

Long term savings products: non-state pension funds or insurance companies?

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Structure

Non-state pension

- An agreement for non-state pension provision between an employer and a non-state pension fund
- An individual agreement for non-state pension provision between an employee and a non-state pension fund for co-financing
- Pension programme rules (internal document of the employer)

Life insurance

- A group life insurance contract between an employer and a life insurance company
- An individual life insurance contract or paragraph 1 Article 939 of the Civil Code for co-financing?
- Pension programme rules (internal document of the employer)

Co-financing

Non-state pension

- Through an individual agreement for non-state pension provision
- Group pension accounts
- Individual pension accounts

Life insurance

- By virtue of paragraph 1 Article 939 of the Civil Code?
- Through an individual life insurance contract
- No concept of accounts

Vesting of employer contributions

Non-state pension

- No legislation on this issue
- No strict rules on benefit amount calculation
- Freedom of contract?

Life insurance

- No legislation on this issue
- Sum insured payable upon insurable event
- Surrender value calculation?

Trigger events

Non-state pension

- Pension grounds:
 - Retirement age
 - Disability
 - Death of breadwinner
- Redundancy?
- Length of service?

Life insurance

- Death by any cause
- Survival
- Disability
- Other events in life

Benefit payout

Non-state pension

- Lump sum not possible
- Must be a regular payment
- Surrender value?

Life insurance

- No restriction

Exit

Non-state pension

- Not possible to terminate pension agreement in part
- Assignment?

Life insurance

- Not possible to replace an insured person without his consent (paragraph 2 Article 955 of the Civil Code)
- Beneficiary cannot be replaced in certain cases (Article 956 of the Civil Code)
- Is it possible to exclude them?

Capital guarantee

Non-state pension fund

- “Preservation of pension reserves” (Articles 24 and 25 of the Law on NPFs)
- Capital guarantee?

Life insurance company

- Sum insured is payable upon an insurable event (Article 947 of the Civil Code)
- Sum insured is not equal to paid premium
- No capital guarantee

Transparency

Non-state pension funds

- Transparency of investment process (Article 24 of the Law on NPFs)
- Disclosure obligations (Article 35.1 of the Law on NPFs)
- Board of Guardians with representatives of contributors and members with over 50% of votes

Life insurance company

- No transparency obligations towards insured
- General disclosure obligations (balance sheet, profit and loss accounts, audit reports)

Supervision

Non-state pension fund

- Must use asset managers and custodians
- Investment activities of NPFs, asset managers and custodians are heavily regulated by the Federal Service for Financial Markets

Life insurance company

- No requirement to use asset managers and custodians
- Investment strategy and portfolio are monitored by the Federal Service for Insurance Supervision for compliance with investment guidelines