Trustee Remuneration Survey

April 2010

Contents

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Foreword

We are pleased to present the findings from our latest retirement fund survey which focuses on South African trustees and their remuneration. This survey builds on our retirement fund governance survey carried out in 2007 and addresses some of the issues highlighted then. Our approach has been to identify key issues and to shed light on the stance retirement funds currently take on trustee conduct and remuneration.

Much has happened in the fund environment between 2007 and 2010. There have been two years of financial turmoil leading many funds to adopt more complex and sophisticated investment strategies as a defence mechanism. Financial and commercial pressures and also the many initiatives by the Registrar of Pension Funds, have not only increased trustees' workloads, but also their level of responsibility to understand the complexities and to manage them more actively, often through the establishment of subcommittees.

Our retirement fund industry specialist group surveyed the views of chairpersons, trustee board members and principal officers on the workings of their trustee boards, with a particular focus on remuneration. Where relevant, we compared our results with two equivalent PricewaterhouseCoopers surveys – one released in the United Kingdom (UK) in March 2010, dealing with trustee remuneration and the previous survey conducted by PwC South Africa in 2007 focussing on the effective management of South African retirement funds. By means of these comparisons, we have identified trends or differences both between the two countries and over a period of time.

With 243 participants covering a wide spread of funds from the very large to the very small, and across all fund types, we believe that this survey is representative of existing practices. It offers a benchmark against which trustees can compare various aspects of their fund's workings and strategies with those of their peers, both in South Africa and in the UK.

The insights we have gained by conducting this survey enable us to hold a mirror to funds so that they can assess where they stand in respect of the effectiveness and costs of trustees.

This survey canvasses the actual status of funds' activities rather than views and opinions on issues such as the future direction of governance.

We would like to thank all participants for their time and responses. Individual responses will be kept confidential. A special word of thanks to the Principal Officers Association of South Africa for its support in encouraging its members to participate in the survey. We would welcome feedback on the survey and any suggestions of additional topics to cover in future surveys.

Gert Kapp
Retirement Fund Leader
PricewaterhouseCoopers Inc
Southern Africa
Johannesburg
20 April 2010

Salient features of the survey

Funds that participated:

- 143 private funds (which we define as non-specialist funds)
- 100 specialist funds (preservation funds, retirement annuity funds and umbrella funds)

The asset base of respondents:

- Private funds – R166 billion
- Specialist funds – R141 billion

Percentage that made use of professional trustees:

- Private funds – 29%
- Specialist funds – 88%

Percentage that used professional principal officers:

- Private funds – 34%
- Specialist funds – 72%

Average remuneration paid to these fund professionals:

- Professional trustees – R98,265 per annum / R7,641 per meeting / R1,603 per hour
- Principal officers – R314,214 per annum / R2,800 per meeting / R752 per hour

Link between trustee remuneration and performance:

- These were not linked for the overwhelming majority of funds
- Only 23% of trustees have fixed service contracts

Proportion of funds whose trustees received gifts or entertainment from service providers:

- Private funds – 36%
- Specialist funds – 32%

Nature and frequency of gifts and entertainment from service providers:

- Limited to one or two sporting or corporate social events per year in the majority of cases

Key Findings

Governance

- Half of the private funds that remunerate trustees, appointed one professional trustee and a further 25% appointed two or more;
- 92% of specialist funds that remunerate have two or more professional trustees;
- Between 20% and 30% of trustees both in South Africa and the UK are ill-prepared for meetings;
- The amount of time allocated by trustees to their duties is influenced by whether they are remunerated or not, with those being remunerated coming better prepared to meetings;
- 43% of funds indicated that appointing professional trustees is not required by law and the associated cost is not worth the benefit;
- South African (SA) private funds employ professional trustees more often than their UK counterparts;
- 51% of small funds have at least one professional trustee;
- 87% of boards meet at least four times per year; and
- Recognition of the importance of the corporate governance principles contained in King III appears to be high on the agenda.

Remuneration

- 45% of SA funds remunerate their trustees, compared to 93% in the UK;
- There is a skewed distribution of remuneration practices, with less than a quarter of private funds remunerating trustees, while 80% of umbrella and preservation funds and 64% of retirement annuity funds (RA) do;
- The main reason given for not remunerating trustees is that trustee duties are perceived to be part of the trustees' employee salary and trustee time is taken out of normal working hours;
- 55% of total funds surveyed do not remunerate their trustees and 47% do not remunerate their principal officers;
- It is clear that specialised funds are more likely to remunerate fund officials than private funds;
- The single biggest determining factor for trustee remuneration for large funds is workload, while for medium funds it is the experience of the trustee and for small funds, the value added;

Remuneration (continued)

- 67% of funds that remunerate fund officials pay both their trustees and principal officers, while 30% of funds that do not pay their trustees, still remunerate their principal officers; and
- Reasons for not remunerating trustees and principal officers include:
  - They are permanent employees already remunerated by the participating employer;
  - They are given time off work to attend to the affairs of the fund during normal working hours;
  - The role of a trustee/principal officer is seen as being a voluntary service to the fund and its members and is regarded as a privilege and a prestigious position;
  - The rules do not make provision for remuneration;
  - The matter has never been considered; and
  - Many trustees/principal officers are also fund members and the fund cannot afford to pay trustees.

Performance and assessment

- Although employers recognise their employees' trustee responsibilities, they do not as a norm assess employee trustees' performance in that role and they allow little time off for meeting preparation;
- Objective setting for individual trustees is in place for less than a third of funds compared to over half in the UK;
- With rare exceptions there is no linkage between trustee remuneration and their performance; and
- Only 23% of funds indicated that they have fixed service contracts with their trustees.

Gifts and service providers

- Special service offerings or arrangements with service providers appear not to feature at present in the South African retirement fund industry;
- Trustee entertainment is well contained and is limited to one or two sporting or corporate social events per year in the majority of cases;
- Only 35% of funds confirmed that they have been entertained over the preceding 12-month period and 49% of these were large funds; and
- Consultants (24%), asset managers (29%) and benefit administrators (29%) accounted for the bulk of regular entertainment.

Trends in the UK

A summary of observations and trends in the UK based on two remuneration surveys conducted in 2007 and 2010 shows:

- The proportion of funds that remunerate trustees has increased from 77% to 93% and pay levels are also increasing;
- The average pay for chairpersons has increased by 60% and for board members by 38% over the three-year period;
- 56% (2007: 32%) of chairpersons are independent trustees;
- The average number of days per annum spent by trustees on fund business has increased by 20% to 12 days. The average for chairpersons is 23.3 days; and
- 45% of trustees are not current employees of the sponsoring employer and 77% of schemes have at least one independent trustee, indicating that boards are becoming more professional.

Please refer to Appendix 2 for further commentary on the PwC UK *Trustee Remuneration Survey* released in March 2010.

About the survey

The questions

The survey consisted of 34 questions covering the key aspects of remuneration, with special focus on four main areas:

- Governance;
- Remuneration;
- Performance and assessment; and
- Gifts and service providers.

We also collected fund data, including information about fund type, asset size, the number of pensioners and active members. Where specific characteristics of the fund resulted in distinct differences in responses, we have highlighted these differences.

The respondents

The survey was sent to a wide range of principal officers, chairpersons and trustee board members across all types of funds in the South African retirement fund industry. As was the case in our previous survey, the majority of the 243 respondents who completed the questions were principal officers (78% of the respondents), clearly indicating that funds still prefer principal officers to be their spokespersons.

Given the high number of respondents to the survey and the wide range of fund sizes and types covered, we believe that reasonably reliable trends and conclusions can be drawn about the governance, remuneration and performance assessment behaviours of retirement funds in South Africa.

This report provides an overview of survey findings and key themes that emerged. We also provide our own commentary and interpretation of the results.

Survey population

Fund size

The survey was completed by 243 retirement funds of varying sizes, with total assets in excess of R308 billion, during January and February 2010. The responses were spread across small, medium and large funds (measured by total asset value as reported) and are summarised in Fig.1 as follows:

- Large: >R500 million (32%);
- Medium: R50million–R500 million (44%); and
- Small: <R50 million (24%)

In January 2010 a similar survey was carried out among 48 pension funds in the UK. We have made some comparisons to this survey in our detailed findings. The responses were spread across small, medium and large funds (measured by total asset value) and are summarised in Fig.2 as follows:

- Large: >£5bn (17%)
- Medium: £500m-£5bn (56%); and
- Small: <£500m (27%)

This shows a similar spread in fund size to the South African results with 73% representing medium and large funds (SA 76%).Both surveys thus focussed more on funds with material assets under management and should give a good indication of trends in both countries.

Fig.1: SA 2010: fund sizes

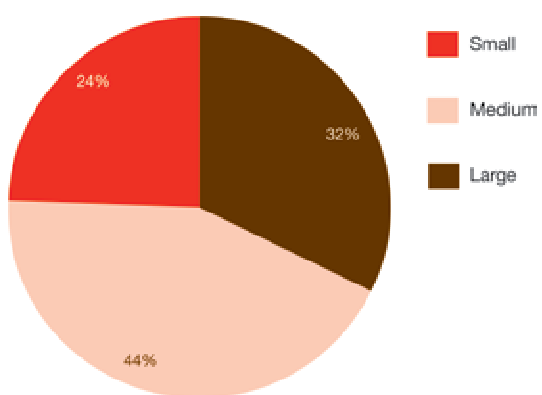
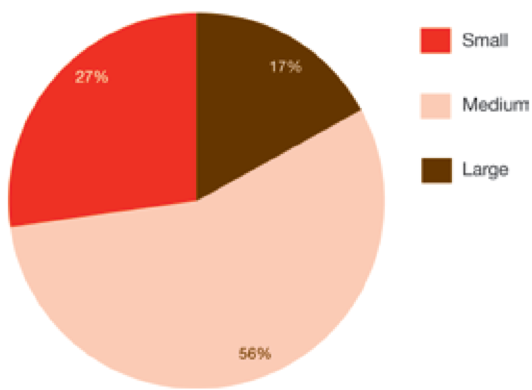


Fig.2: UK 2010: fund sizes



Fund statistics

Interesting statistics noted about the population:

- Average number of contributing members for 243 funds: 9,358
- Average number of pensioners for 62 funds: 2,185
- Average trustee board size for 243 funds: 7 members
- Average fund size of the 243 respondents: R1.268 billion
- Total assets of the 243 respondents:R308,2 billion
- Total active membership of funds surveyed: 2,180,319
- Total number of trustees of funds surveyed: 1,761

The averages for the 243 funds per type of fund are listed below:

Table 1

Type of Fund	Average members	Average pensioners (62 funds)	Average trustee board size	Average asset size
Private	2,480	2,335	8	R1.145bn
Preservation	3,497	809	5	R1.079bn
RA	53,739	1,628	7	R3.200bn
Umbrella	17,290	1,802	6	R1.140bn
Total average	9,358	2,185	7	R1.268bn

The correlation between fund size and average trustee board size is as expected:

- Small: 5 trustees;
- Medium: 7 trustees; and
- Large: 9 trustees.

The Government Employees Pension Fund also participated in the survey. Due to the exceptionally large size of the fund in both asset value and membership, we have for reasons of comparison to the rest of the industry excluded the fund from our survey results.

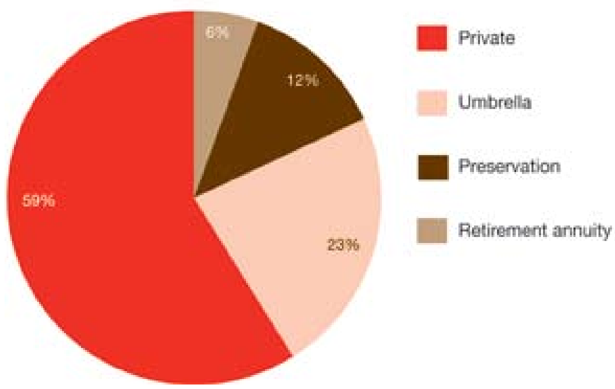
Fund nature

We distinguished between private funds and specialist funds. Umbrella, Preservation and RA funds are regarded as so-called specialist funds because of the non-standard nature of their fund rules.

By also collecting data by fund type, we gathered the following statistics:

- 59% of respondents were private funds;
- RA funds accounted for only 6% of the survey population, but accounted for 15% of the total assets, with an average fund size of R3.2 billion, compared to an overall average fund size of R1.268 billion;
- RA funds and Umbrella funds accounted for a large share of members. The RA and Umbrella funds included in this survey had members totalling to 1.72 million. The average RA fund had 53,739 members, compared to an overall average of 9,358. The average Umbrella fund had 17,290 members, again way more than the total average;
- The trend showed preservation funds to be smaller, with the average fund controlling R1 billion in assets and having 3,497 members; and
- Ignoring the Umbrella, Preservation and RA funds, the average for private funds was R1.145bn in assets under management for an average of 2,480 members.

