

# Pension Provision in the Far Eastern Federal District of the Russian Federation

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**Abstract.** Improving the provision of pensions is one of the priorities of the state policy of the Russian Federation. The pension system is in the process of reform, one of the last steps is to increase the retirement age. Pension in the mandatory pension system (MPS) is appointed by the insurance when the insured event, namely the retirement age, establishing disability or loss of a breadwinner. Pensions provided ops are formed by premiums paid by employers (policyholders) for its employees and for themselves to the Pension Fund of Russia. The total rate of insurance contributions account for the funds in the amount of 22% of payroll employees. Each district of the Russian Federation has its own characteristics that must be considered in the development of pension policy. Far Eastern Federal District occupies 40% of the territory of the Russian Federation, Its population is 5.6% of the Russian population. It is characterized by severe climatic conditions and larger than the share of Russian pensioners from 28.2 to 33.9%. For wages to increase the size of workers working in areas with special climatic conditions of payment in order to compensate for these terms and conditions associated with higher employee costs applicable regional coefficients. It turns out that wages are higher than in Russia, but also higher costs. Old-age pension in the DFO exceed the subsistence minimum of a pensioner in 1.3-1.6 times, but still did not provide a decent old age. There is migration: beyond DFO retired pensioners is 3.3 times more than arrived. Therefore, to improve the standard of living of pensioners is necessary to improve the demographic and economic situation. What it is done by stimulating the birth rate.

## 1. Introduction

The problem of improving the provision of pensions is one of the priority tasks of the state. The pension system is constantly in the process of reform. Currently, she is a three-tiered and consists of compulsory insurance of public and private provision. [1]

Pension in the mandatory pension system (MPS) is appointed by the insurance when the insured event, namely the retirement age, establishing disability or loss of a breadwinner. Pensions provided ops are formed by premiums paid by employers (policyholders) for its employees and for themselves to the Pension Fund of Russia (PFR), it acts as an insurer.

Currently, the total rate of insurance contributions, the current in the OPS is 22% of the Fund Payment of a worker by the employer and transferred every month. This value is composed of two parts: 1. solidary rate of 6% designed for fixed payments current retired; 2. The individual rates of 16%, is transferred to personal accounts of citizens in the formation only of pension or 10% - in the formation and accumulation of insurance payments, which accounted for the remaining 6% [2, 3, 4, 5]. Under the new rules transfer the funds transferred to conventional units - retirement points, and themselves money goes to pay current pensions. Every year, the government index value of those points, taking into account inflation, to prevent them from depreciation.

The Pension Fund of the Russian Federation assigns and pays various types of pensions and social benefits. As of today, Russia has the following types of pensions: Insurance pension (three types: old age, disability and loss of breadwinner); State pension (four types: long service, old age, disability and loss of breadwinner); Social pension; Funded pension. And social benefits: Monthly benefits (including a package of social services); Monthly supplement to benefits.

Russia, which has one of the lowest retirement ages in the developed world, will see the pensionable age for men gradually rise to 65 years from 60, and for women to 63 years from 55 [6].

Life expectancy in retirement for both men and women overseas are much higher than in Russia. Do not accident that Russia entered the top five worst countries in the world for the life of people of retirement age in accordance with the Global Pension Index-2017 [7].

## **2. Relevance**

Currently in Russia there is no any sound system of reflecting the full range of necessary parameters and allows to evaluate the development of the pension reform in the long term [8].

Issues of improvement of the pension system and its reform paid a lot of attention of domestic and foreign scientists. So, the main works in this area belong to the scholar Yu Minin TA Solodkova, N. Barr, VD Roic, AK Solovyov IT. Kuznetsova, DN Ermakov. Some researchers, such as VV Gusch, EM Proshina talk about a regional perspective when pension provision.

Problems, discussed in the article, it is that reforms to pensions do not take into account regional specificities, including an asymmetric development of regions of Russia, as an economic as well as social and demographic.

According to the Labor Code of the Russian Federation [9] to the salary increase for the wage workers who work in areas with special climatic conditions, in order to compensate related to these terms of increased employee costs for the maintenance of housing, medical treatment, etc., as well as to reduce the negative the impact of climatic factors on the health of regional coefficients are applied. Thus, labor cost in areas increased compared with regions with a more benign climate. And, accordingly, pension funds also increased, as well as pensioners spending on food, utilities, etc .

