

Pension funds could offer economic relief to members

By Roxanne van Rooyen and Michelle David

8 May 2020

People unable to work due to the pandemic may be looking to access their pension credits in this time of financial hardship. The position in South Africa remains that a member cannot access their pension benefits while they are still in service. Several other countries have however included, as part of their economic relief packages, measures targeting the assets of pension funds.



© rawpixel – [123RF.com](https://www.123RF.com)

The Cayman Islands has unanimously passed amendments to their Pension Law to allow workers to access their pension fund assets during the pandemic. Workers will be allowed to withdraw a lump sum of \$10,000 from their funds, and 25% of their pension credit beyond that. This will apply to workers across the board who participate in a private sector pension fund. Similarly, Spain has also published a royal decree which makes it possible, on an exceptional basis, and for a period of six months, for members to apply for access to their pension assets. A number of other countries such as Finland, Vietnam and Samoa, have reduced or cancelled pension fund contributions for a certain period, whether across the board or for specific sectors of their work force; this is similar to the ability of funds in South Africa to amend their rules to provide for a reduced or zero contribution. Finland has also adopted policies which allow for easier borrowing against contributions.

Most funds in South Africa have rules regarding contributions to make provision for temporary absences from work, a break in service and a postponement of contribution payments or reduction of pensionable service. Where funds don't have such rules in place, the Financial Sector Conduct Authority (FSCA) has urged funds to submit rule amendments to make provision for financially distressed employers and employees.

Outside of the ability to reduce contributions however, there has been no move towards making pension benefits accessible to members who are suffering financial hardships. In essence, a member would need to cease employment to be able to access their benefit, an option which is not far-fetched when one is living the reality of severe financial hardship.

Although there have been murmurings in South Africa in favour of the adoption of a special dispensation to permit a once-off tax-free withdrawal from pension funds during the Covid-19 pandemic, on the basis that members have funds saved which they cannot access and may desperately need in order to support their immediate living needs, there has as yet been no indication by policy makers on whether this regime will be made available. The silence on the issue is not surprising however, as the decision to permit access to pension credits is not one which can be made in a vacuum and without consideration of the long-term consequences of such an exceptional course of action.

ABOUT THE AUTHOR

Roxanne van Rooyen, Candidate Attorney and Michelle David, Director at Norton Rose Fulbright South Africa

For more, visit: <https://www.bizcommunity.com>