

# IOPS COUNTRY PROFILE: RUSSIAN FEDERATION



## DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD) <sup>1</sup>	<b>12 038</b>
Population (000s) <sup>2</sup>	<b>146 749</b>
Labour force (000s) <sup>3</sup>	<b>75 400</b>
Employment rate <sup>4</sup>	<b>64.9%</b>
Population over 65 (%) <sup>5</sup>	<b>15.47%</b>
Dependency ratio <sup>6</sup>	<b>61.35%</b>

Source:

- <https://eng.gks.ru/storage//2020/02-10/FVvjXPxj/December%202019.pdf> (as of 2019)
  - <https://eng.gks.ru/> (main page)
  - <https://www.gks.ru/storage/mediabank/year-2019.rar/> (as of 2018)
  - [https://rosstat.gov.ru/bgd/free/B00\\_25/lssWWW.exe/Stg/d0000/i000040r.htm](https://rosstat.gov.ru/bgd/free/B00_25/lssWWW.exe/Stg/d0000/i000040r.htm) (as of 2019, on the average in a month)
  - [https://rosstat.gov.ru/storage/mediabank/X4Yo3Sfs/trud5\\_15-72.xls](https://rosstat.gov.ru/storage/mediabank/X4Yo3Sfs/trud5_15-72.xls) (2019, for age 15-72)
  - [https://rosstat.gov.ru/bgd/regl/b20\\_111/lssWWW.exe/Stg/1-1-1.xlsx](https://rosstat.gov.ru/bgd/regl/b20_111/lssWWW.exe/Stg/1-1-1.xlsx) (as of 2019)
6. Number of dependents per 100 workers calculated as youth (ages 0 to 19) + seniors (age 65 and older) / workers (aged 20-64) .  
[https://rosstat.gov.ru/bgd/regl/b20\\_111/lssWWW.exe/Stg/1-1-1.xlsx](https://rosstat.gov.ru/bgd/regl/b20_111/lssWWW.exe/Stg/1-1-1.xlsx)

## RUSSIAN FEDERATION: COUNTRY PENSION DESIGN

### STRUCTURE OF THE PENSION SYSTEM

The pension system of Russia consists of two parts: the state pension system and the non-state (voluntary) pension system.

#### Public pensions

- State Pension System includes:
- System of mandatory pension insurance (based on employer insurance contributions to the Pension Fund of the Russian Federation) and
- State pension provision (paid from the federal budget)

#### Private pensions: (voluntary)

- Non-state (voluntary) pension system is based on voluntary pension contributions of citizens and their employers to non-state pension funds

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## RUSSIAN FEDERATION: THE PENSION SYSTEM'S KEY CHARACTERISTICS

### PUBLIC PENSION (STATE PENSION SYSTEM)

In the Russian Federation, the state pension system includes systems of mandatory pension insurance and state pension provision. Mandatory pension insurance is provided to citizens who work officially, and for whom the employer makes insurance contributions to the Pension Fund of the Russian Federation. State pension provision is intended, on the one hand, for civil servants (officials, military and police personnel), and on the other hand, for those citizens who have not acquired the right to a pension from the mandatory pension insurance system. It is paid directly from the federal budget.

Pension from the mandatory pension insurance system could be received under certain conditions: employer should pay pension contributions for employee, employee should obtain certain seniority and certain amount of retirement points.

Mandatory pension insurance consists of solidary (PAYG) and funded parts. Payment of pension contributions to the funded part of mandatory pension insurance system started in 2002 and was suspended in 2014.

### VOLUNTARY PRIVATE PENSIONS

Non-state (voluntary) pension system is based on voluntary pension contributions of citizens and their employers to non-state pension funds. Personal voluntary private pensions and occupational pensions are not opposed to each other. Pension schemes could be both defined benefit (DB) or defined contribution (DC) types and mixed ones.

#### *Coverage*

The legislation does not establish any special requirements for those who want to save for private pension through participation in non-state pension funds or participate in the employer's pension plans except of pension age and certain elements of pension schemes. At the same time, the employer may establish additional requirements for participation in the corporate pension plan.

#### *Contributions*

Contributions are made by an individual (in case of an individual agreement with the pension fund) and by employer or both by employer and employee (in case of corporate pension plan).

#### *Benefits*

Pension schemes could be both defined benefit, defined contribution types and mixed ones (hybrid). An employer can construct flexible conditions of pension agreements, that establish different conditions for different categories of employees. Benefits could be paid as life-long pensions (annuity), pensions during certain period (term annuity) or until funds are exhausted (programmed withdrawal).

#### *Taxation*

The employee as a taxpayer is entitled to receive social tax deductions, which take into account his or her expenses for education, medical treatment, insurance and pension contributions. Social tax deductions must not exceed 120,000 rubles (i.e. the tax effect is ceiled at 13% of 120,000 rubles).

The Tax Code allows the employer's contributions to non-state pension provision to be taken into account as a part of the costs of the payroll fund, but not more than 12% of the amount of costs of salaries. At the

same time, a number of conditions must be met: the pension fund must have a license, the pension agreement must provide for the payment of a pension for at least 5 years or life-long, the pension scheme must provide for the accounting of pension contributions on the personal accounts of employees (pension fund participants).

## **MARKET INFORMATION**

Non-state pension funds are involved in the accumulation and investment of personal voluntary pensions, as well as their further payment. As of 30 June 2020 there were (43) forty three non-state pension funds and (40) forty of them had personal voluntary pension plans. Total NAV of non-state (voluntary) pension contributions was approx. USD 20.49 bln with 6.16 mln people as participants, 1.57 mln of them (26%) are already pensioners receiving their pension.

## **RECENT REFORM**

From 2014 until end of 2018 non-state pension funds were corporatized (before that they had been all non-commercial organisations), as a first step – those working with the mandatory funded component (until 1 January 2016), later – those working with the voluntary component.

A guarantee system for the mandatory funded component was introduced from 1 January 2014.

A requirement (duty) to act in the best interests of members for non-state pension funds was introduced from March 2018.

Stress testing of portfolios of pension savings (i.e. mandatory funded component became obligatory from February of 2018, later stress testing of portfolios of pension reserves (voluntary component) became obligatory from January 2019).

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## **REFERENCE INFORMATION**

### **KEY LEGISLATION**

Federal Laws:

№ 167-FZ (dated December 1, 2001) «On compulsory pension insurance in the Russian Federation»;

№ 400-FZ (dated December 28, 2013) «On insurance pensions»;

№ 424-FZ (dated December 28, 2013) «On funded pension»;

№ 75-FZ (dated May 7, 1998) «On Non-state Pension Funds»;

№ 111-FZ (dated July 24, 2002) «On Investing Funds to Finance Funded Pension in the Russian Federation»

### **KEY REGULATORY AND SUPERVISORY AUTHORITIES**

The Bank of Russia

### **KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS**

<http://www.cbr.ru/eng/RSCI/> (eng.)

[http://www.cbr.ru/analytics/RSCI/activity\\_npf/review\\_npf/](http://www.cbr.ru/analytics/RSCI/activity_npf/review_npf/) (in Russian)