



# **REVISED ANNUAL PERFORMANCE PLAN**

**2022/23**

**March 2022**

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## **Minister's Statement**

The Office of the Pension Funds Adjudicator presents its plans at a challenging time for the country. South Africa continues to face a severely constrained fiscal and economic outlook, as well as rising unemployment and social discontent. To achieve higher, more inclusive economic growth and create jobs, the government needs to urgently strengthen the capability of the state and execute comprehensive structural reforms.

The enactment of the Financial Sector Regulation Act is a tangible commitment to reforms in the financial services industry. The Act proposes a regulatory transformation in the current ombud system and an establishment of an Ombud Council to enhance the policy goal of improving consumer protection and embedding the principles of Treating Customers Fairly. In addition, the Act establishes a Financial Services Tribunal, an independent avenue for aggrieved persons to review and reconsider decisions of the Pension Funds Adjudicator.

It is with these crucial reforms in mind that I would like to applaud the efforts demonstrated by the Office of the Pension Funds Adjudicator in discharging its mandate of a fair, economical and timely resolution of pension fund complaints. I encourage the Adjudicator to continue with these efforts which are paramount to our broader commitment to creating a fair and just financial system for the benefit of pension fund members and the people of our nation.



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**E Godongwana (Minister for Finance)**  
**Executive Authority**

## **Accounting Authority Statement**

I have pleasure in presenting the reviewed Strategic and Annual Performance Plan documents for the Office of the Pension Funds Adjudicator (OPFA). The review process amongst other things considered the potential impact of the proposed regulatory reforms to the current ombud system, the review of the complaints' management process, the introduction of the Financial Services Tribunal (FST) and the OPFA's response to providing an essential service to complainants during Covid-19.

### *Establishment of the Ombud Council*

The mandate execution of the OPFA will be positively influenced by the establishment of the Ombud Council in terms of the Financial Sector Regulation Act, 2017 ("FSR Act"), to oversee the operations and governance of ombud in the financial services industry. The objective of the Ombud Council is to assist in ensuring that financial customers have access to affordable, effective, efficient, independent and fair alternative dispute resolution processes for complaints about financial institutions in relation to financial products and services. The outcomes of these reforms are expected to significantly improve in embedding the 'Treating Customers Fairly' principles throughout the financial services industry.

### *Review of complaints' management process*

From 1 September 2020, the OPFA has been referring complaints to funds for internal dispute resolution before commencing formal investigation in terms of section 30A(1) of the Pension Funds Act. Funds/employers are granted 30 days to resolve the complaint internally, in terms of section 30A(1) of the Pension Funds Act, 1956 ("PF Act"). Should the complainant remain dissatisfied with the response or receives no response within the prescribed period, the OPFA will proceed to investigate the complaint. Non-compliance with complaints' resolution processes will be reported to the Financial Sector Conduct Authority ("FSCA") on a quarterly basis for enforcement of the necessary conduct standard.

## *Financial Services Tribunal*

The FSR Act came into effect on 1 April 2018. Prior to the FSR Act, a person aggrieved with a determination of the Adjudicator was constrained to make an application to the High Court in terms of section 30P of the PF Act. In terms of the FSR Act, the former FSB Appeal Board was disestablished and the FST was established. In the previous dispensation, parties to a complaint before the Adjudicator did not have recourse to the FSB Appeal Board. The FSR Act brought within the ambit of the FST, decisions made by the Adjudicator which could be remitted by the FST to the Adjudicator for reconsideration. The FST proceedings are presided over by experienced legal professionals and experts from the financial services industry. This has been a positive development available for aggrieved persons to utilise a process that is conducted with less formality and technicality, and as expeditiously as the requirements of the financial sector laws and a proper consideration of the matter permit. Section 30P High Court applications have shown a downward trend since the introduction of the FST. Simultaneously, more aggrieved persons have accessed the FST, which can be attributed to it being cost effective and efficient.

