



TRUSTEE MATTERS NEWSLETTER

1st March 2016, Volume 1, Issue 1

Welcome to our first edition of what we have titled 'Trustee Matters' newsletter. Our newsletter intends to provide you with a range of topical issues and information specifically related to the retirement fund industry in Swaziland and outside the Kingdom.

This newsletter is a communication tool which allows trustees and principal officers an opportunity to gain further industry insights, which include related trends guaranteed to enhance their knowledge and expertise to best serve retirement fund members. After all, since the advent of the legislation governing retirement funds in Swaziland, trustees and principal officers are faced with critical responsibilities in terms of the Retirement Funds Act, 2005. We invite your suggestions and look forward to hearing any ideas you might have or general observations related to the retirement fund industry in Swaziland. Please feel free to send any comments to info@fiduciaryts.com. You are also welcome to visit our website on www.fiduciaryts.com for more information about our company and the services we offer.



This newsletter is published by Fiduciary Trusteeship Services Swaziland; a company established primarily to support the function of management board of trustees in the Kingdom. Enjoy your reading and best wishes.

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CONTENT

Fit and Proper Guidelines

What do we mean when we speak of Fit and Proper Guidelines? Well, there have been several exciting developments unfolding in the retirement fund industry. Consequently, in this particular section we highlight some key relevant aspects which are geared to heighten the functionary role of trustees and principal officers.

In terms of the Fit and Proper Guidelines first issued by the Registrar of Insurance and Retirement Funds in October 2009, trustees and principal officers must be fit and proper, which include the following criteria;

- ✓ good character,
- ✓ honesty and or integrity

- ✓ financial soundness
- ✓ competence, best measured by the ability to demonstrate, through appropriate qualifications and experience, the capacity to successfully undertake the responsibility of the position.

Moreover, as recently as in October 2014, the Financial Services Regulatory Authority (FSRA) as part of the Fit and Proper Guidelines, further issued specific minimum competency requirements and minimum years of experience for key officials, including that of trustee and principal officer. These competency requirements have been summarised next.

Minimum Competency Requirements and Minimum Years' Experience for Key Functionaries

Key Functionary	Minimum competency requirements	Minimum years of industry experience	Continuous professional development requirements	Date by which all qualifications should be obtained
Trustees of a Retirement Fund, Umbrella Fund, Beneficiary Fund, or Preservation Fund	<ul style="list-style-type: none"> • Tertiary Qualification Demonstrate knowledge and understanding of the individual's basic rights and responsibilities under the Retirement Funds Act and fund rules • Demonstrate ability to use and interpret the Retirement Funds Act and fund rules and apply them to the role and responsibilities of Trustees of retirement funds • Knowledge of the Corporate Governance Guideline 	N/A	<ul style="list-style-type: none"> • Basics of Retirement Funds • Financial Literacy • Financial Investments 	December 2016
Principal officer of a Retirement Fund, Umbrella Fund, Beneficiary Fund or Preservation Fund	<ul style="list-style-type: none"> • Diploma in Human Resources or Law; Demonstrate knowledge and understanding of the individual's basic rights and responsibilities under the Retirement Funds Act and fund rules; and • Demonstrate ability to 	3 years	<ul style="list-style-type: none"> • Basics of Retirement Funds; and • Financial Literacy 	December 2017

	use and interpret the Retirement Funds Act and fund rules and apply them to the role and responsibilities of Trustees of retirement funds			
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Source: FSRA Fit and Proper Guidelines

- *The FSRA has stated that a Fit and Proper Test will be applied to key representatives prior to the appointment being approved.*
- *According to the FSRA, the development of the Fit and Proper Guidelines has the primary intention to ensure that all regulated entities including retirement funds comply with their statutory obligations and adopt sound business and corporate governance practices.*

Notably, the deadline for some of these minimum requirements to be attained is the end of 2016. Trustees and principal officers are therefore encouraged to familiarise themselves with the criteria.

Retirement Fund Reforms in Swaziland

Most readers will no doubt be aware that the office of the Registrar of Insurance and Retirement Funds (RIRF) has initiated the process of amending the current Retirement Funds Act 2005. Fittingly, the RIRF has conducted consultative processes with industry stakeholders who have been invited to submit comments and contributions towards the amendment of the legislation.

