IRFA DISPATCH

Institute of Retirement Funds Africa

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Funds pays benefit to fraud syndicate whilst real member was in prison

Whilst the actual member was serving a prison sentence, a pension fund paid out a benefit of more than R800 000 to a syndicate that was involved in identity theft and unlawfully claiming benefits of retirement fund members.

Now the Pension Funds Adjudicator Muvhango Lukhaimane has ordered the Municipal Gratuity Fund to pay the complainant the benefit due to him with interest. Ms Lukhaimane said the fund has a fiduciary duty to exercise its functions with care, due diligence, and good faith. The fund failed in its duties towards the complainant when it did not seek to further confirm his imprisonment status before effecting payment. The complainant commenced employment with Pikitup Johannesburg until his imprisonment on 29 November 2016. On 7 September 2018, the complainant's fund credit of R810 413.07 was paid to an incorrect person while he was in custody. The complainant was aggrieved that the fund could process a withdrawal benefit claim in his absence and pay the benefit to an incorrect person using fraudulent documents.

The complainant submitted that the photo on the identity document submitted to the fund was not his. The fund took into account an affidavit deposed by Correctional Services purporting to be him. He indicated that the affidavit was not stamped and signed as required. He also submitted that the fund accepted a withdrawal claim form that had errors. In support of his submissions, the complainant submitted a copy of the Old Mutual Money Account Statement the benefit was paid into, purporting to be his account. The complainant further stated that after he exited service with his employer due to his arrest, the employer completed exit forms notifying the fund of his membership termination. The complainant confirmed that the withdrawal claim forms were marked unsigned and sent to the fund. Initially, the fund did not process the claim presumably because the withdrawal claim forms were not signed.

He stated that, however, on 20 February 2017, the fund contacted the employer requesting the complainant's certified copy of his identity document. The employer confirmed it could not provide the identity document as the complainant was in custody. The complainant confirmed that on 22 June 2018, the fund made a follow-up enquiry with the employer ascertaining if he, the complainant, was still in prison. On the same date, the employer confirmed so. However, the complainant submitted that between June 2018 and August 2018, the fund appeared to have been in communication with an individual who created an electronic mail address using the complainant's name. The complainant indicated that on 30 August 2018, the fund received claim documents from the said electronic mail. On 4 September 2018, the fund responded to the said correspondence with instructions to the said fraudster. The fraudster then replied accordingly. The complainant indicated that the fund processed the claim while knowing that he was imprisoned and could not have had access to electronic mail facilities. The complainant submitted that a copy of his original identity document was with his daughter. He stated that it was clear that the identity document sent to the fund was fraudulent. The complainant submitted that the fund failed to perform due diligence when dealing with the fraudulent claim. In its response the fund submitted that on 30 November 2016, it received a notification of the complainant's exit from service from the employer due to imprisonment. The fund submitted that on 30 August 2018, it received the completed withdrawal claim forms from the complainant.

The fund submitted that as part of its verification process, a telephonic validation was done with Bidvest Bank to confirm the account status. It indicated that the account was confirmed as open, active, and in the name of the complainant. It confirmed that it acted on the instructions received from the complainant and the claim was finalised on 07 September 2018. The fund confirmed that in January 2019, it was informed by Bidvest Bank that the withdrawal benefit payment may be part of the syndicate that was involved in identity theft and unlawfully claiming benefits of retirement fund members. It submitted that due diligence was followed by notifying the internal forensic department, which resulted in a formal criminal complaint reported to the South African Police Service. The fund submitted that the criminal complaint was closed as undetected.

In her determination, Ms Lukhaimane said the fund had failed in its duties towards the complainant when it did not seek to further confirm his imprisonment status before effecting payment which renders its act and/or omission reckless and puts the complainant in an adverse economic position. The fund must ensure that proper mechanisms, checks, and balances are implemented to combat corrupt and fraudulent activities. "The facts indicate that the fund was informed that the complainant was imprisoned effective 29 February 2016. It initially did not process the claim as the withdrawal claim forms submitted by the employer were incomplete. This was because the complainant was in custody and could not provide all the required documents and sign the withdrawal claim form. "The fund must first liaise with its members and their employers upon receiving exit documents to confirm the veracity and authenticity of the claim documentation.

