

FSB Direction on Treating Customers Fairly

The FSB released the following draft documents giving guidance to retirement funds and administrators on how the Treating Customers Fairly (“TCF”) principles are to be applied:

- ▶ Guidance to Boards of Retirement Funds for the implementation of the TCF outcomes
- ▶ Guidance to Benefit Administrators for the implementation of the TCF outcomes.

In addition, the FSB has recently released the following draft Board Notices for industry comment:

- ▶ Complaints Management Framework for Retirement Funds
- ▶ Complaints Management Framework for Benefit Administrators.

The FSB has also developed an online self-assessment tool for funds and administrators in order to gauge their TCF readiness.

The FSB expects funds to already be implementing the TCF principles, many of which are enshrined in the duties of trustees, contained in the Pension Funds Act. In addition, the FSB will consider TCF as part of their on-site inspections. Although many of the practicalities associated with TCF compliance can be outsourced to fund service providers, it is important to be aware that fund trustees remain ultimately accountable for the implementation and adherence to these principles.

The purpose of this publication is to provide a broad overview of the above documents which pertain to retirement funds only, and highlights their most salient points. The guidance note and draft board notice issued for administrators, is very similar to the one issued to funds.

A. Guidance to Boards of Retirement Funds for the implementation of the TCF outcomes

The guidance document sets out how each of the six TCF outcomes must be applied from a fund perspective:

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Outcome 01 Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm culture	Fair treatment of members and beneficiaries is central to the fund's culture	Member satisfaction should not be misconstrued for fairness
Outcome 02 Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly	Fund products should meet the needs and expectations of all fund stakeholders, and should provide appropriate retirement fund income	Trustees should not be influenced or induced by current or potential service providers, which may result in products purchased, being inappropriate or not offering value for money
	Trustees must ensure that products are appropriate after considering the needs and risk profile of the members and beneficiaries	Bundling of products and services, or excessive incentives to funds, may lead to inappropriate or unnecessary products or services
	Complaints and service call data must be considered in assessing if products and services are suitable	Trustees must understand and monitor the risks of the fund's products and investments
	Members and beneficiaries should be given sufficient information to make informed decisions on fund investments and products	
	Surveys on members' and beneficiaries' needs must be conducted, preferably not by intermediaries, as there may be conflicts of interest	

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<p>Outcome 03</p> <p>Customers are given clear information and are kept appropriately informed before, during and after the time of contracting</p> <p>Members and beneficiaries receive clear and appropriate information regarding the fund, benefits and the operations of the fund before joining (where applicable), on joining, and regularly during their membership, which includes at least the following:</p>	On joining the fund, members must be provided with appropriate fund information	Trustees must provide members with sufficient information and if necessary, advice to ensure that members and beneficiaries understand the type of fund and how benefits relating to the type of fund will influence their benefits
	Timeous and appropriate information must be provided, as and when important events or changes take place	
	The process to be followed in the rules and with the Adjudicator to lodge an enquiry or complaint, must be disclosed to members	The risks of the fund's investments must be made clear to members, especially for funds with member level investment choice
	Annual benefit statements must be provided	
	The following must be disclosed: fees, costs and charges, the long term impact of not preserving and the tax impact of taking cash, the late or non-payment of contributions	
	Any change in policy or legislation that might have an impact on retirement savings must be communicated to members	Information provided to members must always be current, appropriate, clear and understandable
<p>Outcome 04</p> <p>Where customers receive advice, the advice is suitable and takes account of their circumstances</p> <p>Where trustees or members receive advice, the advice is suitable and takes into account their respective circumstances. Trustees must at least:</p>	Ensure that intermediaries are appropriately licensed, understand the products and have sufficient expertise	Ensure that they understand the risks of products
	Verify whether the advisor receives any incentives for selling a specific product and whether there are similar products in the market to be accessed for comparison purposes	Ensure that the product is suitable for the needs of the fund and its members
<p>Outcome 05</p> <p>Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect</p> <p>Trustees must ensure that:</p>	Products and services are regularly reviewed for suitability and information about new products and service providers is obtained	Products and benefits offered to members and beneficiaries are meeting the objectives of the fund, in providing benefits that meets the member's retirement fund needs.
	Members know the costs, fees and expenses relating to the fund and the impact on their benefits	
<p>Outcome 06</p> <p>Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint</p>	Funds and members do not face unreasonable barriers when submitting a claim, making a complaint or changing a product or switch between providers, where the rules of a fund allows for such choices	Trustees must ensure that an effective complaints management process is implemented. The complaints management process must not frustrate complainants due to insufficient resources or ineffective processes

B. Draft Board Notice – Complaints Management Framework for Retirement Funds

This draft Board Notice expands on TCF outcome 6: “Customers do not face unreasonable post-sale barriers imposed by firms to change product, switch providers, submit a claim or make a complaint”.

The Notice contains a number of definitions, which can be viewed in the draft Board Notice. The Notice doesn’t replace the formal external complaints process of the Pension Funds Adjudicator.

Important features of the draft Board Notice:

- ▶ Every fund must establish, maintain and implement an adequate and effective complaints internal management framework
- ▶ The draft Notice has a template report, which must be submitted to the FSB quarterly, within 60 days of the quarter end. The first complaints report is (intended to be due) for the quarter ending March 2018
- ▶ The prescribed complaints report must be categorised in respect of the 9 TCF outcomes, as set out below
- ▶ The FSB can use the complaints reports to take action against an individual fund or to take action on an industry level.

Establishment of complaints management framework

- ▶ Funds are expected to analyse customer complaint information as an important source of management information, to measure the effectiveness of their delivery on TCF
- ▶ The complaints management framework must be proportionate to the nature, scale and complexity of the fund’s business and risks
- ▶ Funds must annually review and document changes in their complaints management framework.

Requirements for a complaints management framework

The complaints management framework must provide for:

- ▶ Established objectives and the proper allocation of responsibilities
- ▶ Easily accessible processes to ensure unreasonable barriers are not faced in lodging a complaint

- ▶ Transparency, visibility and accessibility for the fund’s customers
- ▶ Appropriate complaints management systems and reporting, including efficient analysis and monitoring of customer complaint information
- ▶ Proper consideration of complaints and an appropriate communication process
- ▶ Appropriate and documented processes for the management and categorisation of complaints
- ▶ An appropriate process in dealing with complaints from the Pension Funds Adjudicator
- ▶ Service provider’s complaints handling processes must comply with the Notice’s minimum requirements
- ▶ Monitoring of developments in the retirement funds industry.

Allocation of responsibilities

Trustees must make sure that anyone who is responsible for making decisions or recommendations in respect of complaints generally, or in respect of specific complaints, must be adequately trained. Such resources must furthermore have an appropriate mix of experience and skills, not be conflicted and must be empowered to make impartial decisions.

Categorisation of complaints

Funds must categorise, record and report on complaints by identifying the TCF outcome to which a complaint most closely relates. Funds are strongly encouraged to consider a more granular categorisation than the minimum nine prescribed categories set out below, particularly in the case of larger funds.

Complaint categories

The nine minimum complaint categories to be set out for the purposes of FSB reports, are:

1. The design of a fund, benefit, product or service
2. Information provided to customers or potential customers of the fund
3. Advice
4. A product offered by a fund
5. A fund service
6. Investment changes or switches or hurdles in respect of transfers in or out of a retirement fund
7. Complaints handling
8. Insurance risk claims and non-payment of claims
9. Other.

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