

Introduction



Getting to retirement is a journey and sometimes the road can be pitted with potholes or unexpected detours. Whatever the journey may hold, it is important to stay on track and not lose sight of the destination – a comfortable retirement. For many South Africans, their occupational funds (sponsored by their employers) form the foundation (and most often the primary source) of their retirement savings plan. It is therefore clear that in a developing country such as ours, the role that retirement funds play is significant.

The South African retirement fund industry operates on the trust-based approach where a Board of Trustees is appointed by both the employer and employees to manage the business of the retirement fund. Trustees are regarded as fiduciaries and therefore need to ensure that they manage the fund in the *best interests of its beneficiaries*. In order to achieve this, Trustees need to be equipped with a practical toolkit which they can use to address the responsibilities associated with Trusteeship. **Governance**, being a useful tool, becomes very helpful to Trustees.

Governance became a buzzword when the scandals involving Enron, World Com and locally Fidentia made news headlines. These scandals revealed the clear need for governance principles to be applied in the corporate world not as a 'nice to have' but rather as a necessity, to ensure that stakeholders' interests were being honoured. It was not long before the principles of good governance were issued for pension funds by the OECDⁱ. In South Africa, these principles were adopted in the form of the PF 130.ⁱⁱ

The topic for this section is ***Achieving your Strategic Goals: What should Trustees be doing?*** The aim is to extend beyond the principles of PF130 and equip Trustees with ***practical ways*** in which governance can be applied in helping achieve the objective of their retirement funds. The session will be broken up as follows:-

- In the first section, we look at the objective of a retirement fund, why governance is so important to the running of a fund and then at the international trends in governance;
- In the second section of the booklet considers the proposals put forth by the Financial Services Boardⁱⁱⁱ to legislate PF130 and the various governance principles applicable to Trustees;
- In the third section, we look at the practical angle to governance and what some of the ways are that Trustees can use governance principles in a practical way.

We hope that this session proves to be insightful!