

## RUSSIAN FEDERATION - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	The state retirement age is 60 for men and 55 for women, but with earlier retirement ages for around 1,700 categories of privileged employees. The state pension is made up of: a flat-rate basic pension of RUB 2,522 a month plus supplements for dependants; plus an insured component based on a notional account divided by the expected period of pension payments (228 from 2013); plus a defined contribution pension for employees born after 1966, based on a contribution of 7% of earnings allocated to individual accounts. In addition, there is a wide range of free or subsidised welfare services for pensioners. The state also provides disability and survivors' pensions and a universal medical benefits system.
Typical New Pension Plan	Private plans are growing in popularity. Retirement benefits are typically provided by defined contributions to non-state pension funds or insurance companies. All retirement benefits must be provided in the form of a pension. Lump sum death and accident benefits and private medical insurance are also provided.
Typical Costs	Employers pay a social security tax of 26% of earnings up to RUB 415,000 a year, plus contributions for cash sickness and medical benefits. For employees born after 1966, 7% of the contribution is paid to the defined contribution system. Employees can choose to direct the contributions either to the Pension Fund of the Russian Federation (PFR) or to a non-state pension fund (NPF). Employees are not required to pay contributions for state benefits. Contributions to private plans are typically 5% to 10% of earnings by employers and employees.
Tax Implications	Social security contributions are tax deductible and benefits are tax free. Employer contributions for additional benefits are tax deductible up to 12% of earnings. Investment returns are partly taxed. Benefits from private plans are taxed as income.
Labour Law Issues	There are no legal requirements but vesting may be provided by the employer.
Pooling Potential	There may be some potential for pooling insured benefits.
International Financial Reporting	Banks are required to use International Financial Reporting Standards. Other companies may use IFRSs in addition to Russian GAAP reporting.
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