

DOI: 10.26794/2587-5671-2021-25-3-102-126
UDC 368(045)
JEL H55, J26

Pension Insurance in Russia: Current State and Transformation Opportunities

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ABSTRACT

The article examines and analyzes the essence of pension relations in modern Russia. The aim of the article is to study and test the hypothesis that an important factor in ensuring the effectiveness of the Russian pension system is a clear definition of the essence of economic relations in it, as well as adequate legal and organizational formalization of these relations. The scientific novelty of the study lies in the analysis of the validity and adequacy of applying (from terminological to organizational and practical levels) the classical insurance principles in the organization of the pension system, as well as the possibilities of increasing the efficiency of this system on the basis of the insurance sector. The research methodology is based on the analysis of the genesis and current state of the Russian pension system. The results of the study indicate that the structure of the Russian pension system requires serious reorganization, in particular, a clear distinction between the insurance (pension insurance) and non-insurance (pension provision) segments. The authors substantiated that pension insurance should be based on the classical principles of life insurance, and insurers who have an appropriate license obtained under the Law "On the organization of insurance business in the Russian Federation" should be involved in the implementation of this insurance. At the same time, non-state pension funds must either be transformed into life insurers, or acquire new functionality within the framework of pension provision (the non-insurance part of the pension system). The practical implementation of the research results and related recommendations will allow, according to the authors, to organically structure the insurance and non-insurance segments of the Russian pension system and increase its efficiency. The authors conclude that the construction of pension insurance on the basis of the classical principles of life insurance will make it possible to fully use the accumulated global and domestic experience of using life insurance as a reliable instrument for financing pensions. At the same time, it is necessary to extend to pension relations the norms of regulation of the insurance market and state insurance supervision, which have proven their effectiveness.

Keywords: pension; pension savings; pension provision; pension reserves; pension system; pension insurance; life insurance; financial investments; pension financing instrument

For citation: Tulenty D.S., Ermolaeva A.S., Raba P.G. Pension insurance in Russia: Current state and transformation opportunities. *Finance: Theory and Practice*. 2021;25(3):102-126. (In Russ.). DOI: 10.26794/2587-5671-2021-25-3-102-126

INTRODUCTION

Due to the aging of the population, the pension issue has become an urgent national problem. The pension system of the Russian Federation is the subject of heated disputes not only of individual political groups, various economic discussions but also of broad strata of the population. The relevance of the topic under consideration is confirmed by constant discussions about the effectiveness of the pension system of the Russian Federation by such scientists as V.D. Roik, A.K. Solov'ev, A.L. Safronov, E. Sh. Gontmakher, M.E. Dmitriev and others. At the moment, the focus of attention of scientists and practitioners remains the problem that the principles and tools used for the implementation of pension relations do not always allow gradually and consistently achieve the set goals [1–4]. A majority of current and future pensioners is, to one degree or another, dissatisfied with the amount of the assigned and future pension [5–7].

Moreover, repeated sharp reversals within the framework of reforming the pension system in Russia, individual volitional actions of the authorities (for example, freezing pension savings) led to a significant decrease in public confidence in long-term financial investments within pension savings [8, 9].

The authors analyzed various, sometimes opposite points of view expressed in Russian and foreign sources, speeches of domestic and foreign experts on the reasons for the shortcomings of the Russian pension system and ways to overcome them [8, 10]. Based on the analysis, a hypothesis has been put forward that an important factor in ensuring the effectiveness of the Russian pension system is a clear definition of the essence of economic relations existing within the pension system, its main elements, as well as adequate legal regulation and the organizational design of these relationships.

Considering the fact that pension insurance (more precisely, mandatory pension insurance) is the most important part of the

Russian pension system, to test the hypothesis put forward, it seems relevant to solve the following tasks:

- analyze whether modern mandatory pension insurance in the Russian Federation is included in the system of insurance relations and whether it complies with the essence and basic principles of insurance;
- analyze what goals and objectives of the pension system can potentially be achieved with the help of pension insurance; what principles should underlie the organization of pension insurance;
- determine the composition and structure of pension insurance organizations, their goals, objectives, and functions;
- analyze the content of pension insurance products.

MATERIALS AND METHODS

It is advisable to start testing the hypothesis put forward with an analysis of the genesis of the modern pension system in Russia. It was formed on the basis of the USSR pension system, which was fully functioning at the expense of state funds and seemed non-viable in a developing market. With all the scope of ideas, it can be assumed that at the beginning of the post-Soviet reforms, the authors did not have a clear plan for their implementation. As an argument in favor of this point of view, one can cite the Constitution of the Russian Federation, which reflected the comprehensive view of the authors of the reforms on the fundamental foundations of the political and socio-economic structure of the country.¹

Consideration of the essence and content of economic relations within the pension system of Russia is carried out on the basis of the normative acts that form this system. To begin with, we note that there is no direct mention of the national pension system in the Constitution of the Russian Federation,

¹ Constitution of the Russian Federation: adopted on June 12, 1993. Moscow: Jurist; 2012. p. 48.

pensions are meant only as an integral part of social security guaranteed to everyone “by age, in case of illness, disability, loss of a breadwinner (survivors’ pension), for raising children and in other cases established by law” (Article 39 of the Constitution of the Russian Federation). The mention in paragraph 2 of the same article of state pensions, on the one hand, postulates the existence of such pensions in the country, at the same time, oddly enough, in modern pension legislation, this concept is not used enough. In addition, a fair question arises about the content of the concept of “state pension”, as well as the possibility of the existence of the concept of “non-state pension” and the procedure for establishing such a pension.

The essence of the transformation of the Soviet pension system, first of all, was the creation of a mechanism for the payment of pensions to workers in the non-state sector of the economy. The Law “On State Pensions”, adopted at the end of 1990, established that the source of funding for such pensions should be contributions from employers. Among other things, the official website of the PFR summarizes: “Thus, the government hoped to emphasize the idea of solidarity between people of different ages in order to guarantee decent aging for people”.² It is unambiguously argued that the principles of distribution (principles of solidarity) were used, on which the majority of pension systems in the world were created and function.

The same law, in our opinion, creates preconditions for future terminological errors and methodological confusion, which to a large extent still determine the current difficulties and problems of the Russian pension system.

The contributions that employers must pay to the Russian pension fund are defined as *insurance* contributions. It should be noted that in common speech, the concept of

“insurance” and the adjective “insured” derived from it has a variety of meanings. At the same time, in scientific literature, normative acts, the use of the term “insurance” in the overwhelming majority of cases means the use of methods to protect subjects from damage as a result of accidental unforeseen events using methods and, most often, insurance contracts.³ Analyzing the nature of contributions to the Russian Pension Fund, the authors proceed from this understanding.

To date, an integral system of insurance law has developed in Russia, which adequately reflects the economic essence and theoretical foundations of insurance. In accordance with it, insurance is understood as a set of economic relations aimed at protecting the property interests of insured persons by reimbursing their losses in the event of insured events at the expense of specialized monetary funds formed by the insurer. In this case, insurers can be either organization licensed to carry out insurance activities (in accordance with the Law “On the organization of insurance business”), or organizations that are granted this right by a special law (certain types of social insurance, deposit insurance, export insurance, etc.).

At the same time, in all these cases, the basic theoretical principles of insurance are preserved and implemented, which include the following:

- protection against insurance risks — perceived, accidental and probable dangers in the event of which insurance is carried out;
- reimbursement of potential losses that the insured person may incur in the event of the occurrence of insurance risks;
- organization of closed and joint financial distribution of these losses through the use of specialized funds generated from insurance premiums (contributions) paid by policyholders, reinsurance opportunities, as well as from the insurer’s own funds.

² URL: <https://pfrf.ru/fag/etapy-reformirovaniya-pensionnoj-sistemy.html> (accessed on 04.05.2020).

³ See, for example, the Great Encyclopedic Dictionary. URL: <https://rus-big-enc-dict.slovaronline.com> (accessed on 25.03.2020).

Table 1

The structure of the pension system of the Russian Federation

Russian pension system				
	State pension provision (SPP)	Mandatory pension insurance (MPI)		Non-state pension provision
Types of pensions	Civil servant pension, social pension	Insurance pensions	Cumulative pension	Additional pension under a pension agreement
Basic normative act	Federal Law of December 15, 2001, No. 166-FZ "On State Pension Provision in the Russian Federation"	Federal Law of December 15, 2001, No. 167-FZ "On Mandatory Pension Insurance in the Russian Federation"; Federal Law of December 28, 2013, No. 400-FZ "On Insurance Pensions"	Federal Law of December 15, 2001, No. 167-FZ "On Mandatory Pension Insurance in the Russian Federation"; Federal Law dated 28.12.2013, No. 424-FZ "On funded pension"	Federal Law of 07.05.1998, No. 75-FZ "On Non-State Pension Funds"
Subjects	Federal Agencies of Executive Authorities (FAEA), Pension Fund of Russia (PFR), pension recipients	Insurer (PFR), policyholders (employers); insured (recipients of pensions)	Insurers (PFR, Non-State Pension Fund (NPF)); policyholders (employers); insured (recipients of pensions)	Fund (NPF); contributors (payers of contributions); participants (recipients of pensions)
Sources of funding	State budget	Insurance premiums of those currently employed by the MPI	Contributions of policyholders (including co-financing). Pension savings of the insured	Contributions of contributors. Pension reserves

Source: compiled by the authors.

