

INVESTMENT FUNDS

Request for information on the impact of the COVID-19 pandemic on contributions for retirement savings

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The FSCA has previously allowed pension funds to make use of distress rules to alleviate the economic challenges faced by employers and employees due to the COVID-19 pandemic. In the absence of existing distress rules, pension funds were urged to register the necessary rules with the FSCA and to liaise with their policyholders/employers. In line with its supervisory approach, the FSCA has issued a request to pension funds to complete a survey detailing the impact the pandemic has had on financially distressed employers and employees and the related impact it might have on retirement savings.

1. Background

On 30 March 2020 the Financial Sector Conduct Authority (the “**FSCA**”) issued a Communication^[1] which encouraged all pension funds to apply the distress rules that they had in place to alleviate the challenges that employers and employees might be facing pursuant to the COVID-19 pandemic, and, where the existing pension fund rules do not provide for distressed companies, to urgently register distress rules with the FSCA (and then apply them as required).^[2]

The distress rules referenced by the FSCA included a postponement of contribution payments, a temporary absence from work (with or without pay), a break in service (in instances where employees are not working) as well as a reduction of pensionable service (in respect of employees who are working reduced hours).

2. Request for information

As part of its supervisory approach, the FSCA has required^[3] (the “**Request**”) that all pension funds complete the survey attached as Annexure A to the Request.

The aim of the Request is to determine the impact that the COVID-19 pandemic is having on financially distressed employers and employees and the related impact on retirement savings.

3. Format of information requested and timeline for submission

All registered funds must complete the survey in Annexure A of the Request^[4] and submit it via email to the FSCA at contributionrelief@fsc.co.za by no later than **15 June 2020**.

Annexure A is made up of a table containing several questions to which the pension fund must answer *yes* or *no*. There is also a section in which the pension fund may include any general comments. Please find the table that requires completion attached with this Update.

4. Failure to comply with the request

A failure to provide the specified information by or within the timeframe specified constitutes an offence under section 267 of the Financial Sector Regulation Act^[5] and is liable on conviction to a fine not exceeding R1, 000 for each day during which the offence continues.

[1] FSCA Communication 11 of 2020.
[2] The details of FSCA Communication 11 of 2020 are discussed in Financial Services Sector Update 1 sent on 9 April 2020.
[3] FSCA Information Request 2 of 2020 (RF).
[4] A copy of the Request is available on the FSCA's website (www.fsc.co.za) under “Regulatory Frameworks > Notices > Retirement Funds”.
[5] Act 9 of 2017.



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