



Finnnet

Building a Better Tomorrow, Today



Pension Governance: Effective Committees, Board Evaluation and Governance Audits

By Godwin Simba



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SPEAKERS BIO

- ❖ An expert in governance and strategy consulting, pension and investment advisory, business reengineering, and innovation.
- ❖ Lead Expert at Finnet Trust Services and Director of Finnet Institute.
- ❖ More than 17 years of experience in pension administration, fund management, and insurance sectors.
- ❖ Creator of innovative solutions, including Mobiles, a digital mobile-based micro-pension and micro-insurance product.
- ❖ Founder of the Institute of Pension Management, offering knowledge management and professional excellence in the pension sector.
- ❖ Led the introduction of Pension Awards in East Africa and developed the OPAS, a leading pension administration system with enhanced efficiency.
- ❖ Developed strategic plans, Board Evaluations and Governance Audits for more than 50 pension funds and institutional clients
- ❖ Holds an MBA in Strategic Management and a Bachelor's degree in Actuarial Science.
- ❖ Previously held Senior management roles in Financial Services such as Pension Fund management, Pension Fund Administration and Insurance Companies
- ❖ Certified governance Auditor, Certified Trustee –TDPK, Certified Public Secretary, and Certified Trainer of Trainers.
- ❖ Member of the Institute of Certified Secretaries and the Pension Sector Skills Advisory Committee.
- ❖ Council Member Association of Pension Trustees and Administrators of Kenya

- Imagine you're trapped in a room with no doors or windows. How do you get out?
- If you're standing at the South Pole facing north, and you take one step backward, which direction are you moving?
- Pretend you're locked inside a freezer that can't be opened from the inside. How do you get warm?

KES 2.3T

Total Pension Assets

Kenya's pension landscape includes 1,247 registered schemes with 4.2 million enrolled members, yet governance-related losses reach KES 45 billion annually while 83% workforce remains informal.

Regulatory Evolution

- New RBA investment guidelines
- Enhanced governance requirements
- ESG compliance mandates
- Tax policy changes

Technology Revolution

- AI-powered investment decisions
- Blockchain for transparency
- Digital currencies integration
- Automated member services

Demographic Shifts

- Changing workforce patterns
- Gig economy growth
- Remote work normalization
- Millennial retirement expectations

ESG Investing

- Sustainable investment mandates
- Climate risk considerations
- Social impact requirements
- Governance transparency

Economic Volatility

- Post-pandemic recovery patterns
- Inflation management challenges
- Market uncertainty
- Currency fluctuations

- How power is shared and exercised in the stewardship of assets and resources for effective mandate & service delivery
- How relationships are managed within and outside the organization for long term continuity and sustainability
- How systems and processes network for seamless operational efficiency & effectiveness
- How leaders relate with each other, management and the rest of the employees
- How things are done around the organization within the available resource base

✓ Set up in good governance includes:-

1. Motivated, knowledgeable and skilled Committee and Board of Trustees.
2. Right structures and processes to enable effective and appropriate decisions and **risk management**.
3. Effective oversight of administration, funding, investment, communications.
4. Clear scheme objectives which are regularly re-tested
5. Minimizing risk whilst maximizing opportunities for the scheme.

✓ Activities of an effective Board includes:-

1. Strong leadership.
2. Clear risk-based objectives and strategic focus.
3. Open and honest culture.
4. Good delegation structures.
5. Diverse in skills and background.
6. Manages Conflicts.

▪ These qualities should be reviewed regularly.

2. Clear Roles and Responsibilities

- Trustees are accountable **for all activities relating to the Scheme**, even if they have delegated it.

- Schemes should have clearly documented:-
 1. Roles of all the parties involved.
 2. Responsibilities.
 3. Decision-making and governance processes and structures.

- Governance structure should be appropriate and relevant to the scheme's risk and complexity.

3. Clear Purpose and Strategy

- Clear purpose and strategy essential to managing your scheme, effectively leading to improved member outcomes.
- Having a business plan enables you to plan ahead and improves your ability to comply with statutory requirements at all times.

