

## RUSSIAN FEDERATION

**Russian Federation: pension system in 2008**

The pension system has different components: labour pensions, state pensions, and voluntary pension savings at non-state (private) pension funds.

		Key indicators	
		Russian Federation	OECD
Average earnings	RUB	207 500	1 009 000
	USD	8 300	40 600
Public pension spending	% of GDP		7.0
Life expectancy	at birth	66.7	78.9
	at age 65	78.6	83.1
Population over age 65	% of working-age population	20.4	23.6

### Qualifying conditions

Normal pensionable age for the labour pension is 60 for men and 55 for women and they must have at least 5 years of insurance coverage. In addition to work, the insurance qualifying period includes periods of military service, periods of receipt of public social insurance during temporary disability, period of care by one of the parents for each child until the age of 18 months, but not more than 3 years in total, period of receipt of unemployment benefit, period of participation in paid public works and period of travel if assigned by the state employment service to another locality for the purpose of employment, period of imprisonment for persons who were later declared wrongfully made criminally liable, wrongfully repressed and subsequently rehabilitated, and period of serving a sentence by these persons in confinement and exile, period of care provided by able-bodied person to a I group invalid, disabled child or a person aged over 80.

The state social pension is payable to disabled citizens or those meeting the age requirement of age 65 for men or age 60 for women.

Retirement is not necessary. There is no income test for a working pensioner.

### Benefit calculation

Pensions are financed out of the contributions to mandatory pension insurance (for basic and insured parts of labour pension) in accordance with the Federal law “On mandatory pension insurance” and also from transfers from the federal budget to the budget of the Pension Fund of Russia, allocated for financing of the basic part of labour pensions, state pensions and social pensions. About 60% of such transfers are funded by revenue from the Unified Social Tax, as regards the amounts posted to the federal budget.

### Labour pension

The benefit is calculated as the sum of three components:

- a basic flat-rate benefit (basic part of the labour pension, BPLP)
- a benefit based on the notional account (IPLP), and
- a benefit based on the value of the individual account (contributions plus interest, FPLP) to be paid in general beginning in 2013.

The old-age BPLPs in 2008 was RUB 1 794 for a pensioner aged 80 and younger with no dependant.

In accordance with the law “On labour pensions in the Russian Federation”, IPLP is calculated based on the amount of the so-called pension capital accumulated as of the date application for pension at a notional funded account subject to annual indexation as prescribed by the RF Government. Starting from 1 April 2003, the annual coefficient for indexation of pension capital is 1.204.

The amount of a monthly pension is determined as quotient of the amount of pension capital on account divided by the expected period of pension payment in months. At present it is 228 months (19 years). The assigned IPLP is also subject to indexation in the order prescribed by the Government.

As of today, there is no formula for the calculation of the FPLP yet.

There is no officially stated minimum or maximum monthly pension.

## **Variant careers**

### ***Early retirement***

It is not possible to claim the pension before the normal eligibility.

### ***Late retirement***

The old-age labour pension can be deferred. If so, for calculation of the IPLP every full year of retirement deferral decreases the expected period of pension payment by 1 year (12 months). The minimum expected period of pension payment is 14 years (168 months). So it is inexpedient to defer application for labour pension for more than 5 years.

### ***Childcare***

Periods of childcare are included in the insurance coverage (qualifying period).

### ***Unemployment***

Unemployment benefits are subject to UST or mandatory pension contributions.

## **Personal income tax and social security contributions**

### ***Taxation of pensioners***

Taxation by income tax is made on general basis.

