



Conference Highlights

The Batseta winter conference took place on 10 -11 June 2019 at the Birchwood Hotel & OR Tambo Conference Centre.

The conference was attended by 560 delegates. The conference hosted 46 speakers and 37 panellist and chairpersons. Various international organisations were present i.e. NASP, IFC and the World Bank. The advisor for the board of trustees Ircantec, France was also present. 25 Service Providers were exhibiting.

Conference Resolution for feedback in 2020:

1. Engage Minister E. Patel and his team on the retirement fund investments for economic growth
2. Engage on retirement funds contribution at the Presidential Investment Summit in relation to sharing good news stories
3. Engage the industry on the consolidation of retirement funds with a view to provide feedback to the Regulator.

Aptly themed “Partnering for Growth, the Pension Fund Promise”. The conference looked at the value chain for pension fund members. It explored the strategic partnerships within the retirement funds industry, from decisions made by the boards of trustees, the consultant’s advice, the investment vehicles all coming together to deliver on “the Pension Fund Promise”.

The Minister of Trade and Industry, Mr Ebrahim Patel joined us at the conference. He delivered a daring keynote address on how “Partnerships with Retirement Funds can Boost Economic Growth”. According to the minister retirement funds are an essential part of South Africa’s capital market environment, and the role they play, including that of Trustees and Principal Officers, needs to be better appreciated.

He noted that the aggregate assets of retirement funds in South Africa was R4,2 trillion, according to the 2017 Registrar of Pensions Funds Annual Report, with the GEPF accounting for 40% of the total. The size of the retirement funds’ financial holdings mean that their decisions have a huge impact on the national economy.

“Aside from underpinning equity and debt markets, they have a role to play in the development of South Africa through investment in real assets. Government’s investment drive is looking not just to Foreign Direct Investment but also and very strongly to domestic investment to stimulate economic growth,” he added.

Some of the key issues discussed at the conference include a peer view of the transformation journey of a retirement fund, with representatives from a number of key organisations. Other discussions also included responsible investment practices, the green economy, risk and liability management, key legislative developments from the FSCA and the pension funds adjudicator. Please [click here](#) for the media statement.

Transformation: A step towards a more inclusive retirement fund industry.

Mr Adrian Bertrand from Six Capitals presented the outcome of the research that was commissioned Batseta, on the retirement funds B-BBEE scorecard. Only seven funds participated in the survey. The outcome of the research was not representative of the industry as seven funds is too narrow a sample to draw conclusive insights. However, according to the results of the research, the funds which participated in the survey showed good progress in their transformation programmes. Funds were encouraged to participate in the survey after the conference in order to for the survey to be a fair representation of the industry. The lack of interest to participate was informed by lack of information by funds in relation to the published retirement funds scorecard. It was also noted that no fund had submitted its scorecard to the Financial Sector Transformation Council (FSTC) under the current voluntary dispensation and this was expressed as a concern.

The panellists for this discussion were Messrs Mahlangu, Ndawana, Mahomed and Ms Khosana. During the panel discussion the following salient points were highlighted by the panel.

- Less than desirable progress had been made to date with regards to transformation;
- Commitment on transformation by the Boards of Trustees is vital for the successful transformation of the industry;
- Transformation is applicable across the entire supply value chain and should not be viewed from one facet such as asset management;
- Funds must apply see-through principle to establish the ultimate beneficiaries of the economic benefits that emanates from the retirement funds, as opposed to simply relying on verification certificates (which may misrepresent the actual situation);
- Transformation has now evolved to be a social, moral and governance matter and has become a business imperative for suitability of any business as well as suitability of the entire industry;
- There is critical mass in the retirement funds industry that the retirement funds industry can leverage on to bring about meaningful transformation and impact to the society at large.
- Funds should put in place transformation plans and review their own progress in this regard, and
- FSTC is currently reviewing the retirement funds scorecard and there are strong views that the retirement funds scorecard must be made compulsory because the voluntary dispensation has not yielded the expected results since its inception in 2013.

Batseta is prepared and is available to facilitate or assist retirement funds with education/training on this important subject. In line with guidance note 1 of 2019, funds should also look at their investment policy statements to advance transformation through how they invest.

Bridging the Infrastructure Gap: Is it a pension promise.

On the African continent, there is appetite for major infrastructure developments. Infrastructure continues to attract attention and capital as an alternative investment asset class, which pension fund may consider in their investment strategies.

Government has continued to call for more investment into South Africa’s infrastructure development. But the question is, what is our role as Pension Funds.

