



PENSION FUND OF RUSSIA



2014

ANNUAL REPORT

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Chairman
of the Board address



Every year in the history of the Russian Pension Fund brought something unique, and the year 2014 is no exception. The main feature of 2014 were PFR preparations to enforce new pension laws of the Russian Federation altering the procedure for forming pension rights and calculating insurance pensions and reforming the cumulative part of the mandatory pension insurance system.

PFR has done meticulous work to adjust pension rights of citizens to the new pension formula. This has been applied to all the participants in the mandatory pension insurance system who are already forming or have formed their pension rights, both working citizens and pensions. Pensions have not been reduced, and citizens have retained all of their pension rights.

Keeping the pace of its current operations, the Pension Fund provided timely assignment and payment of pension in all constituent territories of the Russian Federation throughout the year 2014 alongside indexations required by law. Labor pensions were raised twice, on February 1 and on April 1, by a total

of 8.3%. An average labor pension reached 11,151 rubles at the end of the year. Social pensions grew by 17.1% to an average of 7,548 rubles, while social pensions of children with disabilities amounted to 11,216 rubles. In all, more than 5.4 trillion rubles were assigned for paying pensions to 41.46 million Russian pensioners.

A special item of the agenda was the launch of PFR territorial offices in new Russian territories – the Republic of Crimea and the city of Sevastopol. Two new PFR offices established in the peninsula in the second quarter of 2014 immediately began to adjust pension rights of more than 641,000 Crimean pensioners to the legislation of the Russian Federation. Regional segments of all federal and PFR registers were promptly created, the assignment of one-time and other federal social benefits began, and the execution of the maternity capital program was prepared. As a result, the payment of social benefits and pensions to Crimean residents under Russian laws began on January 1, 2015. In addition, PFR provided collection of mandatory pension insurance contributions. The registration of Crimean residents in the

mandatory pension insurance system is being finalized and Crimean entities and sole proprietors are being registered.

The task of forming PFR budget revenues with mandatory pension insurance contributions remains a priority for the Russian Pension Fund. The year 2014 was significant for PFR relations with insuring parties – keynote actors of the pension system. PFR took a series of efficient measures in every stage of interaction with insuring parties. A standard reporting form was introduced in 2014, and the number of forms filled in by insuring parties reduced from three to one. Consequently, the scope of late reports reduced to 1% of the total document flow and the burden carried by insuring parties was alleviated.

PFR aims to expand online interaction, which is so convenient to insuring parties. By the end of the reporting year, over 90% of insuring parties sent their reports to PFR online, using secure communication channels. The insuring party account service was created on the Fund website in 2014. It provides online services enabling insuring parties to form and verify their reports and to resolve a number of other issues without applying to PFR client services in person. The demand for this service was colossal – more than 4 million insuring parties connected to the insuring party account service by the end of 2014 and over 15 million operations were performed.

Also, the PFR website launched an online service providing information about pension rights of citizens, including the rights calculated by the new pension formula. This is an opportunity to calculate in a test regime one's pension depending on the work strategy chosen by a citizen.

This service contributes to the achievement of a major PFR goal – the formation of new pension culture in the Russian younger generation. I am confident that in modern society workers should be aware not only of the way their future pension is being formed but also of how they can influence its size. The new formula makes the pension strictly dependent on the legal wage, the work record and the age of retirement. By managing these parameters and choosing a concrete pension plan, we manage our future pension which is not as distant as we may think.

The Russian Pension Fund is actively joining the effort of the Russian Labor and Social Protection Ministry to legalize the national labor market. Legalization of wages alongside higher efficiency of the administering of insurance contributions lead to a growth in the amount of contributions paid to the mandatory pension insurance system and the stability of payment of pensions. Greater openness of the Fund, optimization of PFR expenditures and a broader list of public services provided by PFR online are the additional factors which, in my opinion, will help the Russian Pension Fund fulfill the key functions vested in it by the government in 2015.

A stylized handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the end.

Anton Victorovich Drozdov

KEY FIGURES OF RUSSIAN PENSION AND SOCIAL SECURITY SYSTEM IN 2014 (as of December 31)

Number of individual accounts in mandatory pension insurance system	145 mln accounts ▲
Persons forming their pensions within mandatory pension insurance system	80.2 mln people ▲
Pensioners:	41.46 mln people ▲
– recipients of labor pensions	38 mln people ▲
– recipients of funds from pension savings	1.61 mln people ▲
– recipients of state pensions	3.4 mln people ▲
Insuring parties within mandatory pension insurance system:	9.3 mln ▲
– entities - employers	5.7 mln ▼
– self-employed insuring parties	3.6 mln ▲
Insuring parties who paid mandatory pension insurance contributions	7.6 mln ▲
Average PFR pension:	
– labor pension	11,151 rub. ▲
– old-age labor pension	11,568 rub. ▲
– social pension	7,548 rub. ▲
– social pension of children with disabilities and persons with lifelong disabilities of the first group	11,216 rub. ▲
– cumulative part of labor pension	693 rub. ▲
– term payment of pension savings	832 rub. ▲
– lump-sum payment of pension savings	9,371 rub. ▲
Pensioner subsistence minimum in Russian Federation	6,354 rub. ▲
Fixed baseline pension	3,910 rub. ▲
Average federal social supplement to pension	1,487 rub. ▲
Indexation of labor pensions	8.3% ▼
Indexation of state pensions	17.1% ▲
Return on investment of pension savings in extended VEB ¹ portfolio	2.68% ▼
Return on investment of pension savings in VEB investment portfolio of government securities	-2.05% ▼
Average return on investment of pension savings by PMC ²	0.94% ▼
Indexation of maternity (family) capital	5% ▼
Indexation of monthly social benefits	5% ▼
2013 inflation rate	6.5% ▼
2014 inflation rate	11.4% ▲

KEY FIGURES OF RUSSIAN PENSION AND SOCIAL SECURITY SYSTEM IN 2014 (as of December 31)

Persons forming pension savings at:	80.2 mln ▲
– Vnesheconombank state management company	57.3 mln ▼
– Private management companies	0.5 mln ▲
– Private pension funds	22.4 mln ▲
Pension co-funding program participants	2.5 mln people ▲
Contributions of pension co-funding program participants	9.8 bln rub. ▼
Average contribution of pension co-funding program participants	8.5 thsd rub. ▲
State co-funding of contributions of pension co-funding program participants	9.4 bln rub. ▼
Maternity (family) capital	429,409 rub. ▲
Number of issued maternity capital certificates	5.6 mln ▲
Families that have fully used maternity capital	2.7 mln ▲
Recipients of PFR social benefits:	21.7 mln people ▼
– recipients of monthly social benefits	16 mln people ▼
– recipients of federal social supplement to pension	2.9 mln people ▼
– recipients of monthly benefit supplement	0.7 mln people ▼
– recipients of benefit for caring for persons with disabilities	2 mln people ▲
PFR budget revenue	6,159 bln rub. ▼
PFR budget expenditures	6,190 bln rub. ▼
Mandatory pension insurance contributions	3,694 bln rub. ▲
– contributions for insurance part of pension	3,661 bln rub. ▲
– contributions for funded part of pension	33 bln rub. ▼
PFR pension expenditures	5,406 bln rub. ▲
PFR social security expenditures	411 bln rub. ▼
Maternity capital program expenditures	270.7 bln rub. ▲

▲ Growth since 2013

▼ Decline since 2013

¹ State trust management company Vnesheconombank.

² Private management companies which have agreements with the Pension Fund of Russia.

ABOUT PENSION FUND OF RUSSIA



1.1. GOVERNANCE SYSTEM

ABOUT PENSION FUND

PFR founding date
December 22, 1990

Areas of activity

- Assignment and payment of pensions within mandatory pension insurance and state pension system
- Investment and payment of pension savings
- Managing of mandatory pension and healthcare insurance contributions
- Operating of state programs of maternity capital and pension's co-funding
- Assignment and payment of social benefits
- Co-funding of social programs in Russian constituent territories

Clients

Insuring parties are individuals and entities who are paying mandatory pension and healthcare insurance contributions.

In all, 9.3 million insuring parties have been registered in the mandatory pension insurance system. Insured persons are citizens of Russia and foreign countries insured in the mandatory pension insurance system, including working citizens and pensioners. In all, 145 million accounts have been opened in the mandatory pension insurance system.

Personnel

The Russian Pension Fund employs 122,000 persons. Most Fund employees (57%) are 30 to 50 years old. Some 46% of employees have been working for the Fund for over a decade. 90% of Russian Pension Fund employees are women.

Scale of activity

The Russian Pension Fund operates at the federal level throughout the territory of Russia. Geography of the Fund activity grew in 2014 with the new territories – the Republic of Crimea and the city of Sevastopol. In all, the Pension Fund has 84 divisions (83 in Russia and one in the city of Baikonur). The Fund has 2,500 territorial offices in all.

Revenues

- Mandatory pension insurance contributions paid by insuring parties: employers and self-employed insuring parties
- Funds of the budget of the Russian Federation

Expenditures

- Payment of labor pensions (both insurance and funded since 2015) and state pension benefits
- Payments to federal benefit holders
- Co-funding of social programs in Russian constituent territories
- Maternity capital, etc.

Information system

This is one of the biggest databases in Russia accumulating information about pension and social rights of citizens of Russia and foreign countries registered in the mandatory pension insurance system. All registered citizens are issued an insurance certificate with a unique personal account number (SNILS) containing information about formed pension rights. SNILS is also applied for identification of citizens in databases of other government institutions and the system of online public services. Each year the PFR individual record keeping system registers several million citizens.

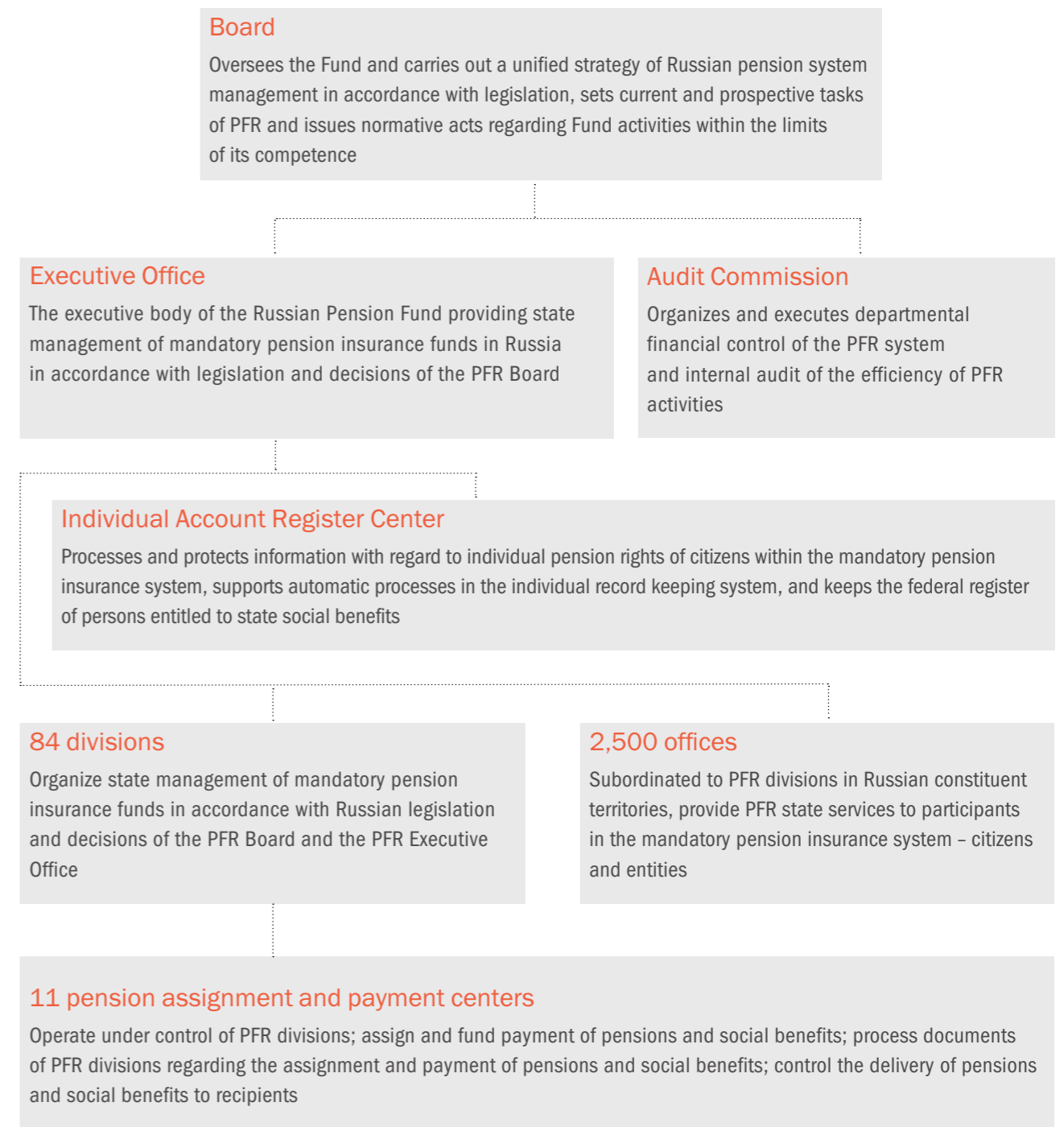
State programs

The Russian Pension Fund is fulfilling two state programs: maternity capital and co-funding of pensions. The first program involves 5.6 million Russian families, and the other applies to 2.5 million people. Since the beginning of the maternity capital program, families have received government support to a total sum of 720 billion rubles, and 76.5 billion rubles worth of pension rights have been formed under the pension co-funding program.

Ministry of Labour and Social Protection has been coordinating PFR activity since 2012.

PENSION FUND OF RUSSIA STRUCTURE

The Pension Fund of Russia structure incorporates units operating the mandatory pension insurance system in Russia. The Fund Board, as well as the Executive Office and the Individual Record Keeping Center subordinated to the Fund Board, are seated in Moscow. PFR divisions and territorial offices are operating in Russian constituent territories.



SEGREGATION OF DUTIES

between the PFR Board Chairman and PFR Board Deputy Chairmen



Performs general management of PFR, delegates responsibility, coordinates and supervises the vice-chairmen's activities.

Coordinates and controls activities of:

- The PFR Audit Commission;
- The Property Management Department;
- The Department of Legal Support to the PFR System;
- The Human Resources Department;
- The Public Relations and Media Department;
- The Security and Internal Audit Department;
- The First Department.

**PFR Board
Chairman
DROZDOV
Anton Viktorovich**



**PFR Board First Deputy Chairman
KURTIN Alexander Vladimirovich**

Acts as liaison between PFR, the Government of the Russian Federation and the Federal Assembly of the Russian Federation

Coordinates and controls activities of:

- The Budget Department;
- The PFR Training Center;
- The International Cooperation Department

Supervises the activity of the Board and PFR offices in the Southern Federal District and the Crimean Federal District



**PFR Board
Deputy
Chairman
AFANASYEV
Sergei
Anatolyevich**

Coordinates and supervises activities of:

- The Actuarial Expectation and Strategic Planning Department;
- The Department of Pensions for Persons Residing Abroad;
- The Department of Liaison with Citizens, Insured Persons, Entities and Insuring Parties

Supervises the activity of the PFR division and offices in the Urals Federal District



**PFR Board
Deputy
Chairman
GUKAILO
Boris
Vitaleyevich**

Coordinates and supervises activities of:

- The Administrative Department;
- The Procurement Department;
- The Capital Construction and Property Department

Supervises the activity of the PFR division and offices in the Far Eastern Federal District



**PFR Board
Deputy
Chairman
YELISTRATOV
Nikolai
Vitaleyevich**

Coordinates and supervises activities of:

- The Information Technology Department;
- The Department of Management of Automated Data System Infrastructures;
- The Cyber Security Department;
- The Public Services Department;
- The Individual Records Information Center

Supervises the activity of the PFR division and offices in the Volga Federal District

RUSSIAN PENSION FUND BOARD

DROZDOV Anton Viktorovich, PFR Board Chairman | **KURTIN** Alexander Vladimirovich, PFR Board First Deputy Chairman | **CHIZHIK** Lilia Ivanovna, PFR Board First Deputy Chairperson | **AFANASYEV** Sergei Anatolyevich, PFR Board Deputy Chairman | **GUKAILO** Boris Vitaleyevich, PFR Board Deputy Chairman | **YELISTRATOV** Nikolai Vitaleyevich, PFR Board Deputy Chairman | **KOZLOV** Nikolai Borisovich, PFR Board Deputy Chairman | **PETROVA** Natalia Vladimirovna, PFR Board Deputy Chairman | **ANDREYEV** Andrei Yevgenyevich, Manager, PFR office in Moscow city and Moscow region | **KOZLIKOVSKAYA** Tamara Ivanovna, Manager, PFR office in Tambov region | **KHANTIMEROV** Foat Galyautdinovich, Manager, PFR office in the Republic of Bashkortostan | **KARABANOV** Dmitry Ivanovich, Chairman of the Board of the all-Russia Organization of Veterans (Pensioners) of War, Labor, the Armed Forces and Law Enforcement Authorities



**PFR Board First Deputy Chairperson
CHIZHIK Lilia Ivanovna**

Coordinates and controls activity of:

- The Department of Assignment and Payment of Pensions;
- The Social Benefits Department;
- The Department of Legal Support to the PFR System (excluding issues coordinated by the PFR Board Chairman);
- The Department of Individual Record Keeping in the Pension Insurance System;
- The Department of Pension Benefits of Public Sector Employees

Supervises the activity of the PFR divisions and offices in the Central Federal District and the PFR office in Baikonur



**PFR Board
Deputy
Chairman
KOZLOV
Nikolai
Borisovich**

Coordinates and supervises activities of:

- The Department of Investment Processes

Supervises the activity of PFR division and offices in the Siberian Federal District



**PFR Board
Deputy
Chairperson
PETROVA
Natalia
Vladimirovna**

Coordinates and supervises activities of:

- The Treasury Department;
- The Department for Financial Support to the PFR System;
- The Insurance Contribution Management Department;
- The Department for Processing Appeals of Payers of Insurance Contributions

Supervises the activity of PFR division and offices in the Northwestern Federal District

1.2. SERVICES AND UTILITIES

Tens of thousands of Russians apply to the Russian Pension Fund daily. Seeking to provide rapid and convenient services, the Russian Pension Fund is constantly improving quality of its services and broadening their range.

