

Direction on how to implement Treating Customers Fairly – effective complaints management

The Draft Board Notice – Complaints Management Framework for Retirement Funds ('the draft Notice') has been issued by the Financial Services Board ("the FSB").

Effective management of complaints by funds is a vital component of Treating Customers Fairly ("TCF"). The effective management of complaints enables trustees see if they are meeting their responsibilities set out in the Pension Funds Act ("PFA"), they can also determine if the benefits provided by the fund and the quality of the services provided by its service providers are appropriate.

This draft Notice will not replace the formal external complaints process of the Pension Funds Adjudicator.

The definitions included in the 'the draft Notice'

"complaint" means an expression of dissatisfaction by a complainant relating to the products or services provided by a fund to its members, former members, beneficiaries or potential members.

"complainant" can be a member, former member or prospective member, beneficiary or former beneficiary, nominee or dependent, employer, spouse or a former spouse of a member or former member of a fund; board of a fund or a trustee or a person who has an interest in a complaint.

"compensation payment" means a monetary payment by a fund, service provider or employer other than a goodwill payment for financial loss incurred because of the fund, service provider or employer's action which formed the basis of the complaint.

"customer" of a fund means a member, prospective member, beneficiary, dependant, deferred pensioner, pensioner, non-member spouse as defined in the PFA and an employer.

"prospective member" is someone who has applied to or intends transferring his benefit to the fund, has been solicited by the fund or its service providers to become a member; or received marketing or advertising material.

"goodwill payment" means a payment by a fund, service provider or employer aimed at resolving a complaint, where the fund does not accept liability for financial loss to the customer.

"rejected" means that a complaint has not been upheld and the fund regards the complaint as finalized, including complaints regarded by the fund as unjustified or invalid.

"service provider" means a party that provides marketing, distribution, administration, provision of professional services or who provides any products or services to a fund or administrator, regardless of whether or not such other person is the agent of the fund or administrator.

"upheld" in relation to a complaint means that the complaint has been resolved in favour of the complainant.

Establishment of complaints management framework

Every fund must establish, maintain, and implement an adequate and effective complaints management framework. Funds must analyse customer complaint information to measure their delivery of TCF outcomes.

The complaints management framework must be proportionate to the nature, scale, and complexity of the funds business and its associated risks. Any changes in their complaints management framework must be reviewed and documented at least once a year.

What are the requirements for a complaints management framework?

The complaints management framework must provide for -

- objectives, and the proper allocation of responsibilities;
- easily accessible process to ensure complainants do not face unreasonable barriers in lodging a complaint;
- transparency, visibility and accessibility by the fund's customers;
- proper consideration of complaints;
- an appropriate communication process;
- appropriate and documented processes and procedures for the management and categorisation of complaints;

This publication does not provide advice. If you have any questions/comments on the above, please contact your consultant.

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- appropriate complaints management system and reporting;
- an appropriate process in dealing with complaints from the Pension Funds Adjudicator;
- complaints handling process of a service provider complies with at least the requirements set out in the draft Notice;
- efficient analysis and monitoring of customer complaint information;
- monitoring of developments in the retirement funds industry.

Allocation of responsibilities to the right person

Trustees are ultimately responsible for the implementation, management and monitoring of an effective complaints management process. Trustees must make sure that anyone who is responsible for making decisions or recommendations in respect of general complaints or a specific complaint is adequately trained; has an appropriate mix of experience and skills, is not conflicted and is empowered to make impartial decisions.

Categorisation of complaints

Complaints need to be categorised in the broad complaints categories set out in the draft Notice (see below) and reported on in the format contained in the draft Notice. Funds must categorise, record and report on complaints by identifying the TCF outcome to which a complaint most closely relates. Funds are encouraged to consider a more granular categorisation than the minimum nine prescribed categories, particularly in the case of larger funds.

Complaint categories

The nine minimum complaint categories are complaints relating to:

1. the design of a fund, benefit, product or service;
2. information provided to customers or potential customers of the fund;
3. advice;
4. a product offered by a fund;
5. a service;
6. investment changes or switches or hurdles in respect of transfers in or out of a retirement fund;
7. complaints handling;
8. insurance risk claims and non-payment of claims;
9. other

Reporting complaints information

Meaningful complaints reporting puts the fund and the FSB in a position to identify and mitigate TCF risks, to identify opportunities for improving TCF outcomes and to prevent recurrences of poor service delivery and errors.

Complaints management reports must be submitted for the quarters ending March, June, September and December commencing with the quarter ending March 2018. These reports must be submitted within 60 days after the end of the preceding quarter.

The regulator can use the information to take action against an individual fund or at industry level.

