



# Fiduciary Responsibilities and Obligations of Trustees in the Dynamic Pension Landscape

## ADVANCED TRUSTEE LEADERSHIP & FIDUCIARY EXCELLENCE PROGRAMME





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## The Trustee as a Steward

Trustees occupy a unique position in the financial ecosystem, acting as the ultimate guardians of retirement savings for millions of individuals.

In today's volatile economic environment, the role has evolved from passive oversight to active, strategic stewardship.

-  Protection of member interests is the paramount duty.
-  Navigating complex market dynamics requires professional expertise.
-  Balancing long-term sustainability with immediate obligations.
-  Maintaining absolute integrity in every decision.



## Sponsor

The Employer/Settlor who establishes the scheme.



## Trust Asset

The Fund/Property held for the benefit of others.



## Trustee

The Fiduciary holding legal title and responsibility.



## Beneficiary

The Members/Dependants entitled to benefits.

## Legal Definition

*"A retirement benefits scheme is any scheme or arrangement established by a person, which provides for the payment of retirement benefits to members of the scheme upon their retirement or to their dependants upon the death of such members."*

### Benefit Criteria

- Attainment of the specified retirement age.
- Completion of a minimum period of service.
- Compliance with scheme-specific rules and regulations.
- Vesting requirements as per the Trust Deed.

### Triggering Events

- Normal or Early Retirement.
- Ill-health or Permanent Disability.
- Death in Service or Death in Retirement.
- Withdrawal or Resignation from Service.

## Derived from Latin "Fiducia" (Trust)

A fiduciary relationship exists when one person (the fiduciary) is under a duty to act for the benefit of another (the beneficiary) on matters within the scope of the relationship.



### Doctor & Patient

Duty to provide the best medical care and advice.



### Lawyer & Client

Duty to act in the client's best legal interests.



### Trustee & Member

Duty to safeguard and grow retirement assets.



### Director & Company

Duty to manage the company for shareholder value.

Pension trustees are legally obligated to act with the highest degree of care, skill, and diligence. This responsibility is not merely administrative but is the core legal foundation of the pension scheme's existence.

## The Principle of Non-Delegability

While trustees may delegate the **performance** of certain tasks to professionals (Fund Managers, Custodians, Administrators), they cannot delegate the **responsibility** for those tasks.

- Trustees remain accountable for the selection and monitoring of service providers.
- The board must ensure that all delegated functions are performed in accordance with the Trust Deed.
- Ultimate decision-making authority always rests with the Board of Trustees.

## Prioritizing Member Interests Above All Else



### Sole Interest Rule

Decisions must be made solely in the interest of the scheme members and beneficiaries, not the sponsor or third parties.



### Conflict Management

Trustees must identify, disclose, and manage any actual or potential conflicts of interest immediately and transparently.



### No Self-Dealing

Strict prohibition against using trust assets or information for personal gain or for the benefit of related parties.

## Duty of Care

### Attention and Diligence

Thorough preparation for all board meetings.

Critical review of all professional reports and advice.

Active participation in discussions and decision-making.

Maintaining accurate and detailed records of all actions.

## Duty of Prudence

### The "Prudent Person" Rule

Acting with the care, skill, and caution that a prudent person would exercise.

Seeking expert advice when matters are beyond personal expertise.

Regularly monitoring the performance of all service providers.

Ensuring appropriate diversification of scheme investments.

## Honesty, Integrity, and Ethical Conduct



### Fair Treatment

Impartiality in dealing with different classes of members and beneficiaries. No favoritism or bias in benefit distribution.



### Transparency

Full and honest disclosure of all material facts to members, regulators, and other stakeholders. No concealment of risks.

### Ethical Stewardship

Upholding the highest moral standards in all scheme operations. Avoiding even the appearance of impropriety.



### Honest Dealings

Acting with sincerity and truthfulness in all contract negotiations and service provider interactions.



## Statutory Framework

RBA Act, URBRAA, Income Tax Act, and relevant subsidiary legislation.



## Governing Documents

Trust Deed and Rules, Scheme Constitution, and Founder Agreements.



