

# Russian Federation

## Russian Federation: Pension system in 2016

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	440 948	2 243 700
	USD	7 197	36 622
Public pension spending	% of GDP		8.2
Life expectancy	at birth	71.2	80.9
	at age 65	15.3	19.7
Population over age 65	% of working- age population	20.7	27.9

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## Qualifying conditions

The normal pensionable age for the old-age insurance pension is 60 years for men and 55 years for women with at least seven years of insurance coverage in 2016 with gradual increase up to 15 years in 2024. 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 insurance 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 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 2016, the contribution rate paid by the employers is 22% for salaries up to RUR 796 000 and additional 10% of salaries exceeding RUR 796 000.

### *Old-age insurance pension*

#### **Old-Age Insurance Pension =**

Number of Points x One Point Value (in a year of a pension claim, in RUR) + Flat-Rate Benefit

One point value in 2016 is RUR 74.27.

The funded defined contribution pension - a benefit based on the value of the individual account with a contribution rate equal to 6% plus interest from 2016.

The flat-rate benefit was equal to RUR 4 558 per month in 2016. Pensioners aged 80 or above are entitled to double the amount of the flat-rate “benefit”.

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

There is no officially defined minimum or maximum monthly pension.

### ***Statutory Social Pension***

The pension is a percentage of the flat-rate benefit of the old-age insurance 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 2016 the federal subsistence level of a pensioner is RUR 8 803 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 2016 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: 6% or 9% depending on the working conditions' category. In case of working conditions' improvement the employer contribution rate may vary from 0 up to 8%.

### ***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 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 2016 it was RUB 453 026. One of the four options for the capital investment determined by the legislation is financing of the compulsory 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.

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

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

Taxation by income tax is made on general basis.

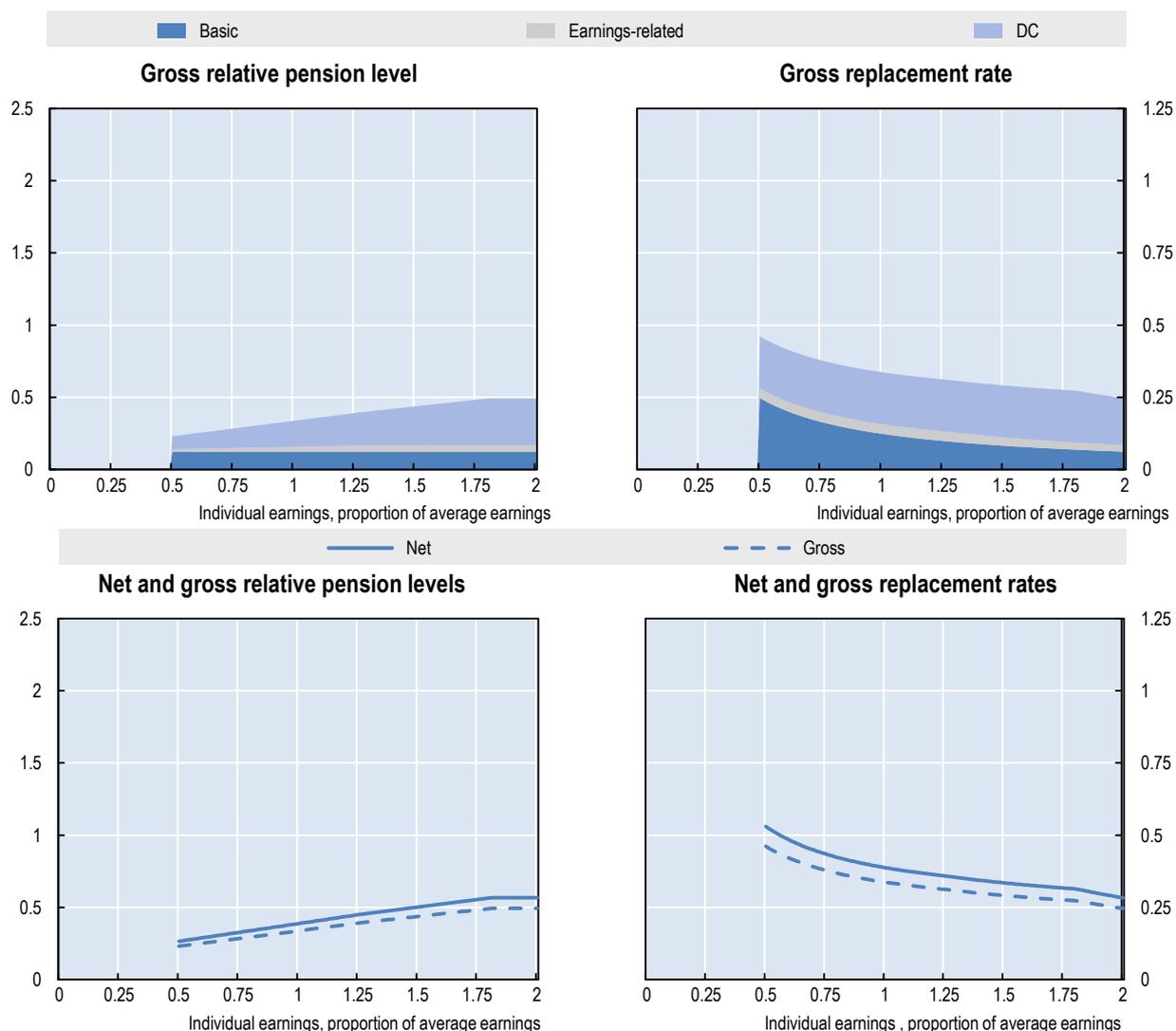
### ***Taxation of pension income***

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 2056 retirement at age 60 (men)



Men <i>Women (where different)</i>	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	23.1	28.4	33.7	43.7	49.3	49.3
Net relative pension level (% net average earnings)	26.5	32.6	38.8	50.3	56.6	56.6
Gross replacement rate (% individual gross earnings)	46.1	37.9	33.7	29.1	24.6	16.4
Net replacement rate (% individual net earnings)	53.0	43.5	38.8	33.5	28.3	18.9
Gross pension wealth (multiple of individual gross earnings)	7.2	5.9	5.3	4.6	3.9	2.6
Net pension wealth (multiple of individual net earnings)	8.3	6.8	6.1	5.2	4.4	3.0

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 20 in 2016. Tax system latest available: 2015.

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