



Financial Sector  
Conduct Authority

# RETIREMENT FUNDS UNCLAIMED BENEFITS

PENSION LAWYERS ASSOCIATION 25<sup>TH</sup> ANNUAL NATIONAL CONFERENCE

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# BACKGROUND

- It is important to understand that the responsibility and accountability to trace and pay benefits in either an active or unclaimed benefit fund remains the **responsibility of the trustees** even if it was outsourced to a service provider like an administrator or tracing agent.
- Where funds remained registered for an extended period of time and its only members and assets were in respect of such unclaimed benefits, such unclaimed members and their corresponding benefits were allowed to be transferred to a **registered unclaimed benefit fund**, whose sole purpose is to trace and pay such members or beneficiaries.



# BACKGROUND

- The tracing of unclaimed benefits is further complicated by the huge number of **migrant workers that were employed**, either as illegal immigrants or not willing to provide their actual names and identification numbers as it would have caused them not finding a job or be sent back to their countries of origin.
- As funds do not have accurate **member data or contact details**, it has a major impact on the ability of funds to trace such members or their beneficiaries. This practice is however still continuing in certain sectors/industries. This can be noted especially in respect of the Mines, Motor, Metal and Engineering industries.
- **Regulation 33** was inserted during 2001 into the Regulations to compel employers to provide funds with detailed member details, amongst others, full name, date of birth, ID number or employer pay number, or other means of identification to enable a member to be identified. Funds should therefore maintain more accurate membership data and contact details of their members.



# BACKGROUND

- The Authority is aware of various **unscrupulous operators** who persuade members of the public to pay them an amount (e.g. R1200) to trace their money. These are often empty promises, and there is absolutely no guarantee that the person paying that amount is due any money. The FSCA has placed a number of warnings in newspapers and visited affected communities to make it clear that the FSCA is able to assist with enquiries free of charge.
- The FSCA welcomes any additional initiatives that seek to highlight, create awareness of and assist potential claimants to access unclaimed benefits, and the scope for improvement.



# ROLE AND MANDATE OF FSCA

1. Objectives as set out in the Financial Sector Regulator Act, 9 of 2017 that support the FSCA's role with unclaimed benefits –
  - i. Enhance the efficiency and integrity of financial markets;
  - ii. Promote fair customer treatment by financial institutions;  
and
  - iii. Provide financial education and promote financial literacy.



# ROLE AND MANDATE OF FSCA

2. Treating Customers Fairly Outcomes focused project
  - i. **Outcome 5** – Customers are provided with products that perform as financial institutions have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect
  - ii. **Outcome 6** – Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint.





# KEY LEGISLATIVE MILESTONES

**2001**

The Pension Funds Act, 1956 (PF Act) was amended, inserting provisions into the PF Act that a fund with actuarial surplus as at its surplus apportionment date to apportionment it amongst its members and former members who left the fund in the period 1 January 1980 up to the funds surplus apportionment date.

**2002**

The Registrar was in discussions with National Treasury regarding the payment and tracing of unclaimed benefits.

**2004**

A proposal was made to provide for the establishment of a central unclaimed benefit fund during 2004 which did not come to fruition.

**2006**

In 2006 the PF Act was amended, which required all funds to submit annual financial statements. Prior to this amendment, there was no provision in the annual financial statements to disclose membership and the assets relating to unclaimed benefits separately.

**2007**

In an attempt to preserve as much of unclaimed benefits for the benefit of members and beneficiaries to whom such benefits are due, the registrar, excluded unclaimed benefit members from paying levies

# KEY LEGISLATIVE MILESTONES continued...

**2007**

The Registrar issued PF Circular 126 on 16 March 2007, requesting funds to amend their rules, on or before 31 December 2008, to remove any reference that caused unclaimed benefits to revert back to the fund. This practice was in the opinion of the Registrar unfair, as the vesting and entitlement of benefits is preserved for the person entitled thereto and can therefore not prescribe.

**2014**

The definition of unclaimed benefit was amended, to include a death benefit payable to a beneficiary not paid within 24 months from the date on which the fund became aware of the death of the member and any amount that remained unclaimed or unpaid to a non-member spouse within 24 months from the date when the last deductions were made.

**2008**

The Taxation Laws Amendment Act, 2008 amended the Income Tax Act to allow for the establishment of “special purpose” preservation funds to hold Unclaimed Benefit Funds as defined in the PF Act. The definition of ‘pension preservation fund’ and ‘provident preservation fund’ in the Income Tax Act was further amended in 2009 to allow for the transfer of a fund’s liabilities in respect of unclaimed benefits to a registered Unclaimed Benefit Funds.

