Abstract

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**Topic: «The forecasting of the pension system development»**

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**Study object**: pension system of the Russia Federation.

**The research aim**: to predict the development of Russian pension system at macro and micro levels.

**Methods**: (a) review of the normative legal base; (b) analysis of publications, reviews and reports on social insurance and pension provision; (C) review of publications in the media on the theme of pension reforms; (d) analysis of the websites of the Multifunctional Center for Provision of State and Municipal Services (MFC), Social Insurance Fund departments (SIF), information portal «Gosuslugi»; (e) assessment of the main indicators of pension provision published by the Federal State Statistics Service (Rosstat) and the Pension Fund of Russia (PFR); (e) microdata analysis of population sample surveys; (g) modelling scenarios for the development of the pension system in the Russian Federation.

**Empirical base of the research.** Review of the normative legal base included analysis of Federal laws, government acts, presidential decrees and other legislative documents in the field of social insurance, pensions, employment, adopted at the federal and regional levels and published in the databases «Consultant» and «Garant». Public awareness about social services and accessibility of the services were estimated on the basis of visiting web pages of the MFC, DCP, SIF departments and portal «Gosuslugi» (https://www.gosuslugi.ru/). Official portals of international organizations (The World Bank, OECD, Eurostat, etc.), search systems (Google Scholar, eLIBRARY) were used to analyze scientific publications and reports on the above theme.

The source of data on the indicators of pension provision, employment in the preretirement ages is the data of the Russian Federation Pension Fund, the budgets of the PFR, Rosstat Microcensus-2015 data, as well as the Labor Force Survey of Rosstat-2015, Russian Longitudinal Monitoring Survey – HSE (RLMS-HSE) for 2015-2017, Sampling Observation of Household Income and Participation in Social Programs (SOHI) for 2012, 2015 and 2017. Attitude of the population to the pension reform in Russia was also studied on the data of sample surveys «Parents and Сhildren, Men and Women» (PCMW-2011), «Readiness for Change» for 2016 and 2018, qualitative study Validata «Testing of Public Policy Measures» for 2017.

To model the development of Russian pension system, Rosstat data about birth rate, mortality and migration, level of economic activity and employment on December 31, 2016, the birth rate and net-migration forecasts of the HSE Institute of Demography, hypotheses about inflation level, growth rate wages, GDP growth rate are used.

**The results of the research:**

1. Based on the sample surveys microdata, estimates of the proportion of people who don’t work and don’t receive a pension in the total number of people in the preretirement age were made. According to the most modest estimates, this proportion is 8-11% among men 50-59 years old and women 45-54 years old. Taking into account the high risks of poverty of this population category, a forecast of the group size in the context of raising retirement age, as well as potential government expenditures on social benefits to non-working persons in the preretirement age was made. It was assumed that payments are made during the period of the reform to persons older than the current retirement age, but lower than the retirement age according to the new rules. The number of potential recipients of payments will reach a maximum in 2028 (115.5 - 170.0 thousand people, depending on the forecast scenario). The maximum (in 2028) annual expenses for payment of benefits will be 0.0092% - 0.0100% of GDP if they are assigned to the people who applied to the employment agency and 0.136% - 0.148% of GDP when they are assigned to all non-working persons in the preretirement age, except for housewives and people not willing to work.

2. A generalization of foreign experience in pension systems reforming has shown that the ongoing reforms are aimed mainly at stabilizing the financial sustainability of systems and the deficit reducing . In response to demographic challenges, most countries have gone through retirement age increasing and its equalization for men and women. In addition to these measures, governments have changed the rules for pension indexation and raising insurance contributions. The global trend towards the development of pension provision is the expansion of private, professional, voluntary savings. One of the forms of realization of private pension savings is auto-subscription, which allows covering a majority or individual groups of employees with additional pension provision. The introduction of an auto-subscription for pension savings in the form of individual pension capital (IPC) is currently discussed in Russia. In addition, to maintain the financial sustainability of pension systems in countries with a natural export economy, sovereign wealth funds have been created, which are sources of long-term investments, through which pension fund budgets are replenished.

