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# PENSION FUND MASTERCLAS S & WORKSHOP

*Governance Integrity & Excellence  
in Pension Services Delivery*

*MUHIDIN MOHAMED*

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## RATIONALE FOR CONDUCT REGULATION

- ✓ That Good governance is maintained among service providers in the industry;
- ✓ Delivery of services to customers in the retirement benefits industry is enhanced;
- ✓ Stakeholder and Consumer education in the sector is emphasized by all sector player.
- ✓ enable players implement and promote proper standards of conduct and sound governance practices; and
- ✓ ensure that all players exercise their fiduciary duties effectively and diligently
- ✓ Governance integrity is the backbone of pension scheme sustainability
- ✓ Protects members' benefits and builds stakeholder confidence
- ✓ Aligns scheme operations with regulatory requirements and best practices

# CORE PRINCIPLES OF GOVERNANCE INTEGRITY

- ✓ Accountability
- ✓ Transparency
- ✓ Fairness and Equity
- ✓ Responsibility
- ✓ Independence



## LEGAL AND REGULATORY FRAMEWORK

- ✓ Compliance with Law (Retirement Benefits Act and Regulations)
- ✓ The good governance guideline 2018
- ✓ Adherence to Trust Deed and Rules- constitutive document of a scheme
- ✓ Observance of regulator guidelines and circulars

# Board & Trustee Architecture

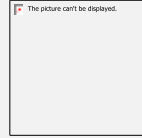
Independent trustees,  
professional trustees

Committees:  
Investment, Risk,  
Audit, Administration,  
Remuneration

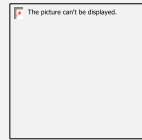
Trustee duties:  
oversight, policy  
approvals, monitoring

Succession &  
competency plan

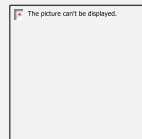
# ROLE OF THE BOARD OF TRUSTEES



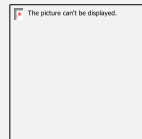
Fiduciary responsibility to members



Oversight of scheme operations and service providers



Strategic direction and policy approval



Ensuring compliance and risk management

# FIDUCIARY OBLIGATION OF TRUSTEES

- ❖ Fiduciary is to act in the best interest of another
- ❖ Legal owners of the scheme and responsible for exclusive management and administration of the scheme;
- ❖ Trustees have legal control of a scheme and hold the assets of the scheme in trust for the benefit of the beneficiaries;
- ❖ Fiduciary responsibility – Expected to act in the best interests of the beneficiaries;

# STATUTORY OBLIGATIONS

- ❖ administering the scheme in accordance with the provisions of the Act, these regulations and scheme rules;
- ❖ keeping all proper books and records of account in respect to income, expenditure, liabilities and assets of the scheme
- ❖ computing and preparing statements of payments of benefits to members;
- ❖ liaising with the Authority, sponsors, members, manager, custodian and any other professional engaged by the scheme;
- ❖ ensuring all minutes, statements and resolutions in respect of a scheme are properly kept and maintained:

# STATUTORY OBLIGATIONS

- ❖ collecting, keeping and updating data of each member including maintenance of individual membership records and bank account details of the members for the purpose of payment of benefits;
- ❖ updating the sponsor at least quarterly during the financial year on all matters regarding the scheme;
- ❖ ensuring that contributions based on correct pensionable emoluments have been remitted to the custodian;
- ❖ ensuring that scheme funds are being invested by a manager, duly appointed by the trustees, as specified in the Act, these Regulations and the scheme rules;

# STATUTORY OBLIGATIONS

- ❖ communicating regularly with the members with respect to the affairs of the scheme and furnishing them with annual membership benefits statements; and
- ❖ ensuring that all documents intended to bind the scheme are professionally prepared;
- ❖ convening an annual meeting of members-to raise any matters that relate to their scheme.

## Minimum agenda:

- a report on changes to the benefits & contribution structure;
- a report on audited accounts;
- a report on investments;
- a report on remuneration of trustees; and
- questions from members.

