



NAMIBIA FINANCIAL
INSTITUTIONS SUPERVISORY AUTHORITY

— Safeguarding the Nation's Wealth! —

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17 June 2003

CIRCULAR: PI/PF/4/ 2003

**ALL PRINCIPAL OFFICERS OF UMBRELLA SCHEMES
ALL PRINCIPAL OFFICERS OF PENSION, PROVIDENT, RETIREMENT
FUNDS AND RETIREMENT ANNUITY FUNDS
ALL PENSION FUNDS ADMINISTRATORS & CONSULTANTS**

**SUBJECT: VOLUNTARY TERMINATION OF PARTICIPATING
EMPLOYER UNDER AN UMBRELLA SCHEMES**

OBSERVATION

1. In terms of the Pension Funds Act the umbrella fund is the pension fund organization registered with the Registrar. The participating employer is merely one member of the fund and therefore does not constitute a separate legal entity. Section 28, Voluntary Dissolution of Funds, provides that it is only the registered fund, the legal entity, which may voluntarily be dissolved.
2. Therefore, the practice of voluntarily dissolution of participating employer is not only undesirable; it is illegal and should cease with immediate effect.
3. The correct procedure may be a section 14 transfer of the participating employer out of the umbrella scheme to either a preservation fund or another pension fund organization. If the employer is no longer in business, the normal procedure of calculation of withdrawal benefit should be followed and then there can be a termination of the employer out of the fund.
4. It follows that only if the participating employer is no longer a business entity and the employment relationship between the member and that employer has stopped, any payments to the member-employees may take place.
5. The aim of this circular is to give guidelines to the industry regarding the voluntary termination of a participating employer in an umbrella scheme. The guidelines are as follows:
 - a. Fully disclose the reason (s) why the voluntary termination exercise of the participating employer is taking place.