

Institutional bases of assurance of reliability and stability of Non-State pension funds

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Abstract. In the article there are examined basic ways for providing assurance of reliability and stability of non-state pensions funds as source of ancillary social security of citizens. There are validated basic variants of using the pension schemes, allowing increasing effectiveness of deposits and providing stable warranted payments. There are indicated main directions of increasing the investment resources in the developing of system of the non-state pension funds, making the profitable macroeconomic conditions for their functioning.

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Introduction

Non-state pension funds as biggest sources of real investment resources are the integral part for developing of the state finance system.

In Russia developing of net of such financial structures began at the beginning of 90th. The initial idea of their foundation was to encourage the populations for the savings, collected at the accounts of these structures with the following turning of the collected funds to the business savings (investments) [1, p. 59]. These funds were so called source of additional funds for developing of Russian economy added to applicable scheme of state social security.

In the global practice the non-state funds play the most important role in solving the social and economical (first of all investing) problems, but they didn't get the proper help from the state as for promoting and regulating of their activity [2, p. 45]. That's why initiative and main role in making of such kind of funds belonged to big business: finance and industrial groups, monopoly companies and banks. This defined the peculiarities of the formed system of non-state funds of social security: structures, aims, members, investment policy of the fund.

In the majority of corporative funds additional social security was the form of stimulation of the employees – depositors and was the “postponed” salary [3, p.25]. According to that aim there were the insurance schemes, in which the majority of investments for the named accounts were made by employing companies [4, p.2570]. According to this the activity of these social funds at present moment contributes to extension of gap in incomes of the employees of big monopoly companies and other branches of economy. Due to this the matter of providing reliability and stability for functioning of these finance institutions at present moment is quite actual.

As the specific feature of non-state pension funds is extremely long term character of their finance relations with the depositors and members, suggesting the respective perspective planning on the conditions of the uncertainty in the future of the variety of essential conditions. That's why developing of non-state funds system should be examined as element of forming the full-rate credit and finance system of the country, adequate to needs of economic growth [5, p.330].

Main part

In modern Russia social secure is the social and economic problem of the high priority, touching the vitally important interests of almost 50 millions of citizens. For the more effective solution of this problem besides rationalization and optimization of social system itself, there is the necessity of making the new forms of additional non-state social secure.

At present moment there is the significant unbalance of incoming to the real market of certain companies, sole proprietors, labor groups (and its consequence – the growing differentiation of income level and demands, including in respect of future social security). Defects of any form of centralization in the sphere of social security are able to activate creation of small, quite simple technologically as for creation and functioning of the non-state funds, first of all, at companies. But the process of making those funds is very intensive, having its positive and negative sides.

The positive side is, of course, the rapidness of creating network of these funds – one of the main organization and technical conditions for existence of non-state social secure, negative side is unprofessional behavior and abuse of social position of these funds.

Non-state funds at their activity face some complex and serious problems. The first one is that their development and popular state detected the dramatic need in their actuarial service. The necessity in actuarial calculations arises as at the stage of design of social schemes, actual activity, as during the systematic control of the finance state of the fund. It is also important, that in actual funds it is accumulated the positive experience of work in the complex Russian conditions, with which, probably, and none of the western actuarial would manage. All these facts made to develop within certain funds methods of calculation (tariffs for non standard combined social schemes, correction of pensions at the major inflation), founded on the popular actuary principles (basic from which the accounting of time factor and probability of surviving the members to the certain ages), but adapted to Russian conditions of economy.

The more important problem is reliability of non-state pension funds under which is understood the ability of the fund to be liable for the members. The reliability is provided by dual measures and factors: the reasonable law for activity of non-state funds, essence of developed regulations (scheduling of investment conditions of the fund's money, standards of accounting, tax payments [6, p. 329]); actuary evaluation of the fund by balancing of contributions, paying off pensions and saved assets as for certain moment with taking into account the nearest and furthers perspective of the fund (that finally leads to calculation of modern value of future contributions and actual value of anticipated social payments); optimization of pension schemes.

Actuality of this problem is that strict criteria are of choosing the pension scheme for certain members of the fund according to personal possibilities still are not defined.