# STATUTORY COMPLIANCE

- ❖ Quarterly Record of contributions – 15th day of the following month after the Quarter
- ❖ Investment Returns- Quarterly
- ❖ Custodial Returns- Quarterly
- ❖ Annual Accounts- Submitted 3 months after the end of the financial year.
- ❖ Payment of Levy – Payable 4 months after the financial year
- ❖ Investment Policy– Review every 3 years

# STATUTORY COMPLIANCE

- ❖ Actuarial Review Report (DC) - at the discretion of the Authority
- ❖ Collection of contributions-within 10 days after end of the payroll month
- ❖ Payments of Benefits- within 30 days
- ❖ Transfers of benefits-within 60 days
- ❖ Investments -within IPS & Table G
- ❖ Annual General Meeting-once every year
- ❖ Trustees meeting – at least two times in a calendar year;

# STATUTORY COMPLIANCE

## PENALTY ON LATE SUBMISSION OF RETURNS

	STATUTORY RETURN	PENALTY	WHO
34 (4C)	Audited Accounts	<b>Kes. 100,000</b> and additional <b>Kes. 1,000</b> IF NOT SUBMITTED ON ON DUE DATE	Trustees
34 (4D)	Investment Return	<b>Kes. 10,000</b> per scheme and additional <b>Kes. 1,000</b> for each day return remain un-submitted	Investment Manager
34 (4E)	Contribution Return	<b>Kes. 10,000</b> per scheme and additional <b>Kes. 1,000</b> for each remain un-submitted	Administrator

