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The role of trustees in ensuring good governance within the fund

November 2019: Just as an organisation needs directors to run it, so does a retirement fund needs a body which is responsible for the management of the fund. Every retirement fund must appoint trustees whose duties and responsibilities are governed by legislation and fund rules. In performing their duties, the trustees must always act with due care and diligence. They should adhere to the rules of the fund and the various decision-making mechanisms outlined therein. A trustee of a retirement fund is tasked with governing the fund in the best interest of its members.

According to Emda Fourie, Head Consulting at Momentum Consultants and Actuaries, “Retirement funds with good governance policies and procedures provide a more secure savings vehicle to its members and peace of mind to all its stakeholders.” Governance refers to the process of decision-making and the process by which these decisions are implemented, similar to that of a director or board of a company. Trustees cannot absolve their accountability to members of the fund by delegating tasks to sub-committees or service providers. The board remains individually and collectively responsible for all decisions taken.

It is important for trustees to ensure that they have the required training and time available to appropriately manage the affairs of the fund. “Trustees are required to continuously increase their knowledge by keeping up to date with developments and topical issues surrounding the retirement industry and also to obtain advice in areas where they are not skilled,” says Fourie.

Fourie adds that, “Ethical and effective leadership is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. Members of the board of the fund should individually and collectively cultivate these characteristics and exhibit them in their conduct by ensuring that the assets they are responsible for are not abused in any way or used for personal gain.”

“Good governance is not simply a “nice to have”, it is about the application of principles in order to make organisations worthy of being trusted and is essential to the effective achievement of their goals,” says Fourie.

In the retirement fund context, good governance assists in managing the competing interests of members, the sponsoring employer, unions, employees of the fund and the members of the fund's board of management.

Transparency and accountability are at the core of good corporate governance and is created by drafting governance policies to demonstrate the governance implemented in the management of the fund. Examples of these policies are:

- The board's code of conduct, which highlights the board's composition, the members' duties and obligations and the process to follow when they are offered gifts.
- Investment Policy Document which sets out the investment objectives of the fund as well as the process followed by the board to achieve such objectives
- Risk management policy, which highlights the risks to the fund as identified by the board. The document should also indicate the mitigation implemented to manage the risks to the fund.
- Complaints policy which records the complaints received by the fund, as well as how the complaints were resolved, the actions taken to prevent similar claims from being lodged.

"Trustees are encouraged to use governance as a navigation tool that will help them to steer the fund in the right direction and which will aid towards members of the fund achieving their retirement outcomes," concludes Fourie.

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