

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

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

DRAFT STANDARD

MATTERS TO BE COMMUNICATED TO MEMBERS AND CONTRIBUTING
EMPLOYERS AND MINIMUM STANDARDS FOR SUCH COMMUNICATION

NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY

Standard No: RF.S.5.19

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

Matters to be communicated to members and contributing employers and minimum standards for such communication

Standard No. RF.S.5.19

issued by NAMFISA under section 410(6)(t) 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;
 - (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;
 - (c) “programmed withdrawal scheme” means a form of retirement income whereby a member determines the amount of retirement income to be withdrawn in each year following retirement; and
 - (d) “solvency ratio” means the ratio of the lesser of the actuarial value of the assets of the fund to the total liabilities, expressed as a percentage, or the fair value of the assets to the total liabilities, expressed as a percentage.
- (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) “NAMFISA”, as defined in section 1 of the Act; and
 - (b) as defined in section 249 of the Act—
 - (i) active member;

- (ii) board;
- (iii) defined benefit fund;
- (iv) defined contribution fund;
- (v) employer;
- (vi) fund;
- (vii) retired member;
- (viii) retirement fund; and
- (ix) rules.

Matters in respect of Communication with Members

2. A retirement fund must—
 - (a) ensure that its communications with active members, retired members and deferred members are clear, complete and accurate; and
 - (b) at least annually, provide its active members, retired members and deferred members with the reports and other documents listed in clauses 3 to 8 inclusive, which must meet the minimum requirements described in those clauses.
3. In accordance with clause 2(b), a retirement fund must provide a description of the retirement fund that includes—
 - (a) an explanation of the objectives of the fund, the risks involved in its operations as they may affect members and contributing employers, and the conditions that would tend to maximise the likelihood of its success;
 - (b) the contribution rates required to be made by members and the contributing employer, the terms and conditions that apply thereto, the contribution rates that may be made on a voluntary basis by members, and the policy of the employer in regard to utilizing any emerging surplus to finance contribution requirements;

- (c) all costs associated with the administration of the fund, as well as how such administration costs are derived/computed;
 - (d) the manner in which benefits are determined in the cases of:
 - (i) retirement;
 - (ii) death;
 - (iii) disability; or
 - (iv) early withdrawal,
which must include member-specific values for each type of benefit offered to the member, using reasonable assumptions where necessary for the determination;
 - (e) the age or ages at which members may elect to retire or at which the members are required to retire together with all terms and conditions that apply thereto;
 - (f) the optional forms of benefits that are available to members upon retirement or early withdrawal and that are available to beneficiaries in the event of the death of the member before or after retirement;
 - (g) in the case of a defined contribution fund, the investment options available to the members and their risk and reward characteristics, and the investment program adopted by the contributing employer in respect of its own contributions; and
 - (h) the terms and conditions that would apply to the termination of the retirement fund, including the allocation and distribution of any surplus funds, and, in the case of a defined benefit fund, the potential effects of any unfunded solvency deficits on the accrued benefits of active members, deferred members and retired members.
4. In accordance with clause 2(b), a retirement fund must provide an annual report that complies with Standard No. RF.S.5.15.
5. In accordance with clause 2(b), a retirement fund must provide annual benefits statements which include:
- (a) in the case of a defined contribution fund, the minimum requirements of clause 6; and

(b) in the case of a defined benefit fund, the minimum requirements of clause 7.

6. The benefit statement of a defined contribution fund must include—

(a) Member's membership or employee number or other unique identifier, current municipal address, e-mail address, date of birth, gender, marital status, date on which the member became an active member, date on which the member became a deferred member or retired member, if applicable, date of retirement or early withdrawal if applicable, and identity(ies) of beneficiary(ies);

(b) in the case of a defined contribution fund in respect of each active member or deferred member—

(i) the contributions of the member received by the fund in the current year, indicating which portion of contributions are additional voluntary contributions;

(ii) the contributions of the employer received by the fund in the current year;

(iii) the accumulated contributions of the member to the end of the current year;

(iv) the accumulated contributions of the employer to the end of the current year;