# CRITICAL AREAS

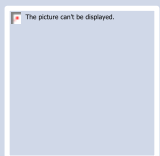


## Internal controls and audit

Strong internal control systems

Independent internal and external audits

Timely resolution of audit findings

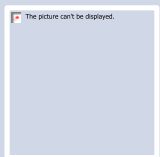


## Transparency and Disclosure

Timely reporting to members and regulators

Clear communication of benefits and risks

Annual reports and audited financial statements



## Ethical Conduct and Conflict Management

Code of conduct for trustees and service providers

Disclosure of conflicts of interest

Mechanisms for managing and mitigating conflicts

# Qualities of Good Trustees in a Pension Scheme

1

Safeguarding members' retirement benefits

2

Ensuring prudent, ethical, and accountable decision-making

# Integrity and Ethical Conduct

Acts honestly and in members' best interest



Avoids conflicts and improper influence



Upholds high ethical standards

# Fiduciary Responsibility

Prioritizes members over personal interests



Exercises duty of care, skill, and diligence



Supports long-term sustainability



# Competence and Knowledge

Understands pensions and investments



Keeps up with regulations



Engages in continuous training



# Independence and Objectivity

Makes unbiased decisions



Exercises independent judgment



Challenges advisors constructively



# Accountability

Takes responsibility for decisions



Ensures proper documentation



Answerable to members and regulators

# Transparency

Promotes clear disclosure



Ensures members understand benefits



Supports open communication



# Diligence and Commitment

Prepares for  
meetings

Participates  
actively

Devotes  
sufficient  
time

# Risk Awareness

Understands key risks



Supports risk management frameworks



Ensures prudent investments



# Strategic Thinking

Focuses on long-term sustainability

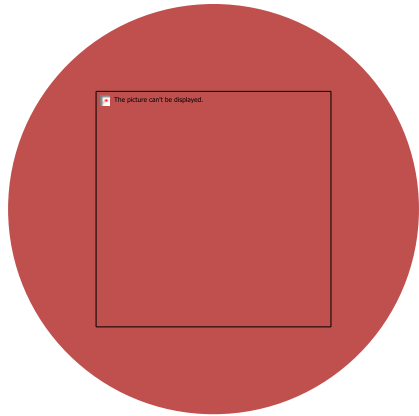


Aligns with scheme objectives

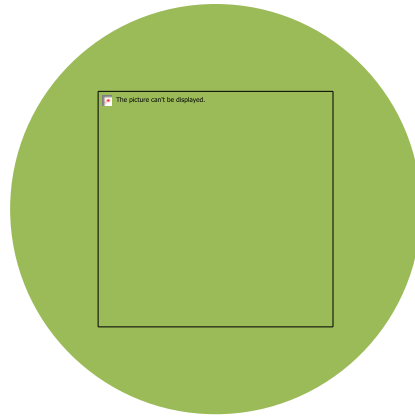


Anticipates risks and opportunities

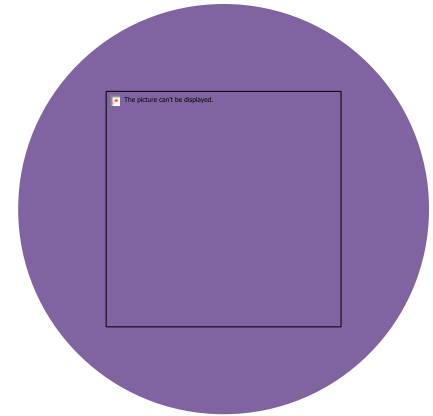
# Teamwork and Collective Responsibility



