

Unclaimed Retirement Benefits in South Africa

There has been much talk lately regarding the R45 billion unclaimed retirement funds in South Africa, but who exactly qualifies to claim for these benefits, and what are unclaimed retirement fund benefits?

To answer this question, let's firstly give some context to retirement benefits. Retirement benefits are benefits payable to the member of the pension scheme on retirement or earlier withdrawal from service or benefits payable to a member's financial dependants in the event of death. Benefits received from retirement funds can have the ability to create some much-needed financial relief for a retirement fund member or for the beneficiary receiving the benefits. In the unprecedented times that we currently live in fuelled with economic uncertainty and a rising unemployment rate, for one to find out that they, as a retirement fund member or beneficiary, have benefits due to them can help to alleviate some of the financial burden caused by the pandemic.

So, what are unclaimed benefits and what's all the noise about? Unclaimed retirement benefits refer to benefits that have not been paid within a 24-month period after they have become legally due and payable to retirement fund members. Retirement benefits become due to members when there is a termination of employment (resignation or retrenchment), on death, retirement or emigration of the member.

The big question is why there's such a huge number of unclaimed benefits and what is being done to solve this issue?

Why unclaimed benefits exist?

There are numerous reasons as to why unclaimed benefits exist. Some of these include:

- Retirement fund members and employers not providing updated contact details of members and beneficiaries to fund and administrators.
- Poor administration and record keeping by funds/administrators.
- Inadequate provision of information by employers on when benefits accrue to members and how to claim such benefits when they accrue to members.
- Funds not taking reasonable steps in tracing beneficiaries and effecting payment.
- Insufficient processes on hand to allow foreigners to claim their benefits from their home country.
- Fund members failing to inform dependants retirement benefits that they have in place which may become payable to dependents should members die in service.

The Financial Sector Conduct Authority of South Africa (FSCA) estimates that 40% of the total unclaimed benefits will most likely never be claimed mainly due to death of the retirement fund member as well as beneficiary or due to fund administrators not being able to identify as well as trace the beneficiary. Further, the FSCA states that there are approximately 17% of unclaimed benefits that are valued at less than R100, making it uneconomic to trace the beneficiaries.

What happens to these benefits in the meantime and what will be done to solve this problem?

According to the FSCA, these unclaimed benefits are housed in occupational funds set up by employers for the benefit of employees, or in special purpose preservation funds set up to segregate unclaimed benefits from the rest.

The FSCA and National Treasury are proposing a consolidation of all unclaimed benefits under one fund. This would also make it convenient for members and beneficiaries to know where to go to, in order to claim.

Could you be eligible to claim?

It has been researched that the bulk of the unclaimed benefits date back to the Pre 1994 apartheid era, where, for various reasons, it was difficult to trace these benefits owed to the retirement fund member to their beneficiary.

According to the FSCA as at 2019 South Africa has an excess of R45 billion in unclaimed benefits that are owed to some 4.5 million retirement fund members. There is about 60% of unclaimed benefits in occupational funds belonging to those previously working in the mining, motor, metal and engineering industries. The FSCA has set up a search engine, to help retirement fund members and beneficiaries track down unclaimed benefits. This can be accessed on www.fsc.co.za/Customers/Pages/Unclaimed-Benefits.aspx

What is the process to be followed in order to claim?

The FSCA has offered assistance to members and beneficiaries at zero cost. Once you have determined via the search engine or the correct channels that you are eligible to claim. Complete and submit the relevant claim form along with a copy of your ID, proof of residence and tax number to validate the claim (this differs for members and beneficiaries). SARS will perform a tax directive to deduct any tax owed by the member or beneficiary before going back to the fund for payment.

Unclaimed benefits remain a big issue in South Africa's retirement sector. Retirement fund members need to read and understand their fund booklet and be well informed about their benefits. Beneficiary nominations and personal information should also be kept up to date with fund administrators. Likewise, beneficiary nominees should be informed that if a retirement fund member passes away, there may be benefits payable to them and they should know who to contact. It is also important that retirement fund members and beneficiaries receive appropriate advice, from a qualified financial adviser, regarding their options on the benefits due or payable. Various options exist and tax considerations will need to be taken into account.

Business Update

We are proud to announce that Masthead, our compliance officers, has issued Gradidge-Mahura Investments (GMI) with the 2021 FAIS Compliance Seal. A practice needs a minimum of 85% for every compliance audit in the year to earn the seal. We earned the Masthead FAIS compliant seal every year since it was introduced in 2015. This seal is an indication that the practice is run within the requirements of the Codes of Good Practice.

We bid farewell to Lesego Mpete (Employee Benefits Consultant) and Leomedi Masalesa (Para-planner).

We are pleased to welcome Karabo Sehlare and Munaf Mukadam, CFP[®] to the GMI team. Karabo takes on the role as Employee Benefits Consultant. She has completed a Bachelor of Commerce Degree in Financial Management and has been in the employee benefits and institutional investment industry since 2013.

Munaf Mukadam, CFP[®] adds to the depth of our Cape Town office and will serve in the role as Wealth Manager. He completed his Bachelor of Commerce Degree in Economics, Bachelor of Commerce Honours in Financial Analysis and Portfolio Management, Post-Graduate Diploma in Financial Planning and is a Certified Financial Planner[®].

Jerry Uzoegbo joined GMI as an intern in 2017, his hard work, dedication and continuous skills development has made him a stellar performer in the Para-planning team. We are delighted to announce that Jerry has been promoted to Senior Para-planner.

We would like to take this opportunity to wish Tatenda Macheke, CFP[®] our Practice Manager and Maqeto Moremi our Administration Manager for Short-Term Insurance, well as they go on maternity leave from October and November respectively.

Finally, thank you for your continued support. We remain committed to our fiduciary responsibility to you and your family.