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## **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:**

*The article is devoted to a problem, which is important relevant for the Russian Federation. It is studying the factors of formation of non-state system in provision of pensions.*

*In this article, the authors have described the Russian specifics of formation in the system of non-state pension provision in the Russian Federation. As the main methods, the system and structural and analytical analysis are chosen. Data and materials of the non-state pension fund of Sberbank became material of a research.*

*The main documents regulating formations and functioning of the non-state pension funds are submitted. It is shown that one of the most perspective is activity of the non-state pension fund of Sberbank.*

*The sources of formation of revenues of the non-state pension fund of Sberbank are described. Both individual and corporate programs of the non-state pension fund of Sberbank are submitted.*

*The conducted research allows making conclusions that despite the undertaken reforms of provision of pensions by the citizens.*

**Keywords:** *Pension provision of the Russian Federation, Non-state pension fund of "Sberbank".*

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## **1. 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 (The Constitution of the Russian Federation, 2016). In the Russian Federation, the state social security system is based on the principles of universal social security, social security warranty, targeting social security, completeness and differentiation methods of social security, the adequacy of the level of social security to meet the vital needs of the recipients (Yershov and Tolmachev, 2009).

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. In these circumstances, the responsibility for their old age begins to shift from the state directly to the person (Ermakov and Hmelevskaia, 2014; Makarov and Smirnova, 2009).

## **2. Materials and methods**

The materials of a research have been served the actual and standard data. They were presented in scientific works, statistical given the expert estimates, normative legal acts regulating activity of the non-state pension funds and the materials presented by the non-state pension fund of Sberbank. The methods of the system and structural and analytical analysis are used in work.

## **3. Results and discussion**

### **3.1. 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 90s. of the XXth 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 (Adonina *et al.*, 2015; 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. 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.

### **3.2 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).

The main document what regulates activity of the non-state pension funds is the Federal law of the Russian Federation No. 75 "About the non-state pension funds", was accepted on May 7, 1998. Under non-state pension funds is understood the organization which have exclusive activity. It is non-state pension provision, including early non-state pension provision, and mandatory pension insurance ". Such activity is carried out with fund on the basis of the license for implementation of activities for provision of pensions and pension insurance" (Yershov and Tolmachev, 2009). In the Law are established the legal, economic and social relations, which arise during creation of the non-state, pension funds. There are their activities for non-state pension provision of the population, to mandatory pension,

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insurance. It has also reorganization, liquidation of funds are regulated, and the principles of the state control of them.

In the Notation of the Bank in Russia from 7/4/2016 is pointed to: "About requirements to the organization of a risk management system of the non-state pension fund" is described the risk of system in management, which are connected with activity non-state and to mandatory pension insurance. The activity of fund has to be directed to identification of risks, which are "connected with the activities for non-state pension provision and mandatory pension insurance. They are carried out with it (an expected event or a number of events as a result of which approach. It is taken into account probability of their approach and extent of influence on result of management of means of pension savings and pension reserves. The fund won't be able to fulfill the obligations to the investors, participants insured by people and their assignees, the "Deposit Insurance Agency" state corporation and "the organization of process of management of risks including establishment of restrictions of risks with fund (By the way, it is establishment of the cumulative extreme rate of risks)" (The Federal Law, 1998).

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. 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.

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 (Non-state pension fund of "Sberbank"). The order of investment of funds of pension reserves of the non-state pension funds, requirements to formation of structure and structure of pension reserves of fund are established with the Resolution of the Government of the Russian Federation from 2/1/2007 No. 63 (an edition. From 8/26/2013) "About the approval of Rules of investment of funds of pension reserves of the non-state pension funds and control of their placement" (Resolution of the Government of the Russian Federation, 2007). 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 less than 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). Forms, terms, order of drawing up and granting in the Bank of Russia of the reporting on activity of non-state funds are regulated by the Indication of the Bank of Russia "About terms and an order of drawing up and submission by not credit financial credit institutions to the Bank of Russia of the reporting on operations with money" (The Indication of the Bank of Russia. 2017a; 2017b).

### **3.3 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 twenty years of creating (Non-state pension fund of "Sberbank"). Its origin is related to the March 7, 1995, when the decision of the Russian Sberbank with Board of Directors in accordance with Decree № 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).

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.

### **3.4 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

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December 2001. № 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.

According to Analytical Center Foundation the profitability from pension reserves over the past 10 years is 278%, exceeding 36% the inflation rate 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. №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.

***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. 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.

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.

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.

***Corporate programs of the non-state pension fund of „Sberbank“:*** They are 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. 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.

#### **4. Conclusion**

Thus, in Russia to compare with many European countries, the low standard of living of the citizens receiving pension is observed. The tendency of increase in senior citizens imposes additional load of the state budget. In these conditions there is relevant a creation of the non-state pension funds capable to provide a funded part of provision of pensions by the citizens. 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. The undertaken research can be continued due to comparison of programs of pension insurance of citizens in various pension funds.

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