WORKS COLLABORATIVELY



RESPECTS DIVERSE VIEWS



SUPPORTS UNIFIED  
DECISIONS

# Red Flags (Poor Conduct)

Undisclosed conflicts of interest



Passive participation

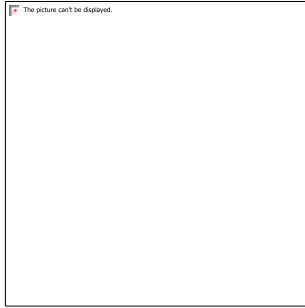


Over-reliance on service providers

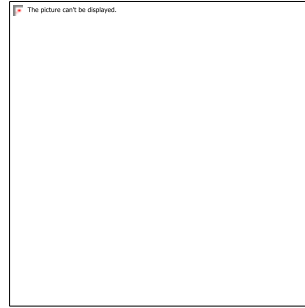


Lack of understanding

# STAKEHOLDER ENGAGEMENT



Member communication and  
education- communication policy



Employer involvement- quarterly  
reporting

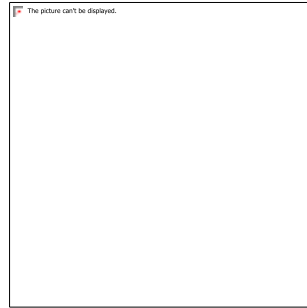


Regulator engagement

# TECHNOLOGY AND GOVERNANCE



Use of digital systems for  
administration

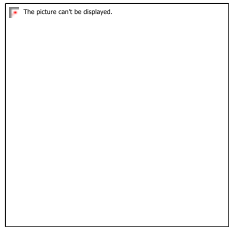


Data protection and  
cybersecurity

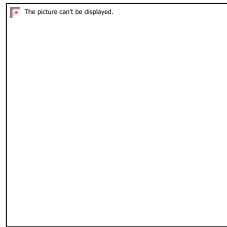


Enhancing transparency  
through automation

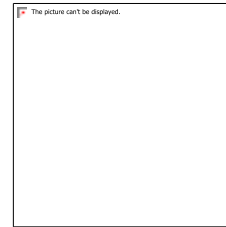
# CHALLENGES TO GOVERNANCE INTEGRITY



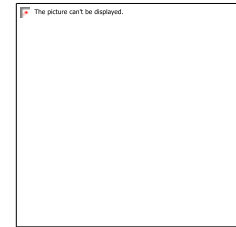
Weak oversight



Inadequate skills  
and training

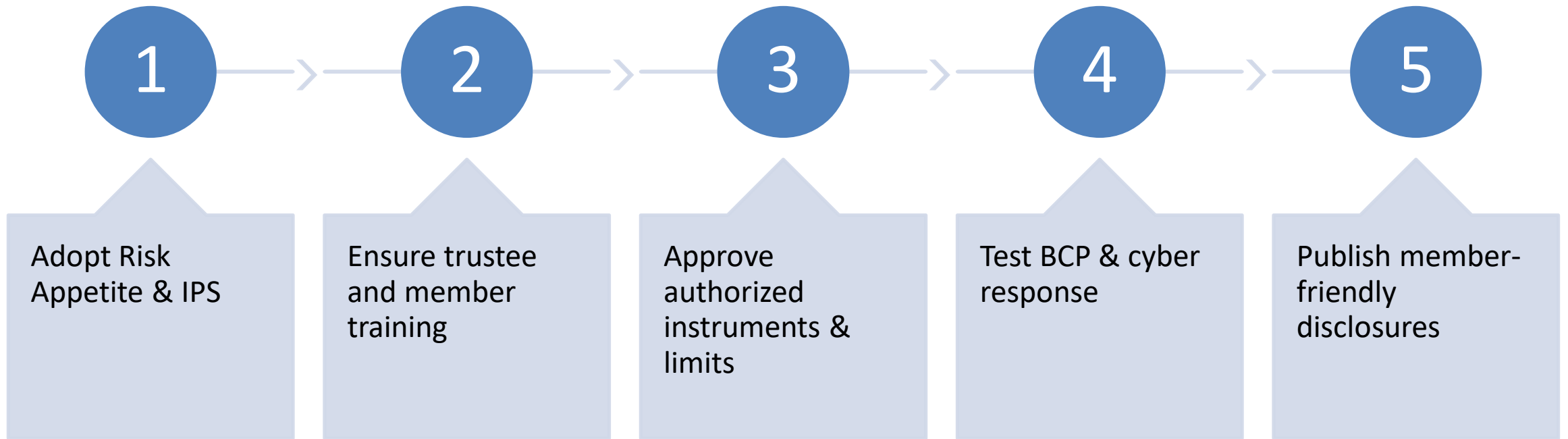


Conflicts of  
interest



Poor record-  
keeping

# Practical Trustee Checklist



# CONCLUSION

Governance integrity is not optional—it is essential

Requires continuous improvement and vigilance

Strong governance ensures member trust and scheme sustainability

Trustees are foundation of governance

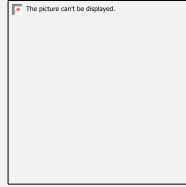
Impact member confidence

Require continuous capacity building

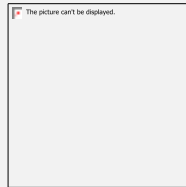
# ACHIEVING GOVERNANCE EXCELLENCE IN PENSION SERVICES DELIVERY

MUHIDIN MOHAMED

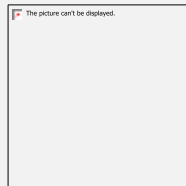
# WHAT IS GOVERNANCE EXCELLENCE?