The hypothesis put forward by the authors involves testing the extent to which the pension system, originally defined as an element of **social insurance**, implements the principles discussed above.

The further development of the pension system in Russia is analyzed from these positions. In particular, in 1999, the Law "On the Basics of Mandatory Social Insurance",⁴ was adopted, which, as one of the insured events, provides for reaching the retirement age and includes the following types of insurance coverage:

- old-age pension;
- disability pension;
- survivors' pension.

This was followed in 2001 by the Law on Labor Pensions,⁵ according to which labor pensions were paid in connection with the onset of incapacity for work due to old age or disability, as well as in case of loss of income as a result of the loss of the breadwinner. At the same time, the old-age labor pension consisted of two parts: insurance and funded.

Subsequently, the pension system as a whole and its individual elements were

⁴ On the basics of mandatory social insurance: Federal Law of June 16, 1999, No. 165-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_4059/ (accessed on 11.03.2019).

⁵ On labor pensions in the Russian Federation: Federal Law of December 17, 2001, No. 173-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34443/ (accessed on 15.06.2019).

finalized in terms of defining the essence of pension relations, methods, and tools for their implementation. At the same time, at all stages of reforming the pension system, the fact that if not the entire system, then a significant part of it is based on insurance principles, was not questioned [3, 11].

RESULTS AND DISCUSSION

The analysis shows that after numerous reforms and various kinds of “adjustments” (successful and not very successful), the modern pension system in Russia consists of three blocks,⁶ within which pension relations arise, the composition of the modern pension system is schematically reflected in the *Table 1*.

We consider each of these blocks in terms of its insurance relationship.

1. State pension provision.

At the moment, in our opinion, an integral and internally consistent system of state pension provision has been formed.⁷ This applies to certain categories of citizens to whom the state guarantees the payment of pensions.

The source of state pension provision is primarily state budget funds, and the amount of pensions is determined by special state decisions. The state also determines the procedure for the assignment, formation, and payment of state pensions.

Currently, the right to receive a state pension have:

- civil servants and military personnel of the federal government (long service pension);
- disabled people (social pension);
- certain categories of citizens (certain types of pensions for old age, disability, and loss of a breadwinner).

State pensions in one form or another exists in most countries and will undoubtedly

⁶ The names of the blocks of the pension system are given in accordance with how they are defined in the current legislation.

⁷ On state pension provision in the Russian Federation: Federal Law of December 15, 2001, No. 166-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34419/ (accessed on 22.06.2019).

remain in our country. At the same time, the volume of pension relations of this type will be limited mainly to civil servants, as well as to those persons who, due to objective reasons, cannot claim other types of pensions [12–14]. It should be noted that the terminology in this case accurately reflects the economic essence and content of the emerging relations. The state allocates funds and provides them to certain categories of pensioners. At the same time, the principles of insurance are not used in this case, therefore, further state pension provision remains outside the scope of our study.

2. Mandatory pension insurance.

As already noted, fundamental economic reforms in the country required the formation of a new model of the pension system for employees of non-governmental organizations and enterprises at the expense of employers' contributions. These premiums were originally defined as insurance. Subsequently, pensions were included in the compulsory social insurance coverage (1997),⁸ and already in the 21st century the system of mandatory pension insurance (hereinafter referred to as MPI) was finally formed, which now covers most of the pensioners⁹ [15]. Data on the number of pensioners receiving various types of pensions are shown in *Table 2* and *Fig. 1*.

Hereafter, we will consider the content of relations on mandatory pension insurance, their compliance with the basic principles of insurance discussed above. We start with the goal of mandatory pension insurance. This goal is to compensate for the loss of wages and to make other insurance payments as a result of the loss of a breadwinner by people with disabilities.

⁸ On the basics of mandatory social insurance: Federal Law of June 16, 1999, No. 165-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_4059/ (accessed on 11.03.2019).

⁹ On mandatory pension insurance in the Russian Federation: Federal Law of December 15, 2001, No. 167-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34447/ (accessed on 18.07.2019). On labor pensions in the Russian Federation: Federal Law of December 17, 2001 No. 173-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34443/ (accessed on 15.06.2019).

Table 2

Number of pensioners by type of pension, thousand people

	2012	2013	2014	2015	2016	2017	2018	2019
Total number of pensioners	42 367	42 837	43 327	43 797	45 182	45 709	46 070	46 480
of them receiving pensions:								
old-age pension	32 982	33 451	33 950	34 442	35 555	36 004	36 336	36 710
disability pension	2 689	2 590	2 511	2 418	2 365	2 280	2 202	2 137
survivors' pension (for each disabled family member)	1 591	1 562	1 541	1 527	1 608	1 628	1 636	1 632
victims of radiation and technological disasters and their family members	284	298	302	312	332	382	422	443
federal public servant	56	62	67	66	71	68	74	77
length of service	1 913	1 964	2 009	2 044	2 142	2 212	2 243	2 292
test pilot	1	1	1	1	1	1	1	1
social	2 851	2 909	2 946	3 007	3 108	3 134	3 156	3 188

Source: compiled by the author based on the Federal State Statistics Service data.

This goal reflects the socio-economic orientation of the Russian state, as well as the social significance of labor, as a result of which the material base of future pensions is created. Moreover, this goal can be achieved both through the use of insurance and other (non-insurance) instruments.

We will begin the analysis of the essence of relations on mandatory pension insurance with the subject composition of these relations. The law concerns the subjects of mandatory pension insurance of policyholders, insurers and insured persons.¹⁰ The list of

subjects is quite traditional for insurance economic relations, but attention should be paid to a number of significant nuances. The insurer performing the MPI is the Pension Fund of the Russian Federation. As noted above, the insurer can indeed be determined by law, and this practice is found in many types of mandatory insurance, primarily those that are of great social importance (compulsory health insurance; compulsory state social insurance against industrial accidents; deposit insurance, etc.).

The role and importance of the Pension Fund of Russia (PFR) as an insurer is emphasized by the fact that the state bears subsidiary responsibility for the obligations of the PFR to the insured.

¹⁰ On mandatory pension insurance in the Russian Federation: Federal Law of December 15, 2001, No. 167-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34447/ (accessed on 18.07.2019).

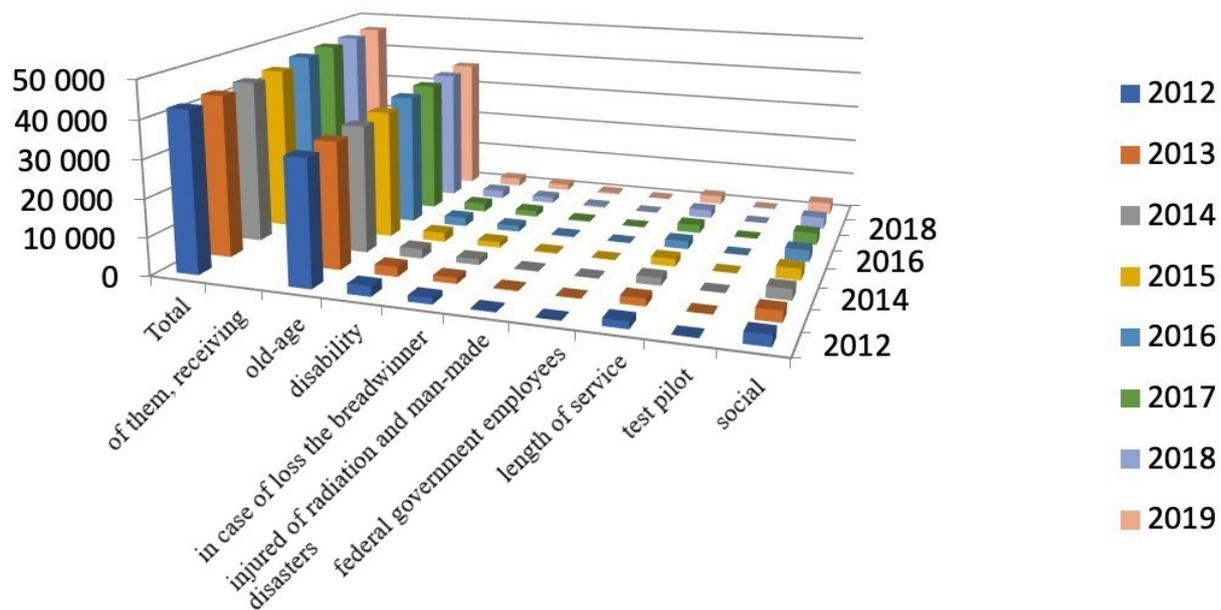


Fig. 1. Dynamics of the number of pensioners in the Russian Federation

Source: compiled by the author based on Rosstat data. URL: <https://rosinfostat.ru/pensii/#i-3> (accessed on 20.08.2020).