It appears that in this matter, upon receipt of the claim documents the fund enquired with the employer and was informed of the complainant's imprisonment, hence it could not be provided with all the required documents, and why the form was not signed by the complainant. "However, following this, the fund between June 2018 and August 2018 appeared to have communicated directly with an individual purporting to be the complainant. It is not clear why the fund did not further confirm if the complainant was released or not. This is also because persons in custody have limited access to communication facilities and everything they send out or receive must first go through the accountable Correctional Services personnel. "The fund could not have communicated with the complainant electronically without the correctional facility knowing, let alone being able to open a new bank account, and subsequently submit all the documents that were submitted fraudulently. This on its own indicates that the fund did not exercise due care and diligence during the second part of processing the claim from June 2018 until the payment was made," said Ms Lukhaimane.

She said if the fund's system was compromised which led to the communication between itself and the fraudster, the complainant cannot be blamed for such. He justifiably knew that his funds were still with the fund and under its protection as required in terms of the Act. Hence, he immediately proceeded to claim same when he was released from custody. Ms Lukhaimane ordered the fund to reinstate the complainant's fund credit together with the investment returns earned and pursue legal action on the fraud committed against it without further prejudicing him.

FA News | 9 July 2024

Two-pot: Expect delays in payments from the 'savings pot'

The legislation goes live on 1 September, but funds may not be able to pay out on that date as 'several steps need to be implemented first'.

South Africa is eight weeks away from the most significant retirement reform in the country's history when the two-pot retirement system takes effect. Under the two-pot retirement system, a member's contributions to a fund are split into a savings component that is accessible once in a tax year, and a retirement component. For existing retirement fund members, there is also a third component – the vested component – containing the fund member's contributions up to 31 August 2024. The savings component will be initially seeded with the lower of 10% of the value of the retirement fund or R30 000 as at 31 August. From there on, two thirds of any new retirement savings will be preserved in the retirement component, which can only be accessed once a member reaches retirement age. Many South Africans have been eagerly awaiting the beginning of September to gain access to a portion of their retirement money in the savings pot. But fund administrators point out that there are crucial things to bear in mind.

No immediate payouts

"One of the most important points to communicate is when their money will be accessible," says Michelle Acton, retirement reform executive at Old Mutual. Acton heads up Old Mutual's two-pot reform across all its retail and employee retirement funds and has been involved in the planning and implementation from the word go. "Even though the legislation goes live on 1 September, it doesn't mean funds may be able to pay out on that date as there are several steps that need to be implemented first. Fund administrators can only start doing the seeding calculations (for the savings pot) from 1 September onward." The seeding calculation determines the initial amounts assigned to different components based on existing retirement savings. The amounts that will be allocated depend on the current amount of savings in each member's retirement account and their market value. "This process could take several working days to weeks, depending on the rules set by each retirement fund. "Acton points out that the legislation does not stipulate a timeline for when the seeding calculations need to be finalised. "Some administrators might only know what the fund value is on 5 September, or in mid-October. That does not mean they don't comply with the legislation."

The claims process

Only once the seeding calculation is done and the available amount in the savings pot is confirmed can retirement fund members start submitting claims. This process involves several steps; the fund administrator needs to validate claimants' identities. These verification processes are necessary to prevent fraud, says Acton. Prospective claimants then need to provide details of their annual salary and a tax number. A member who doesn't have a tax number cannot claim until the South African Revenue Service (Sars) furnishes them with one, says Acton. After these verifications, the fund administrator needs to submit a request to Sars for a tax directive, which could take up to 48 hours. Acton emphasises that all withdrawals from the savings pot will be taxed at a fund member's marginal tax rate.

