



NOTICE TO THE **GENERAL PUBLIC AND MEMBERS** **OF PENSION FUNDS ON THE PENSION FUNDS ACT, 2019**

Objects and Reasons of the Pension Funds Act, 2019 (the Act)

One of the main objectives of the Act is to protect the interests of people who make contributions into a pension fund (members) from which they intend to draw money when they reach retirement age.

Members' rights and obligations

- The Act places a duty on the trustees to inform members of their rights, benefits and responsibilities in terms of the rules of the fund.
- Pension fund members should also familiarize themselves with the Act to enable them to know when their rights are being violated and their responsibility towards their rights.

Membership to a Pension Fund

- In terms of the Act, all pension funds operating in Lesotho should be registered with the Central Bank of Lesotho (the Regulator). Therefore, members should ensure that a pension fund that they belong to is registered.
- The Act also prohibits any person from collecting, repatriating or facilitating the collection or repatriation of contributions to a pension fund that is not registered in Lesotho. Lesotho employees should not therefore allow their monies to be paid to pension funds in other countries such as South Africa.
- Membership of unregistered funds perpetuates contravention of the law and members have no recourse to the Regulator should the unregistered fund fail to fulfill obligations.

Representation of members in a Board of Trustees of a Pension Fund

- According to the Act, a registered fund shall have a board of trustees as its governing body.
- The number of trustees elected by members should be higher than that of other trustees.
- Fund members therefore have the right to elect their representatives to the board of the fund. This is intended to strengthen protection of members' rights.

Access to Information

The Act and its implementing Regulations prescribe a number of ways through which members should access information about a pension fund. These are:

- **A prospectus, that, according to Regulation 6. of the Pension Funds (Disclosure) Regulations, 2020**, a pension fund should develop and give to members to provide them with sufficient information to guide their participation in a pension fund. Such information could include objectives of the pension fund, details of board of trustees, membership eligibility, contribution requirements, fund's objectives and risks associated with the pension fund, amongst others.
- **Fund Information, that, in accordance with Regulation 7. of the Pension Funds (Disclosure) Regulations, 2020**, each member should be provided with by their pension fund, within three (3) months after

financial year end of the Fund. The fund information should include, amongst other things, a review of fund's activities over the year, performance of the fund, fees of all service providers, details of unclaimed benefits and complaints received by a fund.

- **Benefit Statements, that, as prescribed by Regulation 8. of the Pension Funds (Disclosure) Regulations, 2020**, each member should be provided with by their pension fund, within three months following the end of the Fund's financial year. A benefit statement should provide a summary of member's entitlements and should at a minimum contain details of the member, date on which a member joined the pension fund, retirement date, beneficiaries as nominated by the member, contributions (employer, member and voluntary) and accumulated contributions including all returns thereof. Members of occupational pension funds should be aware that Section 29 of the Act requires their employers to pay employer and/or employee contributions to their pension funds within 7 days following the end of the period for which they were due. Delays in payments to the funds result in delays in investment of the contributions with negative implications for the members' benefits.

Information that Guides Investment Choices by Members

In cases where members have a choice of investments, the information should provide,

- Details of the different investment options at a member's disposal;
- The appropriateness of the different options for different categories of members e.g. by age to assist them to make an informed decision.; and
- Comprehensive information that is factual, not biased, detailing all available investment options (including default option) primarily focusing on assets and jurisdictional allocation and associated risks.

Nomination of Beneficiaries in the Event of Death

Section 34 of the Act gives a member the right to nominate beneficiaries in the event of death of the member by filling out a death benefit nomination form and updating it on an annual basis. A pension fund is obliged by law to require members to fill the benefit nomination form. Where a member fails to update his nomination, the most recent nomination form will be used.

The Right to Complain

A member or beneficiary of a pension fund who is aggrieved by any decision or action taken by a fund, administrator or pension fund intermediary may lodge a complaint with the Regulator. In exercising this right, members should be aware that they can only lodge a complaint with the Regulator after exhausting the internal grievance processes of their pension fund, without success.

Conclusion

Members of pension funds are encouraged to familiarize themselves with the Act and its Regulations to enhance their understanding of their rights and obligations. This will enable them to take part in safeguarding their retirement benefits by, amongst other things, ensuring that,

- the pension funds that they are members of are registered in accordance with the law,
- they are well represented in the board of trustees of their funds,
- they have access to and familiarize themselves with information about their fund, its performance and are up to date about their benefits,
- they fill and update their benefit nomination form and lodge complaints with the Regulator when they are aggrieved by their fund and their fund has not satisfactorily addressed their complaint.

For more information and enquiries, please contact the Department of Other Financial Institutions of the Central Bank of Lesotho at [22232039](tel:22232039)/[22232062](tel:22232062).