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## 1. INTRODUCTION

- 1.1 In exercise of the powers conferred by Section 33 of the Financial Services Regulatory Act, 2010, which empowers the Authority to issue guidelines for providing guidance in furtherance of its regulatory objective, the Financial Services Regulatory Authority hereby issues this Guideline for Retirement Fund Administrators.
- 1.2 The Guideline supplements but do not replace the Retirement Act, 2005 as well as the rules, regulations and circulars governing the retirement funds industry.
- 1.3 This guideline applies to all Fund Administrators and it provides information about the expectations of the Financial Services Regulatory Authority on the administration of retirement funds. The objective of this guideline is to promote the sound operation of retirement fund administrators. This in turn will contribute to the prudent administration of retirement funds.

## 2. DEFINITIONS

In this guideline, unless the context otherwise indicates-

“**Act**” means the Retirement Funds Act, 2005;

“**administrator**” in relation to a retirement fund, means any juristic person who has been approved by the Registrar as an administrator in terms of Section 66 of the Act;

“**fund bank account**” means a bank account maintained by a retirement fund in terms of section 17 of the Act;

“**management board**” means the body as contemplated in section 8 of the Act which has been entrusted with control over the retirement fund;

“**trustee**” means a member of the management board.

## 3. COMPLIANCE WITH STANDARDS BY ADMINISTRATORS

3.1 Subject to sub-section 3.2 below, an administrator shall, at all times, comply with all the standards set out hereunder and the registration requirements set out in the Act.

3.2 An administrator that is already registered when these standards are issued shall:

3.2.1 Comply with the standards, other than the capital adequacy requirement set out in sub-section 5.3, within twelve (12) months from the date of issue; and

3.2.2 Comply in full with the capital adequacy requirement set out in sub-section 5.3 within forty eight (48) months from the date of issue, and comply in part with such requirements as follows: E1,200,000 within twelve (12) months; E1,800,000 within twenty four (24) months; and E2,400,000 within thirty six (36) months of the date of issue.

#### **4. BUSINESS OF AN ADMINISTRATOR**

The memorandum and articles of association of an administrator shall include retirement fund administration as one of its primary objects.

#### **5. MAINTENANCE OF ADEQUATE CAPITAL AND LIQUIDITY**

An administrator shall maintain adequate capital and liquidity to enable it to meet its obligations promptly and in full. In particular, the administrator must satisfy the following requirements:

- 5.1 The administrator shall prepare business plans, which shall include financial projections and a description of plans for financing growth over at least the next three (3) years of operation. Updated business plans shall be submitted at every renewal of the administrator's registration. The business plans shall describe sources of capital that are available to ensure that business will be adequately capitalized at all times.
- 5.2 The administrator shall describe its capital structure by giving details of its authorised share capital, paid up share capital, total issued shares and the par value of each issued share. The administrator shall also list all persons who hold five (5) per cent or more of the issued shares and indicate the number of the shares held by each such person.
- 5.3 The administrator shall maintain minimum capital of E3, 000,000.00 (three million Emalangen), with not less than forty (40) per cent of the minimum capital consisting of liquid assets.

#### **6. SERVICE LEVEL AGREEMENTS**

- 6.1 An administrator must enter into a service level agreement, which is duly authorised and signed by the trustees and administrator, prior to the commencement of administrative functions with regard to a particular retirement fund.
- 6.2 A service level agreement shall, at a minimum, specify:

- 6.2.1 The particular tasks or functions that are to be delegated to the administrator which may include monitoring the collection of contributions, processing of claims from members, handling the allocation of contributions to meet the costs of risk benefits, housing loan administration and maintaining fund records as provided for in the fund rules;
- 6.2.2 The reports and other information that will be provided by the administrator to the management board and the timelines for its provision, which will support monitoring by the management board of the implementation of the service level agreement;
- 6.2.3 The duties and responsibilities of the management board in relation to the work of the administrator;
- 6.2.4 The remuneration to which the administrator will be entitled including the basis on which the administration fee and other charges will be calculated, including any fees payable after the termination date of the service level agreement;
- 6.2.5 That all records pertaining to the administration of the retirement fund remain the property of the fund and must be available for review by the fund within a reasonable period but not exceeding seven (7) working days from the date of request;
- 6.2.6 The obligation of the administrator to maintain a valid professional indemnity and fidelity guarantee insurance;
- 6.2.7 The extent to which the administrator will act as a liaison between the fund and other service providers of the fund such as auditors, valuers, asset managers and consultants;
- 6.2.8 The role of the administrator in managing fund bank accounts, which must be in compliance with section 8 of these standards;
- 6.2.9 The procedure to be followed in the event of a breach of any of the conditions contained in the service level agreement;
- 6.2.10 A statement that any amendment to the service level agreement shall be in writing, effected by way of an addendum or new agreement and notified to the Registrar;

- 6.2.11 the conditions for termination the service level agreement, including a provision empowering each party to the agreement to terminate the agreement on notice.
- 6.2.12 The responsibilities of the administrator and the management board following termination of the service level agreement, which must be in compliance with section 7 of these standards.
- 6.2.13 A comprehensive dispute resolution mechanism to be used by the parties in relation to any dispute that might arise.