Along with this, non-state pension funds (NPF) can act as insurers for MPI in some cases. The ratio of PFR and NPF as insurers is shown in Fig. 2.

In our opinion, this concept requires additional research. In our country, insurers are either organizations licensed to carry out insurance activities by types of insurance activities provided for by the Law “On the organization of insurance business”, or specially created organizations by types of insurance carried out based on special laws.

These two models exist autonomously and practically do not overlap with each other. In this regard, it is not at all obvious that it is necessary to work within the framework of one type of insurance for two different categories of insurers (PFR and NPF). In addition, it is doubtful that the fact of the NPF obtaining the status of an MPI insurer is based only on the decision of the insured to refuse to receive a funded pension from the Pension Fund of the Russian Federation and transfer his pension savings to the NPF. Data on the transfer of the insured are presented in Fig. 3.

The economic nature of NPFs is also not entirely clear. They can participate in the MPI only under the following conditions:

- availability of an MPI license from the Bank of Russia;
- participation in the system of guaranteeing the rights of insured persons.

Classically, pension insurance is a type of life insurance, this is how it developed in most countries on the basis of the principles of endowment insurance. The modern Russian insurance business suggests the possibility of concluding pension insurance contracts within the framework of a license for the right to carry out life insurance. At the same time, NPFs and their license for MPI have nothing to do with the above activities. Moreover, the activities of NPFs also presuppose the possibility of concluding contracts of non-state pension provision, which is not related to insurance under the law [10]. This combination directly contradicts the provisions of the Law “On the organization of insurance business”, which considers the activities of insurers as exceptional.¹¹

¹¹ On the organization of insurance business in the Russian Federation: Federal Law of 27.11.1992, No. 4015-1-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_1307/ (accessed on 10.05.2019).

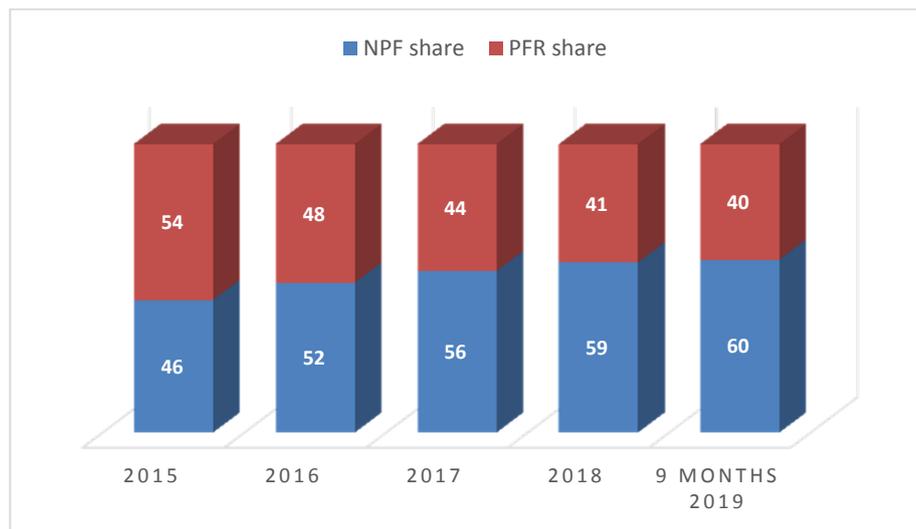


Fig. 2. Structure of pension savings, %

Source: compiled by the authors based on the Bank of Russia data. URL: https://cbr.ru/collection/collection/file/25628/review_npf_19q3.pdf (accessed on 06.07.2020).

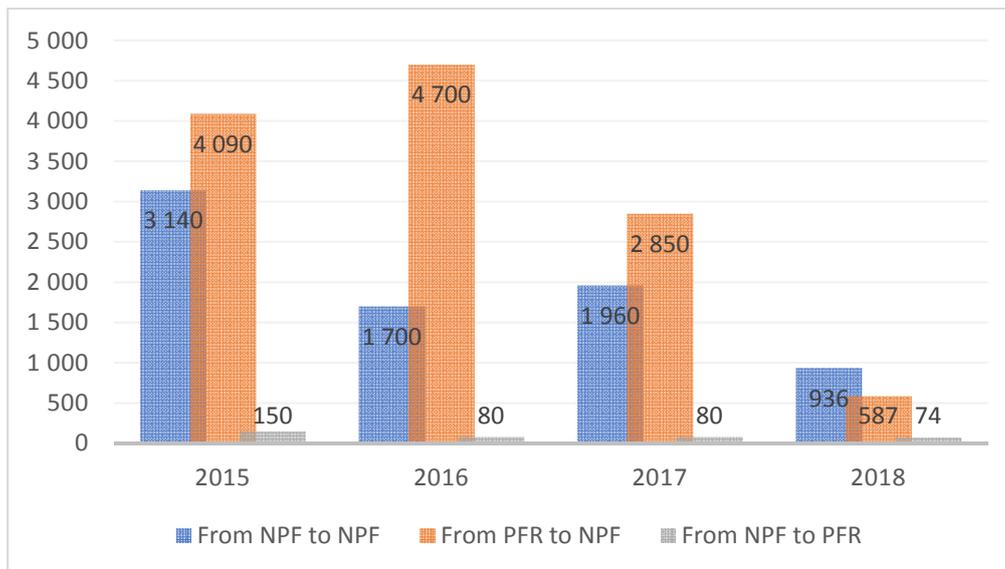


Fig. 3. Structure of transfers of pension savings, thousand people

Source: compiled by the authors based on the Russian Pension Fund data.* URL: http://www.pfrf.ru/files/id/press_center/godovoi_otchet/Pension-fund-Annual-report-2018.pdf / (accessed on 02.07.2020).

* Russian Pension Fund. Annual report 2018.01.12.2018. URL: http://www.pfrf.ru/files/id/press_center/godovoi_otchet/Pension-fund-Annual-report-2018.pdf (accessed on 02.07.2020).

Its specificity is both in the functionality and in the status of policyholders and insured persons in the MPIs. The first is that employers pay premiums; in most cases they are policyholders, and insured persons do not pay insurance premiums, i.e. do not have the status of policyholders. Moreover, according to the law, they are the beneficiaries.

In general, such a system of relations corresponds to the principles and customs of business turnover prevailing in insurance. But deviations from the basic principles of insurance that exist in the MPI system lead to certain distortions in the relationships of subjects. The most characteristic of them is the legislative endowment of the insurer

with the right of MPI to represent the interests of the insured persons before the policyholders (employers).¹² From the point of view of traditional insurance, the insurer represents one side of the contract, and the policyholder (insured, beneficiary) — the other. This is a normal trade and economic expression of insurance relations, and the structure of relations between the insurer, the policyholder and the insured person postulated by law looks at least strange.

Secondly, it does not seem logical to justify the obligation of this insurance. The compulsory form of insurance implies a statutory obligation for certain categories of persons to conclude an insurance contract on certain conditions. Taking this into account, the concept of “mandatory insurance for compulsory pension insurance” seems somewhat strange.¹³ And it is provided for by Art. 29 of the same law and other normative acts voluntarily entering into legal relations on mandatory pension insurance as a whole look like an oxymoron. There is a strong impression that the concept of “mandatory” in relation to today’s pension insurance was adopted not on the basis of an established understanding of the principles of a mandatory form of insurance, but from other, largely random considerations.

As already noted, the basic concepts of insurance arising from its principles are “insurance risk”, “insured event”, “losses as a result of the occurrence of an insured event”. The use of these concepts in modern MPI is also of research interest. In accordance with Art. 8 of the Law “On Mandatory Pension Insurance in the Russian Federation”:

- insurance risk — loss of earnings due to the occurrence of an insured event;
- insured event — reaching retirement age; the onset of disability, loss of the breadwinner.

¹² On mandatory pension insurance in the Russian Federation: Federal Law of 15.12.2001, No. 167-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34447/ (accessed on 18.07.2019).

¹³ See above.

