



## FSCA CONDUCT STANDARD 4 OF 2020 - MINIMUM SKILLS AND TRAINING REQUIREMENTS FOR BOARD MEMBERS OF PENSION FUNDS

Conduct Standard 4 of 2020 was issued by the Financial Sector Conduct Authority (FSCA) by Notice on 10 July 2020 and is also the effective date for the Conduct Standard.

The Conduct Standard is aimed at prescribing a minimum set of criteria that all board members of retirement funds must comply with in order to ensure that they have the appropriate knowledge and expertise to perform their board functions.

### PENSION FUNDS ACT REQUIREMENTS

The Pension Funds Act provides that:

- Board members must attain such levels of skills and training within six months of the board member's appointment, as may be prescribed by the FSCA; and
- Board members must maintain their skills and training throughout their term of appointment.

Thus in terms of the Pension Funds Act, the FSCA may prescribe minimum skills and training standards as well as time periods for completion.

### THE MINIMUM REQUIREMENT

- The minimum skills and training requirement is the Trustee Starter Toolkit ("Toolkit") as provided for by the FSCA on the website "[www.trusteetoolkit.co.za](http://www.trusteetoolkit.co.za)."
- The Toolkit is made up of tutorials, case studies, formative (initial) assessments and a summative (final) assessment.
- Board members will be required to complete additional modules as and when such additional modules are added to

the Toolkit by the FSCA. The FSCA will give notice of and deadlines for completion of the additional modules as they become available.

- Board members may complete the Toolkit as many times as they need to until they successfully complete the summative assessment.
- No grading or pass mark is given when completing the Toolkit. The toolkit must simply be completed. The Toolkit will be "designed in such way that it facilitates appropriate learning".
- Board members only need to complete the Toolkit once, and thus do not need to redo it if they have already done it and they become a board member of another fund.

### SUPERVISION WHILE COMPLETING THE SUMMATIVE (FINAL) ASSESSMENT

- The summative (final) assessment must be done under the supervision of the Principal Officer or Chairperson of the Board. At the end of the summative assessment a declaration will automatically be produced. The declaration will need to be completed by the Chairperson or Principal Officer to declare that the assessment was completed under supervision and without assistance. The Chairperson must be supervised by the Principal Officer.
- Where supervision by the Chairperson or Principal Officer is impractical the board member may do the assessment without supervision, but must then complete a declaration stating that the assessment was completed without assistance.

- If board members have *already received a certificate for their summative assessments before 10 July 2020*, they will need to complete a declaration confirming that they completed the assessment without assistance. The Conduct Standard does not say so, but it is probable that these board members will then only need to produce this declaration to the FSCA if requested to do so.
- Comment regarding supervision, certificates and declarations: it would be good practice for Boards to minute, per board member, when their board members have received a certificate and that the declarations were completed (and keep evidence of the certificates and declarations) in order to keep track that the minimum requirements have been met.

### WHEN WILL THE MINIMUM TRAINING REQUIREMENTS BECOME EFFECTIVE?

This Conduct Standard became effective on 10 July 2020.

A board member must obtain the Toolkit certificate within six months of being appointed a board member.

*A board member appointed before 10 July* must obtain the Toolkit certificate within 6 months of 10 July 2020, so before 10 January 2021.

The FSCA will retain records of who has successfully completed the Toolkit.

On good cause shown, it is possible to apply for extension or exemption from the FSCA in respect of the requirement of obtaining the Toolkit certificate or with respect to the timing of acquiring the certification.

### WHAT HAPPENS IF I DO NOT COMPLETE THE TOOLKIT WITHIN THE REQUIRED PERIOD?

The FSCA has said that a board member who does not complete the Toolkit within the required period is not automatically ineligible to continue as a board member. Each case would be assessed, by the FSCA, on its own merits. Where a board member fails to comply with the Pension Funds Act by failing to acquire the Toolkit certification within the prescribed time, the FSCA will consider imposing section 26(2) of the Pension Funds Act. This section refers to funds without a properly constituted board and the FSCA's powers in this regard. The FSCA's powers include (after written notice and following other requirements) appointing board members to a fund's board.

### OTHER GAPS IN KNOWLEDGE, SKILLS AND TRAINING

Comment: a Board member is expected to have the skills and knowledge necessary to perform their duties and to maintain their knowledge and skills throughout their appointment. The Conduct Standard simply prescribes the *minimum* skills and training required of all board members. The Board remains responsible to identify gaps in knowledge, training and skills and ensure that board members update their knowledge regularly and as required.

We hope that this publication goes some way to updating board members' knowledge. We wish you well in obtaining the Toolkit certificate.