

Guideline on Reporting to the Capital Market Development Authority (CMDA) by the Maldives Pension Administration Office (MPAO)

1. Document Control

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2. Introduction

- 2.1. This Reporting Guideline is issued in accordance with the Maldives Pension Act (“the Act”).
- 2.2. This Guideline details the reporting obligations of the Maldives Pension Administration Office (MPAO) to the Capital Market Development Authority (CMDA) as mandated under the Maldives Pension Act (8/2009).
- 2.3. This Guideline shall be cited as “Guideline on Reporting to the Capital Market Development Authority (CMDA) by the Maldives Pension Administration Office (MPAO)”.
- 2.4. This Guideline shall be effective from 1st March 2024

3. Objectives

The objectives of this Reporting Guideline are:

- 3.1. To outline the reporting obligations of MPAO to the CMDA mandated under the Maldives Pension Act.
- 3.2. To outline the reporting procedures to be followed by the MPAO in order to assist CMDA in fulfilling its obligations which are prescribed under the Maldives Pension Act.
- 3.3. To detail the manner in which the reporting obligations of MPAO Board members prescribed under the Act shall be complied with.

4. Information to be submitted by MPAO

MPAO shall submit the following information required under Section 4 of the Maldives Pension Act.



4.1. Annual Financial Statements of MPAO and the Maldives Retirement Pension Scheme (MRPS)

- (a) The audited annual financial statements of MPAO and MRPS (of the previous financial year) shall be submitted to CMDA as stipulated under Section 4 (a) (1) of the Act.
- (b) This information relating to the preceding year shall be provided by 30th April of each year.

4.2. Annual Report of MPAO

- (a) Annual Reports of MPAO (of the previous financial year) shall be submitted as prescribed under Section 4 (a) of the Act.
- (b) Annual Report shall be submitted by 30th April of each year.

4.3. MRPS Quarterly Report

- (a) MPAO shall submit MRPS Quarterly Reports as stipulated under Sections 4 (a) (2) and 4(c) of the Act and in the format prescribed in **Schedule 1** of this Guideline.
- (b) MRPS Quarterly Reports shall be submitted within 15 working days of the end of each quarter.

4.4. Statement of Investment Principles (SOIP)

- (a) MPAO shall submit any revisions to the SOIP as stipulated under Section 4 (b) of the Act.
- (b) The most recent revisions shall be submitted to CMDA within 5 working days of being endorsed by the Board of MPAO.

4.5. Strategic Asset Allocation (SAA) Policy

- (a) MPAO shall submit any revisions to the SAA Policy under 4 (c) of the Act.
- (b) The most recent revisions shall be submitted to CMDA within 5 working days of being endorsed by the Board of MPAO.

4.6. MRPS Valuation and Unitization Policy

- (a) MPAO shall submit any revisions to MRPS Valuation and Unitization Policies under 4 (c) of the Act.

- (b) The most recent revisions shall be submitted to the CMDA within 5 working days of being endorsed by the Board of MPAO

5. Supervision of MRPS Investments and Investment Performance

MPAO shall submit the following.

5.1. MRPS Investment Due Diligence Reports

- (a) MPAO shall submit the preliminary investment due diligence reports (at operational level and macro level asset specific) when MPAO undertake an investment in a new institution or asset class for the first time. These reports shall be submitted to CMDA within 5 working days of being approved by the Board of MPAO.
- (b) MPAO shall carry out annual due diligence and risk assessments of entities in which pension assets are invested in. The Reports of these assessments shall be submitted to CMDA by 30th September of each year.

5.2. MRPS Investment Performance Benchmarks

- (a) MPAO shall provide investment performance (return) benchmarks set by the Board of MPAO, which is to be achieved from the investments of pension assets and any revisions brought to the return targets.
- (b) This information shall be provided within 5 working days of being approved by the Board.

6. MPAO Inspections

MPAO shall submit the following documents which are required for the annual off-site and on-site Inspections of MPAO.

- (a) **Response to Off-site Risk Assessment Questionnaire:** – MPAO shall complete and submit the Off-site Risk Assessment Questionnaire as and when required by CMDA, along with the requested and other supporting documents.
- (b) **On-site field work and documents verification** – MPAO shall facilitate interviews with the Board of directors and senior management as per the Inspection Schedule shared by CMDA. MPAO shall provide any other documents requested for verification purposes during the on-site visit.
- (c) **Management comments for Preliminary Inspection Findings** – MPAO shall provide management comments for the Inspection Findings Report as and when requested by CMDA.
- (d) **Action Plan & Implementation Timeline** – MPAO shall submit an action plan and a timeline on implementation of recommendations provided by CMDA in the Final On-site Inspection Report.

