

Russian Federation

Russian Federation: Pension system in 2020

The old-age insurance pension under statutory compulsory pension insurance scheme includes a flat rate benefit and points as well as individual accounts for persons born in 1967 and later. There are also statutory social pensions and voluntary private funded pensions managed by non-state (private) pension funds.

Key indicators: Russian Federation

		Russian Federation	OECD
Average worker earnings (AW)	RUB	480 000	2 824 946
	USD	6 657	39 178
Public pension spending	% of GDP		7.7
Life expectancy	at birth	72.2	80.6
	at age 65	15.7	19.7
Population over age 65	% of working- age population	25.3	30.4

Qualifying conditions

The normal pensionable age for the old-age insurance pension is 61.5 years for men and 56.5 years for women with at least 11 years of insurance coverage in 2020, gradually increasing to 15 years by 2024. The normal retirement ages is gradually increasing to 65 for men to 60 for women by 2028. To limit the effect of these changes on certain vulnerable groups, the law will allow men with at least 42 years of coverage and women with at least 37 years of coverage to retire up to 2 years before the normal retirement age (but not earlier than age 60 for men or age 55 for women).

The statutory social pension is not payable abroad. Retirement is not necessary. There is no income test for a working pensioner, but their pensions are not adjusted annually.

Benefit calculation

Pension benefits are financed out of the contributions made to the compulsory pension insurance scheme. In 2020, the contribution rate paid by the employers is 22% for salaries up to RUR 1 292 000 and additional 10% of salaries exceeding RUR 1 292 000.

Basic

The flat-rate benefit was equal to RUR 5 686.25 per month in 2020. Pensioners aged 80 or above are entitled to double the amount of the flat-rate “benefit”.

Earnings-related

The old-age insurance pension is a points based system. The monthly cost of a point is RUR 10 767 in 2020 with a maximum of 9.57 points per year, increasing to 10 points per year from 2021.

One point value in 2020 is RUR 93.

Both the pension cost and pension value increase in line with earnings.

There is no officially defined minimum or maximum monthly pension.

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 2020 the federal subsistence level of a pensioner is RUR 9 311 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. The 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, 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 professions. In 2020 employers who have jobs with special conditions (and employees eligible for the early pension provision) - are obliged to pay extra insurance contributions to the compulsory pension insurance scheme: 2% or 8% depending on the working conditions' category. In case of working conditions' improvement and those conditions are recognized as acceptable or optimal, the employer's contribution rate is reduced to 0%.

Deferred retirement

The old-age insurance 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 (an insurance pension as well as a flat-rate benefit). The minimum expected period of pension payment is (234 months) 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 a women who gave birth (adopted) their first child after January 1, 2020, or gave birth (adopted) second, third or subsequent children after January 1, 2007. The grant is issued to a man who is the only adoptive parent of the first child after January 1, 2020, or who has adopted second or subsequent children starting from January 1, 2007. The amount of maternity (family) capital in 2021 is RUB 483 881.83. In the event of birth (adoption) of the second child starting from January 1, 2020, provided that the first child was born (adopted) also starting from January 1, 2020, the amount of maternal (family) capital increases by RUB 155,550.00 and amounts to a total amount of RUB 639 431.83. Options

for maternal (family) capital investments: improving housing conditions, child (children) education and other expenses related to child (children)'s education, purchasing goods and services intended for social adaptation and integration of disabled children into society, monthly payments to low-income families, women's funded pension.

Unemployment

At the suggestion of the Employment Service and in the lack employment conditions pensions are payable (with their consent) to unemployed persons, dismissed in case of company or owner bankruptcy, reduction of the staff, and who have not reached the age that gives the right to old-age insurance pension, but not earlier than two years before eligible age, with insurance period more than 25 (M) and 20 (W) years respectively and required length of service for early retirement. The amount of pension is determined by the Federal Law No. 400-FZ.

Personal income tax and social security contributions

Taxation of pensioners

Taxation by income tax is made on general basis.

