MEDIA RELEASE

NAMFISA
NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

FOR IMMEDIATE RELEASE

7 APRIL 2022

RESPONSE TO PUBLIC CONCERNS REGARDING THE DRAFT PROPOSED REGULATION ON THE PRESERVATION OF RETIREMENT BENEFITS

The Namibian Financial Institutions Supervisory Authority (NAMFISA) has received several queries relating to the draft Regulation on Preservation of Retirement Benefits (Regulation RF.R.5.10) to be made under the Financial Institutions and Markets Act, 2021 (Act No. 2 of 2021) (FIMA),

NAMFISA confirms that Regulation RF.R.5.10 will introduce compulsory preservation of retirement benefits for people who withdraw from their retirement funds before they are old enough to retire, for example when they change jobs or stop working. Such members will be required to preserve 75% of their minimum individual reserve (fund credit) until the prescribed early retirement age of 55 years.

The main cause of concern from the public regarding the draft regulation is the fact that once FIMA comes into force on 01 October 2022, members of retirement funds, upon early withdrawal, will not have access to 75% of their fund credits, as this portion must be preserved until the early retirement date as provided for in the rules of the retirement fund.

The draft regulation will apply indiscriminately to every retirement fund registered under FIMA, and the compulsory preservation of retirement benefits will apply to all retirement benefits that become due to, and to contributions made by, members of retirement funds following the date on which the FIMA comes into force.

The public is informed that the main purpose of a retirement fund is to gather and grow savings to provide an income to the member when s/he retires, or otherwise to the member's dependants if the member passes away. In addition, if the member becomes disabled and thus unable to work before reaching the retirement age, the retirement fund may provide such member with a disability benefit, usually in the form of monthly payments.

The draft regulation will benefit working individuals by ensuring that they preserve a portion of their retirement savings throughout their working lifetime. This results in more income to sustain members of retirement funds after they retire, or otherwise their dependants if such members pass away. In contrast, withdrawing retirement savings in cash before retirement and using them to meet short-term financial needs results in many people not having enough savings to take care of themselves and their needs, thus entirely depending on social grants or the pillar one (1) pension from the government for survival when they retire.

The formal consultation with industry players on all the draft proposed standards and regulations under FIMA is currently at an advanced stage. As such, the solicitation of comments from the industry on these standards and regulations ended on 28 February 2022. In the meanwhile, NAMFISA is busy considering and evaluating the comments received and, where necessary, consult further on them with the industry before finalizing the standards to be issued by NAMFISA, and regulations for the Minister of Finance to consider for promulgation. The final standards and regulations will be published in the Government Gazette on 1 October 2022 when FIMA becomes operational.

The draft regulations and standards can be accessed on the NAMFISA corporate website through the following link: https://www.namfisa.com.na/legislative-instruments/ .

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About NAMFISA

The Namibia Financial Institutions Supervisory Authority (NAMFISA) exists to supervise financial institutions and financial services, and to advise the Minister of Finance on matters relating to financial institutions and financial services in terms of the NAMFISA Act, 2001 (No. 3 of 2001).

NAMFISA is further responsible for supervising and enforcing compliance with the Financial Intelligence Act, 2012 with respect of all accountable and reporting institutions supervised by NAMFISA in terms of the NAMFISA Act.

This relates *inter alia* to the business of Long and Short-Term Insurance; Asset Management; Unit Trusts (Collective Investment Schemes); Pension Funds; Medical Aid Funds; Public Accountants and Auditors; Exchanges; Stock Brokers; Insurance Brokers and Agents; Friendly Societies; Money lenders; and Microlenders.