



NAMIBIA FINANCIAL
INSTITUTIONS SUPERVISORY AUTHORITY
- Safeguarding the Nation's Wealth -

December 15, 2004

All Pension Funds Board of Trustees & Principal Officers
All Pension Funds Administrators & Consultants

CIRCULAR: P/PPF/02/2004

This practice note serves to clarify the concerns of the Registrar with regards to the appointment of employees of Pension Funds Administrators as Board of Trustees or Principal Officers on funds under management

Preamble

The importance of good corporate governance cannot be stressed enough. In the Pension Funds industry the most important stakeholders are the members of the fund or the investing public. The importance of good corporate governance to protect the interest of the investing public is therefore critical. NAMFISA has therefore constructed some guidelines around Pension Funds governance to ensure appropriate degree of protection for the members and at the same time avoid conflict of interest wherever it may arise. We are of the opinion that the Pension Funds can only achieve good corporate governance by appointing Board of Trustees and Principal Officer's independent from the Pension Funds Administrators that have to conduct themselves according to set rules and regulations.

1. THE NEED FOR CHANGE MANAGEMENT OF PENSION FUNDS

- a. The Registrar has learned that it has almost become a norm to have senior staff and/or employees of Pension Funds Administrators serving as Board of Trustees or Principal Officers of some of the administered funds.
- b. Such state of affair poses direct conflict of interest and suppresses the desired code of Corporate Governance of Pension funds.
- c. Also, we have noticed with concerns that pension funds operating without registered fund rules and having no Board of Trustee and the Principal Officer to effectively manage the affairs of the fund.
- d. It is the responsibility of the Pension Funds Administrator/Sponsor to ensure that all requirements of the Pension Funds Act, 1956 are met and strictly adhered to.

2. GUIDELINES FOR COMPOSITION AND ELECTION OF BOARDS OF TRUSTEES

- a. Ideally, the Board should consist of at least four (4) trustees who are fit and proper to be trustees to manage the affairs of the fund.

- b. At least 50% of such trustees should be employee-elect and another 50% should be employer-appointed trustees elected to serve a three (3) year term in office.
- c. The following persons are not eligible to serve as members of the Board of Trustees of a pension fund:
 - ii. A person under the age of 21 years;
 - iii. A **director, employee, partner, representative or agent** of the Pension Fund Administrator company or entity that administer the Scheme;
 - iv. A person, including a legal person, associated with the administrator of the Scheme or of any controlling or subsidiary company of the administrator;
 - v. The Principal Officer of the fund; and
 - vi. The auditor, actuary or consultant of the fund.
- d. All members of the Board of trustees are eligible for re-election.
- e. The members present at the Annual General Meeting of the fund must conduct the election.
- f. The Board may fill by appointment any remaining vacancies of the Board of Trustees, or any casual vacancy, which occurs during its term of office. A person appointed under this condition must retire at the following Annual General Meeting. The vacancies should be filled at that meeting for the remainder period of office of the vacating member of the Board.
- g. The Board may co-opt a knowledgeable person to assist in its deliberations provided that such person shall not have a vote.
- h. Half of the members of the Board plus one is a quorum at meetings of the Board of Trustees.
- i. The Chairperson and Vice-chairperson of the Board must be elected from the members of the Board of Trustees.
- j. In the absence of the Chairperson and Vice-chairperson, the Board members present must elect one of their members to preside.

In conclusion, all retirement funds are urged with **immediate effect** to review their management/organizational structure in order to ensure compliance with the above guidelines. In case you need clarification of the above, do not hesitate to contact us anytime.

Yours truly,



Marcelina Gaboas
Deputy Registrar (GM): Provident Institutions
FOR THE REGISTRAR: PENSION FUNDS