


Russian Federation

Russian Federation: Pension system in 2014

The mandatory old-age pension consists of a notional accounts system including a basic flat-rate benefit and a funded defined contribution scheme. There are also statutory social pensions and voluntary private pensions managed by non-state (private) pension funds.

Key indicators: Russian Federation

| | | Russian Federation | OECD |
|------------------------------|-----------------|--------------------|-----------|
| Average worker earnings (AW) | RUB | 391 920 | 2 343 357 |
| | USD | 6 691 | 40 007 |
| Public pension spending | % of GDP | 8.5 | 7.9 |
| Life expectancy | At birth | 67.9 | 80.0 |
| | At age 65 | 14.4 | 19.3 |
| Population over age 65 | % of population | 13.2 | 16.2 |

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Qualifying conditions

The normal pensionable age for the old-age labour pension is 60 years for men and 55 years for women with at least five years of insurance coverage in 2014. In addition to work insurance qualifying period includes military service other type of state service, periods of receipt of public social insurance, care periods, periods of unemployment benefit receipt, periods of participation in paid public works or travel if assigned by the state employment service, periods of wrongful imprisonment, periods of being wrongfully repressed, wrongfully rehabilitated or wrongfully exiled. Accompanying persons where the breadwinner is serving in the military or civil service can also receive insurance periods, but not more than five years in total.

Old-age pension benefits are also paid to individuals suffering from diseases caused by radiation or other man-made accidents and who are above the age of 50 for men or 45 for women with if they have had at least five years of service. The state social pension is paid to disabled persons or individuals not meeting the age requirements from age 65 for men and age 60 for women. The state social pension is not payable abroad. Retirement is not necessary. There is no income test for a working pensioner.

Benefit calculation

Pension benefits are financed out of the contributions made to the mandatory pension insurance scheme (notional defined contribution). In 2014, the contribution rate paid by the employers is 22% for salaries up to RUB 624 000 and 10% of salaries exceeding RUB 624 000.

Old-age labour pension

The old-age labour pension is calculated as the sum of two components:

- The notional defined contribution component (including basic part) – a benefit based on the notional account.
- The funded defined contribution component – a benefit based on the value of the individual account with a contribution rate equal to 6% plus interest from 2016.

The basic flat-rate component was equal to RUB 4 687 per month in 2014. Pensioners aged 80 or above are entitled to double the amount of the basic flat-rate “benefit”.

The contribution rate to the merged basic and NDC is 16% below RUB 624 000 and 10% above. The notional account component (without basic flat-rate “benefit”) is calculated on the accumulated notional capital adjusted annually according to the national legislation. The annual coefficient for the pension capital indexation was equal to 1.083 on 1 January 2014.

The monthly pension benefit is calculated as quotient of the amount of pension capital divided by the expected period of pension payment in months. In 2014 it is 228 months (19 years). The assigned NDC component is also adjusted according to the national legislation. The amount of the funded component may be paid as a lump sum in some defined cases.

The old-age labour pension is payable to persons suffered from radiation and man-caused accidents. The amount is 250% of social pension.

There is no officially stated minimum or maximum monthly pension.

State Social Pension

The pension is a percentage of the basic flat-rate portion of the labour pension. Benefits are adjusted according to changes in the inflation rate and the average wage.

Safety-net benefits

There are a range of social assistance benefits available to all categories of pensioners, but their type and amount depend on a region of the Russian Federation (for example, transport expenses, medicine, etc.). Pensioners can choose these benefits in-kind or in cash.

All social assistance benefits paid to the non-working pensioners are based on the minimum subsistence level of a pensioner in the Russian Federation which falls into the national (federal) and regional levels. In 2014 the federal subsistence level of a pensioner is RUB 6 617.00 per month. It may differ on regional level.

There are several options for social assistance benefits paid to the non-working pensioners with the total income lower than the subsistence level of a pensioner:

1. Federal supplementary social assistance for individuals with income lower than the federal subsistence level of a pensioner (up to this level); paid by the Pension Fund of the Russian Federation.
2. Regional supplementary social assistance for individuals with income lower than the regional subsistence level of a pensioner (up to this level), but higher than the federal one; paid by the local social security authorities.