- (e) **Updates on the implementation** – MPAO shall submit updates on the implementation of recommendations within 10 working days of the end of each quarter.

7. Administrative Fee

Any proposed revisions to the Administrative Fee of MRPS shall be submitted for CMDA's consideration, before being finalized and approved by the Board of MPAO as required under Section 6(d) of the Act.

8. Verification of Fit & Proper Criteria of Shortlisted / Nominated Candidates to the Board of MPAO

8.1. MPAO shall submit the following documents received from the nominees from the public sector and the shortlisted candidates from the private sector to the Board of MPAO.

- (a) Accredited copies of academic certificates and transcripts.
- (b) Copy of the national ID Card.
- (c) CV of the candidate.
- (d) Any other relevant supporting documents.

8.2. A complete set of the information stipulated in 7.1. for each shortlisted / nominated candidate shall be submitted with the verification request letter by MPAO.

9. Continuous Fit & Proper Verification of MPAO Board members

9.1. MPAO Board members shall submit a completed 'Fit and Proper Questionnaire & Declaration' form on an annual basis (form available on CMDA Website). This information shall be submitted by 31 March of each year.

9.2. In the event where a Board member, at any point of time during his/her term, is unable to perform his/her duties or cease to fulfil any fit & proper qualification requirements prescribed under the Maldives Pension Act, they shall notify CMDA latest by the following working day.

10. Income & Asset Disclosure Statements of MPAO Board Members

10.1. MPAO shall submit letters received from the President's Office related to the appointments and termination of the Board Members of MPAO. These letters shall be submitted to CMDA latest by the following working day of receiving them.

10.2. MPAO shall inform CMDA, in instances where a Board Director submits his/her resignation. This shall be notified to CMDA latest by the following working day.

- 10.3. Individual members of MPAO Board, including the outgoing members shall submit a confidential Statement of Income and Assets in accordance with Section 8(f) of the Act as prescribed below (form available on CMDA Website).
- (a) **Upon appointment** - a statement of Income and Assets (up to the date of appointment) within 30 days of appointment; and
 - (b) **Annual Statements** – an annual statement of Income and Assets throughout a member's tenure. This statement shall cover the period January – December and shall be submitted by 31st March of the following year; and
 - (c) **Upon end of term / resignation / termination** – a statement of Income and Assets (up to the date of term end / resignation / termination) within 30 days of term end / resignation / termination.
- 10.4. Where the MPAO Board members fail to meet the deadlines prescribed under 9.3 of this Guideline for submission of Income and Disclosure Statements, the following actions will be taken;
- (a) In cases of failure by a Board member to submit Statements on the prescribed deadlines without any communication or explanation to CMDA, the matter will be informed to the President under Section 10 (e) of the Act on the grounds that member fails to perform the obligations stated under the Act.
 - (b) If a Board member who repeatedly failed to submit their Statements on the prescribed deadlines during their tenure is shortlisted to the Board for a second term or is shortlisted for the Board position at a future date, the name of such members will be flagged to the President during the fit & proper verification process carried out by CMDA under Section 8 (c) of the Act.

11. Reporting to the President

Pursuant to Section 10 (e) of the Maldives Pension Act, CMDA is required to report to the President regarding the competency of members of MPAO Board in performing their obligations and the quality of their performance. In order to assist CMDA in fulfilling this mandate, MPAO shall submit the following documents.

- 11.1. A summary of the Board decisions and decisions of the Board Sub-Committees each year, along with the documents submitted with the 'Off-site Risk Assessment Questionnaire' stated in Section 5 (a) of this Guideline.
- 11.2. The following documents of the previous financial year. This information shall be submitted by 30th April of each year.
- (a) Changes to the Board (appointment and removal of members).

- (b) Details of Board Sub-Committees (composition of Committees and important tasks carried out by the Committees).
- (c) Agenda of the Board and Board Sub-Committees.
- (d) Attendance of Board members (Board and Board Sub-Committee meetings).
- (e) Details of any performance appraisal of Board members and the relevant documents.
- (f) Any changes to the Maldives Pension Act (8/2009) and Regulations thereunder.
- (g) Any changes to investment policies / guidelines.
- (h) Any changes to the operational activities of MRPS and notable improvements.
- (i) Investment returns of the fund and all portfolios.

