



Transformation and Financial Inclusion

Requirements for Retirement Funds
under the Financial Sector Code

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PENSION  LAWYERS
ASSOCIATION



Financial Sector Code

- Published on 1 December 2017.
- Recognised that:
 - many aspects of the B-BBEE dispensation might not be relevant to retirement funds;
 - however, retirement funds play a critical role in the SA economy given that they are responsible for over R4 trillion of members' savings;
 - retirement funds have a critical role to play in transformation particularly with regard to the appointment of service providers [black asset managers];
 - funds are also currently required by Regulation 28 of the Pension Funds Act to consider ESG criteria and B-BBEE as part of their supplier selection processes
- Introduced a “voluntary dispensation” of disclosure for top 100 retirement funds including umbrella funds.

Annual disclosures

- Although Retirement Funds are not scored on the ownership element of the B-BBEE scorecard, they are expected to report annually on the proportion of fund liabilities attributable Black male and female members.
- It is suggested that Retirement funds disclose details related to accredited approved training spent on trustees and executive managers such as principal officers and other staff, including:
 - quantum;
 - average spend per staff;
 - number of staff members trained;
 - examples of key training interventions.
- Member education initiatives should also be disclosed:
 - number of members trained; and
 - spend relative to size of membership.
- Reporting should include a narrative on the B-BBEE score achieved and plans for improving the score.
- If sufficient disclosure does not materialize, the voluntary dispensation may be revised.

Funds' B-BBEE scorecard

ELEMENT	WEIGHTING
Management Control	20
Preferential Procurement	80
Total	100

Management control scorecard

Element	Target	Points
Exercisable voting rights of black board members as a percentage of all board members	50%	8
Exercisable voting rights of black female board members as a percentage of all board members	25%	4
Principal officer, executive and senior management, if applicable	50%	8

Preferential procurement scorecard

Element	Points	Target y 3+
B-BBEE procurement spend based on B-BBEE procurement levels	35	80%
B-BBEE procurement spend on QSEs or EMEs based on B-BBEE procurement levels	10	25%
B-BBEE procurement spend on 51% Black-owned suppliers based on B-BBEE procurement levels	25	25%
B-BBEE procurement spend on 30% black women owned suppliers based on B-BBEE procurement levels	10	12.5%

Moving forward

- Develop a transformation policy.
- Align the Retirement Fund's Investment policy statement with its transformation policy.
- Consider the composition of the board of trustees and management team.
- Design and implement a procurement process aligned with sustainable transformation and reporting on the scorecard.
- The procurement process should include the collection, collation and storage of suppliers' information, particularly their B-BBEE verification certificates or affidavits.
- Institute mechanisms to review the success of the transformation policy and to identify actions to address weaknesses in the policy.



THANK YOU

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