MAKING A DIFFERENCE
SINCE 1996

Clarifying the role and accountability of Umbrella Fund Management Committees (Manco)

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Background Introduction

ABC’s of MANCO’s in Umbrella funds

In an umbrella fund, the Board of trustees governs the fund as a whole. Participating employers do not each have their own trustee board.

Instead, employers appoint a MANCO (sometimes called an employer committee or Governance committee).

The MANCO:

- Represents the employer and its employees; and
- Interface with the umbrella fund’s trustees and service providers.

A MANCO is not a statutory governing body under the Pension Funds Act, 1956 (PFA) like a board of trustees but it is an important governance structure recognised by regulators, NT and FSCA.

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Legal Position under the PFA

Under sections 7C and 7D of the PFA:

- **Trustees** carry the **full fiduciary duty** to members.
- They must act **independently** in **good faith** and in the **best interests of members**.

A MANCO:

a) Does **not** replace trustees; and
b) Does **not** assume trustee fiduciary duties unless explicitly appointed as such.

Historical Context

No definition of an “umbrella fund” in the PFA.

Reg 30(2)(t): funds’ rules should indicate the participation, to differentiate between**:**

(i) employees of a principal employer and its subsidiaries;
(ii) employees of various unrelated employers

Historical Context

Rapid growth raised significant concern in the Regulator’s office:

- Lack of member representation in decision-making structures,
- Limited protections against unscrupulous administrators,
- The complexity and size of umbrella funds, and
- The risk that employers might use umbrella funds to avoid responsibilities they carried in stand alone funds.

With no statutory guidance, governance practices varied widely across the industry.

Early reform attempts

Governance challenges identified - 2005 “Supervision of Umbrella Funds”:
- Need for definitions
- Oversight of funds and sub-funds

2011 Sanlam Benchmark reported Manco structures increased from 66% to 78%

Industry recognition of importance of Manco’s

Early reform attempts in 2021 discussion paper

Policy Shift Towards Consolidation

Since 2014, Treasury encouraged fund consolidation to reduce costs and improve member value through economies of scale.

Governance Challenges in Umbrella Funds

Growth of large umbrella funds raised issues like limited member governance rights and complex fund-sponsor-employer relationships.

Role of Independent Governance Committees

IGCs perform governance functions but lack formal recognition, leading to varied effectiveness across funds.

Call for Strengthened Governance Structures

Treasury advocates formal recognition and empowerment of governance bodies to ensure value for money and member protection.

CoFI Bill and the rise of employer as supervised entity

For the first time:

- "Umbrella fund" and "sub fund" are legally defined.
- Employers participating in umbrella funds are recognised as "supervised entities."

section 4(2) – This Act applies to *supervised entities*, key persons, and significant owners to the extent provided for in this Act and conduct standards prescribed in terms of this Act.

Power of the regulator:

- Regulatory instruments (Chapter 7),
- Information gathering and supervisory inspections (Chapter 9),
- Enforcement mechanisms (Chapter 10), and
- Administrative penalties (Chapter 13).

CoFI Bill and the rise of employer as supervised entity

- CoFI Introduces, a principle based, activity focused and outcomes driven conduct regime.
- Under CoFI the focus shifts from “who is the fiduciary?” to “who influences member outcomes”.
- Because MANCO’s materially influence decisions affecting member outcomes, their role becomes far more consequential, even if they remain non-statutory bodies.
- CoFi conduct principles extend to governance structures that affect customers (members)

CoFi conduct expectations relevant to MANCO's

MANCO's are expected to support outcomes such as:

1. Fair treatment of members (TCF style outcomes). Ensuring that:
   a) fees are reasonable and transparent,
   b) default strategies are appropriate;
   c) Members are not locked into poor value arrangements.

2. Governance and culture. Promoting, ethical decision making, independence from conflicted service providers, evidence based challenge of trustees and administrators.
3. Cofi explicitly emphasises governance culture, not just formal compliance.
4. Accountability for outcomes (i.e. who knew, who could have acted and why did they?)

The risk of passive or ineffective MANCO increases, employer risk, reputational exposure and regulatory scrutiny.

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Summary Comparison: PFA v COFI

No	Aspect	PFA position	COFI Bill
1.	Legal Status of MANCO	Not statutory	Still not statutory
2.	Focus	Oversight & governance support	Outcomes, conduct and fairness
3.	Fiduciary duty	Trustees only	Trustees and expanded accountability ecosystem
4.	Regulatory Scrutiny	Indirect	Indirect but stronger
5.	Risk of Inaction	Governance criticism	Conduct and reputational risk

King V governance principles and recognition of Manco's

King V recognises Mancos as governance structures that align employer decisions with umbrella fund compliance.

Ethical and Accountability Principles
Manco members must apply ethical leadership, transparency, accountability, and fairness despite not having fiduciary duties.

