licensed for mandatory pension insurance should have been the Central Bank of the Russian Federation and entered into the guarantee system. As a result, the main part of the funds, and first of all the largest market participants, has proved its reliability and efficiency. According to the results of inspections of the Central Bank of the Russian Federation, 38 APFs were received in the guarantee system of pension savings.

At the end of December 2015, there was a high demand for the transfer of pension savings to non-state pension funds after the government decided not to extend the right to election of funded pensions. In 2015, the number of insured persons who are clients of non-state pension funds increased by 19% and amounted to 26.3 million. People, or 33.5% of all employees, as of December 31, 2015.

As a result of the transitional campaign in 2015, the number of insured persons who make up their savings in private pension funds reached 30 million (Federal Law of 12.28.2013).

A significant increase in applications for transfer to a non-state pension fund is caused not only by the interests of citizens but also by

the intensification of advertising campaigns in insurance companies and branches of the Bank. As practice has shown, by the end of 2015, a part of the population, interested and knowledgeable about pension reforms, has already transferred their savings to a selected non-state pension fund or management company. Thanks to active sales, it was possible to conclude an agreement mainly with those who had not yet thought about their future retirement, and the main argument was that 2015 is crucial for choosing a method for the subsequent formation of a future pension.

Based on the data of the Resolution of the Russian Federation of January 28, 2013 No. 54 “On Approval of Guidelines for Determining the Consumer Basket for Population Groups of the Russian Federation”, we calculate the average value and the required amount of goods and services for each of the three social people. groups (able-bodied citizens, pensioners, children) (Federal Law of 12.28.2013)..

The modern pension system of the Russian Federation is a set of laws whose task is to maintain and organize the regular transfer of funds for persons who have already retired.

### **State Pension System**

The state pension system is divided into three main groups:

State pension provision. The state organization responsible for the payment of a pension is the Pension Fund of the Russian Federation. Pension from the state is transferred to citizens from the federal budget, distribution is carried out among narrow strata of the population.

Mandatory pension insurance. These are payments from the Pension Fund or a non-state pension company. This retirement pension is granted to the majority of workers. The accumulation of funds is carried out through a compulsory insurance premium, which is transferred by the employer to the FIU.

Non-state pension provision. This system is managed by private pension funds and can be individual or corporate. Any person or organization that has decided to enter into a separate agreement with an APF and ensure a higher standard of living in retirement can receive such payments. Pay such pension contributions to individuals or companies providing additional protection for their employees.

**Table 1. Compositions and cost of the consumer basket  
(Food, non-food products, services)**

<b>The cost of "Food", 2018</b>			
<b>Zone VIII (kg x rub)</b>			
<b>Products</b>	<b>Able-bodied population</b>	<b>Pensioners</b>	<b>Children</b>
Bread, macaroni, pulses, flour, cereals	131 kg(90rub)=11790rub	103x90=9270	78x90=7020
Potatoes	87x30=2610	70x30=2100	81x30=2430
Vegetables, Gourds	121x75=9075	110x75=8250	123x75=9225
Fresh fruits	60x80=4800	45x80=3600	118x80=9440
Sugar and other sweets	23x45=1035	21x45=945	21x45=945
Meat and meat products	58x400=23200	54x500=21600	44x400=17600
Fish and fish products	20x200=4000	17x200=3400	20x200=4000
Milk and dairy products	258x50=12900	230x50=11500	360x50=18000
Eggs (in pieces)	210x6p=1260	200x6o=1200	360x50=18000
Oil, vegetable and animal fats	13x80=1040	10x80=800	6x80=480
Other products, including salt, spices, tea	5x700=3500	4x700=2800	3,5x700=2450
<b>Total</b>	75 210 rub/year 6500rub/month	65465rub/year 5500 rub/month	72796 rub/year 6100rub/month
<b>Cost of service, 2018</b>			
<b>Units / Volume of use (1 person)</b>			
<b>Name</b>	<b>Able-bodied population</b>	<b>Pensioners</b>	<b>Children</b>
Dwelling	18m <sup>2</sup> X42700=768600rub	18=	18=
Central heating	6,7 Gcal x 990rub x 12 = 79596	6,7=79596	6,7=79596
Water supply	m <sup>3</sup> /day 0,25 x 103x30x12=9270	258=9270	258=9270
Gas supply	m <sup>3</sup> /month 10x5x12=600	10=600	10=600
Electricity	kWh / month 50x3,5x12=2100	50=2100	50=2100
Transportation Services	Trips per year 619x25=15475	150x25 = 3750	396x25rub= 9900
Culture Services	5% of the total cost of services = 43780	5%=4770	5%=5075
Other services	15% of the total cost of services = 131345	15%-14298rub	15%=15220
<b>Total</b>	932566rub/year 77713 rub/month	95320rub 114390rub/year	101470 121770rub/year



In these three groups, you can define the series of established specifics, each software operates according to established principles, and can provide people with many options for retirement benefits.

Calculating the average price of a foodstuff, a non-food product, a first-aid product, and housing and public utilities, we obtained sums ensuring the minimum quality of life for 3 groups of people (Shakhbanova, 2015).

Thanks to the obtained data, we will compare the consumer basket by law and at real prices in Table 2.