Fig.3: Nature of the funds



The average fund credit per member per type of fund was as follows:

Table 2

Type	Average assets per fund	Average members per fund	Average fund credit per member
Private	R1.145bn	2,480	R461,556
Preservation	R1.079bn	3,497	R308,624
RA	R3.200bn	53,739	R59,561
Umbrella	R1.140bn	17,290	R65,933

Fund nature (continued)

It is clear from the table, and the graphs that follow, that large institutional Umbrella and RA funds account for the greatest proportion in membership numbers, perhaps reflecting the marketing efforts of life insurance companies/sponsors in South Africa over the years. The smaller average assets per member could indicate that these funds have a large number of smaller income members and that the private sector funds (and Preservation funds, which are arguably indirectly 'linked' to them) still house the majority of individuals' retirement wealth.

Fig.4 : Total assets

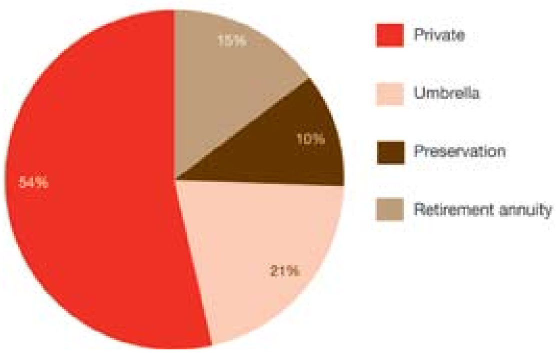


Fig.5: Total members

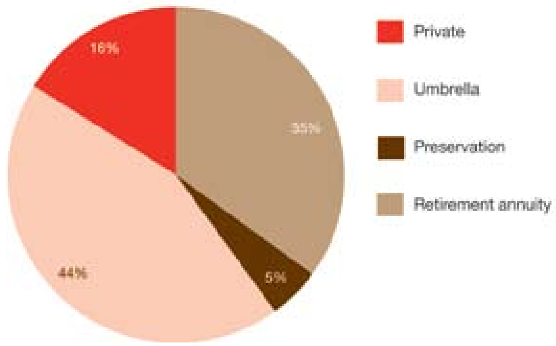


Fig.6: Average asset size

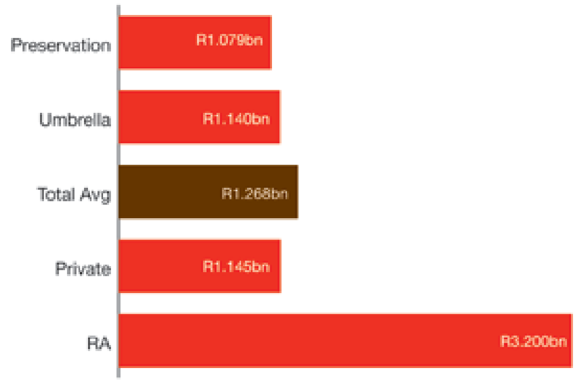
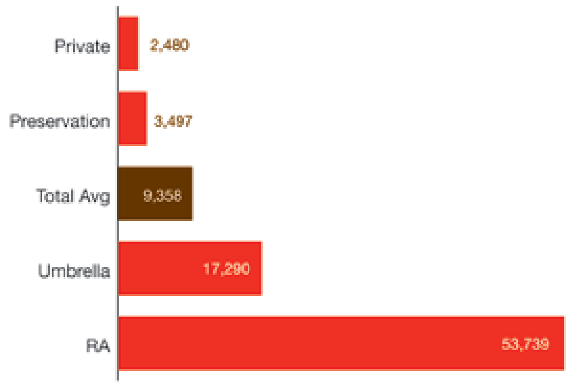


Fig.7: Average member size



Fund type

Defined contribution (DC) funds continue to dominate. The shift is clear from Fig.8, which compares 2010 survey results with those from 2007. This is in direct contrast to the situation in the UK, where defined benefit funds are still the norm. The same proportions applied across small, medium and large funds:

Fig.8: Fund type 2007 vs 2010

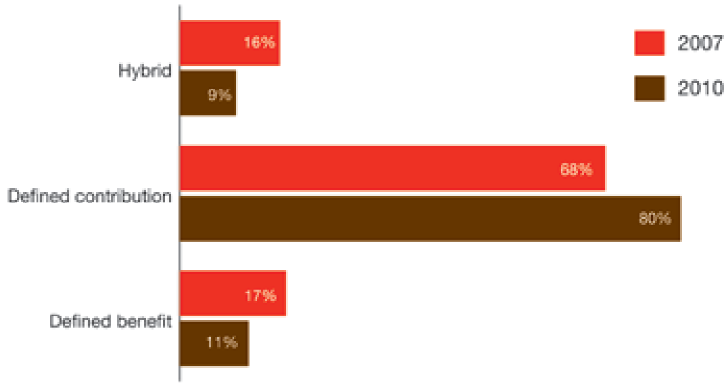
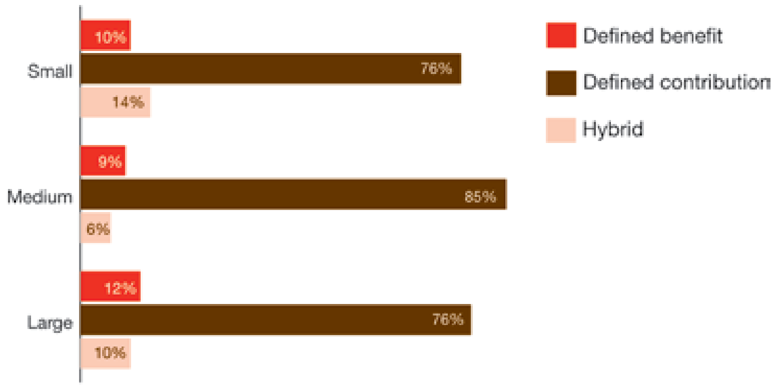


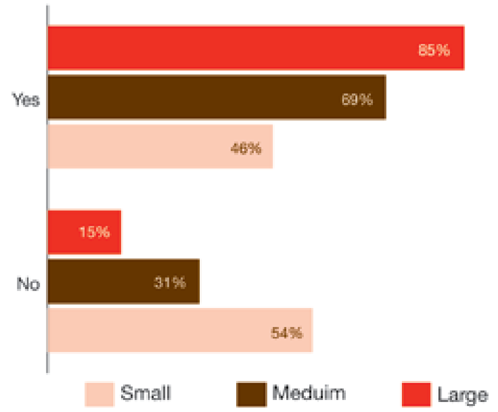
Fig.9: Fund type



Fund type (continued)

Individual member investment choices are offered by 68% of funds. This remains a prominent feature of South African funds, with the funds of larger asset size offering this to their members more often than smaller funds:

Fig.10: Individual investment choices



Governance

Between 20% and 30% of trustees in both SA and the UK continued to be ill prepared for meetings.

The amount of time allocated by trustees to their duties is influenced by whether they are remunerated or not, with those being remunerated being more dedicated.

Trustee meetings

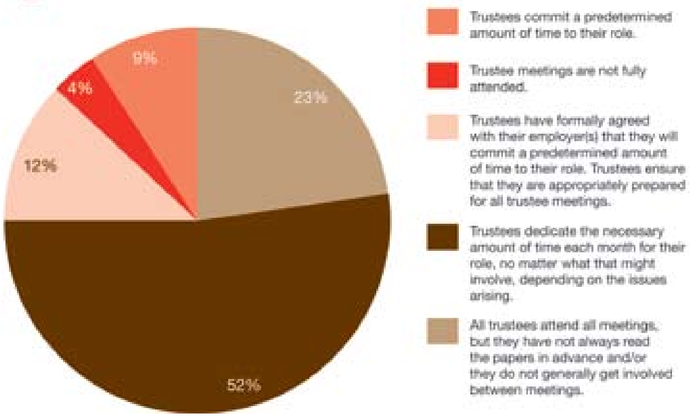
The survey indicates that trustee boards are allocating enough time to their roles, with 23% spending a predetermined amount of time on their duties and 52% dedicating time on a monthly basis, depending on issues arising.

A worrying trend identified previously seems to have continued with 27% (2007: 29%) of trustee meetings being either not fully attended or, if fully attended, not all trustees had read the papers in advance. These percentages are similar to findings in the UK for 2010 and our previous surveys in both countries. They show that there has been no improvement in attitude with between 20% and 30% of trustees continuing to be ill prepared for meetings.

This behaviour seems to be directly correlated to whether trustees are remunerated or not. Only 16% of those funds that remunerate, responded that trustees are not fully prepared and do not get involved between meetings, while 36% of non remunerating funds confirmed this.

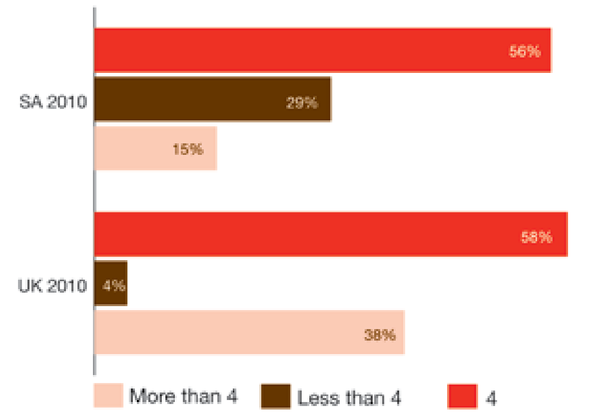
Of those funds that remunerate trustees, 65% of trustees dedicate the necessary time every month and are appropriately prepared for meetings, while only 41% of non-remunerating funds were of this view.

Fig.11: Time trustees allocate to their duties



Trustee meetings (continued)

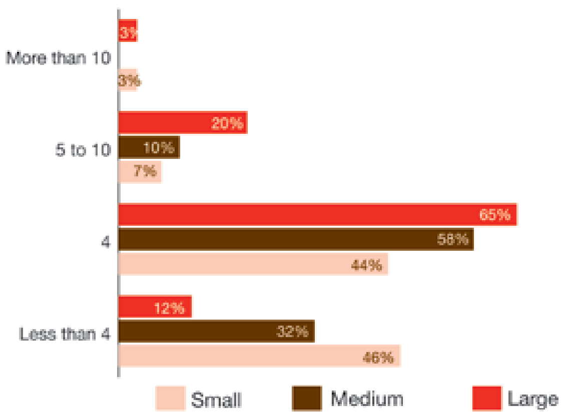
Fig.12: Number of board meetings per year: UK vs SA



It is positive to note that 71% (2007: 94%) of boards meet at least four times per year. However, 29% of boards meet three times per year or less. In fact, 46% of small funds and 32% of medium-sized funds indicate this trend, either demonstrating that lower fund activity requires fewer management decisions or the fact that fund management is left in the hands of service providers. In the UK, fewer than 5% of funds meet less than four times a year, demonstrating a more dedicated approach than is apparent in South Africa. Among large SA funds, 65% meet only four times per year, possibly indicating reliance on service providers to help manage schemes on a day to day basis.

65% of large SA funds meet 4 times per year

Fig.13: Number of board meetings per year



The time spent in board meetings tends to vary according to the size of the fund, with larger funds meeting for between three and eight hours for 58% of funds, and between one and three hours for 66% of small funds. Meetings last between three and eight hours for 46% of overall respondents. Only 2% of respondents indicated that they meet no longer than an hour at a time. Lastly, it was noted that 10% of large boards meet for longer than a day at a time.

Trustee meetings (continued)

A comparison of the time spent on trustee meetings between funds that remunerate trustees and those that don't, indicates that remuneration plays little or no role. Of non-remunerated boards, 70% meet four or more times per year and 98% of them meet for between one and eight hours. This compares to 73% (four or more meetings) and 92% (between one and eight hours) for remunerated boards. There is a small (9%) discrepancy in the 'three to eight-hour' meeting choice (remunerated: 51% vs. non remunerated: 42%), but this may be related to fund size and complexities requiring longer meetings.

