



# FAIRHEADS

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## THE FAIRFUND UMBRELLA BENEFICIARY FUND GOVERNANCE STATEMENT

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### 1. REGISTRATION

1.1 **The Fairfund Umbrella Beneficiary Fund** (Registration number 12/8/37890/1) is a pension fund organisation (as defined in the Pension Funds Act No 24 of 1956 as amended) registered with the Registrar of Pension Funds. Fairheads Benefit Services (“Fairheads”) is the sponsor of the fund. Only licensed 13B Administrators may administer beneficiary funds. As a licensed Administrator, Fairheads has concluded an administration agreement with the board of trustees of the beneficiary fund. There is also a statement of service levels in place to ensure that Fairheads delivers an efficient and effective administration service.

1.2 **Fairheads Benefit Services (Pty) Ltd**, the Administrator, is a duly incorporated company and is registered in accordance with the company laws of South Africa with registration number 1992/004041/07, situated at 15<sup>th</sup> Floor, 2 Long Street, Cape Town. Fairheads also has offices in Johannesburg and Durban. Fairheads is a licensed administrator in terms of section 13B of the Pension Funds Act (regulated by the Registrar of Pension Funds) and an authorised financial services provider, FSP 18428 (regulated by the Financial Services Board).

1.3 The beneficiary fund’s bankers are First National Bank.

### 2. BOARD COMPOSITION, QUORUM AND ACCOUNTABILITY

The control and management of the fund vest in the board which must comprise not less than 4 (four) trustees, at least 1 (one) of whom must be an independent trustee and at least 2 (two) of whom must be sponsor nominated.

The members of the board of trustees are Robyn Cowie (Chairperson), Marilyn Brown, Richard Krepelka – all of whom are sponsor appointed trustees and employees of Fairheads; Tashia Jithoo, Director of Hunter



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Employee Benefits (Pty) Ltd is the board's independent trustee and Karen Quinlan is the independent Principal Officer.

The board has a fiduciary responsibility to manage the fund and is responsible and accountable for the good governance of the beneficiary fund. The board is required to comply with "fit and proper" requirements which includes personal character qualities of honesty and integrity as well as competency and operational ability.

The board has a Code of Conduct in place. To ensure compliance in this regard, the board is required to sign annual declarations and disclosures in which they declare any potential or real conflicts of interests and completes a Register of Interests. The board also completes an annual performance appraisal.

It should be noted that the board of Fairheads directors undergo the same level of compliance monitoring to ensure that they comply with the "fit and proper" requirements as well.

Fairheads Umbrella Beneficiary Fund is PF 130 compliant. Regular monitoring in respect of the Board's compliance with this Circular is monitored on a regular basis by the Compliance Officer.

### **3. THE TRUSTEES OF THE FAIRFUND UMBRELLA BENEFICIARY FUND**

#### **RICHARD KREPELKA**

*Qualified Chartered Accountant B.Com (Hons) CA (SA)*

Richard has over 22 years' experience in the fiduciary industry and has specialized in the development of umbrella trusts and beneficiary funds in Southern Africa (employee benefit trusts). He is currently the Chairman of the Fairheads Group and of Fairheads Benefit Services, which currently administers in excess of R6 billion, serving over 100 000 beneficiaries. He acts as trustee to a number of umbrella trusts and beneficiary funds. He is Chairperson of the Employee Benefit Trust Sub-Committee of The Fiduciary Institute of South Africa.



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## **MARILYN BROWN**

*B.Compt. Professional Accountant (SA)*

Marilyn joined Fairheads in 1989. She obtained her B.Compt degree while employed at Fairheads. Her position in the group over the years has grown from financial manager of various business units to that of group Financial Director. Her responsibilities include finance, audit and compliance, legal and human resource management. She has gained valuable experience in the administration of umbrella trusts over the years at Fairheads.

