



GUIDELINE:

**Minimum Contents of the Administration and
Investment Management Contracts**

**The Financial Services Commission
39-43 Barbados Avenue
Kingston 5, Jamaica W.I.
Telephone: (876) 906-3010**

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Minimum Contents of the Administration and Investment Management Contracts

LEGISLATIVE REFERENCE: Sections 10(1), 22 and 46(1) of the Pensions (Superannuation Funds and Retirement Schemes) Act, 2004 (the "Pensions Act")

1.0 BACKGROUND

- 1.01 Trustees of every superannuation fund ("fund") and retirement scheme ("scheme") are required under Section 10(1) of the Pensions Act to designate an administrator and an investment manager for the fund or scheme. The legislation also provides for the same entity to be designated as the administrator and investment manager for a fund or scheme.
- 1.02 While the trustees are ultimately responsible for the operation of a fund or scheme many of the activities involved in the day to day management of the fund or scheme are outsourced to designated administrators and investment managers licensed by the Financial Services Commission ("FSC"). Hence, it is imperative that policies, procedures and controls are implemented to ensure that the fund or scheme operates smoothly.
- 1.03 The FSC has observed from its monitoring and supervision of the industry that some Administration and Investment Management Contracts are not sufficiently detailed to guide the actions of both parties. A written agreement acts as a reference tool and can help both parties to avoid any type of misunderstanding that may arise.

2.0 OBJECTIVE

- 2.01 The objective of this guideline is to outline the minimum contents of an administration or investment management contract.

3.0 MINIMUM CONTENTS OF THE ADMINISTRATION AND INVESTMENT MANAGEMENT CONTRACTS

- 3.01 In keeping with good governance it is expected that the trustees of every fund or scheme will enter into a formal agreement or contract with the designated administrator and investment manager to provide administration and or investment management functions for the fund or scheme. The Administration or Investment Management Contract should contain, at a minimum, the following information:

- (i) Appointment of the administrator or investment manager;
- (ii) Definition/ explanation of terms or phrases used in the contract;
- (iii) Services to be performed by the administrator and or the investment manager, e.g. the preparation of statutory and other reports;
- (iv) Duties and responsibilities of each party;
- (v) Fees and charges;
- (vi) Modification of the terms of the contract;
- (vii) Disputes between the parties;
- (viii) Access of the FSC to all fund or scheme information maintained by the administrator or investment manager in relation to the fund or scheme; and
- (ix) Termination of the contract.

4.0 REPORTS TO BE PROVIDED FOR ADMINISTRATION AND INVESTMENT MANAGEMENT CONTRACTS

4.01 Regarding item 3.0 (iii) the investment and administration contracts are to provide for the preparation of reports (other than those required by statutes) to give the trustees adequate information on the performance of the investments and governance matters of the fund or scheme, which include:

- The financial position and operating performance;
- Contribution inflows and aging of receivables;
- Compliance with the pensions legislation, Constitutive Documents and Statement of Investment Policies and Principles;
- Legislative changes;
- Complaints management;
- Scheme demographics and age distribution; and
- Risk management and outlook.

Questions regarding this Guideline may be directed to:

**Senior Director, Pensions
Financial Services Commission
39-43 Barbados Avenue
Kingston 5
Telephone (876) 906-3010
Facsimile (876) 906-3018
Email: pensions@fscjamaica.org**