

FINANCIAL SERVICES BOARD

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Date: 25 January 2007 e-mail: corliab@fsb.co.za

INFORMATION CIRCULAR 1/2007

To all approved retirement funds, insurers and fund administrators

EXTENSION FOR SUBMISSION OF RISK ASSESSMENT QUESTIONNAIRES

Numerous requests were received by this Office from trustees and industry bodies to grant a general extension to funds for the submission of the risk assessment questionnaire.

Extension is hereby granted until 31 March 2007, on condition that the trustees submit the questionnaire electronically. The electronic version is available on ftp://ftp.fsb.co.za/public/pfa/Risk_Assessment.exe

For ease of reference, the guidelines on electronic submissions are set out in Annexure B attached to our initial letter dated 31 August 2006 (attached).

Yours faithfully

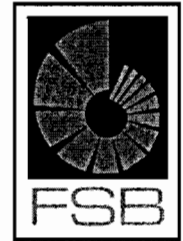
J.A. BOYD
DEPUTY EXECUTIVE OFFICER: RETIREMENT FUNDS

Board Members: Dr CDR Rustonjee (*Chairperson*) AM Sithole (*Deputy Chairperson*) BM Hawksworth Ms JV Mogadime
Ms LM Mojela Ms AMM Mokgabudi Prof PJ Sutherland Ms HS Wilton
Board Secretary: SB Makgalemele
Executive Officer: RJG Barrow



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Enquiries: C.M. Buitendag
Our ref:
Date: 31 August 2006

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TO WHO IT MAY CONCERN

QUESTIONNAIRE: RISK ASSESSMENT OF RETIREMENT FUNDS

The Financial Services Board (FSB) has developed a risk-based approach to supervision, which is being introduced across all departments in the organisation. The focus will be on identifying important risks to an institution and to incentives each institution to manage those risks.

Due to the large number of retirement funds under the supervision of this Office, it is not possible to conduct an initial assessment for each fund. The Risk Assessment Questionnaire has been designed to provide the FSB with relevant information from which an initial risk assessment can be performed.

Such assessment will only be regarded as an initial assessment and will only be for the use of the Registrar. The initial assessment score/rating will not be disclosed to the funds but will only be used to identify possible high-risk funds which may be subject to an on-site visit.

The initial assessment score/rating will be adjusted continuously based on the identified risk areas and internal risk assessment processes, which includes complaints, financial statements, inspections, etc.

The Risk Assessment Questionnaire is attached hereto as Annexure A, which must be submitted electronically. Please note that the Principal Officer is responsible for ensuring that the questionnaire is sent back to the FSB before or on 30 November 2006.

For ease of reference, the guidelines on electronic submissions are set out in Annexure B. The electronic version is available on ftp://ftp.fsb.co.za/public/pfa/Risk_Assessment.exe

Yours faithfully

MRS C.M. BUITENDAG
HEAD: PENSIONS – ENFORCEMENT & SURVEILLANCE

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Annexure A

RISK ASSESSMENT QUESTIONNAIRE

Fund No:

Fund name:

Assessment year: 2006

Administrator number: 24/

Administrator name:

Total Asset value: R

Total membership:

	Question	Yes	No	Comment (where Yes or No is inappropriate)
1.	Investment			
1.1.	Has the board established and implemented an investment strategy, which is available in writing, and which has been signed off by the actuary to the fund?			
1.2.	Who manages the investments: (a) An investment manager registered under FAIS other than the sponsor? (b) The sponsor (or a subsidiary of the sponsor)? (c) Fund itself (through its board or a subcommittee)? Kindly give the percentages of the total asset value of the fund administered by each.			%

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1.3.	(a) Is investment performance monitored regularly? (b) Where you do monitor investment performance, please rate your investment manager's performance over the medium term on a scale of 1 to 5 (1 being excellent, 2 being very good, 3 being average, 4 being poor and 5 being very poor) Notes: - Where the investment manager has managed your investments for less than 5 years, rate the full period for which investments have been managed - Where more than one investment manager handles your investments, please identify the investment manager and provide a score per investment manager.			
1.4.	Is the investment strategy reviewed at least once a year?			
1.5.	(a) Is there individual member choice over investments? (b) Where so, (1) Is each portfolio in which members can invest compliant with regulation 28? (2) Is there a default portfolio selected or managed by the trustees?			
2.	Administration			
2.1.	(a) Is administration performed in-house by the fund, itself, or by employees of the sponsor, or by a specialist administrator which has been appointed by the sponsor with the primary purpose of administering this fund? OR (b) Is the administration performed by a specialist administrator, which is independent of the fund or the sponsor? Note 1: The sponsor could be the employer, or a trade union in the case of a negotiated fund, or a bargaining council.			