Fig.14: Duration of trustees meetings

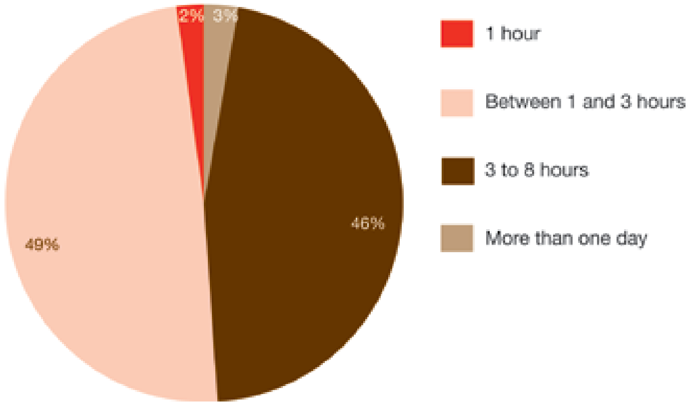
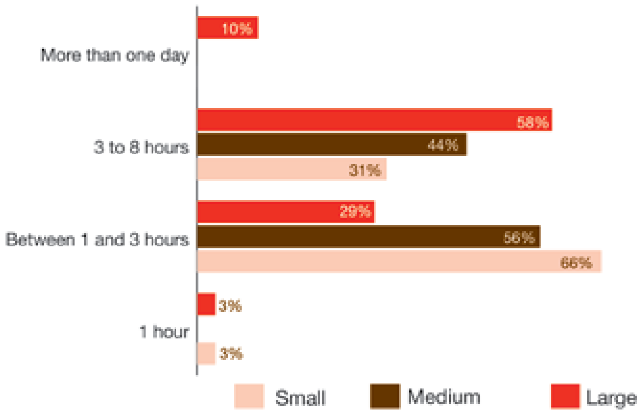


Fig.15: Duration of trustees meetings



Professional trustees

There is a majority view, albeit not overwhelming, that independent professional trustees are needed, with more than 50% of respondents across all sizes of funds indicating that at least one such trustee should be appointed. This percentage is 61% for large funds.

Professional trustees (continued)

The views of the remaining respondents varied, with 43% indicating that it is not required by law and the associated cost is not worth the benefit. Other common responses are that boards either have the internal expertise and experience or rely on the expertise of service providers such as fund consultants, administrators and professional principal officers. The consensus seems to be to 'seek advice when required' rather than employing professional independent trustees.

These sentiments are reflected in the number of professional trustees appointed, with 47% of funds indicating they do not appoint any. This result is slightly better than the 52% of UK funds that have no professional trustees (refer Fig.17). Strangely this is also the case for large funds, even though 61% said in the earlier question on whether an independent trustee should be appointed, that it would be a good practice.

While only 35% of funds (86 funds) appointed more than one professional trustee, 29% of large funds appointed more than two. These are mainly large Umbrella and Preservation funds. A big surprise was that 50% of small funds have at least one professional trustee, clearly demonstrating recognition of expertise at that level.UK funds lean towards appointing only one professional trustee rather than two or more as large South African funds do.

Fig.16: Number of professional/independent trustees

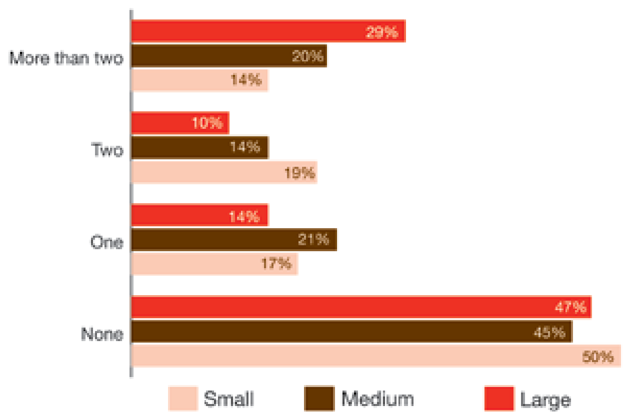
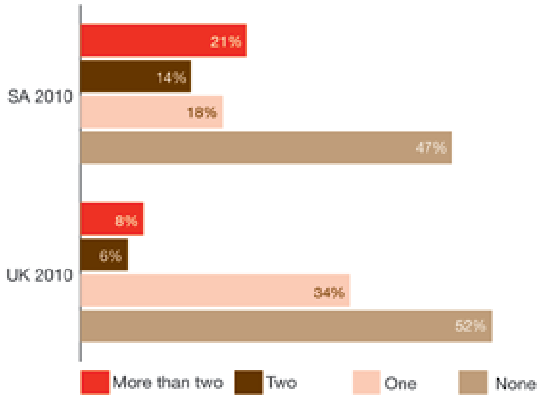


Fig.17: Number of professional/independent trustees: UK vs SA



South African private funds more often employ professional trustees than their British counterparts.

Professional trustees (continued)

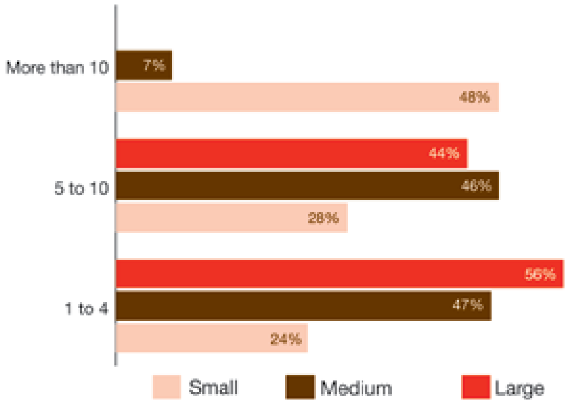
Looking at those South African funds that remunerate their trustees, some interesting trends are evident:

- 92% of these funds have one or more professional trustees;
- 24% of private funds have no professional trustees and 52% had one;
- Only 14% of small funds had two or more professional trustees and they were mainly large sponsor linked funds; and
- 72% of funds that appointed two or more professional trustees.

Half of the private funds that remunerate appointed one professional trustee and a further 25% appointed two or more. Of the specialist funds that remunerate, 92% have two or more professional trustees.

Specialist funds predominated, with 98% of Umbrella funds appointing two or more trustees. This was followed by 88% of Preservation funds and 78% of RA funds also following this practice.

Fig.18: Number of boards your professional trustees serve on

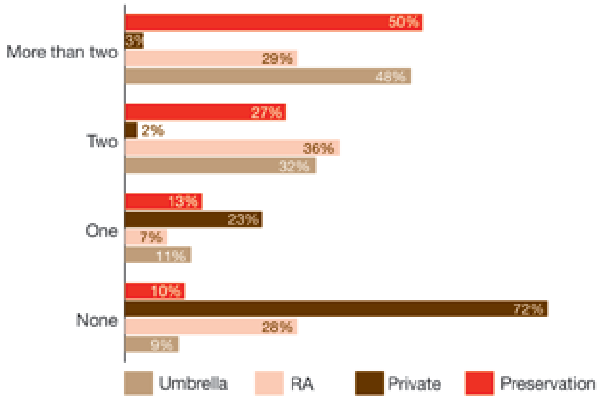


Looking at workload, 45% of professional trustees serve on four or less boards. This is particularly the case for medium and large funds, suggesting that trustees are not taking on too much burden, and can in all likelihood pay enough attention to their duties. On the other hand, more than 40% of trustees on both medium and large fund boards serve on up to 10 boards, indicating that there is a definite career opportunity in this field. Boards must consider whether trustees with so many responsibilities can still contribute meaningfully and be dedicated enough in their duties to each fund.

A surprising 48% of small funds (none for large and 7% for medium funds) indicated that their professional trustees serve on more than 10 boards. Smaller funds might be easier to manage, but boards must again ask whether a limit should be imposed on the number of trusteeships that can be held meaningfully and whether funds will get value for money. This question is also relevant to the 8% of funds that indicated that they did not know how many boards their professional trustees served on.

Professional trustees (continued)

Fig.19: How many professional/independent trustees currently serve on the board of trustees?



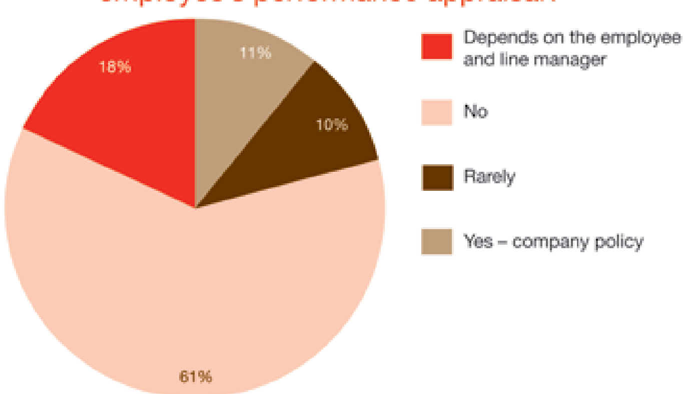
Employee trustees

The additional responsibilities of employees, who also act as trustees, are well recognised by employers with only 19% of respondents indicating limited recognition. It is interesting to note that employer groups associated with small and medium funds indicated a higher level of recognition than large funds. Only 4% of overall respondents indicated poor recognition.

However, even though the responsibility is clearly recognised, an anomaly exists in that the trustee role is not taken into account in employees' performance appraisals in 61% of cases. This is particularly an issue for medium (63%) and small (73%) funds. Overall, only 11% of trustees are assessed, while 18% of respondents indicated that it depended on the employee and line manager. This indicates that employers treat trustee responsibilities separately from normal employee tasks and do not regard the performance of trustee duties as a task they should monitor.

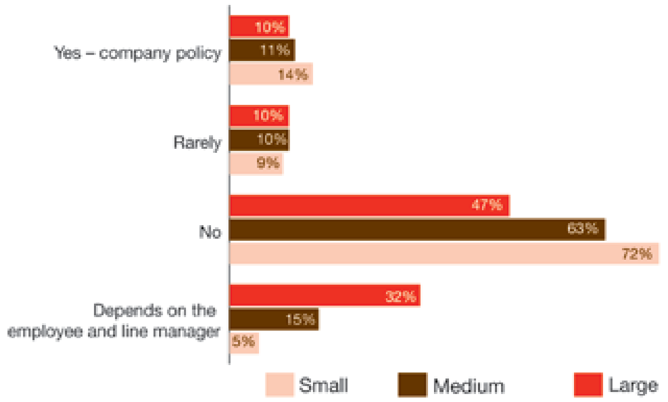
Confirming this stance is the fact that 60% of funds that said they remunerate trustees answered 'no' on the question of whether employee trustees' roles were appraised. It follows that there is little or no incentive for employee trustees to deliver exceptional trustee duties as this would have little impact on their ratings as an employee.

Fig.20: Does performing the trustee role form part of the employee's performance appraisal?



Employee trustees (continued)

Fig.21: Does performing the trustee role form part of the employee's performance appraisal?

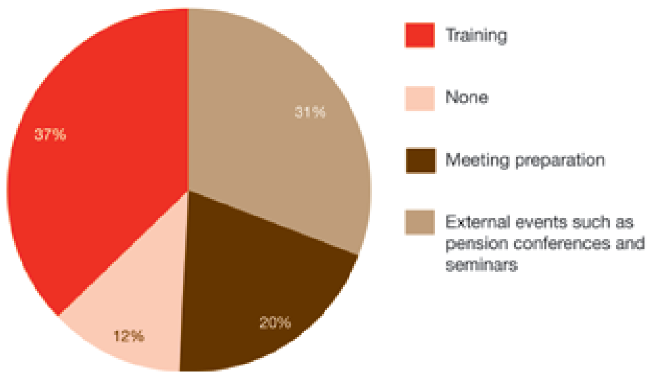


Recognition by employers is limited to granting time off for attendance of trustee meetings, preparation time for meetings and other fund-related events. A worrying 12% of employee trustees get no additional time off for trustee duties other than the actual meeting time. Only 20% of employers grant preparation time and 37% allow time for attendance of trustee training, indicating only moderate levels of support. Just 31% of trustees get time off to attend external conferences and seminars.

Although employers recognise their employee's trustee responsibilities, they do not as a rule assess employee trustee's performance and they allow little time off for preparation.

Overall, the trend is similar across funds of all sizes with time off favouring training and external trustee events. It must be questioned whether enough emphasis is put on preparation time, a finding which is mirrored by the finding mentioned earlier that 23% of trustees do not read the documentation in advance of meetings.

