

Umbrella Funds

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What is the current legal status of an umbrella fund?

- Pension Funds Act
- Board Notice

Difficulties in not having specific legislation governing umbrella funds

- surplus legislation
- minimum benefits provision
- partial liquidation

What are the FSB's concerns with regard to umbrella funds?

Future regulatory proposals:

- clear definition (industry related or product for small employers)
- additional 13B requirements

- maintaining capital guarantees
- separate records per employer and auditing

Future regulatory proposals contd:

- 50% independent trustees
- rules format
- freedom to select service providers
- termination provisions

Factors to bear in mind:

- affordability and cost containment
- product offering and branding by "sponsor"
- role of employer and voluntary participation
- delegation of management functions

Conflicts of interest

- autonomy
- independent trustees
- good governance
- financial reporting

Solutions?

- second tier of management
- stringent management reporting
- professional trustees
- transparency and communication