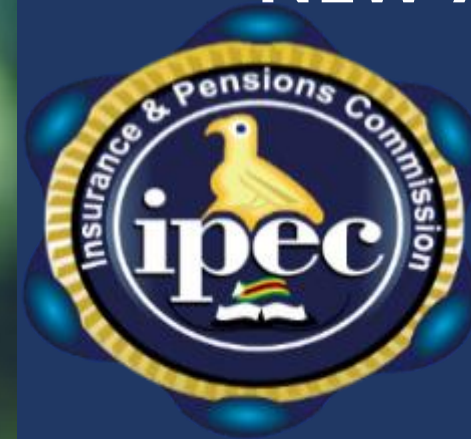


PRESENTATION ON GOVERNANCE

UNPACKING THE NEW ACT



21 March 2022

Why Corporate Governance



Good governance is increasingly recognized as an important aspect of an efficient private pension system,

enhancing investment performance and benefit security

Act also provides an exhaustive framework for assessing the fitness and probity

Solutions to strengthen governance requirements

The former Act did not comprehensively anticipate the underlying threat to pensions resulting from poor corporate governance and risk management practices such as, improperly constituted, inadequate skills, conflicted Boards, inadequate regulation/monitoring of service providers, poor internal controls and excessive administrative and other expenses which are contributing to the prejudice of fund members

Regulatory Concerns- Rationale for the New Act



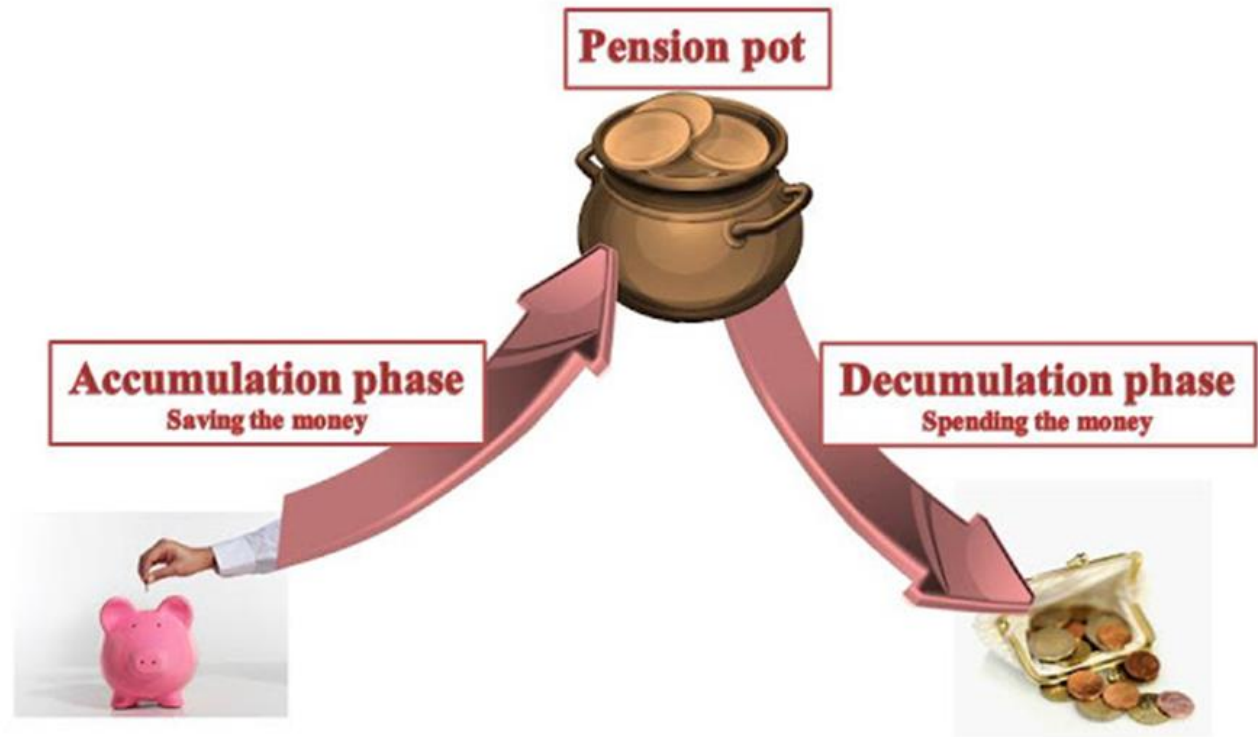
- **Poor Corporate Governance Practices**
- **Improperly constituted board of trustee – e.g. overstayed trustee, election procedures not adhered to**
- **Conflict of interests**
- **Weak internal controls – inadequate of policies and procedures**



Regulatory Concerns- Cont'd



- Absence of audit and risk functions
- Inadequately informed trustees
- Absence of replacement and investment targets
- Absence of SLA that govern relationship with service providers
- Threat to safety and vibrancy of pensions
- Loss of confidence



Provisions related to the Board



Constitution of Board

- **Section 22-** at least five, maximum nine, half to be elected by members
- at least one independent expert member who, in the opinion of the fund shall assist the board members in exercising their functions.
- Provided that a person who is an officer or employee of the fund shall not be eligible for appointment in terms of this subsection.