**2017**

To date proposed amendments have been made to the PF Act to provide for a Central Unclaimed Retirement Benefit Fund to house all unclaimed retirement benefits and possibly be expanded in the future to include other sector such as Insurance Companies and Banks



# KEY REASONS FOR UNCLAIMED BENEFITS

- Failure by members to provide the fund with their updated contact details about themselves and their beneficiaries;
- Failure by employers to provide funds/administrators with complete details of the members of the fund;
- Many employers and/or funds do not provide members with sufficient fund information, such as informing them of their entitlement to a withdrawal benefit if they resign, are dismissed or retrenched from their employment and how to claim a benefit when it accrues;
- Poor administration/record keeping by funds/administrators which in some cases have since ceased to exist;

# KEY REASONS FOR UNCLAIMED BENEFITS

- The requirement that foreign workers leave the country shortly after the expiry of their work permits and the lack of sufficient mechanisms to enable them to claim their benefits from their home countries and be paid in those countries;
- Failure by fund members to inform their dependents that, if they die in service, there may be benefits payable by their funds to those dependents and which institution to contact; and
- Failure by boards of funds to take all reasonable steps to trace and pay those entitled to the unclaimed benefits.



# TRENDS ANALYSIS – 10 YEAR OVERVIEW – DEFINITIONS

**Total all funds** – the statistics of all funds in the retirement funds industry

**Total unclaimed benefit funds** – this is total of unclaimed benefit in occupational and unclaimed benefit funds

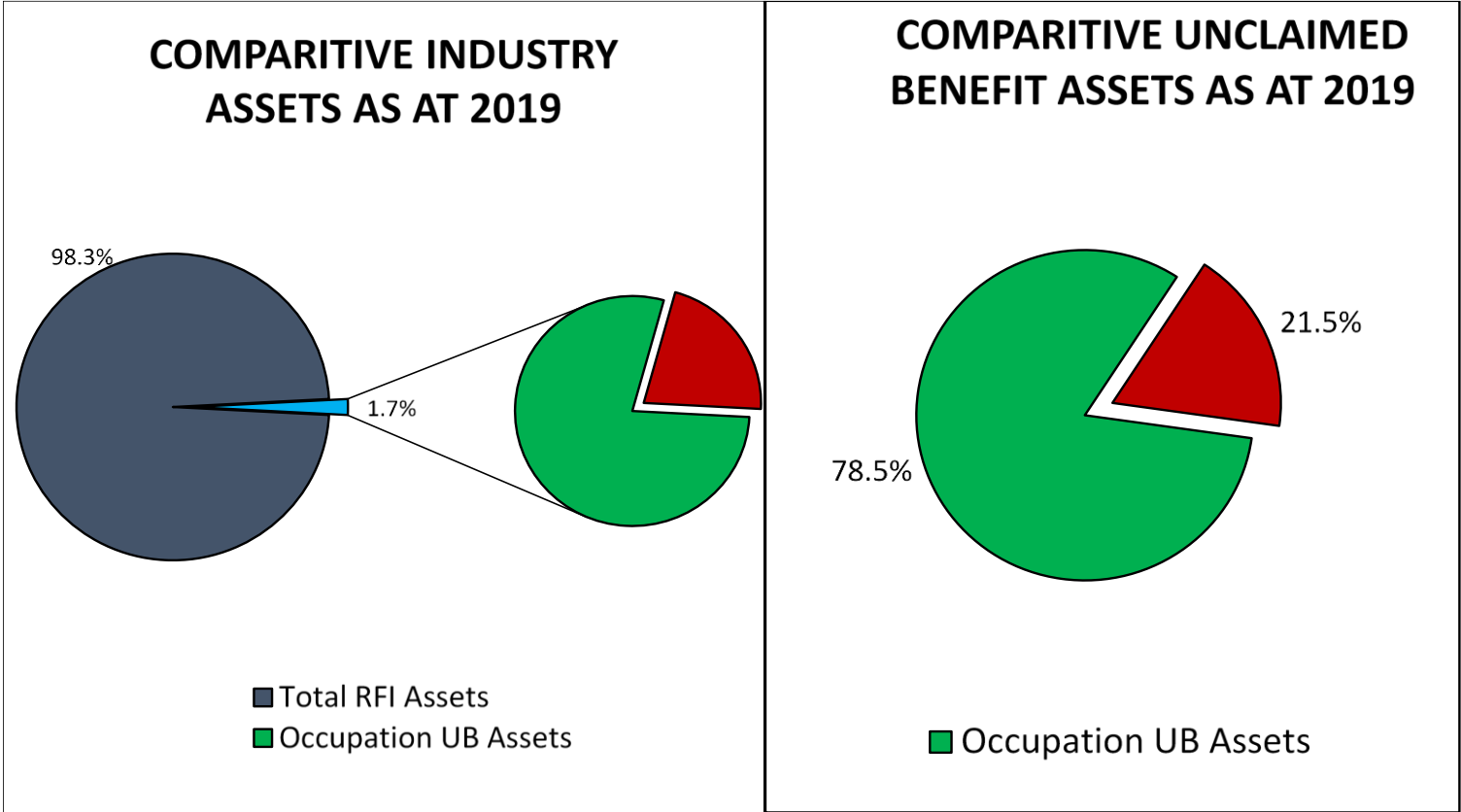
**Occupational funds** – fund established by an employer for the benefit of its employees