This interpretation, in our opinion, contradicts at least two fundamental principles of the theory and practice of insurance. First, it is generally recognized and enshrined in legislative acts that insurance risk is only an assumed event with signs of chance and probability, in which case an insurance contract is concluded. In turn, an insured event is a realized insured risk subject to the additional conditions necessary for the insurance payment. In other words, the insured event is the result of the realization of the insurance risk, arises from it, and is its consequence.

In the modern Russian MPI, in this sense, everything is turned upside down. From the above formulations of the law, it follows that the insurance risk (loss of earnings) is the result of the occurrence of an insured event (the onset of retirement age, etc.), which is unreasonable from the point of view of insurance. At a minimum, the content of these provisions of the law should be changed by changing the content of the concepts in places:

- insurance risk — the expected achievement of retirement age; the onset of disability or loss of a breadwinner, in which case survivors’ pension insurance is provided;
- insured event — loss of earnings as a result of realization of the insured risk.

Second, the revised definition of insurance risk is still not satisfactory. The theory and practice of insurance require that events taken as an insured risk have signs of chance and probability, and also carry a threat of unforeseen costs for the insured.

From this point of view, if the legitimacy of the definition of disability and the fact of loss of the breadwinner as an insurance risk is not in doubt, then with reaching the retirement age the situation is somewhat different. The fact is that the death of the insured person is not an insured event, and therefore the fact of his survival until the onset of retirement age is not accidental, but, most likely, a certain event takes place. In this case, it is more correct to talk about the survival

Table 3

Main indicators of the budget execution of the Pension Fund of Russia, RUB million

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Income	3,222,649	4,610,084	5,255,643	5,890,364	6,388,390	6,159,065	7,126,634	762,5247	8,260,076	8,269,641
among it:										
taxes, insurance premiums	1,273,364	1,929,016	2,833,863	3,040,391	3,480,589	3,712,721	3,879,872	4,144,948	4,495,935	4,963,609
from the federal budget	1,946,726	2,648,397	2,384,201	2,819,513	2,846,589	2,413,018	3,091,683	3,355,303	3,680,392	3,232,322
Expenditure	3,008,660	4,249,235	4,922,109	5,451,219	6,378,549	6,190,128	7,670,270	7,829,672	8,319,455	8,428,692
among it:										
to finance payments to the population – pensions, benefits	2,872,257	4,013,179	4,419,227	4,897,289	5,671,313	5,798,943	6,322,415	6,677,467	7,024,963	7,419,375
of which to monthly payment	263,583	293,639	311,939	325,428	352,708	341,422	358,755	383,361	396,012	404,961
mandatory pension insurance	2,374,496	3,381,118	3,756,816	4,166,610	4,852,121	4,980,071	5,785,958	6,054,926	6,382,192	6,753,411
provision of maternity (family) capital	41,971	97,625	171,208	212,315	237,419	270,734	328,580	365,250	311,773	302,133
to finance the costs of maintaining the executive body of the Fund	61,792	68,304	84,599	92,798	95,694	99,360	104,774	107,246	110,969	115,492

Source: compiled by the authors based on the Rosstat data.* URL: https://rosstat.gov.ru/free_doc/new_site/finans/gfin_tab1.htm (accessed on 27.07.2020).

* Execution of the budgets of state extra-budgetary funds. Rosstat. 06.06.2019. URL: https://rosstat.gov.ru/free_doc/new_site/finans/gfin_tab1.htm (accessed on 27.07.2020).

risk (longevity risk) traditionally accepted in life insurance, when the supposed risk event is not the fact of death itself, but the time of its occurrence. With this in mind, it is necessary to clarify the definition of insured events and some other provisions on pension insurance.

Then, we will consider the payment of insurance coverage under the current mandatory pension insurance. It was noted above that the wording “mandatory insurance for mandatory pension insurance” is contradictory, therefore, without returning to this problem, we will consider the main types of insurance coverage. This includes:

- insurance pensions;
- funded pensions;
- various payments (fixed, urgent, lump sum, etc.).

Since the various benefits provided by law are similar in nature to insurance or funded pensions in different specific conditions and circumstances, it is sufficient for this study to consider the nature and content of insurance and funded pensions.

We start with insurance pensions, which today constitute the overwhelming majority of insurance coverage in the MPI. The place and role of insurance pensions in the pension system of the Russian Federation characterize the main indicators of the PFR budget execution (Table 3).

The origins of these, as well as other types of pensions, lie in the Soviet system of state pensions. With the evolution of this system, old age (disability, loss of breadwinner) pensions, formed from

employers' contributions, have emerged. Then they were transformed into the insurance part of the labor pension and, finally, acquired the current type of insurance pensions in the MPI.¹⁴ In the process of the genesis of insurance pensions, some definitions, the organization of individual processes and the subject composition changed, while the nature and basis of relations did not fundamentally change.

At the beginning of the analysis, we once again note, at least, the incorrectness of the wording inherent in the current provisions on mandatory pension insurance, which has already been repeatedly mentioned above. It is logical that within the framework of mandatory pension insurance, all types of payments to the insured should be of an insurance nature. Therefore, defining "insurance pensions" only as a part, albeit very significant, of insurance coverage does not seem correct. In addition, the opposite reasoning is also possible: since in addition to insurance pensions, there are other types of insurance coverage (funded pension, etc.), are they insurance in nature or are they something else?

We move from terminology to an analysis of the essence of insurance pensions and related relationships. Insurance pensions refer to that part of the pension system that is based on a solidarity (distribution) relationship. This is directly confirmed in Art. 3 of Federal Law No. 167-FZ of December 15, 2001,¹⁵ according to which payments of insurance coverage not related to a funded pension are financed from the "solidary part of the rate of insurance premiums".

It should be noted that the overwhelming majority of national pension systems were built and developed on the basis of solidarity

relations. In particular, the first such system emerged at the end of the 19th century in Germany, it was figuratively called the "contract of generations". Until now, most of the existing pension systems in different countries largely include a solidarity component [16–18].

The meaning of the relationship of solidarity boils down to the fact that part of the income of the working population, directly or indirectly (through employers), is sent to the administrator of the pension system to be converted into pensions of the non-working population [19]. The following essential features are inherent in solidarity pension relations:

- payments of pensions are made at the expense of current receipts;
- pensioners do not participate in the formation of their own pension;
- the amount of pensions is set by the state taking into account the emerging financial condition of the pay-as-you-go pension system and the demographic situation;
- the pension of today's working population will depend on the contributions of future generations and is not related to the current level of income of the population, which is confirmed by the analytical materials of the state statistics bodies (*Fig. 4*).

The pension system is significantly influenced by changes in the demographic situation associated with an increase in the proportion of the non-working population¹⁶ [20]. The quantitative characteristics of this trend are shown in *Fig. 5*.

In these conditions, pay-as-you-go pension system remain an important element that largely ensures the stability of pension systems in various countries. At the same time, on the one hand, the budget of the pay-as-you-go pension system is increasingly

¹⁴ On insurance pensions: Federal Law of December 28, 2013, No. 400-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_156525/ (accessed on 18.06.2019).

¹⁵ On mandatory pension insurance in the Russian Federation: Federal Law of December 15, 2001, No. 167-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34447/ (accessed on 18.07.2019).

¹⁶ Pensions at a Glance 2019 OECD and G20 indicators. OECD iLibrary. 27.11.2019. URL: <https://www.oecd-ilibrary.org/docserver/b6d3dfc-en.pdf?expires=1606056556&id=id&accname=guest&checksum=4BEBDE3EEB15AD4601DBE400714E4643> (accessed on 20.09.2020).

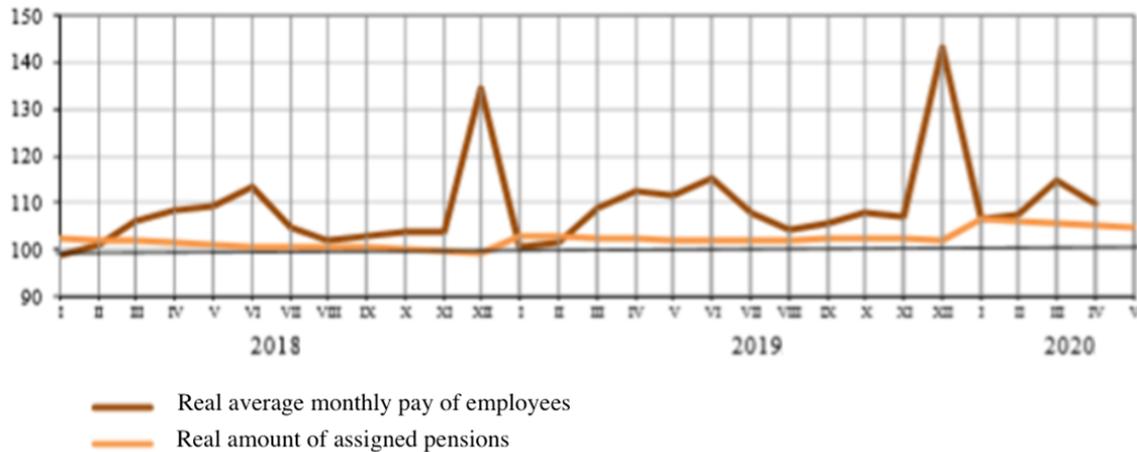


Fig. 4. The ratio of wages and pensions

Source: compiled by the authors based on the Rosstat data. URL: <https://rosstat.gov.ru/storage/mediabank/L1jhYjK9/osn-06-2020.pdf> (accessed on 27.07.2020).

