

FSCA Press Release

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FSCA issues guidance note to retirement funds industry to respond to COVID-19 risk

As part of the Financial Sector Conduct Authority's (FSCA) efforts to reduce the impact of the COVID-19 pandemic on financial customers, regulated entities and the South African economy, we have released communication to industry to provide guidance for distressed employers and funds.

This note addresses how COVID-19 may impact employers' and employees' ability to comply with the full, partial or even any payment of contributions in terms of section 13A of the Pension Funds Act (PFA).

Most funds have existing relevant rules for distressed employers and members and we encourage them to apply these rules to alleviate the financial difficulties they may be facing. Some of the rules include:

- A provision for temporary absence from work (with or without pay);
- A break in service (in instances where employees are not working);
- A postponement of contribution payments; and/or
- reduction of pensionable service (in respect of employees who are working reduced hours).

For funds that do not have these or analogous rules, they are requested to submit such relevant rule amendments to the FSCA urgently. Funds are advised to indicate the effective date for these amendments agreed to by funds and employers. Given the current circumstances, funds will only receive a letter and an unstamped version of the rule amendment from the FSCA. Funds will receive the stamped version of the rule amendment once business resumes as usual.

We have also consulted the South African Revenue Service (SARS) and it has advised that it will not jeopardise the income tax approval status of the retirement fund concerned.

This [document](#) on financially distressed employers and employees and the requirements of Section 13A requiring submission of urgent rule amendments is available to download from the Authority's website: https://www.fsca.co.za/Regulatory_Frameworks/Pages/Industry-Communication.aspx.

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