Pension scheme is deemed to be set of conditions of additional social secure, including:

- order, conditions, forms, sizes and periods of time for paying contributions;
- order of registration the security obligations;
- conditions for entitlement for additional secure;
- possibility of pre-time exit, order of pre-time termination of contract on additional social secure, conditions for transferring the acquired social rights (social savings);
- order of distribution the investment income and requirements for investment of insurance assets;
- principals and methods of calculating the social payments;

- conditions and terms of payments;
- conditions for termination of contract relations for additional secure (inheritance, member's death and so on).

Order of contributions and payments in general case stipulated defining not only periodic time and time interval of indicated payment flow, but defines relation to sizes of contributions and payments.

As for sizes of pension contributions and payments the pension schemes in Russia are divided for the three types:

1. with fixed amounts of contributions [7, p.9];
2. with fixed payments;
3. with fixed contributions and payments.

Scheme with indicated sizes of insurance contributions is the plan when fund defines the amount of insurance contributions and order of their investments. Amounts and period of payments are defined after acquisition by the member the right for paying him money from non-state non-budget funds according to the sum of savings (insurance sums). Thus the non-state pension fund takes the obligations to add to named accounts of the members the proportional part of investment income, got from investing the assets minus managing company fee and expenses of the fund itself. When the person is of age, indicated in the contract or expiring the agreed period of saving of insurance contributions the member is entitled as his own discretion to dispose the saved sum [8, p. 262-266]. Usually periods for withdrawing money from individual named account is written down in the contract of additional (non state) social secure or insurance payments.

Scheme with defined amounts of insurance payments is the plan in which it is guaranteed to the member of the fund certain amounts of insurance payments with the conditions that insurance contributions are paid by the depositors of the fund timely and according to indicated amount.

For the guaranteed provision of the indicated amounts of insurance payments it is calculated the amount of insurance contributions according to the prognosis value of the lower limit of operation profitability norm as for placing the assets of the funds, sex and age of the member.

For the insurance schemes with fixed contributions it is stipulated defining the amount depending on amounts of contributions and adding to it the investment income. For the insurance schemes with defined amounts of insurance payments it is defined sum of contributions depending on agreed amount of pension. In both cases it is necessary to do the respective actuary calculations, the essence of

which is that for every payment it is calculated the probability of its implementation on the basis of demographic data (table of mortality or survival) [9, p. 274].

But in the USA the system of non-state pension security is called «pension plan», mostly with defined contributions. Choosing of pension plan can be the result of negotiations between the labor unit and sponsoring company on the basis of which are defined the parameters of the plan. There are three types of pension plans with fixed contributions [10, p. 78]:

1. Pension plan with taking part in the profit suggests restriction of contribution be certain interest of actual or residual profit, amount of which is defined by the employer, it is not fixed and can be changed every year.

2. Pension plan with postponed payments. This is the special type of plan, allowing the members to decrease their salaries or wages, and saved sums use as contribution to the insurance plan, without including them to the taxable income for the year. Thus the plan becomes so called savings account for its members, and it is not taxable. Many sponsors in order to encourage the members to take care of the own pension contribute equal to their shares (equivalent contribution). Members with big salaries should be presented in the plan equal to members with low salaries. That is why member's contribution at the equivalent contribution of the employer is subjected to annual auditing.

3. The peculiarities of pension plan with addition of amounts is the possibility for the sponsor to make deposit, necessary for providing the member with pension, amounting to sum of annual contributions and saved incomes. It can essentially differ from the primary contribution of the sponsor, as the investment risk in this case is totally for the expense of the member.

When signing down the contract on additional social secure the depositor takes obligations to pay at one time or by installments the insurance contributions. The non-state fund in its turn obliges periodically pay the member the pension in the form of monetary payments as long as he is alive or within long period of time. The procedure of payments of the depositor and the fund are the finance rent or annuities.

The main task at installing the parameters, suggested by fund of pension schemes is in correct defining the amounts of insurance contributions and payments, allowing in the future perform the obligations of the fund against depositors and members.

The main principle, on the basis of which are defined the amounts of insurance contributions

and payments is the principle of equivalent of the depositor's and fund's obligations, that is implemented by equaling sums of the anticipated insurance contributions and payments. For the present moment corresponding to the date of signing down the contract on additional social secure, these amounts are equal to their modern value. Modern insurance value of any of the examined sums of payments is defined as respective annuity payment, got taking into consideration the discounting and probable payments.