- The business plan needs to cover:-
 1. Clear, long term goals of the scheme.
 2. Interim objectives.
 3. How to meet these objectives and goals.
 4. How progress will be monitored and measured.



4. Trustee Training and Improving Knowledge



- Motivated, knowledgeable and skilled members are essential to the board to ensure that informed decisions are made and the scheme is run properly.
- Members should evaluate themselves and identify their strengths, weaknesses and gaps in knowledge and understanding.
- Self board evaluations are recommended annually which can then be used to revise training plans.
- Learning and development is a continuous process that should be considered regularly in line with the scheme's upcoming events or potential key decisions.

68%

Governance Failures

42%

Lack Audit

35%

Untrained Trustees

78%

No Evaluations

RBA Findings

Critical governance weaknesses identified in 2024 comprehensive industry assessment

- ▶ Pension fund failures stem from governance issues
- ▶ Schemes lack properly constituted audit committees nationwide
- ▶ Trustees never received formal governance training programs

Regional Comparison

Kenya's pension penetration lags significantly behind regional leaders

- ▶ Kenya pension penetration stands at only fifteen percent
- ▶ South Africa leads with seventy-five percent coverage
- ▶ Botswana achieves forty-five percent while Nigeria eight percent

Impact Assessment

Governance weaknesses translate to significant financial and member welfare losses

- ▶ Annual governance losses reach forty-five billion shillings
- ▶ Average scheme loses thirty-six million annually
- ▶ Members face fifteen to twenty-five percent benefit reductions



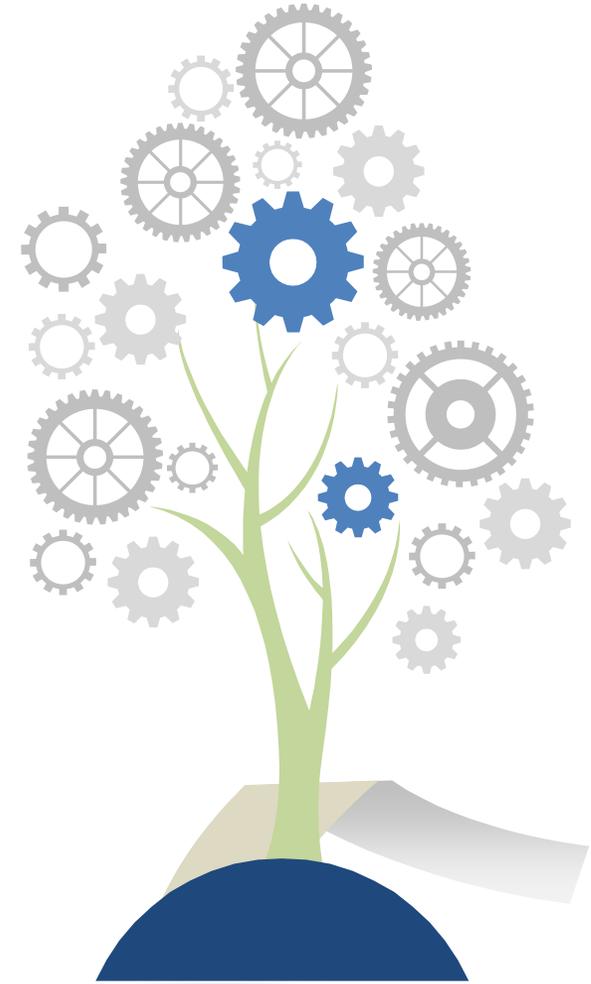
BOARD COMMITTEES

Why a Committee?

- ✓ By delegating tasks to committees, boards can spend their time more efficiently.
- ✓ Board committees meet according to their task, and as specified in their terms of reference.
- ✓ Board committees provide a platform for boards to deal with specific issues that require specialized areas of expertise.
- ✓ The idea behind committees of the board is to tap the specific talents, skills and knowledge of individual board Trustees to inform and educate the full board on particular areas of concern.



