



law | tax | forensics | advisory



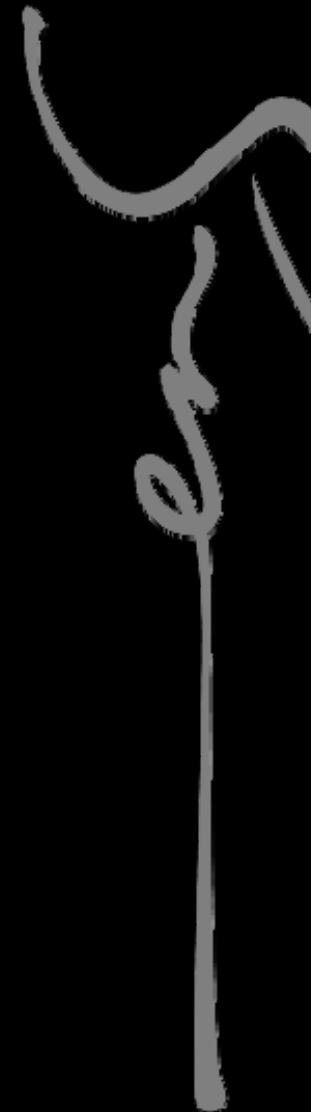
Why was PF 130 Issued?

By:

Jonathan Mort

**Retirement Fund Specialised
Services**

Edward Nathan Sonnenbergs



Why was PF 130 Issued?

There are essentially 3 reasons for PF 130:

- The protection of the integrity of capital markets
- Crisis of credibility
- Confusion about the function of trustees



The protection of the integrity of capital markets

The provision of pensions is moving from a pay as you go basis to a prefunded basis.

This means that much of the capital markets comprise retirement savings – pension funds control much of the capital markets.

See the European Directive on Pensions (Directive 2003/41/EC, 3 June 2003) –

“(pension funds) have a key role to play in ensuring the integration, efficiency and liquidity of the financial markets...”



The protection of the integrity of capital markets (cont)

Over-regulation is very expensive, both for the Regulator and for the funds. Hence the move to a risk based supervisory approach, in terms of which there is an emphasis on good governance in funds and corresponding assessment by the regulatory authorities of the risks to which funds are exposed.



Crisis of credibility

Members and pensioners do not trust the arrangements around their pensions:

- Previously under the control of employers
- Secrecy
- Poor performance
- Poor pension increases
- Utilisation of surplus to meet employer obligations
- High volume of complaints before the Adjudicator
- Surplus / deficit problems
- Administration scandals (bulking, JMPF, annuities)

- **Good governance should remedy all of this**



Confusion about the function of trustees

Role of the board:

- Accountability of board members
- Role of the chair
- Role of the principal officer
- Difference between structural and non-structural conflicts of interest
- Managing / avoiding conflicts of interest
- Confidentiality of fund information
- Protection of fund information
- Independence of trustees
- Role of sub-committees



Confusion about the function of trustees (cont)

- Importance of trustee education and the right to that
- Managing dysfunctional trustees (code of conduct)
- Oversight review
- Expert advisers
- Risk management
- Investment issues
- Communication and access to information
- Relationship with employer and sponsor
- Relationship with service providers



thank you



www.problemsolved.co.za