

Retirement funds ‘neglect basic functions’

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Many retirement funds are placing the credibility of all retirement funds at risk by not carrying out the most basic of their functions in protecting and managing the retirement savings of members, Pension Funds Adjudicator Muvhango Lukhaimane says.

Lukhaimane told the 25th annual conference of the Institute of Retirement Funds this week that it is time for everyone in the retirement fund industry to rebuild the credibility of retirement funds as the vehicle of choice for saving for retirement.

She says that her office still has to deal with an astonishing number of cases where the basic functions of fund management have not been implemented, including ensuring that members receive benefit statements at least once a year.

The absence of benefit statements “contributes to the continued ignorance of members as to their retirement fund entitlements”, with the members often receiving far less than they expected, taking into account what they and their employers contributed, Lukhaimane says.

Although trustees, administrators and service providers may escape legal liability for failing to meet their basic responsibilities, she says that the damage that is done “to the confidence of members is often irreparable”.

“Every time there is negative media coverage – be it about Fidentia, the Private Security Sector Pension Fund or Trilinear – those of us in the industry are reminded of how easy it is to lose sight of our responsibilities to the members that have entrusted a substantial portion of their earnings to us.”

Lukhaimane emphasised that the trustees of your retirement fund bear the ultimate responsibility for protecting your hard-earned retirement savings from exploitation and theft.

She says that trustees should not fool themselves into believing that, once they have appointed a fund administrator and concluded a service agreement with it, they are absolved of their responsibility to ensure that proper records are kept.

Lukhaimane says she is concerned about the number of fund records that are having to be rebuilt following failures in administration.

“A delay in the payment of benefits to members and beneficiaries owing to the lack of proper record-keeping often leads to irreparable harm.”

Lukhaimane referred to a recent determination in which she ordered the former trustees of umbrella funds that were administered by consulting actuaries Dynam-ique to foot a R20-million bill to rebuild

the records of the funds. Before Lukhaimane's intervention, the trustees had been happy to pass on the cost of rebuilding the records to the members.

She says all those involved in the industry – regulators, legislators, funds and life offices – need to work together “to ensure that the promise that is made to a pension fund member is realised.

“It is probably the only way that the deficit of trust between the members and the beneficiaries, on the one hand, and the funds and administrators, on the other hand, can be eradicated,” Lukhaimane says.

Most people would find it difficult, if not impossible, to sustain themselves for three or more months without a regular source of income, yet many funds fail to pay withdrawal, retirement or even death benefits for an extended period of time, because proper records have not been kept, she says.

Lukhaimane says she is also concerned about employers that either pay contributions late into retirement funds' bank accounts or do not pay contributions at all, as well as employers that fail to register their employees as fund members and yet deduct retirement contributions from their employees' pay. These failings occur mostly with umbrella funds that cater for employees on the fringes of the formal economy – for example, security guards and cleaners.

It is the responsibility of fund trustees, together with the regulators, to ensure that employers comply fully with membership and contribution requirements, she says.

It is not good enough for trustees to say that employers have not registered employees as members or have not paid contributions, without stating what monitoring and compliance steps they have taken, Lukhaimane says.