

GOVERNMENT NOTICE

RETIREMENT FUNDS

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

No. X

2018

STANDARDS MADE UNDER THE FINANCIAL INSTITUTIONS AND MARKETS ACT, 2018

The Namibia Financial Institutions Supervisory Authority has under section 410(6) of the Financial Institutions and Markets Act, 2018 (Act No. X of 2018), made the Standards set out in the Schedule.

Gersom Katjimune
Chairperson

Windhoek,

2018

DRAFT STANDARD

REQUIREMENTS FOR THE ANNUAL REPORT OF A FUND

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

Standard No: RF.S.5.15

FINANCIAL INSTITUTIONS AND MARKETS ACT, 2018 [Act No. • of 2018]

Requirements for the annual report of a fund

Standard No. RF.S.5.15

issued by NAMFISA under sections 265(1)(k) and 410(6)(e) of the Financial Institutions and Markets Act, 2018

Definitions

1. (1) In this Standard—
 - (a) “Act” means the *Financial Institutions and Markets Act, 2018* [Act No. • of 2018], and includes the regulations prescribed under the Act and the standards and other subordinate measures issued by NAMFISA under the Act; and
 - (b) “deferred member” means an active member who has not yet retired but has left the service of the employer concerned prior to the retirement date, as defined in the rules of the fund, leaving in the fund the rights of the member to such benefits as may be payable according to those rules.
- (2) Words and phrases defined in the Act have the same meaning in this Standard, unless the context indicates otherwise, including without limitation, the following—
 - (a) as defined in section 1 of the Act—
 - (i) NAMFISA; and
 - (ii) principal officer;.
 - (b) as defined in section 249 of the Act—
 - (i) active member;
 - (ii) board;
 - (iii) defined benefit fund;
 - (iv) defined contribution fund;
 - (v) fund;
 - (vi) member;

- (vii) retired member; and
- (viii) retirement fund.

Applicability

- 2. This Standard applies to—
 - (a) retirement funds;
 - (b) members of the boards of trustees of retirement funds;
 - (c) principal officers of retirement funds; and
 - (d) service providers for retirement funds to the extent that their responsibilities require them to support principal officers and boards of retirement funds in regard to matters that are disclosed in the annual report of the retirement fund to NAMFISA, and in the preparation of the report.

Requirements applicable generally

- 3. The annual report of a retirement fund to NAMFISA must be in the form of Schedule 1 to this Standard and must be prepared within six months after the end of the fund's financial year, and must at a minimum —
 - (a) be prepared by or under the supervision of the board of the retirement fund and submitted to NAMFISA by the board in both written and electronic form;
 - (b) include the following, insofar as the following is not already included in the annual financial statements of the fund:
 - (i) a summary of the activities of the board during the year under review, with sufficient detail to provide an assessment of its management efforts (for example meetings of the board, changes in the membership of the board, identification of typical meeting agenda items, interactions with service providers (administrator, auditor, investment manager, valuator), reports received by the board and their disposition, changes in the board's governance practices, changes in the administrative practices of the fund, changes of service provider);

- (ii) a summary of all actions of a legal nature to which the fund was a party, or a statement that there are none to report;
- (iii) a summary of any amendments to the rules of the fund made during the year under review;
- (iv) a summary of all policies of the fund that have been documented and approved by the board and that are in force (e.g. investment policy, funding policy, risk management policy, administrative policy etc.) and of any material changes to those policies during the year under review;
- (v) a summary of the key financial data reported on by the auditor and a commentary on the results of the fund's operations during the year under review (contributions received, investment income accrued, gross and net rate of return earned on the fund's portfolio, benefits paid, net increase or decrease in the fund), including the management report findings by the auditors of the fund;
- (vi) a brief analysis of the fund's gains and losses during the year under review;
- (vii) a summary of the changes in the fund's membership (active members, deferred members and retired members) and participating employers during the year under review;
- (viii) a summary of the fund's administrative activities during the year under review (e.g. monitoring contribution flows, quarterly review of the fund's investment portfolio (performance and changes in investments and loans), maintenance and updating of fund data and records including ensuring integrity and security, provision of annual benefit statements to members, processing early withdrawals and retirements, providing quarterly reports to the board, supporting the work of the fund's auditor, investment manager and valuator, responding to member inquiries and resolving member complaints, human resource administration, including training and development);
- (ix) a description of any special events that occurred during the year (e.g. mergers or sales of business that impacted the fund, discontinuation of business segments producing partial plan termination, commencement or termination of contribution suspension (contribution holidays), other

utilization of surplus (benefit improvements, refunds to employers or sponsors));

- (x) a summary of key risks facing the fund, and the risk mitigation actions taken or considered by the board; and
- (xi) a list of all service level agreements with service providers and details of their review periods.

