



REVERSING AN UGLY TREND

The majority of complaints received by the Pension Funds Adjudicator involves Section 37C of the Pension Funds Act. This describes how death benefits should be distributed by the trustees of a pension fund when a member passes on.

The complaints often revolve around perceived unfairness in distribution allocations or expectations not being met. Therefore, as industry role players, we need to find ways to reverse this trend.

Unique challenges

The Section 37C decision-making process is paper-heavy and requires a lot of manual input from various parties. In addition, each case is truly unique, depending on the individual circumstances of the affected family.

Trustees are expected to act in good faith, apply their minds to the problem, and exercise discretion after taking all the known facts into account. Trustees need to be reasonable, fair and equitable and often rely on industry best practices to make decisions.

Keeping track of outstanding death claims and the progress thereof, while trying to resolve them as quickly as possible, becomes more challenging with a process that is not fully electronic. How do you incentivise people to do the job quickly with accuracy?

If it goes to the Pension Funds Adjudicator, and there is even the slightest inaccuracy, the administrator is held responsible. Therefore, the trustees want to get it right and do the full investigation in order to achieve this. This raises the question; how do we manage the process to achieve the best outcome? Should there be a partial benefit awarded until the full investigation is over?

Is that something that at least mitigates the administrator's risk?

Efficiency problems

Another challenge in the efficient implementation of the death benefits resolution process is the manual aspect.

As much as everyone depends on administrators to complete manual tasks, there is a clear need to be able to track whether the tasks are being actioned as speedily as possible and that elements are not falling through the cracks. These will prohibit the investigation from being completed within the 12-month period.

Tech support to improve tracking ability should therefore be implemented where possible.

It is also important to manage the beneficiaries' expectations to help them understand that this process can take time. Management is also needed to ensure they understand how benefits are dispersed and what their role is.

In many instances, the process is delayed because the beneficiary forms are not regularly updated by members. Trustees need to determine the dependency of each beneficiary, so it's a good idea for members to review their information on an annual basis.

A helpful guideline

Although the fund's board of trustees has a fiduciary duty to determine how the death

benefits should be allocated, the information they get from the member's nomination of beneficiary form serves as a helpful guideline. Accuracy on these documents will make the investigation go quicker.

Therefore, educating members on how death benefit distributions are made and how members can aid the process by providing full and correct information is key because the process of gathering information is a critical component of a speedy resolution.

Basically, the key to achieving an efficient process is using systems to do what they do well and using people to do what they do well. The industry needs to evaluate which aspects can be improved and then actually find a way to do that. How do we find beneficiaries faster instead of letting years go by? Are we ensuring that trustees have the relevant experience and qualifications in order to sit on the board? Are members being educated?

You cannot always please everyone. However, it is about doing your job well and being able to, based on the information at hand, make a decision that is ethical and fair.



Sheldon Friedericksen
CFO
Fedgroup