Prohibitions

- No person shall be appointed as a board member of more than three funds
- No person shall be appointed elected or continue to act as a board member unless he or she possesses such qualifications and additionally, or alternatively, has such experience or expertise as may be required for the proper administration of the fund

Term of office

- **Section 25-** maximum period of ten years provided that each term of office shall not exceed five years.
- No board member shall be re-appointed to a board if he or she has already served on that board for one or more periods, whether consecutive or not, amounting in the aggregate to ten years.
- After expiry of term of office member may continue in office for a period not exceeding 12 months

Provisions related to the Board



Qualifications

- **Section 24-** board must have an appropriate diversity of skills, experience or qualifications for managing the fund,
- **degree of knowledge and understanding required for board members is that appropriate for the purpose of enabling such board member to properly exercise his or her powers and discharge his or her duties as a board member of any fund.**
- **A board should not abdicate responsibility to service providers.**
- **Every fund should within seven days, after appointing or electing a board member, forward to the Commission for approval the name of the appointed or elected board member together with the required vetting documents.**
- **Assumption of office by board members without prior approval.**
- **C.O.P in Trusteeship**

Provisions related to the Board



Trainings and assessments

- Section 26- every board member shall undergo training on core skills within six months of appointment or election as a board member
- C.O.P in Trusteeship
- Any board member who without good cause shown fails to comply with this requirement can be
- disqualified to act as such until he or she acquires the training on core skills.

Provisions related to the Principal Officer Section 27



- Principal officer-appointed by the fund's board in terms of its rules,
- Should be ordinarily resident in Zimbabwe.
- Acts **under the control and direction of the board,**
- Fit and Probity requirements (Sections 24 and 26) imposed on trustees also apply to Principal Officer.
- The internal audit, risk management, compliance and finance functions are also subject to requirements imposed on the office of the Principal Officer

Provisions Relating to Fund administrators(schedule to Act)



- Should be a person registered in terms of the Act,
- The Commission may refuse to grant a certificate of registration to an applicant if the
 - the applicant is not a fit and proper person and does not meet any prescribed requirements specified.
 - the applicant has ever been an administrator of a fund whose certificate of registration was evoked by the Commission due to any fault either fully or partially of the applicant;

Provisions Relating to Fund administrators(schedule to Act)