Co-investing for Impact – Practical approach

Pension funds play a critical role in finance through the mobilisation and allocation of stable long-term savings to support investment. Recent reforms in many African countries have created private pension systems, which are rapidly accumulating assets under management (AUM).

The question is, how can Africa mobilise these domestic resources to support private sector development, as well as the investment in infrastructure and social services that so desperately needs to drive continued growth and transformation?

The term co-investing has been shared extensively, both from a local perspective and an international perspective.

Session with Regulator and Adjudicator

FSCA addressed issues related to non-payments of contributions. They are engaging the NPA on how to take prosecution of defaulting employers forward. The FSCA is aware that some employers might find themselves in a difficult financial position, although this should not be an excuse.

The FSCA complimented funds with their efforts to comply with default regulations.

The Standard 8 on Gratification will stay in force to guide fund's and Service Provider behaviour.

Funds were reminded that if a matter is referred to the tribunal funds could not submit additional information about their case to the Tribunal. Funds must ensure that the adjudicator has all the information available to make an informed decision.

The drive to consolidate retirement funds seems to slow down. FSCA is taking a moment to reconsider how to approach the consolidation process to ensure that it is in the best interest of funds.

The role of management committees was discussed and it was concluded that this matter will have to be explored more so as to ensure that members' interests are served when moving to umbrella arrangements.

Chairperson Panel: An Industry on the Move

The role of the chairperson in a board of trustees was unpacked. Chairpersons must ensure that:

- All trustees have a voice at meetings
- Board take note of industry matters such as legislative changes, best practices, etc
- Customers are treated fairly
- Governance stay top of the agenda

Green financing: Moving from reflection to action

Facilitated by IFC (part of the World Bank Group), which is an active investor, issuer and advisor in the green finance space, this panel featured experts from the public sector, private sector, and civil society to discuss the practicalities, urgency, and opportunities for pension funds in the global trend towards green, climate, and sustainability-focused finance.

Ms Laetitia Tankwe, advisor to the president of the board of trustees of Ircantec, an €11Bn pay-as-you-go complementary French pension scheme, talked about Ircantec's Responsible Investment (RI) journey. She explained that RI was initially a moral and strategic response by the fund and not required by law or fiduciary duty at the time. In 2015, Article 173 of the French law on Energy Transition and Green Growth was introduced, which requires asset owners to report on their management of climate-related risks and integration of social and environmental parameters in their investment policies. Ms Tankwe explained the 3 pillars of Ircantec's approach: 1) an RI charter,

which sets out the fund’s position and strategy on ESG, 2) proxy voting via asset managers to influence investee companies on ESG issues, and 3) direct engagement with companies to support the transition to improved ESG. She explained that the fund sees RI and investment returns as interlinked and adopts a variety of strategies to address risk and opportunity.

Mr Bruce Stewart, head of Origination Debt Capital Markets at Nedbank, shared Nedbank’s insights from being the first financial institution in South Africa to list a green bond under the new JSE green bond segment. Nedbank placed bonds worth R1.7bn in April 2019 to fund renewable energy projects. The issuance was three times oversubscribed by R3.8bn. Mr Stewart confirmed that there is strong investment appetite and significant opportunities for green bond issuers to benefit from the international interest in green economy investments.

Dr. Jenitha Badul, Senior Policy Advisor at Department of Environmental Affairs (DEA), described the variety of initiatives that DEA is involved in to create investable green economy projects in South Africa. She highlighted the opportunities in sectors such as renewable energy, energy efficiency, waste management, green buildings, and sustainable agriculture. DEA is developing a Climate Finance Strategy for South Africa and is keen to partner with the financial sector, including banks and pension funds.

Ms. Tracey Davies, Executive Director at Just Share, a local shareholder advocacy organisation, talked Just Share’s efforts, along with partner organisations, to raise awareness about the fiduciary duty of pension fund trustees to consider climate change risk in their investment portfolios, as well as the related investment opportunities. She explained that divestment is not the only strategy, pointing out that there is much work to be done by pension funds to engage with investee companies to facilitate the journey to a low-carbon, green, and socially inclusive economy.

The panellists all touched on the fact that climate and green financing can also help to achieve other Sustainable Development Goals (SDGs), including social goals. The panel highlighted the need to develop a common language or terminology on green and sustainability financing. South African funds will be invited to participate in such a project in the near future.

