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| **COSATU Submission:**  **Pension Funds Amendment Bill**  **(Private Member’s Bill – Dr. D. George MP)**  **19 May 2021** |
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1. **Introduction**

We make this submission on behalf of COSATU’s nearly 2 million members across the length and breadth of South Africa. These members cover a cross section of industries and economic activities. They are often the only material support that the huge army of unemployed people have, who are not eligible for any financial support from government.

COSATU welcomes and supports this Bill. COSATU does believe that the Bill requires amendments to address certain weaknesses and to further enhance it. The Federation believes that it is a necessary and progressive Bill. If passed, it will assist workers and their families facing the worst economic crisis in 100 years.

1. **Context for COSATU Support for the Bill**

Millions of workers, including COSATU members have lost wages and jobs during not only the Covid-19 lockdown. Many workers will continue to lose their wages and jobs as the economy emerges from the pandemic and when facing future difficulties.

Workers who lose their jobs are able to access their pension funds. However, workers who have lost their full or partial income or have experienced a national or personal disaster are not able to access their own savings to ensure their and their families’ survival.

This then perversely incentivises workers to resign from their scarce jobs in order to cash out their pension funds to save their families. This creates the worst of both scenarios. One that pension funds are depleted. It places those workers in danger of having no pensions left when they retire.

Secondly it compounds workers’ financial crises as they would have resigned from their jobs in an economy with over 40% unemployment levels.

COSATU believes that it is critical to find the correct balance. Workers who have experienced a loss of income or other emergencies be allowed to access a portion of their pension funds.

It is important for all parties to respect that pensions belong to workers and if needed they should be allowed to access them in cases of emergencies.

It is this context that motivated COSATU and its affiliate, the Southern African Clothing and Textile Workers’ Union, to write to the Minister for Finance in May 2020 to allow workers access to their pensions. Unfortunately, this process has not moved with the speed that COSATU and workers desired.

COSATU again raised this proposal during the public hearings on the Supplementary Budget at Parliament in June and July 2020 as well as Parliament’s public hearings on the Medium Term Budget Policy Statement in November 2020 and its hearings on the budget in March 2021.

1. **COSATU Proposals for Further Engagements on and Amendments in the Bill**

COSATU welcomes the Bill as step forward and a positive response to COSATU’s call during the lockdown to allow workers access to their pension funds if needed.

We appreciate that this is an initial step forward and that additional engagements are needed. COSATU would support such engagements and avail itself for these. These should include public hearings at Parliament.

* 1. **Loan Provisions**

COSATU supports the provision for pension funds to be utilised as surety for workers in applying for loans. This builds upon the existing home loan provisions in the Pension Funds Act.

COSATU believes that whilst allowing workers access to their funds, limits are needed to avoid their complete depletion. A reduced limit is needed to avoid a complete depletion of workers’ pension funds.

COSATU believes that the 75% limit provided for in the Bill is too high. It would risk workers withdrawing amounts that will leave them with too little when they reach retirement age. It needs to be reduced to an amount that will provide meaningful relief to workers but will not collapse pension funds nor the sectors and companies in which they are invested.

**COSATU Proposal:**

* Reduce the 75% limit on withdrawals to 30% or up to R30 000.
  1. **Withdrawal Proposals**

The Federation is sensitive to the fact that not all workers can afford to incur more debt and struggle to repay loans. COSATU therefore believes that an additional provision is needed.

This provision should allow workers who have lost income or are experiencing severe financial hardships to access cash as a simple withdrawal from their pension funds. It would not need to be repaid. Incentives can be put in place to encourage those workers to repay the withdrawn funds to their pensions when they can afford to do so, but workers should be afforded the choice between a loan or a simple withdrawal.

Limits would need to be set in place as to the amount or percentage and how often such withdrawals could be placed. Such withdrawals should be contingent upon replacing lost incomes or those workers experiencing severe financial distress.

**COSATU Proposal:**

* Insert provisions for workers to withdraw funds from their pension funds without being required to repay them.
  1. **Taxation**

It is important for a tax exemption provision to be inserted to exempt such loans and withdrawals from tax penalties. Government should not profiteer from the miseries facing workers.

Workers’ funds are their funds and are so limited that they should not be further depleted by tax penalties.

**COSATU Proposal:**

* Insert a provision providing for such loans and withdrawals not to be subject to tax deductions.

1. **Way Forward**

COSATU welcomes this Bill. If passed into law, it would go a long way towards assisting workers and their families who have lost wages or are experiencing severe financial distress to survive and recover.

It does need to be handled with care to avoid depleting pension funds. Thus the 75% limit needs to be reduced to a more prudent 30% and/ or r30 000 limit.

Workers should also be allowed to decide on whether they want a loan or a simple withdrawal.

COSATU has held constructive engagements on allowing workers to access limited portions of their pension funds with National Treasury. Whilst Treasury was initially opposed to the proposal, COSATU appreciated their later support for it.

COSATU welcomed the announcement by the Minister for Finance in the October 2020 MTBPS, Treasury’s commitment to ensuring a legislative effect to provide for this in 2021.

We are deeply concerned that government has not developed an amendment bill providing for this to date. This now places the commitment to effect this by 1 October 2021 in serious jeopardy if not impossible altogether.

COSATU has held further positive engagements with National Treasury who have committed to drafting and tabling a bill in Parliament during the course of 2021.

COSATU appreciates this commitment by Treasury. However this matter cannot be allowed to drag on for too long as otherwise increasing numbers of workers will simply resign from their jobs so that they can cash out their entire pension funds.

Whether this matter is addressed in the Private Member’s Bill or a Treasury Bill is not the critical question, the point is for an amendment bill to be prioritised and passed by Parliament into law and then implemented by government.

1. **Conclusion**

COSATU welcomes this progressive Bill. It is in line with COSATU’s own proposals. COSATU is ready to engage and support this Bill.

We urge all Members of Parliament and government to support, amend and strengthen it.

COSATU is open to giving more time for engagements between Treasury, industry and labour on this matter. But these engagements need to reach conclusion within the next few months so that there can be consensus on the way forward.

If the Private Member’s Bill will not be the legislative vehicle to be used, then Treasury must table its own amendment bill in Parliament by no later than 1 November 2021 so that Parliament would be able to pass it by June 2022 and it could then come into effect by 1 October 2022.

Parliament should not reject the Private Member’s Bill. It should allow for further engagements on it and between government, industry and labour. If Treasury is not able to table its own bill in Parliament by 1 November 2021, then Parliament should proceed with the Private Member’s Bill with the necessary above mentioned amendments.

Workers cannot afford any further delays during the worst economic crisis in a century.

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