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Duties and responsibilities of Manco's

Why are Manco's important

From a discussion document by National Treasury "Governance of umbrella funds":

- Policy direction to
  - Improve governance standards
  - Reduce duplication of costs
  - Enable economies of scale

Why are Manco's important

From a discussion document by National Treasury "Governance of umbrella funds":

- Member representation
  - Requirement that members must have the right to elect at least 50% of board of trustees
  - Exemption for Umbrella funds
- In DC environment, where members bear the investment risk

Why are Manco's important

From a discussion document by National Treasury "Governance of umbrella funds":

- UK: independent governance committees (IGC)
    - To enhance comparison of pension products
    - Drive value for money

Why are Manco's important

From a discussion document by National Treasury "Governance of umbrella funds":

Manco's ("management committees", "mancom", "joint forum", "advisory body, "quasi-board") should have the following functions:

- Conduct ongoing value for money as prescribed
- Member data updates, contributions, death benefits, updates to members, recommend changes to benefit structures

Practical COFI aligned responsibilities for MANCO's

From a COFI readiness perspective, MANCO's should:

1. Document oversight activities (i.e. meeting minutes, escalations to trustees, value for money assessments)
2. Challenge poor outcomes (i.e. high fees, underperforming defaults, and weak service delivery)
3. Manage conflicts of interest, especially where the umbrella fund is sponsored
4. Act in a demonstrably member-centric manner (i.e. decisions must be defensible in terms of member outcomes and not convenience.

Why are Manco's important

Manco's ("management committees", "mancom", "joint forum", "advisory body, "quasi-board") :

- Set up by ER resolution
- Not recognised in law
- Not standardised

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What should a Manco look like?

Composition

A well-structured Manco should include:

- Employer representatives
- Member-elected representatives
- Individuals with sufficient skills or willingness to be trained
- A chair elected from the committee

Should be small enough to function efficiently in a cost-effective manner

What should a Manco look like?

Position of trust

A Manco member holds a position of trust.

They must:

- Act with good faith, integrity and independence
- Avoid or manage conflicts of interest
- Exercise due care, skill, and diligence
- Understand they act collectively, not individually
- Undertake annual declarations of interest
- Maintain impartiality and document opposing views carefully

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Duties and responsibilities of a Manco

Governance:

- Maintain and review a governance framework for the employer's participation
- Monitor compliance with Section 13A and Conduct Standard 1 of 2022
- Identify and manage conflicts of interest
- Report suspected financial misconduct or regulatory breaches

Duties and responsibilities of a Manco

Benefit structure and Risk benefits

Mancos should:

- Review the employer’s benefit structure
- Evaluate risk benefits (death, disability, funeral, etc.)
- Review insurer annual rate increases
- Assess appropriateness and cost efficiency
- Assist with claims when requested
- Provide feedback on service levels

Duties and responsibilities of a Manco

Investments

Mancos may:

- Monitor investment performance
- Assess appropriateness for the employer’s membership profile
- Recommend changes where needed

Note: Full investment strategy and fund-level decisions remain with trustees.

Duties and responsibilities of a Manco

Service Provider oversight

Mancos must ensure:

- Service providers are properly appointed and monitored
- SLAs are reviewed
- Conflicts of interest are managed
- Independent advice is sought when necessary
- Terminations and replacements are recommended where appropriate

Duties and responsibilities of a Manco

Communications

Mancos must:

- Maintain clear lines of communication with the employer
- Develop a communication strategy for members
- Ensure distribution of member booklets, benefit statements, investment choice information
- Test the umbrella fund's web portal to ensure functionality
- Educate members about fund features, contributions, risk benefits, two pot reforms, etc

Duties and responsibilities of a Manco

Administration

The Manco provides essential oversight:

- Monitoring administration accuracy and data integrity
- Monitoring POPIA compliance
- Checking correct application of fees
- Understanding admin, investment, and cash flow reports
- Ensuring contingency plans exist for business interruptions

Duties and responsibilities of a Manco

Death benefits

Depending on the arrangement, the Manco must:

- Gather beneficiary information or
- Conduct full Section 37C investigations
- Provide recommendations to the board of management

The trustees, however, always retain final decision-making authority.

Duties and responsibilities of a Manco

Complaints

Mancos should:

- Maintain a complaints register
- Monitor trends
- Assist with adjudicator complaints where appropriate

Duties and responsibilities of a Manco

Special rules and transfers

- Monitor correctness of special rules
- Recommend amendments
- Prepare or monitor section 14 transfer documents when members move in or out

Duties and responsibilities of a Manco

In summary, a strong Manco is:

✓ Representative

Balancing employer and member perspectives.

✓ Skilled and Accountable

With ongoing training and annual assessments.

✓ Independent and Ethical

Managing conflicts, declaring interests, and acting with integrity.

Duties and responsibilities of a Manco

In summary, a strong Manco is:

✓ Engaged

Meeting regularly, asking questions, monitoring reports, and contributing meaningfully.

✓ Structured

With a clear mandate, governance processes, and documented decisions.

✓ Focused on Member Outcomes

Ensuring communication, administration, service delivery, and benefits are appropriate, fair, and well-managed.

Duties and responsibilities of a Manco

The Manco structure is not just an administrative layer — it is a critical governance mechanism that protects members, supports employers, and enhances value within umbrella funds

THANK YOU

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