Fig.22: Time off for attendance at trustee meetings: do employees receive time off for any of the following (More than 1 option could be selected)

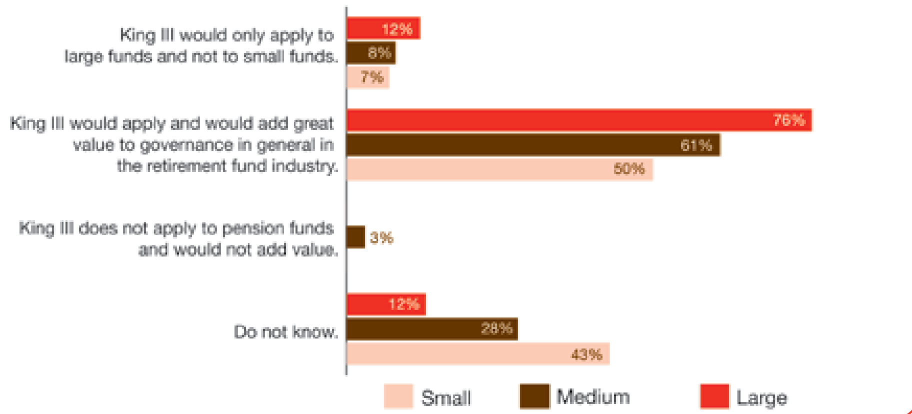


The third King Report on Governance for South Africa 2009 (King III)

Recognition of the importance of the principles of King III appears to remain high on the agenda.

Overall the majority of respondents are of the opinion that King III would add value to fund governance. However, 27% remained unsure and 9% felt this would only apply to large funds. As expected, the trend is that larger funds felt it would add value (76%), while small and medium funds either did not know or felt that it would only apply for large funds.

Fig.23: Does King III apply to retirement funds?



A similar question about King II in our 2007 survey concluded that compliance with King II principles was an area for improvement. At the time, 29% of funds did not undertake a compliance assessment and only 18% of the 60% who thought King II principles were important, integrated these into fund activities.

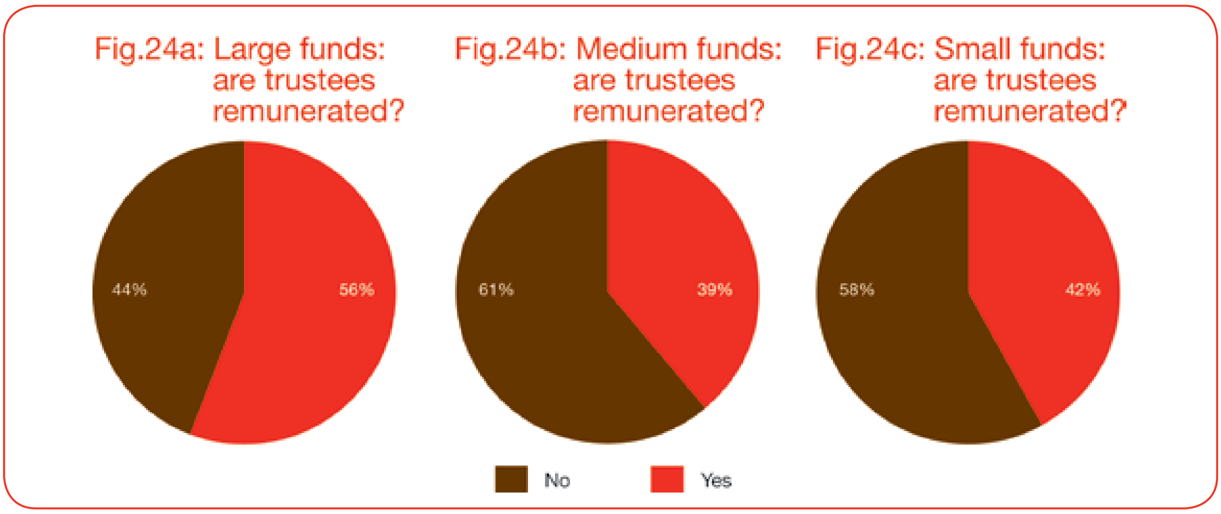
In the UK, funds are encouraged to comply with the principles of the Myners Report. Our UK survey indicated that 61% of funds have considered and assessed compliance to the original Myners principles (similar to King II), but only 25% have updated their assessment for recently updated Myners principles (similar to King III). King II and PF130 have set the principles for South Africa and one can only hope that the recent positive response to King III will result in further compliance assessments from March 2010, when the code became effective for all entities, including retirement funds.

Trustee Remuneration

Overview of remuneration policies

No less than 55% of respondents indicated that they do not remunerate their trustees.

In the small and medium category, 58% and 61% of funds respectively indicated that they do not remunerate their trustees, while the rules of these funds also do not make provision for trustee remuneration.



Overview of remuneration policies (continued)

It is heartening to note that boards are clearly staying within the limits of the fund rules. The fact that the rules provide for remuneration has not meant that trustees have been remunerated automatically. As can be seen in Figs 25 and 26, although 55% of rules allowed it, only 45% remunerated trustees.

Fig.25: Rules of the fund make provision for trustee remuneration

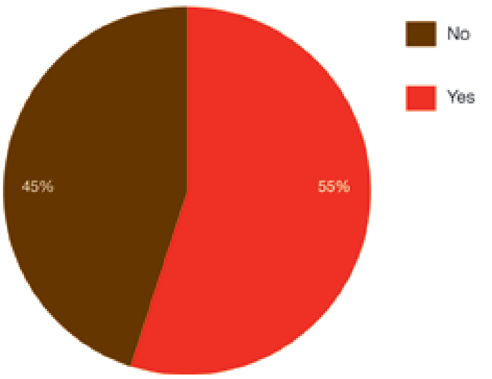


Fig.26: Are trustees remunerated?

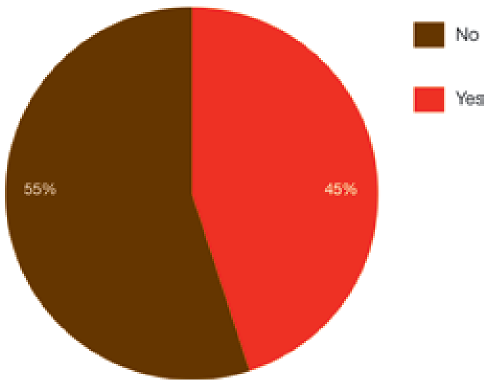


Table 3:

Analysis per Fund Type					
Fund type	Principal Officer paid	Trustees Paid	Rules allow	Policy in place	Total number of funds
Private	34%	23%	35%	58%	143
Preservation	80%	80%	87%	79%	30
RA	57%	64%	71%	56%	14
Umbrella	59%	80%	82%	71%	56

Although the rules of approximately 71% of large funds make provision for trustee remuneration, only 55% of these funds remunerate trustees. As can be seen in the preceding table, it is mainly specialist funds that contribute to this percentage, as less than a quarter of private funds remunerate their trustees.

Also evident in the table is the fact that specialised funds are more likely to remunerate fund officials than private funds. These specialist funds are often run by professional trustees who require payment due to the risks and complexities associated with larger volumes of members and transactions, as well as the significant asset values typically housed in these funds.

It is clear that specialised funds are more likely to remunerate fund officials than private funds.

Overview of remuneration policies (continued)

Fig.27: Rules of the fund make provision for trustee remuneration

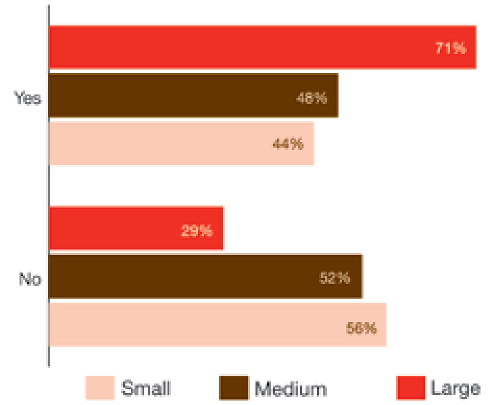
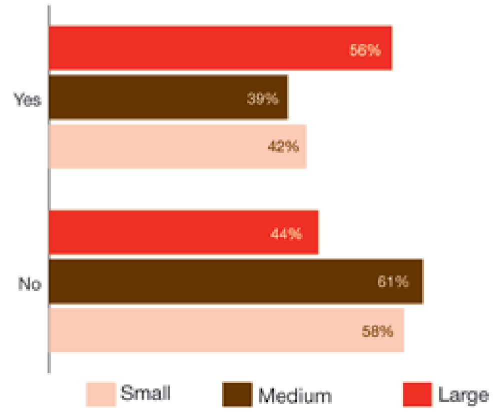


Fig.28: Are trustees remunerated?



Principal officer remuneration

It is interesting to note that fewer principal officers in small and medium funds are remunerated (36%) than in large funds (69%). Overall, the result reflects a similar proportion to that found for trustees, with only 47% remunerating their principal officers (trustees 45%).

Of the funds that do not remunerate their trustees, only 30% remunerate their principal officers, indicating that the trend is towards no remuneration for all fund officials in these cases. However, 28 non remunerating funds (21%) did appoint and remunerate one or more independent professional trustees.

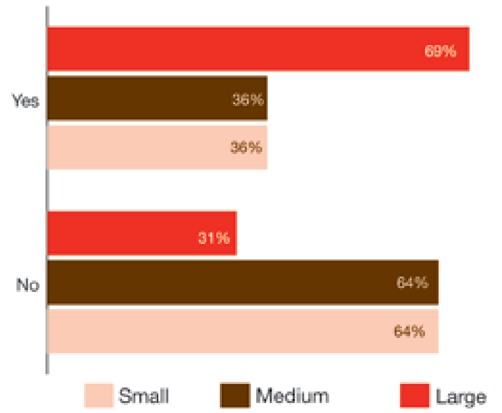
Of those funds that remunerated their trustees, 33% (37 funds) did not remunerate their principal officers.

Those funds that have remuneration policies remunerate both their trustees and principal officers in 67% of cases.

It should be noted that the remuneration paid to certain Principal Officers relates to fees charged by their specialised practice.

Principal officer remuneration (continued)

Fig.29: Is the principal officer remunerated?



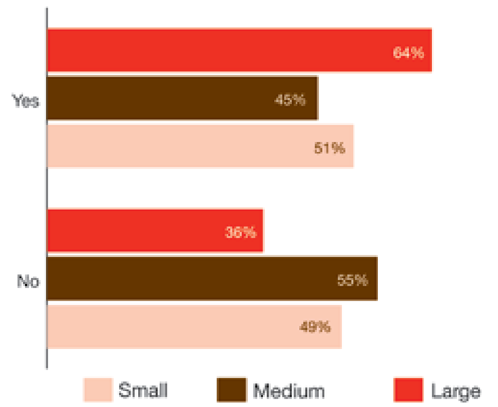
Reasons for not remunerating

The main reasons respondents put forward for not remunerating trustees and principal officers are:

- Trustees/Principal Officers are permanent employees already remunerated by the participating employer;
- They are given time off work to attend to the affairs of the fund during normal working hours;
- The role of a Trustee/Principal Officer is seen as being a voluntary service to the fund and its members and is regarded as a privilege and a prestigious position;
- The rules do not make provision for remuneration;
- The matter has never been considered; and
- Many Trustees/Principal Officers are also fund members and the fund cannot afford to pay trustees.

On the question of whether a fund intends to review its policy with respect to the remuneration of trustees, approximately 50% of small and medium funds and 64% of large funds indicated that this is on the agenda. This may indicate a growing awareness of the consequences and risks associated with trusteeship. These are probably highlighted by the recent focus on governance by the King reports and earlier by PF130.

Fig.30: Considering a review of this policy in the near future?



Reasons for not remunerating (continued)

Following the question on future remuneration, we asked respondents whether their fund had an approved, implemented policy governing trustee remuneration. Such a policy was in place among 47% of funds, which correlates with the finding on the percentage of funds that remunerate officials.

However, 32% of funds that remunerate have no formal policy in place and one can only assume that remuneration is determined in an equitable way via other means.

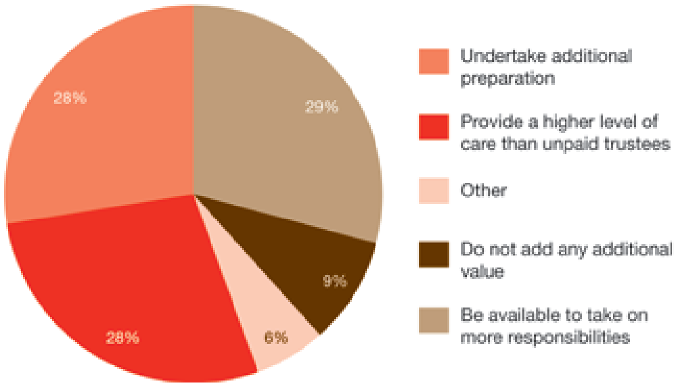
Some other interesting statistics:

- 58% of funds in the small and medium category do not currently have an approved remuneration policy, compared to 45% of large funds.
- 29% of umbrella funds (13 cases) and 44% of RA funds (4 cases) remunerate their trustees but have no remuneration policy;
- This is also the case for 42% of private funds that remunerate their trustees; and
- Preservation funds appear to be the best governed, with only 21% remunerating trustees without a policy in place.