Requirements applicable to defined contribution funds

- 4. The annual report of a fund that is a defined contribution fund must—
 - (a) comply with the requirements of clause 3;
 - (b) disclose the investment policy of the fund including options available to members to allocate their contributions and funds comprising their accounts to separate funds; and
 - (c) report the gross and net annual rates of return on the fund (or on each separate fund available for members to allocate their contributions and funds) for the current year and prior 4 years (5 years in total).

Requirements applicable to defined benefit funds

- 5. The annual report of a fund that is a defined benefit fund must—
 - (a) comply with the requirements of clause 3;
 - (b) report the gross and net annual rates of return on the fund for the current year and prior 4 years (5 years in total).
 - (c) disclose the results of the most recent investigation of the fund's financial soundness and its solvency position; and
 - (d) disclose any issues or developments that may have arisen since the most recent investigation of the fund's financial soundness and solvency position other than amendments to the fund rules and that may be reasonably expected to produce a material change in the fund's financial soundness or solvency position.

SUPPORTING SCHEDULES

The following supporting schedule is attached to and forms part of this Standard:

Schedule 1: Form of annual report of fund

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SCHEDULE 1

Form of annual report of fund

Board Activities – 1. Report on board meetings held during the year, e.g. dates, quorum and number of members present
2. Report on any changes in the board membership during the year with comments as to nature of change, e.g. resignation, disqualification etc.
3. Report on typical board meeting agenda items, e.g. approval of previous minutes, receipt and discussion of reports, interviews of service provider etc.
4. Report on any approved changes in board or administrative practices or procedures
5. Briefly describe all policies of the fund that have been documented and approved by the board (continued below) during the year under review.
6. Report on any approvals of new, or material amendments to, documented policies, e.g. investment policy, funding policy, risk management policy, administrative policy
7. Provide a summary of any amendments to the fund rules during the year

8. Comment on any actions of a legal nature to which the fund was a party during the year or to which the fund is currently a party

**9. Provide a summary of the key financial data of the fund
(all items to be reported for both the current and prior year)**

	Current Year	Prior Year
<u>Balance Sheet</u>		
Assets		
Liabilities		
Surplus		
<u>Income and Expenses</u>		
Contributions		
Investment Income		
Administrative Expense		
Investment Expense		
Benefits		
Net Income		
<u>Rate of Return on Investments</u>		
Gross ROI		
Net ROI		

10. Provide a brief analysis of the fund's gains and losses during the year (gain signifies actual result more than expected or less than expected depending on whether the item is an income item or an expense item)

Gains
From Operations (More Contributions and/or less Expenses than expected)
From Investments (greater ROI, capital gains on dispositions)
Other

Losses
From Operations (Fewer Contributions and/or more Expenses than expected)
From Investments (lower ROI, capital losses on dispositions)
Other

11. Briefly summarise the fund's membership

	Current Year	Prior Year
Members		
Male		
Female		
Average Age		
Retired Members		
Male		
Female		
Average Age		
Deferred Members		
Male		
Female		
Average Age		

12. Summarise the Main Administrative Activities of the Fund During the Year
(see note 1)

13. Describe all Special Events That Occurred During the Year
(see note 2)

14. For Defined Contribution Funds:

Describe the Fund's Investment Policy in detail, including a description of all investment options available to members (or append a copy to this report)

Provide the Gross and Net ROIs of the Fund (i.e. for the entire fund and, if applicable, for each of any funds that are optionally available to members)

	Gross ROI	Net ROI
CY		
CY-1		
CY-2		
CY-3		
CY-4		

15. For Defined Benefit Funds:

Provide the following data for the fund according to the most recent valuator's report on the fund

Fund Assets
Fund Liabilities
Funded Ratio
Solvency Ratio

Describe all developments that have arisen since the most recent investigation of the fund's financial condition (other than amendments to the fund's rules) that may reasonably be expected to produce a material change in the funded or solvency status of the fund and describe the most probable effect thereof.

Note 1

The disclosure of administrative activities of the fund during the year is an important indicator of the fund's support of its risk management function and must be reported both as to what was done (in summary form) and by whom.

These activities include such items as:

- Monitoring contribution flows
- Quarterly review and analysis of the fund's investment performance and of any material changes in investments and loans
- Maintenance and updating of fund data and membership records and monitoring its integrity and completeness
- Provision of benefit statements to members
- Processing early withdrawals and retirements
- Providing quarterly reports to the board
- Supporting the work of advisors to the fund, e.g. auditor, investment manager and valuator
- Responding to member inquiries and resolving member complaints
- Human resource administration

Note 2

The disclosure of special events must include any of the following 'reportable events':

- Mergers, acquisitions or sales of businesses that impact the fund
- Discontinuations of business or activities or implementation of technology or processes that produce a workforce reduction (aka 'retrenchment') and partial termination of the fund
- Industrial relations developments, i.e. strikes or lock-outs
- Commencement or termination of contribution suspension (aka 'contribution holiday')
- Utilisation of surplus (benefit improvements, refunds to employer(s) or sponsor(s))