(v) the value of the investment portfolio corresponding to the accumulated contributions of the active member or deferred member as at the end of the current year;

(vi) the value of the investment portfolio corresponding to the accumulated contributions of the employer at the end of the current year; and

(vii) the net rate of return for the current and prior year in respect of each investment portfolio of the member and each investment portfolio of the employer;

(c) in the case of a defined contribution fund, in respect of a retired member who has elected a programmed withdrawal scheme as optionally made available to active members by the fund—

(i) the value of the investment portfolio from which benefit payments are periodically withdrawn for payment to the retired member;

- (ii) the projections of the balance in their account assuming different drawdown rates and returns, showing the sustainability of different rates over time; and
 - (iii) the maximum amount available for withdrawal in the year following the year of the statement;
 - (iv) the current drawdown rate of the member;
- (d) active member's or deferred member's election of allocations of contributions to specific investment funds, if applicable;
 - (e) active member's or deferred member's individual account data as shown in tabular format in Schedule 1 to this Standard, if applicable;
 - (f) retired member's benefits as shown in tabular format in Schedule 2 to this Standard;
 - (g) briefly summarise the investment policy of the fund, including options available to members to allocate their contributions and funds comprising their accounts to separate funds;
 - (h) report the net annual rates of return on the fund (or for each separate fund available for members to allocate their contributions and funds) and the investment expense percentage (including a breakdown of the different types of investment expenses) for the current year and prior 4 years (5 years in total); and
 - (i) projections of potential retirement benefits under different investment scenarios.

7. The benefit statement of a defined benefit fund must include—

- (a) Member's membership or employee number or other unique identifier, current municipal address, e-mail address, date of birth, gender, marital status, date on which the member became an active member, date on which the member became a deferred member or retired member, if applicable, the pensionable service date applied to the member's benefit calculation, member's pensionable salary and contribution rate, date of retirement or early withdrawal if applicable, and identity(ies) of beneficiary(ies);

- (b) active member's or deferred member's or retired member's accrued benefits, or benefits in payment, including death and disability benefits if applicable, and, as applicable, contribution data, as shown in tabular format in Schedule 2 to this Standard;
- (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 rules of the fund, and that may be reasonably expected to produce a material change in the fund's financial soundness or solvency position.
- (e) in the case of a defined benefit fund, in respect of a retired member—
 - (i) the amount of benefit paid to the member during the current year;
 - (ii) the amount of benefit to be paid to the member in the following year;
 - (iii) the amount of benefit increase for the year of report attributed to cost-of-living benefit or allocation of fund surplus; and
 - (iv) the solvency ratio of the fund as at the date of the most recent report on the financial condition of the fund.
- (f) in the case of a defined benefit fund, in respect of an active member or a deferred member—
 - (i) the contributions of the active member for the current year, indicating which portion of contributions are additional voluntary contributions;
 - (ii) the accumulated contributions of the active member or deferred member to the end of the current year;
 - (iii) the accrued benefit in respect of the member's service to the end of the current year;
 - (iv) the retirement benefit that is expected to be accrued in the year following the year of the report; and

- (v) the solvency ratio of the fund as at the date of the most recent report on the financial condition of the fund.
8. In accordance with clause 2(b), a retirement fund must provide notices which must include—
- (a) notice of any annual meeting of active members, retired members and deferred members;
 - (b) notice of meetings held to provide information regarding management of investment portfolios as required by Standard No. RF.S.5.18;
 - (c) notice of potential mergers or sale or discontinuance of business segments that will impact the fund;
 - (d) notice of the suspension of employer contributions whether as a result of utilisation of fund surplus or otherwise; and
 - (g) notice of forthcoming rule amendments together with a description of the impact of such amendments on the fund or its members.