Proactive, not reactive  
governance



Integration of strategy, risk,  
and performance



Continuous improvement  
culture

# KEY PILLARS OF EXCELLENCE

Strong leadership and oversight



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graph TD; A[Strong leadership and oversight] --> B[Efficient service delivery systems]; B --> C[Accountability and performance measurement]; C --> D[Innovation and adaptability];
```

Efficient service delivery systems

Accountability and performance measurement

Innovation and adaptability

# Good Governance of an Organization

## *Internal Governance*

Internal Control  
of Organisation



## *External Governance*

Monitoring Systems  
of Regulator,  
International  
Agencies, National  
Regulatory  
Agencies,  
Professional  
Institutes, Industry  
Associations & NGO



## *Result*

Appropriate  
Accountability &  
Responsibility to  
Stakeholders

### Governance Risk

- Trusteeship, Service providers & professionals
- Corporate Governance
- Risk Management & Controls

### Prudential Risk

- Funding e.g actuarial deficit,
- Credit Risk – defaults from non-remittance of contribution
- Investment – Property exposure, Investment limits
- Liquidity – unremitted contributions, actuarial deficits
- Underwriting – Group Life within the scheme

### Market Conduct Risk

- Disclosures and communication
- Complaints management
- Benefits Statements

# Regulatory compliance Trustees' Checklist

## Registration

- Registered
- Certificate – **Proof of ownership**

## Documentation

- Trust Deed & Rules - **Periodically**
- Investment policy Statement – **Tri-annually**
- Service providers agreements (Custodian, fund managers & administrator)- **Performance Based Review**
- Deed of Discharge & appointment

## Reporting and Disclosures

- Contribution Returns – **Quarterly**
- Investment Returns – **Quarterly**
- Custody Returns – **Quarterly**
- Audited Accounts - **Annually**
- Levy – **Annually**
- AGM – **Annually**

# Shift from Compliance-Based to Risk-Focused Supervision

- **Compliance-based supervision** is a traditional model where the regulator checks whether schemes follow prescribed rules, procedures, and statutory requirements.
- **Risk-focused supervision** shifts attention from merely verifying compliance to evaluating the **actual risks** a pension scheme faces and its ability to **identify, manage, and mitigate** those risks.
- This transition reflects global best practice, ensuring more proactive and resilient pension sector oversight.

## Key Concept

- Instead of asking *“Have you complied with the law?”*, the focus becomes *“Are you managing your risks effectively to protect member benefits?”*

# Importance & Differences Approaches

## **Compliance-Based Supervision**

- Reactive and rule-driven.
- Focuses on checking documents, procedures, and statutory submissions.
- Issues are often detected **after** they have already occurred.
- Limited ability to predict emerging threats.

## **Risk-Focused Supervision**

- Proactive and forward-looking.
- Identifies vulnerabilities early (investment, governance, operational, cyber, funding risks).
- Allows the regulator to prioritise schemes with higher risk exposure.
- Enhances member protection and scheme sustainability.

# ROLE OF THE BOARD OF TRUSTEES TO ACHIEVE EXCELLENCE

- ✓ Compulsory AGM: Agenda circulated 14 days before AGM, Summary of Audited accounts be attached in the Agenda, Minutes of the AGM- are available at the scheme office, within 3 months , There is an Approved Remuneration policy in place- No discrimination; consultation with the Sponsor
- ✓ Optional but recommended: Member days, Retirement Planning Seminar
- ✓ A Broad mix of skills and competencies- Diversity/ Qualification (Finance)
- ✓ Staggered Terms of appointment for trustees
- ✓ Maximum 4 Committees
- ✓ Quorum (at least 1 representation from the member elected & sponsor nominated trustee)

# ROLE OF THE BOARD OF TRUSTEES

- ✓ Establishment of Code of Conduct and Election
- ✓ Trustees to be remunerated according to Trustee Remuneration Policy
- ✓ Schemes shall establish & maintain Audit, Assurance and Risk Management Policies and Procedures and Review of the Auditor after every 5 years.
- ✓ Board to establish and maintain a risk register
- ✓ Service Providers have Business Continuity Plans (BCP)-
- ✓ Scheme booklet - with details of scheme –
- ✓ Written policy on Conflict of Interest - (& declaration of conflict-agenda)
- ✓ May require yearly Scheme's Governance Audits – especially large schemes