12. Asset Managers of MRPS

- 12.1. MPAO shall Inform CMDA once a licensed Asset Manager is appointed for the purpose of managing pension assets. This shall be notified latest by the following working day.
- 12.2. MPAO shall submit any Asset Management agreements undertaken between an Asset Manager and MPAO for the purpose of managing pension assets.
- 12.3. MPAO shall submit any amendments to the Agreement with the Asset Manager.
- 12.4. The Agreement and any amendments thereafter shall be submitted to CMDA within 5 working days of signing the Agreement / bringing amendments to the Agreement.

13. Custodian of MRPS

- 13.1. MPAO shall inform CMDA once a licensed Custodian is appointed. This shall be notified latest by the following working day.
- 13.2. MPAO shall submit any agreements undertaken between a licensed Custodian and MPAO for the purpose of managing and safekeeping of pension assets.
- 13.3. MPAO shall submit any amendments to the Agreement with Custodian.



13.4. The Agreement and any amendments thereafter shall be submitted to the CMDA's within 5 working days of signing the Agreement / bringing amendments to the Agreement.

14. Other documents

14.1. Other information required for the off-site risk assessments and on-site inspections may be requested from MPAO from time to time. Such information shall be submitted within the reasonable time periods specified by CMDA.

14.2. The MPAO shall comply with any additional requests for information made by CMDA in accordance with Section 4 of the Pension Act.

Schedule 1

Quarterly Reporting

The following information in accordance with Section 4(a)(2) and as per 4(c) of the Pension Act, shall be submitted to the Pension Supervision Department (PSD) of the CMDA within 15 (fifteen) working days following the end of each quarter.

<p>a) Quarterly MRPS Investment Activity Report including but not limited to the following details.</p> <p>One PDF and one Excel file of the Quarterly Report shall be submitted.</p>	<ol style="list-style-type: none"> 1. Highlights of the quarter 2. Comparisons with previous quarter 3. Basic fund information 4. Details of members (foreign and local breakdown, age and gender breakdown, portfolio breakdown and no. of active and inactive members) 1. Contributions and payout 2. Details of Employers (Public/Private) and whether compliant or not. 3. Awareness activities conducted. 4. Compliance with rules and regulations 5. Asset composition 6. Return objectives and benchmarks. 7. Investment Performance (return) details 8. Risk and return trends of portfolios. 9. Statement of changes in fund balance 10. Details of acquisitions and sale of assets
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<p>b) Supporting Documents to the Quarterly Report inclusive of:</p>	<ol style="list-style-type: none"> 1. The Investment decisions. 2. Confirmations of fund transfer (such as Deposit Confirmations and results of Treasury Bill Auctions)
<p>c) Benefit Disbursement information as follows.</p>	<ol style="list-style-type: none"> 1. MRPS Benefit Disbursement Account Statement 2. Benefit Disbursement Account statement by the Custodian



[Handwritten signature]



Quarterly Reporting Format

1. Foreword

The foreword consists of a description of the report, the designation and names of those who prepared it, information regarding the approval of the document, information regarding the laws, regulations, guidelines and standards referenced and followed.

And if any, information of external parties that contributed to the preparation of the document, and the relationship of the document to other documents.

Limitations in providing information

Please list any limitations in the information provided and give reasonable explanations.

2. Executive Summary

- a. Start with a brief overview of the overall performance during the quarter.
- b. Highlight any significant achievements or challenges.

3. Market and Economic Overview

- a. Summarize key economic and market trends that impacted the pension scheme during the quarter.
- b. Discuss how these factors influenced the fund's performance.
- c. Projections or forecasts that may influence future investment decisions.

4. Basic Fund Information

- a. Please include a basic description of the fund consisting of:
 - i. A description indicating the size of the fund:
 - Market value as of reporting date
 - Number of members contributing to MRPS and number of beneficiaries

Example: 'As at 30th September 2023, the net assets of the MRPS were valued at MVR 21.31 billion. The fund currently has 180,556 members employed by 24,223 employers. Pensions are currently being paid to 1,874 pensioners. There are 1,195 members with rights to Recognition Bonds'.

