

WHEN CAN TRUSTEES DELEGATE THEIR DUTIES? WORKSHOP NO. 14

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OBJECTIVES

- Purpose of the workshop
- Assessing & Managing Service providers.
- Trusteeship and duties.
- Circumstances under which trustees can delegate their duties and to whom.
- Is there an alternative to delegation?
- Conclusion.

PURPOSE

- The purpose of the workshop is to discuss how best trustees of retirement funds can assess and manage service providers.
- In doing so, its important that we discuss the following aspects;
 - Circumstances under which trustees can delegate their duties;
 - The impact of the use of service providers on retirement fund benefits;
 - Industry best practises.

ASSESSING & MANAGING SERVICE PROVIDERS

- Assessment should be done by both the trustees and regulatory authorities.
- Trustees should concern themselves about the following;
 - Whether the proposed service provider has been registered by the regulatory authority.
 - Whether fees charged are commensurate with the services rendered.
 - Conflict of interest – avoid one stop shops (as explained in page 6 of the 10 page summary).
 - Ensure that there are no pending complaints against the service provider, esp. regarding fraud.

ASSESSING AND MANAGING SERVICE PROVIDERS CONT'D

- The regulator should ensure that;
 - Service providers used by trustees are fit and proper hence registered to transact in the industry.

TRUSTEESHIP & DUTIES

- It means you are placed in a position of trust.
- In retirement funds, it means you are trusted to:
 - Invest contributions prudently;
 - Investment Policy Statement
 - Act in good faith
 - Uphold integrity and due diligence
 - Avoid conflict of interest



CIRCUMSTANCES UNDER WHICH TRUSTEES MAY DELEGATE

- Board of trustees is the governing body responsible for ensuring that the fund fulfils its obligation of providing retirement benefits.
- To achieve the above, trustees will need investment skills to deliver retirement benefits.
- Trustees may not have investment skills necessary to achieve this objective.
- Where it lacks sufficient expertise trustees may seek expert advice or appoint professionals to carry out certain functions.

CIRCUMSTANCES UNDER WHICH TRUSTEES MAY DELEGATE CONT'D

- However you delegate the act but you still remain accountable.
- Trustees need to know the relevant service providers on whom to delegate their duties. This entail knowing the services needed.
- They need to know the quality of the service provider's work and its independence.
- they should be able to assess the advise or the quality of the work received.
- They should be able to remove advisors. This means the service level agreements should be well enabling (termination clauses).

IS THERE AN ALTERNATIVE TO DELEGATION?

- If trustees delegate because of lack of expertise, is there amount of trustee education that can enable them to carry out investment duties?
- Perhaps yes, but there may be time constraints. Trustees in occupational schemes are first and foremost employees and may require a lot of work.
- Perhaps we need to capitalise on independent trustee? (its up for discussion).

CONCLUSION

- Since it has been established that delegation is allowed which means whether or not the fund is able to meet its obligation does not only depend on the trustees.
- Trustees are the accountable bodies but service providers are doing most of the operational work.
- What then is the impact of using service providers?