**Unclaimed benefits funds** – special purpose preservation fund to hold unclaimed benefits only

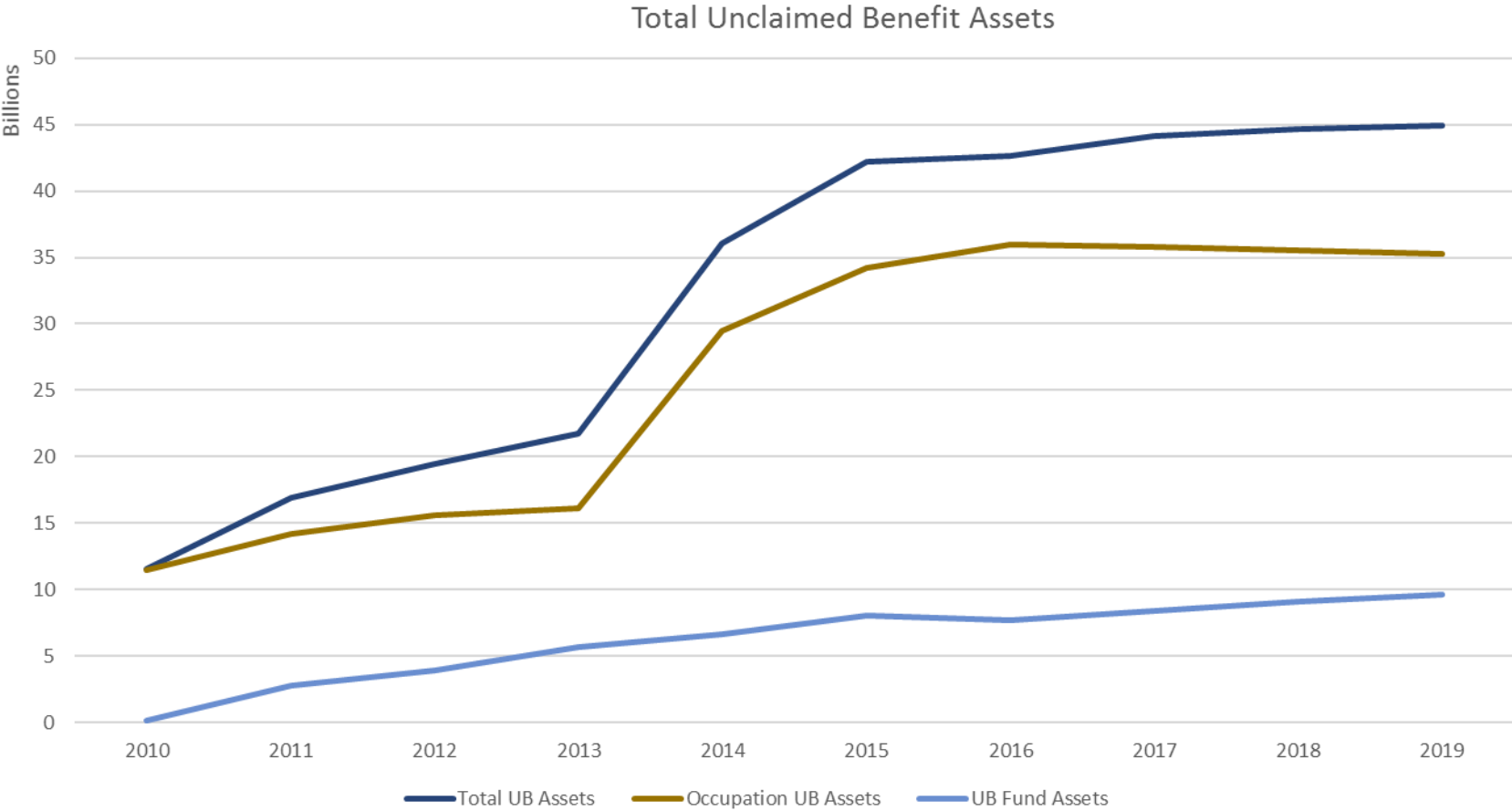
# TRENDS ANALYSIS – 10 YEAR OVERVIEW

Year	Total all funds			Total Unclaimed Benefits			Unclaimed Benefits - Occupational funds			Unclaimed Benefit Funds		
	Funds	Members	Assets	Funds	Members	Assets	Funds	Members	Assets	Funds	Members	Assets
2019	1,952	15,603,529	2,658,420,428,088	1,286	4,530,922	44,942,690,333	1,239	3,611,266	35,283,285,065	47	919,656	9,659,405,268
2018	2,216	15,814,155	2,568,749,837,365	1,429	4,508,437	44,631,836,295	1,379	3,599,372	35,508,231,296	50	909,065	9,123,604,999
2017	2,231	15,153,559	2,482,592,205,032	1,470	4,489,051	44,115,683,165	1,425	3,581,463	35,768,359,637	45	907,588	8,390,616,837
2016	2,494	14,982,256	2,390,883,632,984	1,559	4,480,848	42,629,352,406	1,515	3,608,002	35,950,775,981	44	872,846	7,678,576,425
