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Minister of Finance Malusi Gigaba has called on retirement funds to obey strict rules laid down by the pension funds regulator.

In a message in the 2016/17 annual report of the Office of the Pension Funds Adjudicator (OPFA), the Minister expressed concern that there were too many cases of funds being badly run or mismanaged.

He said there was cause for concern that of the many complaints relating to withdrawal benefits, the non-payment of contributions by employers, was a trend that continued unabated and flew in the face of regulations.

He also said Pension Funds Adjudicator Muvhango Lukhaimane must be hailed for the decision to levy monetary penalties against retirement funds that failed to conduct proper investigations into the dependants of a deceased member in order to effect an equitable distribution of a death benefit.

“Such dereliction of duty can be a life or death matter for beneficiaries that suddenly find themselves without financial support and are condemned to live a destitute life whilst their breadwinner’s funds lie idle in a retirement fund account, a fact attested to by the billions that remain unclaimed in retirement funds,” the Minister said.

He thanked Ms Lukhaimane and her team for another year of good performance against the OPFA's mandate and strategic objectives.

"The political transition from Apartheid to an era underpinned by the ideology of equal rights was not mirrored in the economic well-being of the citizens of South Africa: gross inequality in poverty levels still characterises the economic landscape.

"It thus becomes obligatory on the part of retirement funds to invest wisely to ensure that those who have spent most of their lifetime working do not suffer the burden of poverty when they go on retirement.

"Our inability to transform the economy has left the poor and unemployed particularly vulnerable to shocks to economic growth, so the cost to the broader economy of a business collapse that costs working South Africans their retirement savings would be devastating.

"Thus the OPFA must be lauded for its efforts to protect the public and I am confident that under the stewardship of Ms Lukhaimane, the OPFA will sustain its stature as a respected and effective institution that provides a much needed service to the masses of workers who seek its services daily," Minister Gigaba said.

Abel Sithole, chairman of the Financial Services Board said a highlight of the operations of the OPFA during the 2016/17 reporting period was the extent to which the Tribunal had been able to finalise matters expeditiously.

He said at least 75% of determinations were handed down within six months of the complaints being received, with the percentage increasing to 94% over a period of nine months. With regards to settlements, 90% were finalised within six months, with the percentage increasing to 97% over nine months.

"It is heartening that the OPFA has undertaken that these turnaround times will improve even further in the next financial year as investigative processes improve."

He said it was, however, distressing that over 80% of responses from retirement funds were only received between two and three months of the request for such a response being made, thus delaying the resolution of members' complaints.

"Retirement funds often wait for repeated letters before responding. It must be noted that this practice burdens the OPFA, both in terms of human and financial resources that could be better spent improving its services," said Sithole.

The annual report also recorded the identification of gaps measured against the Treating Customers Fairly (TCF) framework. TCF is an outcomes-based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes for financial services consumers are delivered by regulated financial firms.

The OPFA has reported that most of the complaints it received related to failure by the funds to provide members with sufficient and clear information that would enable them to make informed choices when acquiring financial products; post-sale barriers when a member wanted to transfer his/her retirement annuity to another financial institution; and the levying of causal event charges on the fund value.

Sithole said this pointed to a pension funds industry that was not in good health as far as governance and conduct were concerned.

“The industry is urged to identify ways in which its members can integrate these principles in all areas of the business to ensure that the desired outcomes are achieved.

“This will also result in fewer complaints from clients. Clients who are treated fairly have less reason to feel hurt,” said Sithole.

Ms Lukhaimane said in a complaints Tribunal such as the OPFA, there existed the possibility that over time employees may get used to the complaints and to some extent be desensitised to the plight of complainants as there were always complaints.

“This has certainly not been the case with the OPFA. With every complaint that we receive, we are often confronted with the agony and despair of the complainant after having pleaded, to no avail, with the administrator, fund or employer to resolve their complaint.

“Thereafter, we consider the response from the fund, administrator or employer, which is often less than satisfactory and discourteous to the complainant.

“This inevitably means that the trust deficit between members on the one hand and funds, administrators and employers on the other, continues to grow.

“In that respect, the OPFA awaits the implementation of the TCF framework as this will improve the levels of service for members of retirement funds,” she said.

ABOUT THE PENSION FUNDS ADJUDICATOR

The Office of the Pension Funds Adjudicator (OPFA) is a statutory body established to resolve disputes in a procedurally fair, economical and expeditious manner. The adjudicator's office investigates and determines complaints of abuse of power, maladministration, disputes of fact or law and employer dereliction of duty in respect of pension funds. The OPFA is situated in Pretoria, Gauteng.

For general enquiries or to lodge a complaint visit www.pfa.org.za, call 012 346 1738 or email Enquiries@pfa.org.za

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