

Fund Governance – Standalone funds

This is a basic document providing guidelines to assist a Board of Management with their duties. This is not a legal document. Full duties can be obtained in the Pensions Fund Act and circulars issued by the Financial Services Board (FSB).

Establishing a Board of Management

Section 7A requires that a registered fund must have a board of management consisting of at least 4 trustees. Members have the right to elect a minimum of 50% of the members on the board and employers may nominate a maximum of 50% of the board. (A fund can request written permission to have less than 4 members if it is impractical and unreasonably expensive, provided that the members are still allowed the right to elect at least 50%)

A Principal Officer and Chairperson will be elected by the board. The responsibility of Principal Officer and Chairperson cannot be held by the same person.

The Board should meet at least twice a year.

Appointment of a Principal Officer

A fund must within 30 days of its registration, or within 30 days of the appointment of a principal officer furnish the registrar with the prescribe details of the appointee.

Details of the Board of Management

Section 7B of the Act Regulation 31 requires the fund to keep the following on record in respect of each trustee:

- i) Full names and surname
- ii) Identity number and date of birth
- iii) Nationality
- iv) Occupation
- v) Residential, business and postal addresses
- vi) Date of his/ her appointment
- vii) Any changes to the above.

Objectives of a Board of Management

In terms of Section 7C of the Pension Funds Act, the daily operations of the fund are to be directed, controlled and overseen by a board of management, similar to the way in which the day to day operations of a company are conducted by a board of directors.

In order to achieve the objective, the board must take reasonable steps to guarantee that the interests of the members are protected, act with care and diligence, avoid conflict of interest and act impartially in respect of all members and beneficiaries.

In addition the board has specific duties that have been communicated in Section 7D of the Act. The board must ensure that,

- i) Proper records, registers, minutes of all meetings and resolutions passed by the board, are kept in the fund's minute book.

- ii) In terms of 16A, the annual audited financial statements and statutory valuation reports are submitted to the registrar
- iii) Regular reviews are conducted in respect of systems and processes of the appointed administrators and other service providers.
- iv) Ensure that members are adequately and appropriately informed regarding their rights, benefits and duties in terms of the rules of the fund, in writing at least once a year. A fund needs to have a documented communication strategy.
- v) Ensure that contributions are paid on time to the fund in accordance with Section 13A of the Act and Regulation 33, and that all bona fide permanent eligible employees become members of the fund. Further, ensure that contribution schedules are submitted timeously, monthly.
- vi) In terms of pension law section 30(U) the fund is required to affect fidelity cover to indemnify the fund of any loss suffered by the fund that otherwise cannot be recovered. This is renewed annually.
- vii) Employ the services of an expert on matters where the board does not have sufficient expertise and knowledge.
- viii) That the fund is operated in terms of the registered and approved rules, and in compliance with the Pension Funds Act and Financial Institution Act.

Ongoing education is recommended for the trustees, at the expense of the fund, in order to keep abreast of all legislative developments.

Investment Performance of the Fund Assets

The Board must have an Investment Strategy in place and monitor the performance of the investment portfolios regularly. The Investment Strategy must be reviewed at regular intervals, at least once every 3 years.

Appoint an Auditor

All funds other than audit exempt funds in terms of Section 9 of the Act, requires the fund to appoint an auditor and apply to the Registrar for its approval within 30 days of the appointment. The board should confirm the appointment and fees of the auditor annually at a trustee meeting.

Appoint a Valuator

All funds except for a valuation exempt fund in terms of Section 9A of the Act must appoint a valuator and apply to the registrar for its approval within 30 days of the appointment. Valuation exempt funds must also appoint an actuary to conduct a financial soundness investigation and submit a Regulation 2 certificate once every 3 years.

Rule Amendments

Section 12 of the Act requires the board to submit amendments to the rules of the fund within 60 days of the resolution being passed.

Appointment of a Monitoring person

The fund must appoint a monitoring person to ensure that, amongst other responsibilities, premiums are paid regularly and on time. The monitoring person must notify the members of the fund and the FSB if the company is not compliant in this regard.