Breakaway sessions

<p>Download presentation</p>	<p><u>Partnering for Growth²– What must Trustees do in an Environment of Exponential Change?</u></p> <p>The world is growing and changing exponentially, which in turn, is affecting how we invest, how we save, and how we do our jobs. In an environment of such exponential growth, what is shaping tomorrow’s retirement industry? As modern-day advisors and trustees who need to stay “ahead of the curve” in a rapidly evolving investment landscape, what must we prioritise now to ensure we deliver on our commitments to members.</p> <p>Chair: Motlatjo Seima (Amplats Group Provident Fund) and Karthi Pillay (Telkom Retirement Fund). Panel: Mandilakhe Ngqoza, Kabir Rattan and Petri Greeff (RisCura).</p>
<p>Download presentation</p>	<p><u>Investment Loss Recovery: A Call to Action for South African Pension Funds and Investors</u></p> <p>When corporate fraud or misconduct is discovered and disclosed, often investment prices drop significantly, and investors lose value in their portfolios. Under this scenario, it makes sense that pension funds and investors should have the opportunity to recover their losses. Although investment loss recovery is well established in the U.S. and Europe, it is virtually unknown in South Africa. Given the exposure that South African pension funds and institutional investors have to the global securities markets, this is worrying. Non-U.S. investors in Canada, Australia, the United Kingdom, and throughout Europe routinely file suits in American courts to recover losses. South Africans are likely unwittingly “leaving money on the table” – when they don’t have to. In this regard, Steinhoff is illuminating. The case demonstrates the need for an investment loss recovery strategy. The presenters will explain investment loss recovery; the situations that give rise to pursuing recovery; non-U.S. participation in U.S. securities lawsuits; and roles and fiduciary duties of key players in litigation.</p>

	<p>Chair: Shafeeq Abrahams, (Eskom Pension and Provident Fund) and Bashkar Latchman (Independent PO/Trustee). Speakers: Bruce Leppla and Kim Robinson (Law Firm: Lieff Cabraser Heimann & Bernstein).</p>
<p>Not available for public domain</p>	<p><u>Let's get Real: The Power of Alternative Thinking</u></p> <p>Alternative Investing is often misunderstood, resulting in South African Pension Funds under allocating to this asset class relative to its regulatory allowance and the global investment standard. We will discuss the importance of Alternative Investing from both a long-term inflation beating returns perspective and a diversification perspective. Furthermore, we will demonstrate how these outcomes can be achieved whilst the underlying investments make a positive social and economic impact on South Africans.</p> <p>Chair: Lavinia Musiwa Khangala (CSIR). Speaker: Tebogho Naledi (Old Mutual Investment Group).</p>
<p>Panel discussion- No presentation for this session</p> <p>Download presentation</p>	<p><u>Harnessing the power of institutional capital to unlock financial and social returns in private markets</u></p> <p>Generating financial and social returns aren't mutually exclusive. In this discussion will explore how investment strategies in private debt, infrastructure and private equity can create financial as well as social value. These strategies are not without challenges and we will touch on ways to overcome these difficulties. Retirement funds can contribute meaningfully to catalyse capital that will drive real returns and impact the real economy in a sustainable way.</p> <p>Chair: Evette Vanrenen-Linford (UJ Pension Fund). Moderator: Mabatho Seeiso (Independent Trustee). Speaker: Ockert Doyer and Ntshediseng Sibeko, (Sanlam Investments)</p> <p><u>Enabling Financial Resilience</u></p> <p>Benchmark. In 2019, the research shall unpack the industry's reaction to the default regulation, the changing nature of advice and the deconstruction of the group risk industry amongst many other trending topics. It is a critical source of truth to empower all stakeholders to make informed decisions that enable financial resilience for fund members. For the full database of previous research and insights, please visit www.sanlambenchmark.co.za</p> <p>Chair: Elias Msiza (Municipal Councillors Pension Fund). Speaker: Viresh Maharaj (Sanlam Corporate).</p>
<p>Download presentation</p>	<p><u>Looking East for quality opportunities in a time of trade wars</u></p> <p>Asia continues to be the rising star and a key growth engine of the world. How do we look for quality opportunities in the East, especially now during a time of trade wars?</p> <p>Chair: Enos Ngutshane (PRASA Provident Fund), William Nkutha (University of Cape Town Retirement Fund) Speaker: Charlie Dutton (Investec Asset Management)</p>
<p>Not available for public domain</p>	<p><u>Reimagining member engagement</u></p> <p>Riaan Singh, the Head of Digital Client Solutions at Alexander Forbes will share insights around the problems they have found with member engagement and how Alexander Forbes is trying to improve the customer experience at key moments whilst also driving better outcomes.</p> <p>Chair: Alison Jackson (Deloitte and Touche Pension & Provident Fund). Thupudi Mabunele (Food Sector Retirement Fund). Speaker: Riaan Singh (Alexander Forbes).</p>