2015	2,371	14,630,062	2,322,975,951,442	1,528	4,138,707	42,235,339,749	1,490	3,191,507	34,170,447,787	38	947,200	8,064,891,962
2014	2,684	14,116,556	2,159,959,185,951	1,693	3,834,864	36,099,730,113	1,656	3,022,067	29,510,406,742	37	812,797	6,589,323,371
2013	3,110	13,444,022	1,871,716,180,482	1,845	3,553,012	21,747,150,951	1,807	2,802,180	16,096,969,773	38	750,832	5,650,181,178
2012	3,155	13,207,537	1,635,909,149,359	1,922	3,375,723	19,492,665,549	1,888	2,792,019	15,568,280,741	34	583,704	3,924,384,808
2011	3,365	11,987,038	1,452,286,143,309	2,071	3,415,732	16,942,741,561	2,043	2,952,535	14,148,264,115	28	463,197	2,794,477,446
2010	3,571	10,585,138	1,339,761,455,492	2,184	1,809,824	11,582,430,289	2,173	1,795,280	11,488,150,605	11	14,544	94,279,684
2009	3,646	9,979,050	1,171,863,360,941	2,134	1,617,536	9,099,582,932	2,132	1,617,502	9,099,158,838	2	34	424,094
2008	3,742	9,180,846	1,181,351,281,081	1,987	929,682	6,939,978,786	1,987	929,682	6,939,978,786	0	0	0