### ***Taxation of pension income***

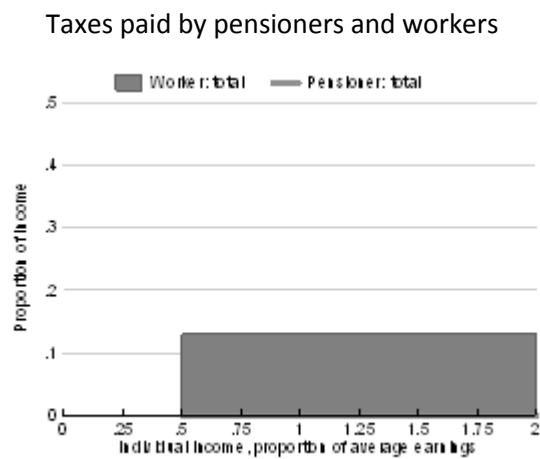
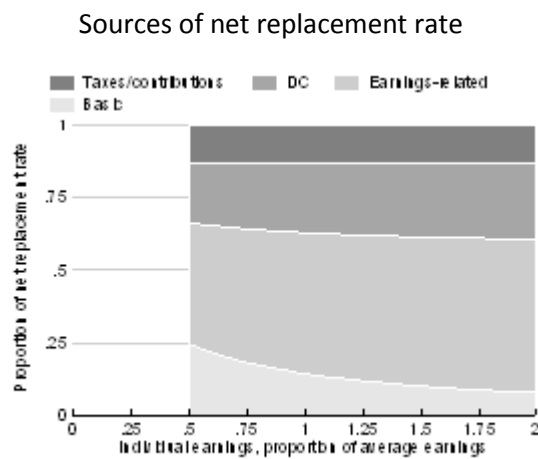
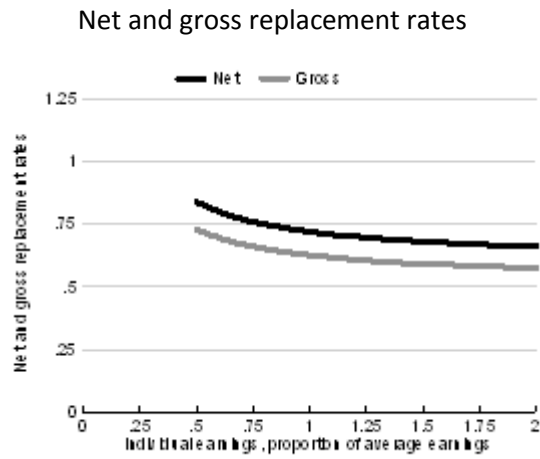
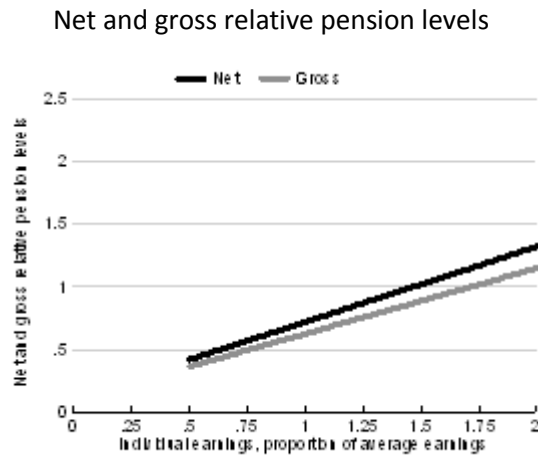
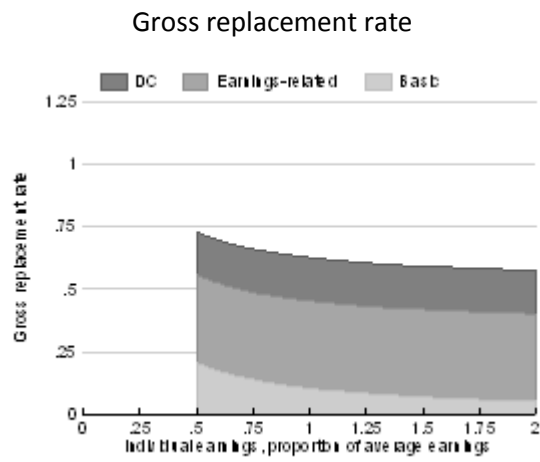
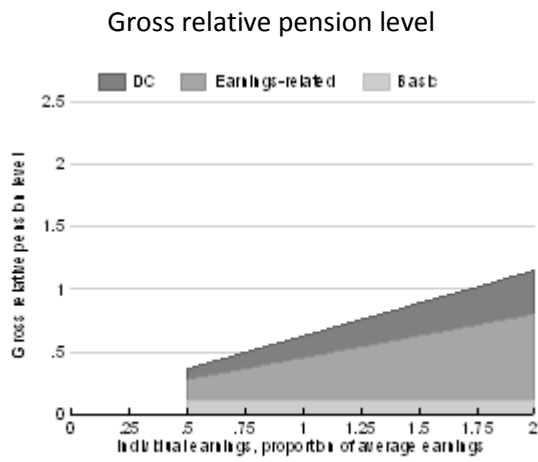
Pension payments are taxable.

Retentions can be made by court decisions (alimony, recovery of excessively paid pension, recovery on other claims, including tax claims). The maximum deductions for these purposes must be no more than 50% of pension size (in exceptional cases – up to 70%).

### ***Social security contributions paid by pensioners***

Working pensioners and their employers must pay all statutory taxes and duties, including mandatory pension insurance contributions and UST.

## Pension modelling results: Russian Federation



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	52.7 46.9	36.5 32.9	49.6 44.2	62.7 55.5	88.8 78.1	114.9 100.6
Net relative pension level (% net average earnings)	60.6 53.9	42.0 37.9	57.0 50.8	72.0 63.8	102.1 89.7	132.1 115.7
Gross replacement rate (% individual gross earnings)	65.1 57.9	73.0 65.9	66.1 59.0	62.7 55.5	59.2 52.1	57.5 50.3
Net replacement rate (% individual net earnings)	74.8 66.6	83.9 75.7	76.0 67.8	72.0 63.8	68.0 59.8	66.1 57.8
Gross pension wealth (multiple of average gross earnings)	9.4 11.9	10.5 13.5	9.5 12.1	9.0 11.4	8.5 10.7	8.3 10.3
Net pension wealth (multiple of average net earnings)	9.4 11.9	10.5 13.5	9.5 12.1	9.0 11.4	8.5 10.7	8.3 10.3