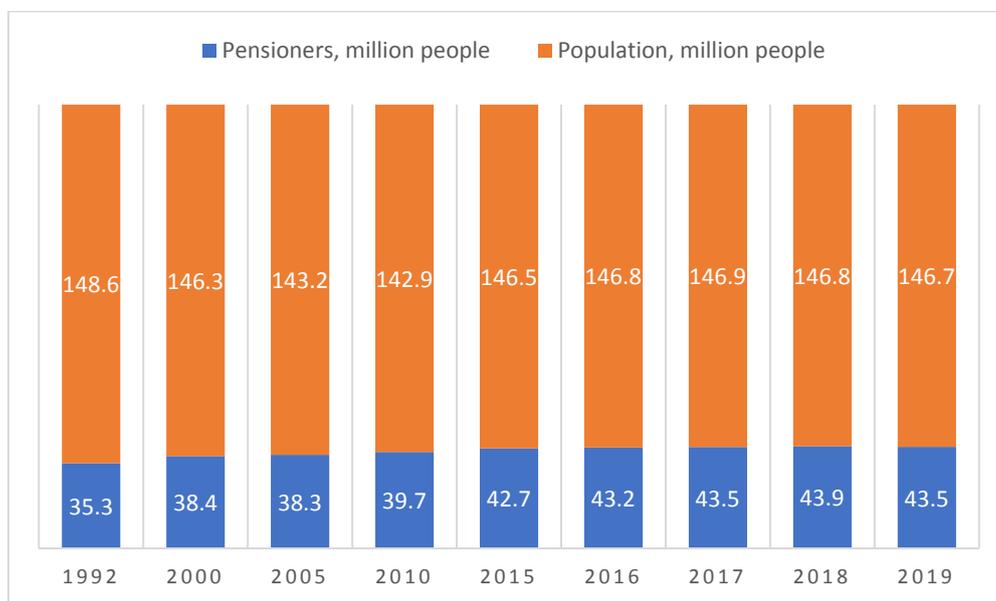


Fig. 5. The share of pensioners in the total population of the Russian Federation

Source: compiled by the authors based on the Rosstat data. URL: <https://rosstat.gov.ru/storage/mediabank/L1jhYjK9/osn-06-2020.pdf> (accessed on 27.07.2020).

experiencing a chronic shortage of funds and requires constant additional transfers from the budget [21–23]. This provision is convincingly confirmed by the data on the execution of the PFR budget (Table 3). On the other hand, the accumulative model of the pension system, which will be discussed below, is becoming increasingly important.

At the same time, as shown, pension relations of solidarity in their essence cannot be characterized as insurance ones, since they

do not contain the basic elements inherent in these relations, which were considered earlier. Firstly, there are no risks — assumed, random, probable events, the occurrence of which can lead to unforeseen losses for the insured. Secondly, when the policyholders (persons associated with them) are not directly related to the formation of the financial base of insurance and specialized monetary funds are not created to compensate for losses, the possibility of using the main instrument for

providing insurance protection — financial breakdown of losses between policyholders is objectively excluded.

Taking this into account, it can be stated that there is a lack of connection with insurance of insurance pensions in the modern Russian interpretation. The only formal basis for such terminology may be the financing of these pensions through insurance premiums, or rather the joint part of insurance premiums. This argument is also very formal and unsubstantiated, since any funds allocated to finance a pay-as-you-go pension, from a scientific point of view, cannot be qualified as “insurance”, i.e. aimed at providing insurance coverage.

Then, we turn to the consideration of the second main part of modern mandatory pension insurance-funded pension. For the first time, the use of accumulative principles for the formation of pensions in the Russian Federation was proposed in 1997 by the Ministry of Labor and Social Development of Russia in the draft concept of pension reform. After extensive discussions, it was decided to develop a mixed pension system in the Russian Federation, in which the pay-as-you-go and accumulative models are combined.

Initially, the funded pension model was based on the following principles: calculation of the pension amount based on the amount of individual pension savings; approval of the principles of accumulative financing; considering the planned life expectancy of pensioners (longevity risks) [24]. Subsequently, the funded part of the labor pension turned into a funded pension as one of the types of compulsory insurance coverage in the mandatory pension insurance system;¹⁷ a system for investing pension savings has been created; the rights of insured persons are guaranteed when forming and investing pension savings; a program of state co-financing of the funded part of the labor

¹⁷ The above concepts are used in the sense in which they are interpreted in regulatory acts.

pension was launched.¹⁸ On the other hand, it should be noted that various opportunistic decisions of the authorities, such as a moratorium on the funded part of pensions or the possibility of refusing to further fund the funded pension, had a negative impact on the state and image of the accumulative pension model. In addition, the latest proposals of the authorities on a guaranteed pension plan (formerly — individual pension capital), its place and role in the funded part of the pension system also require more accurate substantial identification.

Despite these difficulties and a certain discrediting of the funded model of pension provision, the principles on which it was created remain unchanged, undergoing only minor changes [25, 26]. These principles are fully applicable to pension insurance within the framework of classic life insurance.¹⁹ The policyholder (employer) pays insurance premiums individually for each insured person, these premiums are accumulated by the insurer. In this case, the amount of the funded pension is set based on the amount of pension savings and the expected payment period, which is determined based on the projection of the life expectancy of the insured, built using actuarial methods. Thus, the funded pension considers the insurance risk of longevity, in which an accident is not the very fact of the death of the insured, but the expected moment of its occurrence. Due to the different life expectancies in retirement (the real period of pension payments), different insured people have a financial distribution between them of the burden of paying pensions (compensation for losses as a result

¹⁸ On investment of funds to finance the funded part of the labor pension of the Russian Federation: Federal Law No. 111-FZ dated 24.07.2002. URL: http://www.consultant.ru/document/cons_doc_LAW_37863/ (accessed on 15.06.2019). On funded pension: Federal Law dated 28.12.2013, No. 424-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_156541/ (accessed on 10.07.2019).

¹⁹ On the organization of insurance business in the Russian Federation: Federal Law of 27.11.1992, No. 4015-1-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_1307/ (accessed on 10.05.2019).

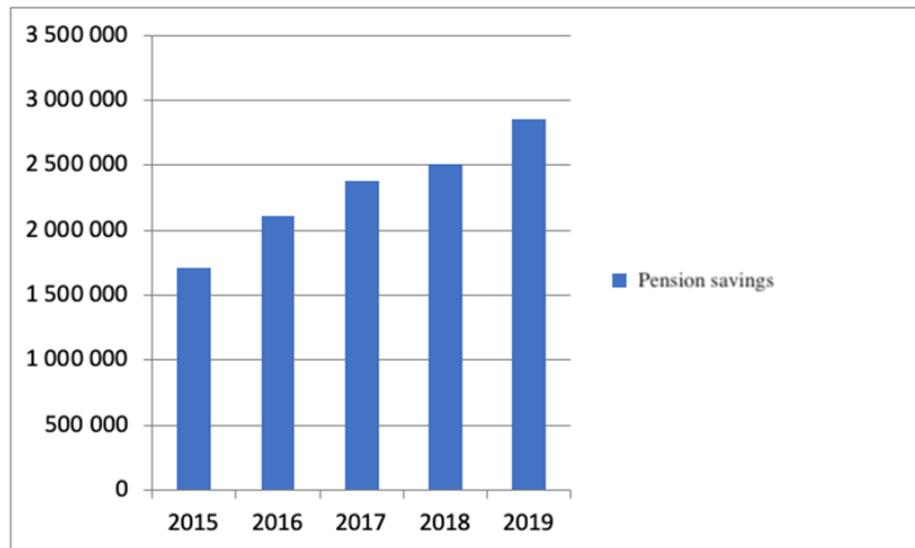


Fig. 6. Dynamics of pension savings in non-state pension funds, RUB million

Source: compiled by the authors based on the Bank of Russia data. URL: https://cbr.ru/collection/collection/file/25628/review_npf_19q3.pdf (accessed on 06.07.2020).

of lost earnings). Thus, there are good reasons to characterize the funded pension model as an insurance model based on the principles of insurance protection. Requirements for PFR to carry out a mandatory annual actuarial assessment of compulsory pension insurance activities (and they are engaged only in the funded model) also confirm the insurance nature of these activities, since this is a traditional requirement for insurers.²⁰

At the same time, it should be noted that while maintaining the general insurance nature, the specific implementation of the funded model of pensions in our country contains some contradictions, both terminological and substantive. Above, attention is paid to the inconsistency of the subject composition of these insurance relations, in particular the definition of the insurer. The insurer can be either an organization specially created by the state (the Pension Fund of Russia) or non-state pension funds (NPF) with an appropriate license. Moreover, the transition of the status of an insurer from the PFR to one of the NPF and in the opposite direction is not based on

specific objective reasons and circumstances, but on the subjective decision of an individual insured person, which at least looks strange and does not correspond to economic practice. The data on the transfer of the insured summarized by the authors were previously shown in Fig. 3.

