

Outsourcing pensioners – some legal and commercial basics

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PENSION LAWYERS

ASSOCIATION

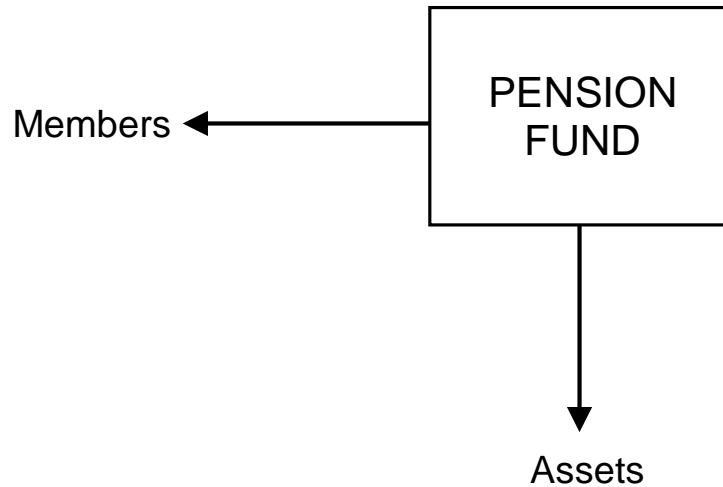


Outline

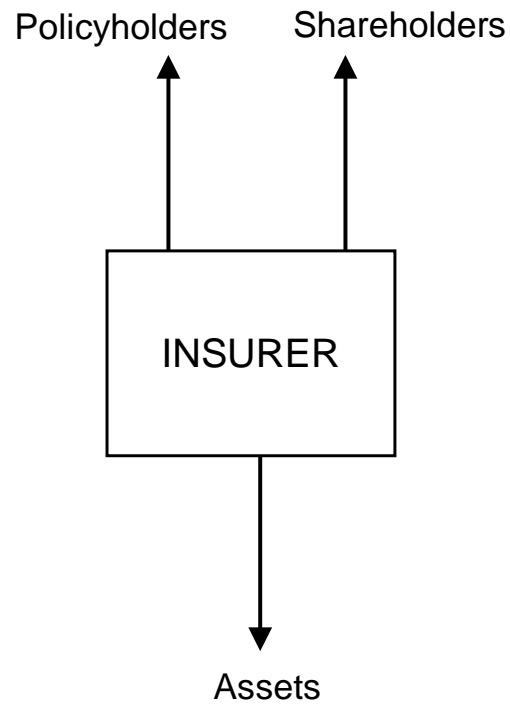
- Fundamental legal arrangements and key risk allocation
- Some procedural basics and typical errors



