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Retirement fund administrators

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INDUSTRY DEVELOPMENTS AROUND COVID 19

In an attempt to alleviate the prolonged difficult circumstances around the novel virus, the FSCA and Treasury are pro-actively attempting to assist individual and businesses through the implementation of various relief measures.

INTERIM RULE CHANGES AROUND LIVING ANNUITIES

The interim rule changes for living annuities were gazetted on 1 June 2020 and we are pleased to announce that Multilect is ready to accept client requests for commutations or changes to their living annuity income level.

Income percentage

Clients can increase or decrease the income portion they receive from a living annuity instead of waiting until their next contract review (anniversary) date. The income limits have temporarily been changed to a minimum of 0,5% and a maximum of 20% of the living annuity's value at its last income review date.

The increased or decreased income will only apply to income payable during the period 1 June to 30 September 2020 and will revert to the original income amount from October 2020.

These changes aim to provide temporary relief to clients who want to reduce their income, so they are not forced to sell their living annuity investments that have underperformed. In requesting a lower income, they can protect their investments from the effect of the COVID-19 pandemic on investment markets.

It also assists clients who temporarily need higher cash flow from their living annuity. However, increasing the level of a living annuity income under current market conditions should be considered carefully. Not only will it affect the investment value now and in the short term, but it will also have a longer-lasting effect on the living annuity's investment portfolio, as well as its income-generating capability, when income levels revert back to the standard limits and markets start to recover.

When calculating the temporary income limits, the specific living annuity's investment value at its most recent income review date must be used.

Commutation values

The qualifying current investment value to commute a living annuity has been increased to R125 000. This amount was recently still R50 000.00 and R75 000.00 where no retirement lump sum was paid at retirement.

From now on, both instances are treated the same with the R125 000 qualifying current investment value. If the value of a client's living annuity at any point is less than this amount, the client can request a commutation on the contract, subject to a tax directive from the South African Revenue Service (SARS).

Under current market conditions, any change should be considered carefully, and the value of professional financial advice cannot be over-emphasised.

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How to change the income

If a decrease in a client's income payments from June to September 2020 has been discussed and agreed upon, the following options are available:

- The client can call his/her financial advisor and ask for their income to be decreased,
- The client completes the Emergency Income Review form and returns the completed review to admin@multilect.co.za.

We will only process temporary income increases for payments due after we have received the client's completed Emergency Income Review

How to commute the contract

Clients' will have to complete and sign the Commutation form and submit the form directly to the financial advisor or to admin@multilect.co.za.

When we receive the directive, we will deduct the tax amount indicated and pay the client the net amount. This ends the living annuity contract.

If you have any questions about the temporary income changes or the commutation of living annuity contracts, please contact your financial advisor or send an e-mail to admin@multilect.co.za.

TAX SEASON 2020

In support of the President's call to the COVID-19 pandemic, SARS filing season only opens in September this year and taxpayers who wish to edit their tax return on E-Filing will have an opportunity to do so from this date.

SARS is introducing a procedure whereby certain taxpayers will be auto assessed this year. This process will start in August. The taxpayer will receive a SMS if elected to be auto assessed. Should the taxpayer accept the auto assessment, the over/underpayment will be processed as normal.

The Multilect Retirement Annuity contribution certificates went out to members' on 19 May 2020 and submitted via SARS 3rd Party Data submission.

Multilect Living Annuity – tax certificates will go out beginning of July; and

Multilect Managed Annuity – tax certificates are being sent out at the moment.

FSCA ASSISTANCE TO EMPLOYERS IN DISTRESS

The Financial Sector Conduct Authority (FSCA) recently issued two publications, regarding the payment of retirement fund contributions aimed at distressed employers and employees considering the COVID-19 pandemic. The two communications published on the 26th and 27th of March 2020 were FSCA Communication 11 of 2020 (RF) and FSCA Press Release: FSCA issues guidance note to retirement funds industry to respond to COVID-19 risk.

These communications serve as guidance to retirement funds to support employers who are unable to pay the contributions on behalf of their employees to their retirement funds in terms of Section 13A of

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the Pension Funds Act, which states that contributions due to the fund in terms of the rules are payable by no later than seven days after the end of the month.

Retirement funds that have rules which make provision for temporary absence from work, a break in service (in instances where employees are not working), postponement of contribution payments and/or a reduction in pensionable service (employees who are working reduced hours), are encouraged to apply these rules to alleviate the financial difficulties of distressed employers and members. Where employers have formally requested the suspension or reduction of contributions, the Boards of funds must consider these requests in accordance with the rules. Furthermore, retirement funds have an obligation to make every effort to ensure that full risk benefit premiums continue to be paid in full in respect of the affected employees in order to guarantee that the fund risk benefits will continue to be provided.

The FSCA consulted with SARS and concluded that SARS will not put at risk the income tax approval status of any of the affected retirement funds.

We want to inform all our Employers about the above communication as it will help you to reassure your employees, that there are measures put in place to ensure that their retirement funds will still be functional even during these unstable times.

MULTILECT HOMEFRONT

On the home front we have pleasure in advising our tri-annual valuation reports on all the funds were completed by Roseanne Da Silva Actuaries with Lucia Vega being in control of the valuation process and Roseanne signing off the peer review. All our funds are 100% funded. The industry norm is towards valuation exempt funds. Going through a valuation every three years by an Actuary, we believe is an added check to ensure our members' interest are protected.

The annual audit as at June 2020 is scheduled to go ahead as per our original planning and Moore Johannesburg Inc will be doing the fund audits.

In line with the regulations in place, Multilect is operating remotely. Queries can be sent to admin@multilect.co.za or, in the event that you need to speak to any of the staff, their contact details are as follows:-

Marina Higginson – 082 330 2954;
Lorraine Hilton – 083 366 1412;
Rose Duvenhage – 084 398 7836; and
Yvonne Janse van Rensburg – 076 530 2486.

We urge our members to engage with us at any time and wish to assure you we continue to have your best interest at heart.

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