Far Eastern Federal District (DFO) was established in 2000, occupies about 40% of the entire country, the number of populations of the district according to Rosstat on 2019 is 8.1 million. People. that is 5.6% RF population [10]. DFO is in severe climatic conditions, so that in many places a mandatory applicable regional coefficient operating in the Far North and equivalent areas. [11]

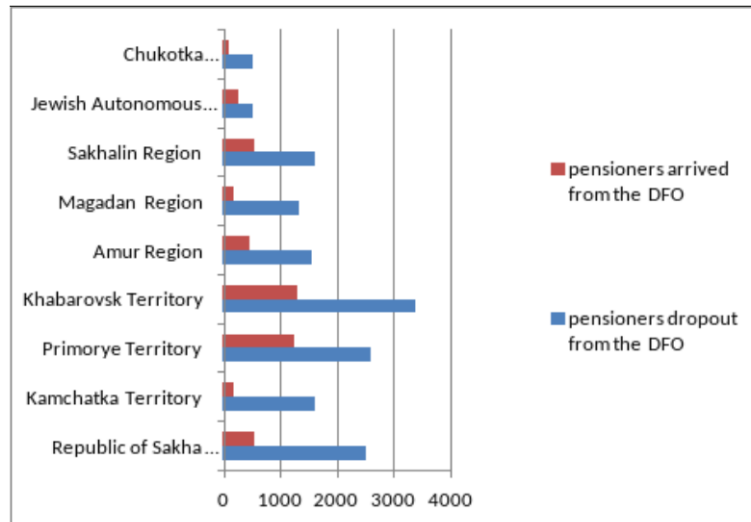
Seniors make up 28.3% of the population. Their main source of income are pensions [12].

The increase in the number of pensioners with a decrease in the number of resident populations in the Far Eastern Federal District led to an increase in their share in the composition of the resident population from 24.8% in 2004 to a level of 29.1% in 2016. the number of pensioners specific gravity is highest in the Sakhalin region - 33.9% and the lowest observed in the Republic of Sakha (Yakutia) – 28.2%.

Insurance pension DFO, 1.6 million people or 90.6% of the total number of pensioners. Of these, over 93% are recipients of old-age insurance pensions.

In 2016, the pace of growth in the number of pensioners is 3 times lower than in 2015 (1.0%). The main increase in the number of pensioners is observed in the Republic of Sakha (Yakutiya) and the Primorye Territory. In the Kamchatka region, Magadan and Sakhalin regions, the number of pension recipients dropped [13].

In the Federal District of the Russian Federation beyond the subject of retired pensioners is 3.3 times more than arrived (see Fig. 1). The number of newly granted pensions for the same period by almost 1.5 times exceeded the number of deceased pensioners.



**Figure 1.** The migration of retirees in the FEFD of over 2016 subjects.

Due to the climatic conditions and the economic situation in the Far East index pensioners, retired beyond the subject of RF-over-retirees who came to the subject, and the biggest difference is characteristic of the northern regions (Kamchatka region 8 times), and the lowest for the JAR (1,8 times).

Since the permanent population in the Far Eastern Federal District is constantly decreasing, and the number of pensioners continues to increase, the proportion of pensioners in the composition of the resident population over the past 12 years has grown by 4.3%. The largest proportion of pensioners is observed in the Sakhalin region (33.9%) and the lowest in the Republic of Sakha (Yakutiya) (28.2%), but in general the spread of the values of the subjects is not great and is 29.7%. The number of recipients of old-age pensions insurance rose in seven regions of Russia (except for the Magadan Region and the Chukotka Autonomous District).

The average pension (including all types of pensions) amounted to 14 681.13 rubles, An increase over 2016 to 378.95 rubles or 2.6%. In 2016 it was carried out indexation of insurance and state pensions by 4%. Average assigned pension of 2018 was 17 223, 45 rubles. Which is 17% above 2016 pensions the subsistence minimum pensioner (PMP) has different values in different areas is set in each RF subject on the basis of local laws (Table. 1) [14, 15,16].

In connection with the exception of the indexation of pensions insurance category of working pensioners and the limitation of their recalculation of pensions in August by three points the value of pension insurance average old-age pension increased by only 2.4%. The largest percentage growth is the value of the social pension – 4.3%. The subjects, fully belonging to the Far North, have higher average pension. The share of funded pension increased to 6.8%.

The number of recipients of state pensions has decreased by 1.0% in 2016. Over the past year the number of insurances of pension beneficiaries increased by 0.4% compared with the previous year, though the number of recipients of old-age pensions increased by 0.7%.

Disability pension above the subsistence level only in the Chukotka Autonomous Area, in the other entities of the county ratio below subsistence level – 91.0%. The average pension for survivors above the subsistence level in the Primorsky Territory and the Amur region and below it in other subjects of the county. Social pension has reached the minimum subsistence level in the Amur and Sakhalin

regions and the Chukotka Autonomous District. The ratio of the average social pension to subsistence level decreased in all regions of Russia in the Federal District.

**Table 1.** The average insurance pension in the subjects of FEFD (Far East Federal District) and the subsistence level as of 01.01.2019.

| of the county                  |    | The average size<br>granted pensions,<br>rubles. | The subsistence<br>minimum for<br>pensioners, rub. | The ratio of<br>pension to the<br>subsistence<br>minimum, |
|--------------------------------|----|--|--|---|
| Republic<br>Buryatiya          | of | 13185  | 8726   | 1,511   |
| Republic of Sakha<br>(Yakutia) |    | 18901  | 13951  | 1,355   |
| Trans-Baikal<br>Territory      |    | 13119  | 8726   | 1,503   |
| Kamchatka<br>Territory         |    | 21229  | 16543  | 1,283   |
| Primorye Territory             |    | 14351  | 9151   | 1,568   |
| Khabarovsk<br>Territory        |    | 16273  | 10895  | 1,493   |
| Amur Region                    |    | 14230  | 8726   | 1,631   |
| Magadan Region                 |    | 21495  | 15460  | 1,390   |
| Sakhalin Region                |    | 18655  | 12333  | 1,512   |
| Jewish Autonomous<br>Region    |    | 13729  | 9013   | 1,523   |
| Chukotka<br>Autonomous Area    |    | 24291  | 19000  | 1,278   |

Old-age pension in all regions of Russia exceed the subsistence level of 1.3-1.6 times the average for the Federal Circuit - 1.4 times, this ratio is allowed to talk about a good pension provision in this subject of the Russian Federation.

