

31 August 2020

Circular in relation to the annual information to be provided by the Retirement Scheme Administrator to its Members in line with the Pension Rules for Personal Retirement Schemes issued in terms of the Retirement Pensions Act, 2011

1.0 Introduction

Following the publication of the Pension Rules for Personal Retirement Schemes issued in terms of the Retirement Pensions Act, 2011 (hereinafter referred to as the "Pension Rules") on 28th December 2018, the MFSA is issuing a Circular to clarify the requirements identified in Standard Licence Condition 5.1.4 and Standard Licence Condition 9.5(e) of the said Pension Rules as well as set its expectations as regards to the content that a Retirement Scheme Administrator is expected to include.

S.L.C. 5.1.4 of the Pension Rules establishes the information which a Retirement Scheme Administrator administering a Non-Member Directed Scheme is required to provide to its Members, annually and upon *ad hoc* request.

S.L.C. 9.5(e) of the Pension Rules, establishes the information which a Retirement Scheme Administrator administering a Member Directed Scheme is required to provide to its Members annually and upon *ad hoc* request, during the relevant reporting period.

2.0 Standard Licence Condition 5.1.4 and Standard Licence Condition 9.5(e) of the Pension Rules

S.L.C. 5.1.4 of the Pension Rules states that a Retirement Scheme Administrator administering a Non-Member Directed Scheme is required to ensure that the statement contains the Member's individual entitlements as well as brief particulars of the situation of the Scheme. As a minimum, the statement should contain:

- the contributions which the Member has paid into the Scheme, where applicable;
- any retirement benefits paid, where applicable; and
- all applicable charges incurred.

Similarly, S.L.C 9.5(e) of the Pension Rules states that, as a minimum, a Retirement Scheme Administrator administering a Member Directed Scheme is to provide its members with the following information:

- the underlying investments and their respective value;
- any contributions into the Scheme, if applicable;
- any retirement benefits paid, if applicable;
- the name of the investment manager and/or investment advisor, if applicable;
- all applicable charges, commissions and fees incurred by the member and;
- the Member must also be informed of the availability of online access, which provides real time information of the investments held in the member account.

3.0 MFSA's expectations in relation to Standard Licence Condition 5.1.4 and Standard Licence Condition 9.5(e) of the Pension Rules

In the interest of ensuring that Members are provided with adequate and appropriate information, the MFSA expects that the Retirement Scheme Administrator provides the Member with the information referred to above:

- (a) in a clear, accurate and comprehensible manner;
- (b) in a manner so as not to be misleading in any way;
- (c) in a way that is easy to read and is easily understood even by a Member having limited financial expertise or knowledge to interpret or understand the information provided. The use of jargon and technical terms should therefore be avoided, and everyday terms should be utilised instead;
- (d) on a durable medium that is easily and readily accessible to a Member. Such medium is also expected to remain accessible in its original form for future reference. For sake of clarity, all the information provided to the member should always be provided on a durable medium which includes paper, PDFs and electronic mail, but cannot be solely limited to online sites. However, such durable medium may be complimented with online access which provides real time information of the investments held in the member account; and
- (e) on one document or one source with the scope of facilitating the review of information by the Member without the individual having to access various documents or sources to obtain the information.

In this Circular, the MFSA would like to clarify the requirement of the Retirement Scheme Administrator to disclose all the applicable charges, commissions and fees to Members. In this regard, the MFSA expects that:

- (a) charges, commissions and fees disclosed show a quantitative value;
- (b) the applicable charges, commissions and fees for the relevant period are to include:
- the Retirement Scheme Administrator's initial and ongoing fees, as well as any ad-hoc charges;
 - any amounts charged by the investment advisor;
 - charges, commissions and fees imposed by the Investment Manager;
 - any amounts levied by the investment providers and/or brokers;
 - any other charges, commissions and fees incurred by Member, not listed above.

For clarification purposes, in relation to (a) and (b) above, the MFSA expects that an integer which specifically denotes the value is disclosed in the statement, rather than a range of fees or a percentage.

It is also expected that the Retirement Scheme Administrator ensures that charges, commissions and fees incurred during the period are categorised and presented in a manner which provides the Member with further clarity. Nevertheless, the MFSA would like to emphasise that a total amount of all charges, commissions and fees is still expected to be provided in the annual member statement.

S.L.C. 5.1.4 and S.L.C 9.5(e) of the Pension Rules state that the Retirement Scheme Administrator is required to provide the said information annually and upon *ad hoc* request. In this regard, the MFSA expects that the Retirement Scheme Administrator either circulates the respective information upon the anniversary of the Member's introduction to the Scheme or else annually, on a date selected by the Retirement Scheme Administrator to all the Members. Furthermore, irrespective of which option is implemented, the Retirement Scheme Administrator is expected not to exceed the period of 365 days from the date when the previous statement was submitted to the Member, to issue the next statement. Where the Retirement Scheme Administrator is anticipating or expecting that the relevant statements will not be submitted to the Members within the stipulated period, the Retirement Scheme Administrator is required to formally notify the MFSA in writing immediately. The Retirement Scheme Administrator is also required to ensure

that the exact date to which the information in the statement refers is stated prominently on the document.

Further to the above, the MFSA would like to remind the Retirement Scheme Administrator that upon becoming aware of any material information impacting the Member's account (such as investment fund suspensions and drastic falls in the value of investments), the Retirement Scheme Administrator is expected to engage with the Member immediately and communicate such information in a manner that is clear and not misleading in any way. The Retirement Scheme Administrator is expected to keep a record of such communication which should be readily available upon the MFSA's request.

4.0 Applicable Date

Retirement Scheme Administrators are expected to update their systems, processes and procedures in order to comply with the MFSA expectations provided in this Circular and ensure that any information or member statements covering periods ending on or after the 31st December 2020 are fully in line with the contents of this Circular.

5.0 Conclusion

Any queries or requests for clarifications in respect of the above should be sent by email on ipsu@mfsa.mt.