Remuneration as motivator

Trustees will take on more responsibility, provide a higher level of care and undertake additional preparation for meetings should they be remunerated. This was the view of 85% of respondents. A minority of 9% felt that it would not add value as the current board is either skilled enough or remuneration would not change attitudes. Other benefits noted by 6% of respondents ranged from bringing external governance skills and experience to the introduction of new business disciplines.

Fig.31: Trustees that are remunerated will:
(More than 1 option can be selected)



Remuneration levels

The following fund officials' remuneration was surveyed:

- Chairperson of the board
- Chairperson of a board subcommittee
- Board member – employer representative
- Board member – employee representative
- Board member – pensioner representative
- Independent trustee
- Board subcommittee member
- Principal officer (PO)

The graphs below contain details of the remuneration paid to the various fund official roles. For the detailed analyses, including number of responses, please refer to tables 5 and 6 included in Appendix 1. Table 4 below summarises average revenue per fund official.

It is evident from the number of pay days that the majority of trustees basically attend trustee meetings only, as the number of days worked correlates with more or less 4 meetings per year. Principal Officers spend just over a month per annum on fund affairs. In contrast UK trustees spend 12 days on average and UK chairpersons 23 days.

Table 4

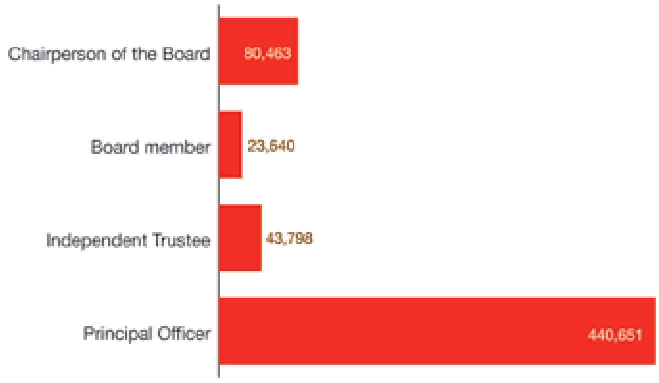
Trustee remuneration – overall averages

	Annual pay (R)	Fee per meeting (R)	Fee per hour (R)	Pay days (excl annual)
Chairperson of the board	77,381	4,662	1,705	6.97
Chairperson of a board subcommittee	62,187	3,334	1,684	11.53
Board member – employer representative	87,635	4,123	n/a	4.71
Board member – employee representative	47,543	2,792	n/a	5.20
Board member – pensioner representative	19,093	3,750	2,265	4.43
Independent trustee	98,265	7,641	1,603	6.26
Board subcommittee member	73,898	3,881	1,235	2.93
Principal officer	314,214	2,800	752	34.34

Remuneration levels (continued)

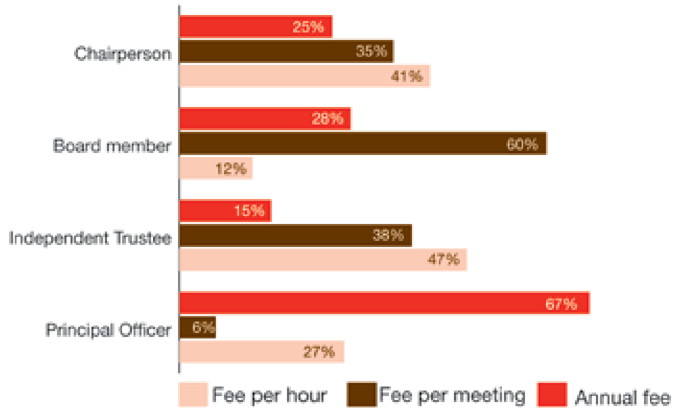
The chairperson of the board leads and gives direction to the decisions taken by the board. It is therefore not surprising to note that on average the chair of large funds is remunerated an average of R80,463 per annum compared to R23,640 per annum for other board members. The considerable role of the professional principal officer of large funds is clearly evidenced by the average remuneration of R440,651 per annum. (Fig. 32)

Fig.32: Large funds: annual rand salary per fund official



The majority of principal officers (67%) are paid an annual salary reflecting the professional nature of the position in South Africa. Board members are predominantly being paid per meeting (60%), while the majority of independent trustees and chairpersons are paid by the hour.

Fig.33: How do fund officials get paid?



Figs 34 to 36 analyse the basis of payment further according to the type of fund and quantify the remuneration. Private funds prefer to pay their principal officers and independent trustees on an annual basis, while RA funds hardly ever pay annual fees and prefer to pay per meeting or per hour.

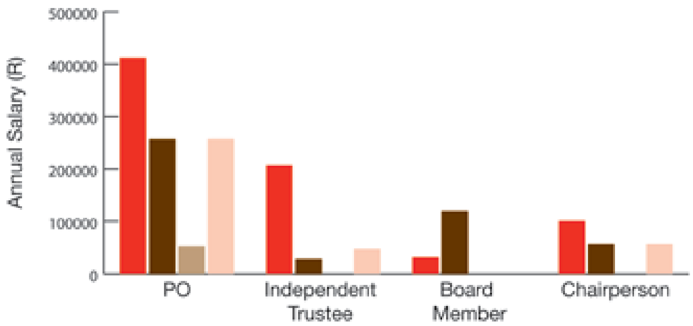
Remuneration levels (continued)

The highest earners from private funds are principal officers followed by independent trustees. The latter are the highest earners on a ‘per meeting’ basis with preservation funds paying the best, at an average of R10,000 per meeting.

Chairpersons and independent trustees earn more or less the same and are mostly paid per meeting or per hour. This is in direct contrast to the UK, where chairpersons earn more than double the amount paid to other trustees. Fund officials for specialist funds seem to be remunerated on an hourly basis compared to private funds, where they are more likely to be remunerated annually or per meeting. The remuneration of principal officers for private funds is more than for specialist funds, a possible reason being that principal officers of specialised funds are employed by sponsoring insurers who pay their salaries (i.e. the responsibilities of principal officer form part of their job description).

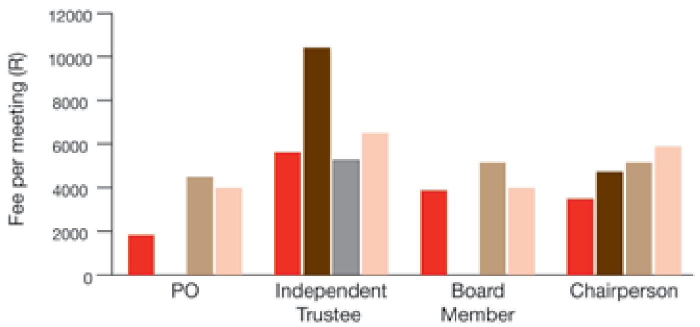
Looking at hourly rates, as expected it is evident that specialist funds pay more per hour than private funds. The rate is however similar across fund types for both chairpersons and independent trustees. The average hourly rate ranged between R1,500 and R2,000 per hour.

Fig.34: Average annual pay per fund official per fund type



	PO	Independent Trustee	Board Member	Chairperson
Private	412,098	207,000	32,426	100,971
Preservation	257,532	28,497	119,942	56,695
RA	52,500	0	0	0
Umbrella	257,875	47,748	0	56,768

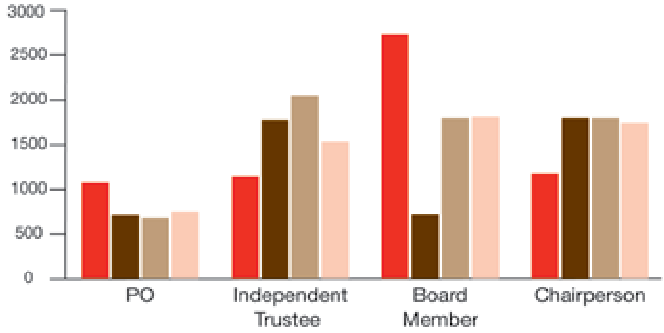
Fig.35: Fee per meeting per fund official per fund type



	PO	Independent Trustee	Board Member	Chairperson
Private	1,833	5,615	3,874	3,488
Preservation	0	10,410	0	4,722
Umbrella	4,500	5,250	5,150	5,150
RA	4,000	6,500	4,000	5,885

Remuneration levels (continued)

Fig.36: Fee per hour per fund official per fund type



	PO	Independent Trustee	Board Member	Chairperson
Private	1,075	1,142	2,730	1,183
Preservation	716	1,777	723	1,800
RA	684	2,050	1,800	1,800
Umbrella	750	1,537	1,813	1,745

From our analysis it is evident that board chairpersons, independent trustees and principal officers are remunerated regardless of whether the funds are small, medium or large. For large funds, the majority of officials are remunerated, which is in line with the expectation that the larger the fund, the more time and effort has to be spent in order to comply with fiduciary responsibilities. There were no small funds that remunerated per meeting.

Fig.37: Principal officers: average annual remuneration

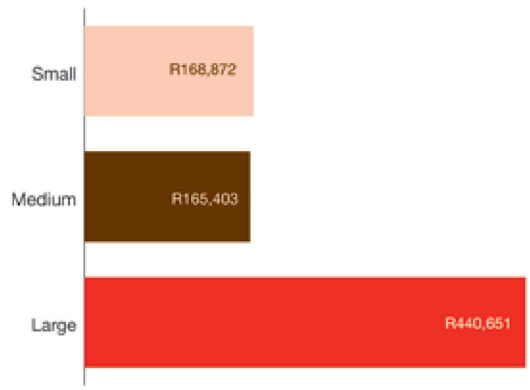
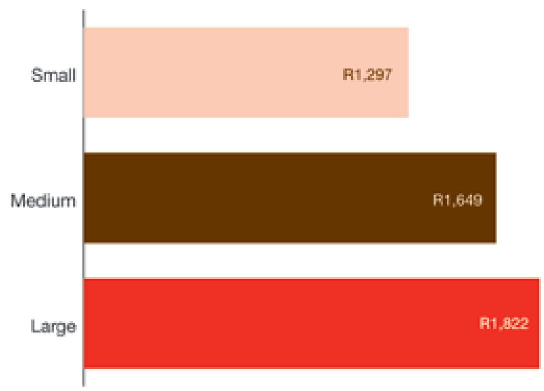


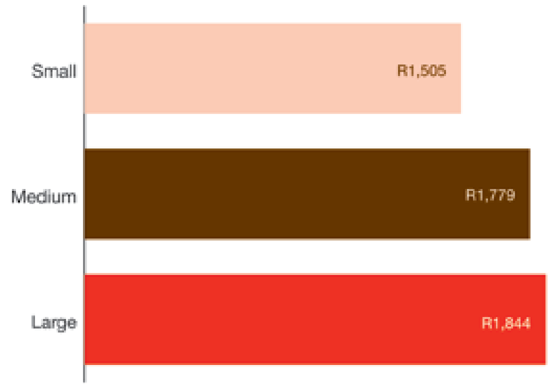
Fig.38: Independent trustees: average hourly rate



Remuneration levels (continued)

Fig.39: Board members: average rate per meeting

Fig.40: Chairpersons: average hourly pay



Other remuneration

There were no surprises here with ‘actual costs incurred’ being the biggest extra expense reimbursed, besides meeting allowances and annual retainers. Allowances were noted to be either a fixed rate per meeting or an hourly rate. The majority of the 23% ‘none’ responses indicated that the participating/sponsoring employer was responsible for sponsoring 100% of costs and therefore nothing was payable by the fund to the trustee.

Subsistence and travel (flights, car hire and accommodation) was the main other expense. A common theme was also an hourly rate for ad hoc work in addition to the normal fixed fees for meetings.