The Pension Fund operates on the federal scale. More than 2,500 divisions, offices and specialized client services across the country daily meet with citizens and insuring parties on the subject of mandatory pension insurance and social security.

PFR territorial offices render all types of mandatory pension insurance and state pension benefit services currently provided by the Pension Fund (see table on Pg. 15). The services are requested by over 30 million people each year.

Most client services of the Pension Fund provide such client utilities as electronic queues and online appointments. Most territorial offices have online services for requesting frequently sought documents, such as balance of individual accounts, certificates of assigned pension and other social benefits, certificates of eligibility for social services, etc.

PFR client services provide stationary computers and information terminals with legal information systems and programs that can be used by clients to receive information of their interest without help of PFR specialists. Information materials presenting PFR services and utilities are available to visitors of client services. Mobile client services are available

to people in populated localities situated far from PFR territorial offices: these are vehicles with work places of PFR specialists and communication systems. Mobile client services can be distantly connected to the PFR database and receive citizens with regard to every issue within PFR competences.

DEVELOPMENT OF PFR SERVICES

The Pension Fund annually expands the scope of its services and presents most popular services in the online format. On the one hand, this facilitates citizens' access to services and, on the other hand, this reduces the burden on PFR territorial offices, divisions and client services.

PFR services in multipurpose centers

In 2014 a number of Russian Pension Fund services were available at 731 multipurpose centers (MPS). Multipurpose centers provide services not only of the Pension Fund of Russia but also of other state and municipal agencies and organizations.

As a result, citizens can receive services on the 'one window' basis and thereby evade requests for numerous documents filed with different agencies. In most cases, several services can be received in just one visit to a multipurpose center.

Most PFR services currently provided by multipurpose centers are related to federal benefits and state support.

A total of 643,000 persons applied to multipurpose centers for PFR services in 2014.

The demand was the largest for SNILS and duplicates of mandatory pension insurance certificates (almost 50% of all applications).

Multipurpose centers were also frequently approached for PFR reference documents on the size of assigned pensions or social benefits and for maternity capital certificates.

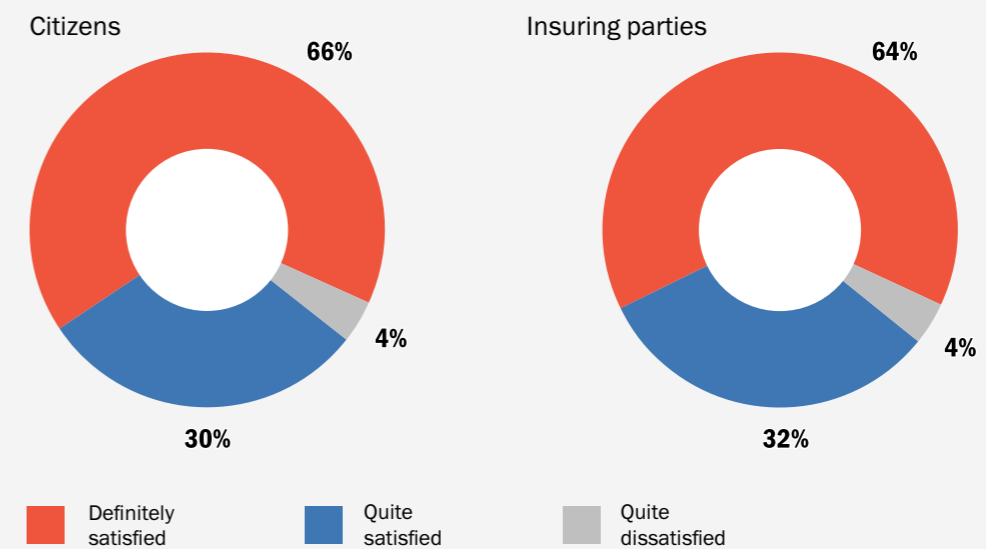
PFR online services

Some services provided by the Russian Pension Fund are sought after more frequently than others but do not require personal presence or submission of a package of documents.

The Pension Fund shifts these services to the online format and renders them on its own website and on the public services portal. Their range is broadening year upon year.

The PFR website provides online services via two specialized utilities: accounts of insured persons and accounts of payers of insurance

Evaluation of citizen and insuring party satisfaction with Russian Pension Fund services (research by VCIOM*, February 2014)



* Russian public opinion research center

The poll was held in 350 PFR territorial offices in 70 Russian constituent territories. At least 20 respondents were polled in every territorial office. The total number of respondents stood at 7,000. Information was collected in a poll of citizens and representatives of insuring parties immediately following their visit to a PFR client service.

contributions, i.e. citizens and insuring parties. Both utilities provide essential tools of the mandatory pension insurance system, which insuring parties need to correctly pay their contributions and to prepare their reports and insured citizens need to receive current information about their pension rights, to submit their documents and appeals to PFR online and to make an appointment.

Accounts of payers of insurance contributions offer online services insuring parties can use for calculating the amount of their contributions, preparing reports, interacting with PFR in the online format and controlling their payment discipline. Account services and programs allow insuring parties to resolve a number of issues without making a personal appearance in PFR.

This utility is actively used by insuring parties, four million insuring parties or 43% of their total number and 65% of insuring parties presenting contribution reports were connected to it in the end of 2014. More than 15 million appeals were filed via the account utility over the year.

The most popular services are 'the certificate of payments', which gives insuring parties access to the history of their payments and checks their settlements with the Russian Pension Fund (33% of all requests made in accounts), 'payments', which provide insuring parties with a list of payments made in the relevant period, including offsets and refunds (30% of all requests), 'RSV-1 check', which verifies the correctness of RSV-1 reports and their compliance with format requirements, PFR payment data and RSV-1

information of previous periods (16% of requests).

In the future, the insuring party account utility will provide two major services pertaining to insurance contributions: payment of contributions and submission of contribution reports in the completely online format. Payments of mandatory pension insurance contributions via the account utility will be handled together with banks.

The trial run of **the insured person account** utility began in 2014, and every service was provided on a trial basis. The utility mostly provides information about formed pension rights and assigned pensions, first of all, information about pension points which are forming insurance pensions starting from 2015. Also, the utility contains information about pension savings of a citizen, one's participation in the program of state co-funding of pensions, etc.

The account user can calculate his or her future pension with the help of this information, applying another unique service, a new edition of the pension calculator based on PFR individual account information about the citizen's work record, paid insurance contributions, age and other parameters which help calculate the future pension with the utmost precision.

The full-scale operation of the insured person account utility across the Russian territory began in 2015.

The unified public services portal www.gosuslugi.ru presents online services of the Pension Fund and most other government agencies

and institutions. Some services have a full online format, while others provide only forms and documents. All services contain a detailed description of the procedure and regulations for their use.

Russian Pension Fund services available on the public services portal were more actively used by citizens in 2014 than a year ago.

Three PFR services were provided in a fully online format. The same as in the previous years, the most popular service was online notifications about formed pension rights.

The service was requested by 1.4 million people over the year (compared to 1.3 million in 2013). Information about a package of social services was requested by almost 7,000 people (22,100 in 2013). Since 2014 the portal has been offering an opportunity to apply for changing an entity or an investment portfolio holding pension savings.

Over 6 million new users were registered via the Russian Pension Fund service validating annual data on the public services portal in 2014, and the total number of registered users reached 13 million by the end of the year.

PFR services applying the inter-departmental interaction system

The provision of various services via multipurpose centers and the public services portal is directly related to the use of the online interdepartmental interaction system. Government agencies are using it to exchange information about public services. The Russian Pension Fund is one of the most active users of the

online interdepartmental interaction system and provides a series of services via it.

For this purpose, PFR territorial offices independently apply to other departments for information and documents and thus relieve citizens requesting a service of the need to do so.

For example, whenever a state maternity capital certificate holder applies to the Russian Pension Fund for using this money to improve her living conditions, PFR territorial offices independently request the Federal Service for State Registration, Cadastre and Cartography for information from the State Register of Real Property Rights and Transactions and the State Cadastre of Land Property Rights.





Whenever education of children is used as a sphere of application of maternity capital funds, PFR independently requests the Federal Service for the Supervision of Education and Science for information about the state accreditation of the education establishment.

On the whole, in order to render services to citizens the Pension Fund requests 74 types of information from federal executive authorities and four types of information from regional and local self-government bodies thus acting as one of the largest recipients of information within the online interdepartmental interaction system.





By way of comparison, most participants in the online interdepartmental interaction system request two or three types of information on the average.

RUSSIAN PENSION FUND SERVICES TO CITIZENS AND ENTITIES





Account of citizens' pension rights

<p>Registration of citizens in the mandatory pension insurance system (SNILS issue)</p> 	<p>Provision of information about formed pension rights</p> 
<p>Provision of citizens with information and reference documents regarding assigned pensions</p> 	<p>Acceptance of information from payers of insurance contributions about citizens for whom insurance contributions are paid to PFR</p> 

Assignment and payment of labor and state pensions

<p>Assignment of insurance and state pensions</p> 	<p>Assignment and payment of pension savings</p> 
<p>Alternation of method of insurance and state pensions' delivery</p> 	<p>Transfer of pension savings between managing companies and pension funds</p> 

Pension co-funding program management







<p>Registration of participants in the pension co-funding program</p> 	<p>Provision of program participants with payment documents for paying voluntary insurance contributions</p> 
<p>Provision of program participants with information about their contributions and state co-funding</p> 	<p>Assignment of pensions formed under the pension co-funding program</p> 

Provision of services:




 by PFR offices and client services
  by PFR website*
  by the PFR consulting center

* Some online services were on a trial run in 2014.





Mandatory pension and healthcare insurance contributions management




<p>Registration of insuring parties at PFR</p> 	<p>Provision of payment documents for paying mandatory pension and healthcare insurance contributions</p> 	<p>Acceptance of insuring parties' reports on paid contributions</p> 
<p>Verification of insuring parties' reports</p> 	<p>Provision of insuring parties with information and reference materials regarding the status of their settlements</p> 	<p>Provision of report processing programs</p> 

Maternity (family) capital program management

<p>Issue of maternity capital certificates</p> 	<p>Transfer of maternity capital funds to entities chosen by maternity capital certificate holders</p> 	<p>Provision of maternity capital certificate holders with information and reference materials regarding the status of their funds</p> 
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Assignment and payment of social benefits

<p>Assignment of social benefits: monthly social benefit, a package of social services, social supplement to pension, etc.</p> 	<p>Alternation of method of the provision of a package of social services</p> 
<p>Provision of compensations to pensioners living in Extreme North territories for travel to place of their vacation</p> 	<p>Provision of citizens with information about assignment of monthly social benefits</p> 

 by multipurpose centers
  by public services portal
  services provided by use of the online interdepartmental interaction system

In turn, the Pension Fund itself also contributes information to the online interdepartmental interaction system. The most popular service is SNILS information by a person's first and last name. Such information was requested 42.5 million times in 2014, mostly by the Federal Tax Service, the Federal Migration Service, Rosreestr and authorities of Russian constituent territories.

In addition, PFR was requested for information about a person's wage and income (25,000 inquiries from the Social Security Fund and the Federal Bailiff Service), information about submission of insuring parties' reports on contributions paid to PFR (545,000 inquiries from the Federal Tax Service and the Justice Ministry), information about debts of insuring parties on contributions and other payments to PFR (394,000 inquiries from regional executive authorities and local self-government bodies) and other types of information.

In general, the number of inquiries made with PFR within the online interdepartmental interaction system has grown significantly over the year. Their total number grew by 63.9% to 139 million since 2013.

PFR CONSULTING CENTER

Sometimes applicants may need information about a service provided by the Russian Pension Fund rather than a service itself.

For doing so, one does not have to visit the PFR client service, it would suffice to call the free line of the PFR consulting center 8-800-510-5555 and ask a question about the formation of a future pension, pension savings, etc.

The PFR consulting center was founded in 2011; since then it has been providing information about every major PFR service and facility and receiving applications from citizens, including those about corruptive practices in PFR bodies, 24/7.

The Pension Fund has built a three-level consultative system: the federal operator – operators in PFR offices – the telephone line in PFR divisions, offices and client services. In addition, the PFR consulting center provides a possibility of receiving useful information by texts sent to mobile phones and video links.

Russians were more active in using PFR consulting center services in 2014 than in 2013. To a degree, that happened due to the transformations the pension system has been undergoing during the year and the changes planned for the near future.

The number of calls made to the PFR consulting center grew 1.6 times, from 358,000 in 2013 to 568,000 in 2014. The most popular inquiries were about the transfer of pension savings to private pension funds and managing companies (21.2% of all inquiries), participation in the pension co-funding program (17.5%), SNILS (14.8%) and the choice of a pension plan (10.3%).

Most activity was observed in such regions as the city of Moscow and the Moscow region (38% of all inquiries), St. Petersburg and the Leningrad region (13.3%), the Krasnodar territory (4.2%), the Rostov region (3.5%), the Novosibirsk region (3%), the Nizhny Novgorod region (2.5%) and the Sverdlovsk region (2%). ♦

1.3. BUDGET

The 2014 PFR budget was approved by Federal Law No 320-FZ dated December 2, 2013, On the Budget of the Pension Fund of the Russian Federation in 2014 and the Planned Period of 2015 and 2016

The 2014 PFR budget had revenues of 6.16 trillion rubles (8.7% of GDP of the Russian Federation). The PFR budget expenditures amounted to 6.19 trillion rubles (8.7% of GDP of the Russian Federation).

The total deficit of the 2014 Russian Pension Fund budget stood at 31.1 billion rubles. There was a deficit of 92.5 billion rubles in the part unrelated to the formation of funds for financing the funded part of labor pensions, and the carried forward funds of the PFR budget as of January 1, 2014 were used to cover it.

The Pension Fund fully met its liabilities to pensioners and social benefit holders. Indexation of pensions, monthly benefits and other social benefits was done within the periods required by legislation.

PFR BUDGET REVENUE

2014 PFR budget revenue stood at 6.16 trillion rubles or 0.2 trillion rubles less than in 2013. Revenue in the cumulative part of the budget amounted to 6.1 trillion rubles or 0.3 trillion rubles more than in 2013.

A total of mandatory pension insurance contributions paid in 2014 amounted to 3.69 trillion rubles, which exceeded 2013 indicators by 0.23 trillion rubles.

Compared to 2013, inter-budget transfers balancing the PFR budget and compensating for the shortfall in PFR revenue reduced by 648.4 billion rubles.

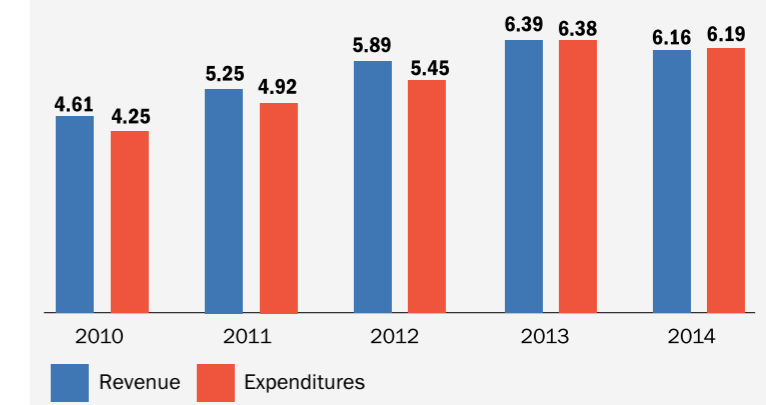
The overall revenue in the funded component of the 2014 PFR budget reached 83.6 billion rubles, including 33 billion rubles in insurance contributions, or 481.7 billion rubles less than in 2013.

A decline in insurance contributions paid to the funded part of pensions resulted from the adjustment of mandatory pension insurance laws, which assigned all individual insurance contributions for funding the insurance part of labor pensions.

Within the framework of the program of state co-funding of pensions, the Pension Fund budget received in 2014 additional insurance contributions of citizens and employers in favor of insured persons to a total sum of 9.8 billion rubles. Compared to 2013, that sum reduced by 2.8 billion rubles.

The federal budget assigned 2.41 trillion rubles to the PFR budget (2.84 trillion rubles in 2013), including:

Russian Pension Fund budget execution (trillion rubles)



MAIN AREAS OF RUSSIAN PENSION FUND EXPENDITURES IN 2014 (BILLION RUBLES)

Insurance part of labor pensions	4,977.0 ▲
Pension savings	20.7 ▲
State pension benefits	344.5 ▲
Federal social supplement to pensions	36.9 ▼
Compensation for taking care of persons with disabilities	33.9 ▼
Benefit for taking care of children with disabilities and people with lifelong disabilities of the first group	25.3 ▲
Monthly social benefits	341.4 ▼
Monthly supplements of pensioners	6.7 ▼
Monthly supplements for outstanding achievements and merits to Russian Federation	3.6 —
Early pensions of unemployed citizens	2.8 ▼
Maternity capital	270.7 ▲
PFR infrastructural development	3.3 ▼
Co-funding of social programs in Russian constituent territories	1.0 —

▲ Growth since 2013

▼ Decline since 2013

— Unchanged

- for monthly benefits paid to individual categories of citizens – 358.5 billion rubles (35.6 billion rubles more than in 2013);
- for maternity (family) capital – 301 billion rubles (59.7 billion rubles more than in 2013);
- for compensation of the shortfall in PFR budget revenue caused by reduction of tariffs of insurance contributions of some categories of payers – 288.2 billion rubles (41.9 billion rubles less than in 2013);
- for co-funding formation of pension savings of insured persons participating in the state program of pension co-funding who paid additional insurance contributions to PFR – 12.4 billion rubles (6.5 billion rubles more than in 2013);
- for balancing Pension Fund budget – 0.34 trillion rubles (0.6 trillion rubles less than in 2013).

PFR BUDGET EXPENDITURES

Expenditures of the 2014 budget of the Russian Pension Fund reduced by 0.2 trillion rubles to 6.19 trillion rubles

year-on-year in 2014. Expenditures unrelated to the formation of funds financing the cumulative part of labor pensions stood at 6.17 trillion rubles or 0.2 trillion rubles more than in 2013.