# CODE OF CONDUCT

- a. Pension schemes to establish a code of conduct for the scheme to set values, ethical standards and standards of integrity**
- b. Ethics policy**
- c. Whistle blower and independent assessment policy**
  
- ✓ Every trustee shall sign the code of conduct- affirm their commitment**
- ✓ Embrace their fiduciary duty- interest of members first**
- ✓ Not engaging in any improper or illegal activity- money laundering or corruption**
- ✓ Avoid conflict of interest**
- ✓ Fair treatment to all**

# MEMBER PARTICIPATION/REPRESENTATION

- ✓ Participation is on the basis of one member one vote rule.
- ✓ Representation of members in the board - is by election.
- ✓ Scheme Rules to set out qualification and procedures for electing/removing trustees.
- ✓ Make provision for succession process in the BOT
- ✓ Timely issuance of Notice to the AGM with- Agenda & summary of Audited accounts- at least 14 days
- ✓ Minutes of the AGM- to be available within 3months

## Others recommended;

- Members day- Trustees may organize in such frequency as may be required and most cost effective means;
- Retirement Planning Seminars (financial, psychological and health issues)

# TRUSTEES STRUCTURE POWERS & FUNCTIONS

- ✓ BOT to have a broad mix of skills and competencies- at least 1 trustee- with a Finance Qualification
- ✓ Composition to consider- gender, age, experience
- ✓ Staggered Terms of appointment for trustees
- ✓ Election and nomination rules
- ✓ Qualifications- leadership & integrity, commitment and devotion to duty, prudence & good character –good conduct certification
- ✓ Trustee shall NOT receive salary or honorarium
- ✓ A trustee may be paid a sitting allowance and reimbursed for reasonable expenses incurred-in approved trustee remuneration policy

## Other key areas;

- ✓ Continuous training for trustees;
- ✓ Annual Evaluation – Trustees, chairperson, trust sec and internal administrator –self assessment or 3rd party evaluation

# TRUSTEES STRUCTURE POWERS & FUNCTIONS

- ✓ **Prepare a board charter, annual work plan and calendar of meetings;**
- ✓ **Committees- Max of 4 Committees 4- recommended: Investment, Audit, & Risk Mgt; Admin & Communication**
- ✓ **BOT should provide TORs for each committee that sets out objectives, delegated authority, operations & reporting procedures**
- ✓ **BOT shall provide quarterly reports to the sponsor**
- ✓ **Competitive selection of service providers in accordance with objectives and policies of the scheme**

# AUDIT, ASSURANCE & RISK MGT

- ✓ **Comprehensive internal audits put in place that cover the full range of schemes' activities, provide independent assurance.**
- ✓ **Appoint External auditor-to examine accounting records and review services every 5years; reappointment -is after lapse of 2years of previous appointment.**
- ✓ **conduct a Governance audit of scheme-by a person certified by relevant professional body.**
- ✓ **BOT should ensure it has a written Risk Management Policy**
- ✓ **Establish- Risk management and internal control systems**
- ✓ **BOT to shall establish and maintain a risk register**

# TRANSPARENCY, A/C & DISCLOSURE

- ✓ **Communication sent to members is accurate, clear, relevant and provided in a language they understand-**
- ✓ **PWD's are accommodated**
- ✓ **Electronic communication may be used to communicate-where a member opts;**
- ✓ **BOT shall maintain a formal & transparent strategy for engaging its key stakeholders in the decisions & management of the scheme;**
- ✓ **Have a scheme booklet-disclosing the details of the scheme to any new members**
- ✓ **Maintain confidentiality of the minutes of its meetings but comply with reasonable requests for information from members as per Access to information Act**

# SUMMARY

Code of Conduct;

Election Rules- (to be incorporated in the scheme rules);

Trustee Remuneration Policy- to be updated every 3 years Audit, Assurance and Risk Management Policies and Procedures;

Review of the Auditor- After every 5 years- with 2 years interlude;

Service Providers to have business continuity plans (BCP)

# SUMMARY

**Maintain a risk register**

**Scheme booklet-for members**

**Scheme conflict of Interest Policy**

**A register for conflict**

**Prepare a good governance report**

**May require yearly Scheme's Governance Audits – especially large schemes**

# SUMMARY: PRINCIPLES OF GOOD GOVERNANCE



# Conclusion

Governance excellence enhances trust and efficiency



Focus on member outcomes is critical



Continuous evolution is key to sustainability

# Parting shot



Good governance never depends upon laws,  
but upon the personal qualities of those who  
govern.

— *Frank Herbert* —