The most important social task of the state pensions of citizens in Russia is in the process of reforming. The impact of demographic and socio-economic factors is systemic in the conduct and implementation of pension reform. Each subject of the Russian Federation has its own characteristics, due to the large difference between the demographic and climatic conditions.

Low wages are the main obstacle to the formation of a decent level of future pension: 29% of workers due to low salary levels for any length of service will not be able to earn a pension, even in the amount of subsistence minimum for pensioners, even 39% of employees, having developed the maximum possible experience, form the pension in the amount of from 1 to 2 PPM. Only 16% of the most highly paid employees can count on a pension of 3 PPM, even if they do not work for all working age [17, 18].

### **3. Socio-economic measures in the Far East**

In the Far East there is a reduction of the indigenous population of the working population to the retired population. The authorities are struggling to improve the demographic situation - to attract and secure additional human resources in the Far East, due to various socio-economic measures.

One such event is unprecedented for free allocation of land (Act Far hectare) [19, 20], according to which every citizen of the Russian Federation once can get for free up to 1 hectare of land on the territory of the Far East for residential construction, farm or business. But in fact not all the allocated

land suitable for farming, the development of forestry farming requires large investments for the long term (30 years). Just the lack of transport and energy infrastructure adds wishing to take advantage of this support measure [21, 22, 23].

Another measure is to provide an advanced development areas (TOP) in the Far East "Khabarovsk" and "Komsomolsk" in Khabarovsk, "Nadezhdinskaya" in Primorye.

Territory with a certain economic status – it is difficult organized system, which includes different from that adopted in the rest of the tax and customs system of preferences, including the special procedure for the establishment and operation of companies – residents of these areas.

The territory of advancing socio-economic development (TAD) – part of the territory of the Russian Federation, on which the special legal regime of doing business. Within the framework of preferential regimes currently in the Far East are the top 18 (in all regions except the Magadan region), which is registered as at September 2018 306 residents, the volume of announced private investment is 2.3 trillion. rubles, the number of new jobs – 54.0 thousand people. Free port of Vladivostok (FPV) – a territory, which enjoys special tax regime of customs and administrative regulation. IPS mode distributed in 21 municipality, of which sixteen – in the Primorsky Krai, two – in the Khabarovsk region, one – in the Kamchatka region, Sakhalin Region and the Chukotka Autonomous District. In total, the number of residents of SPV with 871 investment projects worth 524.1 billion rubles of private investment and the creation of 52.8 thousand new jobs.

Another measure to improve the demographic situation in the territory of FEFD is to stimulate the birth rate, due to the financial support of families with children by issuing: the federal capital of the parent (birth of 2nd child) 2019 – 453 026 rubles; regional maternal capital (the birth of the third child and subsequent children) – in 2019 to 200 000 rubles; lump sum allowances for child birth – the first-born – up to 50 000 rubles, the benefits of having children, preferential interest on mortgages (from 6% for large families) and the allocation of the amount of the mortgage on the damping [23]. This set of measures is part of the demographic policy of the state, carried out in the Far Eastern Federal District.

#### **4. Summary**

Relatively low level of pensions in the Far East, although the pension above the subsistence level, but often it does not provide a decent standard of living, which leads to a decrease in well-being of the population and migration of people of retirement age in those areas of the country where the cost of living lower.

Complex natural - climatic conditions and little development of social security as well contribute to the migration of retirees in the Russian regions with more favorable climate.

Other factors are the lack of public confidence in the constantly reforming the pension system, the lack of stable growth and decent pensions for current retirees, the lack of confidence in financial institutions - pension private insurance segment has not developed, the use of illegal salary schemes in order to reduce the mandatory pension payments.

The demographic situation and age structure of the population of DFO directly affect the pension entity. Pension reform should take into account the long-term prospects in the demographic, social and macro-economic and employment areas directly to the pension. It is necessary to develop a pension policy taking into account the specifics of the particular subject of the Russian Federation.

Posed at the beginning of the study goal has been achieved. The authors have studied and analyzed the economic, demographic and social state of the Far Eastern Federal District and its impact on pension provision in the county.

The authors believe that it is necessary to allocate regional specificity during the reform of the pension system.

Presented in the article the analysis of the individual pensions district, may be useful in the further development of theoretical research on individual districts of the Russian Federation for the development of individual measures in the reform of the pension system.

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