- The BOT may appoint committees to facilitate the work of the board but the decisions of the committees shall be ratified by the board before implementation.
- Number of committees of the board shall not exceed 4 at any one time.
- Scheme rules may provide for the board of trustees to engage the services of experts to provide consultancy services or to co-opt experts to sit in committees of the board to provide guidance
- Terms of reference for committees of the board are set out in the guidelines
- The engagement and co-opting of experts shall be done through a competitive process



Pension Fund Committee Excellence Framework

Investment Committee

- Asset allocation oversight and strategic positioning
- Performance monitoring and benchmark analysis
- Risk appetite definition and tolerance levels
- Due diligence processes for investment decisions

Audit Risk

- Internal control evaluation and assessment
- Risk management oversight and monitoring
- Compliance monitoring and regulatory adherence
- External audit coordination and supervision

Benefits Committee

- Member service quality and satisfaction
- Claims processing efficiency and timeliness
- Communication effectiveness and member engagement
- Benefit design optimization and enhancement

Committee Performance Metrics

| Performance Metric | Target Standard | Industry Average | Top Quartile | Bottom Quartile |
|--------------------|-----------------|------------------|--------------|-----------------|
| Meeting Frequency | Monthly | Quarterly | Bi-weekly | Semi-annual |
| Attendance Rates | 90%+ | 65% | 95%+ | 45% |
| Action Completion | 95%+ | 70% | 98%+ | 50% |
| Decision Quality | 85%+ | 58% | 90%+ | 35% |

Measuring What Matters Most

Effective committee governance requires measurable standards and continuous monitoring. Target metrics include monthly meeting frequency, ninety percent attendance rates, and ninety-five percent action item completion rates to ensure excellence in fiduciary oversight.

What could go wrong?

- Conflict of Interest within committee membership
- Supremacy war between the Committee and the Board
- Conflict between the Committee tasks and Administrator's roles
- Lack of Commitment by Committee members
- Rogue Administrator/ Trust Secretary
- Rogue Committee Chairman
- Having several unscheduled meetings/ Adhoc Meetings



Board Performance and Evaluation

“Board evaluation” is a process by which the effectiveness of a board, board processes, board committees and possibly its individual directors are assessed.





Early calls for board evaluations in the 1990s received a mixed response from directors.

