



PENBOX

FSC's Quarterly Pensions Newsletter

MAIN FEATURE

TRUSTEE'S HANDBOOK

by Ann-Marie Trowers-Smith

In Jamaica, individual trustees are not required to have experience in the management of pension plans or related expertise. However, the responsibilities placed on the trustees of pension plans under the Pensions (Superannuation Funds and Retirement Schemes) Act ("Pensions Act") and its attendant Regulations, are wide and varied. This has heightened the need for trustees to understand their roles and responsibilities as fiduciaries. The Financial Services Commission (the "FSC"), recognizes that there are knowledge gaps for a number of trustees. In an effort to improve up on the available educational resources, the FSC has developed a Trustees' Handbook which will provide a comprehensive learning guide geared towards equipping trustees with the knowledge needed to serve in their roles more effectively. The main objectives of the Handbook are to help trustees to understand their legal obligations, make informed decisions and manage risk, reduce ambiguity and misinterpretation by providing an official source of reference, and increase knowledge and understanding of the Pensions Act and its attendant Regulations.

The Handbook comprises 14 Modules and addresses among other things, Trusts and Trusteeship, Duties and Responsibilities of Trustees, Governance and Administration and Investment Management of Pension Plans.

Given the proliferation of technology, we are working to have the Handbook available to trustees via a digital platform. However, until the Handbook is available, the FSC will be sharing snippets of this treasure trove of knowledge with our trustees, through this newsletter, with the hope that this will wet appetites and pique interest.

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SENIOR DIRECTOR'S MESSAGE

Introduction to the PENBOX Newsletter - The changing environment within which the pension industry operates warrants timely and consistent communication with you, our pension stakeholders. With the protracted Covid-19 pandemic it has become even more necessary to find new and innovative ways for this communication. To this end, the Pension Division of the FSC, as part of its public education thrust, has embarked on the publication of this quarterly newsletter. The newsletter will address emerging issues in the pension industry, as well as share snippets of some of the fundamental topics discussed in the Trustees' Handbook in other future publications. We look forward to creating further opportunities for partnership as we work to lay a foundation for sustainable growth and sound management.

MONITORING & SUPERVISION CORNER

by Peta-Gaye Locke

RISK BASED SUPERVISION ("RBS")

Under the traditional compliance based approach to supervision used by the FSC, licensees and registrants were assessed against prudential norms, largely using quantitative, historical data. The supervisory procedures and approaches were applied to all regulated entities almost equally regardless of risk profile and size.

The FSC has adopted a RBS Framework to supervise and monitor its regulated industries. The RBS Framework utilizes a forward-looking and structured approach. It is recognized internationally as the most efficient framework in identifying the key risks to which regulated entities and the industry are exposed. It incorporates the assessment of the effectiveness of risk management policies and practices as well as the internal controls in place to manage those risks.

Key benefits of the risk-based supervisory approach include, but are not limited to:

- Empowering the trustees to:
 - ☒ Identify and understand key risks facing their pension plan.
- Assisting the FSC in:
 - ☒ Appropriately directing its resources towards the issues and institutions which pose the greatest threat;
 - ☒ Creating greater emphasis on early identification of emerging risks and system-wide issues;
 - ☒ Gaining a deeper understanding of the entity through more interaction with entity personnel at all levels.

The Pension Division has recently concluded a number of pilot examinations on corporate entities and pension plans to test the framework and adopting it to meet the practical needs of the industry.

As the FSC embarks on a risk-based supervisory approach, trustees are also being encouraged to develop and implement a framework for managing the risks associated with their respective pension plans.

The FSC will continue to engage trustees to improve the risk management framework for pension plans, one such initiative, is the Pension Plan Trustees Workshop under the theme, "Risk Management for Pension Plans" scheduled for December 7- 9, 2021.

PENSIONS TECHNICAL REVIEWS & POLICY CORNER

by Kristoff Baker

UPDATE ON PHASE II OF PRIVATE PENSION REFORM

The FSC, in conjunction with the Tax Administration Jamaica and the Ministry of Finance and the Public Service, is at an advanced stage in the review process for the Pensions (Superannuation Funds and Retirement Schemes) (Repeal and Replacement) Bill. In addition to the modification of the Pensions (Superannuation Funds and Retirement Schemes) (Governance), (Investment) and (Registration, Licensing & Reporting) Regulations, Phase II introduces 5 new attendant regulations to mirror and concretize internal FSC policy which is based on our experience in the Pensions sector and the recommendations of key stakeholders in the industry:

- Funding and Solvency;
- Contributions and Benefits;
- Type 1 Pooled Funds;
- Specified Pension Plans;
- Material Change.

The FSC is also playing an integral role in the review of the proposed amendments to the Income Tax (Amendment) Bill, to ensure comprehensive and consistent reform.