In addition, a license to carry out activities of NPFs for mandatory pension insurance is an independent type of license and, although issued by the Bank of Russia, has nothing to do with licenses for carrying out various types of insurance activities for insurers – constituent entities of the insurance business.

Thus, it can be concluded that in the modern Russian pension system, NPFs are engaged in mandatory pension insurance, which is not a type of insurance activity, while NPFs are insurers, not being subjects of the insurance business. That is, insurance in the field of pension relations in our country has formed as a completely separate type of activity, which, although terminologically close to other types of insurance activities, does not currently have any connections and intersections with them. At the same time, the regulations governing this type of activity, its internal structure have serious internal contradictions.

²⁰ On actuarial activity in the Russian Federation: Federal Law dated 02.11.2013, No. 293-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_153907/ (accessed on 15.06.2019).

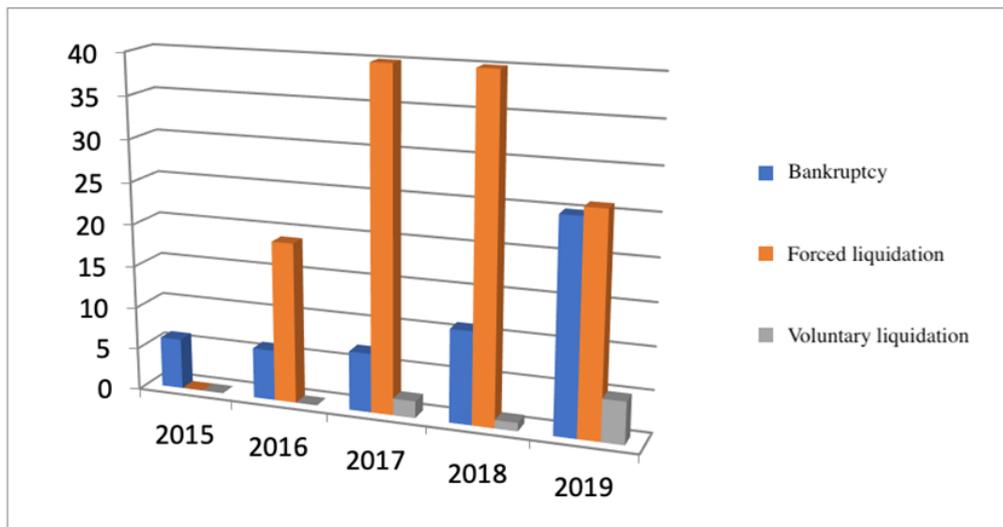


Fig. 7. Liquidation statistics of non-state pension funds

Source: compiled by the authors based on the Bank of Russia data. URL: https://cbr.ru/collection/collection/file/25628/review_npf_19q3.pdf (accessed on 06.07.2020).

Since it is difficult to find precedents for such a specific essence of pension insurance in the past, theoretical, methodological, organizational and legal difficulties and contradictions are practically inevitable on this path of pioneers. It would be logical to follow this path only if there are strong arguments in favor of the fact that the traditional principles of life insurance cannot be applied to the organization of pension insurance. To date, the authors are not aware of any serious research on this topic. Moreover, the most efficient pension systems in different countries successfully include pension insurance based on traditional life insurance.

Attention should be paid to the financial mechanism of the activity of NPFs on mandatory pension insurance. It is based on the pension savings of insured persons; the dynamics of pension savings in NPFs is shown in Fig. 6.

It should be noted that the concept of “pension savings” is used in a large number of laws and regulations governing various aspects of funded pension. All documents contain a unified description of pension savings as funds recorded in the individual accounts of insured persons and formed from insurance premiums. At the same time, the definitions of the specific composition and characteristics

of pension savings in different documents differ greatly. But much more important is the modern interpretation of the nature of pension savings. In particular, not being the property of the insured persons, they, in fact, cannot be characterized as their accumulation. At the same time, the traditional insurance financing mechanism is not being applied. Let us recall its content: the insurer forms insurance reserves, reflecting its obligations under insurance contracts, the performance of which is ensured by the assets in which the insurance reserves are located, and by the insurer’s own funds. This mechanism confirms its effectiveness in the insurance markets both in the Russian Federation and abroad [27]; however, this and other traditional insurance instruments are not used in MPI. Currently, there is a tough and unambiguous interpretation, according to which “pension savings are the property of the Russian Federation”.²¹ Since the Russian Federation is legally neither a subject nor a participant in mandatory pension insurance, it is not very clear on what basis it has the right to own pension savings. One of the few rational

²¹ On investment of funds to finance the funded part of the labor pension of the Russian Federation: Federal Law No. 111-FZ dated 24.07.2002. URL: http://www.consultant.ru/document/cons_doc_LAW_37863/ (accessed on 15.06.2019).

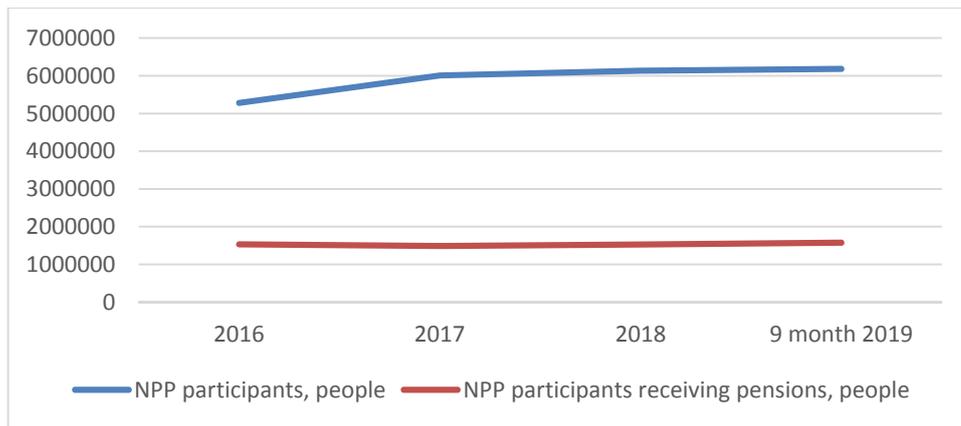


Fig. 8. Dynamics of the number of participants in non-state pension provision

Source: compiled by the authors based on the Bank of Russia data. URL: https://cbr.ru/collection/collection/file/25628/review_npf_19q3.pdf (accessed on 06.07.2020).

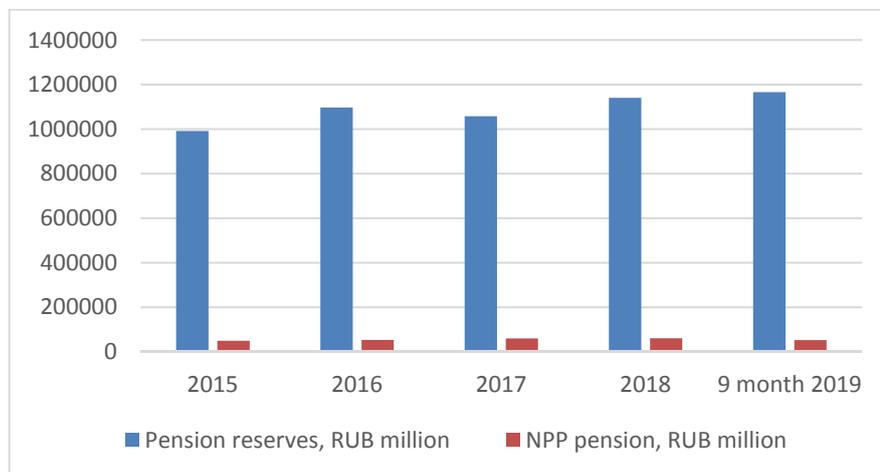


Fig. 9. Dynamics of payments and obligations of non-state pension provision

Source: compiled by the authors based on the Bank of Russia data. URL: https://cbr.ru/collection/collection/file/25628/review_npf_19q3.pdf (accessed on 06.07.2020).

arguments in favor of the current situation may be to ensure the safety of pension savings. However, the political decisions of the state to freeze the funded part of the pension, the possibility of abandoning the funded pension, as well as numerous cases of NPF insolvency (Fig. 7), which led to the loss of pension savings, are seriously questioned the validity of the current situation with the ownership of pension savings.

