

Investment of Pension Savings

For more than 10 years, Vnesheconombank has been operating as a State Trust Management Company (STMC) to provide trust management of pensions savings of insured Russian citizens who have not exercised their right of choosing a non-government pension fund (NPF) or a managing company (MC), and citizens who have opted for the STMC. In 2013, the Russian Government extended Vnesheconombank's functions for trust management of pension savings and the payout reserve for another 5 years until 1 January 2019.

Trust management of pension savings

As of late 2013, the amount of pension savings under trust management by the STMC stood at RUB 1,865,035 mn.

The amount of payout reserve under trust management by the State Payout Reserve Management Company is RUB 1,493 mn.

In investing pension savings, Vnesheconombank focuses on maintaining and increasing the assets under its management. In 2013, we also concentrated on financing nationally important investment projects out of pension savings by acquiring bonds issued by infrastructure majors.

As the State Trust Management Company, Vnesheconombank is responsible for building up the investment portfolio of government securities (GSIP) and the extended investment portfolio (EIP). Since December 2012, Vnesheconombank, as the STMC, has also been managing the payout reserve investment portfolio (PRIP) and the fixed-term pension payout investment portfolio for pension savings of insured citizens who are entitled to fixed-term pension benefits (FTIP).

Pension savings growth dynamics (RUB mn)

Save as Zoom in

Return on invested pension savings

Over the full year 2013, the return on invested pension savings in the EIP, GSIP, PRIP and FTIP stood at 6.71% p.a., 6.90% p.a., 5.52% p.a. and 5.51% p.a., respectively. In 2013, the inflation rate in Russia was 6.5%.

The return on the EIP and GSIP proved to be lower than in 2012 (9.21% and 8.47%, respectively), which was due to the negative reassessment of OFZ. In general, the return on invested pension savings in the EIP and GSIP over the previous 3 years was above the average inflation rate.

Return on invested pension savings

Save as Zoom in

Investment tools



The return on invested pension savings rose in 2013 primarily due to the EIP which was diversified by increasing the share of higher yield non-government bonds (as compared to government securities), and by investing pension savings in deposits with commercial banks.

[Zoom in](#)

In 2013, the Russian Government expanded the opportunities for investing pension savings in bonds that meet the reliability criteria (secured with a sovereign guarantee or offered by an issuer with at least a sovereign rating). The Government cancelled the restrictions capping the share of such bonds in the EIP and in the total amount of outstanding bonds offered by relevant issuers (for other corporate bonds, these shares rose from 30% to 60% per issue in the EIP and from 20% to 40% for the total amount of outstanding bonds offered by relevant issuers).

In 2013, in line with instructions by the Russian Government and decisions by Vnesheconombank's Supervisory Board, Vnesheconombank invested RUB 280 bn from the EIP in bonds issued by companies that implement infrastructure projects. All decisions made in 2013 to finance infrastructure projects implemented by Russian Railways, FGC UES, and Gazprom, drawing on pension savings have been fully carried out within the agreed timelines.

As of late 2013, more than RUB 371 bn in total were invested in bonds of infrastructure companies in STMC's investment portfolio, at market value net of ACI.

In 2013, the GSIP breakdown did not undergo any material changes. Government securities had an important share in the portfolio, which, as of late 2013, grew from 57% to 60% as compared to the previous year.

In 2013, the EIP and FTIP assets were primarily invested in highly liquid OFZ and corporate bonds of "blue chips".

Investment in the Affordable Housing Construction and mortgage Programme



As of late 2013, the gross amount of mortgage loans issued under the Programme (subject to accelerated loans) exceeded RUB 300 bn.

The living premises to be acquired (under construction) or already acquired measured at least 4 mn square metres overall.

In 2013, Vnesheconombank continued implementing its Programme of investment in projects for construction of affordable housing and mortgage loans in 2010-2013. The Programme is intended to drive up mortgage loans and make the housing more affordable for the wider Russian population by cutting mortgage loan annual interest rates down to 11%.

Overall, RUB 250 bn were allocated to achieve the Programme's objectives, including RUB 100 bn of pension savings from the EIP to acquire mortgage bonds, RUB 50 bn of Vnesheconombank's equity to acquire mortgage-backed bonds, RUB 60 bn of pension savings from the EIP to acquire bonds issued by OJSC AHML backed with a sovereign guarantee of the Russian Federation, and RUB 40 bn provided by the Russian National Wealth Fund to fund the loan facility for OJSC AHML.

Since the Programme's participants were quite reasonably unable to fully meet their loan securitisation obligations within the agreed timelines, Vnesheconombank's Supervisory Board extended the period for buying out mortgage-backed bonds under the Programme until 31 December 2014. At the initiative of the Programme's participants, Vnesheconombank reduced its total acquisition of mortgage-backed bonds from RUB 150 bn to RUB 108.1 bn.

In 2013, as part of the Programme, Vnesheconombank acquired mortgage-backed bonds for RUB 42.34 bn, including RUB 28.23 bn out of pension savings, and RUB 14.11 bn out of Vnesheconombank's equity. The remaining bonds are planned to be acquired in 2014.

VEB Capital operates as Vnesheconombank's agent for the Programme's implementation. Among other things, it is charged with placing mortgage-bond issues of lending institutions and OJSC AHML that participate in the Programme in line with the parameters set out in the Programme. VEB Capital also follows up the banks' compliance with mandatory terms of participation in the Programme.

Since the adoption of the Programme in early 2010, the average-weighted interest rates for rouble mortgage loans in Russia have declined from 13.70% p.a. to 12.40% p.a. in the primary and secondary markets as of the end of 2013. Moreover, during the active phase of mortgage lending by banks participating in the Programme in early 2012, the rates were as low as 11.80% p.a. These results were due to the implementation of the Programme.

