Recent financial turmoil led many funds to adopt more complex and sophisticated investment strategies. Financial and commercial pressures and also the many initiatives by the Regulator has led to:

1. Increased trustee and principal officer workloads
2. Increased level of responsibility to understand the complexities involved
3. The establishment of sub-committees for more active management

PricewaterhouseCoopers 1 June 2010
Introduction

Drivers of change

- Increase in responsibilities and workloads of trustees
- Significant increase in volume of legislation and regulations
- Member expectations

Constraints

- Skills shortages and lack of experience
Our survey covers 243 funds with a total asset base of R308 billion.

Funds can benchmark themselves against our RSA and UK surveys.
Averages of Surveyed population

Fig.6: Average asset size

- Preservation: R1.079bn
- Umbrella: R1.140bn
- Total Avg: R1.268bn
- Private: R1.145bn
- RA: R3.200bn
Trustee remuneration survey

Averages of Surveyed population

Fig.7: Average member size

- Private: 2,480
- Preservation: 3,497
- Total Avg: 9,358
- Umbrella: 17,200
- RA: 53,739
Governance
Key findings – Governance

Fig. 17: Number of professional/independent trustees: UK vs SA

- **SA 2010**
  - More than two: 14%
  - Two: 21%
  - One: 18%
  - None: 47%

- **UK 2010**
  - More than two: 6%
  - Two: 34%
  - One: 52%
  - None: 0%
50% of the private funds that remunerate trustees, appointed one professional trustee and a further 25% appointed two or more;

92% of specialist funds that remunerate have two or more professional trustees;

51% of small funds have at least one professional trustee;

SA private funds employ professional trustees more often than their UK counterparts.
Key findings – Governance

Fig. 12: Number of board meetings per year: UK vs SA

- **SA 2010**
  - More than 4: 15%
  - Less than 4: 29%
  - 4: 56%

- **UK 2010**
  - More than 4: 38%
  - Less than 4: 4%
  - 4: 58%
Fig. 23: Does King III apply to retirement funds?

- King III would only apply to large funds and not to small funds:
  - Small: 12%
  - Medium: 8%
  - Large: 7%

- King III would apply and would add great value to governance in general in the retirement fund industry:
  - Small: 61%
  - Medium: 50%
  - Large: 76%

- King III does not apply to pension funds and would not add value:
  - Small: 3%
  - Medium: 12%

- Do not know:
  - Small: 43%
  - Medium: 28%
  - Large: 43%
Trustee Remuneration Survey

Key findings – Governance (Cont.) – Trustee meetings and King III

1. Between 20% and 30% of trustees both in SA and the UK are ill-prepared for meetings.

2. Remunerated trustees come better prepared to meetings.

3. 87% of boards meet at least four times per year.

4. King III principles are important per:
   - 76% of large funds.
   - 61% of medium and
   - 50% of small funds.
Remuneration
Fig. 26: Are trustees remunerated?

- No: 55%
- Yes: 45%
Fig. 24a: Large funds: are trustees remunerated?

- No: 56%
- Yes: 44%

Fig. 24b: Medium funds: are trustees remunerated?

- No: 39%
- Yes: 61%

Fig. 24c: Small funds: are trustees remunerated?

- No: 42%
- Yes: 58%
Trustee Remuneration Survey

Key findings – Remuneration (Trustees) (Cont.)

Fig.44a: Small
- Qualifications: 13%
- Workload: 30%
- Value added: 31%
- Experience as trustee: 26%

Fig.44b: Medium
- Qualifications: 27%
- Workload: 29%
- Value added: 21%
- Experience as trustee: 23%

Fig.44c: Large
- Qualifications: 24%
- Workload: 24%
- Value added: 31%
- Experience as trustee: 21%
Trustee Remuneration Survey

Key findings – Remuneration (Trustees) (Cont.)

1. 45% of SA funds remunerate their trustees, compared to 93% in the UK;

2. Less than 25% of private funds remunerate trustees; 80% of umbrella and preservation funds remunerate trustees; and 64% of retirement annuity funds remunerate trustees.

3. The main determining factor driving trustee remuneration is:
   - large funds - workload,
   - medium funds – experience
   - small funds - value added

4. Main reason for not remunerating:
   - duties are perceived to be part of the trustees’ employee salary
   - trustee time is taken out of normal working hours
Key findings – Remuneration (Principal Officer)

Fig.29: Is the principal officer remunerated?

- Yes: 36% (Small), 36% (Medium), 69% (Large)
- No: 64% (Small), 64% (Medium)
47% of funds remunerate their principal officers

The majority of principal officers (67%) are paid an annual salary reflecting the professional nature of the position in South Africa.
Key findings – Remuneration (General)

Fig.33: How do fund officials get paid?