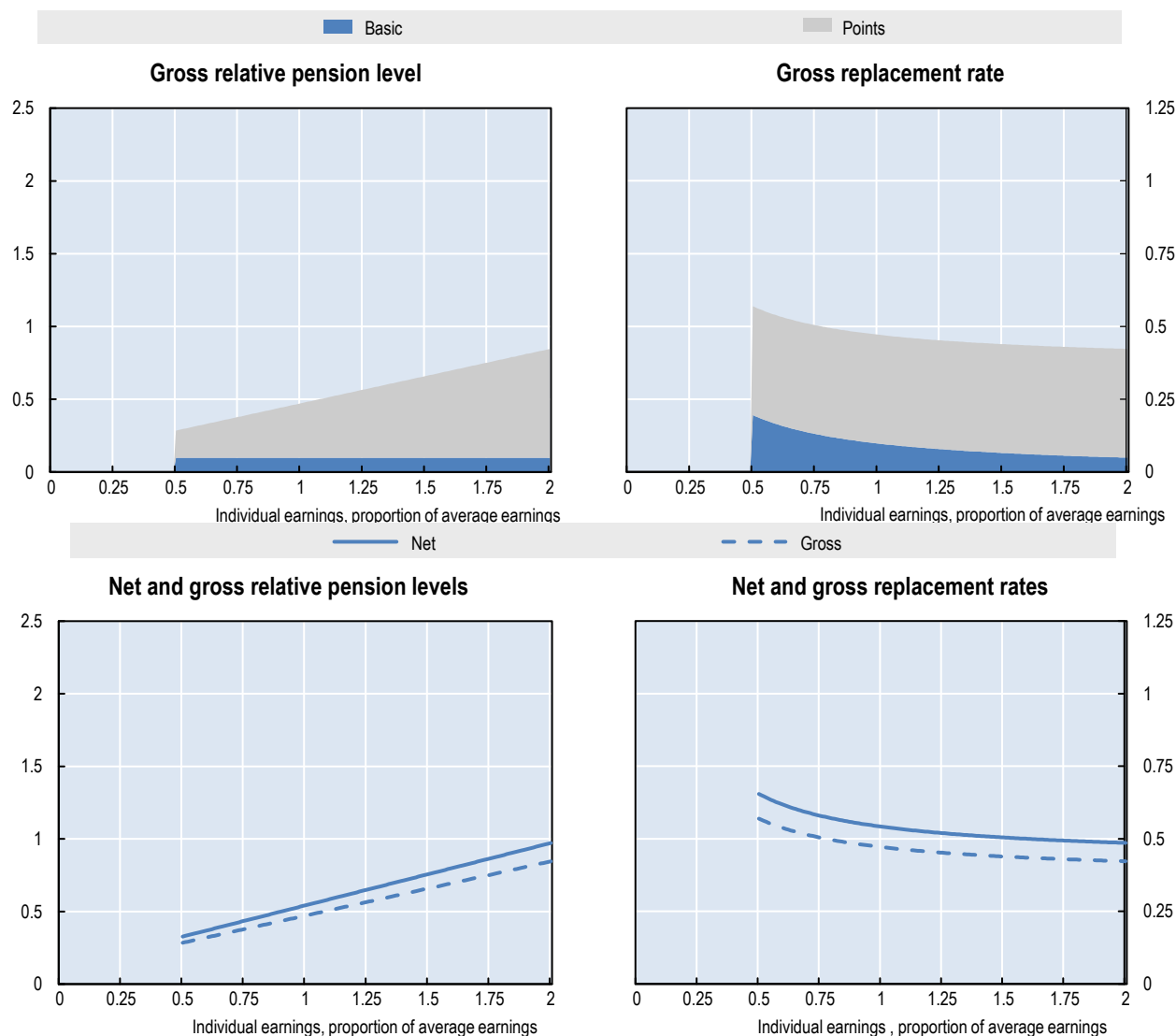
Taxation of pension income

Pension payments are non-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 (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 contribution.

Pension modelling results: Russian Federation in 2063 retirement at age 65 (men)



Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	28.5	37.8	47.2	65.8	84.5	119.9
Net relative pension level (% net average earnings)	32.7	43.5	54.2	75.7	97.2	137.8
Gross replacement rate (% individual gross earnings)	56.9	50.4	47.2	43.9	42.3	40.0
Net replacement rate (% individual net earnings)	65.4	57.9	54.2	50.5	48.6	45.9
Gross pension wealth (multiple of individual gross earnings)	9.9	8.8	8.2	7.7	7.4	7.0
Net pension wealth (multiple of individual net earnings)	11.4	10.1	9.5	8.8	8.5	8.0

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 90%. Labour market entry occurs at age 22 in 2020. Tax system latest available: 2020.