A decline in PFR budget expenditures in 2014 (alongside an increase in pension expenditures) resulted in the first turn from the shift on January 1, 2014, to cashier services of the Interregional Operation Department of the Russian Federal Treasury in the execution of the budget. Hence, PFR expenditures due in January 2014 were funded in December 2013. In addition, due to the adjustment of legislation in 2014, PFR transferred 1.3 billion rubles worth of pension savings to private pension funds, which amounted to 0.3% of the 2013 indicator and also had an impact on the total amount of Fund budget expenditures.

A total of 5.4 trillion rubles were spent on pensions in 2014, or 161.6 billion rubles more than in 2013. Almost 5.0 trillion

rubles from that amount were spent on paying labor pensions, which was 144.4 billion rubles more than in 2013.

The Pension Fund of the Russian Federation assigned 270.7 billion rubles on payment of maternity (family) capital in 2014, which was 33.3 billion rubles more than in 2013.

The Pension Fund spent 341.4 billion rubles on paying monthly social benefits to individual categories of citizens, or 11.3 billion rubles more than in 2013.

The Pension Fund expenditures on paying federal social supplements to pensions reduced by 5.6 billion rubles year-on-year in 2014 to 36.9 billion rubles. Expenditures funding benefits of non-working employable citizens from amongst

parents (foster parents) or custodians taking care of children with disabilities younger than 18 or people with lifelong disabilities of the first group amounted to 25.3 billion rubles or 3.2 billion rubles more than in 2013.

Expenditures of the Russian Pension Fund on the cumulative part of the budget reached 22.1 billion rubles in 2014 (391.7 billion rubles in 2013).

Moreover, 17.8 billion rubles were assigned in 2014 for lump-sum payment of pension savings (1 billion rubles more than in 2013), 136.5 million rubles were assigned for paying cumulative parts of labor pensions (53.9 million rubles more than in 2013), and 24 million rubles were assigned for paying term pensions (12.9 million rubles more than in 2013). ◆

1.4. INFRASTRUCTURE

The execution of duties to receive and service citizens vested in the Russian Pension Fund requires development and expansion of the network of Fund territorial offices interacting with citizens and representatives of entities in every constituent territory of the country. This helps create a comfortable environment for Fund visitors and appropriate working conditions for employees and cut expenditures on PFR current activity.

A shortage of premises is a factor hindering infrastructural development of the Pension Fund. The deficit stood at approximately 382,000 square meters or 18.5% of the total space possessed by PFR in 2014. First and foremost, there is a shortage of premises for opening offices interacting with citizens and storing archives. The deficit of premises in addition to the absence of conditions for receiving citizens is the main reason for the construction of new PFR facilities. A decision to buy buildings and premises instead of constructing them is made whenever the acquisition costs less or regional

authorities cannot provide land lots for building PFR offices in places accessible to citizens.

CONSTRUCTION, RENOVATION AND ACQUISITION OF PREMISES

In 2014 the PFR territorial network infrastructures grew by 37 buildings, 16 of which were built and 21 were acquired. PFR expenditures on infrastructural development dropped by 5% year-on-year in 2014 and reached 3.28 billion rubles. By the end of the year territorial offices of the Pension Fund of Russia occupied 1,218 stand

alone buildings and 2,942 premises with a total area of 2,195,400 square meters.

The cost of construction of one square meter of PFR facilities has been lower than the cost of construction of other administrative buildings in Russian constituent territories for a number of years. In 2014, an average cost of building one square meter of PFR facilities stood at 54,100 rubles.

Most commissioned buildings and premises (90%) are used by PFR offices rendering services to citizens and organizations. New PFR offices comply with modern requirements to client services and provide everything necessary for the work of their specialists and quality and comfortable service to visitors, including people with disabilities.

Seeking to minimize annual expenditures on the construction and acquisition of premises, the Fund has been reproducing construction projects. This helps save money on design documentation. PFR offices in the Republic of Adygeya and the Tambov, Volgograd and Belgorod regions have been the first to successfully implement the standardized construction practice.

Safe and accessible environment

PFR infrastructures mandatory comply with both baseline requirements, such as fire safety, energy saving and labor safety regulations, and standards of the state program Accessible Environment. All new buildings of the Russian Pension Fund are designed and built consistent with the requirements providing the appropriate level of accessibility to people with disabilities and reduced capacities. Buildings acquired by the Russian Pension Fund from other entities undergo adjustments for creating a

comfortable environment for people with impaired mobility.

Expenditures on the compliance with standards of the state program Accessible Environment reached 39.4 million rubles in 2014 (56.8 million rubles in 2013). These funds were spent on assembling elevators for challenged visitors, ramps and rails in PFR buildings and premises, assembly works done in entrance halls, vestibules and bathrooms, and a wheelchair-friendly environment and other works.

According to the internal audit of PFR territorial offices, only 1.14% of buildings are fully non-compliant with accessibility requirements.

Capital repairs

Seeking to maintain serviceability of PFR infrastructures and adjust acquired premises to easy access by persons with impaired mobility, PFR annually makes capital repairs in a number of buildings and premises of its territorial offices.

Such expenditures were maintained on the previous year's level in 2014 and amounted to 1.7 billion rubles. Repairs were made at 481 facilities with a total area of 320,000 square meters.

PUBLIC HEARINGS ON PFR REAL ESTATE CAPITAL CONSTRUCTION, RENOVATION AND REPAIRS PROJECTS

The Pension Fund introduced a new practice in 2014. Before the construction and renovation projects are launched on PFR premises, Pension Fund offices hold public hearings of citizens and public organizations on the planned construction works.

The regulations for public hearings were approved by PFR Board Order No 501ra

on November 12, 2014. Public hearings involve citizens, representatives of the Union of Pensioners, the all-Russia Society of Persons with Disabilities, trade unions, public associations and unions of small, medium and big business employers, member organizations of the All-Russia People's Front and the media.

PFR public hearings address projects of the construction, renovation or capital repairs of PFR premises with a cost exceeding 5 million rubles.

PFR territorial offices are recommended maximal use of local construction and finishing materials and prevention of using expensive finishing materials in designing their projects.

A primary condition of the allotment of land plots by the authorities of a constituent territory of the Russian Federation for the construction of new PFR premises is that the land lots are allotted in areas with developed transport and engineering infrastructures. It is recommended to insist in coordination of PFR projects with the authorities that complex architectural solutions in city planning (decorations of facades, complex configuration of buildings, etc) shall not be used in such projects as they increase construction costs and create an illusion of "extravagance and luxury".

Another practice is inspections of PFR facilities under construction jointly with representatives of the all-Russia People's Front.

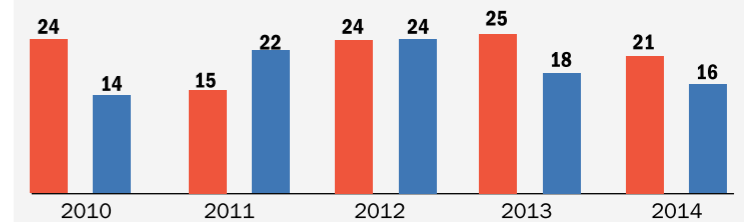
An emphasis is put on the compliance with standards of the state program Accessible Environment, energy saving, fire safety, construction norms and labor laws.

In 2014 the Pension Fund initiated and held 34 public hearings in 23 constituent parts of the Russian Federation.

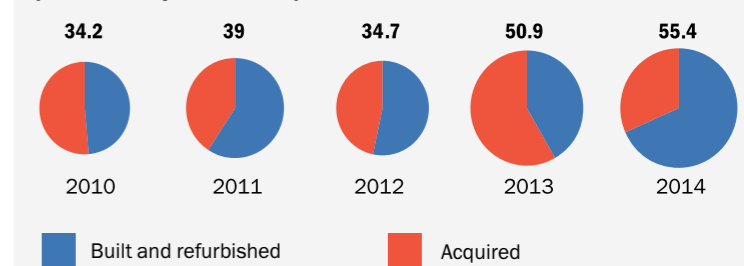
All PFR projects of the construction, renovation, capital repairs and acquisition of buildings and premises for the Fund needs were approved. In some public hearings critique was offered and proposals were made regarding additional equipment of PFR facilities, and they were taken into consideration in the elaboration of projects. ♦

Construction and acquisition of real estate for PFR needs

Number of built and purchased buildings/facilities



Area of built and acquired buildings/facilities (thousand square meters)



In 2014 the area occupied by PFR offices grew more than ever in the past five years by 55,400 square meters. Compared to 2013, fewer facilities were built and acquired and related expenditures were reduced by 2.5%

1.5. ANTI-CORRUPTION POLICY

Prevention of corruptive practices in the Russian Pension Fund is systemic and based on close interaction with law enforcement authorities and methodological support of the Labor and Social Protection Ministry of the Russian Federation.

In 2014, the Pension Fund was countering corruptive practices under anti-corruption laws, the national anti-corruption plan for 2014-2015 and the anti-corruption plan of the Russian Pension Fund, its territorial offices and the federal entity Individual Records Information Center in 2014-2015.

Last year, the Executive Office of the Russian Pension Fund received 55 statements of citizens reporting suspected corruptive practices: 21 statements were received by operators of the PFR consulting center by phone, 21 were mailed, and 13 were received via other channels.

The statements made by citizens were verified, and two suspected cases were confirmed. Verification materials were looked into at a meeting of the PFR Commission on Compliance with the Rules of Conduct in Office and Conflict of Interest Management. Disciplinary reprimands were applied to two workers. Other information about suspected corruptive practices provided in the statements was not confirmed.

Nine meetings of the PFR Commission and 1,755 meetings of PFR territorial offices' commissions on compliance with the rules of conduct in office and conflict of interest management were held in 2014. They yielded 1,549 decisions on relevant measures, which was more than in 2013.

The number of inquiries into the conduct of PFR workers initiated by the prosecution service upon checks of compliance with anti-corruption laws dropped 2.5-fold since 2013.

Seeking to improve measures against corruption in the PFR system, 984 workers tasked to organize anti-corruption activity attended professional development courses dedicated to "Legal and Organizational Aspects of the Prevention of Corruption."

Fund territorial offices arranged 6,711 events to improve legal awareness of PFR system employees about compliance with anti-corruption laws, methodological materials, normative legal acts and other anti-corruption documents of PFR.

Thirty-four inspections were held in 2014 in order to step up control over the implementation of the maternity capital program. Proposals were made to the Russian Labor and Social Protection Ministry regarding better efficiency of the provision of maternity capital funds.

Last year PFR made anti-corruption evaluation of 31 projects and 18 normative legal acts of the Fund. The evaluation did not uncover factors generating corruption risks. All verified acts were published on the PFR website and open to an independent appraisal that can be done by experts accredited by the Russian Justice Ministry. ♦

1.6. OPEN DATA

Since 2012 the Government of the Russian Federation has been implementing a series of measures to develop information openness of government agencies. An area of this activity is the publishing of data from information systems of government agencies – open data accessible to the general public.

Government agencies are disclosing their information under Russian President Decree No 601 dated May 7, 2012, "On Main Areas of the Improvement of the Public Management System."

Most open data is statistical data including key performance indicators of government agencies, the number of their territorial and subordinated entities, etc.

A mandatory condition of information disclosure is that it must be accessible to the public online and provided to citizens on a free basis.

The Russian Pension Fund does not belong to the federal executive agencies compelled to disclose its data. Nevertheless, considering the large social significance of PFR activities, the Fund has been implementing the information transparency policy for several years and annually publishing keynote information about every area of its work. Since 2010 this information has been disclosed in the form of a report on the activity of the Russian Pension Fund released as a printed brochure and online.

Since 2008 PFR Board meetings have been open to the media and broadly covered by the press. In 2014 PFR and its territorial offices posted over 181,000 press releases pertaining to various areas of the activity of the Fund and PFR services.

Since 2009 the Russian Pension Fund has been publishing the departmental newspaper, *Moi Pensionnyi Fond*, printed and online editions of which are distributed across the territory of the Russian Federation. The newspaper contains materials dedicated to PFR activity, keynote provisions of pension laws, latest amendments and news.

In 2014 PFR took first steps towards reconciling information about its activity with the open data format. The main page of the website of the Pension Fund of the Russian Federation created a special section posting Fund data and key performance indicators. This information concerns PFR divisions and territorial offices, processing of appeals filed by citizens, statistical data, etc.

A new version of the Pension Fund website was launched on January 1, 2015.

A major section of the website is called Real-life situations, which gives a clear list of circumstances under which a citizen can apply to PFR and receive a Fund service, as well as documents required for filing this request and rapidly receiving the service.

The Russian Pension Fund is expanding the list of published material that falls under the open data category and information disclosure standards. ♦

PENSION FUND OF RUSSIA
ACTIVITIES



2.1. PENSIONS ASSIGNMENT AND PAYMENT

In 2014 amid preparations to enforce the new rules of formation and accounting of pension rights of citizens, the Russian Pension Fund provided the assignment and payment of pensions and continued to implement the Strategy of Long-Term Development of the Pension System in the Russian Federation.

NEW RULES OF EARNING LABOR PENSION

The implementation of the Pension Fund strategy in 2014 focused on preparations to introduce new rules of accounting insurance pension rights – the main type of pension in the mandatory pension system of Russian since 2015.

Insurance pension

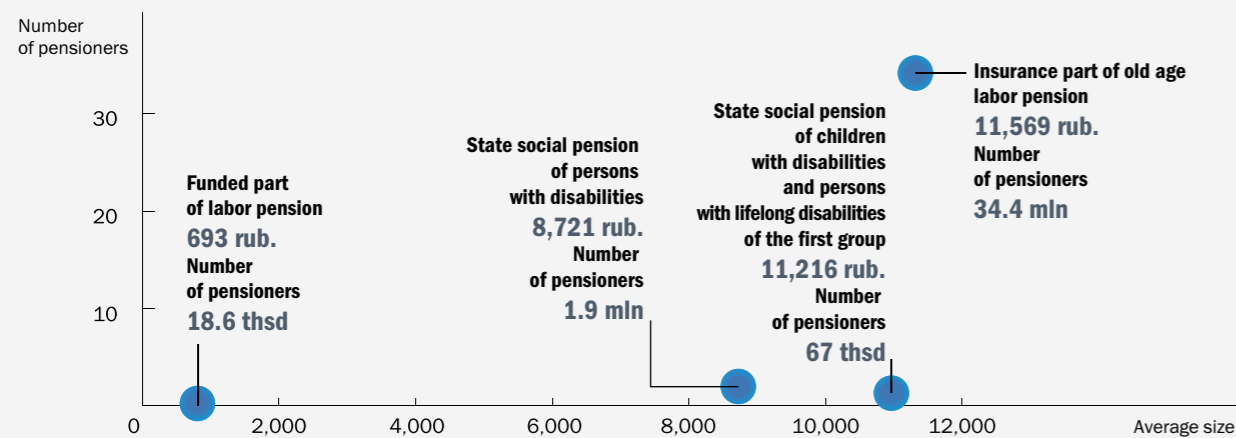
Consistent with the Federal Laws On Insurance Pensions and On Funded Pension passed in late 2013, the labor pension comprising of insurance and funded parts was transformed into two different types of pensions paid

under the mandatory pension insurance system, insurance and funded, in 2015.

Pension points

Pension coefficients or pension points were introduced to assess insurance pension rights. The number of pension points depends on the size of the legal salary, the work record and the age of retirement. Pension rights of every pensioner formed at the end of every work year make up an individual pension coefficient: at the moment of retirement, the collected coefficients are summed up and converted into money consistent with the cost of one pension point in the year of retirement.

Ratio of average PFR pension to number of pensioners



Most Russian pensioners (82.7%) were receiving the insurance part of the old age labor pension in 2014. At the end of 2014, its average amount stood at 11,569 rubles – one of the highest compared to other types of pensions

Fixed-rate payment and annual indexation

Such inseparable elements of the pay-as-you-go system as the fixed rate of the insurance component of the labor pension and annual indexation will be preserved for insurance pensions. The annual rise will be applied not to the calculated pension capital but to the cost of one pension point and the fixed-rate payment to insurance pensions, an analogue of the fixed rate of the insurance part of the labor pension

In 2014, Pension Fund specialists were actively preparing to form pension rights and to assign insurance pensions under the new regulations. They did a large-scale meticulous work, including conversion of pension rights formed earlier for about 112 million insured persons, prepared databases, adjusted software and hardware complexes, coached specialists and held an information campaign to explain the new procedure of forming pension rights to Russian citizens.

LABOR AND STATE PENSIONS

In 2014, before the adjustments to the solitary part of the pension system took effect, the key types of pensions were labor pensions formed under the mandatory pension insurance formula and state pensions assigned to civil service workers and military servicemen and as a form of social support to some categories of unemployable citizens and those who did not qualify for labor pensions. Most labor pensions were paid as old age pensions, while state pension benefits were paid in the form of social pensions.

In 2014 the Pension Fund assigned 2.8 million pensions (2.7 million in 2013). Most of them, 2.3 million, were labor pensions, and 338,000 were state pension benefits. A total of 433,000 labor pensions were assigned on early retirement terms (466,000 in 2013).

A substantial part of new pensions is assigned by the Pension Fund as

ASSIGNMENT OF PFR PENSIONS IN 2014 (as of December 31)

Pension type	Number of newly assigned pensions	Number of pensioners	Average size	Average size growth
Labor pension:	1.8 mln	38 mln	11,151 rub.	838 rub.
● old age	1,545 thsd	34,426 thsd	11,569 rub.	853 rub.
● disability	190 thsd	2,272 thsd	7,142 rub.	519 rub.
● loss of breadwinner	109 thsd	1,323 thsd	7,174 rub.	583 rub.
State pension benefit:	0.3 mln	3.4 mln	7,983 rub.	1,118 rub.
● long service	0.6 thsd	65 thsd	15,550 rub.	1,530 rub.
● servicemen and their families	1 thsd	52 thsd	10,406 rub.	1,548 rub.
● social:	274 thsd	3,008 thsd	7,548 rub.	1,102 rub.
● disability	149 thsd	1,919 thsd	8,721 rub.	1,252 rub.
● children with disabilities and persons with lifelong disability of 1 st group	67 thsd	598 thsd	11,216 rub.	1,632 rub.
Total	2.1 mln	41.46 mln	–	–

a result of anticipatory work with citizens and entities. A total of 1.6 million pensions were assigned that way in 2014. An area of this activity is online interaction with employers whose human resources departments provided PFR beforehand with information and online copies of documents of their employees preparing to retire. In 2014 PFR concluded online interaction agreements with 240,000 employers, among them such big companies as RZD, Sberbank and Gazprombank. Online interaction resulted in the assignment of 127,000 pensions last year, mostly in the Belgorod region, the republics of Tatarstan and Bashkortostan and the Khanty-Mansi autonomous region.

