

BENEFICIARY FUNDS

Apply even-handedness, not knee-jerks

Jeanetta Hendricks, business development manager at FedGroup, highlights the need for trustee impartiality in selecting a beneficiary-care provider.

The need for trustees to be impartial in deliberating on the placement of pension funds, following the death of a fund member, has been highlighted by the Pensions Fund Adjudicator. Muvhango Lukhaimane is concerned that, when a fund member dies, trustees often place the member's monies with the pension fund's administrator simply because it has a beneficiary-fund offering.

This is too easy a course for trustees to adopt. A pension fund's administrator, which has a beneficiary service as part of a broader end-to-end offering, may not always be the best choice when it comes to meeting the unique needs of beneficiaries.

It is necessary that trustees apply their minds and, in so doing, aim to act with greater impartiality for the best interests of beneficiaries. This is because trustees are ultimately responsible for the continued care of beneficiaries. How the monies are placed is the main enabler for ongoing financial support to those left destitute following the loss of a primary breadwinner.

It is the responsibility of trustees to ensure that beneficiaries are catered for according to their specific needs. That's why this important decision should not be based on convenience, shareholder interests or even nepotism. Accordingly, when deliberating on which beneficiary-fund provider to entrust with this role, trustees need to base their decision on objective criteria.

This approach is also required of trustees to fulfil their mandate and meet their fiduciary duties as outlined in the Pensions Fund Act. Beneficiaries should ideally receive the same levels of care and support as provided by their parents. In selecting a beneficiary-fund provider, subjective biases and preferences must be set aside for an informed and even-handed decision to be made.

Further, of course, the Pension Funds Act requires that trustees act independently and without conflicts of interest. All reasonable steps must be taken to ensure they act with diligence so that fund members are best served.

Importantly for this purpose, when it comes to beneficiary care, trustees should consider

- ▶ How frequently they review competitive beneficiary-fund providers;
- ▶ How much they apply themselves to making an unbiased evaluation of these providers, and
- ▶ How they rate the comparative ability of the pension fund administrator to perform the beneficiary-care role.

Trustees should also consider case-by-case whether a



Hendricks . . . careful choices

single beneficiary-fund provider would be sufficient or even capable of meeting the specific needs of a

beneficiary, or whether two or maybe three providers might be better able according to their specialist capabilities.

While there may be cost implications, there is not always a one-size-fits-all approach to the provisioning of optimal care for beneficiaries. When all the necessary requirements are considered, as they must be considered, for trustees simply to take the easiest route in appointing a beneficiary-care provider is definitely not an option.

Ultimately, trustees are handing over the care of a vulnerable person. It is not merely a financial transaction. It is ultimately up to trustees impartially to make the appropriate choice in selecting a beneficiary-fund provider, not willy-nilly to appoint the pension-fund administrator.

While this may not always be easy, it is certainly the most important decision for the best interests of the beneficiary. ■