



SPEECH BY THE CHIEF EXECUTIVE OFFICER, URBRA TO OFFICIALLY OPEN THE EXECUTIVE TRUSTEE ORGANIZED BY JOMO INVESTMENTS AND TRUSTEE SERVICES IN CONJUNCTION WITH JOHANNESBURG SCHOOL OF FINANCE HELD BETWEEN 27TH AND 29TH OCTOBER 2015 AT CHOBE SAFARI LODGE, MURCHISON FALLS NATIONAL PARK.

Executive Director, JOMO Investment and Trustee Services

Director of Johannesburg School of Finance, Mr. Peter Van Ryneveld,

Distinguished Scheme Trustees

Senior Managers of institutions represented,

Service Providers Present

Ladies and Gentlemen

It is indeed a great pleasure to be here today, to address you this morning. It is a pleasure because this is the first I have travelled out of Kampala to this northern side. It is also the first time I am officiating in the opening of a trustee-training program organized by an industry player. I am even more delighted because the theme of the workshop is about trustees' fiduciary duties and asset management.



Capacity development in the sector constitutes part of our obligations as a supervisory agency. Initiatives from industry players which contribute towards capacity development in the sector is always most welcome by the Authority. It is the interest of the Authority to see that all players in the sector are well equipped and skilled to effectively govern pension funds. It is effective scheme governance, which helps secure member confidence and hence growth of the sector.

The Authority will hold its training programs to create awareness among the people of the need to save for retirement and also to govern existing schemes professionally in order to create value for members and beneficiaries.

Ladies and Gentlemen,

Pension governance like corporate governance will be a key area of focus during your training. Governance is critical because pensions have increasingly become the largest source of retirement income for millions of people worldwide. As trustees, senior managers and service providers, I would like to thank you for your continued contribution towards the creation of wealth required as an old age income. I will urge that we continue to invest in capacity building, systems and technology to improve governance standards of retirement benefits schemes.

As a nation, we must harness our human resource and develop professionals who are able to compete in the global arena in pension governance. This will start by incorporating good governance in our schemes through acquiring pension



knowledge and skills. This effort is expected to enhance high standards of professional knowledge, expertise and competence.

Ladies and gentlemen, whereas there is sometimes different understanding of the concept of corporate governance, there is unilateral agreement that it creates better companies and better risk management. Pension governance like corporate governance is very important.

Ladies and gentlemen, improving governance is the first order of business for the pension sector, which has every so often failed to deliver on promises to its membership due to either mismanagement or sometimes outright loss of pension assets. Pension governance involves increasing transparency, understanding your fiduciary duties discharging them, introducing accountability, managing risks, developing internal controls and most importantly protecting the rights of beneficiaries. An important component of improving governance in the pension sector is to have clearly defined objectives, precise allocation of responsibilities to prevent undue interference from outside interests and the strengthening of regulatory agency, URBRA. Good governance is increasingly recognized as an important aspect of an efficient pension system, enhancing investment performance and benefit security.

Ladies and gentleman, as you discuss the issue of trustee fiduciary duties and asset management, we must first ask ourselves pertinent questions:

- Who is a fiduciary?



- What are the duties of a fiduciary?
- What is the role of the fiduciary in scheme governance? What does governance of the pension sector entail?
- What must we do to ensure that the interests of all the stakeholders in the industry are protected to prevent failures?
- What should we do to guarantee the Ugandan worker, our mothers, our sons and daughters or the informal sector workers to ultimately retire to a life of comfort and that the benefits promised are delivered?

The answers to these questions will be answered if we understand who is a fiduciary and what such person is expected to do.

Governance of pension funds involves managerial control of schemes. It includes systems and processes aimed at ensuring the objective of pension schemes is achieved. Governance of pension funds hinges around administration of pension funds, it involves discussion on investment of these funds and the funding requirements, transparency, checks and accountability. These issues are important in the day-to-day operations of pension funds.

As a fiduciary, a trustee is acting on behalf of plan members, former members and their beneficiaries and must act in their best interests. At the same time, trustees have an overriding responsibility to carry out the terms of the pension plan. They have legal ownership but may not have the beneficial ownership unless they too are scheme members.



What is your role as a fiduciary?

Trustees recognize that their duties emanate from common law obligations, the Pension Plan Rules as well as from other statutes that regulate the operation of pension plans generally. Such duties generally include the following:

A – Duty to comply with the trust’s terms

Because your powers, duties and responsibilities as trustees and fiduciaries are spelled out in the plan rules, statutes and other documents; trustees should be familiar with the scheme constitutive documents and other relevant documentation. Decisions made must be in compliance with plan rules and statutory requirements.

Whether or not trustees understand their responsibilities, they are charged with the responsibilities and are liable for the consequences of failing to fulfill those responsibilities. In short, ignorance of the information contained in scheme documents is not an acceptable defence for a trustee.

B – Due Care and Skill

It is a requirement of common law and URBRA Act for a fiduciary to act with due care, skill, diligence, good faith and prudence. Trustees or any other fiduciary, should not mislead or misrepresent or deceive those for who they act as a fiduciary.

C- Act in the Best interest



A fiduciary shall act in the best interest of scheme members and beneficiaries. While undertaking any duties, functions and responsibilities as a trustee must be loyal and considerate of plan members, former members and other plan beneficiaries. They cannot serve interests other than those of plan members, former plan members and other plan beneficiaries.

D – Act with Impartiality

As a fiduciary you are under judicial, legal and statutory obligations to act with impartiality in respect of all members and beneficiaries of the scheme.

Trustees represent all plan members, former members and plan beneficiaries and must use an even hand. They must apply the same rules and interpretations under the same circumstances within the plan rules. However, this does not mean that all groups within the plan have to be treated the same or will receive equal benefits from the trust. Whatever the difference, it must be provided in scheme rules or in the law.

When we act as fiduciaries, the governance of the scheme will improve and members have trust trustees. They are supposed trusted friends and that is why they were never paid for the trust services.



Ladies and gentlemen, our pension sector is still at nascent stage. All of us here desire to see it grow. There will be challenges as we strive to grow this sector together. Let us therefore join hands and tackle the challenges together. We believe that by adopting good governance practices in the pension sector the fruits of our efforts will yield development, stability and growth. That the potential risks faced by schemes will be minimized and promised benefits guaranteed. Good governance will assist Trustees and service providers carry out their mandate efficiently.

This opens a new beginning in this sector. URBRA has commenced full scope onsite inspection and in coming months will commence industry sensitization. Let us comply with the law and manage risks in our schemes to build confidence in the system. I look forward to future interactions with you in this area which remains of key interest to us all, the region and beyond.

It is now my pleasure to officially open this **WORKSHOP ON THE ROLE OF FIDUCIARIES AND ASSET MANAGEMENT**. I wish you rich and fruitful deliberations.

Thank you.

David Nyakundi Bonyi

CEO, URBRA

26.10.2015