With due account of the newly assigned pensions, the number of PFR pensioners reached 41.46 million people by the end of the year. The total amount of pension payments grew by 157 billion rubles year-on-year since 2013 and reached 5.4 trillion rubles.

Most of these funds, almost 5 trillion rubles, were paid as insurance part of labor pensions to 38 labor pension

holders. State pension benefits to a total sum of 344.5 billion rubles were paid to 3.4 million pensioners.

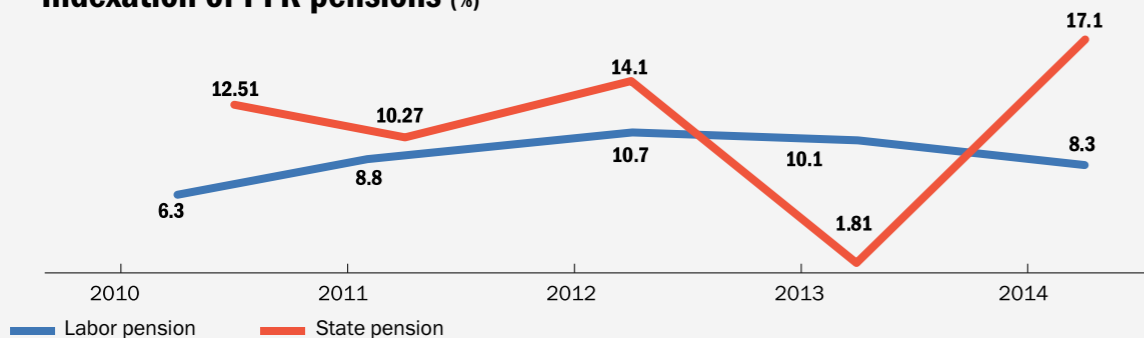
PENSIONS INDEXATION

All types of pensions paid by the Russian Pension Fund are subject to annual indexation. Measures increasing pensions of citizens planned for 2014 were accomplished on time and in full. They applied to all pensioners receiving PFR payments.

As a result of the pension rise, an average old age labor pension grew by 853 rubles to 11,569 rubles in 2014, or 1.82 of the pensioner subsistence minimum in Russia. An average size of the social pension grew by 1,102 rubles to 7,548 rubles.

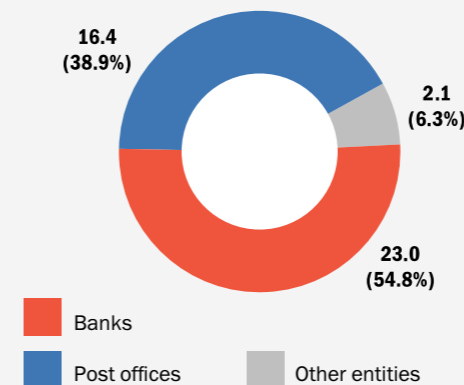
An average pension of persons with war disabilities and WWII veterans stood at 26,635 rubles and 28,430 rubles respectively, while social support measures (monthly pension benefits and monthly supplements) increased their income to 31,883 rubles and 33,678 rubles respectively (the annual growth by 2,656 rubles and 3,360 rubles).

Indexation of PFR pensions (%)



In 2014, the insurance part of the labor pension was increased twice, by 6.5% in February and by 1.7% in April. State pension benefits were increased by 17.1%.

Delivery of PFR pensions and social benefits (million people)



Pensions are delivered to Russian pensioners by post offices, banks and other organizations which have agreements with the Russian Pension Fund. Most pensions are delivered by Post of Russia and Sberbank. Twelve million pensioners have their pensions transferred to bank cards.

PAYMENT OF PFR PENSIONS ABROAD

The Russian Pension Fund is paying pensions to Russian and foreign citizens within the national system preserving pension rights in case of resettlement and under international treaties of the Russian Federation with foreign countries in the field of social security. Citizens who receive all types of pensions (with the exception of state pension benefits) receive their pension payments irrespective of the country of their residence and citizenship. Pensions are also guaranteed to foreign citizens who worked in Russia and retired in their home country in case Russia and the relevant foreign state have an agreement on reciprocal payment of pension benefits. Otherwise all pension rights acquired by a foreign citizen in Russia are not included in the pension assigned in one's home country.

Cooperation between Russia and foreign countries in reciprocal payment of pension benefits is mostly based on two types of agreements: territorial and proportionate. In the first case pension rights acquired in Russia, for example, the work record,

are taken into account in the assignment of pensions in a foreign country but the pension itself is assigned under the laws of the foreign state and at its expense. Agreements based on the proportionate principle bind each country to fund pension rights acquired on its territory irrespective of laws of which country the pension is assigned under.

Most Russian agreements with foreign countries on pension benefits are based on the proportionate principle and signed with former Soviet republics, which demonstrate extensive processes of migration to Russia. Pensions assigned under agreements based on the proportionate principle are mostly higher, so agreements based on the territorial principle are gradually falling out of use.

In 2014 the Russian Federation had 16 international agreements regulating its relations with 20 countries in the field of pension benefits. Under these treaties, Pension Fund payments were made to 35,000 pensioners abroad, and PFR expenditures in this area grew by 30.1% to 2.4 billion rubles at the end of the year.

In all, the Pension Fund was paying pension benefits in 121 countries of the world. The total number of PFR pension recipients living abroad reached 6.4% year-on-year to 265,241 persons by the end of 2014. Pensioners residing abroad who are permanently registered in the territory of Russia receive their pensions to bank accounts in Russia. Such pensions were paid to 150,000 pensioners and totaled 20.1 billion rubles. The other 115,000 pensioners living abroad were paid in countries of their residence in local currencies. Such payments amounted to 11.3 billion rubles. As a result, Pension Fund expenditures on paying pensions abroad in 2014 amounted to 31.4 billion rubles, or almost 11.4% more than in the previous year.

Under international agreements, PFR paid a total of 126 million rubles (56 million rubles more than in 2013) to foreign citizens residing in Russia.

In addition to organizing the payment of pensions in foreign countries, Pension Fund specialists took part in the elaboration of new international treaties and administrative agreements with such countries as Serbia,

Germany, Israel, Hungary, Turkey and South Korea, concluded online interaction agreements with Estonia, Belarus and Bulgaria, organized information campaigns via Russian missions to foreign countries and participated in the elaboration of laws aimed to optimize the interstate provision of pension benefits.

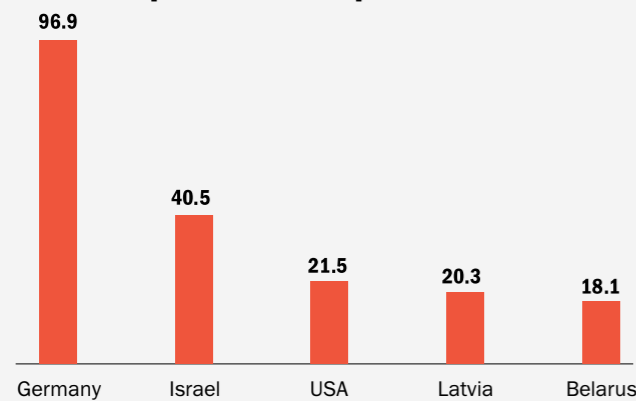
PAYMENT OF PENSION BENEFITS IN THE REPUBLIC OF CRIMEA AND THE CITY OF SEVASTOPOL

Russian laws on mandatory social security, including mandatory pension benefits, fully apply to the Republic of Crimea and the city of Sevastopol since January 1, 2015.

As a result of incorporation of two new constituent territories – the Republic of Crimea and the city of Sevastopol – into Russia, the number of persons receiving PFR pensions grew by 641,000 on January 1, 2015.

Two PFR offices – the PFR territorial office in the Republic of Crimea and the PFR territorial office in the city of Sevastopol – were created in the Crimean territory in April 2014 for the provision of pension benefits.

Countries with the highest number of Russian pensions' recipients (thousand people)



Most Russian pensioners living in countries which have agreements on reciprocal payment of pension benefits with Russia reside in Belarus, Latvia, Bulgaria, Estonia and Ukraine. Most Russian pensioners living in countries which do not have such agreements with Russia reside in Germany, Israel, the United States, Finland and Canada.

Under the Russian President's Decree No 192 dated March 31, 2014, On Measures of State Support to Citizens Receiving Pensions in the Republic of Crimea and the City of Sevastopol, pensions assigned under Ukrainian laws were enlarged with monthly supplements subject to a phased growth. As a result, by July 1, 2014, pensions paid in Crimea reached the average amount of labor pensions paid in the Russian Federation. The pensions and supplements were paid in 2014 from the budget of the Russian Federation by the Pension Fund of Crimea and Sevastopol.

The formation of full pension rights and payment of pensions primarily required the registration of citizens in the mandatory pension insurance system. As of December 31, 2014, 1.85 million residents of the Republic of Crimea and Sevastopol were registered in the mandatory pension insurance system.

Under Federal Law No 208-FZ dated July 21, 2014, On Peculiarities of Pension Benefits Paid to Citizens of the Russian Federation Residing in the Territory of the Republic of Crimea and the Federal City of Sevastopol, PFR territorial offices in the Republic of Crimea and the city of Sevastopol adjusted pensions assigned under laws which were previously in effect in the territory of the Republic of Crimea and the city of Sevastopol to laws of the Russian Federation. The adjustment was done by the Pension Fund of the Russian Federation on the basis of payment files, without applications being filed by citizens.

Since January 1, 2015, upon the end of the transitional period, citizens residing in the territory of the Republic of Crimea and the city of Sevastopol are being paid pension benefits under Russian laws. The Pension Fund is paying pensions from the PFR budget. ♦

2.2. PENSION SAVINGS INVESTMENT AND PAYMENT

Alongside transformation of the pay-as-you-go component of the pension system in 2014, adjustments were made to the funded part of pensions and management of pension savings in general.

FORMATION OF PENSION SAVINGS

At the end of 2013, a package of federal laws* was adopted to raise the efficiency of the formation of pension savings which are inferior to the funded part in terms of their growth and safety.

Under the new laws, the development of a comprehensive system guaranteeing safety of pension savings was launched in the funded pension system in 2014. This had a substantial effect on conditions of the formation of pension savings in 2014.

First of all, new mandatory deductions to the cumulative part of pensions were suspended for the transitional period, and all insurance contributions paid in 2014 were assigned to form the funded part of labor pensions.

In addition, the law suspended any transfers of funds earlier contributed to the funded pension system (excluding funds for payments to pensioners and their survivors) between private pension funds and managing companies until the latter joined the system of guaranteeing safety of pension savings and complied with necessary requirements of the Bank of Russia.

As a result, contributions paid to the cumulative part of pensions of Russian citizens reduced a lot since 2013, and the cumulative part was mostly formed with previous contributions and voluntary contributions of citizens made under the program of state co-funding of pensions.

At the end of the year, the PFR funded pension system grew by 83.6 billion rubles (as against 590 billion rubles in 2013), including mandatory pension insurance contributions.

A substantial part of these funds, 33 billion rubles, were debts and arrears collected from insuring parties and penalties and fines they paid for late payment of contributions.

In addition, 22.5 billion rubles came from temporary depositing of pension savings in banks and their investment in government bonds.

Voluntary contributions paid by citizens under the program of state co-funding of pensions amounted to 9.6 billion rubles in 2014.

The total amount of money accumulated in the funded system exceeded 2.9 trillion rubles by the end of 2014.

* Federal Law No 424 On Funded Pensions dated December 28, 2013, and Federal Law No 422 On Guarantees of Rights of Insured Persons in the Mandatory Pension Insurance System of the Russian Federation in the Formation and Investment of Pension Savings, Assignment and Payment of Pension Savings dated December 28, 2013, and others.

FUNDED PENSION SYSTEM AND ITS PARTICIPANTS (AS OF DECEMBER 31, 2014)

Insured persons

Most working Russians are forming pension savings. First of all, these are people born in 1967 or younger, participants in the program of state co-funding of pensions and those who invest maternity capital funds in pension savings. In 2014, the pension system was formed by 1.2 million new insured persons forming their pension savings. The total number of persons forming pension savings reached 80.2 million.

Pensioners

The payment of pension savings to pensioners began in July 2012. Most pensioners are paid their savings in a lump-sum because the savings were formed for a brief period and were insignificant. In 2014 lump-sum payments of pension savings were made to 1.46 million people. A total of 21,200 pensioners are receiving their savings monthly, within their old age labor pensions.

Insuring parties

Pension savings of Russian citizens were mostly formed of mandatory insurance contributions paid by insuring parties: employers and self-employed insuring parties. Due to transformations in the funded pension system in 2014, insuring parties did not pay contributions for the cumulative part of pensions and all contributions were assigned exclusively to the insurance part of pensions.

Pension Fund of Russia

All mandatory pension insurance contributions, including those for the cumulative part, were collected by PFR as the main administrator of funds in the cumulative system. In accordance with the choice made by insured persons, PFR transferred their pension savings to either managing companies or private pension funds. Pension savings left in PFR are managed by the state managing company Vnesheconombank and 34 private managing companies. In 2014, 57.8 million people formed their pension savings in PFR, and their total amount exceeded 1.5 trillion rubles.

Private pension funds

The same as the Russian Pension Fund, private pension funds act as insurers in the mandatory pension insurance system. Private pension funds sign mandatory pension insurance agreements with insured persons and saving investment agreements with managing companies and administer funds transferred from PFR. In 2014, 22.4 million people formed their pension savings in private pension funds (in all, there were 91 funds at the end of the year). The amount of pension savings kept in private pension funds stood at 980 billion rubles by the end of 2014.

Managing companies

These are major actors of the funded pension system. Managing companies invest pension savings in financial assets and achieve return on investment. Pension funds sign agreements with managing companies and entrust them with managing funds. Persons who never transferred their pension savings from PFR or chose a managing company have their pension funds transferred by default to Vnesheconombank, the state managing company serving the largest number of insured persons (57.3 million) and managing the biggest amount of pension savings (1.5 trillion rubles). In 2014 PFR also interacted with 34 private managing companies on the basis of agreements.

Bank of Russia

The regulator of the funded pension system which controls operations of managing companies and private pension funds consistent with requirements and protects rights and lawful interests of insured persons in the formation of their pension savings.

TRANSFER OF PENSION SAVINGS TO MANAGING COMPANIES AND PRIVATE PENSION FUNDS

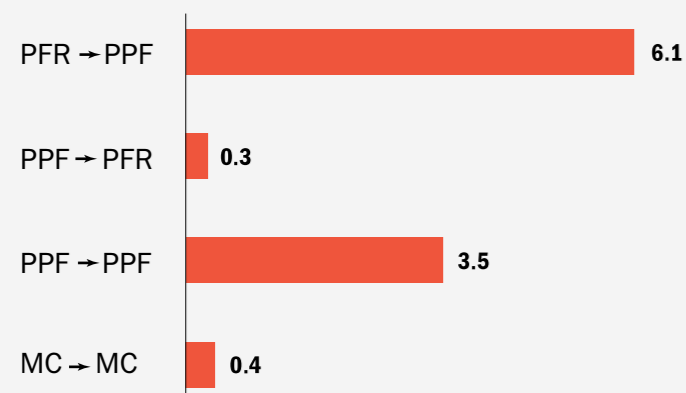
Transformations in the funded pension system had an effect on the annual transfer of pension savings to pension funds and managing companies. All entities that had been permitted to accept citizens' request for transferring pension funds from PFR to private pension funds in the previous period lost that right in 2014. A reason was the measures that countered illegal transfers of pension savings. In 2014 all transfer applications were filed exclusively with the

Russian Pension Fund: in person, via a lawful representative, by mail, via a multipurpose center, and the public services portal. As a result, the number of requests for transferring pension funds to another entity or changing the investment portfolio containing pension savings, reduced 2.7-fold since 2013. In all, in the past two years, the Pension Fund received 24.8 mln applications, including 18.1 million in 2013 and 6.7 million in 2014.

In the consideration of applications for choosing a private pension fund or a managing company, the Pension Fund made its decisions on the basis of the latest application irrespective of the total number of applications filed by the same citizen in 2013-2014. As a result, 12.3 million applications or 74% of all processed applications were approved. Pension savings are subject to transfer to private pension funds and managing companies only under 10.4 million applications. The remaining 1.9 million requests will be granted in the transitional period of 2015 (in case insured persons do not file new applications in 2015) if the entities (mostly private pension funds) mentioned in those requests join the system guaranteeing safety of pension savings.

Despite the legislative ban on citizens' transfer between private pension funds and managing companies, the number of their clients changed in 2014. For instance, the number of clients of the state-run managing company Vnesheconombank enlarged by 1.2 million after new members had joined the pension system. The number of clients of private pension funds reduced by 30,300 persons due to the closure or reorganization

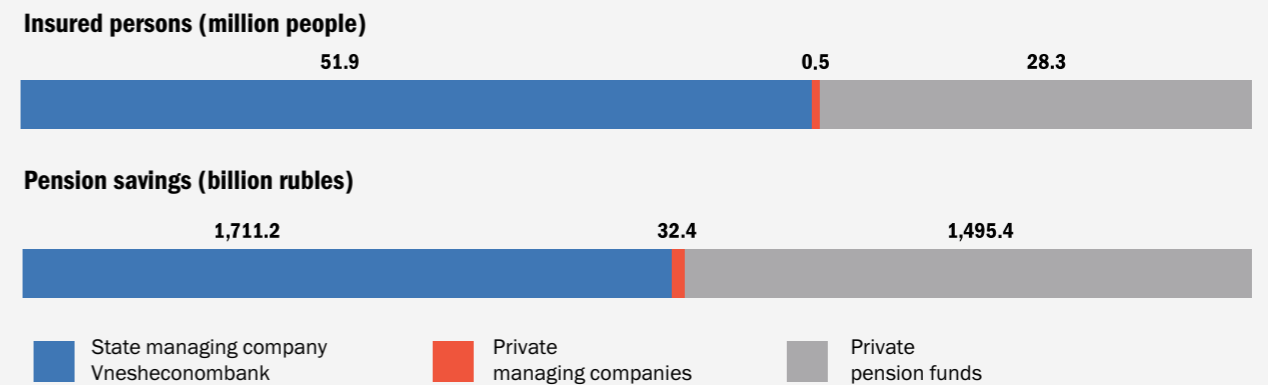
Number of persons who transferred their pension savings to another managing entity in 2013-2014 (million people)



PFR – Pension Fund of Russia
PPF – private pension funds
MC – management companies

The 2013-2014 transfers were combined, i.e. PFR took into account applications of citizens filed in 2013 and 2014 for changing an insurer in the mandatory pension system or choosing a managing company.

