

# The Ambachtsheer Letter

Research and Commentary on Pension Governance, Finance and Investments

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Letter # 258

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## THE CFA INSTITUTE 'CODE OF CONDUCT' FOR MEMBERS OF GOVERNING BOARDS OF PENSION PLANS:

### A CRITICAL ASSESSMENT

*“This Code represents ‘best practice’ for members of the pension governing body when complying with their duties to the pension scheme. Whether public or private, each pension scheme board that adopts the Code will demonstrate their commitment to serving the best interests of participants and beneficiaries...”*

From the preamble to the Code of Conduct  
proposed by the CFA Institute Centre for  
Financial Market Integrity, July 12, 2007

#### **Pension Fund Governance is Hot!**

After last month's *Letter* on the Clapman Report on pension fund governance, we had intended to give the topic a rest, and move on to such issues as capital markets prospects, with the last few years of the first decade of the 21<sup>st</sup> century now coming into view. Then the CFA Institute's "Proposed Code of Conduct for Members of a Pension Scheme Governing Body" appeared in our inbox, with a request for comments. We believe this is an important initiative by the *Institute*, and have in fact participated (along with others) in critiquing earlier drafts of the proposed Code. Thus by way of this *Letter*, we draw your attention to the proposed Code, offer a critical assessment of it, and encourage you to send the *Institute* your own comments, should you feel so moved.

As the preamble to the proposed Code points out, "The conduct of those who govern pension schemes significantly impacts the lives of millions of people around the world....Establishing a benchmark code of conduct for members of the governing bodies of pension schemes will provide them with a framework to guide their activities....and improve the performance of

schemes sponsored by private enterprise and the public sector alike". Importantly, the *Institute's* preamble asserts, as did the recent Clapman Report, that its proposed Code represents a global standard of "best practices". Once again, as we did last month, we beg to differ with that assessment. Just as we believe the list of Clapman governance principles falls short of "best practices", so does the *Institute's* Code of Conduct. This *Letter* explains why.