Desiderius Erasmus of Rotterdam once stated that in the land of the blind, the one-eyed man is king. In short, that is what makes professional services expensive. Nobody wants to be taken for a ride by a person with only one eye and only because he has only one eye. People prefer to be properly informed when making decisions, especially if the decisions are made on behalf of other persons. The pension fund industry serves as an excellent example.

The democratic nature of representation on pension funds results in non-experts being elected as trustees and entrusted with enormous responsibility. Unfortunately the perpetual lack of expertise on the boards of pension funds has resulted in almost all pension funds employing experts from outside to consult on numerous matters. This is indeed prudent if one considers that the decisions to be made by trustees relate to the most important decisions in the lives of most employees. For this reason, and due to the fact that the pension fund industry makes up the bulk of private savings in most countries across the world, the pension fund industry has expanded to now involve service providers and consultants of all sorts.

Few people fully comprehend exactly how dependent world economies are on the spoils of pension funds. This holds especially true for the businesses that directly provides services to the pension funds. It is of the utmost importance that all the parties in the industry understand their duties towards each other, and especially that trustees very clearly understand their relationship with all service providers. The biggest risk lies in the possible imbalance created when trustees understand too little of the industry to identify when the service of service providers are not up to standard, or actually causing the fund and/or its members to suffer losses.

There are only two remedies to mitigate this risk. Firstly, government must ensure proper regulation of service providers in, preferably, an organised profession. This is currently not the case in Namibia as for instance administrators and consultants are largely unregulated and there are no prescribed minimum requirements for any person to provide such services.

Secondly, and far more important and effective, is proper education of trustees. The complexity of managing a pension fund should not be underestimated as pension funds encounter unique situations on a regular basis. Trustees should be properly informed to as to possible areas of risk in the decisions they need to make. If inexperienced trustees have not received adequate and independent training, there is absolutely no way that they can make proper decisions unless they rely fully on the advice of their consultants; an even more dangerous situation.

If a service provider then also offers the training to trustees, the situation is not resolved, and it is just more of the same. The risk also exist that service providers only use training sessions as marketing tools. Due to the trustees’ reliance on consultants, and the continuous contact with them, and the consultants’ dependence on fees from pension funds, it is highly unlikely that trustees are made aware of the risk in receiving advice and training form the same party.

It is of the utmost importance that trustees seek independent training to be able to hold their own when dealing with all service providers. The Retirement Fund Institute of Namibia (RFIN) has taken substantial strides in putting in place independent training programmes and the ultimate goal is to have nationally accredited training programmes for trustees. In the lack of current legislation that forces some currently unregulated service providers to adhere to minimum standards of education and conduct, trustees are strongly advised to seek such independent training.

One wish to assume that NAMFISA is aware of the risk caused by the factors described above and that it will welcome and support the independent training programmes offered by RFIN.