# Current Unclaimed Benefits Statistics

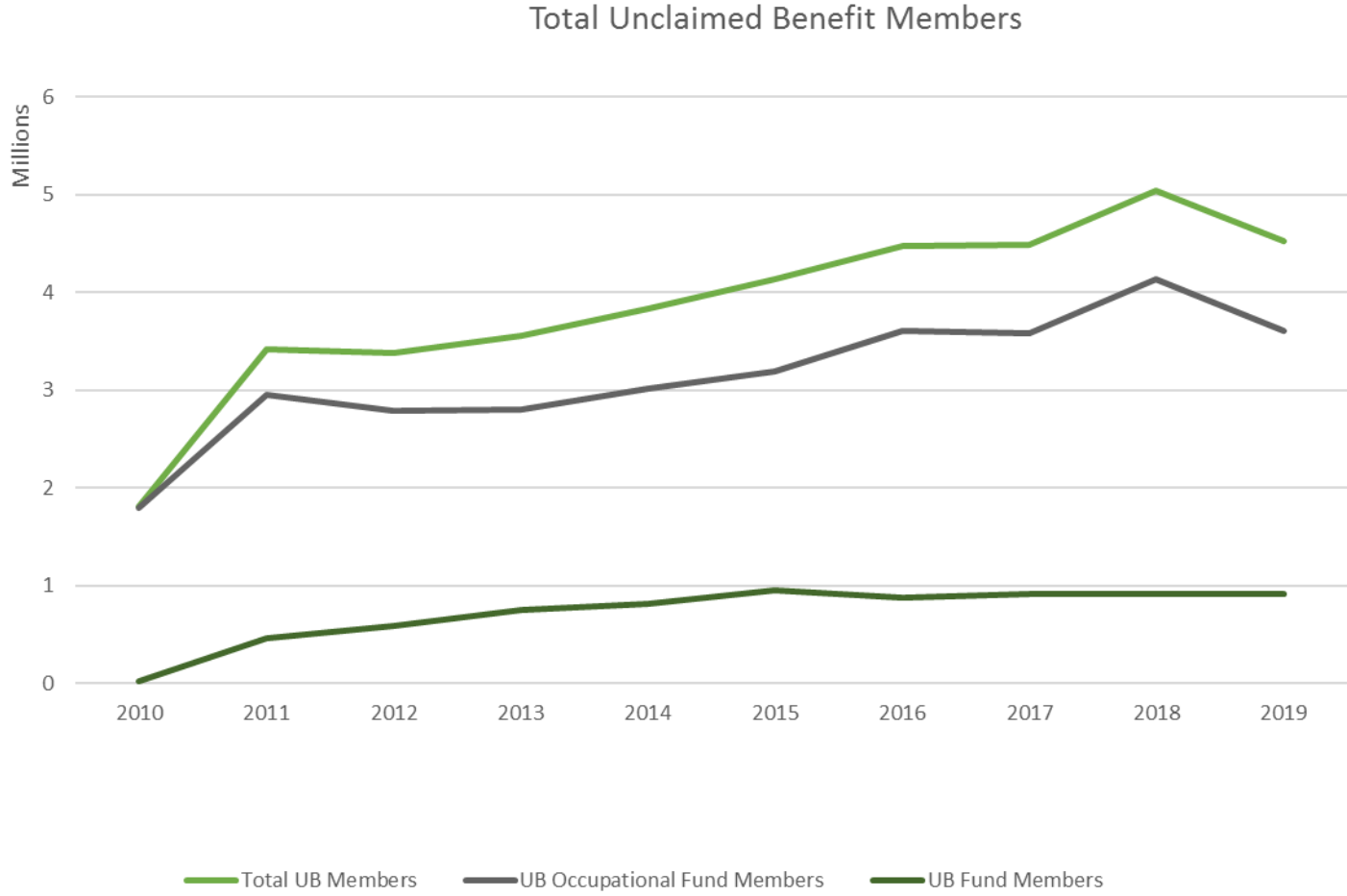


# TRENDS ANALYSIS – 10 YEAR OVERVIEW





# TRENDS ANALYSIS – 10 YEAR OVERVIEW



# TREND ANALYSIS – KEY FACTS

- For the 2019 financial year, unclaimed benefits funds had 919,656 members with assets amounting to R9,6 billion (**21.5%** of the total assets in respect of unclaimed benefits). Occupational funds had 3,611,266 members with assets amounting to R35,3 billion (**78.5%** of the total assets in respect of unclaimed benefits).
- Approximately 60 % of unclaimed benefits in occupational funds are in respect of former employees that were members of the retirement funds relating to the mining, motor, metal and engineering industries.
- The total assets of unclaimed benefits as a percentage of the total assets of retirement funds, increased from 1.67% in 2018 to 1.7% in 2019.
- From the data received from funds for purposes of hosting the search engine, it is estimated that 17% of the asset value of unclaimed benefits is less than R100 and 9.5% between **R100 and R250 per member**.
- It is important to note that the asset value of unclaimed benefits is not only as a result of an increase in the number of unclaimed benefits but also due to investment income earned on the assets relating to these unclaimed benefits.



# TREND ANALYSIS – KEY FACTS

- The asset value and members in respect of unclaimed benefits in occupational funds increased gradually as surplus apportionment schemes were submitted and funds were unable to trace and pay former members and therefore classified as unclaimed as defined in the PF Act.
- The increase of 66.5% in unclaimed benefit assets from 2013 to 2014 was mainly due to two large funds which changed their accounting policy resulting in the reclassification of R11 billion's assets as unclaimed benefits.
- From 2009 registered unclaimed benefit funds submitted financial statements and the asset value in the unclaimed benefit funds consist of transfers of unclaimed benefits from active and dormant funds as the PF Act made provision for the transfer of any fund's (including on-going funds) liabilities in respect of unclaimed benefits to these funds.