## **ROBYN NICOLA COWIE**

*B.A. LLB*

Robyn graduated from the University of Cape Town with a B.A. LLB in 1988. She served articles with Shepstone & Wylie Tomlinson Attorneys in Natal from 1990 to 1991 and was admitted as an attorney to the High Court of South Africa in 1992. She then worked as an attorney at Shepstone & Wylie Tomlinson Attorneys in Pietermaritzburg for a year and in December 1992 commenced employment with Fairheads International Trust Company (SA) (Pty) Ltd as a Trust Officer. In 1996 she was appointed as a Director of Fairheads International Trust company SA (Pty) Ltd. Robyn is a corporate trustee of at least 5 umbrella trusts and beneficiary funds. Her responsibilities also include acting as trustee of many high net worth private clients' inter vivos and testamentary trusts and advising individuals. Her other responsibilities include the drafting of wills, trust documents, estate, tax and financial planning, executorships and curatorships. Robyn is the Legal Director of Fairheads Benefit Services (Pty) Ltd. Robyn is the Chairperson of the Fairfund Umbrella Beneficiary Fund.

## **TASHIA JITHOO (Independent Trustee)**

*BA (Honours,) LLB (summa cum laude), LLM, PGDip in Employment law*

Tashia qualified with a BA (Honours) and LLB (summa cum laude) from University of KwaZulu Natal, Durban, an LLM from the University of Michigan, USA and a Postgraduate Diploma in Employment Law from the University of Cape Town. Before qualifying as an attorney, she worked as a researcher for Judge Richard Goldstone (at the Constitutional Court), an intern at the London-based Centre for Advice on Individual Rights in Europe and a candidate attorney at Bowman Gilfillan Inc attorneys. After working as an associate in employee benefits law at Bowman Gilfillan Inc, she spent a year researching and writing determinations for



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the pension funds adjudicator in Cape Town and then moved to Edward Nathan for 18 months where she also specialized in employee benefits law. In 2006, she joined Hunter Law and started its Cape Town office. Tashia has a growing Cape Town practice but is also consulted by retirement funds and other clients from other parts of the country and from Namibia. She has authored and co-authored several articles on pension law issues, is a co-author of a text-book *The Pension Funds Act: A Commentary* published by Hunter Law, is an 'independent trustee' of several retirement funds and a trainer of retirement fund boards. Formerly the president of the Pension Lawyers Association, in 2009 Tashia was appointed a member of the statutory Pension Funds Advisory Committee which is tasked with advising the Minister of Finance on issues related to retirement funding in South Africa. She is also a trained mediator and is able to assist clients to try to resolve dispute by mediation rather than by litigation.

## **KAREN QUILAN**

*BA LLB, Certified Financial Planner, ILPA*

Karen graduated from the University of Stellenbosch in with a B.A. LLB in 1993. Karen gained considerable legal experience by working as a Legal and Employee Benefits Consultant for Fairheads Trust Employee Benefits for 10 months and worked as a Legal Consultant and then Employee Benefits Consultant for Ginsburg, Malan and Carsons from 1995 to 1999. Karen was appointed as a Senior Employee Benefits Consultant for Alexander Forbes Financial Services from 1999 to 2006. Karen is a full member of the Principal Officers Association of South Africa and South African Pension Lawyers Association. Karen also currently serves as an Executive Committee member for the Cape Chapter of the Pension Lawyers Association. She is also a member of the Financial Planning Institute and a member of the Institute of Life and Pension Advisors. Karen is a Certified Financial Planner. Karen has extensive experience as a Principal Officer. She has been a Trustee and Principal Officer on a number of boards and is currently the independent Principal Officer of the Old Mutual Staff Retirement Fund.

#### **4. THE RULES OF THE FAIRFUND UMBRELLA BENEFICIARY FUND**

The objective of the fund is to manage death benefits for minor dependants and dependants with legal disabilities. The board has a fiduciary responsibility to ensure that the funds are used appropriately for the member's education, maintenance, advancement and well-being. The rules of the fund have been approved by the Registrar of Pension Funds.



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## 5. **PI AND FIDELITY COVER**

Fairheads International Holdings of which Fairheads is a subsidiary company carries comprehensive cover in terms of Bankers Blanket Bond / Computer Crime and Professional Indemnity as well as Directors and Officers liability.