It should be noted that at the moment in Russia there are various measures of state supervision over the activities of NPFs, as well as guarantees of the rights of insured persons in the MPI system when forming and investing

pension savings. This situation is close to traditional insurance, which is characterized by strict measures of state supervision over the activities of insurance organizations, over their compliance with the requirements of insurance legislation and established standards (insurance supervision). At the same time, existing significant differences can be identified. Insurance supervision is primarily aimed at ensuring the observance of the rights and interests of insured persons, in particular, in the following areas:

- the adequacy of the assessment of the obligations of the insurer in the formation of insurance reserves;

- provision of insurance liabilities with assets in accordance with the requirements of supervision;
- compliance of the amount of capital (own funds) of the insurer with the assumed obligations;
- timeliness and completeness of insurance payments in accordance with insurance contracts.

The main direction of supervision over the activities of NPFs in the field of funded pensions is the formation of pension savings, as well as ensuring their safety and growth as a result of the placement. The completeness and timeliness of the payment of the funded pension after the grounds for this have arisen is considered as a matter of course, and does not require special measures of control and supervision.

Finally, one should pay attention to the direct contradiction with the insurance legislation, which the current MPI enters into. We mean mandatory liability insurance for specialized depositories and management companies.²² Although such insurance is undoubtedly important and necessary to protect the rights of the insured, at present it completely contradicts the basic principles of insurance law established by the Civil Code of the Russian Federation and the Law “On the organization of insurance business”, which allow the introduction of mandatory insurance only based on a special federal law about this type of insurance.

3. Non-state pension provision

Non-state pension provision (NPP) is the third element of the modern pension system of the Russian Federation, within the framework of which the formation and payment of an additional pension are carried out at the expense of voluntary contributions from both individuals and legal entities. The main parameters of the current state of NPP are shown in *Fig. 8, 9*.

²² On investment of funds to finance the funded part of the labor pension of the Russian Federation: Federal Law No. 111-FZ dated 24.07.2002. URL: http://www.consultant.ru/document/cons_doc_LAW_37863/ (accessed on 15.06.2019).

The procedure for legal registration of NPPs significantly differs from state pensions and public pension schemes, in respect of which basic laws were first adopted,²³ and then, on their basis, specific laws and other normative acts.

With NPPs, a completely different situation is developing: there is no basic law, and all the main provisions of NPPs are disclosed in the Law “On Non-State Pension Funds”.²⁴ Such a legal structure seems rather strange, since, according to this law, NPFs are only one of the subjects of NPPs, and there are also participants in these relations. In addition, the role and importance of NPFs are made absolute, and NPPs, being a separate element of the pension system, are unreasonably reduced to one of the private areas of NPFs’ activities.

In addition, today there is no unambiguous interpretation of the essence and nature of the contract of non-state pension provision and the relations arising in connection with it. The law contains only framework and formal characteristics:

- subjects — NPF, depositors, participants;
- obligations of the contributor — to pay pension contributions to the fund;
- obligations of the fund (NPF) — to pay the participant a non-state pension.

Most likely, the definition of “non-state pension” in this case is not entirely successful and does not allow defining the essence of the phenomenon. Moreover, such uncertainty allows different specialists to characterize the agreement with the NPP both as a specific pension agreement and as an analog of an agreement on a bank account, there are other,

²³ On state pension provision in the Russian Federation: Federal Law of December 15, 2001, No. 166-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34419/ (accessed on 22.06.2019). On mandatory pension insurance in the Russian Federation: Federal Law of December 15, 2001, No. 167-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_34447/ (accessed on 18.07.2019).

²⁴ On non-state pension funds: Federal Law of 07.05.1998, No. 75-FZ. URL: http://www.consultant.ru/document/cons_doc_LAW_18626/ (accessed on 12.04.2019).

Table 4

Comparative analysis of Non-state pension provision and Mandatory pension insurance

Law "On Non-State Pension Funds"		
Parameter	MPI	NPP
Subjects	Insured / Policyholders	Participants / Depositors
Types of agreements	Mandatory pension insurance agreement	Pension agreement
Bases of agreement	Insurance rules	Pension rules Pension schemes
Means of payment security	Pension savings	Pension reserves
Method of using the financial base	Pension savings investment	Placement of pension reserves
Means of ensuring financial stability	Fund reserve for mandatory pension insurance	Fund insurance reserve

Source: compiled by the authors.

more exotic points of view.²⁵ The uncertainty of the essence of NPPs is also manifested in the fact that when analyzing new pension products in the form of individual pension capital, and then a guaranteed pension plan, various secondary characteristics are discussed in sufficient detail without defining the economic essence of new pension products. At the very least, it is still unclear whether these products will be sold through NPPs or whether they will be classified under other, possibly new, elements of the pension system.

It is possible to try to define the views of the legislator on the essence of NPPs indirectly. In particular, within the framework of the Law "On Non-State Pension Funds", NPPs are constantly opposed to MPI, confirmation of this is given in *Table 4*.

Table 4 clearly demonstrates a tendency towards a separation of NPP from MPI and, possibly, from insurance in general. This conclusion can be made on the basis that the place that the policyholder and the insured occupy in the MPI belongs to the depositors

and participants of the NPP, and the NPP itself plays the role of not an insurer, but a fund. Pension schemes are used instead of mandatory pension insurance contracts on the basis of which pension contracts are concluded, and pension rules are opposed to insurance rules. Hence, it can be concluded that the legislator, without clearly defining the essence of non-state pension provision, makes it clear that it does not apply to mandatory pension insurance, and possibly to insurance in general.

At the same time, there are obvious contradictions here, as before. In particular, when the legislator deliberately opposes NPP and MPI within the framework of non-state pension provision, we can observe the peculiarities inherent in insurance relations and the insurance business. In particular, future pension liabilities are recorded in pension reserves, which are allocated to assets in accordance with the regulations of the supervisor. We have already noted that this model is successfully applied in the insurance business. In our case, NPPs providing non-state pension provision are not insurers, but they form pension reserves and place them in the manner established by the

²⁵ Life insurance development strategy and pension reform. Insurance today. 08.11.2012. 08.11.2012. URL: <http://www.insur-info.ru/printable/interviews/835/> (accessed on 10.03.2020).

supervisory authority, which is typical for the insurance business. And, conversely, acting as insurers in mandatory pension insurance, NPFs form pension savings of insured persons, invest them in various assets, which have no application in other types of insurance, in particular in life insurance. Moreover, the content and procedure for the implementation of the two processes — the investment of pension savings and placement of pension reserves — practically do not differ in content but are fundamentally separated and opposed to each other.

We have already mentioned above that in Russia, as in most countries, insurance is considered an exclusive field of activity, i.e. insurers may only engage in it or activities directly related to it. Taking this into account, the permission of NPFs to engage in both mandatory pension insurance (being an insurer) and at the same time non-state pension provision (acting as a fund) allows us to draw the following conclusions:

- the legislator considers it possible with respect to NPFs to violate the generally accepted principles of insurance (in terms of the exclusivity of this activity), which, in our opinion, requires additional justification;
- non-state pension provision, at least, is an activity very close to insurance, which further complicates the question of its economic essence.

Finally, the legislation presupposes the need for an annual mandatory actuarial assessment of the performance of NPFs, both from the point of view of the MPI and from the point of view of NPP. As a reminder, in accordance with the scientific point of view, the provisions of regulatory acts, and established business practice, actuarial activity is understood as the analysis and assessment of risks or financial obligations arising from them. The requirement for a mandatory actuarial valuation applies primarily to insurance organizations and mutual insurance companies, which further complicates the understanding of the

economic essence of non-state pension insurance.

CONCLUSIONS

The performed analysis confirms the hypothesis put forward that a serious problem hindering the effective functioning and development of the pension system of the Russian Federation is not always an accurate and adequate definition of the essence, subjects, and objects of relations that form this system. The absence of clearly defined basic concepts leads in many cases to the fact that the applied principles and tools for the implementation of pension relations do not allow gradually and internally consistently to achieve the set goals. Particular attention should be paid to pension insurance, in which four large groups of relations are currently distinguished:

- relations that are formally referred to as pension insurance, but in their essence are not insurance (pension insurance);
- relationships that are insurance, but require a more precise application of the principles of insurance (funded pension);
- synthesized relations in which insurance and non-insurance principles are artificially mixed (non-state pension provision);
- insurance relations that are not formally included in the pension system, but actually exist and therefore should be considered by it (voluntary pension insurance and some other types of voluntary insurance).