2.2.	(a) Over the course of the last financial year were there any arrear contributions? (b) Where so, (1) How many months of arrear contribution payments were reported to the trustees? (2) Kindly express the arrear contributions as a percentage of the contribution collections. (3) Were any of these incidents handed over to the Directorate of Public Prosecutions? (4) Kindly express the amount of late payment interest as a percentage of the late contributions.			months % Yes / No only. No comments %
2.3.	(a) Has the board received complaints regarding the administration of the fund during the year (which will include benefit payments, answering queries, switching moneys between investments, and communication to members)? (b) Were the complaints resolved?			

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2.4.	(a) Is there a signed Service Level Agreement (SLA) between the fund and benefit administrator?² (b) Has the Board experienced any problems with administration standards? (1) No, within the SLA (2) Sometimes (but not materially) over and above the SLA (3) Materially over and above the SLA (but you are satisfied with the steps being taken to address the problems) (4) Materially over and above the SLA and you are not satisfied with the steps being taken to address the problems (which should indicate that you will tender for replacement of the administrator as soon as practicable)? (c) Please rate your administrator on a scale of 1 to 5, with 1 being excellent, 2 being very good, 3 being average, 4 being poor and 5 being so poor that you are intending to tender for replacement of the administrator. (This must be completed, even where the administration is performed in-house) Note 2: The SLA is the service level agreement with the administrator, which will state time frames within which the administrator expects to perform (such as the making of different types of benefit payment).			
2.5.	What benefit structure does your fund have? (a) Defined Contribution (b) Defined Benefit (c) Hybrid			
2.6.	Has the administrator recently had any problems accommodating the benefit structure within its systems without manual intervention?			
2.7.	After the lodgement of the claim, does the fund's administrator settle death claims: (a) within 6 months?			

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	(b) between 6 months and 12 months? (c) between 12 months and 18 months? (d) more than 18 months?				
2.8.	Is the annual benefit statement compliant with PF Circulars 86 and 90?				
2.9.	Were annual benefit statements issued to members/ pensioners?				
2.10.	Is there any process in place to ensure that annual benefit statements issued via the employer or intermediary are received by members?				
2.11.	Have there been any complaints to the board concerning non-receipt of members/pensioners benefit statements?				
3.	Umbrella Fund and Retirement annuity fund questions (not applicable to ordinary funds)				
3.1.	Does the sponsor subsidise the administration and / or trustee costs of the fund?				
3.2.	Is the sponsor one of a group of companies, which offers various financial services?				
4.	Management and Control				
4.1.	Is the fund managed by a board with at least half of the members of the board elected by members of the fund?				
4.2.	Does the board evaluate, at least once a year: (a) Its own performance? (b) The performance of the Principal Officer? (c) The performance of consultants? (where applicable) (d) The performance of the benefit administrator?				

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4.3	Does the board operate by means of a code of conduct, which stipulates that the board members act independently of the sponsor and of their constituencies and with a duty to disclose any conflicts of interest? Note: Where the fund has a code, but the code or any associated documentation does not require you to act independently of your constituencies and the sponsor and with full disclosure of any conflicts of interest, the answer is "no".			
4.4.	Were service providers appointed after a tender process involving competitive quotations?			
4.5.	When was the last time the fund's services were put out to tender (in years) - please answer separately for each type of service below: (a) administration (b) investments (c) insurance (d) actuarial (where applicable) (e) benefit consultancy (where applicable) (f) investment consultancy (where applicable) Note: Where you do not use any of these services, please leave it blank.	Years		
4.6.	Do you have a contract with each service provider which specifies service levels and / or benchmarks by which the provider's performance will be measured?			
4.7.	(a) Does the Principal Officer have the necessary experience? (b) Is the Principal Officer appointed by (1) the board? (2) the sponsor?			

4.8.	Is the Principal Officer an employee of the sponsor?			
4.9.	Where your fund is administered in-house, is the board satisfied with the information provided to them on service performance?			
4.10.	How old are the systems used to administer your fund? (In years)			
4.11	Who developed your system? (a) The administrator? (b) A software house which specialise in the development of administration systems for pension funds? (c) Other			
4.12.	Is there any need for manual intervention in order to run your fund?			
4.13.	Has the fund arranged adequate fidelity guarantee and indemnity insurance?			
4.14.	Has the board performed a risk assessment exercise?			
4.15.	Has the board a risk management programme in place?			
4.16.	(a) Are there any indications of fraud being perpetrated against the fund? (b) Where so, how serious is it: (1) not at all serious (2) serious but manageable (3) very serious			
4.17.	(a) Has the fund lodged any claims in terms of its fidelity insurance? (b) Has the fund lodged claims against any service providers which have been settled by the service provider or the service provider's fidelity insurance?			