3. An analysis of the main indicators of pension provision showed that the crisis of 2013-2014 led to a noticeable reduction in the real size of the pension, which has not yet reached the pre-crisis level. At the same time, the structure of household incomes with pensioners changed: the share of pension income declined with the share of labor income growth. The economic crisis, coupled with demographic challenges – the ageing of population and the increasing number of pensioners – led to an increase of the Pension Fund expenditures to 9.09% of GDP in 2016 and a deficit of the Pension Fund budget. The situation has largely led to the submission of a bill to the State Duma, and then the adoption of a law providing for the retirement age increasing. According to many experts, there are bases for raise the retirement age in Russia such as decreasing mortality, in particular in older ages, changes in work character, increasing employment rate of the population over working age, etc. The population of Russia took the pension system reform extremely negatively, due to the lack of confidence in the reforms in this sphere and in the Pension Fund, the lack of public discussion on this issue and the massive outreach work with the population. In addition, the rate of increase and the limits of the new retirement age seem to be somewhat overestimated, even by international standards.

4. An assessment of the potential of the IPC in Russia showed that the minimum limit for the level of the working-age population participation in the new form of pension savings is 6.24%-6.32%. Public awareness of the IPC system remains low — only 22.4% have heard anything about it. The main barriers to the development of the IPC system in Russia can be a high level of public distrust towards non-governmental pension funds, as well as a focus on government support of old people.

5. An evaluation of social services provision by administrative, territorial and informational criteria conducted by the example of the region of the Russian Federation showed that the remote form allows to simplify and speed up the process of receiving services, but it does not fully exclude visits to social institutions. Numerous electronic services («Gosuslugi», sites of the MFCs, etc.) don’t solve the problem of fragmented information. To reduce the number of visits to social institutions, it is necessary to create interdepartmental interaction, which should be accompanied by the integration of information bases, more active interregional cooperation, etc.

6. A promising direction of reducing administrative expenses in the social sphere is the integration of social insurance funds. However, it is important to understand that autonomous insurance funds have their advantages, because they take into account the features of professional activity and insurable risks that ensures financial stability. Russia has formed relatively autonomous insurance funds, the integration of which can adversely affect the existing social insurance system. In foreign practice there are successful examples of functioning of both universal (budget) and insurance (extrabudgetary) administration, however the first approach is more often used in countries with a high standard of living of the population. The introduction of such approach in Russia could provoke an increase of poverty. The further development of the professional component in social insurance seems more reasonable.

7. Modeling development scenarios of Russian pension system made it possible to draw some conclusions about the possible directions for reforming the pension system in Russia. In the existing parameters of pension provision, the current replacement rate is possible only with increasing budget expenditures. A raise of the retirement age will affect the balance of the pension system, but will not solve the problem of the financial sustainability of the system in the short term. In addition, increasing retirement age will be accompanied by increasing expenditures on the payment of disability pensions and people entitled to leave the labour market before the official retirement age (up to 40% of the cumulative effect of the retirement age rising). The increased rates of pension indexation during the first 5 years after the start of the reform will almost nullify the savings of the PFR budget from the retirement age increasing. Thus, financial payments in the early years of the reform will be redistributed among different age groups of the population, and the size of the budget transfer to cover the deficit of the Pension Fund budget will hardly change.

**Application area.** The current state estimates of the Russian Federation pension system and forecasts of its development obtained during the research can be used to mitigate the effects of the retirement age rising, to develop further reforms in the field of pension provision and active ageing. A generalization of foreign experience in pension systems reforming in response to economic and demographic challenges can also be taken into account in the process of subsequent reform of Russian pension system. The formulated recommendations for improving the social insurance system in the Russian Federation can be used during the discussion of the key areas of social insurance development, its new components and forms.