<p>Download presentation</p>	<p><u>Are retirement funds geared for the workforce of the future?</u></p> <p>Just like technology, people change and evolve over time. Our views change, our needs change, our preferences and behaviour’s change – constantly.</p> <p>Businesses and Public Sector entities employ and trust their ever-evolving workforce to help them reach their next level of success, but in order to connect with these employees effectively and to maximise their performance, financial advisers and employers need to stay ahead of not only current, but also future workforce trends.</p> <p>Yet few South African employers have adapted to the ever-shifting landscape, with many offering the same benefits to employees today that they did five years ago.</p> <p>Findings from Momentum Corporate’s research and data analytics, based on employees who have employer-provided benefits with Momentum Corporate, reveal a few interesting trends.</p> <p>Financial services providers and advisers have to partner to find a balance between the stability of products and remaining relevant to the needs of a workforce who are living their lives in a substantially different way. One size has never fitted all, and it definitely isn’t going to in future.</p> <p>Chair: Kgomotso Ramokala (Batseta Council of Retirement Fund for South Africa) and Ruth Layman (Seventh Day Adventist Church). Speaker: Nomha Kumalo (Momentum Corporate)</p>
<p>Download presentation</p>	<p><u>Learnings from the initial round of development of annuity strategies</u></p> <p>Retirement funds have had until 1 March 2019 to comply with the requirement in terms of Regulation 39 to set up a default annuity strategy – this presentation explores some of the technical and practical issues trustees have considered in giving effect to the legislation. Additionally, the challenges faced by both trustees and product providers are explored and suggested focus areas provided as part of the requirement for ongoing review.</p> <p>Chair: Floyd Ntombela (NBC Umbrella) and Bryan Shuping (Moriting Retirement Fund). Speaker: Thiru Govender, Andrew Davison & Martin Poole (Old Mutual Corporate).</p>
<p>Download presentation (KZNMFP)</p> <p>Download presentation (NFMW)</p>	<p><u>Should Municipal retirement funds be investing in infrastructure</u></p> <p>Chair: Bongzi Mkhize (Kwa Zulu Natal Municipal Pension Fund)</p> <p>Panel: Thomas Mketelwa (Kwa Zulu Natal Municipal Pension Fund), Sean Samons (National Fund for Municipal Workers), Malizole Mdlekeza (Actuarial Society of South Africa)</p>
	<p><u>The move into umbrella funds: A destination or a consideration?</u></p> <p>Commercial and industry umbrella funds are poised to grow into very significant players in the South African pensions industry.</p> <ul style="list-style-type: none"> • A study of the COFI Bill: How COFI will assist the FSCA to lay down special requirements and manage each one of these funds effectively? • Engagement with the authorities on the unique needs and requirements of these funds • Establishment of a special umbrella interest group for umbrella principal officers, trustees and stakeholders • What outcomes do the industry expect from these funds? • How best do we monitor and manage their performance into the future?

Chair: Roger Spence (Liberty Corporate Umbrella Fund). **Speaker:** Kobus Hanekom (Batseta)

Skills development for the modern-day Trustee

The Pensions industry in South Africa has grown over the years as demonstrated by both current statistics on AuM's and coverage. Despite the growth, many commentators have alluded to the fact that South Africans might not be saving enough for retirement to enable them retire at the same lifestyle as they were while in employment. At the centre of this narrative are trustees and principal officers tasked with ensuring that members of funds secure their futures and retire well by managing assets and savings of funds. The industry too is faced with a myriad of changes from all fronts such as regulatory reforms, transformation and coverage issues as well as governance related challenges.

The question is, what avenues do these retirement fund fiduciaries have to sharpen their skill in this everchanging industry?

Chair: Allan Greenblo (Today's Trustee). **Panel:** Nadia Starr (INSETA), Adrian Bertrand (Six Capitals), Krappie Eloff (Batseta)

Transformation: A step towards a more inclusive retirement fund industry

The financial services industry has been heavily criticised for being one of the least transformed sectors in South Africa. Retirement Funds are not only form part of this sector but are active participants and consumers of financial services themselves.

There is no doubt that South Africa needs a transformed, fully inclusive, ethically run financial services sector that equitably represents black professionals and black business, to enhance sustainable growth and sustainably reduce poverty.

The question is, what are we doing as an industry to achieve this?

Facilitator: Andile Khumalo - Entrepreneur & (CA)SA. **Panel:** Isaac Ramputa (FSTC), Adrian Bertrand (Six Capitals), Duduza Khosana (Independent Trustee), Jan Mahlangu (COSATU), Leslie Ndawana (National Fund), Asief Mohamed (ABSIP)