

Effective trustees: putting member interest first

Governance refers to the structures and disciplines that characterise oversight of an entity like a retirement fund. Last week we looked at the relevance of effective governance for any organisation. In this article, we focus our attention on the importance of such oversight for retirement funds and their stakeholders. These stakeholders might include the employer that supports the fund, current members, pensioners and the surviving dependents of former members.

Articles are available at www.tresconsulting.co.za

6 MAR 2026

Since governance is concerned with the way in which an organisation is overseen, it must fit within the legal framework governing that organisation. As in many countries, South African retirement funds are not-for-profit entities governed by management boards. The members of these boards are typically referred to as trustees. While this term is not technically correct—they are not looking after a trust—it usefully conveys the importance of their duty to those that depend on them.

These men and women have a fiduciary responsibility to the fund and its stakeholders. Many of these stakeholders, especially in defined contribution arrangements, do not remotely have the expertise to manage the risks to which they are exposed. In this article, we apply to retirement funds the key attributes of effective governance identified last week.

Integrity matters

That integrity matters is so obvious that it scarcely bears repeating, yet it seems easily forgotten in practice. Trustees are managing an enormous pool of assets on behalf of members and beneficiaries whose interest in the retirement fund may exceed their interests in anything else. To get the most of these assets and provide appropriate supporting insurance, they must harness the skills of a range of providers, asset managers, custodians, consultants, insurers and attorneys, typically all giving the appearance of extraordinary skill and fees to match. Orchestrating this mix to produce the best possible outcome calls for the wisdom of Solomon.

Skill and wisdom are much needed, but integrity possibly trumps them. It is hard to overstate the need for these trustees to think carefully about the impacts of their decisions on those that depend on them. Perhaps an annual declaration by trustees confirming their commitment to such integrity would focus their minds a little?

Expertise matters

Expertise and experience are crucial as well. How do trustees hold to a long-term view of asset allocation when conflict breaks out in the Middle East and the news

channels are encouraging them to panic? Is it possible to distinguish between luck and skill when studying the glowing past performance of a bidding asset manager? How do trustees know that the adviser assisting them really has the skills to do a good job, that her fees represent good value for money and her advice is untainted by conflicts of interest?

Not every trustee is expected to be an expert, but the management board should have the skills and experience to navigate these and many other tricky issues. The decisions that they make on fund managers, asset allocation and insurance arrangements, can have a critical impact on member outcomes. The trustees also have a collective duty to communicate clearly and responsibly to members and beneficiaries, in language that the recipients of such information understand and can act upon. Like many other services, the detail can be outsourced, but not the responsibility.

Independence matters

Of all the critical qualities of a good leader, independence is perhaps the most ignored in retirement funds. Most trustees are chosen by the sponsoring employer or by members and their trade unions. Some, in the multi-employer funds, are appointed by the financial group that provides services to the fund. Boards rarely appoint explicitly independent members to their number.

Yet all trustees are supposed to exercise their responsibility independently of the interests of any that they might represent. Entering the board meeting, shop stewards, human resource directors and financial-sector executives should leave their interests at the door. Few succeed in doing this. Compromising independence has consequences, unfortunately. It frequently undermines integrity. Trustees that place the interests of any entity—the financial group providing insurance or asset management, the investment arm of the trade union, the service provider bidding for a look in—may have forgotten that their only responsibility is to look after the fund and those that depend so much on its outcomes.

Governance matters everywhere, but perhaps no more than under those circumstances in which the financial interests of the needy are at stake. Retirement fund trustees must always operate to the highest standards. To this end, they should build their skills, uphold their independence and hold to the highest standards their integrity. **Rob Rusconi**