Total income of a non-working pensioner includes: pension (or its part), supplementary cash benefit, monthly cash benefit (including an amount of social services); other social assistance benefits in cash under the regional regulations (excluding social assistance paid as a lump sum) as well as the cash equivalent of the social assistance benefits for telephone, housing and utilities and public transport expenses.

Variant careers

Early retirement

It is not possible to claim the pension before the normal eligibility age. However, early retirement is possible for special groups of insured persons working in unhealthy work environments. The required number of years of work in an unhealthy environment may vary according to conditions and profession. These early retirement benefits are paid for by the state on a pay-as-you-go basis. As of 1 January 2013, employers who have jobs with special conditions and employees eligible for the early pension provision, are obliged to pay extra insurance contributions to the system of mandatory pension insurance: 2014 – 4% and 6%; 2015 – 6% and 9%.

Late retirement

The old-age labour pension benefits can be deferred. Every additional year of deferral decreases the expected period of pension payment by one year and consequently increase the pension benefit. The minimum expected period of pension payment is 14 years.

Childcare

Periods of childcare up to 18 months per child with a maximum of three years in total are included in the insurance coverage.

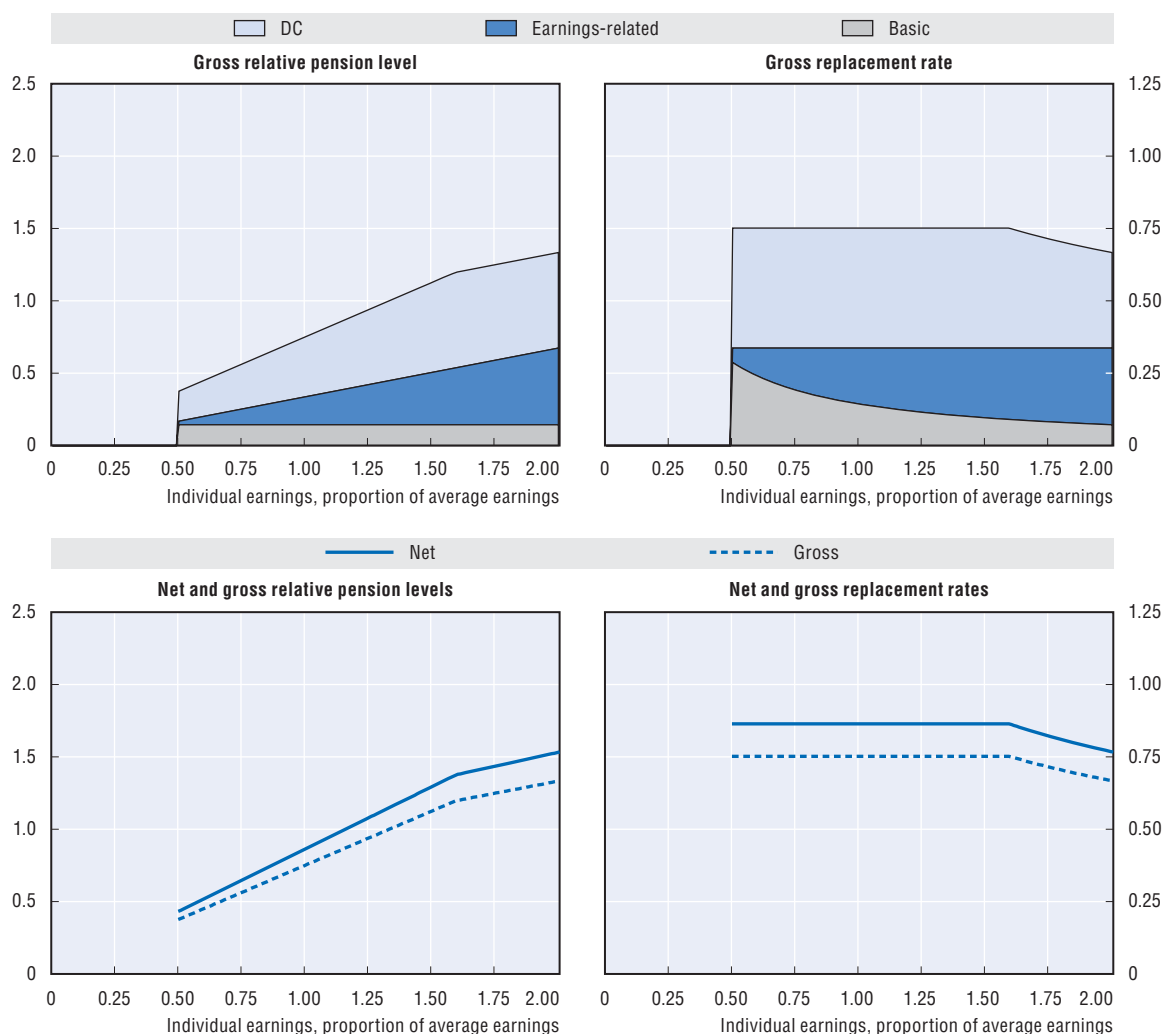
Child allowances: Paid to families with income below the locally determined minimum subsistence level. The child must reside in the household. The allowance varies according to geographic region and is paid for each child from age 18 months to age 18 (age 23 if a full-time student). Supplements are paid if a parent fails to pay alimony. Single parents receive twice the child allowance.