## Internal Policies

Investment Policy Statement (IPS), Risk Management, and Code of Conduct.



## Reporting & Disclosure

Annual Audited Accounts, Actuarial Valuations, and Regulatory Returns.

Failure to uphold fiduciary duties carries severe legal and professional risks.



## Personal Liability

Trustees may be held personally liable for losses to the scheme resulting from a breach of trust or negligence.



## Financial Penalties

Substantial fines and penalties imposed by regulatory bodies (RBA/URBRA) for statutory non-compliance.



## Removal & Barring

Removal from the Board of Trustees and potential barring from serving as a trustee in any other scheme.



## IPS Formulation

Establishing clear investment objectives, risk tolerance, and return expectations for the scheme.



## Asset Allocation

Strategic distribution of assets across different classes (Equities, Fixed Income, Property) to optimize returns.



## Manager Selection

Appointing and monitoring professional fund managers to execute the investment strategy.



## Performance Review

Regularly assessing investment performance against benchmarks and the IPS objectives.

## Internal Controls



Strict separation of duties and dual authorization for all financial transactions and asset movements.

## Custodial Services



Mandatory use of licensed custodians for the safe-keeping and segregation of scheme assets.

## Cybersecurity



Robust data protection measures and regular security audits to safeguard against cyber threats and fraud.

## Regular Audits



Continuous monitoring through internal and external audits to detect and prevent irregularities.



## Board Composition

Ensuring a balanced mix of skills, experience, and diversity to provide effective oversight and strategic direction.



## Policy Development

Regularly reviewing and updating scheme policies to align with regulatory changes and best practices.



## Trustee Training

Continuous professional development to keep trustees informed of emerging trends and regulatory requirements.



## Board Evaluation

Conducting regular self-assessments and external evaluations to measure board performance and effectiveness.



## Transparency and Disclosure

Members have the right to receive regular updates on scheme performance, benefit statements, and material changes.



## Benefit Accuracy

Ensuring that all benefits are calculated correctly and paid promptly in accordance with the Trust Deed and Rules.



## Data Privacy

Protecting member personal and financial information through robust data governance and security measures.



## Dispute Resolution

Providing a fair, transparent, and accessible mechanism for members to raise and resolve grievances.



## Investment Risk

Mitigating market volatility, inflation, and interest rate risks through strategic asset allocation and diversification.



## Operational Risk

Addressing potential failures in internal processes, systems, or human error through robust controls and oversight.



## Compliance Risk

Ensuring continuous adherence to all statutory requirements and regulatory guidelines to avoid penalties and legal action.



## Reputational Risk

Safeguarding the scheme's integrity and member trust through ethical conduct and transparent communication.



## Regulatory Evolution

Adapting to increasingly stringent compliance requirements and the shift towards risk-based supervision.



## Digital Transformation

Leveraging technology for better scheme administration, member engagement, and data-driven decision making.



## ESG Integration

Incorporating Environmental, Social, and Governance factors into investment strategies for long-term sustainability.



## Demographic Shifts

Managing the impact of increasing longevity and changing employment patterns on retirement benefit adequacy.



## Financial Proficiency

Deep understanding of investment vehicles, risk-return profiles, and actuarial principles.



## Digital Governance

Ability to oversee technology implementation and manage cybersecurity risks effectively.



## Legal Acumen

Continuous mastery of evolving pension laws, regulations, and fiduciary standards.



## Strategic ESG Focus

Integrating environmental, social, and governance factors into long-term scheme strategy.



## Continuous Learning

Commitment to regular professional development and staying updated on global pension trends and local regulations.



## Meticulous Documentation

Maintaining comprehensive and accurate records of all board decisions, meeting minutes, and professional advice received.



## Independent Reviews

Engaging external experts for regular governance audits and board effectiveness assessments to ensure objective oversight.



## Ethical Leadership

Fostering a culture of integrity, transparency, and member-centricity at all levels of the scheme's governance.



**Building a Better Tomorrow, Today**



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**Thank You!**