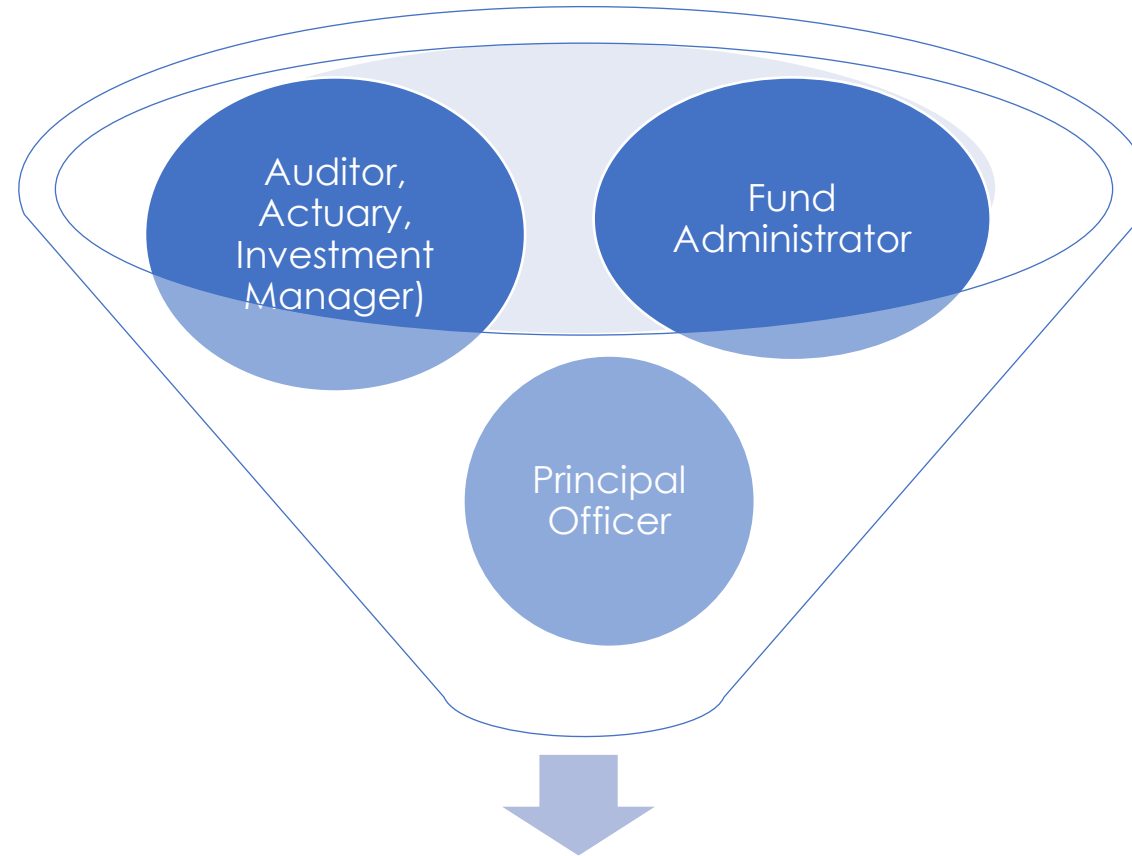


- The Commission can revoke the certificate of registration of an administrator if—
- (the Commission discovers after the certificate of registration has been issued that the administrator made a false statement in relation to the application;
- an event occurs which renders the administrator ineligible to perform his or her functions as administrator;
- the administrator is in breach of any condition of the certificate of registration;
- the administrator ceases to be a fit and proper person;
- the administrator does not comply with any provision of this Act, or regulations made under the Act.

Role Clarity



Board of fund is responsible for oversight over the fund ensuring that the rules, operations and administration of the fund comply with the Act and any other law (conduct of valuations, submission of financial statements and all other returns within prescribed timeframes, prescribed assets)



Service providers and officer of the fund act under the direction of and report to the Board. Service providers do not substitute the Board

Board of Fund

Role Clarity



Fund Administrators

- carry out day to day administration and management;
- advise the fund on strategic fund matters including proper asset liability allocation decision;
- keep the records of the fund;
- process receipts and invoice;
- produce quarterly and annual accounts for audit;
- organise and arrange for meetings and take minutes there in; and
- prepare annual benefit statements and board member reports;
- advise the Commission on any material issues relating to the operations and strategic issues of the fund.

Principal Officer

- conducts the day to day management of the fund, ensuring that the duties imposed on the fund by this Act and any other Act are carried out efficiently and effectively.
- Has a duty to inform the Commission on becoming aware of any material matter relating to the affairs of the fund which, in his or her opinion may seriously prejudice the financial viability of the fund and its members.

Responsibilities of Trustees Section 27



formulate an investment policy and other policy and procedure manuals to further the objectives and purposes of the fund;



where appropriate, obtains expert advice on matters on which the trustees lack expertise; ensure that members of the fund are adequately informed of their rights, benefits and duties in terms of the rules of the fund;



ensure that the rules, operations and administration of the fund comply with the Act and any other law (conduct of valuations, submission of financial statements and all other returns within prescribed timeframes, prescribed assets);



take all reasonable steps to ensure that contributions to the fund are paid when they are due and report forthwith to the Commission where employer is not remitting contributions.

Responsibilities of Trustees Section 27



Ensure that proper control systems are put in place primarily to prevent the occurrence of fraud and other risks or to at least allow for early detection and implementation of mitigating measures



Report timeously to the Commission any acts which are or may prejudice the fund and the best interests of the members.



Ensure that records of all its proceedings and of the business of the fund are kept. Records on membership data should be updated continuously to ensure that fund has current contact details of its members.



take reasonable steps to protect the interests of members of the fund, especially in the event of —