## **7. TERMINATION OF ADMINISTRATION**

- 7.1 Where a service level agreement is terminated the administrator shall inform the Financial Services Regulatory Authority in writing, within thirty (30) days of receipt or giving of such notice of termination, giving reasons for the termination.
- 7.2 The management board may appoint a new administrator, subject to the approval of the Registrar, or decide to self-administer the fund.
  - 7.2.1 If the management board appoints a new administrator, the responsibilities of current administrator to administer the fund shall continue until not more than ninety (90) days of the date of approval of the new administrator by the Financial Services Regulatory Authority, unless the transfer of information, data, and records to the new administrator has been completed at an earlier date.
  - 7.2.2 If the management board decides to self-administer the fund, the responsibilities of the current administrator to administer the fund shall continue until not less than ninety (90) days from the date of notice of termination, unless the transfer of information, data, and records to the management board has been completed at an earlier date.
- 7.3 The current administrator shall within ninety (90) days of the date of approval of a new administrator by the Financial Services Regulatory Authority, or within ninety (90) days of the date of notice of termination, if the management board has decided to self-administer the fund, provide the new administrator or the management board with all information, data and records available to it and necessary for the ongoing administration of the fund. The format of such information shall be agreed between the current administrator and the new administrator or the management board. The information shall include, but is not limited to:

- a) copies of annual financial statements;
- b) valuation reports where applicable;
- c) benefit claim forms (claims in process or pending);
- d) contribution schedules;
- e) housing loans granted in terms of Section 32 of the Act;
- f) original signed agreements between the fund and external parties, under the control of the administrator,
- g) all insurance policy documents;
- h) reports of member fund credits;
- i) titles relating to assets;
- j) assets register;
- k) minute books, if the current administrator performed secretariat functions on behalf of the fund;
- l) member details;
- m) investment choices;
- n) salaries of active members;
- o) pensioner and beneficiary details;
- p) payroll details;
- p) banking details;
- o) reconciliation of the fund bank accounts; and
- p) benefits and contributions as at date of transfer.

7.4 Where any of the above information is needed by the new administrator or the management board before the effective date of the termination of administration by the current administrator, the current administrator shall use its best efforts to make such information available when it is needed.

7.5 The management board must assist the new administrator to obtain from the current administrator outstanding information including information relating to any task performed by the current administrator in terms of the service level agreement.

## **8. FUND BANK ACCOUNT**

8.1 A fund bank account shall be established in the name of the retirement fund for the sole purpose of facilitating the safe and efficient administration of contributions and other income received and benefits and other payments to be made by a retirement fund. If an administrator has any involvement in the administration of a fund bank account the

management board and the administrator must stipulate the conditions relating to the administrator's involvement in the service level agreement.

8.2 The conditions relating to the administration of a fund bank account must include the following:

8.2.1 The fund bank account shall be established and/or maintained in such a manner that the account does not form part of the administrator's assets;

8.2.2 The payment of large amounts out of the fund bank account shall be subject to the approval of the management board and such amount must be specified in the service level agreement;

8.2.3 Where contributions and other amounts received are to be transmitted to an investment manager, the administrator shall do so within seven (7) working days from the date of receipt;

8.2.4 A benefit payable to a beneficiary must be paid in the name of the beneficiary in compliance with Circular No. 2/2013 and in respect of a minor beneficiary, payment should be made in accordance with section 33 of the Act;

8.2.5 The administrator shall reconcile the fund bank account not less frequently than monthly;

8.2.6 The administrator shall use its best efforts to resolve any discrepancies identified during reconciliation within seven (7) working days after the reconciliation has been done;

8.2.7 The administrator shall report bi-annually to the Financial Services Regulatory Authority on the fund bank accounts under its administration in terms of Part A of Form PS1; and

8.2.8 The administrator shall report bi-annually to the Financial Services Regulatory Authority the signatories to the fund bank accounts and the investment accounts of each fund under its administration in terms of part B of Form PS 1.

