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Mr Andrey N. Pudov  
Deputy Minister of Labour  
and Social Protection  
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Dear Sir,

We wish to refer to the discussions initiated by the Ministry of Labour and Social Protection of the Russian Federation between your team and the staff of the International Labour Standards and the Social Protection Departments of the Policy Portfolio of the ILO, which took place on 5 April in Geneva and with officials of those same departments, as well as with the staff of the ILO DWT and Country Office for Eastern Europe and Central Asia, on 25 April in Moscow, on the possible ratification by the Russian Federation of the Social Security (Minimum Standards) Convention, 1952 (No. 102) in the light of the current pension reform. We also wish to refer to the seminar on International Labour Standards organized by the Ministry and held in Moscow on 23 and 24 April 2013. These followed up on the technical exchanges in particular those held in 2012.

We would like to take this opportunity to express the ILO's recognition of the commitment of your Government to advance the ratification process, which we understand will be linked in an integral way to the ongoing process of reform of the national pension system. The ILO wishes to confirm its readiness to provide all necessary technical advice and assistance in a timely manner that the Government of the Russian Federation may need.

We wish to recall that in October 2012, the ILO completed and transmitted to the Ministry of Labour and Social Protection a comprehensive Comparative Analysis of the Russian social security legislation with the provisions of Convention No. 102, which concluded that, on the basis of existing provisions and implementation of financial guarantees, Russia could accept the obligations under seven out of the nine Parts of the Convention covering specific social risks, with the exception of Part IV (Unemployment benefit) and Part VII (Family benefit).

In March 2013, the ILO provided to the Ministry, at its request, extensive comments and explanations concerning those articles of Convention No. 102, the application of which was questioned by the different agencies of the Federal Government. These explanations, from the formal legal point of view, were discussed in detail at the seminar referred to above to provide the necessary elements to assess the conformity of the national legislation with the provisions of Convention No. 102. If the Ministry considers it necessary, the above-mentioned Comparative Analysis could be usefully updated by the Office in the light of clarifications provided, which confirm the initial conclusions.

With respect to the current proposals regarding reform of the national pension system in the Russian Federation, which affects the application of Part V (Old-age benefit) of the Convention, and in order to proceed with its ratification, the ILO was requested to prepare an Explanatory Note on the calculation of the pension replacement level, as provided for by the Convention. This should help the Ministry to choose the most suitable option for the Russian Federation consistent with the new pension framework, as well as to assess the compatibility of the reformed conditions for pension entitlement with the Convention's requirements. These questions were discussed in detail during the joint consultations in Geneva, in the course of which were discussed a number of options for the determination of the reference wage for the calculation of the pension level. These matters were further discussed in Moscow.

The consultations in Geneva and Moscow elucidated a number of particular concerns on which officials of the Ministry and the Pension Fund have focused closely, and it was envisaged that these would be consolidated as a list of specific questions that would be sent to the ILO. The receipt of such a list, to guide the format in which to provide our advice, is keenly awaited by the ILO.

With regard to the actuarial assessment of the prospective pension reform, while the ILO was provided – both in Geneva and in Moscow – with a descriptive outline of the general structure of the reform, fully detailed and specific documentation has not yet been received. The understanding of the ILO is that the work-based pension will include (not necessarily exclusively) components corresponding firstly to the existing basic (flat-rate) pension and secondly a component which will be earnings-related, through the mechanism of a points-based calculation reflecting (not necessarily directly) the contributions paid by the employer on each member's behalf.

The ILO has received tabulations setting out some illustrative calculations as regards the prospective future cash flows, at least in the short term, together with some information regarding the distribution, by occupations and regions, of the pension fund membership. However, to date, the ILO has not received information as regards the distribution of the Pension Fund membership by age and earnings, or information which would enable an assessment of the nature and strength of the guarantees (explicit or implicit), which would apply in the earnings-related component of the proposed scheme after reform to the various parameters. It is important for us to receive more detailed information in order to be able to assess the parameter described as the yearly "value of a pension point", and the ceiling to be applied to contributory earnings for pension calculation purposes. We would appreciate receiving the technical information referred to above.

In response to the Ministry's request, the ILO is preparing an "Explanatory Note" on the various options for the determination of the standard beneficiary and the reference wage in the Russian Federation for the calculation of the pension level, in line with Convention No. 102, to be submitted to the Ministry by the end of June 2013. By way of follow-up, the ILO would like to propose that technical exchange visits, programmed jointly with the Ministry, be held in Moscow in July 2013, with a view to the Ministry approving the methodology suitable for Russia by September 2013.

The ILO would like to confirm its intention to respect the timeframe indicated in the previous paragraph. Mr Alexander Egorov, Coordinator of the Social Security Team of the International Labour Standards Department, Mr John Woodall, Pension Policy Coordinator of the Social Protection Department, and Ms Mariko Ouchi, Senior Social Protection Specialist

of the ILO DWT and Country Office for Eastern Europe and Central Asia, have been assigned to ensure continuous collaboration with the Ministry on this important process, towards the ratification of Convention No. 102 by the Russian Federation and the completion of the proposed pension reform process.

I hope the above elements will help maintain the momentum generated and we remain at your disposal for any further information you may need. We look forward to hearing from you at the earliest.

Yours faithfully,



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ILO DWT and Country  
Office for Eastern Europe  
and Central Asia, Moscow



Cleopatra Doumbia-Henry  
Director  
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