

Secure yourself,
Secure your future



Electing Knowledgeable Employee Representatives to the Board of Fund: Your Retirement Depends on It

In a busy garment factory in Harare, the lunchroom was alive with chatter. Elections for employee representatives to the company's Board of Pension Fund were coming up, and workers were eager to decide who would stand for them. During one lively discussion, the consensus quickly formed: "Let's choose Tawanda, Mavis, and Tapson," one worker suggested. "They are vocal, they fight for us, and they have won us salary increases before through the Workers' Committee." Heads nodded around the table. For many, activism in the workers committee was the main consideration for their nomination.

Riding on their popularity and track record in wage negotiations, the trio swept the elections by a landslide. Employees felt confident they had put the right people on the Board of the Fund.

The Board of Fund Members Are the Custodian of Your Retirement Money Every pension and provident fund is overseen by a Board of Fund, whose members are commonly referred to as Trustees.

The Board of Fund is made up of employer-appointed and employee-elected representatives, as well as independent expert member(s). They are the decision-makers about the pension fund, responsible for governance, investments, and ensuring members' interests are protected.

Their decisions carry weight, especially investment decisions, which determine how contributions are grown to meet members' future benefits. Poor decisions can erode the value of a fund, leaving retirees with far less than they expected.

A Costly Decision

A few months into their term, the garment factory chief executive officer, through the employer's representatives on the Board of Fund, proposed that the fund dispose of its prime property in downtown Harare and lend the money from the sale to the employer to cover salaries while the company worked out a strategy to sustain its operations.

Without seeking expert advice or analysing the risks, the Board of Fund, including the three employee representatives, agreed without hesitation. The property was sold, and the money was lent to the employer at interest rates below market rates.

But the story did not end there. As the company continued to face viability challenges, the CEO returned to the Board of Fund, not to pay back the loan but with yet another proposal: dispose of the remaining pension fund properties and lend the proceeds to the employer to buy new machinery and restock, promising that this would revive the business. Once again, the Board of Fund, including the employee representatives approved the move.

Months turned into years as the employer failed to repay the loans. Eventually, the company shut down due to viability challenges. Employees were sent home empty-handed, without terminal benefits from the employer, and with their pension fund depleted from the ill-advised property disposals.

Why Popularity Is Not Enough

This scenario, though fictional, reflects real risks in pension fund governance. Many employee representatives are chosen based

on activism in workplace matters such as salary negotiations. While these qualities are valuable, they do not necessarily translate into the financial literacy, governance understanding, and analytical skills needed to safeguard pension assets.

A trustee who is vocal but uninformed about pension fund management can:

- Views employer-appointed board of fund members, who are often senior at workplace, as superior members of the Board of Fund.
- Approve risky investments without understanding long-term implications.
- Overlook warning signs in fund performance reports.
- Be swayed by short-term gains over long-term sustainability.

Qualities of a Strong Employee Board of Fund Member (Trustee)

When electing representatives, members should prioritise the following attributes:

- **Pension Knowledge** – Understanding how pension funds work, how pension funds are designed in terms of contribution rates and benefit structure, the regulatory framework, and how the pension fund can deliver value to the members.
- **Financial Literacy** – Ability to analyse budgets, financial statements, and investment reports.
- **Critical Thinking** – Willingness to challenge proposals and seek expert advice where one is not sure. The Board of Fund is not there to rubberstamp proposals from the sponsoring employers or service providers.
- **Integrity and Accountability** – Putting members' interests first. The Board of Fund is there to protect the interests of fund members.

Without these attributes, the Board of Fund may make decisions that undermine the fund's long-term viability.

Your Decisions Matter

Your pension is the bridge between your working life and a dignified retirement. The people you elect to the Board of Fund are custodians of your future. Choose them carefully. A vocal and popular representative may fight for salary increases today, but if they cannot safeguard your pension investments, you may find yourself struggling tomorrow.

The next time you vote, remember: you are not just electing a colleague, you are entrusting someone with your retirement. Make the vote count.

About IPEC

The Insurance and Pensions Commission (IPEC) is a statutory body established in terms of the Insurance and Pensions Commission Act [Chapter 24:21] to regulate the insurance and pensions industry for the protection of policyholders and pension scheme members.

For feedback or enquiries, please contact us at: pr@ipec.co.zw