Only 13% of all funds pay some sort of remuneration or contribution to the cost of attending training. By not remunerating trustees or contributing to the cost of attending training, trustees may be inclined not to attend training that is critical to enabling them to fulfil their fiduciary responsibilities. (Fig 41a)

Other remuneration (continued)

Fig.41a: Trustees remunerated for attendance of training

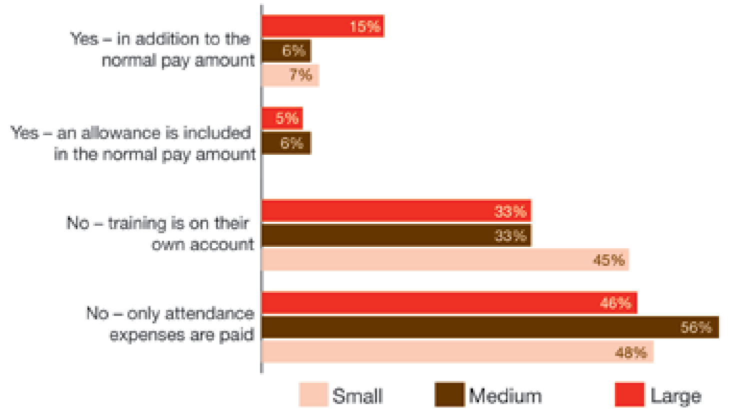
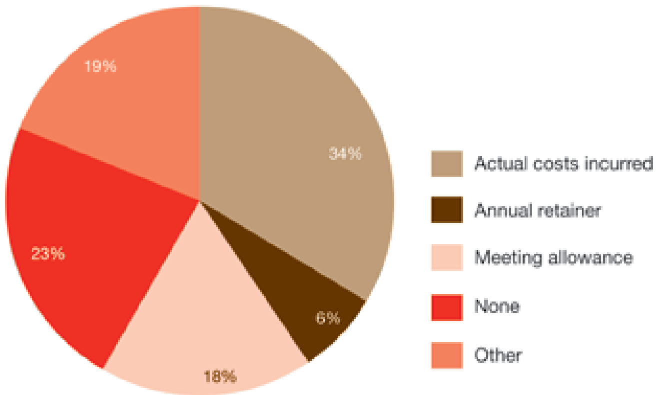


Fig.41b: Trustees reimbursed for: (More than 1 option can be selected)



Drivers of remuneration

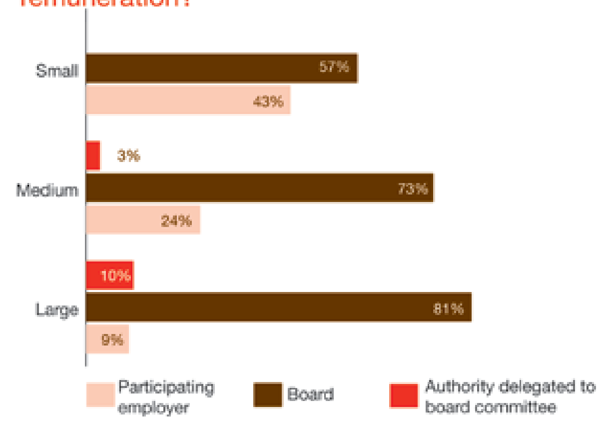
The board appears to have the primary responsibility to set the level of trustee remuneration for all classes of funds with 81% of large funds, 73% of medium funds and 57% of small funds confirming this statement. It was interesting to note that for 43% of small funds, the participating employer determined the level of remuneration compared to only 9% for large funds.

As expected, the remuneration for sponsor appointed trustees on specialist funds (preservation, RA and umbrella) are determined by the sponsoring insurer.

An independent remuneration committee determined the fees for only 10 respondents, which in our view is the prudent approach to good governance regarding this matter.

Drivers of remuneration (continued)

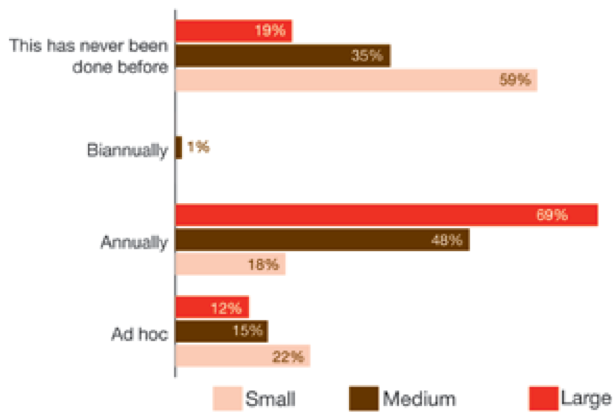
Fig.42: Who is responsible for setting the level of trustee remuneration?



It was comforting to note that 69% of large funds indicated that their level of remuneration is reviewed annually compared to 19% of large funds that indicated that the level of remuneration has never been reviewed. Comparing this statistic to medium and small funds, 35% and 59% respectively indicated that the level of remuneration has never been reviewed. In addition, only 18% of small funds reviewed their level of remuneration annually.

Overall, 30% of funds have never reviewed their remuneration levels. This percentage includes those that do not remunerate and therefore do not need to assess remuneration levels. Of those funds that remunerate, only 11% have never reviewed their remuneration, possibly indicating that remuneration levels are just rolled over as trustees alternate without adjustment. Of those funds that remunerate trustees, 68% review their rates annually.

Fig.43: How often is the level of remuneration reviewed?



Looking at the factors that affect the level of remuneration, medium and large funds are of the opinion that all four factors (experience as a trustee, value added, workload and qualifications) should be taken into account and more or less carry the same amount of weight when determining trustee remuneration.

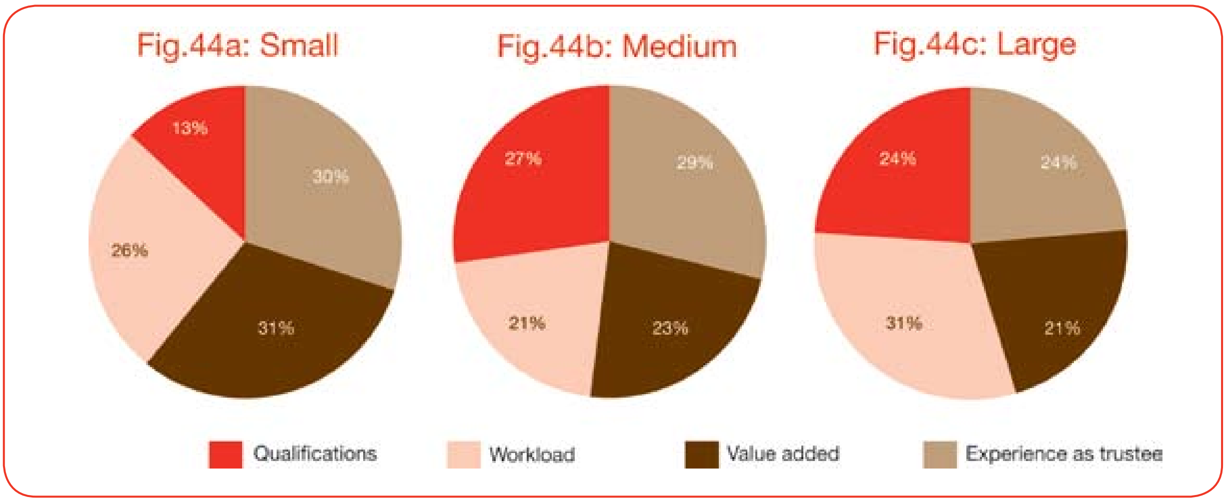
The single biggest determining factor for trustee remuneration for large funds is workload, for medium funds experience of the trustee and for small funds, value added.

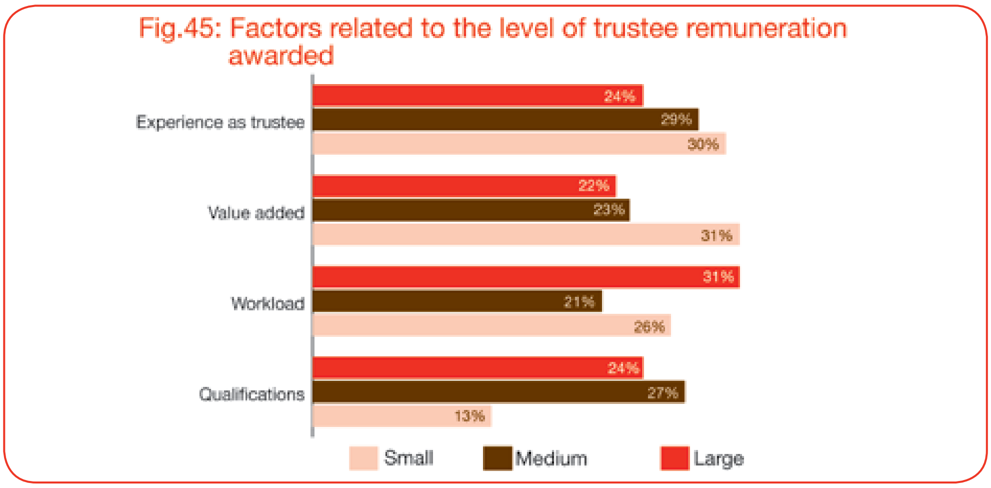
Drivers of remuneration (continued)

Looking at the detail, 31% of large funds indicated that workload is the most important factor, which is to be expected from the increased volumes typically involved in these funds. Experience and qualification rate equally with a 24% vote each.

Experience as a trustee was rated first by 29% of medium funds, followed by qualifications with 27%.

Small funds had similar weightings for value added and experience (31% and 30% respectively), but interestingly gave less value to qualifications, which only 13% regarded as being important. The ability to add value received the highest score (31%), reflecting the sentiment that if trustees are remunerated, it must be worth it.



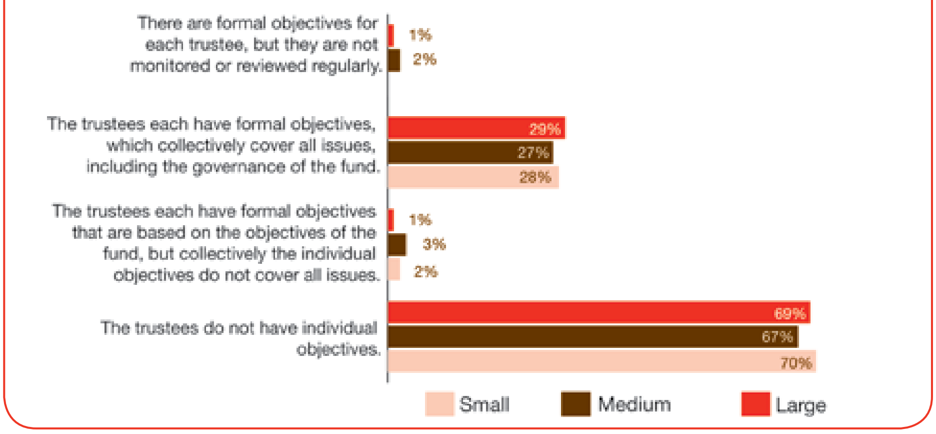


Performance and assessment

Our 2007 survey on effective management of South African retirement funds indicated that 81% of boards have never evaluated their own effectiveness or put mechanisms in place to do so. Boards can only evaluate their own effectiveness when individual trustees have objectives against which they are measured.

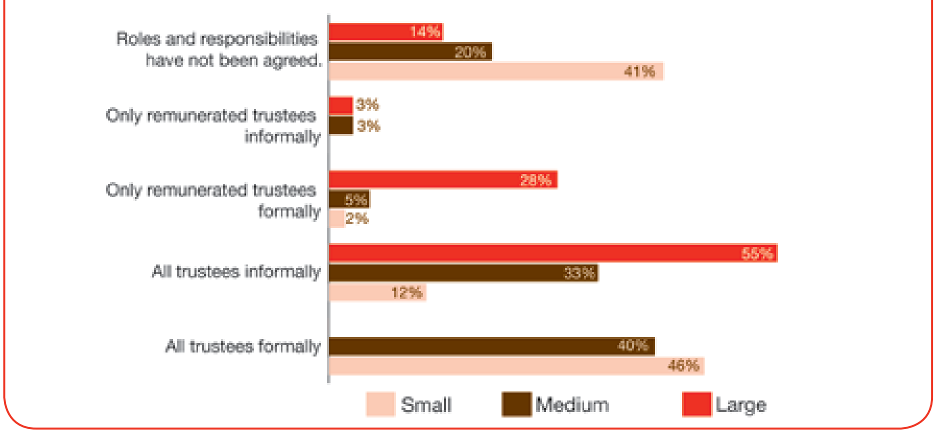
In 2010, the picture is largely unchanged with 68% of all funds not setting individual objectives for their trustees. Only a small number of funds have set objectives, covering all issues of the funds. The situation is slightly better in the UK with 53% of funds not having set objectives for individual trustees.

Fig.46: Do trustees have individual objectives?



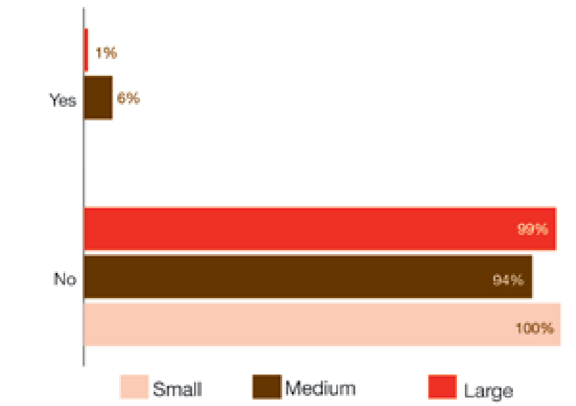
A further concern is that for 41% of small funds, roles and responsibilities are not agreed with trustees at all. This percentage fortunately reduces to 20% and 14% for medium and large funds respectively. In addition, only 55% of large funds, 40% of medium funds and 46% of small funds formally agree roles and responsibilities with trustees.

