

Are consultants driving the discussion in the wrong direction? Just asking!

Not to give my age away, but my primary school years were during the late 1980's and early 1990's, I attended a school in Eldorado Park, south of Johannesburg, which had a feeding scheme and on a daily basis learners were served two slices of brown bread and achar or on occasion brown bread with peanut butter. For many of my peers at the time, this was the only formal meal they had for the day. Sadly today, this is still the case for many children in South Africa. My observation is that over the years too many leaders, across the spectrum, have chosen politics over South Africans and as a result we have not taken the country far enough forward to drastically reduce the number of learners on such schemes.

Action always speaks louder than words.

With "Two-Pot*" taking up most of the time in many retirement fund trustee meetings over the past few quarters, time has been made to discuss under-performance of incumbent asset managers. The discussion however, on economic transformation and use of black asset managers has taken a definite back seat. Perhaps it's a case of one crisis at a time, or is it a convenient distraction for consultants to focus, demonstrating a lack of will to drive the discussion of economic transformation. Make no mistake, performance is what our members eat, but economic transformation allows for the country to be sustainable at the time of retirement.

What can retirement fund trustees do?

Asset owners, ie. trustees of retirement funds, have the power to drive the discussion of economic transformation in financial services, but too many have handed their power to consultants which wield that power to direct attention elsewhere. Look at almost all the investment policy statements (IPS) of retirement funds, they speak to taking account of transformation or that trustees place high importance on the need for economic transformation

Mark's musings



(the IPS is the guiding document of the retirement fund). These policy words speak to an ideal – but what can trustees actually do to implement.

Attention drives action

Start with a discussion about what does economic transformation actually look like. The discussion includes more entrepreneurial black businesses growing and becoming competitive in a landscape dominated by a few large asset managers and related life companies. The key to driving economic transformation in SA's retirement fund industry starts with the use of organically grown black asset managers ie. black entrepreneurs who have started businesses to compete with the large incumbents. The focus should be on identifying skilled managers with proven ability to manage assets and to measure their impact through employment, growth and innovation while ensuring investment excellence.

All talk

Talk without action can only be seen as disingenuous, as over time lack of action becomes evident. One only has to look at the many companies in the financial services industry where the low number of black professionals at senior management and exco level is evident or even the low allocation of capital to black entrepreneurs to start and grow their businesses. As the saying goes, action speaks louder than words, the actions from the financial services industry over the last 30 years has not had the level of impact we had hoped.

* Retirement fund legislation allowing members access to a cash portion (savings component) while preserving the rest for retirement (retirement component).