In addition to the administrator carrying comprehensive cover, it is also a requirement of the Pension Funds Act that the beneficiary fund carries sufficient fidelity cover. Proof of cover is available on request.

## 6. **THE AUDITORS**

KPMG are the appointed auditors of the fund. The fund is audited annually as at 28 February, the fund's financial year-end.

## 7. **INVESTMENT POLICY STATEMENT AND INVESTMENT MANAGERS**

An Investment Policy Statement approved by the board provides a framework for the investment of assets in the beneficiary fund and includes an initial asset allocation model. The choice of the investment manager for any investment product remains with the board of trustees. The assets of the fund are currently managed by Stanlib (Standard Bank Institutional Money Market Fund), Prescient Investment Managers (Prescient Income Provider Fund) and Allan Gray (Allan Gray Balanced Fund).

## 8. **DETAILS OF RISK CONTROLS IN PLACE**

Fairheads has a Risk Management Policy in place. The Compliance Officer and the Internal Audit Manager are engaged in continuous risk assessment and risk profiling in terms of the overall company policy and procedures. An independent compliance report is submitted to the Financial Services Board annually.

In addition, Fairheads has the following risk policies and procedures in place:

- Business Continuity Management
- Complaints Resolution Manual
- Compliance Charter
- Code of Conduct



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- Communications Policy
- Conflict of Interest Policy and Register of Interests
- Declarations and disclosures
- Disaster Recovery Plan
- Enterprise Risk Management Framework
- FAIS Compliance Risk Manual
- FICA – Internal Rules (Reporting on suspicious and unusual transactions)
- Fraud and Corruption Policy
- Gift Register
- Governance Statement
- Internal Audit Charter
- E-Communications and IT Security Policy
- PAIA Manual
- PF 130 Compliance Register
- Product Information Brochure
- Risk Management Policy
- Whistle Blowing Policy

## 9. **INDEPENDENCE AND CORPORATE GOVERNANCE**

Fairheads regulatory and reputational risk is monitored on an ongoing basis by Darlene Stoffels, the Compliance Officer, in terms of compliance with the relevant legislation and the Fund and company's policies, agreements and service level standards. William Lourens, the Internal Audit Manager, is engaged in the management of business risk and internal controls. William Lourens is a member of the ACFE (Association of Certified Fraud Examiners) and a member of the IIIA (International Institute of Internal Auditors). Darlene Stoffels is a Certified Compliance Professional and an accredited member of the Compliance Institute of South Africa.

Fairheads also has an Audit and Compliance Management Committee which meets on a regular basis.

***Attached please find the Summary of Rules for the Fairfund Umbrella Beneficiary Fund.***



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## SUMMARY OF THE RULES OF THE FAIRFUND UMBRELLA BENEFICIARY FUND

1. The fund was established by Fairheads, which acts as the Sponsor. In terms of s37C of the Pension Funds Act when a member of a retirement fund dies, the trustees of that fund must distribute the benefit among the dependants and nominees. The trustees can decide that instead of paying that money directly to the dependant or nominee it will be paid to a beneficiary fund. This fund is such a beneficiary fund and its purpose is to receive and administer monies that were awarded to dependants and nominees. These dependants and nominees are then “members” of this fund.

### Members and Beneficiaries

2. Anyone for whom money is held and administered is a member of the fund. If the member is a minor child or is subject to a legal disability then his or her guardian, caregiver or the person appointed in law to administer his or her affairs is entitled to receive payments from the fund on his or her behalf. These persons are known as “beneficiaries”.