Distribution of insured persons and their pension savings between private pension funds and management companies (at the end of the 2013-2014 transfer period)



A legislative ban on transfers of insured persons and their pension savings in the funded pension system was in effect in 2014. For that reason the number of citizens investing their pension savings via private pension funds and PFR changed only because of new participants in the pension system or termination of the pension saving management activity of a number of private pension funds.

of a number of private pension funds and termination of contracts between citizens and private pension funds.

Along private pension funds' joining of the system guaranteeing safety of pension savings, they will receive pension savings in accordance with the applications filed by citizens in 2013 and 2014 and insurance contributions paid to PFR in the third and fourth quarters of 2013 and 2014: insurance contributions for funded pensions and debts collected from insuring parties, contributions made by citizens under the program of state co-funding of pensions in the second half of 2013 and 2014, and state co-funding contributions paid in 2013, maternity capital funds whose owners requested their assignment for forming funded pensions in 2014, and return on temporary investment of these pension savings by the Pension Fund.

As a result of the transitional period of 2013 and 2014, the Pension Fund transferred 217.12 billion rubles in pension savings of citizens to managing companies which have signed agreements with the Fund: 214.12 billion rubles to state-run managing company Vnesheconombank and 3 billion rubles to private managing companies. Also 399.2 billion rubles worth of pension savings were transferred to 24 private pension funds, which joined the system guaranteeing safety of pension savings as of March 1, 2015.

Private pension funds were compelled to transfer pension savings of citizens who decided to transfer their savings to another pension fund on condition that the latter had joined the guarantee system by May 31, 2015. Whenever a pension fund chosen by a citizen in 2013-2014 fails to join the guarantee system, pension savings

ASSIGNMENT AND PAYMENT OF PENSION SAVINGS IN 2014 (as of December 31)

	Number of assigned payments	Number of recipients	Average size	Payment sum
Funded part of labor pensions	8.5 thsd	18.6 thsd	693 rub.	136.5 mln rub.
Term pension payments	1.5 thsd	2.6 thsd	832 rub.	23.9 mln rub.
Lump-sum payments	1,468.7 thsd	1,468.7 thsd	9,371 rub.	17,764.8 mln rub.
Lump-sum payments to survivors	122.3 thsd	122.3 thsd	22,825 rub.	2,792.9 mln rub.
Total	1.60 mln	1.61 mln	–	20.72 bln rub.

will be kept by the previous insurer until the chosen private pension fund joins the system guaranteeing safety of pension savings. The current insurer will keep the pension savings if the chosen private pension fund does not join the guarantee system by January 1, 2016.

If the current insurer, a private pension fund, does not join the guarantee system in 2015, this private pension fund will be compelled to return the register of citizens and all of their pension savings to PFR in the first quarter of 2015, and PFR will be the insurer of these citizens,

Private pension funds, which join the guarantee system after March 1, 2015, will receive the funds in the transfer process on a quarterly basis, upon the accession of these private pension funds to the guarantee system.

TEMPORARY PLACING OF PENSION SAVINGS

All pension savings formed in the third and fourth quarters of 2013 and 2014 and voluntary contributions made by citizens under the program of state co-funding of pensions, maternity capital money invested in the funded part of pensions and arrears not transferred to private pension

funds and managing companies were temporarily placed by the Pension Fund as bank deposits denominated in the Russian currency, government saving bonds and federal bonds.

Twenty-five deposit auctions were held in 2014 (one more than in 2013). The deposits had maturity periods of 17 to 146 days. A total of 182 billion rubles were deposited in commercial banks and return on that investment stood at 13.9 billion rubles or 7.6% annual interest.

Some 141.2 billion rubles were invested in government bonds, with return on investment standing at 8.6 billion rubles or 6.1%. In all, the Pension Fund enlarged pension savings of Russian citizens by 22.5 billion rubles in 2014 or 7% annual, which is a higher rate of profitability than most private pension funds and managing companies had that year.

ASSIGNMENT AND PAYMENT OF PENSION SAVINGS

In contrast to the funded part of a labor pension, which can be paid only one way (monthly and lifelong), there may be different ways of paying pension savings depending on the method of their formation and the recipient's category.

Pension savings can be paid since the day the right to an old age labor pension or state pension benefits is acquired. The pension savings are paid by the pension fund which held them as of the date of the citizen's claim for payment.

The cumulative part of the labor pension is assigned on much rarer occasions than the insurance part. On the average, there were 182 assignments of the insurance part per one assignment of the cumulative part in 2014.

The reason is that most pension savings are now paid as a lump-sum

because new pensioners are people whose pension savings were formed within a brief period of time and were insignificant.

In 2014 the Russian Pension Fund assigned 1.6 million payments of pension savings (143,000 less than in 2013).

Most payments were lump-sum. The number of pensioners receiving their savings on a permanent basis within their labor pensions (as the cumulative part of their labor pensions or on a term basis) grew by 10,000 persons to 21,200 over the year. ♦

2.3. INDIVIDUAL ACCOUNT REGISTER SYSTEM CONDUCT

It is possible to keep record of pension rights of millions of Russians and to assign pensions in strict compliance with these rights thanks to the operating of a comprehensive information system of the Pension Fund containing essential information regarding the formation of pension rights of citizens.

The main services of the PFR pension rights information system include the registration of new participants in the mandatory pension insurance system, the updating of information about pension rights, the provision of information about pension rights' scope to the participants, and the protection of their personal data.

Key sources of information used to update the PFR information system is insuring parties, which pay mandatory pension insurance contributions and submit their reports to PFR. The formation of pension rights of citizens is closely linked to the administering of mandatory pension insurance contributions. The size of the future pension of a worker depends on the

sum of insurance contributions paid by employers and the correct account of their work record.

PFR finalized the formation of the individual pension rights information system in 2014. The system incorporated information about income of citizens before 2002 when the individual pension rights information system was not operating on the national scale and the insurance principles were not the core of the pension system. The information was collected from insuring parties within several years and transformed into the electronic format. The availability of this information in the individual information system not only facilitates the assignment of pensions but also

SERVICES OF THE INDIVIDUAL ACCOUNT REGISTER SYSTEM

Registration of mandatory pension insurance system participants

The registration in the mandatory insurance pension system is proven with an insurance certificate containing the individual account number (SNILS), which collects information about pension rights of a citizen, including the work record, pension insurance contributions, etc. In 2014 the Russian Pension Fund registered 6.8 million new participants in the mandatory pension insurance system (2.4 million more than in 2013). The number of individual accounts in the mandatory pension insurance system reached 145 million by the end of the year.

Updating information about pension rights of mandatory pension insurance system participants

The mandatory pension insurance information system is always up-to-date thanks to the information quarterly provided by employers to the Russian Pension Fund. These are registers containing information about citizens for whom pension contributions are paid and the amount of these contributions. In 2014, PFR individual account services received information from 2.4 million employers across Russia. This information about pension rights was added to individual accounts of 58.3 million Russians.

Notification of mandatory pension insurance system participants

The Russian Pension Fund issues several types of notices to mandatory pension insurance system participants. Information about pension rights is one of the most popular types of notices. In 2014, the Pension Fund sent about 8 million notices to citizens, including 1.5 million provided via PFR offices on paper, 1.4 million notices sent online via the public services portal, and 5.1 million notices sent online via banks.

Personal data storing

Pension Fund offices have special archives with a total area of 54,000 square meters for storing personal data. Paper archives of PFR are reducing by use of the retro-conversion of documents, which transfers documents into the electronic format and certifies them with digital signatures of insuring parties. These documents are stored in electronic archives, and paper copies are scrapped. Electronic documents are stored by 79 PFR offices by use of 80 software and hardware complexes.

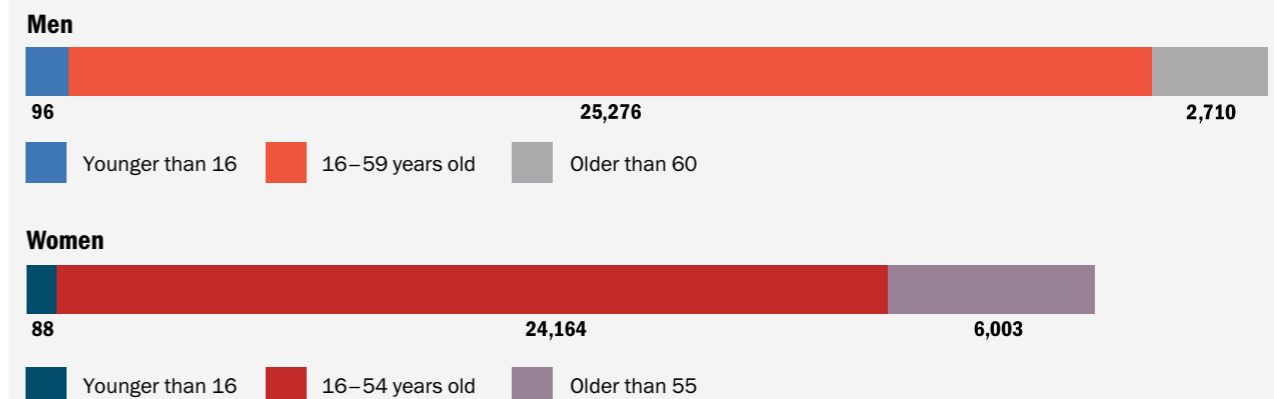
Protection of personal data

Information stored on personal accounts of insured persons in the Pension Fund is confidential. Therefore, personal data is protected at all levels of the PFR system and at every stage of handling of personal data, from the delivery of information by entities and individuals to information storage on paper and in the electronic form. An emphasis is put on personal data safety in the data exchange between PFR territorial offices and in interaction with third parties providing pension and social security services.

Data validation in the online interdepartmental interaction system

SNILS is being used to identify citizens not only in the mandatory pension insurance system but also in the online interdepartmental interaction system, which enables government agencies to exchange information. In 2014 the Russian Pension Fund replied to 52 million SNILS inquiries. PFR also uses SNILS to validate information in the registration of new users of the public services portal (www.gosuslugi.ru). PFR used SNILS to validate information of 6 million persons registering on the portal in 2014.

Insured persons for whom mandatory pension insurance contributions were paid in 2014 (thousand people)



New information about pension rights was added to individual accounts of 58.3 million Russians at the Pension Fund in 2014, including information provided by employers regarding pension insurance contributions.

makes more precise work records of citizens in the calculation of the size of their pensions.

The number of new participants in the mandatory pension insurance system grew more rapidly in 2014 than in the previous years, primarily because of the accession of the Republic of Crimea and the city of Sevastopol to the Russian Federation. A total of 1.85 million insured persons were registered in that territory by the end of the year. In all, the number of mandatory pension insurance system participants grew by 6.8 million across Russia in 2014.

Seeking to optimize information about insured persons for whom insurance contributions are paid,

the Pension Fund presented to employers an improved report form combining information about paid contributions and citizens for whom the contributions were paid in 2014. Before 2014 employers provided PFR with such information separately that required additional work and submission of several types of reports.

Consistent with the adjustments to the rules of accounting pension rights in 2015, the Russian Pension Fund developed and approved a new form of information about the status of the person's account, including information about pension points. Updated information is available at the request of citizens at PFR offices and on insured person's accounts on the PFR website. ♦

2.4. PENSION AND HEALTHCARE INSURANCE CONTRIBUTIONS MANAGEMENT

Mandatory pension insurance contributions paid by employers in 2014 were the main source of forming pension rights of citizens. The Russian Pension Fund put emphasis on interaction with payers of insurance contributions, efficient administering of those funds and improvement of related activities.

RATES OF INSURANCE CONTRIBUTIONS

In 2014 the rate of mandatory pension insurance contributions was preserved on the 2013 level at an amount of 22% of the worker's payroll for most Russian employers. The 22% contributions were paid on the maximum payroll of 624,000 rubles (568,000 rubles in 2013). An additional 10% contribution was paid on sums higher than those payrolls.

On the whole, payers of insurance contributions for individuals contributed 3.63 trillion rubles for mandatory pension insurance of their workers in 2014 (or 7.6% more than in 2013).

Self-employed insuring parties (sole proprietors, farmers, lawyers, private notaries, etc.) were paying mandatory pension insurance contributions on the basis of a fixed insurance contribution rate. It was reduced to 17,328 rubles in 2014 (compared

to 32,479 rubles in the earlier period) because the rate was equal to one minimal wage instead of two collected in 2013. Self-employed insuring parties were paying 1% contributions on annual income exceeding 300,000 rubles but no more than 138 628 rubles.

The reduced annual insurance rate led to a decline in contributions paid by self-employed insuring parties by 24.7% since 2013 to 65.4 billion rubles. Total mandatory pension insurance contributions of all payers stood at 3.7 trillion rubles at the end of the year.

Additional insurance contribution tariffs

Additional tariffs of mandatory pension insurance contributions were levied in 2014 to fund early retirement of workers of harmful and hazardous enterprises. Under Federal Law No 426-FZ On Special Assessment of

Foreign citizens working in Russia are also listed as participants in the mandatory pension insurance system and employers pay insurance contributions to the Russian Pension Fund on their behalf. The same rate of mandatory insurance contributions applied to most Russian citizens and labor migrants in 2014: 22% plus 10% charged on the payroll surplus.

Working Conditions dated December 28, 2013, an insuring party shall pay an additional mandatory insurance contribution tariff varying from 2% to 8% depending on the degree of harm done and/or hazard presented by working conditions if working conditions are assessed as harmful or hazardous. If working conditions are recognized as optimal or permissible, the following additional rates of insurance contributions shall apply to insuring parties: 9% under List No1, and 4% under List No2 and 'short lists'.

Insurance contributions paid to PFR at additional tariffs in 2014 nearly doubled year-on-year to 61.1 billion rubles.

Discount tariffs of insurance contributions

Some companies and enterprises are enjoying government benefits and paying insurance contributions to PFR at discount tariffs. At the same time, pensions of people working for such companies are paid as if the 22% contribution rate were applied. The shortfall in pension insurance contributions is covered by the federal budget. The sum amounted to 288.2 billion rubles in 2014 (41.9 billion rubles less than in 2013).

Mandatory health insurance tariffs

In addition to mandatory pension insurance, the Pension Fund collects and administers mandatory health insurance contributions in the Federal Mandatory Health Insurance Fund.

In 2014, the tariff of mandatory health insurance contributions amounted to 5.1% of the annual payroll of every worker. The maximum payroll on which mandatory health insurance

contributions were paid stood at 624,000 rubles. Self-employed residents paid fixed-rate contributions of 3,399 rubles (3,186 rubles in 2013).

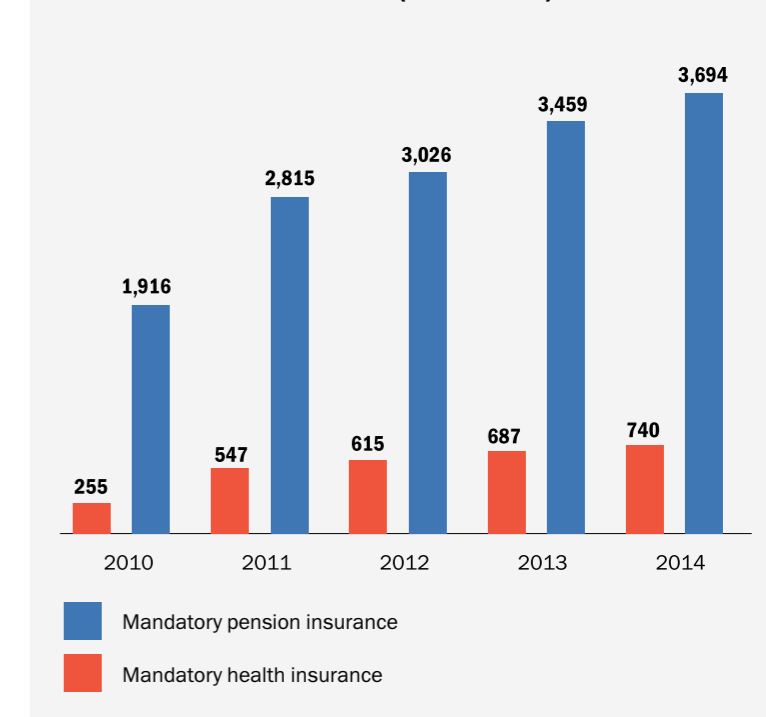
Mandatory health insurance contributions grew by 7.7% (53 billion rubles) in 2014 to 740.2 billion rubles.

COLLECTION OF INSURANCE CONTRIBUTION ARREARS

Collection of debts from payers of insurance contributions is an important area of activity of the Russian Pension Fund in the field of insurance contribution administering.

In 2014, mandatory pension insurance arrears remained on the 2013 level or 1.2% of the total sum of assessed payments. Mandatory health insurance arrears reached 1.3% of the total sum of assessed payments.

Mandatory pension and health insurance contributions (billion rubles)



The Pension Fund collects insurance contribution arrears by collection orders sent to banks where debtors have their accounts.

In 2014 Pension Fund territorial offices sent 10.4 million collection orders to a total sum of 178.1 billion rubles. Banks executed 6.7 million collection orders to a sum of 100.2 billion rubles. The indicator grew by 18.4% since 2013.

As a result of desk audits, PFR territorial offices charged additional 18.7 billion rubles in mandatory pension and health insurance contributions. Surcharges made as a result of field audits stood at 2 billion rubles. Compared to 2013, the efficiency of desk and field audits improved by almost 20%.

Joint efforts of the Russian Pension Fund and the Federal Bailiff Service in the collection of insurance contribution arrears helped collect 21.8 billion rubles in 2014.

The Russian Pension Fund also continued to collect insurance contribution arrears for 2002-2009, during which the Federal Tax Service was the main administrator of mandatory pension insurance contributions. As of early 2014, the arrears stood at 28.1 billion rubles; they reduced by 19.2% to 22.7 billion rubles by the end of the year.

