# RETIREMENT FUNDS NEWSLETTER

TREVETHAN
FINANCIAL SERVICES

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Our Corporate Partners:

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## EMPLOYEE BENEFITS

We take care of over 35 Pension and Provident Funds, ranging from five to over a thousand members and strive to keep our finger on the pulse of fund administration. Our passion is taking on much of the burden of looking after day-to-day activities as well as monitoring the investment strategies and gains.

## Punitive action against delinquent employers

The Financial Sector Conduct Authority raised concerns in July 2026 over a sharp increase in employers failing to pay pension fund contributions. With outstanding arrears totalling R8.3 billion and delayed payments accumulating interest, many members' retirement savings are at risk.

Withholding deducted employee contributions violates Section 13A of the Pension Funds Act and constitutes a criminal offense. In response, the FSCA is publishing lists of the worst offenders to pressure compliance and collaborating with the National Treasury, the Hawks, and the National Prosecuting Authority to pursue legal enforcement and accountability.

## Landmark ruling for beneficiaries of deceased estates

In May 2026, the Supreme Court of Appeal delivered a judgement clarifying section 37C(1) of the Pension Funds Act relating to periods for funds to trace and pay dependants.

This judgment sends a clear signal to pension funds and retirement annuity providers that:

- The 12-month period in section 37C(1) is a guideline promoting administrative efficiency, not a statutory deadline extinguishing rights of dependants.
- Funds must not default to paying death benefits into the estate merely because 12 months have elapse.
- Funds are required to exhaust all avenues for tracing dependants before payment to the deceased estate.

Practically speaking, it reinforces the foundational principle that Section 37C constitutes social security legislation designed to protect the dependants of deceased members and must be interpreted and applied in a manner that advances that purpose.

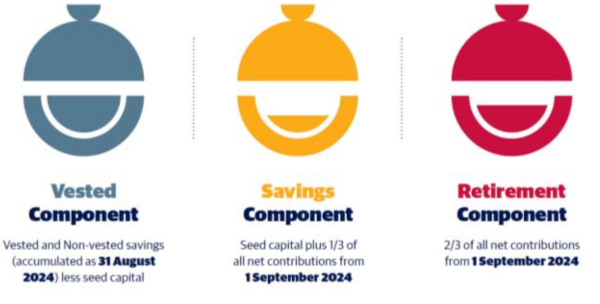
## Two-pot tax rule amendments

The two-pot retirement system in South Africa entered its third withdrawal cycle for the 2026/2027 tax year. Key updates include:

**Resignation Rule Change**
Effective 1 March 2026, if you resign or leave your fund, you can access the full remaining balance of your savings component, even if you already made a standard annual withdrawal in that tax year.

Contribution Deductions
The tax-free/deduction cap for retirement fund contributions increased from R350 000 to R430 000 per year. Contributions exceeding 27.5% or R430,000 are non-deductible in the current tax year.

De Minimis Thresholds
The compulsory annuitisation threshold at retirement increased to R360 000 which means, if your total retirement fund interest does not exceed this amount, you are not forced to buy an annuity and can take 100% of the proceeds in cash.




### Important conditions

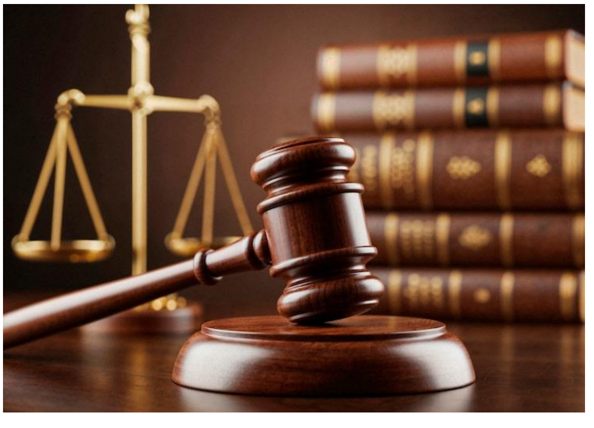
- Only applies when leaving current employer and withdrawing from the fund.
- Employees must transfer full benefit out, cannot stay as a paid-up member.
- Second withdrawal is optional but must be the full remaining amount – partial withdrawals not allowed.

## When can benefits be withheld

Section 37D of the Pension Funds Act dictates that a deduction may only be considered after the member's liability has been formally established by means of:

- A voluntary admission of liability to the employer, in writing, for a rand amount arising from theft, fraud, dishonesty or misconduct.
- A valid court judgment granted against the member with an order for compensation to the employer for damage caused as a result of theft, fraud, dishonesty or misconduct. This may be a civil judgment or a Section 300 order in terms of the Criminal Procedure Act. A criminal conviction alone is not sufficient.

Employers may not delay or block the submission of an exit claim, refuse to process a benefit, or withhold payment because of alleged or suspected debt. Only the Fund, acting through its Board, may withhold payment and only where the legal requirements have been satisfied.



## Importance of providing correct employee information

FICA requires employers to submit certain information relating to members and ensure all member details are correct and updated, including:

- Full legal names and correct ID/passport numbers.
- Citizen status and SARS tax numbers.
- Accurate employment dates, salary information, contribution data and member status (resignation, retirement, death)

Before a benefit transaction can be processed, SARS must be notified and a tax directive obtained. Any changes must be submitted to the Fund immediately as inaccurate data causes a mismatch with SARS who check every detail on a claim.

In addition, third-party payments are the exception and only allowed when a member cannot open an account for lawful reasons. Expired documents are not considered a valid reason.

## No checklist to prove permanent life partner

The Pension Funds Adjudicator recently held that qualifying as a permanent life partner for a death benefit cannot be determined by rigid requirements such as continuous cohabitation or joint bank accounts but must be assessed on a case by case basis.

The adjudicator observed that, although the Pension Funds Act includes a permanent life partner within the statutory definition of a spouse, it provides no authoritative definition and cohabitation itself is not decisive.

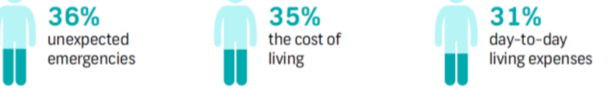
He said, "There are many marriages, unions, and permanent life partnerships in South Africa where parties do not continuously reside together due to economic, employment, or personal circumstances."

The Constitutional Court has identified a number of indicators that may assist in assessing whether a permanent life partnership exists, including: the duration of the relationship; shared living arrangements; financial support; the way the relationship is viewed by family and friends; provision made for one another in pension arrangements or wills; and whether the couple present themselves publicly as intimate partners. However, none of these alone is considered decisive.

## Are employees putting away enough for retirement

How much of their pre-retirement salary employees are able to replace when retiring requires maintaining a healthy replacement ratio. Many Funds are working on ways to assist employees better achieve this outcome and identify any shortfall early.

Many people assume they could 'make a plan' if their income suddenly stopped. Crunching the numbers, reality is much more uncomfortable. The intent to save is there but the barriers are real. Unexpected emergencies, the rising cost of living and day-to-day expenses continue to crowd out long-term planning.




Key factors which help employees manage their retirement savings:

- Education about retirement contributions and what member benefit statements mean.
- Understanding when contributions are insufficient.
- Ensuring employees have a sound and realistic retirement strategy.