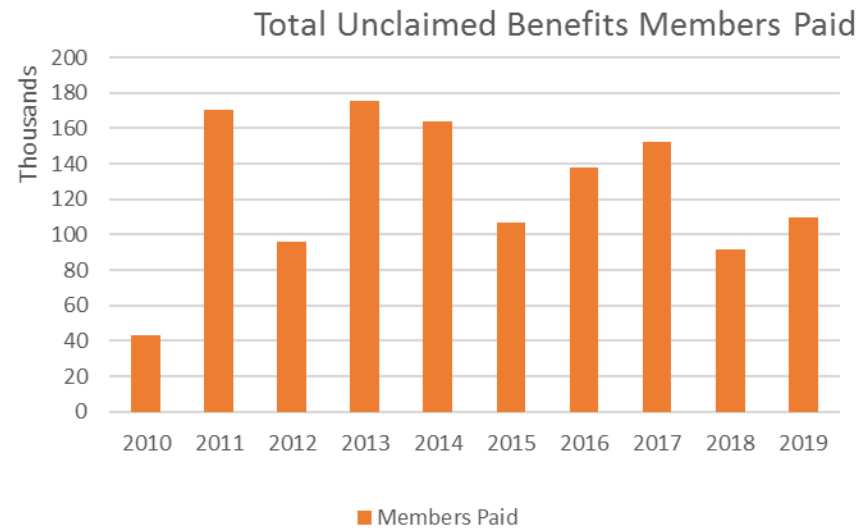
# UNCLAIMED BENEFITS PAID TO DATE

Year	Members	Benefits Paid
2019	109,916	4,130,102,067
2018	91,445	4,538,940,408
2017	152,337	5,243,672,000
2016	137,666	4,293,363,000
2015	106,833	3,806,826,000
2014	163,876	7,758,592,000
2013	175,697	1,201,573,000
2012	95,931	1,155,480,000
2011	170,108	1,097,995,000
2010	43,500	1,096,397,000
<b>TOTAL</b>	<b>1,247,309</b>	<b>34,322,940,475</b>

# UNCLAIMED BENEFITS PAID TO DATE

According to that annual financial statements submitted to the Authority, the following unclaimed benefits were paid during the respective financial years

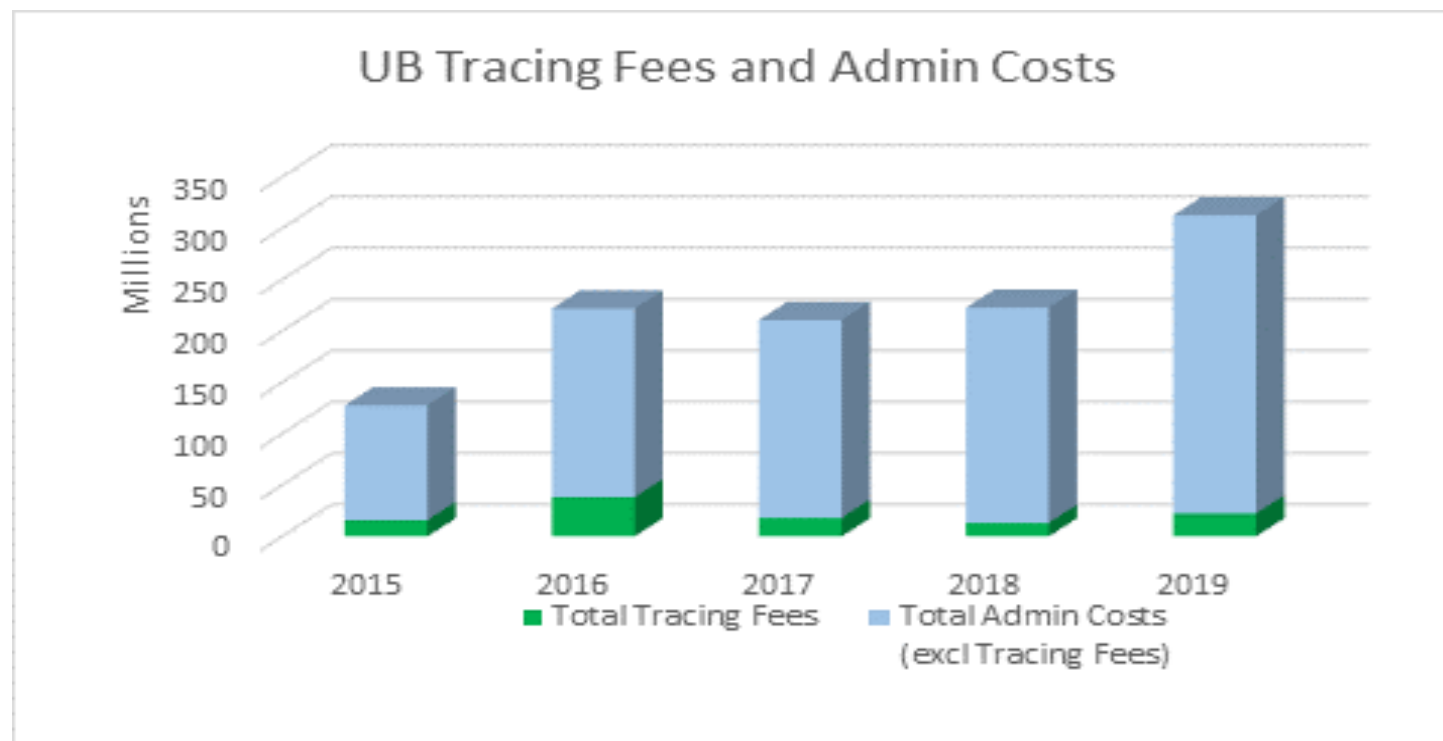
- From 2010 to 2019, R34,3 billion unclaimed benefits were paid to 1,2 million members.
- In the last 5 years R22 billion was paid to 598 000 members and amounts to an average benefit of R36 978 per member.
- It is apparent that there are ongoing efforts by administrators to trace and pay the beneficiaries of unclaimed benefits.



