


## Russian Federation

### Russian Federation: Pension system in 2012

The mandatory old-age pension consists of two components an earnings-related part based on notional defined contributions and a defined contribution part. There are also statutory social pensions and voluntary pension savings at non-state (private) pension funds.

### Key indicators

		Russian Federation	OECD
Average worker earnings (AW)	RUB	321 900	1 303 500
	USD	10 500	42 700
Public pension spending	% of GDP	9.2	7.8
Life expectancy	At birth	68.0	79.9
	At age 65	13.9	19.1
Population over age 65	% of working-age population	19.6	25.5

StatLink  <http://dx.doi.org/10.1787/888932909466>

### Qualifying conditions

Normal pensionable age for the old-age labour pension is 60 for men and 55 for women and they must have at least five years of insurance coverage. In addition to work, the insurance qualifying period includes periods of military service and other similar type of service (Home Office, State Fire Service, etc.) including family members, 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 three 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. Accompanying persons in married couples 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 is also payable to persons suffering from diseases caused by radiation or other man-made accidents and who are above the age of 50 (men) or 45 (women) and who have at least five years of service.

The state social pension is payable to disabled persons 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 scheme (notional defined contribution – NDC) in accordance with the Law on Mandatory Pension Insurance and also from transfers from the federal budget to the budget of the Pension Fund of the Russian Federation to statutory social pensions and benefits. In 2012, the contribution rate paid by the employers is 22% for salaries up to RUB 512 000 and 10% of salaries exceeding RUB 512 000. In 2013, the rate will be 22% for a salary up to RUB 568 000 and 10% for salaries exceeding RUB 568 000.

### **Old-age labour pension**

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

- A NDC component – a benefit based on the notional account.
- A funded component – a benefit based on the value of the individual account (contributions of 6% plus interest) to be paid in general since 1 July 2012.

A basic part of NDC component (basic flat-rate “benefit”) in 2012 was RUB 3 279 for a pensioner aged 80 and younger with no dependant and not being a disabled person.

In accordance with the Law on Labour Pensions in the Russian Federation the NDC component (without basic flat-rate “benefit”) 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 government. As of 1 January 2012, the annual coefficient for indexation of pension capital is 1.10. The contribution rate to the merged basic and NDC is 16% below RUB 512 000 and 10% above.

The amount of a monthly pension (NDC and funded components) is determined as quotient of the amount of pension capital on account divided by the expected period of pension payment in months. In 2013 it will be 228 months (19 years). The assigned NDC component is also subject to indexation in the order prescribed by the government. 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.

## **Variant careers**

### **Early retirement**

It is not possible to claim the pension before the normal eligibility. However, early retirement is possible for special group of insured persons working in unhealthy work environment (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: 2013 – 2% and 4%; 2014 – 4% and 6%; 2015 – 6% and 9%.

### **Late retirement**

The old-age labour pension can be deferred. If so, for calculation of the NDC every full year of retirement deferral decreases the expected period of pension payment by one year (12 months). The minimum expected period of pension payment is 14 years (168 months). At the end of 2012, the government adopted a Long-term Pension System Strategy including some incentives for deferred pensions in order to increase retirement benefits.

