



**FAIRHEADS**  
Benefit Services

## Governance counts

**By Olefile Moea**, Executive Director, Fairheads Benefit Services

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### **Governance counts**

The increasing role of good governance in the retirement fund industry cannot be overestimated. Here are a few pointers to take into account:

#### **Board of trustees**

The industry norm is to appoint one independent trustee but you could consider going one step further by making the independent role 50% of the board of trustees. Ensure the trustee are highly experienced with a robust track record particularly in governance.

#### **Rules of the fund**

This is the guiding document for running the fund. The board of trustees must ensure that all stakeholders adhere to the rules at all times. Any rule amendments must be communicated to stakeholders as and when they occur.

#### **Administrator agreement**

The board of trustees and the administrator should have an administrator agreement which sets out what the board expects from the administrator and which is in line with the section 13B administrator's licence. This agreement represents the primary governance standard and has a 90-day termination clause as required by the Pension Funds Adjudicator. As such it is reviewed regularly by the trustees.

## **Regularity of trustee meetings**

The board of trustees should meet anything between 3 and 10 times a year. Make sure one of these meetings is dedicated to fund governance. Some funds choose to delegate tasks to sub-committees, depending on the size and complexity of the fund. Avoid creating sub-committees which can lead to delays and less involvement of the board.

Ensure a detailed board pack is sent to the trustees well in advance, to ensure familiarity with the contents and decisive, efficient meetings.

## **Policies - these should all be reviewed on an annual basis**

### **→ Conflict of interest policy**

There is a need to guard against any conflict of interest. Governance of this is contained in the conflict of interest policy.

### **→ Investment policy statement (IPS)**

This governs how the trustees govern the investment function for the Fund, setting out the objectives and asset allocation policy.

→ **Administration instructions** are given via policies, requiring the administrator to report back to the board of trustees on various matters

### **→ Risk management policy**

The board of trustees should commit to a risk management framework that is guided by the principles of PF130. The approach is based on that of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework, and includes elements of ISO31000 and the National Treasury Framework.

### **→ Data security policy and business continuity/disaster recovery**

These two policies ensure that data is fully protected in the event of a disaster.

## **Specialised internal support functions, all contributing to good governance**

Consider having in place:

- a dedicated compliance officer who ensures that the Fund is compliant with elements such as the section 13B license, FAIS, King 4 compliance,

Treating Customers Fairly, the Protection of Personal Information Act, etc.

- a dedicated lawyer who advises on legal matters and ensures the Fund is compliant with all relevant legislation, for example all FSCA circulars and changes to regulation
- an internal auditor does various checks and balances on an ongoing basis in order to detect any possible fraud. The department also scrutinises all processes and systems and lays the ground for the annual external audit of the Fund.
- State of the art IT systems for the administrator
- Best practice communication and report back to trustees on this

In addition to the tight governance control outlined in the above, the primary means of evaluation and measurement relating to the Fund is contained in a **Service Level Standard (SLS)**.