We must acknowledge and or recognize that these legislative reforms will further compel those responsible for the management of retirement funds to be completely aware of their fiduciary responsibilities in terms of the relevant law. So, principal officers and trustees are strongly urged to review the proposed amendments, which are available on the FSRA website on www.fsra.co.sz.

Establishment of Trustee and Principal Officer Association of Swaziland

In many jurisdictions, industry specific associations are established to provide a support mechanism to participants. Within the retirement fund industry, such associations are mainly created to do the following.

- ✓ promote professional standards;
- ✓ advocate members interest through dialogue with authorities who regulate the private pensions market; and
- ✓ encourage members to organise and attend conferences, seminars and other events in the field of pension fund management.

Industry stakeholders have identified the need to form an association in Swaziland with discussions having taken place with the Principal Officers Association of South Africa, now Batseta Council of Retirement Funds of South Africa. Hence, to achieve this objective of forming the association, we request that you indicate your interest by sending an email to info@fiduciaryts.com

Industry Trends - South Africa Tax and Retirement Reforms

As you might be well aware the South African government will soon be introducing key tax and retirement reforms from 1st March 2016. The reaction to this decision by the authorities in that country has been met with criticism, particularly by worker representatives who view the development as preventing workers from having access to their retirement benefits when they retire or if they change jobs.

Let's review the key policy changes which have been broken down in the table shown next.

<ul style="list-style-type: none"> • Encourage preservation, especially when changing jobs 	<ul style="list-style-type: none"> • Provident Fund members will continue to receive their provident fund savings in cash up to 1 March 2016 in the event of withdrawal or retirement • Linked to the above, do note that investment growth is unaffected by the new legislation. It is only contributions made after 1 March 2016, plus investment growth that will be subject to the new rules.
<ul style="list-style-type: none"> • Encourage annuitizing at retirement 	<ul style="list-style-type: none"> • Pension funds are required to annuitize (pay a monthly income), made up of two-thirds of the retirement benefit, with one third permitted to be taken as a cash lump sum. • Provident funds on the other hand have historically been allowed to pay the total benefit as a cash lump sum. However, in terms of the new legislation, the contributions plus growth made after 1 March 2016 will be subject to the annuity requirement. • The new rule provides that Provident fund members will only be entitled to one-third as a lump sum with the two-thirds to be used to purchase an annuity.

<ul style="list-style-type: none"> • Simplify the taxation of retirement contributions 	<ul style="list-style-type: none"> • In SA, there are currently three different treatments for allowable deductions for pension funds, provident funds and retirement annuity funds. • The new reforms intend to harmonise and or align the tax treatment of contributions across different retirement funds to simplify the calculation for allowable deductions. • In short, total contributions to all retirement funds would be given the same level of allowable deduction of 27.5% of taxable income or remuneration, capped at R350,000 per annum.
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The South African government points to the following as reasons for the proposed amendments;

1. to encourage household savings and ensure individuals are not vulnerable to poverty, especially after retirement.
2. Introduction of greater tax concessions ensuring retirement fund members are in a better position in financial terms.

As the debate continues, we highlight some notable facts related to pension systems around the world which are;

- occupational retirement funds are commonly referred to as the “second pillar” of a state pension system, the first being the national social security system with the third being non-compulsory private retirement savings schemes such as retirement annuity funds.
- In order to encourage participation, the state provides tax relief on contributions and the investment growth on those contributions.
- It is widely accepted that retirement funds play an important role in maintaining the standard of living of retirees.
- Theoretically occupational retirement funds help to reduce dependency on the state resulting in less budget expenditure towards social security.

Based on the above points, it may not be surprising that the Republic would have an interest in ensuring its country’s citizens retire with sufficient savings to sustain them at a time when most have no other source of income.

In an unexpected turnaround, the South African government has since announced the postponement of the requirement for Provident Fund members to purchase an annuity, for up to two years to allow further consultation with key stakeholders. We would be interested to hear your thoughts on the soundness of the new tax and retirement reforms in South Africa. Share your thoughts with us at info@fiduciaryts.com