## **9. ANTI-MONEY LAUNDERING AND COMBATING OF TERRORIST FINANCING**

The administrator shall put in place systems to deter and detect money laundering and terrorist financing activities and shall report any suspected money laundering and terrorist financing activities in the fund bank accounts of a retirement fund under its administration to the SFIU in terms of the Money Laundering and Terrorist Financing (Prevention) Act, 2011.

## **10. RECEIPT AND TRANSMISSION OF DOCUMENTS OF TITLE**

- 10.1 Whenever a document of title relating to assets held by a fund or to be held in custody on behalf of a fund by virtue of the fund's registered office being the address of an administrator, comes into the possession of the administrator, the latter shall notify the management board of the receipt of such documentation.
- 10.2 The administrator shall forthwith transmit any such documents of title to the management board or the custodian of the fund.

## **11. PROCEDURES AND CONTROLS**

An administrator shall establish and maintain administration procedures, accounting procedures and internal controls that are adequate and effective to ensure the accurate, complete and timeous processing of data, information reporting, data integrity and the safe guarding of funds' records and data.

## **12. SYSTEMS**

- 12.1 An administrator shall ensure that its administration systems are adequate, effective and capable to deal with any of the types of funds under its administration.
- 12.2 A lease or purchase agreement in respect of systems utilised by the administrator shall state that all records and data in respect of the fund which were maintained on that system will be secured at the termination of such agreement and shall remain the property of the fund.
- 12.3 Administration systems shall enable the administrator to provide adequate information to enable the management boards of funds under its administration to properly manage the respective funds and to comply with any reporting requirements in terms of the law.

- 12.5 Where an administrator intends to migrate its administration to another system, it shall notify the Registrar in advance of such intention and provide confirmation that such new system will comply with the requirements of this Directive.
- 12.6 Prior to an administrator migrating to a new system it shall notify the management board of a fund affected by the migration.
- 12.7 Within six (6) months of the completion of the migration the administrator shall require its auditor to perform an audit confirming that the migration of the system has been completed and report the findings of such audit to the Registrar and to the management boards of the funds whose administration was migrated to the new system.
- 12.8 An administrator shall submit a risk management report on the systems and internal controls of its operations annually in terms of Form PS 2.
- 12.9 An administrator shall require its auditor to perform an audit of its systems and internal controls not less frequently than once every three (3) years and submit the report on such audit to the Registrar.
- 12.10 An Administrator shall, to the extent appropriate, put in place a disaster recovery procedure in relation to its functions to enable it to continue to provide the services to the fund without any major avoidable interruption if a disruption of its system occurs. The fund administrator shall:
- (a) Maintain a copy of back up files offsite;
  - (b) Back up the information on a daily basis; and
  - (c) Outline the procedure for back up.

**FUND ADMINISTRATORS BI-ANNUAL RETURNS**

# Form PS 1

**Name of  
Administrator:  
Registration  
Number:  
Report for  
period ending:**

|  |  |
|--|--|
|  |  |
|  |  |
|  |  |

### A. Funds Facilitation/Trust Accounts in terms of Section 8 of the Prudential Standards

[illegible]

|                               |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
|-------------------------------|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--|----------|----------|----------|
| 2                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| 3                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| 4                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| 5                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| <b><u>Provident Funds</u></b> |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| 1                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| 2                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| 3                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| 4                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
| 5                             |              |          |          |          |          |          |          |          |          |          |  |          |          |          |
|                               | <b>Total</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |  | <b>0</b> | <b>0</b> | <b>0</b> |

## NOTES

| <b>Section A</b> |                  |                                                                  |
|------------------|------------------|------------------------------------------------------------------|
|                  | <b>Fund Name</b> | <b>Reason for Variance in expected Vs received Contributions</b> |
| 1                |                  |                                                                  |
| 2                |                  |                                                                  |
| 3                |                  |                                                                  |
| 4                |                  |                                                                  |
| 5                |                  |                                                                  |
| 6                |                  |                                                                  |