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4.18.	Please rate the performance of your (a) auditor (b) actuary (where applicable) (c) benefit consultant (where applicable) (d) investment consultant (where applicable) Please use a score of 1 to 5, with 1 being excellent, 2 being very good, 3 being average, 4 being poor and 5 being very poor.		
5.	Access to additional funding		
5.1.	Is the employer able and willing to contribute additional moneys to the fund to meet any shortfall?		
6.	Financial Intelligence Centre Act (FICA)		
6.1.	Are there processes in place to report suspicious or unusual transactions?		

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

.....
Chairperson, board of management of the fund

AND

.....
Principal Officer

Please note that the Principal Officer is responsible for ensuring that the questionnaire is sent back to the Financial Services Board on or before 30 November 2006. Where the Principal Officer is unable to get the approval of the chairperson of the board of management of the fund within this time period, the Principal Officer must submit the questionnaire without the chairperson's signature and this will be taken into account in assessing the effectiveness of the board of management.

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Guidance on the electronic submission of the Risk Assessment Questionnaire

1. The link to download the Magic software to submit the Risk Assessment Questionnaire electronically to the FSB is as follows:
ftp://ftp.fsb.co.za/public/pfa/Risk_Assessment.exe
2. On the screen " Display questionnaire" (top left), click on the button "Add Questionnaire" and complete the 'Fund number'1, 'Fund name', 'Assessment Year'2, 'Administrator number'3 'Administrator name', 'Total asset value'4 (to the nearest Rand value) and 'Total membership'4 and click on "save" to complete the entry or on "cancel" to erase the entry.
 - 1 'fund number' - Only the middle part of a fund number that follows the 12/8 prefix should be captured.
 For instance, if a fund with number 12/8/3467/2 is to be specified; only 3467 should be captured in the relevant field.
 - 2 'Assessment Year' = 2006
 - 3 'Administrator number' – kindly provide the 24/ approval number. Example 24/123
 If the fund is an own administrator, please enter 24/0 in this field.
 - 4 The total asset value and total membership as displayed in the latest financial statements of the funds.
3. Click on the button "Modify Questionnaire" to have the option to change any of the fields captured above.
4. The 'Delete Questionnaire' button gives the option to delete the complete questionnaire.
5. Click on the button 'Open Questionnaire' and complete the risk assessment questionnaire. The complete questionnaire is displayed.
 - The questions have a dropdown menu to choose the appropriate answer from. If a question does not have a dropdown menu, kindly complete the comment field.
 - Additional information as requested must be completed in the comment field.
 - Applicable notes to the questions are displayed in red at the top of the screen.
 - Notes in blue at the bottom of the screen will indicate why a question is enabled.
 - In the first question "info", the class of fund must be specified as an 'ordinary', 'umbrella' or 'retirement annuity (RA)' fund. Question 3 is only applicable to umbrella and retirement annuity funds.

6. When all questions answered click on the "finish" button to be taken to questionnaire screen

Warning: DO NOT USE " ; \ * " in any field as the export program uses these characters as delimiters.
7. The program will automatically validate if all the questions where answered and comments where completed. Click on the button "Validate Questionnaire" and a list of validation errors are displayed. Click on the back arrow to be taken back to the questionnaire to make the changes and submit the questionnaire again as described previously or else click on the finish button to be taken to the questionnaire screen.
8. Click on the button "Merge Questionnaire" button to produce the Risk Assessment Questionnaire in a Word format from the Magic software. The information captured on the electronic questionnaire will be displayed in the Word document. The document must be printed and signed by the Chairman of the Board and the Principal Officer of the fund.
9. The scanned version of the duly signed Risk Assessment Questionnaire must be scanned and linked as a PDF file. Use the button "Link PDF" to link the file. To link the file you would have to search (using the F5 option) and then select the applicable PDF files and click on save. You will then be redirected back to the questionnaire screen.

Warning: The Risk Assessment Questionnaire will only be able to export if the questionnaire's validation is successful and a .pdf file is linked.
10. Once the fund's risk assessment questionnaire has been validated it can be exported to the FSB. The button "Export questionnaire" will export the fund's risk assessment questionnaire automatically to the FSB. Kindly note that to export the file your e-mail must be open and if you received warning screens stating that a program is accessing your e-mail selected the "yes" option each time to finish the export process.
11. You will see the e-mail (exported file) sent to the FSB in your "Sent items" of your e-mail program.
12. It will directly be imported in the FSB system and the fund number will be validated against the FSB system. You will receive an e-mail from the FSB, confirming that the import was successful or why the import was rejected.