However, Sars could stipulate that additional money be deducted in cases where members have outstanding tax bills. "People don't realise that they may want to claim the R30 000 available in their savings account, and then they are told there's an outstanding tax bill of R20 000. On top of that, they get taxed at the marginal rate and may come out with very little after that." Once all these hurdles have been cleared, payment may take place, but not before a claimant's bank account details have been verified – another fraud check. "Old Mutual's system is integrated with those of banks. The ID number of the claimant should match with the ID number of the bank account holder," says Acton.

Not enough to withdraw

The minimum withdrawal amount from the savings pot is R2 000. The Actuarial Society of South Africa (Assa) has warned that many retirement fund members will not have enough in their savings pot to make a withdrawal on 1 September. Its Retirement Matters Committee surveyed some of the country's biggest retirement fund administrators. It found that the average benefit of 20% of retirement fund members with retirement savings below R20 000 is projected to be around R9 000 on 1 September. Of this, 10% (R900) will go into the new savings pot. Starting 1 September, one third of the monthly retirement fund contributions (R314) will go into their savings pot, where R900 is already waiting, and the rest will be allocated to the retirement pot that cannot be accessed until retirement. It will therefore take around four months for these members to have a savings pot fund value above R2 000 (R900 + R314 x 4 = R2 156).

New systems, new procedures

The switch to the two-pot system has required more than two years of planning, including building new systems, establishing new procedures, and training staff. "On 31 August, we're still in the old regime, and on 1 September, which happens to be a weekend, you need to run a system update to magically move into the new system, with all the underlying pension fund administration systems," says Acton. "We have had to digitise and automate everything. And then there's the end-to-end testing [of the systems] that will need to take place way before 1 September." Old Mutual has launched a dedicated call centre with more than 200 staff to deal with client queries and claims. Fund administrators also rely on Sars to have its systems up and running before payment occurs. Acton says it is critical that Sars's systems "are capable and ready, as no savings pot payments can be made without a smooth tax deduction directive process".

When the floodgates open

Old Mutual expects that between 60% and 70% of its close to 1.3 million members could opt to withdraw money from their savings pot when the legislation comes into effect. “But nobody really knows how many people will come forward,” says Acton. She cites Australia, Chile and Brazil as examples of countries that enabled retirement fund members to access a portion of their savings during Covid-19. “There was the expectation that only lower-income earners would come forward and claim. And then over 90% of people came forward – so it was access requests over all income levels.” Retirement fund administrators will only have an idea of the volume of requests once the date has taken effect. “We need to plan for the worst case,” says Acton. **Full Report:** ***Two-pot: Expect delays in payments from the ‘savings pot’ - Moneyweb***

Moneyweb | **8 July 2024**

Insurance sector draws on experienced retirees to ensure the future

South Africa’s non-life insurance sector relies on experienced financial service practitioners that have spent many years honing their skills to provide professional advice and service to their clients. When these individuals retire, their skills leave with them and there is often a lack of sufficient experience and technical skills especially in specialist lines of business making it difficult to replace these industry heavyweights. According to the Insurance Sector Education and Training Authority (INSETA), there are scarce and critical skills occupations within the non-life insurance sector where the insurance industry must compete with other sectors for qualified candidates. Insurance has historically not been seen as a desirable career choice for young adults compared to other fields within the financial industry, in part because of the tradition of commission-based remuneration. This shortage of suitable candidates is slowing the process of transformation and the transfer of skills from experienced insurance practitioners to younger candidates. The insurance industry has been striving to establish an environment in which industry players can cooperate to increase the skills base and prevent the ongoing poaching of talent. The SAIA Skills Development Working Group members agreed that the sector needed to look to its members and create an mentorship programme. The result was the Retiree Repurposing Programme.