**B. Report on members transfers - supplement to regulation 12 of the Retirement Funds Regulations**

**Breakdown of Transfers**

|                      | Name of Fund          | # of members Transferred in | # of members Transferred out | Name of Fund transferred from/to | Effective date of transfer | Amount transferred | Amount received | Amount outstanding |
|----------------------|-----------------------|-----------------------------|------------------------------|----------------------------------|----------------------------|--------------------|-----------------|--------------------|
| <b>Transfers in</b>  |                       |                             |                              |                                  |                            |                    |                 |                    |
| 1                    |                       |                             |                              |                                  |                            | E                  |                 | E                  |
| 2                    |                       |                             |                              |                                  |                            |                    |                 |                    |
| 3                    |                       |                             |                              |                                  |                            |                    |                 |                    |
| 4                    |                       |                             |                              |                                  |                            |                    |                 |                    |
| <b>Transfers out</b> |                       |                             |                              |                                  |                            |                    |                 |                    |
| 1                    |                       |                             |                              |                                  |                            |                    |                 |                    |
| 2                    |                       |                             |                              |                                  |                            |                    |                 |                    |
| 3                    |                       |                             |                              |                                  |                            |                    |                 |                    |
|                      |                       |                             |                              |                                  |                            |                    |                 |                    |
|                      | <b><u>Summary</u></b> | <b># of Transfers</b>       | <b>Transfers in</b>          | <b>Transfers out</b>             |                            |                    |                 |                    |
|                      | -                     |                             | E                            | E                                |                            |                    |                 |                    |
|                      | Transfers in progress |                             |                              |                                  |                            |                    |                 |                    |

|  |                               |          |          |          |
|--|-------------------------------|----------|----------|----------|
|  | Number of transfers received  |          |          |          |
|  | Number of transfers finalised |          |          |          |
|  | Outstanding Transfers         |          |          |          |
|  |                               |          |          |          |
|  | <b>Total</b>                  | <b>0</b> | <b>0</b> | <b>0</b> |

**C. Funds under Liquidation - Supplement to section 40 and 41 of the Retirement Funds Act**

|   | <b>Name of Fund</b> | <b># of members</b> | <b>Total Assets</b> | <b>Name of Liquidator</b> |
|---|---------------------|---------------------|---------------------|---------------------------|
| 1 |                     |                     |                     |                           |
| 2 |                     |                     |                     |                           |
| 3 |                     |                     |                     |                           |

**D. Additional information in terms of Section 5 of the Prudential Standards**

You are requested to provide the following additional information. If already submitted, submit any changes during the period.

1. Service level agreements  
with Funds
2. List of signatories to funds' bank accounts, investments  
accounts per fund
3. Standard rate for  
administration fees

**Form PS 2**  
**RISK REPORT**  
**of ABC Administrators**

|  |   |   |   |
|--|---|---|---|
|  | 1 | 2 | 3 |
|--|---|---|---|

|            | Question                                                                                                                                                                      | Answer | Details/ Comments |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------------|
| <b>1</b>   | <b>Governance</b>                                                                                                                                                             |        |                   |
| <b>1,1</b> | Has there been any breaches of the service level agreement over the course of the last financial year with respect to the following:                                          |        |                   |
|            | <i>Termination of agreements</i>                                                                                                                                              |        |                   |
|            | <i>Remittance of contributions</i>                                                                                                                                            |        |                   |
|            | <i>Turnaround period with respect to :payment of benefits, issuing of benefit statements, issuing of financial review reports</i>                                             |        |                   |
|            |                                                                                                                                                                               |        |                   |
| <b>2</b>   | <b>Controls</b>                                                                                                                                                               |        |                   |
| <b>2,1</b> | Are there internal controls in place to monitor the above named breaches of the service level agreement with the retirement funds?<br><i>If "Yes", please provide details</i> |        |                   |
|            | <i>If "Yes", provide details of the internal control processes in place</i>                                                                                                   |        |                   |
| <b>2,2</b> | Do you send regular reports to the retirement funds?<br>How frequently do you send these reports?                                                                             |        |                   |
| <b>2,3</b> | Are there any claims outstanding beyond 12 months                                                                                                                             |        |                   |
|            |                                                                                                                                                                               |        |                   |
| <b>3</b>   | <b>Operational Risk - Systems</b>                                                                                                                                             |        |                   |

|     |                                                                                                                                             |  |  |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------|--|--|
| 3,1 | Were there any changes to the administration systems over the course of the last financial year?<br><i>If "Yes", please provide details</i> |  |  |
| 3,2 | Was there a failure in the operation of the administration system in the prior reporting period with respect to the following:              |  |  |
|     | System Crash (loss of data)                                                                                                                 |  |  |
|     | Wrong data (including wrong allocation of contributions)                                                                                    |  |  |
|     | Fraud cases                                                                                                                                 |  |  |
| 3,3 | Was there any system audit conducted during the year? If yes please attach report and If not indicate the date of the last system audit.    |  |  |
|     |                                                                                                                                             |  |  |
| 4   | <b>Systems Migration</b>                                                                                                                    |  |  |
| 4,1 | Were all funds informed of the migration?                                                                                                   |  |  |
| 4,2 | Has an audit been carried out on the new system? If yes submit report.                                                                      |  |  |

**Certification by the Chief Executive Officer**

I certify that the information provided above is correct, to the best of my knowledge.

.....  
Chief Executive Officer, administrator