

Staff need to be informed on retirement fund matters

THE LIKELY advent of tax changes affecting the treatment of retirement funds from next month, which will change the way employer-sponsored retirement funds are taxed and impact on fund members in different ways, highlights the need for HR personnel and retirement fund administrators to work more closely together.

This is according to Costa Economou, chief executive of Colourfield Liability Solutions, who is also a member of the Independent Commission for Remuneration of Public Office-Bearers.

“The main way to improve alignment between HR personnel and retirement fund administrators is through targeted training for those who work in an HR capacity,” says Economou, who was a keynote speaker at the recent HR Summit and Expo Africa.

“A key shift in the retirement industry has been the shift from Defined Benefit to Defined Contribution arrangements. Unfortunately, the advent of Defined Contribution arrangements has removed the financial risk employers historically were exposed to in offering such



Costa Economou, chief executive of Colourfield Liability Solutions.

arrangements to employees. With the removal of this liability, employers now pay less attention to retirement plans. This, coupled with the lack of financial sophistication of members, has led to many retiring on inappropriate benefit levels.”

Economou points out that the two key resources of all companies are their financial capital and their human capital or employ-

ees. Therefore, the provision of adequate employee benefits, including an employer-sponsored retirement fund, is a key distinguisher in holding on to valuable human capital and allowing a firm to distinguish itself from its competitors.

“A company’s HR plays a vital role in protecting and advising on such key employee benefits at different stages of the employee’s

working life,” he says. “Employers need to play a greater role in helping retirement fund members work towards achieving a comfortable retirement, and this is best done through maximising the information given to the members, frequently through the HR department.”

Helping fund members work towards achieving a comfortable retirement can be a complex task involving a number of different professionals.

These professionals can include trustees, consultants investment managers and the employer and are frequently represented by the HR division of a company.

Members need clear guidance on their retirement fund matters both when they are still working and when they reach retirement age and transition into retirement.

“HR departments can facilitate a more educated workforce. By focusing employees’ attention on the correct retirement goals and using the retirement platform to do this, members will achieve more sustainable retirement benefits,” says Economou.