The pilot programme launched in 2022 by the South African Insurance Association (SAIA) in partnership with INSETA and Insurance Institute of South Africa (IISA), the programme has made significant strides to bridge the skills gap in the non-life insurance sector by leveraging the experience of retirees. The 2022/23 pilot programme concluded with five (5) retired experts mentoring ten (10) junior management candidates. Discussions are underway with relevant industry and higher learning institutions stakeholders to address the formalisation of a training academy which would incorporate this programme in addition to the other formal accredited courses, as is the case in the UK insurance sector replicating the Insurance Apprenticeship Programme (IAP) model. The 2024/25 programme began on 1 April 2024 and will run until 31 March 2025. This year’s programme leveraged on the pilot programme learnings making it possible to expand the offering and increase the number of mentees and mentors. For 2024, the programme was expanded to accommodate twenty (20) mentees paired with ten (10) mentors. In addition, this year's programme has incorporated a soft skills IT programme to enable the mentees to also boost these skills. The objective remains to ensure a comprehensive transfer of technical knowledge and leadership skills, enhancing the professional development of participants. The programme also seeks to address the challenge of how to be a better leader, how to handle conflict, and how to deal with a toxic work environment. The programme includes soft skills courses and technical and administrative skills. Mentees do not necessarily have to be managing people, but they have to be at a junior management level.

The focus is on their dedication to following the rules and structures of the mentoring programme for the benefit of their careers. The mentees are contracted to SAIA and must commit to meeting with mentors twice a month for 12 months and complete regular personalised assessments. Their experience and fields of interest cover various lines of non-life insurance, such as general insurance, marine insurance, engineering, agriculture and reinsurance. Interactions are primarily through several online apps (Teams, Zoom, etc.), but wherever possible, one-on-one interactions are encouraged. To date the programme has been well-received by mentees, with participants reporting increased confidence, enhanced technical skills, and valuable industry insights. Mentors and mentees alike have benefited from this initiative, which is pivotal for the sustainability and progression of the non-life insurance industry in South Africa.

Quality versus qualifications

Mentors are required to possess specific skill levels, such as an exceptional professional track record highlighting the in-depth knowledge and skills gained in business over their career as well as computer proficiency, which are supported by the institutions involved. The course involves multiple online programmes, so participants must be able to navigate a digital interface. The course has three broad pillars: technical expertise, digital literacy and leadership and soft skills. SAIA along with the programme manager conducted a rigorous interview process where certain questions were asked of the mentors and the mentees to determine, first, the right mentality of the mentor and the right quality of the mentee in order to ensure a quality pairing between the mentor and mentee. The programme has three main focuses: understanding risk management and product development, leveraging data sets, and addressing cybersecurity challenges. The third is centred on ethics, compliance, communication skills, negotiation, and problem-solving, with a focus on achieving win-win outcomes. The programme will benefit the mentees' careers as the mentors will encourage and assist the mentees to meet and interact with high-level industry members and expand their networks.

Evaluation

Mentors and mentees are assessed every three months, and the outcomes are used to improve the "success metric". This helps in making any needed changes early in the programme to ensure there are no hinderances to a successful programme. This way, mentors and mentees can adjust their methods and gain more from the programme. The mentees also give an eight-minute presentation of their progress to the group as part of the quarterly group evaluation. SAIA believes that similar programmes can be adapted and scaled for implementation in most corporations. The biggest hindrance, however, is that very few corporate human resource structures incorporate mentoring as part of the company's KPI requirements. SAIA hopes to expand the programme and accommodate more participants for future intakes. The benefits of knowledge transfer and the continuous development of junior-level candidates have a measurable impact on the organisation, which increases staff retention and continuity and expands the beneficial spin-offs of deep-level networking.

FA News | 10 July 2024

Saving Culture Lauded as Liberty's Stash App Achieves R1.5 Billion in Savings for South Africans

Liberty's digital tax-free investment app, Stash, has made great strides in encouraging a culture of savings among South Africans – a whopping R1.5 billion has been contributed using the app, thanks to its unique features that help users grow their savings in a simplified, tax-free manner. Since its inception in 2017, the Stash app has simplified the saving and investment process and gained popularity among its over 385,000 users. According to The Association for Savings and Investment South Africa, South Africa has a poor savings culture due to various contributing factors such as low levels of disposable income, access to formal savings products, low levels of financial literacy and financial confidence, unemployment, high interest rates, and inflation.