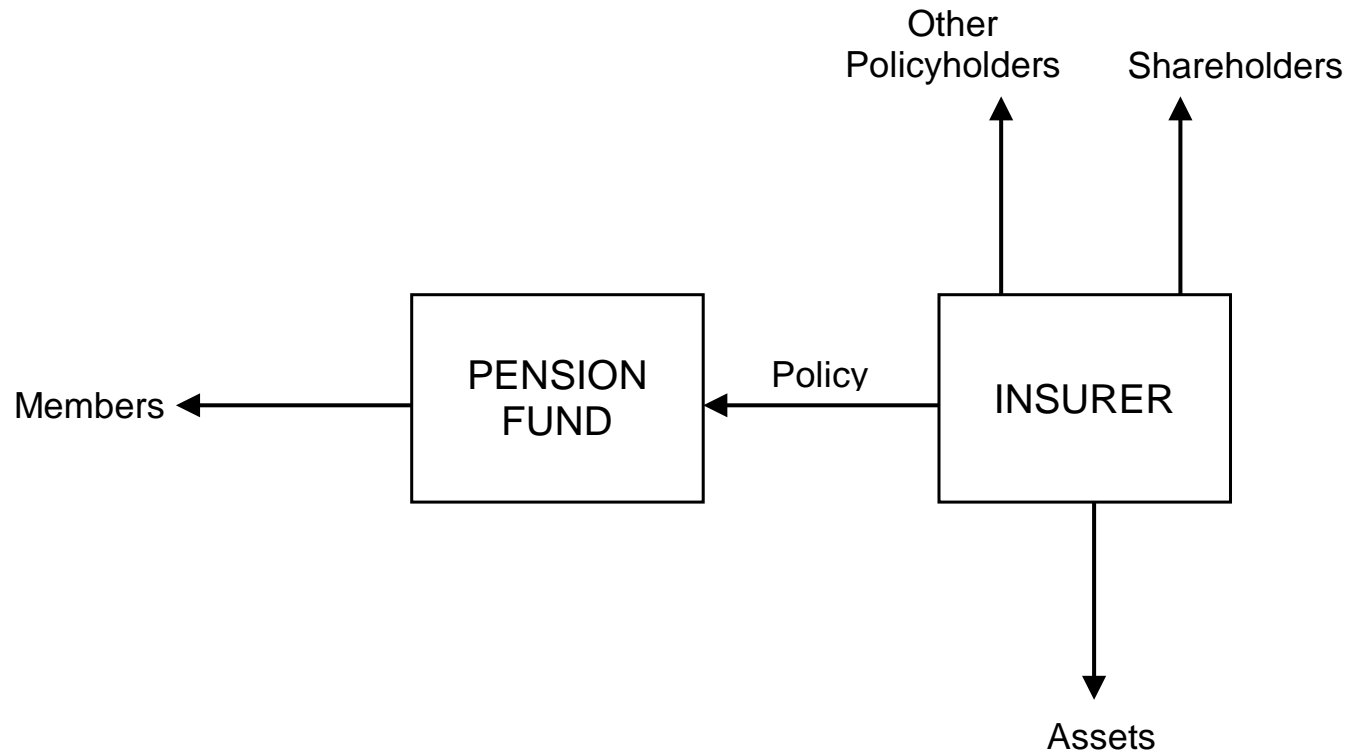
Pension fund



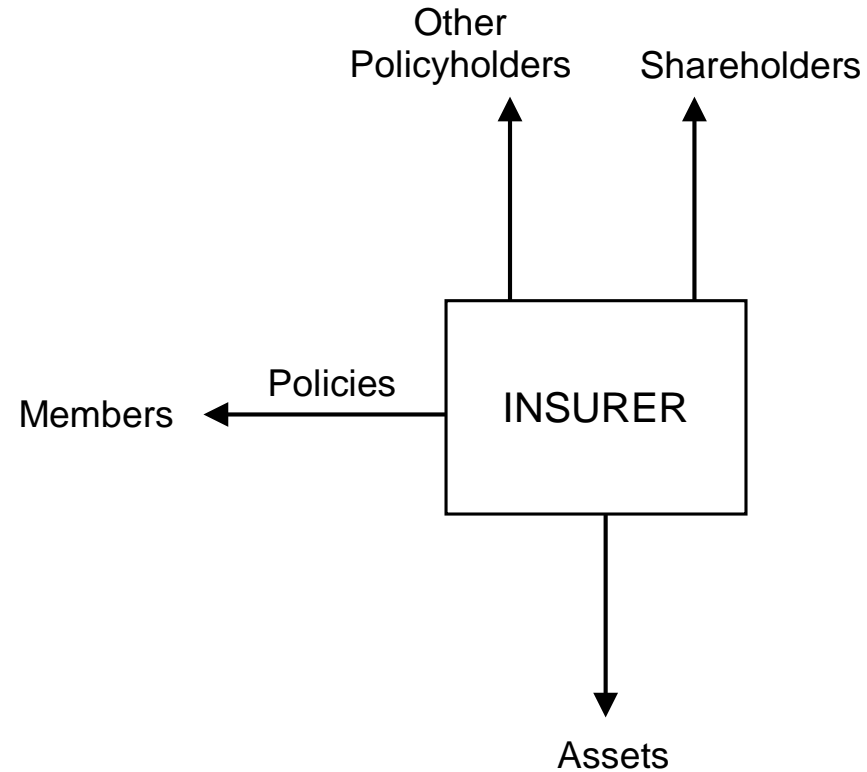
Insurer



Insourcing



Outsourcing



Key risk allocation

- Inflation, interest rate and investment risk
- Mortality risk
- Insurer credit risk
- Data and operational risk



Some procedural basics

- It is a negotiation, always
- As such, it may result in the conclusion of a contract (policy)
- The fund and its members will get the contract it negotiates



Some procedural basics ...

- A competitive process will deliver a better outcome for the fund and its members
- The marginal improvement in pricing and terms should comfortably exceed the additional expenses of running a competitive process



Some procedural basics ...

- Uncertainty or vagueness or discretions will invariably favour the insurer
- Insurers will want to standardise their business around a lowest common denominator
- Other than pricing and benefits, the surrender and termination provisions are key



Typical errors

- “Selecting” the insurer before the premium and all terms are absolutely final
- “Tail-ending” a legal review
- Believing the terms don’t matter



Some legal issues

- What are the responsibilities of and risks for the trustees?



Some legal issues ...

- How does one legally transfer a liability?



Some legal issues ...

- What is the position of the fund's members if the insurer is or becomes financially distressed?



Contact



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Thank you



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