INSURANCE CONTRIBUTIONS ADMINISTERING IN THE CRIMEAN FEDERAL DISTRICT

In 2014, the Pension Fund began to interact with entities and self-employed

ENTITIES PAYING MANDATORY INSURANCE CONTRIBUTIONS AT DISCOUNT RATES IN 2014

Main rate of insurance contributions	22% (+10%)*
Entities employing persons with disabilities, public organizations and institutions of persons with disabilities	21%
Entities and sole proprietors paying unified agricultural tax	21%
Agricultural producers	21%
Pharmacies, charity funds, non-profit entities	20%
Entities and sole proprietors using the simplified tax system	20%
Sole proprietors using the patent tax system	20%
Entities of the Skolkovo Innovations Center	14%
Business entities created by academic institutions	8%
Entities and sole proprietors that have status of special economic zone residents	8%
Entities operating in IT field	8%
Entities paying motor vessel crews	0%

* The main tariff of mandatory pension insurance contributions is 22%. Whenever the annual payroll of a worker exceeds the maximum sum of 624,000 rubles, the employer shall pay 10% contributions on the surplus to PFR.

In 2014 the Russian Pension Fund and the Federal Tax Service pooled efforts to legalize labor relations. More than 323,000 insuring parties that paid wages smaller than minimum and 694,000 insuring parties paying wages small than the subsistence minimum were uncovered during the year.

payers of insurance contributions in the Crimean Federal District that received state registration under Russian laws in the collection of mandatory pension and health insurance contributions.

By the end of the year, the region had 46,900 registered insuring parties (20,400 employees and 26,500 self-employed insuring parties).

A total of 26,500 of them paid insurance contributions. Some 1.85

billion rubles were paid in mandatory pension insurance contributions and 0.45 billion rubles were collected in mandatory health insurance contributions. The total sum of contributions stood at 2.3 billion rubles.

Since 2015, Crimean insuring parties which receive the status of a free economic zone resident are entitled to discount tariffs of insurance contributions: 6% contributions to PFR and 0.1% contributions to the Federal Mandatory Health Insurance Fund. ♦

2.5. PENSION CO-FUNDING STATE PROGRAM MANAGEMENT

2014 was the last year when new participants could join the program of state co-funding of pensions.

The pension co-funding program allows its participants to make voluntary contributions for their future pension and to enjoy state co-funding of their contributions to an approved limit. The program was launched on October 1, 2008, and the admission of new members ended on October 1, 2013. The government decided to give citizens an additional opportunity to join the program in 2014.

For that purpose, the law regulating the program of state co-funding of pensions was amended and it became possible to apply to the Russian Pension Fund for joining the program in November and December 2014. The opportunity was used by 78,792 persons within the two months.

In addition, the legislative amendments set January 31, 2015, as a deadline for making the first voluntary contribution to the program with the

purpose of receiving state co-funding of contributions in the future. As a result, 2.5 million out of 15.9 million participants made their first contribution by the deadline. All of them will be entitled to state co-funding of their voluntary pension contributions for 10 years since the first voluntary contribution is made.

The other 9.8 million participants did not make their first voluntary contribution before the deadline, so they permitted to make voluntary contributions in the future, but the state co-funding option will not apply to them.

In 2014 program participants contributed 9.6 billion rubles to their future pension.

The size of an average contribution paid under the program grew to 8,498 rubles from 6,963 rubles in 2013. Financial support of employers to the

PENSION CO-FUNDING PROGRAM KEY FIGURES

	2009	2010	2011	2012	2013	2014
Number of new participants (mln)	2.1	1.8	2.8	3.6	5.5	0.079
Number of contribution payers (mln)	0.6	0.7	0.8	1	1.8	1.2
Contributions of participants (bln rub)	2.6	3.6	3.9	6.1	12.6	9.8
Average contribution (rub)	4,195	4,904	5,149	6,359	6,963	8,498
Employer contributions (mln)	-	35.9	97.7	126.1	117.3	200.6
State co-funding (bln rub)	2.5	3.4	3.9	5.9	12.4	9.4**
Monthly payments for participation in program (rub)***	-	-	-	735	739	832

* Included in 2009 contributions of program participants.

** Tentative data.

*** Payment of pension savings, including those formed under the pension co-funding program began in July 2012.

program exhibited a record growth. Compared to 2013, the growth reached 71%, and the overall sum of contributions paid by employers under the program amounted to 200.6 million rubles in 2014. Throughout the program period, voluntary contributions of participants have topped 39 billion rubles.

State co-funding of voluntary contributions of program participants is done in the second quarter of the year

following the year when the contributions are paid. In the second quarter of 2014 the government fully co-funded 2013 contributions of program participants by transferring 12.4 billion rubles to their accounts. The total sum of state co-funding of 29.2 billion ruble contributions paid by program participants before 2014 reached 28.1 billion rubles. Voluntary contributions paid by program participants in 2014 will be co-funded by the government in the second quarter of 2015. ♦

2.6. MATERNITY (FAMILY) CAPITAL STATE PROGRAM MANAGEMENT

Over eight years of the maternity capital program, the capital size grew by over 70% to 429,409 rubles in 2014.

The maternity (family) capital is a method of state support to families to which a second or more child was either born or adopted after January 1, 2007, in case maternity capital rights were not formed or registered before prior to birth or adoption.

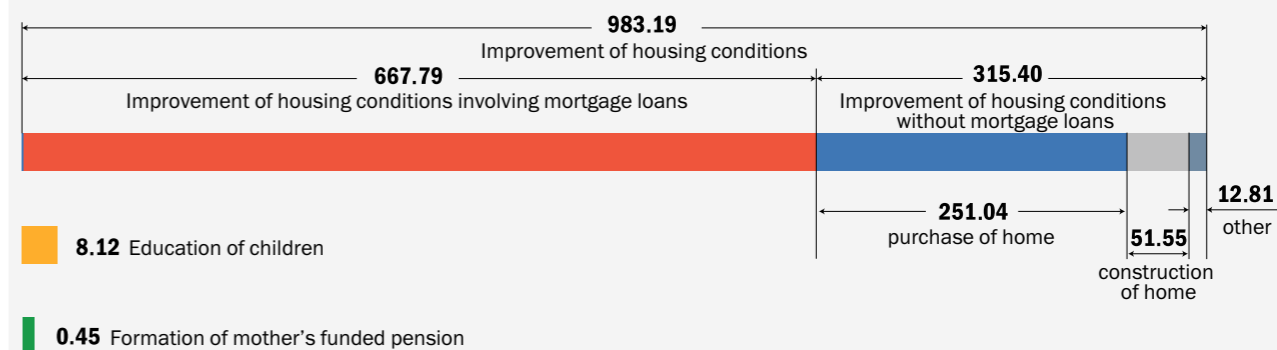
The Russian Pension Fund is the administrator of the maternity capital program, which issues state

certificates of maternity capital and assigns funds for purposes chosen by families.

In 2014, 823,400 Russian families were issued maternity capital certificates (37,000 families more than in 2013).

Over 5.6 million certificates were issued since the beginning of the program in 2007. The size of the

Use of maternity capital (throughout the program period, bln rub)



maternity capital grew by 5% or 20,500 rubles year-on-year in 2014.

The areas of use of maternity capital did not alter in 2014. The same as before, the family could use it for improving their living conditions, paying for the child's education or accommodation at an education establishment, or the future pension of the mother.

Under the program terms, it is possible to use maternity capital only when three years have passed since the birth or adoption of a second child. The exception is made for paying mortgage loans, which can be done immediately after the issue of the maternity capital certificate.

Improvement of living conditions was the most popular area of use

of maternity capital in 2014. A total of 702,300 families used maternity capital for those purposes (90.5% of all applications for using maternity capital). Since the beginning of the program, living conditions have been improved by 2.88 million families (49.3% of families issued with the certificates).

Living conditions are improved by use of maternity capital and loans twice more often than by use of maternity capital alone. Per every spending of maternity capital on the purchase or construction of a home for a family without a loan there are about two applications for using maternity capital for the same purpose but with a loan.

The use of maternity capital by certificate holders has been growing

MATERNITY (FAMILY) CAPITAL PROGRAM KEY FIGURES

	Maternity capital size (rub.)	Maternity capital growth (%)	Issued maternity capital certificates (thousand)	Funds assigned by PFR for use of maternity capital (billion rub.)
2007	250,000.0	–	314	–
2008	276,250.0	10.5%	569	–
2009	312,162.5	13.0%	940	42.0
2010	343,378.8	10.0%	789	97.1
2011	365,698.4	6.5%	701	171.6
2012	387,640.3	6.0%	724	212.4
2013	408,960.5	5.5%	786	237.5
2014	429,408.5	5.0%	823	270.9
Total	–	71.8%	5,646	1,031.5

The maternity capital program kicked off in 2007. The allocation of maternity capital funds to families for the permitted purposes began in 2010. Since 2009 the Russian Pension Fund has been assigning maternity capital funds only for paying mortgage loans, purchase of homes for families or one-time benefits to families under the anti-crisis plan of the Russian government.

year after year, and 2014 was no exception. The number of applications for using maternity capital grew by 11.2% or 78,100 applications since 2013. Hence, the Pension Fund paid 270.86 billion rubles (33.3 billion rubles more than in 2013). The use of

maternity capital funds was growing in every dimension of the program.

By the end of 2014, maternity capital funds were used by approximately 3 million families, and 2.7 of them used the funds in full. ♦

2.7. SOCIAL BENEFITS ASSIGNMENT AND PAYMENT

Many Russian pensioners are receiving both pensions and social benefits via the Russian Pension Fund

Social benefits of the Pension Fund are assigned for various reasons: participation in WWII and other combat operations, cleanup of aftermaths of nuclear accidents, living in Extreme North territories, disability, etc.

Most PFR social benefits are paid to pensioners only, but some types of benefits may be assigned irrespective of pensions, for instance, to non-working citizens taking care of unemployed people.

All social benefits of the Russian Pension Fund are paid on a federal scope. Some of them are subject to annual indexation. Russian Pension Fund expenditures on social benefits amounted to 411 billion rubles in 2014.

PAYMENTS TO FEDERAL BENEFIT HOLDERS

The monthly social benefit (MSB) is the largest benefit paid by PFR in terms of the number of recipients and expenditures. A total of 16 million people were receiving monthly social benefits as of December 31, 2014 (16.26 million in 2013). The number of assigned monthly social benefits stood at 16.4 million. Several monthly

social benefits may be assigned to the same person on various grounds. The annual decline in the number of monthly social benefit holders results from natural causes, mostly amongst WWII veterans. The number of monthly social benefit holders is mostly growing with monthly pension benefits assigned to persons with disabilities of all groups.

All monthly social benefit holders are provided with **a package of social services**, including free medicines and medical items, health resort vouchers and free transit to a health resort. Whenever a person does not need these services, their full or partial monetary equivalent can be paid; the equivalent amounted to 881.6 rubles in 2014. A growing number of persons prefer to receive monetary equivalents of social services. The monetary equivalent was chosen by 10.5 million people by the end of 2014. Social services were used by 5.5 million persons.

SOCIAL SUPPLEMENTS TO PENSIONS

All non-working pensioners in Russia are guaranteed the provision of pension benefits equal to at least

the pensioner's subsistence minimum in their home regions. The goal is achieved by paying social supplements to pensions, for compensating the possible gap between the pension and the social benefit and the pensioner's subsistence minimum. The minimum is annually enlarged and established for the country as a whole and every constituent territory.

The social supplement to pension is paid by either the Russian Pension Fund or social services in constituent territories. Whenever the pensioner's subsistence minimum in a region is lower than the pensioner's subsistence minimum in the country as a whole, the pensioner is assigned the **federal social supplement** of the Russian Pension Fund, and whenever it is higher, there is the **regional social supplement** paid by local social services.

In 2014 the Pension Fund was paying federal social supplements in 65 constituent territories and the town of Baikonur. The number of pensioners receiving federal social supplements reduced by 18.7% or by 455,000 persons to 2.4 million persons at the end of the year. The average supplement grew by 4.4% year-on-year to 1,133 rubles.

The total sum of payments reduced by 5.6 billion rubles and reached 36.9 billion rubles. The regional social supplements were paid to 2.4 million pensioners in 18 constituent territories of the Russian Federation.

COMPENSATIONS PAID TO PENSIONERS IN EXTREME NORTH TERRITORIES

The Pension Fund partially compensates transit of pensioners to the place of their vacation in the territory of Russia. This payment applies to non-working recipients of old age or disability labor pensions living in Extreme North and similar territories (see the table on page 53).

Another type of compensations paid by the Pension Fund emerged in 2014. Now pensioners living in Extreme North territories are also compensated for their transit to a new place of residence outside the Extreme North. In contrast to compensation for transit to a vacation resort, which can be received biannually, the compensation for resettlement expenditures is a one-time benefit.

The sum allocated by the Pension Fund for this type of compensation in the first year of its introduction amounted to 608,600 rubles. ♦

Types of PFR social benefits (as of December 31, 2014)

Monthly Social Benefit (MSB)

Assigned to veterans of WWII and other combat operations, their families, citizens impacted by radiation accidents and nuclear tests, persons with disabilities of all groups, children with disabilities, etc.

Number of MSB recipients – 16 mln people
Annual amount of payments – 341.4 bln rub.
MSB indexation rate – 5%

Package of social services (PSS)

Provided as a part of the monthly social benefit and includes the provision of medicines, medical items, dietary food, health resort vouchers, free transfer to a health resort.

Number of recipients of PSS in form of services – 5.5 mln people
Number of recipients of PSS in form of monetary equivalent – 10.5 mln people
PSS monetary equivalent – 881.63 rub.

Federal Social Supplement (FSS)

Assigned to non-working pensioners whose pensions and social benefits are lower than the pensioner's subsistence minimum in their home region (whenever the regional pensioner's subsistence minimum is lower than the federal one).

Number of FSS recipients – 2.4 mln people
Average FSS – 1,133 rub.
Pensioner's subsistence minimum in Russia – 6,354 rub.
Annual amount of payments – 36.9 bln rub.

Monthly social benefit supplement (MSBS)

Assigned to WWII veterans for improvement of their living standards.

Number of MSBS recipients – 686 thsd people
MSBS size – 500 or 1,000 rubles depending on the recipient's category
Annual amount of payments – 6.6 bln rub.

Benefits paid for taking care of unemployable citizens

Compensate for the lost wage of non-working able-bodied citizens taking care of unemployable persons: persons with disabilities of the first group, children with disabilities and citizens older than 80 who need constant care.

Number of recipients of care benefits – 2.06 mln people
Size of care benefits – 1,200 rub.,
Size of benefits paid to parents of children with disabilities – 5,500 rub.
Annual amount of payments – 59.2 bln rub.

Transit benefit

Paid to non-working pensioners who live in Extreme North territories to compensate for their transit to a place of vacation in the territory of Russia.

Number of recipients of transit benefits – 209.1 thsd people
Annual amount of payments – 2.6 bln rub.

2.8. CO-FUNDING OF THE RUSSIAN CONSTITUENT TERRITORIES' SOCIAL PROGRAMS

The Russian Pension Fund is participating in co-funding of social programs in constituent territories of the Russian Federation providing targeted social aid to non-working pensioners and developing infrastructures of social service institutions.

Subsidies to budgets of Russian constituent territories for co-funding social programs are provided under agreements between the Pension Fund and the executive authorities of Russian constituent territories.

The amount of funds allotted by the Russian Pension Fund for co-funding social programs in Russian constituent territories annually amounts to one billion rubles. In 2014, 78 Russian constituent territories received PFR subsidies to a total sum of 1,054.6 bln rubles.

Most funds allotted by the Russian Pension Fund are traditionally spent on the development of infrastructures of social service institutions. Such subsidies grew by 25.3% or 193 million rubles to 954.7 million rubles in 2014.

Most funds (472.5 mln rubles) financed repairs of 241 social service

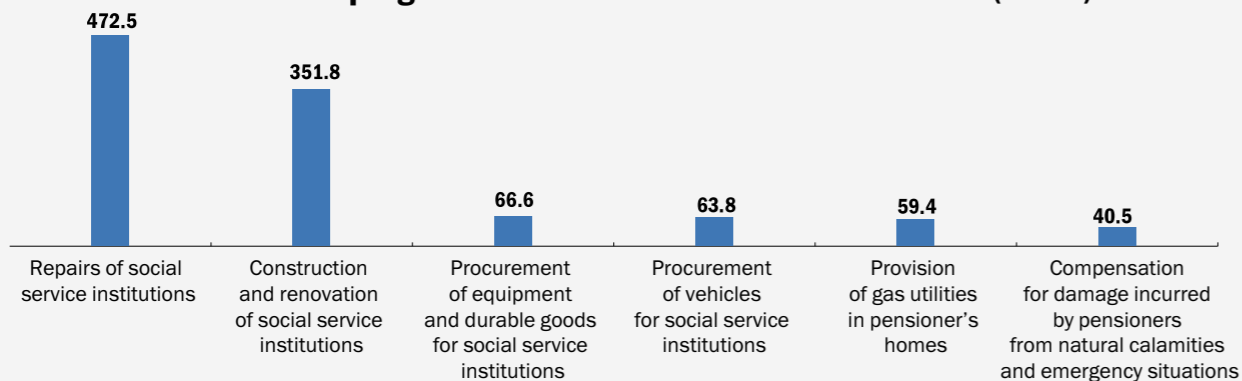
institutions: renovation of facades and roofs of their administrative and residential buildings and public utilities, construction of ramps for persons with disabilities and provision of fire safety. Construction and renovation projects were accomplished in ten social service institutions.

The efforts improved living and serving conditions of over 41,000 senior citizens and persons with disabilities. The capacity of social service institutions was increased by over 1,000 persons.

In addition, technological equipment and durable goods were purchased for 119 social service institutions. A total of 137 vehicles were acquired for mobile teams of 138 social service institutions.

Targeted social aid to a total sum of 99.9 million rubles was provided to 14,200 non-working pensioners. ♦

PFR subsidies for social programs in Russian constituent territories (mln rub)



2.9. PUBLIC APPEALS RESPOND

The Russian Pension Fund offers various options of interaction with PFR to citizens and entities.

It is possible to make a proposal, to ask a question or to file a statement or a complaint with the Russian Pension Fund either in person or in writing. Citizens and insuring parties can lodge their appeal at every level of the PFR system: either at one of 2,500 territorial offices of the Fund, or at 84 PFR divisions in every Russian constituent territory, or at the central executive body of the fund, the Executive Office headquartered in Moscow.

