

# Key issues in the Management of Retirement Funds during Covid-19 Crisis

**Botswana Pension Society**

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## Demands on the Funds and the response



- Covid-19 disrupted our lives, threatened our health systems brought in financial stress.
- The South African government introduced several measures to fight COVID-19 and reduce the impact on the population.
- Actions included a Nationwide and a curfew including changes in Regulations.
- The Temporary Employee/Employer Relief Scheme (C19 TERS), was introduced by the Minister of Employment and Labour on the 25<sup>th</sup> March 2020.
- The Disaster Management Tax Relief Bill, 2020 and Disaster Management Tax Relief Administration Bill, 2020, (both were tabled in Parliament on the 24<sup>th</sup> June 2020).
- Government introduced Tax relief measures aimed at delaying of remittances of the “Pay As Your Earn” (PAYE), without triggering any penalties or interest
- Actions included delaying remittances of provisional payments of income tax, without triggering penalties or interest.
- As well as acceleration of certain employment tax incentives.

## Action taken by the Regulators

- Pension Regulators made many strategic decisions to ease the impact of COVID-19 on Pension Funds.
- Submission of Financial Statements by the Funds extended for three months.
- Same as the submission of the Valuation Reports three months was granted
- Fit and proper in terms of FAIS Act extended for the deadline of 15<sup>th</sup> Dec 2020.
- The extension of the CPD extended for three months from April- August 2020.
- New CPD cycle started on the 1<sup>st</sup> September 2020 to 31<sup>st</sup> May 2021.
- Alternative methods for CPD hours through Webinars and on-line activities.
- Rule Amendments geared towards financially distressed employer/employees.
- Funds could consider reductions in contributions.
- Stamped version of Rule Amendments retained until resumption of normal Bus.
- Review of Regulation 28 to facilitate investments in infrastructure by the Funds was introduced and the process is underway.



## Experience on reduction of contributions



- Section 13A of the Act was considered to assist employers in distress.
- Communication 11 of 2020 on financially distressed employer/employees was issued by the FSCA.
- The Disaster Management Tax Relief Bill 2020 was issued.
- Funds were requested to keep proper records of affected members.
- Tax implications of these changes were managed jointly with other Regulators such as SARS.
- Expanding access to Living Annuities was announced.
- Anniversaries that fell within the 1<sup>st</sup> May 2020 and 31<sup>st</sup> August could amended their draw down in terms of annuities.
- A number of employers were seeking relief from obligations placed on them by Section 13A of the PFA.

## Challenges facing the industry

- The SA government deployed a range of strategies to support the retirement income systems.
- Economic hardship brought by the Covid-19 contributed to shortages of employment opportunities.
- Including negative impact on pension provision, resulting in decrease in the value of pension fund assets.
- We also saw lower pension contributions and higher government debt.
- Covid-19 created a negative impact on the provision of future retirement income.
- All this will contribute to members failing to retire comfortably.
- Some of the retirees will have to seek further employment opportunities in order to survive into the future.
- The ability of contracting parties to meet their obligations was also threatened.
- Pension providers must produce sophisticated risk management strategies to protect savers.

## Group life schemes and higher claims

- Long before Covid-19, questions were raised about the long-term health of the industry.
- Due to Covid-19 we saw an increased in group life death claims.
- Some members increase their investment return by increasing the risk within their portfolios.
- Covid-19 kept insurers busy with life insurance death claims.
- Insurance companies paid out huge claims as a result of Covid-19.
- Covid-19 never spared the lives of younger employees and old employees as well.
- The virus created huge unintended consequences for the value of assets within pension schemes.
- Funds will continue to experience reduced contributions and early withdrawals.

# Looking into the future, what is the impact



- Older employees have bigger pension investments and may chose to retire.
- These developments impact both the sustainability and the adequacy of public pension expenditures.
- Massive withdrawals might trigger general fiscal pressures and other challenges.
- It might cause fiscal risks through lower private pension benefits or financial strain on the sponsoring employers.
- The impacts of the crisis on pension systems and their policy implications will be enormous.
- Pressure might be place heavily on public pension schemes that are mostly Defined Benefits.
- The Defined Benefit schemes, might be affected by lower contributions or liquidation of invested reserves.



## Strategies to save the industry

- The pandemic created problems and suffering that, we never imagined.
- We saw oil prices diving, massive stock market losses/environment benefits.
- Lockdown, curfew and home schooling through Zoom, Teams and Webinars.
- Shutting down of the economy on different intervals.
- Going into the future, most of us need to view emergency funding in a different light.
- The future normal must encourage us and our financial planners to review our wills at least annually.
- **Angela Antonelli** proposes the following:

### ***6 Steps To Reduce Financial Vulnerability And Protect Retirement Sector After COVID-19***

- Encourage Employers to Engage with Employees about Financial Well-Being/Inclusion.
- Make It More Difficult to Accumulate Consumer Debt.
- Facilitate Emergency and Health Savings Accounts.
- Reduce Financial Exclusion for Low-Income Workers.
- Meet the Needs of a Changing Workforce.
- Expand Access to Ways to Save for Retirement. (*Micro Pensions*)

# END OF PRESENTATION