Matters in respect of communication with contributing employers

9. A retirement fund must—
- (a) ensure that its communications with contributing employers are clear, complete and accurate; and
 - (b) provide contributing employers with the following:
 - (i) all matters required to be notified to contributing employers pursuant to Standards No. RF.S.5.13 and RF.S.5.17;
 - (ii) notification of all meetings of the board and meetings of active members, retired members or deferred members;
 - (iii) notice of any legal action taken against the fund or the board and an explanation of the status of the response by the board;

- (iv) summary of all complaints made by active members, deferred members or retired members and evidence of the resolution or other disposition of such complaints;
- (v) copies of all reports required to be prepared under the Act including the audited financial statements, valuator's report if applicable and investment manager's quarterly and annual reports;
- (vi) where a mortgage held by an active member, retired member or deferred member is two months' payments in arrears, and the contributing employer has given a guaranty to the fund in respect of such mortgage, a notice to the contributing employer of the arrears together with a demand for the calling up of the guarantee;
- (vii) where a member of the board has breached the code of conduct applicable to the board, a notice of the breach including the investigative actions taken by the board, the deliberations and findings of the board, and the action to be, or that has been, taken by way of sanction pursuant to Standard No. RF.S.5.20;
- (viii) notice of any material concerns raised by any service provider to the fund whether in a required report to the board or otherwise and an explanation of the disposition of those concerns; and
- (ix) request for information concerning any report or article published in the media concerning the corporate, financial or other status of the contributing employer where such report or article may reasonably be interpreted as involving the retirement fund directly or contingently.

SUPPORTING SCHEDULES

Schedule 1: Benefit statement for a defined contribution fund

Schedule 2: Benefit statement for a defined benefit fund

DRAFT

SCHEDULE 1

Benefit statement for a defined contribution fund

Name and ID (if applicable)					
Date of Birth					
Current residential address					
Email address					
Status – AM¹ or DM² or RM³					
Date became AM or DM or RM					
Beneficiary of record					
IF APPLICABLE					
Elected Allocations of Active Member Contributions to Specific Investment Funds (describe fund and indicate % allocation):					
Fund A					
Fund B				A%	
Fund C				B%	
IF NOT APPLICABLE DO NOT INCLUDE				C%	
Individual Account Data:					
NOTE: Only applies to retired members if programmed withdrawal form of retirement income was elected					
Balance end of prior year = (a)					
Active Member contributions received – nil for deferred members and retired members = (b)					
Employer(s) contributions received – nil for deferred members and retired members = (c)					
Investment Income received or allocated = (d)					
Expenses assessed = (e)					
Benefits paid to member = (f)					
Balance end of current year = [(a)+(b)+(c)+(d) –[(e)+(f)]					
Investment Policy					
Include a brief description of the retirement fund’s investment policy.					
Investment Rates of Return – most recent five years					
	CY	CY-1	CY-2	CY-3	CY-4
ROI					

¹ Active Member

² Deferred Member

³ Retired Member

Investment Expense % -see below					
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Determine as $IE\% = 2 * (\text{Total Investment Expenses}) / [\text{Fund at beginning of year} + \text{Fund at end of year}] * 100$

$$EG\ IER = \{2(2800) / (105500 + 117500)\} * 100 = 2.51\%$$

DRAFT

SCHEDULE 2

Benefit statement for a defined benefit fund

Name and ID (if applicable)	
Date of Birth	
Current residential address	
Email address	
Status – AM⁴ or DM⁵ or RM⁶	
Date became AM or FM or RM	
Beneficiary of record	
Individual Benefit Data:	
Accrued benefit end of prior year = (a)	
Benefit accrued to an AM during the year according to the fund rules= (b) Note: this is nil for a DM or RM	
Benefits awarded during the year for cost of living adjustments or from allocations of surplus = (c)	
Accrued benefit end of current year = (a)+(b)+(c)	
AM’s contributions - accumulation at end of prior year	
AM’s own contributions received during year	
AM’s contributions – accumulation at end of current year	
<u>Fund Financial Condition Information</u>	
As of the last investigation by the fund’s valuator:	
The fund was fully funded on a going concern basis Or The fund was not fully funded on a going concern basis and the funded ratio was ____%. The funding deficit is being met by additional employer payments over the next ____ years.	
The fund was fully funded on a termination of fund basis Or The fund was not fully funded on a termination of fund basis and the solvency ratio was ____%. The solvency deficit is being met by additional employer payments over the next ____ years.	

⁴ Active Member

⁵ Deferred Member

⁶ Retired Member