For citizens' convenience, the Russian Pension Fund website www.pfrf.ru provides an online service collecting appeals in the electronic form. Appeals of citizens and insuring parties are also collected by the PFR consulting service on a free telephone line or online.

CITIZENS APPEALS

The number of appeals filed by citizens with the Pension Fund has notably declined since 2011. A small increase in the number of written appeals filed with PFR was observed in 2014. Their number reached 152,300 at the end of the year. Some 43% appeals were sent online via the Pension Fund website.

The same as in 2013, the most frequent theme of appeals was the

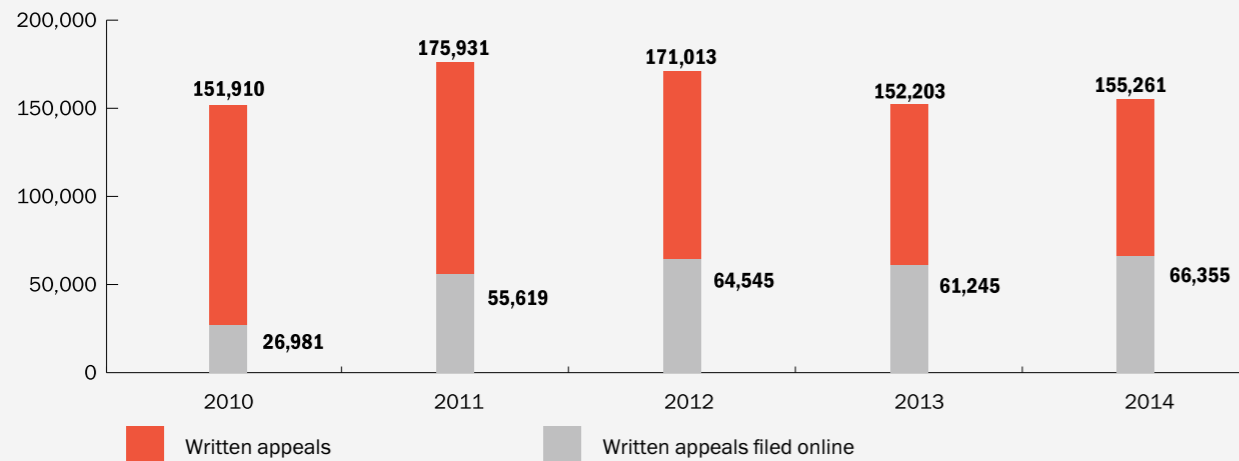
correctness of assignment of pensions (36,700 appeals). Another theme to which a large number of appeals (24,000) was dedicated was the assignment of state social support, for instance, maternity capital and PFR social benefits. Pension rights and pension qualification requirements were also frequently mentioned in the appeals filed by citizens (18,000 appeals), etc.

The number of appeals devoted to investment of pension benefits reduced in 2014. That was the most popular theme in 2013 due to the change in the funded pension system. Besides, the number of appeals regarding rights and liabilities of mandatory pension insurance system participants practically halved. In 2014, citizens inquired less about their personal accounts at the Pension Fund because of the improvement of the Pension Fund mechanism providing this information.

Another source of the decline in the number of appeals filed by citizens is the PFR consulting center, which has been providing information about pension and social security in Russia on the phone and online on a 24/7 basis since 2011. Center specialists gave over 500,000 consultations to citizens in 2014.

In 2014 specialists of the PFR call center gave over 500,000 consultations on topical pension issues to citizens.

Appeals filed by citizens with PFR Executive Office, PFR divisions



The number of appeals filed by citizens with the Russian Pension Fund in person has drastically declined over the recent years. A reason is the Fund's expansion of methods of remote interaction with citizens and the general development of the service system.

INSURING PARTIES APPEALS

In addition to the appeals filed by citizens, the Pension Fund has been receiving appeals from insuring parties. Some 1,900 appeals of the sort were lodged with the PFR Executive Office in 2014. Insuring parties were mostly asking PFR about discount and surplus rates of insurance contributions, the procedure and deadline for payment of insurance contributions by sole proprietors and the submission of reports regarding assessed and paid contributions.

Amongst other appeals, insuring parties filed 41 complaints against

decisions of Pension Fund territorial offices to levy fines or penalties in the payment of insurance contributions and the procedure of field audits.

The total sum challenged by the complaints amounted to 369 million rubles. PFR upheld territorial offices' decisions to collect 2.1 million rubles challenged in 10 complaints. Decisions were made in favor of insuring parties in 20 complaints regarding a sum of 362.6 million rubles, and decisions were made partially in favor of insuring parties in three complaints regarding a sum of 41,900 rubles. ♦

2.10. PUBLIC AND MASS MEDIA RELATIONS

In 2014 information campaigns of the Russian Pension Fund focused on ongoing transformations and improvement of the pension system.

The main area of Pension Fund information campaigns in 2014 was improving awareness of Russian citizens about ongoing and prospective transformations of the pension system, including the new rules of forming pension rights that took effect in 2015. The key themes were:

- transformation of labor pensions into funded and insurance pensions, methods of forming the future pension, and new opportunity to enlarge the future pension;
- transformations in the funded pension system and possibility to choose a pension plan;
- encouragement of payment of insurance contributions, legalization of wages;
- higher level of accessibility of PFR state services, creation of new client services;
- indexation of pensions, social benefits and payments;
- implementation of state programs: the program of state co-funding of pensions and maternity capital.

In 2014, Russian Pension Fund experts held an active information campaign in the media to explain all major aspects of pension benefits and social security.

A total of 2,600 interviews with managers of Pension Fund offices and about 8,000 interviews with heads of PFR territorial offices were published in the media.

Last year, press services of PFR divisions issued 181,000 press releases and prepared and held 11,500 press events (press briefings, press conferences and seminars), which led to the publishing of 45,500 reports by the media. In addition, 35,600 public events were prepared and held resulting in 105,000 media reports.

Consistent with the order of the Russian president and decisions of the Labor and Social Protection Ministry and the all-Russian public movement "People's Front For Russia", the Russian Pension Fund stepped up the information campaign regarding pension laws and pension system innovations in labor collectives with the support and participation of the Federation of Independent Trade Unions of Russia (FNPR) in 2014.

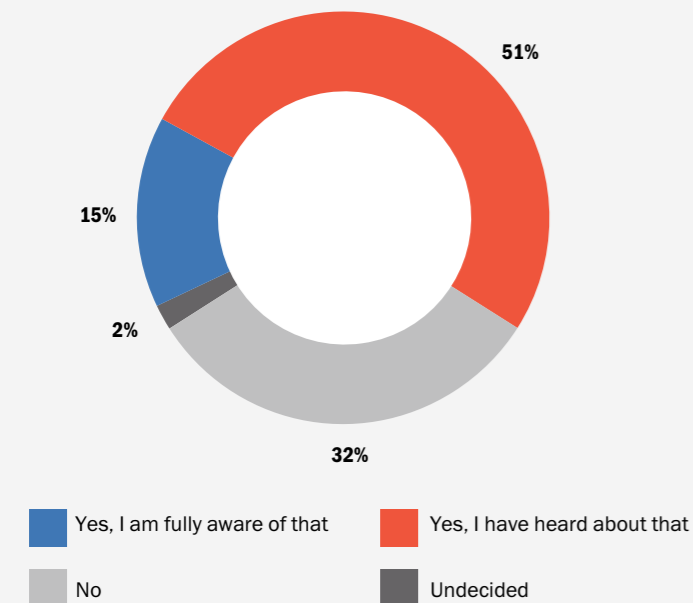
On April 8, 2014, PFR and FNPR signed an agreement on the joint information campaign in labor collectives aimed to explain main provisions of federal laws improving the pension system in 2014-2015.

Consistent with this agreement, 4,834 social security seminars were arranged in 2014 in Russian constituent territories for trade union activists involving 11,857 PFR specialists and 107,411 representatives of trade unions.

A total of 42,725 assemblies and meetings with workers at enterprises

Public awareness about new rules of earning insurance pension

Do you know about introducing new rules of earning pension rights and assignment of pensions in the mandatory pension insurance system, the so-called new pension formula, on January 1, 2015?



According to a poll held by the Russian Public Opinion Research Center in October 2014, 66% of the respondents are aware or have heard about the introduction of the new pension formula in 2015.

were held with a total turnout of 1,344,382 persons. Visiting consultations were organized at 33,265 entities for 897,183 workers involving 48,963 specialists of PFR territorial offices. A total of 14,918 information materials, including 1,249 interviews regarding main aspects of federal laws upgrading the pension system, were posted in 1,412 corporate

editions of employers and publications of trade unions.

MAIN PFR PRINT MEDIA EDITIONS RELEASED IN 2014

New Pension Formula brochure – a major edition released by the Pension Fund in 2014. It provides details of the new rules of forming pensions which take effect in 2015, including such aspects as the calculation of pension points by the new pension formula, factors influencing the pension size and real-life situations related to the formation of pensions. The total circulation was 3.7 million copies.

The third edition of the **PFR textbook “Everything about Pension: For Study and Life”** for students. By the new school year 750,000 copies of the textbook were sent to all Russian constituent territories and were used by specialists of PFR offices in 33,696 pension awareness classes in general education and vocational schools attended by 768,685 students.

The monthly newspaper “My Pension Fund” has been providing current essential information about pensions to visitors of Pension Fund territorial offices for years, and **the monthly newspaper “I Work for PFR”** gives Fund employees an opportunity to exchange information and share best available practices. The annual edition is 720,000 copies. ♦

Channels of PFR information campaigns

A diversity of Pension Fund activities creates a broad range of recipients of its services and therefore requires a wide spectrum of communication instruments. Information support to PFR activities is achieved through publishing Fund reports by every major mass media channel.

Press

PFR information materials were published in 17 federal editions and 133 regional editions with the biggest circulations. The total number of published information materials **exceeded 1,000**.

Television

PFR information videos were included in commercials of such nationwide channels as Channel 1, Rossiya 1, Rossiya 2, STS, Domashny and Channel 5. They were shown – **over 2,000 times**.

Radio

PFR information was broadcasted by 17 most popular national radio stations. They were broadcasted – **4,300 times in all**.

PFR website

The Pension Fund website presents all sorts of PFR information materials. A total of 181,000 press releases were published on the website in 2014. The website was visited by **16 million people** in 2014, and the total number of visits **neared 100 million**.

PFR in social media

PFR pages on Facebook, VKontakte and Twitter give direct access to PFR specialists. **More than 18,000 materials and answers** to questions of citizens were published by those resources in 2014.

PFR print media

Fifty-four types of printed materials – brochures, leaflets and posters – have been published with a total circulation **exceeding 12.6 million copies**.

PFR outdoor advertisement

Over 10,000 PFR posters were placed on commuter trains and in the metro of big Russian cities in 2014.

PFR public events

In 2014, PFR specialists took part in **24 exhibitions**, gave **over 3,000 guided tours** during PFR Open House Days and **33,700 pension awareness classes** in education establishments.

2.11. INTERNATIONAL COOPERATION

The Russian Pension Fund has been bolstering international cooperation in the field of social security and pension benefits. An analysis of the experience of foreign countries makes it possible to apply the best available practices for the achievement of current and future tasks of the Russian pension system.

**International symposium
"Old-age Pension: Demographic
and Economic Challenges"**
Deutsche
Rentenversicherung Bund
March 2014
Berlin, Germany

**Sitting of the ISSA European
network Executive Committee**
International Social
Security Association
September 2014
Geneva, Switzerland

**European Pensions
and Investments Summit**
April 2014
Montreux, Switzerland

**Conference
"21st Century Challenges
to Pension Systems"**
International Social Security
Association (ISSA)
June 2014
Gdansk, Poland

**Seminar on expanding social
security in BRICS countries**
International Social Security
Association (ISSA)
June 2014
St. Petersburg, Russia

Gdansk

Berlin

Geneva

Montreux

**International Social
Security Seminar**
September 2014
Trabzon, Turkey

Trabzon

Baku

Scientific-practical conference
International Association
of Pension and Social Funds
May 2014
Astana, Kazakhstan

Astana

**Seminar "E-services
in Social Security: Enhancing
Quality and Scalability"**
International Social Security
Association (ISSA)
October 2014
Baku, Azerbaijan

PFR REPRESENTATIVES TO INTERNATIONAL ORGANIZATIONS

PFR Board Chairman A.V. Drozdov

- Member of the International Social Security Association (ISSA) Bureau
- Chairman of the ISSA Executive Committee of the BRICS project
- Member of the ISSA European network Executive Committee
- Member of the ISSA Committee Nominating/Election Committee.

PFR Board First Deputy Chairman A.V. Kurtin

- PFR Representative – member of the interdepartmental working group elaborating proposals for consideration of the OECD Committee on Insurance and Private Pensions
- Chairman of the International Association of Pension and Social Funds (IAPSF).

PFR Board Deputy Chairman S.A. Afanasyev

- Deputy Chairman of the ISSA Technical Commission on Old-age, Invalidation and Survivors' Insurance.

PFR Board Chairman N. B. Kozlov

- Deputy Chairman of the ISSA Technical Commission on Investment of Social Security Funds.

THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

Under Russian Government Order No 409-r dated March 20, 2014, the Pension Fund supervises interaction between Russia and the OECD. In 2014, Pension Fund representatives attended the 32nd and 33rd meetings of the OECD Working Party on Private Pensions and the OECD Committee on Insurance and Private Pensions. In addition, PFR specialists participated in OECD seminars and forums dedicated to the adequacy of pension savings, mortality and longevity risks, world pension statistics, main principles of private pensions' regulation, financial stimuli and pension savings, and financial awareness in pension planning. PFR prepared information materials for OECD editions and the OECD database "World Pension Statistics."

THE INTERNATIONAL LABOR ORGANIZATION (ILO)

Consultations regarding Russia's ratification of ILO Convention 102 concerning Minimal Standards of Social Security were held in March and October within the framework of bilateral contacts between PFR and the ILO. PFR representatives negotiated with ILO experts from departments of international labor standards, statistics and social security, and actuarial valuation. The debates highlighted legal aspects of the ratification of the convention, technical aspects of calculation of the wage replacement rate, and preparation of form of the baseline report on the enforcement of the convention.

**Roundtable "Social
Security Systems"**
Russia-Singapore
Business Forum
September 2014
Singapore, Singapore

Singapore

RUSSIAN PENSION SYSTEM DEVELOPMENT



3. RUSSIAN PENSION SYSTEM DEVELOPMENT

The long-term development strategy of the Russian pension system was approved by Russian Government Resolution No 2524-r dated December 25, 2012. In the consequent years the Russian Pension Fund took a number of steps to improve the pension system consistent with the strategy.

TARIFF POLICY IMPROVEMENT

Introduction of an additional tariff of mandatory pension insurance contribution for harmful and hazardous production facilities

An additional tariff of insurance contributions was introduced to provide a source for the formation of early pensions assigned to workers of harmful and hazardous enterprises. Depending on the type of harmful or hazardous activity, the additional tariff amounted to 4% and 6% in 2014. Those tariffs of insurance contributions were applied to employers who did not make special assessment of working conditions.

Introduction of a mechanism of special assessment of working conditions as a source for funding early pensions of workers of harmful and hazardous facilities

Federal Law No 426-FZ dated December 28, 2013 On Special Assessment of Working Conditions compels insuring parties to make special assessment of working conditions at least once in five years. If working conditions are assessed as harmful and/or hazardous, the insuring party shall pay an additional tariff of insurance contributions varying from 2% to 8% depending on the degree of harmfulness and/or hazardousness of working conditions. If the special assessment declares working conditions optimal or permissible, the insuring party shall pay the following additional tariffs of insurance contributions: 9% under List No. 1, and 4% under List No. 2 and 'short lists'.

Adjustment of tariff policy on self-employed insuring parties aimed at fuller provision of their pension rights

The size of mandatory pension insurance contributions paid by self-employed insuring parties was increased in 2013. It was based on two minimal wages instead of one. Since 2014 self-employed insuring parties are entitled to a differentiated tariff: the tariff is based on one minimal wage for those whose annual income does not exceed 300,000 rubles and one minimal wage plus one percent of the surplus (but no more than 138,167.84 rubles) for those with annual income higher than 300,000 rubles.

Choice of pension plan in mandatory pension insurance system

In 2014 and 2015 every citizen born in 1967 or younger can choose a pension plan: either to form the insurance part of the labor pension with the entire sum of insurance contributions paid by the employer (called the insurance pension from 2015) or distribute the contributions between the insurance and funded parts of the pension (called the funded pension from 2015). Pension savings of citizens acquired earlier will be preserved, invested and paid in full when citizens qualify for pension and apply for its assignment. The Russian Pension Fund is receiving statements from citizens declaring their choice of the pension plan.

PENSION RIGHTS' ACCOUNT IMPROVEMENT

Improved account of pension rights of citizens in the pay-as-you-go part of the pension system

Federal Law No 400-FZ dated December 28, 2013 On Insurance Pensions enacts an improved mechanism of the formation of pension rights in the main type of pensions in the pay-as-you-go system, the insurance part of the labor pension (called the insurance pension from 2015). Federal Law No 400-FZ introduces a new pension formula, which enhances the role of the retirement age in the calculation of the size of one's pension. Under the new formula, pension rights will be recorded with pension points, the amount of which depends on pension insurance contributions, the work record and the retirement age. The new formula assigns more points for later retirement.

Improved individual records of citizens in the mandatory pension insurance system

In 2014 the Pension Fund was working to facilitate the access of citizens to information about pension rights and their scope. For that purpose, the PFR website introduced an online service informing citizens about formed pension rights, the insured person's account facility. The service was on a trial run for a year. In addition, a law has been drafted to legalize SNILS, the keynote element of the PFR individual records systems, as a method of identification of personal data of citizens in the provision of state and municipal services. Under the law, SNILS will be assigned without an application filed by an aspirant on the basis of information obtained by the Pension Fund from civil registration offices and the Federal Migration Service.