# UNCLAIMED BENEFITS – INVESTMENT INCOME and FEES

Year	Benefits Paid	Investment Income	Tracing Fees	Tracing Fees UBF	Total Tracing Fees	Administratio n Cost	Other Costs	Total Admin Costs (excl Tracing Fees)	Total Fees	Fees as percentage of Investment Income (%)
2019	4,130,102,067	2,973,142,606	10,865,638	11,322,966	22,188,604	185,279,307	116,555,660	290,512,001	312,700,605	10.52
2018	4,538,940,408	2,074,842,850	5,541,149	7,523,324	13,064,473	193,965,688	23,172,213	209,614,577	222,679,050	10.73
2017	5,243,672,000	2,060,442,919	7,236,667	10,810,375	18,047,042	202,142,091	1,257,008	192,588,724	210,635,766	10.22
2016	4,293,363,000	1,634,537,111	13,643,733	24,430,072	38,073,805	205,608,408	2,385,265	183,563,601	221,637,406	13.56
2015	3,806,826,000	1,610,360,795	4,721,805	10,992,378	15,714,183	119,130,225	3,581,458	111,719,305	127,433,488	7.91

# UNCLAIMED BENEFITS – TRACING FEES AND ADMINISTRATION COSTS



# FSCA INITIATIVES AND COLLABORATION

## Taking regulation to the people

A project aimed at educating consumers about financial matters, the pensions staff uses the platform to assist members to complete claim forms and liaise with the retirement funds to ascertain whether there is an unclaimed benefit.

## Inter-Ministerial Committee

Revitalization of Distressed Mining Towns/Communities driven by the Department of Planning, Monitoring and Evaluation

## Unclaimed benefits search engine

Introducing a digital solution to assist the industry and members of the public



# UNCLAIMED BENEFITS SEARCH ENGINE

## In an attempt to assist in the tracing and payment of unclaimed benefits:

- Data has been obtained from funds and administrators to host a search engine on the FSCA Website for members of the public to ascertain if there are any possible unclaimed benefits due to them.
- Funds are required to update the unclaimed benefit data, at least quarterly.
- Updated information will assist the Authority to monitor the success of the project and maintain an up-to-date system.
- This facility can be accessed either through the FSCA website or by sending an e-mail, sms or facsimile. The sms-facility will enable the public to enquire free of charge as all costs relating to the sending and receiving an sms are carried by the FSCA.
- Over and above this, members can still send a letter, contact the toll-free call centre or visit the FSCA Office to obtain assistance. Should there be any possible benefits identified during the enquiry, a person will be provided with the relevant contact details of the fund or administrator to lodge a formal enquiry. These services are provided by the FSCA free of charge.