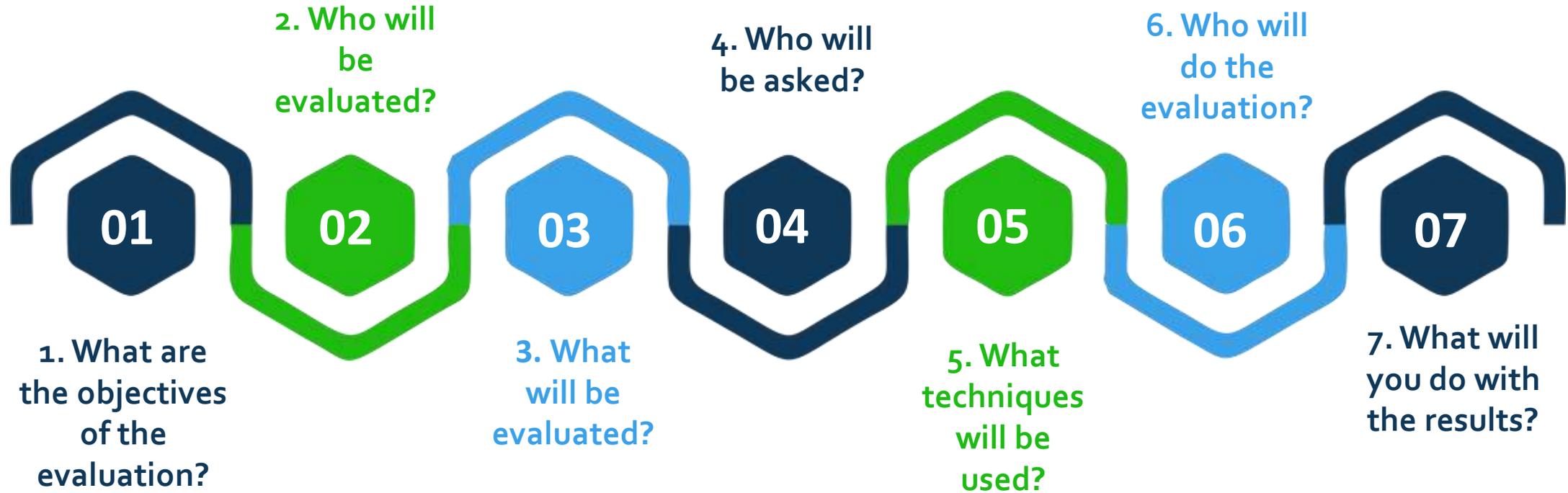


Provisions on board evaluation were first introduced into the UK CG Code (formerly the Combined Code) in 2003.



In 2009, the FRC was able to report that there was now almost "universal agreement" that board evaluation could be a beneficial process when taken seriously.

The evaluation of boards, board committees and individual directors, including the chairman, is now entrenched internationally



Board Composition

Skills Matrix

Comprehensive alignment assessment and gap analysis

Independence

Verification

Thorough verification and conflict management processes

Decision Processes

Information Quality

Assessment of information completeness and accuracy

Documentation

Standards

Review of recording and documentation practices

Deliberation Depth

Analysis of discussion quality and engagement

Follow-up Mechanisms

Evaluation of action tracking and completion

Oversight Effectiveness

Risk Framework

Comprehensive risk management system assessment and evaluation

Performance Monitoring

Systematic performance tracking and measurement systems

85%

Target Governance Score

90%

Committee Effectiveness

100%

RBA Compliance

Board Evaluation Implementation Timeline

Overview

Specific Activities

Preparation and Planning Phase

Evaluation criteria development, external evaluator engagement, stakeholder communication and baseline establishment

- Develop comprehensive evaluation criteria and assessment frameworks
- Engage qualified external evaluators and communicate with stakeholders

Assessment and Analysis

Individual trustee interviews, meeting record reviews, decision outcome analysis and comprehensive feedback

- Conduct individual trustee interviews and competency assessments
- Review meeting records and analyze decisions

Action Planning Implementation

Improvement plan development, training program implementation, progress monitoring systems and culture

- Create detailed improvement plans and implement training programs
- Establish monitoring systems and improvement culture

Continuous Monitoring Excellence

Sustained excellence monitoring, performance optimization, innovation adoption and industry leadership development

- Monitor progress continuously and optimize performance systematically
- Adopt innovations and maintain leadership standards

Governance Monitoring Tools



- a) Policy formulation
- b) Governance Audits
- c) Board Evaluations
- d) Internal Audits
- e) Data quality and Protection
- f) Risk Management
- g) Strategic Plan Implementation Matrix
- h) Annual work plans and budgets



Governance Audit

An independent assessment of a scheme or organization with a view to expressing an opinion on the adequacy and effectiveness of the organization policies, systems, practices and processes.

Scope of a Governance Audit

- ❖ Ethical Leadership and Strategic Management
- ❖ Compliance with laws and regulations
- ❖ Board independence
- ❖ Members Representation and Participation
- ❖ Structure, Roles and Processes of Board of Trustees
- ❖ Relationship between Trustees, Sponsors and Service Providers
- ❖ Audit, Assurance & Risk Management
- ❖ Use of Information Technology in Governance
- ❖ Transparency, Accountability and Disclosure
- ❖ Sustainability, Corporate social responsibility and investment





- ❖ Minutes of Board Meetings, Board Committee Meetings and Annual General Meetings
- ❖ Board Charter
- ❖ Trust Deed and Rules
- ❖ The Annual Audited Financial Statements
- ❖ The Board Evaluation Reports
- ❖ The Certified Lists of Board Members and Board Committee Members
- ❖ The Individual Board of Trustees Files
- ❖ Organization Structure/Organogram
- ❖ Strategic Plan
- ❖ Committees' Terms of Reference
- ❖ The Board Induction Program
- ❖ The Board Circulars, Papers and Manuals
- ❖ The Board of Trustees Work Plans
- ❖ Reports submitted to the Sponsor



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