Glenn Grimley, Liberty's Head of Stash, agrees that barriers to saving are a reality and says the very essence of the app is aimed at addressing these. "Consumers may not save as they would like to because they may see it as something out of reach and unaffordable. However, Stash was designed to make it simple to save, no matter your financial standing. We see saving as a catalyst for financial independence, and the app makes it feasible for ordinary consumers," he adds. Statistics from January to June 2024 show that Stash users' balances totalled R282,055,697, with the majority of users being 35 years old and under, indicating that the younger generation is taking a growing interest in savings and investment, despite socio-economic barriers. "This is pleasing," says Grimley. "By offering a user-friendly interface, unique features, and the tax-free benefits of a Tax-Free Investment (TFI), the app encourages regular saving habits.

The platform's design makes it easy for users to make small, frequent contributions, which can accumulate into significant savings over time." Understanding the importance of fostering a culture of savings and investment for the future, Liberty introduced Stash For Kids as an extension of the Stash Tax-Free Investment which is also available on the Stash app in November 2021. This feature allows parents or guardians to open a tax-free investment account for their children, providing them with a solid financial foundation for when they turn 18 years old. "This extended benefit is also yielding good results and has amassed over 15,000 kids accounts to date. Teaching children the value of saving from a young age is crucial," adds Grimley. "We designed the Stash For Kids component to help parents instil good financial habits for their children early on, further entrenching a savings culture and ensuring that the next generation is better equipped to achieve financial independence." Alongside Stash, Liberty's Mind My Money programme has been instrumental in guiding individuals toward better financial decisions. Mind My Money offers a comprehensive suite of financial education resources, empowering participants with knowledge and tools to manage their finances more effectively. The programme is also rolled out in communities, worksites, and tertiary institutions. Nomaxabiso Matjila, Liberty's Lead Specialist for Corporate Citizenship, says that the Mind My Money initiative complements the success of Stash by providing users with essential financial literacy, ensuring they not only save but also make informed decisions about their money. By fostering a culture of financial responsibility and independence, Liberty is helping to address the underlying issues contributing to South Africa's poor savings culture, as highlighted by ASISA, and is making savings and investments more accessible and achievable for all South Africans.

FA News | 3 July 2024

The two-pot retirement system explained to a five-year-old

This year June, President Cyril Ramaphosa signed into law the Revenue Laws Amendment Act that establishes the two-pot retirement system. Following the signing of the bill, many questions have cropped up in the minds of South Africans about what this new retirement system is and how it will it impact them. With some help from ChatGPT, here is a look at the two-pot retirement system as if it is being explained to a five-year-old. This is how ChatGPT explains what the two-pot retirement system to a five-year-old: "Hey, imagine you have two special piggy banks. "One piggy bank is for money you get now to buy things you want, like toys or yummy snacks. "The other piggy bank is like a magic one that keeps your money safe until you're all grown-up and finished with your work. When you're big, you can use that special piggy bank to buy everything you need and have fun!

"Key points to emphasise:"Two piggy banks: One for things they want now (toys, snacks) and one for when they are older. "Saving for the future: Explain that the second piggy bank is for when they are all grown-up and done working."Important information Now that the two-pot retirement has been explained to you, here is some crucial that you need to know: – The official start date is September 1, 2024, however, Guy Chennells, Chief Commercial Officer, Discovery Corporate and Employee Benefits expects that retirement fund members can only start making withdrawals from mid-September 2024. – John Paul Fraser, tax attorney, Tax Consulting SA said that a withdrawal from the savings pot will be subject to tax at the fund member's marginal tax rate. The tax on the withdrawals will be paid directly over to Sars by the fund administrator. – Withdrawals can only be done once in a tax year, which is March 1 to February 28. According to Gontse Tsatsi, head of Retail Clients, Old Mutual Investment Group, withdrawals must be a minimum of R2,000 before tax. – People need to take note that they are allowed to make one annual withdrawal per policy. Fraser said that an example of this is where an individual is contributing to three policies. The fund member is to be eligible to make a withdrawal from each policy.