- ii. Types and composition of portfolios
- iii. Structure of portfolio memberships
- iv. Gender Composition (Male, Female)
- v. Number of Employers (Public & Private)



5. Member's Activity

Membership Summary

- i. Members Activities
 - At the beginning of the period
 - At the end of the period
 - Number of new members
 - Number of retired members
 - Number of deaths
 - Foreign Withdrawals
 - Portfolio Change
- ii. Member Composition
 - By Age and Gender
- iii. Active and inactive members
- iv. Members Movement Between Portfolios

Contribution and Benefits Trends

- i. Provide information on contributions and withdrawals during the quarter.
- ii. Discuss any notable trends or changes in participant behavior.
- iii. Net additions to the fund (*generated from the statement of changes in fund balance and the cash flow statement*)
 - Total contributions (employees and employers)
 - Benefits paid to members.
 - Errors in the receipt of contributions

Member's Compliance

- a. Report on the compliance of the following:
Total number of late contributions:
 - Number of employers
 - Number of employees affected.
 - Total amount of late contributions
- b. Amount collected in fines for late contributions.
- c. Unregistered employees
- d. Any other breaches that occurred during the quarter



6. Fund Management

a. Financial Performance

- i. Present key financial metrics for the quarter, such as the fund's returns, assets under management (AUM), and any changes in the fund's value.
- ii. Compare these metrics to the previous quarter and provide a year-to-date performance summary.
- iii. Provide a narrative commentary accompanying the performance data. Explain any significant events or changes in investment strategy that may have influenced performance.
- iv. Highlight successful investments, diversification strategies, and any adjustments made to optimize performance.
- v. Benchmark comparisons to assess how well the fund is performing relative to established standards relative to targets set in SAA.
- vi. Break down performance information by asset class to show how different segments of the portfolio contribute to overall returns.
- vii. Display rolling returns over varied time spans to capture performance trends and consistency over time.
- viii. Comparison of actual exposure with exposure limits

7. Risk Management

- a. Briefly touch upon the risk management strategies employed during the quarter. Including the identification and management of various types of risks such as market risk, credit risk, and liquidity risk
- b. Highlight any actions taken to mitigate potential risks and ensure the stability of the MRPS.

8. Management Fees

- a. Transparent disclosure of all fees and expenses associated with managing the pension fund.
- b. Effective date of any revised management fees
- c. Details on how these fees impact the fund's overall performance (only in the case of a revision)

9. Valuation Principles and Methodology

- a. The basis for determining valuations (board resolution being followed).
- b. Effective date
- c. If same as the previous quarter, state there is no change.

10. Regulatory and Compliance Updates

- a. Provide a summary of any regulatory changes or compliance updates relevant to the pension industry.
- b. Discuss how the scheme has adapted to these changes.



11. Member Awareness Initiatives

- a. Highlight any efforts made to educate participants about MRPS.
- b. Discuss communication strategies to enhance participant engagement and understanding.

12. Transparency and Disclosure

- a. Processes for communicating with pension plan participants, ensuring transparency and providing necessary information about their investments.
- b. Disclosure of any material changes or developments that may impact the fund.

13. Forward -Looking Statement:

- a. Share insights into the outlook for MRPS and ensure they are supported by reasonable assumptions.
- b. Discuss potential challenges and opportunities on the horizon.

14. Other Issues of Concern

- a. Any information that is deemed relevant by MPAO.

15. Statements of Changes in Fund Balance

- a. A statement of change in fund balance needs to be prepared for each portfolio.
- b. Use an Excel template (with reference to original source of data) to include the following information.

		Portfolio 1
<u>Income</u>		
Contribution Income - Members		xxx
Liquidation of RB		xxx
Investment Income		
Interest Income	T-bill	xxx
	T-bond	xxx
	FD	xxx
Profit Income	GIA	xxx
	Wakalah	xxx
Bond Income		xxx
Sukuk		xxx
Dividend Income -	{name of company}	xxx
Transfer from Other Portfolios		xxx
Reversal of payout		xxx
Other Adjustments		xxx
Total Income		xxxxxx



Expense

Transfers	
Death & Portfolio change	xxx
Housing Collateralization	xxx
Administration Fee	xxx
Pension Payouts	xxx
Hajj Payment	xxx
Other Outflows	xxx
Other Adjustments	xxx
Total Expense	xxxxx
Net Increase/(Decrease)	xxxx
Opening Fund Balance at [date]	xxxx
Closing Fund Balance at [date]	xxxx

- c. Provide a comparison to the previous quarter.
- d. This template can be adjusted accordingly to reflect any changes to reporting requirements.

16. Amendments

- a. All amounts should be compared with the corresponding amounts submitted in the previous statement. If there are any changes from previously submitted statements, a brief written explanation of the changes should be given in this section.
 - i. Errors in payments.
 - ii. Errors in records.
 - iii. Errors in valuations.
 - iv. Any other errors.

17. Attachments

- a. Sales and purchases of assets during the quarter.
 - i. List of investment instructions sent by the MPAO to the custodian.
- b. Excel sheet with all the statistical information provided in this report.
- c. Any other document that the MPAO feels is relevant for reference by the PSD.