### Benefit Administration and Payment

3. Members each have their own “member account” in which any amounts received for them (“the capital”) and any investment return earned for the member (“income”) is held. Amounts are invested in terms of the board’s investment policy. The member account is used to make payments to and for the member, and to pay the member’s pro rata share of the reasonable expenses involved in running the fund.
4. The total amount held for the member at any time is the member’s “fund credit”. The board may make both “regular payments” and “ad hoc payments” from this amount. Regular payments can be made to the member or beneficiary on a monthly, quarterly, bi-annual or annual basis. The board has the discretion to determine the amount of these regular payments and to change the amount from time to time.
5. Ad hoc payments are made in the discretion of the board if requested by the member or beneficiary. These requests can be once-off or repeated. A request can also be made directly by a third party institution such as a



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school or university, in which case the fund will verify the legitimacy of the request and notify the member and / or beneficiary of such payment. Ad hoc payment requests can be made for purposes of the member's "education, maintenance, advancement and well-being". These include, for example, accommodation, food, clothing, books, medical expenses, education or additional tuition fees, certain travel costs, the cost of extra-curricular activities and generally any expenses which the board in their discretion determine may advance the education, knowledge and physical and mental well-being of the member.

6. Payments are made by means of electronic fund transfer or by cheque. If the member, beneficiary or third party is paid by cheque, it is important to note that the cheque will be posted to the member, beneficiary or third party by ordinary mail and that he or she carries the risk of the cheque being lost in the post or stolen.

## **Fund Communication**

7. Members and/or beneficiaries will receive annual benefit statements within 6 months of the end of the fund's financial year, as well as an annual certificate of existence. The fund may stop payments to any member or beneficiary who fails to return a certificate of existence within the stipulated time and will resume payment only if is satisfied as to that person's existence.
8. Members and beneficiaries are entitled to inspect a full copy of the fund rules, financial statements, and the latest valuation report (if such is required by the regulator) at any reasonable time and without charge at the registered office of the fund (see below) and to make copies of these at his or her own cost. Copies of these documents can also be requested upon payment of a fee determined by the board.

## **Termination of Fund Membership**

9. Fund membership terminates in the following circumstances:
  - 9.1. when the member reaches the age of majority, unless he or she is labouring under a legal disability in which case the termination date is extended until the date on which the legal disability ceases to exist;



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- 9.2. in the case of a major who consents to his or her benefit being held by the fund, the date selected by him or her, or the date on which the fund is liquidated and the benefit is paid to him or her – whichever is the earlier;
  - 9.3. the date of liquidation if the fund is liquidated and the fund credit is transferred to another approved beneficiary fund;
  - 9.4. if the member’s fund credit falls below the amount determined by the board making it uneconomical and not in the member’s best interests to retain and continue running the member account;
  - 9.5. if the member’s fund credit is depleted; or
  - 9.6. if the member dies – in which case the benefit is paid to the executor of the member’s estate or as directed by the Master of the High Court or to the guardian’s fund – whichever is appropriate in that case.
10. Any amount that remains unclaimed and unpaid 24 months after the date on which membership terminates becomes an “unclaimed benefit”. It will be retained by the fund until the fund is liquidated, or until it is transferred to another fund established to house these unclaimed benefits or to the guardian’s fund as required by law. As long as these unclaimed benefits are still held by the fund, members and beneficiaries / representatives assigned in terms of any applicable law may claim the benefit upon satisfactory proof of the claim. However, should the unclaimed benefits - have been transferred to another fund, the major member and beneficiaries / representative assigned in terms of any applicable law has no claim against the fund and must claim the benefit from the fund to which it has been transferred.

## **Fund Management**

11. The fund is controlled and managed by a board of trustees which must always consist of at least four trustees, one of whom must be an independent trustee. The day to day administration of the fund is conducted by Fairheads. The fund also has an independent principal officer, an external auditor, and external investment



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managers who are all appointed by the board. The board has the right to amend the rules of the fund. All amendments must be approved and registered by the Registrar of Pension Funds before they are of any effect.

12. Any complaint regarding the administration of the fund, or the interpretation and application of the rules can be lodged with the Fairfund Umbrella Beneficiary Fund. If the complaint is not satisfactorily attended to within 30 days or a longer period agreed with the fund, the complaint may be lodged with the pension funds adjudicator. Instead of utilising this process the board and the complainant can also agree to enter into private mediation or private arbitration.

**NOTE: This is only a summary of the registered rules of the fund. A full set of the rules is available as indicated above and you are encouraged to obtain a copy and familiarise yourself with it. In the event of any conflict between this summary and the rules of the fund, the rules prevail.**