- Chairperson:
  - Fee per hour: 25%
  - Fee per meeting: 35%
  - Annual fee: 41%

- Board member:
  - Fee per hour: 12%
  - Fee per meeting: 60%

- Independent Trustee:
  - Fee per hour: 15%
  - Fee per meeting: 33%
  - Annual fee: 47%

- Principal Officer:
  - Fee per hour: 6%
  - Fee per meeting: 27%
  - Annual fee: 67%
## Average remuneration paid to fund officials

<table>
<thead>
<tr>
<th>Role</th>
<th>Per annum (R)</th>
<th>Per meeting (R)</th>
<th>Per hour (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairperson of the board</td>
<td>77,381</td>
<td>4,662</td>
<td>1,705</td>
</tr>
<tr>
<td>Chairperson of a board sub-committee</td>
<td>62,187</td>
<td>3,334</td>
<td>1,684</td>
</tr>
<tr>
<td>Board member – empl. representative</td>
<td>87,635</td>
<td>4,123</td>
<td>-</td>
</tr>
<tr>
<td>Board member – mem. representative</td>
<td>47,543</td>
<td>2,792</td>
<td>-</td>
</tr>
<tr>
<td>Board member – pen. representative</td>
<td>19,093</td>
<td>3,750</td>
<td>2,265</td>
</tr>
<tr>
<td>Board sub-committee member</td>
<td>73,898</td>
<td>3,881</td>
<td>1,235</td>
</tr>
<tr>
<td>Professional trustees</td>
<td>98,265</td>
<td>7,641</td>
<td>1,603</td>
</tr>
<tr>
<td>Principal officers</td>
<td>314,214</td>
<td>2,800</td>
<td>752</td>
</tr>
</tbody>
</table>
Performance and Assessment
Fig. 20: Does performing the trustee role form part of the employee’s performance appraisal?

- 61%: Yes – company policy
- 18%: Depends on the employee and line manager
- 11%: No
- 10%: Rarely

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Employers recognise their employees’ trustee responsibilities, but tend to:
- not assess employee trustees’ performance in that role and
- allow little time off for meeting preparation

Objective setting for individual trustees is in place for less than a third of funds compared to over half in the UK

Trustee remuneration is in general not linked to performance.
Gifts and Service Providers
Fig. 49: Does the fund have an approved policy for dealing with gifts from service providers that are presented to trustees?

- **Yes – an informal policy exists**: 7% (Small), 7% (Medium), 3% (Large)
- **Yes – a formal policy exists**: 64% (Small), 82% (Medium), 96% (Large)
- **No policy currently exists**: 29% (Small), 11% (Medium), 1% (Large)
Fig.52: Nature of the entertainment

- Social/sport events:
  - Small: 36%
  - Medium: 47%
  - Large: 34%

- Gifts > R2000 each:
  - Small: 10%
  - Medium: 22%
  - Large: 2%

- Gifts < R2000 each:
  - Small: 9%
  - Medium: 22%
  - Large: 10%

- Corporate functions (open to public):
  - Small: 19%
  - Medium: 16%
  - Large: 11%

- Corporate functions (custom arranged):
  - Small: 27%
  - Medium: 33%
  - Large: 26%
Key findings – Gifts and Service Providers (Cont.)

Fig. 53: Frequency of entertainment events over the last 12 months

- Twice: 19% (Small), 41% (Medium), 21% (Large)
- Three times: 3% (Small), 3% (Medium), 21% (Large)
- Quarterly: 3% (Small), 3% (Medium), 18% (Large)
- Once: 53% (Small), 60% (Medium), 73% (Large)
- More than four times: 9% (Small), 3% (Medium), 3% (Large)
Key findings – Gifts and Service Providers (Cont.)

Fig. 54: Service providers that tend to provide more regular entertainment

- Actuaries: 33% Small, 12% Medium, 6% Large
- Asset managers: 22% Small, 19% Medium, 37% Large
- Benefit administrators: 22% Small, 31% Medium, 3% Large
- Brokers: 4% Small, 4% Medium, 4% Large
- Investment / risk / fund consultants: 22% Small, 20% Medium, 44% Large
- Auditors: 4% Small, 4% Medium, 4% Large
- Sponsors: 10% Small, 4% Medium, 2% Large
- Risk providers / insurers: 4% Small, 2% Medium, 2% Large
Key findings – Gifts and Service Providers (Cont.)

1. Special service offerings or arrangements with service providers are rare.

2. Trustee entertainment is limited to one or two sporting or corporate social events per year in the majority of cases.

3. Only 35% of funds were entertained over the last year.
   49% of these were large funds.

4. Main entertainers:
   - consultants (24%)
   - asset managers (29%)
   - benefit administrators (29%)
Trustee remuneration survey

Gifts and Service Providers

<table>
<thead>
<tr>
<th>Proportion of funds whose trustees received gifts or entertainment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Private funds</td>
<td>36%</td>
</tr>
<tr>
<td>Specialist funds</td>
<td>32%</td>
</tr>
</tbody>
</table>

Limited to one or two sporting or corporate social events per year in the majority of cases.
Trustee remuneration survey

Key findings - The Verdict

85% of respondents said that trustees who are remunerated will:

• be more responsible
• provide a higher level of care
• undertake additional preparation for meetings

A minority of 9% felt that it would not add value because:

• the current board is skilled enough
• remuneration would not change attitude.
Increased responsibilities will demand more professionals with relevant skills who will be directly remunerated for their services.
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