

THE REVIEW OF THE MEETINGS OF THE GOVERNMENT OF THE RF IN OCTOBER 2013

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In October, at the meetings of the Government of the Russian Federation the following issues were discussed among other things: a draft law introducing the requirements for gradual transformation of participants in the market of nongovernment pension funds into joint-stock companies; a draft law setting a limitation on the amount of a severance benefit of managers (chief accountants) of public sector entities.

On October 10, the draft law on Amendment of the Federal Law on Nongovernment Pension Funds and Individual Statutory Acts of the Russian Federation was considered. The draft law is actually meant to carry out a forced transformation of most nongovernment pension funds (hereinafter – NPF) which are non-profit organizations as of that day into joint-stock companies.

The above goal will be attained by the following means. Firstly, from January 1, 2014 a ban will be introduced by the federal law (if approved) on establishment of new nongovernment pension funds in the form of non-profit organizations. Secondly, reorganization of the existing non-profit NPF will be limited to mergers and affiliations. From July 1, 2014, NPF will be able to carry out restructuring only by means of transformation into joint-stock companies. In addition to the above, until January 1, 2016 NPF which are non-profit organizations and carry out activities as an insurer of the mandatory pension insurance are subject to transformation into joint-stock companies or in accordance with the federal law into another form of a profit-making organization or be liquidated. As the activities in the capacity of insurer of the mandatory pension insurance are the most important ones, it means that there will be virtually no nonprofit NPF left.

The fact that the existing NPF are non-profit entities of unitary nature entails a number of unsolvable problems starting from the issue of realization by actual beneficiaries of NPF of control over the activities of NPF to the problems related to determination of sources of funding of an actuarial deficit. Transformation of NPF in joint-stock companies is meant to solve the above problems.

The draft law was approved and submitted to the State Suma of the Russian Federation.

On October 25, draft federal law on Amendment of the Labor Code of the Russian Federation as Regards Setting of the Amount of Compensations and Sever-

ance Benefits Due to Termination of a Labor Contract to Individual Categories of Workers of State-Run Corporations, State-Owned Companies, State Unitary Companies and Economic Entities in Which Over 50% of Equities (Interests) in the Charter (Pooled) Capital is Owned by the State was discussed at the meeting of the Government of the Russian Federation.

The draft law was developed and submitted to meeting of the Government of the Russian Federation by the Ministry of Labor and Social Protection of the Russian Federation.

If approved the draft law provides for limitation of the amount of compensations and severance benefits paid to chief executives, deputy chief executives, chief accountants and members of entities' collegiate executive bodies.

The draft law is meant to introduce such amendments into the Labor Code of the Russian Federation (hereinafter – the LC of the RF) as set limitations on the amount of the compensations and severance benefits to chief executives, deputy chief executives, chief accountants and members of the collegiate executive body of state-run corporations, state-owned companies, state unitary enterprises and economic entities in which over 50% of equities (interests) in the charter (pooled) capital is owned by the state.

Payments are limited by the amount which is no less than a threefold average monthly pay and no more than a sixfold one.

Payment of compensations and severance benefits to the above categories of individuals is provided for in the following cases: due to a change of the owner of the entity's property (Article 81 (1), (4) of the LC of the RF);

Due to taking of a decision by the company's authorized body or owner of its property or a person (body) authorized by the owner on early termination of the labor contract (Article 278 (2) of the LC of the RF). ●