Family (maternity capital) grant: Paid to women after the birth or adoption of the second, third or subsequent child after 1 January 2007. In special cases men are entitled to the grant after the adoption of two children. In 2014 it was RUB 429 408. One of the three options for the capital investment determined by the legislation is financing of the statutory funded pension of a mother or father.

Unemployment

At the suggestion of the Employment Service and in the lack employment conditions pensions are payable to unemployed persons aged up to 60 years (men) and 55 years (women), but not earlier than two years before eligible age, with insurance period more than 25 and 20 years respectively and required length of service for early retirement in case of company or owner bankruptcy, reduction of the staff. The amount of a pension is determined by the Law on Labour Pensions in the Russian Federation as for insurance part of labour old-age pension.

Pension modelling results: Russian Federation in 2054 (2049), retirement at age 60 (55)



Baseline scenario: Legislation scenario (wage indexation of basic scheme)

| Men Women (where different) | Individual earnings, multiple of average | | | | | |
|---|--|------|------|-------|-------|-------|
| | 0.5 | 0.75 | 1 | 1.5 | 2 | 3 |
| Gross relative pension level | 37.6 | 56.4 | 75.2 | 112.8 | 133.4 | 167.1 |
| (% average gross earnings) | 32.0 | 48.1 | 64.1 | 96.1 | 114.1 | 143.5 |
| Net relative pension level | 43.2 | 64.8 | 86.4 | 129.6 | 153.4 | 192.1 |
| (% net average earnings) | 36.8 | 55.3 | 73.7 | 110.5 | 131.1 | 165.0 |
| Gross replacement rate | 75.2 | 75.2 | 75.2 | 75.2 | 66.7 | 55.7 |
| (% individual gross earnings) | 64.1 | 64.1 | 64.1 | 64.1 | 57.0 | 47.8 |
| Net replacement rate | 86.4 | 86.4 | 86.4 | 86.4 | 76.7 | 64.0 |
| (% individual net earnings) | 73.7 | 73.7 | 73.7 | 73.7 | 65.6 | 55.0 |
| Gross pension wealth | 9.6 | 9.6 | 9.6 | 9.6 | 8.6 | 7.1 |
| (multiple of individual gross earnings) | 12.8 | 12.8 | 12.8 | 12.8 | 11.4 | 9.6 |
| Net pension wealth | 9.6 | 9.6 | 9.6 | 9.6 | 8.6 | 7.1 |
| (multiple of individual gross earnings) | 12.8 | 12.8 | 12.8 | 12.8 | 11.4 | 9.6 |

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 85%. Labour market entry occurs at age 20 in 2014. Tax system latest available: 2014.

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