NEWS FLASH: 14 SEPTEMBER 2011

1. RETIREMENT REFORM

Since the early initiatives by Government to address the retirement reform subject, first with the proposed one local government pension fund during 2004 and then the one national pension fund during 2007, nothing has been finalised as yet. However from time to time public announcements are made which cause new rumours.

The latest announcements which caused concern amongst members were –

- the 2011 budget speech and
- the announcement last week that early withdrawals may be banned from July 2012.

The 2011 budget speech refers to the introduction of a national retirement fund. This matter has been under discussion for the past five years since 2007. During an industry work shop on 24 June 2011 a senior government official re-iterated that this matter must still go through a proper discussion phase with industry stake holders including labour at the Nedlac forum. At the soonest the release of a discussion paper can be expected towards the end of this year. All indications are that Government will honour the undertaking given on 27 June 2008 that all vested rights will be protected. In other words new legislation in this regard will not be applied retrospectively. This means that retirement savings of the past will not be affected. If for instance the new legislation would provide that a member may not take more than one-third of the benefit in cash upon retirement, such would only be applied to contributions and growth on such contributions from date of introduction of the legislation. There are numerous aspects to be clarified between Government and the stakeholders before legislation can be submitted to parliament. **This will take considerable time and members are cautioned not to jump the gun by resigning or retiring in haste**. The Fund is keeping a keen eye on developments and will warn members in advance if and when developments materialize which may have an impact on members.

The second announcement about the compulsory preservation of retirement savings deals with the problem of leakage of retirement savings due to early withdrawals. An alarming rate of retirement fund members when resigning from an employer spend the savings on short term items instead of preserving it for retirement. This leads to destitute when reaching retirement age and dependency upon Government grants. This matter forms part of the retirement reform initiative by Government but due to the time that the reform process would take consideration is being given to introduce legislation to address this matter in the interim. Draft legislation has not been prepared as yet and the detail of this proposal is still to be released. At this stage it is speculation whether it will apply to all members below 55 years of age or whether it will apply to members who are younger than the earliest retirement age of the specific retirement fund, which is 50 years in the event of the MGF. Also as it is addressed in an ad hoc manner without being part of the retirement reform process as such at this stage, it appears that members will have a choice to which preservation vehicle to transfer their pension benefit until payment at 55 or whatever age. **Again members are urged not to act in haste by resigning prematurely.** The Fund will keep you abreast of developments in this regard. It is too soon to act at this stage and members doing so do it at their own peril.

2. FUNERAL BENEFITS

It was previously reported that the Registrar of Pension Funds declined the Fund's application to increase the funeral benefits. The reason given that the Pension Funds Act does not allow for funeral benefits. In the interim we became aware that other retirement funds in the municipal playing field increased their funeral benefits. We have engaged with the Registrar to clarify why the application by the Fund has been declined while other funds increase theirs. Members will be kept informed about developments in this regard.

Kind regards

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