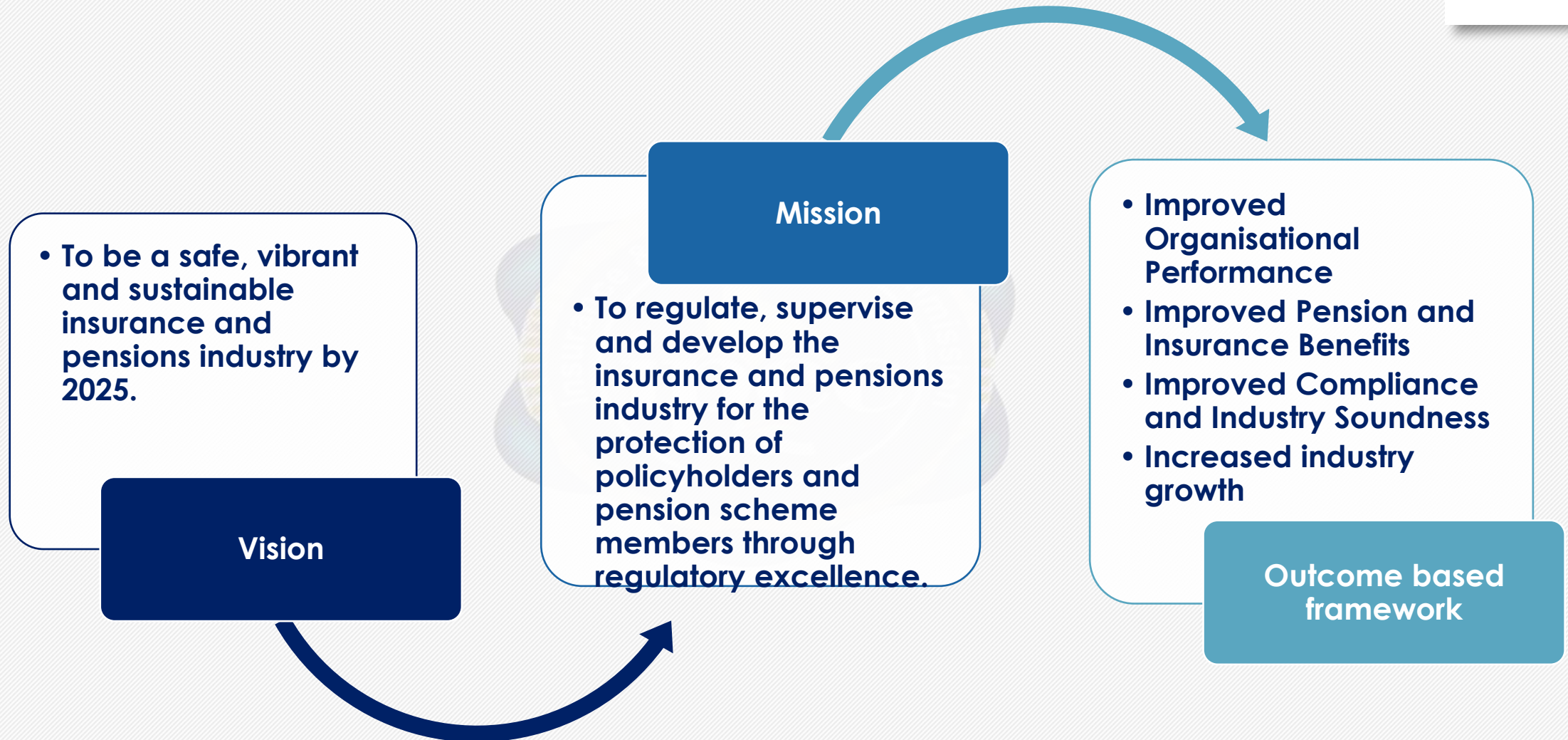
- the amalgamation of or transfer of any business; or
- the division of the fund; or
- the withdrawal of a participating employer or the termination or reduction of contributions by a participating employer.

Responsibilities of Trustees Section 27



- Ensure that all the assets of a fund, including any policy of insurance, to be controlled and held in the name of the fund or a nominee approved in terms of regulations made under the exchange control act [chapter 22:05]; or a nominee which is a company registered in terms of the banking act [chapter 24:20]. (new bill to remove nominee) as required by section 15 of Act
- Insured fund trustees should ensure that assets designated as assets of the life insurer's pension fund business are held separately and distinctly from the assets relating to the insurance business of that life insurer;
- Such assets should be easily identifiable on the balance sheet of the life insurer.
- Monitoring and evaluation of the performance of the fund vis-à-vis set targets.
- Ensuring good corporate governance practices in line with the law and best practice.

IPEC Vision, Mission and 2023 Outcomes



Misconceptions about Regulation



Regulation establishes form of system and “empowers” compliance officers and other parties to perform functions or protect interests

- **Acts and Regulations**
- **Guidelines, Circulars, Standards,**



As persons tasked with governance our role is not a tickbox exercise

- **It is a control function, a line of defence helping to mitigate risks, ensure security of funds and protect the fund members.**



Regulation provides the tools for use in evaluating compliance of each entity.

- **Regulatory sanctions are a last resort and application of such should be a red flag to the Compliance function.**



IPEC VISION



A safe , vibrant, and sustainable insurance and pensions industry



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