In this regard, it seems appropriate to consider the following proposals.

1. Make a clear distinction between insurance (pension insurance) and non-insurance (pension provision) blocks of the pension system. In particular, the state pension provision can be preserved in its current form or with minimal modifications that are not of a fundamental nature. It would be logical to assume that the pension system, along with the state one, should include non-state pension provision, which, in our opinion, should be fundamentally different from the

non-state pension provision that exists today. The modernized non-state pension provision should include all types of pensions formed on pay-as-you-go principles. This formulation seems to be quite accurate for the following reasons:

- since pensions for pensioners are created by working generations (through their employers), it can be classified as pension provision;
- since the source of these pensions is not state funds, but funds of working generations (directly or indirectly), this pension provision can be classified as non-state.

The theory and normative base of non-state pension provision must be radically revised.²⁶ The concepts of “insurance pension”, “insurance premiums” and other “insurance” characteristics should be removed and replaced. Contributions at the same time should be separated from insurance pension contributions. The subject composition and structure of relations in non-state pension provision, primarily the operator and administrator of the NPP, must be reconsidered.

Leaving the development of the above and other basic issues of the updated non-state provision to specialists in the field of social security, we consider it expedient to pay attention to the following fact. It seems beyond doubt that the basis of the renewed non-state pension provision will be the current insurance old-age pensions,²⁷ since in the foreseeable future there is no visible alternative to the pay-as-you-go principle of forming this pension. At the same time, pensions for disability, loss of a breadwinner, as well as various types of preferential or early pensions can be based on pay-as-you-go principles (in this case, they must be preserved within the framework of non-state pension provision) or can be transferred to insurance principles and become part of a pension

insurance, or employer’s liability insurance (see below).

2. It is proposed to significantly change the content of modern pension insurance, building it exclusively on traditional insurance principles. Pension insurance should be nothing more than a kind of life insurance provided for in paragraph 1 of Art. 32.9 of the Law “On the organization of insurance business in the Russian Federation” [23–25, 28–30].

The insured risk, in this case, will be the expected life expectancy of the insured after reaching the retirement age, and the insured event will be the fact of his living up to this age. We consider it expedient to combine mandatory and voluntary forms of pension insurance. At the same time, mandatory pension insurance should ensure the minimum amount of funded pension provided for by social standards.²⁸ Considering the obligatory nature of the conclusion of pension insurance contracts, it is possible by law to provide for a simplified scheme for the conclusion and execution of such contracts. The introduction of mandatory pension insurance in accordance with the rules of insurance law will require the adoption of a special law. This law should define its basic conditions, including the content of the mandatory pension insurance agreement, as well as the procedure for its conclusion and execution. A separate issue is the definition of the insurer. In this regard, the following options seem to be the most preferred:

- creation by the state of a special legal entity for the implementation of mandatory pension insurance, in this case, it will be necessary to form a regulatory framework for the activities of this legal entity;
- provide for a license for mandatory pension insurance, grant the right to carry out mandatory pension insurance to insurance organizations that have received the specified license (similar to Compulsory Motor Third Party Liability (OSAGO));

²⁶ This task is outside the scope of this study and should be addressed by social security professionals.

²⁷ Naturally, having lost the characteristic “insurance”.

²⁸ At present, a modern funded pension can be adopted as such a minimum pension.

- organize mandatory pension insurance by the method of mutual insurance, relying on world experience and Russian historical traditions (for this, it is necessary to significantly revise and supplement the regulatory framework, starting with the abolition of the unjustified, in our opinion, ban on the use of mutual insurance in personal insurance).

Since mandatory pension insurance is proposed to be understood as a set minimum, most of the funded pension should be formed within the framework of voluntary pension insurance. This insurance will not differ from the mandatory one, except for the sum insured (pension amount) and some other quantitative indicators. It is on voluntary pension insurance that modern non-state pension provision should be developed, as well as projects for individual pension capital and a guaranteed pension plan.

A voluntary pension insurance contract is concluded based on a voluntary expression of the will of a future pensioner or his employer (corporate pension insurance). Contributions (insurance contributions) can be paid by both future retirees and their employers, in addition, the state can decide to co-finance insurance contributions for voluntary pension insurance. Insurers must be licensed insurance companies (for life insurance). The financial mechanism existing today in life insurance, as well as the organization of state supervision, can be fully applied in pension insurance.

At the same time, at the first stage, the most optimal scheme of work appears to have arisen within the framework of the Chilean model of pension insurance.²⁹ During the period of active working life, future pensioners with the help of specialized organizations (such organizations can be modern NPFs) accumulate for future retirement. At the same time, these savings remain the property of the future pensioner, they can be withdrawn

by him or transferred to his heirs in case of death. On the eve of the onset of retirement age, the NPF helps the future pensioner to conclude a pension insurance (annuity insurance) agreement with a lump sum payment of the insurance premium on the most favorable terms. Pension savings are used to pay insurance premiums [31, 32]. To implement this model, a system for regulating the activities of NPFs (or other specialized organizations) and state supervision over them should be created. This system should operate outside the framework of insurance supervision and insurance relationships; the existing experience in regulating the activities of NPFs may be used to create it.

With the development of voluntary pension insurance, another model may be formed, when a future pensioner at the beginning of his working life concludes a mixed life insurance contract with an insurer with the condition of the annuity payment. The insurance contract must be valid until the retirement age of the insured, the insured events will be either the death of the insured or his survival until the expiration of the contract. Thus, upon reaching the retirement age (expiration of the insurance contract), the insured begins to receive annuity payments (monthly pensions). In the event of the death of the insured before the expiry of the insurance contract, the insurer pays the insurance benefit either to the heirs of the insured or to persons appointed by him. The amount of this compensation is also determined in advance by the insured person.

Changing the principles of implementing pension relations, approving and implementing the principles of insurance in them provides the participants in these relations with considerable freedom in choosing possible strategies of behavior, and their future well-being largely depends on independently made decisions. In these conditions, the role and importance of financial literacy significantly increase, since individual decisions about the method of

²⁹ This particular model has been chosen as a reference in most countries of Eastern Europe.

Table 5

Proposals for the transformation of the pension system of the Russian Federation

Pension system of Russia			
	State pension provision	Non-state pension provision	Mandatory pension insurance
Types of pensions	Civil servant pension, social pension	All pensions included in the pay-as-you-go model	All pensions of the funded model generated by life insurance
Basic normative act	Federal Law of December 15, 2001, No. 166-FZ "On State Pension Provision in the Russian Federation"	The development of a new regulatory framework is required, in particular the basic law	The current system of insurance law
Subjects	Federal Agencies of Executive Authorities (FAEA), Pension Fund of Russia (PFR), pension recipients	Administrator (PFR); payers of contributions; recipients of pensions	Licensed life insurers. Policyholders, insured persons
Funding sources	State budget	Pension contributions of current employees (directly or through employers)	Insurance premiums. Possible co-financing from the employer, the state
Correlation with the current pension system	No changes	Formation of a new social security sector	Combining the pension system and the insurance system (life insurance)

Source: compiled by the authors.

forming a pension, the amount of insurance premiums, and insurance amounts in pension insurance are of particular importance. At the same time, it is necessary to change the goals of activities to ensure the financial literacy of participants in pension relations. If today this activity is mainly aimed at analyzing ways of behaving in the existing pension system, adapting to its requirements and specifics, then in the future, the main attention should be focused on the principles and tools for forming a future pension. Accordingly, the objects of increasing financial literacy are

also changing significantly: at present, these are primarily pensioners and people of pre-retirement age; in the future, the main goal should be young people starting active labor activity [33, 34].

As the modernized pension system develops, some types of pensions, currently formed on a pay-as-you-go basis, can be transferred to the insurance part of the system. This need may be caused by constant financial pressure on the payment of pay-as-you-go pensions associated with a change in the demographic situation

in the direction of a constant increase in the proportion of pensioners in relation to the working population. Thus, the payment of pensions for disability, loss of a breadwinner, many types of preferential and early pensions can be carried out within the framework of personal insurance; loss of income insurance, and employer liability insurance. The above suggestions are summarized in *Table. 5*.

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Ermolaeva A.S. — analyzed the literature sources related to the research, specified the results, interpreted and described the results, wrote the conclusions, compiled the bibliography, designed the paper according to the requirements of the journal.

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The article was submitted on 27.11.2020; revised on 14.12.2020 and accepted for publication on 27.01.2021.

The authors read and approved the final version of the manuscript.