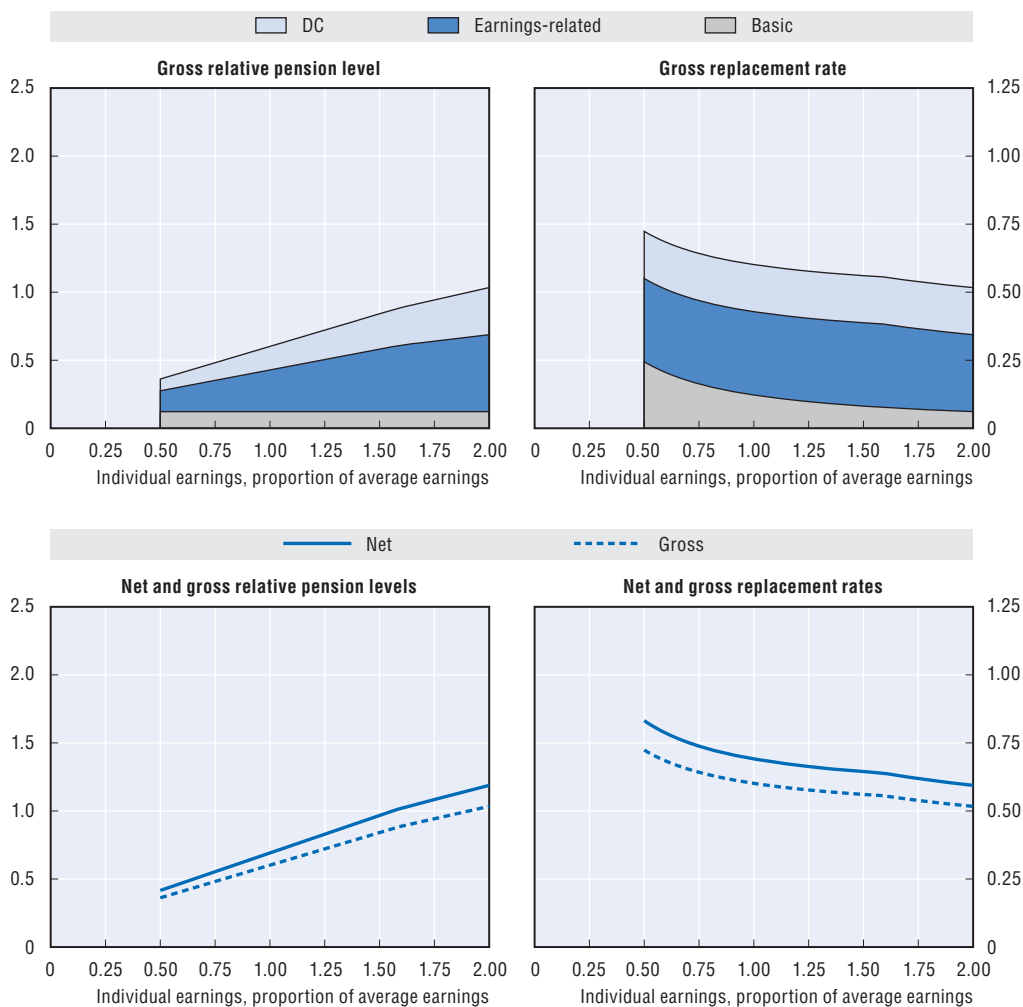
### **Childcare**

Periods of childcare (for one child aged up to 18 month, but not more than three years in total) are included in the insurance coverage (qualifying period).


**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



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	51.0	36.2	48.2	60.2	84.1	103.4
(% average gross earnings)	45.7	32.9	43.2	53.6	74.2	90.8
Net relative pension level	58.7	41.6	55.4	69.1	96.7	118.8
(% net average earnings)	52.5	37.8	49.7	61.6	85.3	104.3
Gross replacement rate	63.0	72.4	64.2	60.2	56.1	51.7
(% individual gross earnings)	56.4	65.8	57.6	53.6	49.5	45.4
Net replacement rate	72.4	83.2	73.8	69.1	64.5	59.4
(% individual net earnings)	64.9	75.6	66.2	61.6	56.9	52.2
Gross pension wealth	8.2	9.5	8.4	7.9	7.3	6.8
(multiple of individual gross earnings)	11.4	13.3	11.7	10.8	10.0	9.2
Net pension wealth	8.2	9.5	8.4	7.9	7.3	6.8
(multiple of individual gross earnings)	11.4	13.3	11.7	10.8	10.0	9.2

StatLink  <http://dx.doi.org/10.1787/888932909485>