**Table 2. Differences between consumer baskets for 2018**

General information on the required minimum cost of the consumer basket								
Food			Non-food products			Services		
Able-bod.	Pens.	Children	Able-bod.	Pens.	Children	Able-bod.	Pens.	Children
6500	5500	6100	3800	4500	1900	13665	9550	10150
Able-bodied population	23965rub/in month+18150/2=33000							
Pensioners	19550rub/in month							
Children	18150rub/in month							
Cost of the consumer basket according to the legislation								
Able-bodied population			Pensioners			Children		
10000			7700			9600		

On average, the state standard of the consumer basket is two times less than the minimum required by price levels (Yuzvovich & Kuznetsova, 2017). It turns out that the mechanisms of distribution of insurance payments to citizens of all social groups do not work correctly. Let us take, for example, the statistics of Rosstat on the salaries of nursing staff — a salary of 16,500 rubles, a labor activity of 35 years and a cost of a PC = 78 rubles.

$$SP = 16500rub * 0,22\% = 3630rub * 12month = 43560rub * 35years = 1524600rub$$

$$IPR = \frac{1524600rub}{876000rub} = 1,7 + 10 = 17$$

Under these conditions, the employee's pension will be:

$$SP = 17 + 78 + 4805(\text{fixed payout}) = 6131rub$$

Calculations confirm the low purchasing power of the insured benefits, i.e. the Pension does not correspond to the subsistence minimum for citizens with low wages for labor activity (Pavlova, 2017).

In our opinion, the successful future of the national pension system in the implementation of its self-sufficiency, in the ability to positively influence the economic processes of the state. The result of the principle of economic independence is the use of the aggregate component of contributions, which is present in the pension system of many successful countries, which is traditionally underestimated and criticized due to economic illiteracy in managing public assets and risks.

However, the immediate reform of the current pension system in accordance with accumulative assets, according to E. T. Gurvich, will not bring the desired results in the medium term. The author notes that the main component in the medium-term planning is played by the distribution component, the effectiveness of which leaves much to be desired and is the main drawback of the existing system (Galimov, 2013).

### **Principles of the Three Level Pension Insurance System**

In our opinion, for the adoption and implementation of foreign experience, for carrying out reforms in the field of social protection of the population, it is necessary to provide a favorable ground. As an example, we present the situation in Latin America with pension reforms that are unable to change the mentality of the population and bring them into an effective economic sector. Many authors Alekseev, Yu. K., Babich, AM M., Gurvich, E. T. are inclined to the usefulness of introducing a three-tier pension insurance system.

System principle:

- in attracting developing sectors of the economy with the main role of investment funds of accumulative assets for targeted social support of citizens,
- attract public funds to support persons with disabilities and eliminate inflation.

The first steps should be taken using the existing structure of the distribution of government charges. This measure will be provided to

citizens who are entitled to receive benefits (disabled people who have lost the breadwinner in the family), as well as employees and retirees who “do not have time” to accumulate pension funds within the funded pension system (Gorlin et al., 2019).

In such a situation, it is necessary to increase budget injections. However, compared with the current situation, money should be spent not only on the payment of benefits but also on financial measures to improve the autonomy of the system - to improve investment horizons, open up knowledge and opportunities for the population to manage savings.

With these amendments, the insurance system will reduce the number of holes in the state budget and begin to make a profit. In the end, using lump-sum pension payments for a pensioner, conditions are created for organizing their business or further increasing savings by investing after retirement (the Japanese experience). Due to the large scale of pension reform, a multilevel system of insurance of employee donations in the event of ineffective government intervention in the pension system will be required.

### **Conclusions and Recommendations**

Thus, the above calculations suggest that it is necessary to transform the pension system of the Russian Federation, due to the incompatibility of pension payments to citizens with low wages and the necessary and sufficient standard of living in the country. The money that is now provided as pension payments is not enough to cover daily needs - food, utilities, and treatment - for a significant part of the Russian population who are of working age.

However, the experience of other countries shows that if pension deductions by a citizen of working age were nevertheless carried out, then a minimum and sufficient level can be ensured. In some countries, such coverage is social, while in some insurances it is sometimes considered as an investment. In any case, after dozens of years of work, even if the work was not highly paid, the state is obliged to guarantee the lowest possible standard of living.

It should not be disregarded that even now the pension fund is a large-scale financial instrument for the development of the economy, including possible investments, investments in securities. Now even

discussed the possibility of investing in startups fintech companies. However, today investors themselves - pension funds, both state and private are not ready for such investments. In most cases, due to lack of knowledge and insufficient information.

In addition, the development of insurance pensions will allow developing mechanisms for a continuous system of payments for guarantees of insurance companies, this will provide additional income or social security in a disabled age.

In the Russian Federation, they also rely on non-state pension insurance funds, so it would be appropriate to promote this type of investment among the younger population, which for many years will support the economy with their labor.

The pension system of the Russian Federation is a huge mechanism of social and political structures provided with financing at the state and non-state levels, being an instrument for investing and accumulating money can become the flagship of the development of the national economy. That is why all the practical and theoretical developments in this topic are becoming increasingly relevant every year for every citizen of the country. Pension security is always a guarantee of a stable economic position of a country, both in domestic and in foreign policy.

**Authors' Statement:** The authors declares that they have fully abided by all ethical requirements regarding issues including plagiarism, double publication and/or submission, redundancy, data fabrication and/or falsification, informed consent, misconduct, etc.

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