

Putin Backs Plan to Cut Pension Savings

By [The Moscow Times](#)

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The reform approved by Putin aims to release cash to cover pension costs as part of the pay-as-you go scheme. **Igor Tabakov**

President Vladimir Putin backed a plan Wednesday to reduce employers' payments into retirement savings and free up cash for the strained budget, a step that economists and fund managers warn will crimp capital markets.

"I consider it possible for parliament to accept the law proposed by deputies but to delay its operation until Jan. 1, 2014," Putin was quoted by Russian news agencies as telling officials at a meeting on pensions strategy.

The law in question would reduce the mandatory contribution rate that workers make toward their retirement plans from 6 percent of their pay to 2 percent.

Despite criticism from the finance industry, Russia is following many countries in cutting contributions for future pensioners to release cash to cover current pension costs — known as the pay-as-you-go scheme.

Putin, who was elected for a third term as president in March, has ruled out raising the retirement age from 60 for men and 55 for women, forcing the government to find other measures to fill a growing hole in the pensions budget.

Speaking after the same meeting, Finance Minister Anton Siluanov confirmed that Russia intends to proceed with the plan to make most compulsory retirement savings voluntary.

Employees could opt to keep contributing 6 percent of their pay to their own retirement funds. Those who do not would have 4 percent of their pay put into the state's pay-as-you-go scheme.

"Now, all citizens participate in the funded system [for future pensions]; 6 percent goes into the funded part," Siluanov said. "Beginning in 2014, amendments will be prepared so that the citizen himself will decide on up to 4 percent."

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