Fig.47: Have roles and responsibilities been agreed?



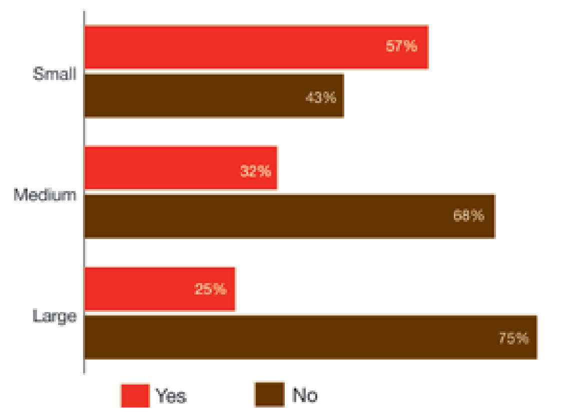
In the absence of formal objective setting and agreeing roles and responsibilities, we anticipated that the majority of funds would not only indicate that there is no link between trustee remuneration and trustees' assessed performance, but that the majority of remunerated trustees have no fixed service/employment contract with the fund.

Fig.48a: Trustees' remuneration linked with their assessed performance



This is definitely an area where we expect improvement in the years to come, with only 35% (55 cases) indicating that remunerated trustees have fixed service contracts. Surprisingly, 57% of all small funds surveyed had contracts in place, while large and medium funds were the ones with no contracts. Only 13 large funds (25%) had contracts and these were specialist funds.

Fig 48b: Trustees have fixed service/employment contracts



Gifts and service providers

Policy dealing with gifts

As PF130 expressly refers to the need to have a gift policy, it is encouraging to note that the bulk of large and medium funds have formally put this in place. However, there is room for improvement on the small funds where over a third of those surveyed have yet to do so.

The general consensus across large, medium and small funds was that such gifts were declared at trustee meetings and this would be minuted. Presumably the minutes would indicate whether the gift could be accepted, which would be automatic if the value was below the acceptable limit in the gift policy. Many respondents indicated that the gift would also be recorded in a gift register prior to acceptance. A few respondents indicated that all gifts were regarded as unacceptable and would be returned to the provider.

Fig.49: Does the fund have an approved policy for dealing with gifts from service providers that are presented to trustees?

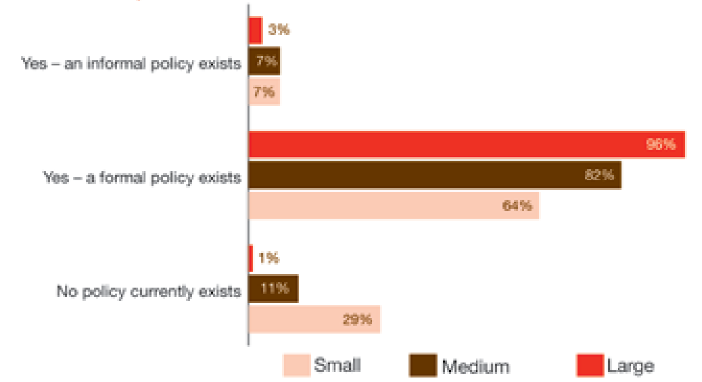
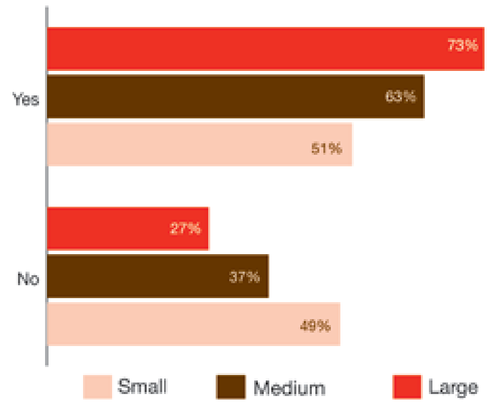


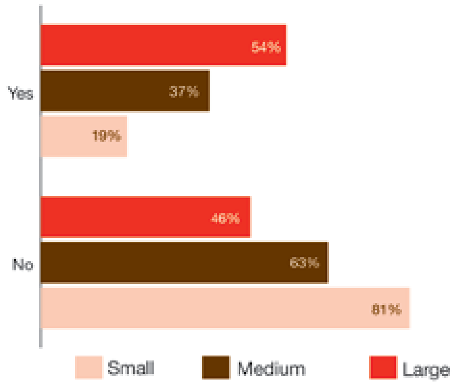
Fig.50: Gifts to trustees recorded in a gift register that is reviewed at board meetings



Policy dealing with gifts (continued)

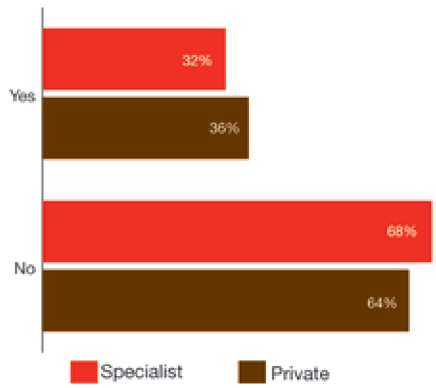
On the issue of practical implementation of the gift policy, it appears that the large funds lead the way, as would be expected. However, the medium and small funds lag further behind than one might expect with 49% of small funds and 37% of medium funds not having a formal gift register. In other words, funds do not all consistently follow through on their policies.One would hope that 100% confirmation for all funds would be the norm in years to come.

Fig.51a: Have trustees been entertained as a group or individually by any service provider during the past 12 months?



Only 35% of funds confirmed that they had been entertained over the preceding 12-month period. In other words, only 85 of 243 funds were entertained and 49% of these were large funds. More than 50% of larger funds were entertained, but smaller funds were rarely entertained. Fees charged to smaller funds were probably too low to include a component that could be set aside to fund an entertainment budget. Smaller funds would in many cases be with a ‘one-stop shop’ service provider and this would tend to limit opportunities for other potential service providers to interact with the trustees.

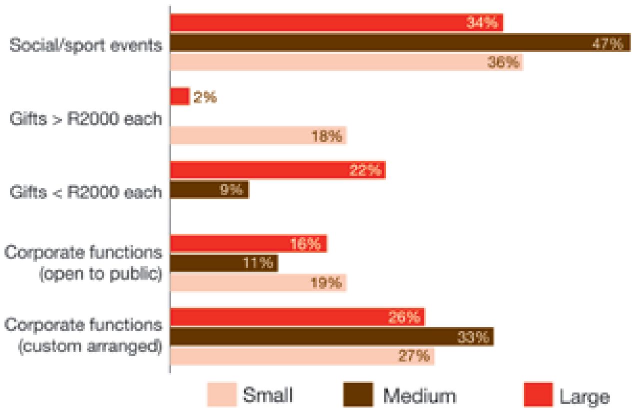
Fig.51b: Have trustees been entertained as a group or individually by any service provider during the past 12 months?



Policy dealing with gifts (continued)

We observed no real trend in entertainment patterns between fund types, and very little difference in the occurrence of entertainment for trustees between private funds and specialist funds.

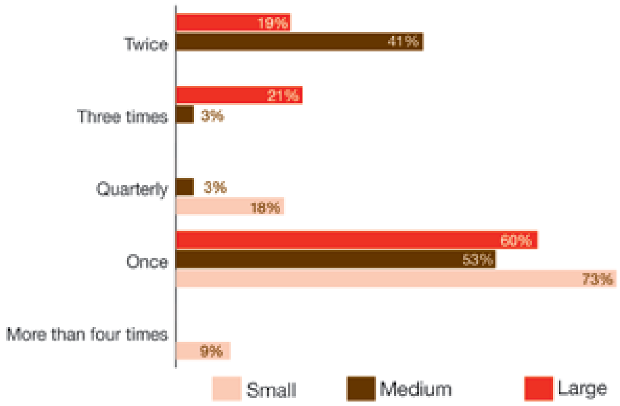
Fig.52: Nature of the entertainment



Social and sports events coupled with corporate events accounted for the lion's share of the entertainment activity, with large gifts to large funds accounting for the least. Overall, 39% of those confirming entertainment, attended sporting or social events (for example lunches) and 29% attended closed corporate functions (by invitation rather than open to the public).

Much to our surprise, we noticed that the small funds raked in the highest proportion of gifts of > R2,000 and the lowest proportion of gifts for < R2,000, namely zero.

Fig.53: Frequency of entertainment events over the last 12 months

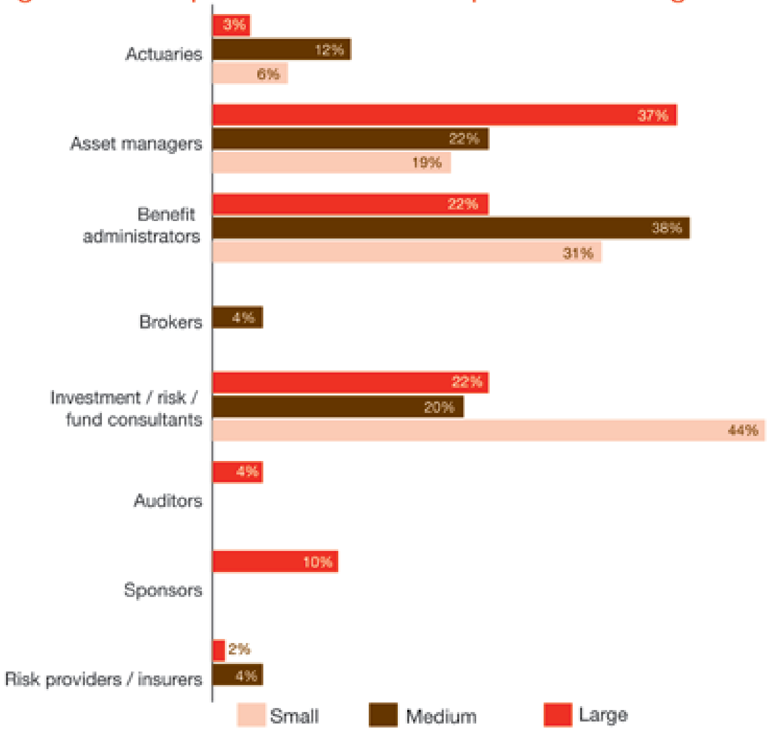


Of the 54% of large funds that were entertained (42 cases), 60% were only entertained once. Only 30% of all medium funds surveyed were entertained once or twice and none more than four times. One small fund was entertained four or more times.

Policy dealing with gifts (continued)

We must conclude from these results that trustee entertainment is well contained and is limited to one or two sporting or corporate social events per year in the majority of cases.

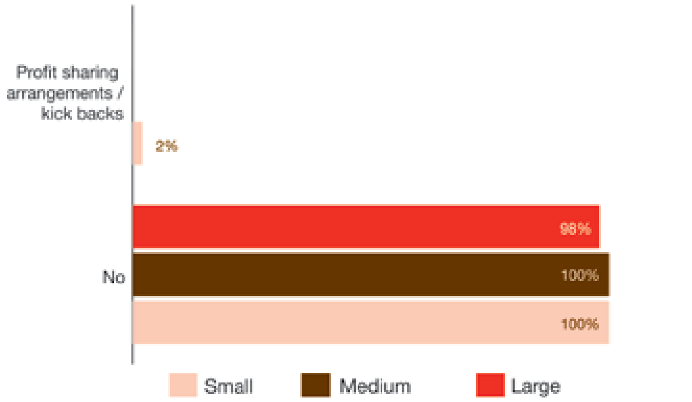
Fig.54: Service providers that tend to provide more regular entertainment



Consultants (24%), asset managers (29%) and benefit administrators (29%) accounted for the bulk of regular entertainment, while auditors, actuaries, brokers and sponsors made a relatively immaterial contribution (each below 6%).For large funds, asset managers accounted for 37% of entertainment, followed by 22% for both benefit administrators and consultants. For medium funds, administrators accounted for 38% and asset managers only 22% of entertainment provided. Consultants (44%) lead the field for small funds.