IOL Business | 9 July 2024

Mozambique: More than 3,000 former mine workers in South Africa receive pensions

The Mozambican government announced on Monday (08-07) that more than 3,000 former Mozambican miners in South African will receive pensions, and action is underway to identify the beneficiaries.

"These beneficiaries result from the death, dismissal, termination of contracts or retirement of miners," said Permanent Secretary of the Ministry of Labour and Social Security, Emídio Mavila, adding that the initiative covers former employees or their dependents from the provinces of Maputo, Gaza and Inhambane, all in southern Mozambique. At a press conference yesterday, Mavila said that the campaign to identify and pay unclaimed benefits to former miners started on Monday and will run until July 20. It is being carried out by the South African Mineworkers Provident Fund, an institution that provides social assistance to miners from Mozambique, Lesotho, Swaziland, Malawi and Zimbabwe.

Emídio Mavila clarified that the initiative covers 3,087 former mine workers, with a fund of R285,581,885 (€14.5 million), and should benefit former workers active from 1989 to 2023 in platinum, coal and gold mines. Mavila also stated that posts for former miners to consult the lists have been created, and potential beneficiaries must present copies of their identity card or passport, worker identification card, payment receipt or copy of a contract with the Employment Bureau of Africa (TEBA), a labour recruiting agency for the South African mining industry, and their bank account number. The Mozambican government, in coordination with the South African Mineworkers Provident Fund, will also use community radio stations to facilitate access to information by beneficiaries or their dependents.

Club Of Mozambique | 9 July 2024

Investec winds down tax-free fixed-deposit account

Move indicates the offering is no longer fit for purpose for clients of the specialist bank

Investec, the niche private banking and wealth management group, has informed its clients that it is winding down its 12-month tax-free fixed-deposit account at the end of the year, nearly 10 years after its launch. The specialist bank said in a notice to its clients it was doing away with the product in a move that indicates the offering is no longer fit for purpose for its clients. Investec, the niche private banking and wealth management group, has informed its clients that it is winding down its 12-month tax-free fixed-deposit account at the end of the year, nearly 10 years after its launch. The specialist bank said in a notice to its clients it was doing away with the product in a move that indicates the offering is no longer fit for purpose for its clients.

“As Investec Personal Cash Investments (PCI), we regularly review our savings products, factoring in our clients’ needs, the financial environment and our strategic objectives. After careful consideration, we have made the decision to close the Investec cash investments 12-month tax-free fixed-deposit account,” reads the notice. “The closure of this account will happen on December 31 2024. This notification period will ensure you have enough time to consider alternate product providers and tax-free products.” Investec in 2015 joined the rush to offer tax-free savings products after the National Treasury opened the door for such products to be taken to market as part of its drive to improve household savings for all South Africans. Tax-free investment accounts cannot be used as transactional accounts, and debit or stop orders and ATM transactions are not possible from these accounts.

In alignment with National Treasury’s policy on income tax, Investec’s tax-free deposit allowed its clients to invest in a product the returns of which will not attract tax. Contributions are limited to R36,000 annually and a lifetime limit of R500,000 for the tax exemption to apply. PCI “reviews its products on an annual basis to ensure that they remain relevant in an ever-changing financial environment and that increasing demand for accounts that are faster and simpler to use are met with sufficient attention and servicing by our teams”, a spokesperson said. “These reviews are done consistently to ensure that all products align with Investec’s business objectives while meeting our clients’ needs. It is on this basis that we have decided to close this product. “We will continue to offer other call, notice and fixed-deposit accounts. Investec continues to offer other tax-free solutions for private bank clients.”

The lender has traditionally not sought to be all things to all people but to build well-defined, value-adding businesses focused on serving the needs of select market niches where it can compete effectively and build scale and relevance. As the company has identified the acquisition of private clients as a key growth area, it has expanded its footprint within key urban and other areas to further attract potential private clients. Its target market in SA is high net worth individuals, high-income professionals, emerging and established entrepreneurs, young professionals across multiple disciplines, charities and trusts, financial advisers and intermediaries.

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