Chain of payments for insurance pension scheme is called the insurance annuity payment. In the insurance annuity payment each amount payment is not absolute; it is defined by certain event, for example getting to the certain age. Those events are called demographic events.

At calculation of values and amounts of payments it is necessary also to take into account the profitability of operations for investing the assets of the fund. Here arises the problem of forecasting of profitability level of investing the funds assets for several decades of years.

While choosing the pension schemes we have to solve the problem with conflicting input data. From one side the probable member of the fund, naturally, wants to know the amounts and periods for insurance payments depending on sizes of insurance contributions and term of saving. From another side, in the conditions of economic unstable situation it is almost impossible to forecast for the 3-5 years the value of finance market parameters (level of profitability of the operations with assets of the fund, inflation rate), defining the characteristic features of certain pension schemes.

As for theory in the conditions of unstable economic conditions the most reasonable is the approach when parameters of suggested or chosen pension scheme, as for amounts and terms of insurance payments are defined at the end of saving term or before beginning of payment, according to the sum of savings. It is apparent, that this approach may be used for the depositors – legal persons, but according to the practice it is not attractive for depositors – natural persons.

As it was noted before, the main moment for defining parameters of the pension scheme (amounts and periods for contributions and payments) is the setting of profitability, which is defined by the company for managing the assets of the fund at their investing. Almost all existing non-state funds doesn't provide with data on real and forecasted profitability of investment operations with fund assets.

Due to economic unstable situation those non-state funds, that are oriented on serious and long-term work on the market of additional social secure,

are oriented mostly on inviting the legal persons as depositors. This is explained that contributions, enough for providing the reasonable amounts of insurance payments at the present moment and in the nearest future are able to pay for the member only the depositor with sufficient finance resources.

That's why at modern stage of development of the non-state pension funds it is reasonable to develop and implement system, warranting safety of natural and legal persons' deposits. For providing reliability and stability of non-state social funds there must be created the integral system consisting of three levels:

1. Federal insurance reserve fund, performing the constitution obligation of the state for protection of property interests of the members. It is reasonable to form the resources of that fund from money, transferred by all non-state funds according to fixed rates, accounted in percents, first, from contribution of every depositor to this organization according to chosen pension scheme or insurance policy, and second, from the sum of investment profit, accounted to every member. With this system of reserving the Federal Fund would possess the enough amounts of insurance reserves at quite small amounts of transferred sums, without destabilization the activity of non-state funds.

2. Voluntary reserve co-operatives (guarantee funds) of the market of non-state social secure members are formed for the reserving of part of finance assets or own money of the fund with obligation of securing of their reasonable profitability in the long-term plan. These structures make own reserves (funds), necessary for securing finance reliability in case of lack of the own reserves of the non-state funds.

3. Own special reserves of the fund. For providing stability of performing the obligations against its members the funds should make special reserves by transferring part of finance assets, that are not the pension reserves, but they should be used for adding in case of lacking. Presence of special reserve at the fund is deemed as legal regulation of possessing certain amount of money as the "reserve stock" at the level of 10% of the paid insurance obligations.

Final part

Summarizing the said above, it should be noted, that providing reliability of the contributed money is the most important condition for the stable state of the system. If the reliability of the contributions would not be provided properly, then the whole system of the non-state social secure would fail. That is why the reliability of the populations' deposits is the absolute, categorical imperative, that

should not be broken. Further development of non-state pension funds greatly depends from forming of effective system of control, regulation and supports by the state the functioning of system of the non-state pension secure for making good conditions of taxation the payment, stimulating contributions to the funds, providing the funds with tax privileges, broadening the variety of pension schemes.

Conclusions

Besides the mentioned above levels of system for providing reliability and stability of the non-state pension funds activity, we can point out some additional guarantees: creating rating systems of non-state funds, using state and public forms of control the fund's activity, increasing requirements to finance secure of the non-state funds. [11, p. 607].

Only development of the suggested system for providing reliability and stability for functioning of non-state pension funds would contribute to stimulate the citizens to the pension self-secure, developing of partnership relations between the employers and the employees, forming of long-term finance resources for investments to the state projects and programs and foundation of social system of the state, meeting the requirements of market economy.

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