# SEARCH ENGINE VARIOUS PLATFORMS

	Search Channel	Link/ contact details
1	Online searches – FSCA website	<a href="http://www.fsc.co.za/Magic94Scripts/mgrqispi94.dll?APPNAME=Web&amp;PRGNAME=UB_Partial_Search">http://www.fsc.co.za/Magic94Scripts/mgrqispi94.dll?APPNAME=Web&amp;PRGNAME=UB_Partial_Search</a>
2	Email enquiry - ID number	<a href="mailto:Pensions.UBmemberID@FSCA.co.za">Pensions.UBmemberID@FSCA.co.za</a>
3	Email enquiry – general request	<a href="mailto:Pension.Queries@FSCA.co.za">Pension.Queries@FSCA.co.za</a>
4	SMS enquiry – ID no	30913
5	SMS enquiry – general request*	30766
6	Toll-free Telephone enquiries	0800110443/ 0800202087 (toll-free)
7	Walk in clients	River Walk Office Park, Block B, 41 Matroosberg Road, Ashlea Gardens
8	Written enquiries	PO Box 35655 Menlo Park Pretoria 0102

The following statistics were gathered since  
25 February 2017

Query Channel	Total Enquirers	Total Searches	Total possible matches
TRP Outreach	4 767	5 404	640
Email: Automatic	1 092	1 094	99
Email: Manual	5 878	6 445	721
Printed Letter	417	500	64
SMS: Automatic	182 679	182 785	33 345
SMS: Manual	555	599	69
Telephone	121	190	15
Walk in Client	31 866	34 168	3104
Web Search	287 293	1 328 802	62 255

# UNCLAIMED BENEFITS SEARCH ENGINE - LESSONS

1. Essential platform – members of the public need secure platforms to access information
2. Gathering the information provided more granular insight for the Authority
3. Innovation and technology should be used to create opportunities to find solutions
4. Collaboration between industry and regulator for the benefit of members

# TRP OUTREACH

- Taking Regulation to the People (TRP) is an Initiative by the FSCA Consumer Education Department
- Purpose is to create awareness and empowerment of consumer in respect of their rights and obligations
- Retirement Funds, FAIS and Insurance
- Awareness campaigns targeted areas where the FSCA received majority of enquiries and are aware of unscrupulous tracers operating in the areas



# TRP OUTREACH – Why?

- Members or beneficiaries do not know which fund or administrator to contact
- Costs involved in gathering information
- Ineffective measures by funds and administrators to trace
- Apathy amongst stakeholders in the industry



# TRP OUTREACH – How?



# TRP OUTREACH – LESSONS

- Member education and communication
- Documentation
- Record keeping (i.e. data quality)
- Distribution of death benefits
  - (i) Delays in investigations
  - (ii) Estate late accounts
- Barriers to claim benefits
  - (i) Access to information
  - (ii) Access to facilities
  - (iii) Benefit payment process (claim documentation)
  - (iv) Turnaround times for payment
- Tracing agents (prosecuting authorities)





# KEY FINDINGS – DESKTOP REVIEWS

1. Retirement Fund Conduct Supervision Department sampled funds with the highest unclaimed benefits and conducted desktop reviews during quarter 3 and 4 of 2020
2. Comprehensive findings will be communicated to industry
3. Provisional findings to note –
  - i. Lack of standard approach to unclaimed benefits
  - ii. Passive management
  - iii. Records not maintained on previous efforts to trace
  - iv. Lack of competition in the tracing industry
  - v. Lack of data integrity checks

# FUTURE DEVELOPMENTS

- **Central Unclaimed Retirement Benefit Fund**

Proposal to provide for a Central Unclaimed Retirement Benefit Fund to house all pension related Unclaimed Benefits. Comments from industry on the proposal in the CoFI Bill are being considered.

- **Stakeholder engagements**

Regular engagements with retirement funds that hold the highest unclaimed benefits. Consultations with administrators on mechanisms to improve data and tracing of members.



# FUTURE DEVELOPMENTS

- **Guidance notice or Standard unclaimed benefit policy across the industry to address, amongst others -**
  - (i) Costs
  - (ii) Record keeping
  - (iii) Tracing
  - (iv) Investments
  - (v) Minimum information criteria
  - (v) Definition – nil contributors and dormant members



# FUTURE DEVELOPMENTS

- **Financial Intelligence Centre**

In terms of the Financial Intelligence Centre Act, 2001 pension funds are not accountable institutions and therefore members do not have to provide documents such as proof of address and Identity document when joining the fund. Proposal to require retirement funds to KYC their members, to improve the quality of members' records.

- **Untraceable benefits**

Engagements with industry and analysis of data to determine extent of the issue.



# FUTURE DEVELOPMENTS

- **Co-operation/disclosure agreements with other institutions**

Access to different databases of institutions in order to Improve the data and trace members – South African Revenue Service, Home Affairs, Unemployment Insurance Fund.

- **Policy at national level**

Joint policy paper between FSCA and National treasury is being considered to address key policy questions, for example how best to deal with unclaimed benefits where members of retirement funds cannot be traced a, and best practice in avoiding unclaimed benefits in future.

