



FAIRHEADS
Benefit Services

Good Governance

By Olefile Moea, Executive Director, Fairheads Benefit Services

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Governance is about establishing and monitoring policies and procedures by an organisation's management or its governing body to make sure that it complies with laws and best practices.

A strong and robust governance framework should be embedded in the culture of an organisation and be something beyond a bureaucratic checklist approach. It must add value. It ensures that there are proper processes in place to guide decision-making so that all relevant factors are taken into consideration.

An organisation has many stakeholders such as employees, service providers, and in the case of retirement funds, its members. The prosperity of the organisation depends on good governance and ensures that all of the stakeholders prosper.

Retirement Funds are governed by the laws of the country, guidelines and Board Notices provided by the Financial Services Board as well as best business practice norms that have been established over time.

The FSB issued PF130 in 2007 which provided some guidelines to promote good governance of retirement funds. These the guidelines set out some minimum standards to help retirement funds with basic policies for governance purposes.

Some of the recommendations included in PF130 are that funds have:

- a Code of Conduct
- an Investment Policy Statement
- a Communication Policy
- a Risk Management Policy
- an assessment tool that dovetails with the retirement fund's trustee training policy.

The circular sets out extensively how a retirement fund is to be governed and specifically states that conflicts of interests are to be identified and disclosed.

However, retirement funds are not limited to what PF130 prescribes and should develop policies which improve transparency, accountability, and ultimately a better outcome for its stakeholders. These policies should take into consideration the nature and complexity of the Fund, as well as the operational and tactical profile of the Fund.