FUNDED PENSION IMPROVEMENT

Implementation of a package of measures guaranteeing safety of pension savings and return on their investment

In 2014, Federal Law No 422-FZ On Rights Assurance of the Insured Persons in the Mandatory Pension Insurance System of the Russian Federation Regarding Formation and Investment of the Pension Accruals, Determining and Conducting the Payments Through Pension Accruals dated December 28, 2013, started the development of a system of legislative and organizational measures to provide security of pension savings of insured persons forming their pension savings in the Russian Pension Fund and private pension funds. The guarantee system has two levels. On the first level the savings are guaranteed by funds themselves with their reserves. Requirements to the reserves and rules of their formation are established by the Bank of Russia. Whenever reserves are insufficient, the Deposit Insurance Agency provides the guarantees. PFR and private pension funds pay annual guarantee fees to the Deposit Insurance Agency for that purpose. The system operates in full since January 1, 2015, for persons insured in the Russian Pension Fund. Private pension funds are joining the guarantee system after they are corporatized and verified by the Bank of Russia. As of March 1, 2015, 24 private pension funds completed their accession to the guarantee system, and their list was published on the Bank of Russia website.

Improved form of incorporation of private public funds

Federal Law No 410-FZ On Amending the Federal Law On Non-Governmental Pension Funds and Individual Legislative Acts of the Russian Federation was passed on December 28, 2013 to compel corporatization of private pension funds. All private pension funds are compelled to complete their corporatization till January 1, 2016, or to stop forming pension savings in the mandatory pension insurance system. All private pension funds that undergo reorganization and meet the requirements for joining the system guaranteeing safety of pension savings will receive pension savings from the Russian Pension Fund in 2015.

ANNEXES



Legislation regulating PFR activity

About PFR

- ❑ Russian Supreme Council Resolution No 2122-1 dated 27.12.1991 On the Pension Fund of the Russian Federation (Russia)
- ❑ Russian Government Order No 1018-r dated 17.07.2008 On the Board Chairman of the Pension Fund of the Russian Federation
- ❑ Federal Law No 165-FZ dated 16.07.1999 On Fundamentals of Mandatory Social Security System
- ❑ Federal Law No 167-FZ dated 15.12.2001 On Mandatory Pension Insurance in the Russian Federation
- ❑ Russian President Order No 1709 dated 27.09.2000 On Improvement of State Pension Governance in the Russian Federation
- ❑ Russian Constitutional Court Resolution No 9P dated 25.06.2001 On Verification of Constitutionality of Russian President Order No 1709 dated 27.09.2000 On Improvement of State Pension Governance in the Russian Federation at the Request of a Group of State Duma deputies
- ❑ Russian President Order No 314 dated 09.03.2004 On the System and Structure of the Federal Executive Authorities
- ❑ Russian President Order No 636 dated 21.05.2012 On the Structure of the Federal Executive Authorities
- ❑ Russian Government Resolution No 610 dated 19.06.2012 On the Approval of Regulations on the Ministry of Labor and Social Protection of the Russian Federation

Services and utilities

- ❑ Federal Law No 210-FZ dated 27.07.2010 On Organization of the Provision of State and Municipal Services
- ❑ Russian Government Resolution No 852 dated 25.08.2012 On the Endorsement of the Rules of Use of Enhanced Qualified Digital Signature When Applying for the State or Municipal Services and on the Amendment to the Rules of Development and Endorsement of Administrative Regulations on the Provided State Services
- ❑ PFR Board Order No 92r dated 20.03.2013 (in the edition dated 23.09.2014) On Interaction between Authorized Multipurpose Centers Providing State and Municipal Services and Offices of the Pension Fund of the Russian Federation On the Use of the Simple Digital Signature in the Provision of State and Municipal Services
- ❑ Russian Government Resolution No 33 dated 25.01.2013 On Using the Simple Digital Signature in the Provision of State and Municipal Services

Budget

- ❑ Federal Law No 373-FZ dated 30.11.2011 On Budget of the Pension Fund of the Russian Federation in 2012 and the Planned Period of 2013 and 2014
- ❑ Federal Law No 218-FZ dated 03.12.2012 On Budget of the Pension Fund of the Russian Federation and the Planned Period of 2014 and 2014

Anti-corruption policy

- ❑ Russian Government Resolution No 113 dated 02.03.2006 On Approval of Regulations on the Prevention of Conflict of Interest amongst Officials of the Federal Executive Authorities Controlling and Supervising Mandatory Pension Insurance, Officials of the Pension Fund of the Russian Federation and Members of the Public Council on Pension Savings Investment
- ❑ Federal Law No 273-FZ dated 25.12.2008 On Combating Corruption
- ❑ Russian President Decree No 559 dated 18.05.2009 On the Submission by Citizens Wishing to Occupy Positions of the Federal State Service and Federal State Servants of Information on Incomes, Property and Proprietary Obligations
- ❑ Federal Law No 172-FZ dated 17.07.2009 On Anti-Corruption Expert Appraisal of Regulatory Legislative and Draft Regulatory Legislative Acts
- ❑ Russian Government Resolution No 96 dated 26.02.2010 On Anti-Corruption Expert Appraisal of Regulatory Legislative Acts and Draft Regulatory Legislative Acts
- ❑ Federal Law No 230-FZ dated 03.12.2012 On Control of Compliance of Spending of Public Officials and other Persons with their Income
- ❑ Russian President Decree No 309 dated 02.04.2013 On the Implementation of Individual Provisions of the Federal Law on Combating Corruption
- ❑ Russian President Decree No 613 dated 08.07.2013 On Countering Corruption
- ❑ Russian President Decree No 226 dated 11.04.2014 On National Anti-Corruption Plan for 2014- 2015

Pensions assignment and payment

- ❑ Federal Law No 155-FZ dated 27.11.2001 On Additional Social Security Benefits of Civil Aviation Crews
- ❑ Federal Law No 166-FZ dated 15.12.2001 On State Pension Coverage in the Russian Federation
- ❑ Federal Law No 84-FZ dated 10.05.2010 On Additional Social Security Benefits of Individual Categories of Coal Mining Industry Workers
- ❑ Federal Law No 400-FZ dated 28.12.2013 On Insurance Pensions
- ❑ Federal Law No 208-FZ dated 21.07.2014 On Peculiarities of the Provision of Pensions to Citizens of the Russian Federation Residing in the Republic of Crimea and the Federal City of Sevastopol
- ❑ Federal Law No 216-FZ dated 21.07.2014 On Adjustment of Individual Legal Acts of the Russian Federation and Invalidation of Individual Legislative Acts (Provisions of Legislative Acts) of the Russian Federation due to the Adoption of Federal Laws on Insurance Pensions and on Funded Pension

Pension savings investment and payment

- ❑ Federal Law No 75-FZ dated 07.05.1998 On Private Pension Funds
- ❑ Federal Law No 111-FZ dated 24.07.2002 On Investment of Funds to Finance Cumulative Part of Labor Pension in the Russian Federation
- ❑ Federal Law No 360-FZ dated 30.11.2011 On Procedure of Funding the Payment of Pension Savings
- ❑ Federal Law No 424-FZ dated 28.12.2013 On Funded Pension
- ❑ Federal Law No 422-FZ dated 28.12.2013 On Rights Assurance of the Insured Persons in the Mandatory Pension Insurance System of the Russian Federation Regarding Formation

and Investment of the Pension Accruals, Determining and Conducting the Payments Through Pension Accruals

Individual Account Register System conduct

- ❑ Federal Law No 27-FZ dated 01.04.1996 On Individual (Personal) Records in the Mandatory Pension Insurance System
- ❑ Federal Law No 152-FZ dated 27.07.2006 (in the edition dated 21.07.2014) On Personal Data

Pension and healthcare insurance contributions management

- ❑ Federal Law No 212-FZ dated 24.07.2009 On Insurance Contributions Paid to the Pension Fund of the Russian Federation, the Social Security Fund of the Russian Federation and the Federal Mandatory Health Insurance Fund
- ❑ Federal Law No 426-FZ dated 28.12.2013 On Special Assessment of Working Conditions
- ❑ Russian Government Resolution No 57 dated 27.01.2014, Moscow, On the Cost of 2014 Insurance Year
- ❑ PFR Board Order dated 04.04.2014 On Peculiarities of Registration of Insuring Parties Created in the Territory of the Republic of Crimea and the Federal City of Sevastopol in the Transitional Period
- ❑ Federal Law No 216-FZ dated 21.07.2014 (in the edition dated 04.11.2014) On Adjustment of Individual Legislative Acts of the Russian Federation and Invalidation of Individual Legislative Acts (Provisions of Legislative Acts) of the Russian Federation due to the Adoption of Federal Laws on Insurance Pensions and on Funded Pension
- ❑ Russian Government Resolution No 1097 dated 29.12.2009 On Peculiarities of Registration in Territorial Offices of the Pension Fund of the Russian Federation and the Social Security Fund of the Russian Federation of Individual Categories of Payers of Insurance Contributions (in the edition of Russian Government Resolution No 1013 dated 07.12.2011)

Pension co-funding state program management

- ❑ Federal Law No 56-FZ dated 30.04.2008 (in the edition dated 04.11.2014) On Additional Insurance Contributions to Funded Pension and State Support of the Formation of Pension Savings (with the adjustments and editions enforced on 01.01.2015)

Maternity (family) capital state program management

- ❑ Federal Law No 256-FZ dated 29.12.2006 (in the edition dated 21.07.2014) On Additional Measures of State Support to Families with Children

Social benefits assignment and payment

- ❑ Law of the Russian Federation No 1244-1 dated 15.05.1991 On Social Protection of Citizens Exposed to Radiation in the Chernobyl Nuclear Power Plant Accident
- ❑ Law of the Russian Federation No 4301-1 dated 15.01.1993 On the Status of Heroes of the Soviet Union, Heroes of the Russian Federation and Full Cavaliers of the Order of Glory
- ❑ Federal Law No 5-FZ dated 12.01.1995 On Veterans
- ❑ Federal Law No 181-FZ dated 24.11.1995 On Social Protection of Persons with Disabilities in the Russian Federation

- ❑ Federal Law No 5-FZ dated 09.01.1997 On Social Guarantees for Heroes of Socialist Labor and Full Cavaliers of the Order of Labor Glory
- ❑ Federal Law No 175-FZ dated 26.11.1998 On Social Protection of Citizens of the Russian Federation Exposed to Radiation in the 1957 Accident at the Mayak Plant and Radioactive Waste Dumping in Techa River
- ❑ Federal Law No 178-FZ dated 17.07.1999 On State Social Service
- ❑ Federal Law No 2-FZ dated 10.01.2002 On Social Guarantees to Citizens Exposed to Radiation in Nuclear Tests at the Semipalatinsk Range

Co-funding of the Russian constituent territories' social programs

- ❑ Russian Government Resolution No 217 dated 17.04.2006 On Approval of Rules of Funding in 2006 the Expenditures of Social Programs of Constituent Territories of the Russian Federation, Including Targeted Social Services to Non-Working Pensioners and Cleanup of Aftereffects of Emergency Situations and Natural Calamity Regarding Targeted Social Services to Non-Working Pensioners at the Expense of Funds of the Pension Fund of the Russian Federation
- ❑ Russian Government Resolution No 156 dated 26.02.2013 On Adjustment of Russian Government Resolution No 456 dated June 10, 2011
- ❑ Russian Pension Fund Board Resolution No 191p dated 06.07.2011 On Approval of Forms of Agreement on Subsidies Provided by the Pension Fund of the Russian Federation to the Budget of a Constituent Territory of the Russian Federation to Co-Fund Expenditure Obligations of a Constituent Territory of the Russian Federation in the Implementation of Measures of a Social Program Aimed to Develop Infrastructures of Social Service Institutions and Targeted Social Services to Non-Working Pensioners Receiving Old Age and Disability Labor Pensions, Subsidy Requests, Reports on Expenditures of the Budget of a Constituent Territory of the Russian Federation Confirming the Fulfillment by a Constituent Territory of the Russian Federation its Obligations to Co-Fund a Social Program and Expenditures of the Budget of a Constituent Territory of the Russian Federation the Source of Funding of Which is the Subsidy

Public appeals respond

- ❑ Federal Law No 59-FZ dated 02.05.2006 On the Procedure of Processing Appeals Filed by Citizens of the Russian Federation
- ❑ Russian Pension Fund Board Resolution No 275p dated 02.11.2007 On Approval of Guidelines for Processing Appeals Filed by Citizens, Insured Persons, Entities and Insuring Parties at the PFR Executive Office and the PFR Audit Commission and Regulations for Reception of Citizens, Insured Persons, Representatives of Entities and Insuring Parties at the Pension Fund of the Russian Federation

Russian Pension system development

- ❑ Russian President Order No 597 dated 07.05.2012 On Measures to Implement the State Social Policy
- ❑ Russian Government Order No 2524-r dated 25.12.2012 On Approval of the Strategy of Long-Term Development of the Pension System in the Russian Federation

Number of pensioners receiving payments from PFR (as of December 31, 2014)

Constituent territory	Number (people)		Growth/decline	
	2013	2014	Persons	%
Russian Federation	41,024,902	41,462,066	437,164	1.1
Central Federal District	11,093,951	11,187,344	93,393	0.8
Belgorod region	492,167	498,860	6,693	1.4
Bryansk region	411,003	413,400	2,397	0.6
Vladimir region	456,594	458,220	1,626	0.4
Voronezh region	735,704	738,904	3,200	0.4
Ivanovo region	327,702	327,316	-386	-0.1
Kaluga region	305,247	307,777	2,530	0.8
Kostroma region	209,286	210,190	904	0.4
Kursk region	385,799	388,868	3,069	0.8
Lipetsk region	380,519	382,963	2,444	0.6
Moscow region	1,870,802	1,898,271	27,469	1.5
Oryol region	267,032	268,422	1,390	0.5
Ryazan region	385,586	386,221	635	0.2
Smolensk region	302,574	303,778	1,204	0.4
Tambov region	349,845	350,416	571	0.2
Tver region	424,996	425,690	694	0.2
Tula region	547,190	546,314	-876	-0.2
Yaroslavl region	405,567	405,918	351	0.1
Moscow	2,836,338	2,875,816	39,478	1.4
Northwestern Federal District	4,107,703	4,143,348	35,645	0.9
Republic of Karelia	236,456	237,139	683	0.3
Republic of Komi	295,495	295,996	501	0.2
Arkhangelsk region	414,341	415,317	976	0.2
Nenets autonomous region	12,893	13,056	163	1.3
Vologda region	363,064	366,906	3,842	1.1
Kaliningrad region	254,447	259,810	5,363	2.1
Leningrad region	474,758	478,475	3,717	0.8
Murmansk region	249,234	249,046	-188	-0.1
Novgorod region	202,487	203,519	1,032	0.5
Pskov region	209,594	210,127	533	0.3
St. Petersburg	1,394,934	1,413,957	19,023	1.4
Southern Federal District	3,978,217	4,023,577	45,360	1.1
Republic of Adygeya	123,241	123,772	531	0.4
Republic of Kalmykia	73,217	74,384	1,167	1.6
Krasnodar territory	1,514,777	1,540,495	25,718	1.7
Astrakhan region	251,930	256,077	4,147	1.6
Volgograd region	750,054	753,232	3,178	0.4
Rostov region	1,264,998	1,275,617	10,619	0.8
North Caucasus Federal District	2,280,239	2,324,721	44,482	2.0
Republic of Dagestan	581,452	597,597	16,145	2.8
Republic of Ingushetia	90,700	93,934	3,234	3.6
Republic of Kabardino-Balkaria	188,099	191,132	3,033	1.6
Republic of Karachayevo-Cherkessia	117,459	119,233	1,774	1.5

Constituent territory	Number (persons)		Growth/decline	
	2013	2014	Persons	%
Republic of North Ossetia - Alania	209,630	210,713	1,083	0.5
Chechen Republic	366,023	379,373	13,350	3.6
Stavropol territory	726,876	732,739	5,863	0.8
Volga Federal District	8,757,395	8,845,606	88,211	1.0
Republic of Bashkortostan	1,107,223	1,122,139	14,916	1.3
Republic of Mari El	198,386	200,713	2,327	1.2
Republic of Mordovia	250,539	251,857	1,318	0.5
Republic of Tatarstan	1,075,191	1,089,890	14,699	1.4
Republic of Udmurtia	428,772	434,295	5,523	1.3
Republic of Chuvashia	351,630	355,322	3,692	1.0
Perm territory	776,761	783,866	7,105	0.9
Kirov region	429,709	433,411	3,702	0.9
Nizhny Novgorod region	1,027,029	1,031,640	4,611	0.4
Orenburg region	596,854	604,660	7,806	1.3
Penza region	431,938	435,221	3,283	0.8
Samara region	952,932	962,680	9,748	1.0
Saratov region	729,976	736,197	6,221	0.9
Ulyanovsk region	400,455	403,715	3,260	0.8
Urals Federal District	3,467,819	3,520,275	52,456	1.5
Kurgan region	289,558	291,536	1,978	0.7
Sverdlovsk region	1,295,691	1,308,109	12,418	1.0
Tyumen region	357,135	366,926	9,791	2.7
Khanty-Mansi autonomous region	379,183	393,050	13,867	3.7
Yamal-Nenets autonomous region	124,105	128,727	4,622	3.7
Chelyabinsk region	1,022,147	1,031,927	9,780	1.0
Siberian Federal District	5,559,217	5,629,972	70,755	1.3
Republic of Altai	55,915	57,093	1,178	2.1
Republic of Buryatia	251,422	254,146	2,724	1.1
Republic of Tyva	78,641	80,075	1,434	1.8
Republic of Khakassia	147,289	150,012	2,723	1.8
Altai territory	730,135	737,490	7,355	1.0
Transbaikal territory	282,223	284,244	2,021	0.7
Krasnoyarsk territory	804,789	819,010	14,221	1.8
Irkutsk region	739,450	743,109	3,659	0.5
Kemerovo region	849,991	857,495	7,504	0.9
Novosibirsk region	772,093	785,609	13,516	1.8
Omsk region	563,660	572,904	9,244	1.6
Tomsk region	283,609	288,785	5,176	1.8
Far Eastern Federal District	1,774,659	1,781,324	6,665	0.4
Republic of Sakha (Yakutia)	257,433	260,693	3,260	1.3
Kamchatka territory	92,780	92,952	172	0.2
Primorye territory	534,605	537,217	2,612	0.5
Khabarovsk territory	385,709	385,624	-85	0.0
Amur region	232,304	233,074	770	0.3
Magadan region	46,773	46,257	-516	-1.1
Sakhalin region	163,384	163,560	176	0.1
Jewish autonomous region	47,029	47,167	138	0.3
Chukchi autonomous region	14,642	14,780	138	0.9
Baikonur	5,702	5,899	197	3.5

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PFR ONLINE ASSISTANT
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