



Republic of Botswana

***OFFICIAL OPENING ADDRESS***

***BY***

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PERMANENT SECRETARY TO THE PRESIDENT  
AND CHAIRMAN – BPOPF BOARD***

***TO THE BOTSWANA PENSIONS SOCIETY  
2018 ANNUAL CONFERENCE***

***THEME: PENSION FUND GOVERNANCE IN AFRICA:  
CHALLENGES AND POTENTIAL SOLUTIONS***

***ON***

***THURSDAY 27<sup>TH</sup> FEBRUARY 2018***

***AT***

***GABORONE INTERNATIONAL CONVENTION CENTRE***



Director of Ceremonies

The Chairman of the Botswana Pensions Society,

Management Team of the Botswana Pensions Society,

Chairpersons, Principal Officers and Trustees of various Pension Funds,

Distinguished guests,

Ladies and Gentlemen

A very good morning to you all!

1. I am very delighted this morning, to have been invited, in my capacity as the Chairman of the Board of Trustees of the Botswana Public Officers Pension Fund, to deliver an opening address at this annual event of the Botswana Pensions Society.

2. Ladies and Gentlemen the theme for the conference, "***Pension Fund Governance in Africa: Challenges and Potential Solutions***" has come at the right time, taking into account the various recent national legislative and regulatory development and reforms.

3. You will recall that 2001 the total pension fund assets amounted to only P4.4 billion, and pension fund governance was not seen as crucial and most pension funds had a one-stop service provider. However, now that the funds have grown phenomenally, there is an express need for good governance, not only for the companies investing pension fund assets, but for the funds themselves. There is evidence all over the world to the effect that lack of good governance often leads to undesirable results, such as members of pension funds retiring with minimal or no pensions at all.

4. In the last 15 years in 2001, Retirement Funds Investment Assets, as at **31<sup>st</sup> December, 2016**, amounted to P75.1 billion, according to the 2017 Annual Report of Non-Bank Financial Institutions Regulatory Authority (NBFIRA).

5. Director of Ceremonies, it is important to note that governance of pension funds have attracted attention not only in Botswana and Africa but worldwide, emanating from the fact that: Pension funds play an increasingly important role as both channels for retirement savings and as intermediaries in financial markets. This combined role make them a prime concern of governments and regulators from a variety of perspectives. In this regard, the Retirement Funds Sector contributes significantly to the economy of Botswana, with total assets to GDP ratio of 44% in 2016.

6. Pension funds, are by their nature subject to potential conflicts of interest arising between the fund service providers and the ultimate beneficiaries of the funds. It is therefore important that Pension Funds have a set of internal statutes and external regulations to ensure that they are managed in the best interest of beneficiaries.

7. I must indicate that Pension fund governance has direct implications for retirement income, both in terms of its impact on administrative efficiency and on the investment strategies of the pension fund, since these two factors together determine the performance of pension funds. In addition, pension governance affects the extent to which institutional investors engage in shareholder activism, participating in the governance of the companies that they invest in.

8. Ladies and Gentlemen, I am happy to indicate that the government of Botswana recently enacted the Retirement Funds Act, 2014 together with its Regulations of 2016, which replaced the Act of 1987.

The new Act provides for more robust governance legislative requirements and has introduced new concepts, for example, the concept of independent trustee, defined as an independent specialist. The Act seeks to address potential governance failures through a more balanced representation of stakeholders in boards of trustees coupled with the support and/or assistance of independent trustees to achieve higher levels of expertise.

9. The governance requirements are quite comprehensive, and include external regulations such as, Formation of properly constituted Boards of Trustees; Investment Policy; Risk Management Policy; Communication Policy; Code of Conduct for Board of Trustees; Assessment of Board of Trustees; Fit and Proper Requirements for Fund officers, among others.

10. Ladies and Gentlemen, the above requirements must, however, not be seen as a burden, but as a promotional tool taking us not only to higher levels of compliance but on track for good fund governance. The requirements are meant to carry us to best practices in terms of world standards, the primary objective being that of protecting the member, especially where Defined Contribution Funds, which shift the investment risk to the members, are prevalent.

11. Director of Ceremony, I note with delight that the theme “***Pension Fund Governance in Africa***” captures governance beyond the confines of our borders. This has come at a very opportune time considering that Africa is often characterized with “negatives,” such as war, hunger, poverty, riots, poor governance and poor funds management. I wish to challenge all delegates to this Conference, that ***it is time to adopt good fund governance for the benefit of the fund members.***

12. Ladies and Gentlemen, as I draw towards the end of my address, I would like to challenge all of us, to always bear in mind principles of good governance in executing our duties. These principles, namely: ***Accountability, Transparency, Responsiveness, Effectiveness and Efficiency, Equitability and Inclusiveness and the Rule of Law and Participatory ad consensus*** are applicable to any corporate body as well as pension funds.

13. Director of Ceremony, results taken from International Organization of Pension Supervisors, IOPS (2008) suggest that pension fund supervisors are particularly concerned with transparency and disclosure of information to pension fund members, the competency and expertise of the governing body and internal controls.

14. As I conclude, I would like to encourage the Botswana Pensions Society to intensify on its mandate, particularly on education and training. Board competency continues to be a challenge and training has to be continuous because new personnel, new ideas and strategies always come.

15. With those remarks, it is my pleasure and privilege to declare the Botswana Pensions Society 2018 Annual Conference officially opened.

**PULA!**