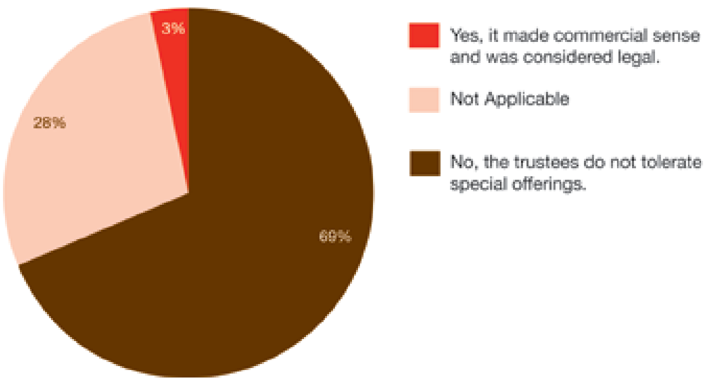
Policy dealing with gifts (continued)

Fig.55: Has the board ever been approached by a service provider who offered any of the following?



It is positive to note that funds almost unanimously confirmed that they were never approached with offers of special fee arrangements. All large and small funds said they had not been propositioned about profit sharing and kickbacks. However, there were two cases in which respondents from medium-sized funds said they had been solicited in this way. Unfortunately, we were unable to determine whether such arrangements were concluded and pursued to their satisfaction.

Fig. 56: Did the fund consider a service provider based on special offerings?



The term 'special offerings' was not expressly defined and it appears that most respondents interpreted it negatively since this question followed directly after one that referred to kickbacks.

An overwhelming 97% of respondents indicated that 'special offerings' would either not be tolerated or would never be applicable. Nevertheless, 7% of medium-sized funds would be happy to entertain the possibility if it was considered legal.

Special service offerings or arrangements with service providers appear not to feature in the South African retirement industry at present.

Appendix 1: Detailed remuneration tables

Table 5a: Small funds

	Annual fee (R)				Fee per meeting (R)				Fee per hour (R)			
	Max	Min	Average	Respondents	Max	Min	Average	Respondents	Max	Min	Average	Respondents
Chairperson of the board	88,166	88,166	88,166	1	10,800	1,500	3,716	12	2,000	750	1,505	10
Chairperson of a board subcommittee	-	-	-	-	-	-	-	-	1,700	1,700	1,700	3
Board member – employer representative	233,260	233,260	233,260	1	-	-	-	-	-	-	-	-
Board member – employee representative	72,894	72,894	72,894	1	-	-	-	-	-	-	-	-
Board member – pensioner representative	-	-	-	-	-	-	-	-	-	-	-	-
Independent trustee	-	-	-	-	15,000	1,500	6,009	11	2,000	75	1,297	13
Board subcommittee member	-	-	-	-	-	-	-	-	770	770	770	1
Principal officer	570,347	1,500	168,872	9	1,500	1,500	1,500	2	1,550	710	915	6

Table 5b: Medium funds

	Annual fee (R)				Fee per meeting (R)				Fee per hour (R)			
	Max	Min	Average	Respondents	Max	Min	Average	Respondents	Max	Min	Average	Respondents
Chairperson of the Board	80,000	27,000	53,500	2	10,800	600	5,150	12	2,300	800	1,779	14
Chairperson of a Board Sub-committee	80,000	60,000	66,667	3	4,000	600	2,300	2	1,700	1,700	1,700	3
Board member – employer representative	70,000	70,000	70,000	1	10,500	600	5,033	3	-	-	-	-
Board member – employee representative	70,000	70,000	70,000	1	4,000	600	2,300	2	-	-	-	-
Board member – pensioner representative	-	-	-	-	10,800	4,500	7,100	3	1,800	1,800	1,800	1
Independent trustee	912,000	18,000	207,200	5	15,000	1,250	7,323	17	4,000	800	1,649	20
Board subcommittee member	60,000	60,000	60,000	1	5,000	600	3,650	4	-	-	-	-
Principal officer	876,800	12,000	165,403	15	4,500	4,000	4,250	2	770	600	688	12

Table 5c: Large funds

	Annual fee (R)				Fee per meeting (R)				Fee per hour (R)			
	Max	Min	Average	Respondents	Max	Min	Average	Respondents	Max	Min	Average	Respondents
Chairperson of the board	234,400	6,600	80,463	12	20,000	150	6,038	4	2,000	1,700	1,844	7
Chairperson of a board subcommittee	89,280	5,500	60,507	8	7,440	150	3,629	7	1,813	1,600	1,669	6
Board member – employer representative	23,640	23,640	23,640	2	4,750	150	3,213	3	-	-	-	-
Board member – employee representative	23,640	23,640	23,640	2	4,750	150	3,038	4	-	-	-	-
Board member – pensioner representative	23,640	10,000	19,093	3	5,000	150	2,633	9	2,730	2,730	2,730	1
Independent trustee	92,000	18,000	43,798	10	20,000	500	9,980	10	2,850	750	1,822	14
Board subcommittee member	86,806	10,000	75,883	7	5,500	1,000	3,953	13	2,730	700	1,328	5
Principal officer	1,657,697	12,000	440,651	28	2,500	2,500	2,500	1	684	684	684	3

Table 6a: Private funds:

	Annual fee (R)				Fee per meeting (R)				Fee per hour (R)			
	Max	Min	Average	Respondents	Max	Min	Average	Respondents	Max	Min	Average	Respondents
Chairperson of the board	234,400	6,600	100,971	7	10,500	600	3,489	9	1,900	750	1,183	3
Chairperson of a board subcommittee	89,280	5,500	62,187	11	7,440	600	3,693	7	-	-	-	-
Board member – employer representative	70,000	23,640	39,093	3	10,500	600	5,150	4	-	-	-	-
Board member – employee representative	70,000	23,640	39,093	3	4,750	600	3,150	4	-	-	-	-
Board member – pensioner representative	23,640	10,000	19,093	3	6,000	1,300	3,283	9	2,730	2,730	2,730	1
Independent trustee	912,000	18,000	207,000	5	16,000	1,500	5,615	13	2,000	750	1,143	7
Board subcommittee member	60,000	10,000	35,000	2	5,500	600	3,875	16	2,730	2,730	2,730	1
Principal officer	1,657,697	48,000	412,099	23	2,500	1,500	1,833	3	1,550	600	1,075	2

Appendix 1: Detailed remuneration tables

Table 6b: Umbrella funds

	Annual fee (R)				Fee per meeting (R)				Fee per hour (R)			
	Max	Min	Average	Respondents	Max	Min	Average	Respondents	Max	Min	Average	Respondents
Chairperson of the board	120,000	40,960	56,768	5	20,000	1,800	5,886	7	2,300	800	1,746	20
Chairperson of a board subcommittee	-	-	-	-	4,000	4,000	4,000	1	1,813	1,700	1,719	9
Board member – employer representative	-	-	-	-	4,000	4,000	4,000	1	-	-	-	-
Board member – employee representative	-	-	-	-	4,000	4,000	4,000	1	-	-	-	-
Board member – pensioner representative	-	-	-	-	-	-	-	-	-	-	-	-
Independent trustee	92,000	28,497	47,749	8	20,000	2,000	6,500	7	4,000	1,000	1,538	19
Board subcommittee member	86,806	86,806	86,806	4	4,000	4,000	4,000	1	1,813	1,813	1,813	1
Principal officer	1,200,000	12,000	257,875	22	4,000	4,000	4,000	1	750	750	750	4

Table 6c: Preservation funds

	Annual fee (R)				Fee per meeting (R)				Fee per hour (R)			
	Max	Min	Average	Respondents	Max	Min	Average	Respondents	Max	Min	Average	Respondents
Chairperson of the board	88,166	40,960	56,695	3	10,800	500	4,722	9	1,900	1,700	1,800	6
Chairperson of a board subcommittee	-	-	-	-	-	-	-	-	1,600	1,600	1,600	2
Board member – employer representative	233,260	233,260	233,260	1	-	-	-	-	-	-	-	-
Board member – employee representative	72,894	72,894	72,894	1	-	-	-	-	-	-	-	-
Board member – pensioner representative	-	-	-	-	-	-	-	-	-	-	-	-
Independent trustee	28,497	28,497	28,497	2	15,000	500	10,410	15	2,850	75	1,778	18
Board subcommittee member	86,806	86,806	86,806	2	-	-	-	-	770	700	723	3
Principal officer	570,347	12,000	257,532	4	-	-	-	-	1,000	600	717	12

Table 6d: Retirement annuity funds

	Annual fee (R)				Fee per meeting (R)				Fee per hour (R)			
	Max	Min	Average	Respondents	Max	Min	Average	Respondents	Max	Min	Average	Respondents
Chairperson of the board	-	-	-	-	10,800	150	5,150	3	1,900	1,700	1,800	2
Chairperson of a board subcommittee	-	-	-	-	150	150	150	1	1,600	1,600	1,600	1
Board member – employer representative	-	-	-	-	150	150	150	1	-	-	-	-
Board member – employee representative	-	-	-	-	150	150	150	1	-	-	-	-
Board member – pensioner representative	-	-	-	-	10,800	150	5,150	3	1,800	1,800	1,800	1
Independent trustee	-	-	-	-	10,000	1,250	5,250	3	2,850	1,400	2,050	3
Board subcommittee member	-	-	-	-	-	-	-	-	700	700	700	1
Principal officer	120,000	1,500	52,500	3	4,500	4,500	4,500	1	770	600	685	3

Appendix 2: Overview and commentary on trends observed in the United Kingdom

The role is becoming more onerous and aligns to that of corporate non-executive directors

At the time of the Myners Report in 2001, it was uncommon for schemes to pay any of their lay trustees. The Myners Report recommended that it was good practice to pay trustees in order to foster expertise and business-like fund management.

The Pensions Act, 2004, significantly increased pension scheme trustees' responsibilities and introduced the legal requirement to have knowledge and understanding of the highly technical areas of scheme activity, such as investment, scheme funding, employer covenant and the impact of corporate activity on the scheme.

The Pensions Regulator has continued this trend, by formalising the Trustee Knowledge and Understanding (TKU) requirement in Code of Practice 07, which it revised in November 2009. The Regulator has also introduced other codes of practice covering all areas of schemes' activities. More recently it has introduced the Trustee Toolkit, which includes online training, guidance notes for trustees and, in the professional independent trustee market, new criteria to be applied when assessing whether trustees meet, or continue to meet, the judgement-based conditions for acceptance onto the Trustee Register.

The increasing skills requirement and the need for training, combined with the increased complexity of the pensions business, have led to increased workloads on all trustees, whether professional or lay. For an increasing majority of schemes in our survey, trustee pay is now on the agenda together with the related matters of providing assistance and time off for training and meeting preparation, trustee monitoring and performance recognition. We expect that these will become increasing areas of challenge for trustee boards and sponsoring employers in the next few years.

Several chairs of trustee boards have told us that the role is becoming more onerous and akin to that of corporate non-executive directors. At the same time, pension schemes and in particular their pension deficits, often continue to be hugely significant to their entities as a whole, both in terms of the volatility of their impact on corporate earnings and their absolute size on continued corporate viability in some cases, and more generally on takeover activity.

It is therefore hardly surprising that these trends have led to sharp upward pressure on trustee pay levels. While the enhanced responsibility in particular of the chair is beginning to be reflected in the remuneration structure; the pay of all trustees is increasing, with the pay of the chair increasing at a faster rate.

As well as the increase in pay levels, the increasing demands of the pension scheme trustee role are leading to the need for an increasingly professional trustee board. Earlier National Association of Pension Funds (NAPF) annual surveys found that 20% of employer nominated trustees said that they had resigned owing to concerns over conflicts of interest and increasing trustee workloads. Their surveys noted the increasing use of independent trustees to combat this and our survey found a strong continuation of this trend.

Trustee performance is now formally monitored in a third of schemes, up from a quarter in our previous survey. This level is still low and likely to be lower still in smaller schemes. However, without formal monitoring of trustee performance, there is a weaker justification for remunerating trustees and more importantly there is a missed opportunity for enhancing trustee effectiveness. These results are consistent with the preliminary results of our latest Governance Survey, in which we identified a gap between trustee awareness of the importance of good governance and their taking concrete steps to improve it.

Contact details

Gert Kapp

Retirement Fund Leader
Director – Gauteng,
Sunninghill
+27 12 429 0059
082 551 0118

Johannes Grove

Associate Director –
Gauteng, Sunninghill
+27 12 429 0329
082 466 9776

Verwey Wiese

Director – Cape Town
+27 21 529 2352
083 232 3149

Richard Morris

Associate Director –
Cape Town
+27 21 529 2285
083 272 0500

Tom Winterboer

Financial Services Leader –
Southern Africa and Africa
Director – Gauteng,
Sunninghill
+27 11 797 5407
082 442 7379

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