## *Impact of Covid-19 to OPFA mandate*

The impact of the Covid-19 pandemic on the economy and ensuing job cuts enhanced the importance of the mandate of the OPFA in ensuring accessible, effective and efficient dispute resolution in relation to members' retirement savings. The OPFA has adopted a flexible working arrangement with its employees rotating for physical attendance and remote work to ensure delivery of its mandate. The OPFA reopened its offices for walk-ins and resumed services during the lockdown with strict adherence to Covid-19 protocols. Walk-in complainants, whose numbers are picking up since strict lockdown measures were relaxed, are also required to strictly adhere to the protocols in place. The OPFA encourages its employees to get vaccinated to protect themselves against the serious effects of Covid-19 and also protect the complainants that visit its offices on a daily basis. Consumer awareness and stakeholder management remains a priority and the OPFA had to utilise creative measures for outreach such as increased visibility on community radio stations, conducting TV interviews and writing articles on a regular basis.

The lockdown measures are expected to continue in the immediate future and to have a negative impact on delivery of the organisation's mandate. However, the efforts by the government to have the majority of the population vaccinated should assist in getting things back to a new normal and drive the country towards economic recovery.

### *Conclusion*

The OPFA is earnestly preparing itself for these impending changes and demands within the financial services ombud space. Over the past 23 years the OPFA has developed professional and technical capabilities to deliver its mandate effectively. The trend for volume of complaints received is being monitored whilst the organisation's capability is strengthened to ensure continued operational efficiency. This will also include being able to attract and retain talent and offer competitive remuneration packages to staff.

Over the medium term, the key strategic priorities for the OPFA are in the main to ensure operating effectiveness in complaints management processes, redirect administration related complaints by encouraging complainants to use internal dispute resolution processes, increase visibility on digital platforms and intensify outreach programmes for consumer awareness; and optimise the resources of the office to meet the volume of complaints.

I am satisfied that the OPFA has the necessary capacity and capability to respond effectively to the changes and challenges in the financial services landscape.



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**U Kamlana (FSCA Commissioner)**

**Accounting authority of the Office of the Pension Funds Adjudicator**

## **Foreword from the Pension Funds Adjudicator**

The strategic planning document of the OPFA presents our key objectives for the next financial period of the medium-term planning framework.

The mission statement of the OPFA articulates key strategic outcomes that will deliver the organisation's mandate: resolving complaints in a procedurally fair, economic and expeditious manner as prescribed in the PF Act.

The OPFA has a set of clearly articulated and measurable strategic objectives to guide its operations to achieve its mission. They include the timeous resolution of complaints in a procedural fair and economical manner; building effective relationship with key stakeholders; and striving for operational excellence in our work.

The capabilities that will enable the OPFA to achieve its strategic objectives are its professional and technically competent staff members; an efficient technological infrastructure and business processes; an organisational culture based on high performance; and ethical conduct.

The OPFA is committed to service excellence and staff continues to work together to streamline processes and share information speedily to maintain our turnaround times without compromising the quality of the output.

The strategic planning process indicates that the organisation requires additional investment in its current capabilities to continue maintaining a high level of quality performance.

Our plan is to invest in staff development through formalised training programmes that will ensure continuous professional development and improvement in technical skills and competencies. The ICT capability and capacity is being reviewed and updated to enhance operational efficiency.

Furthermore, our analysis of complaints from the past financial years' points to weak governance processes within funds and administrators, a failure by employers to pay fund contributions of members and a failure by funds and administrators to pay benefits timeously.

The organisation will be focusing on strengthening the engagement with stakeholders to address the underlying causes that result in avoidable complaints.

Over the past 23 years, the OPFA has contributed to provide much-needed access to alternative dispute resolution in a complex area of law. We have contributed to developing retirement fund policy, legislation and regulatory amendments.

As we look forward to the future, the OPFA is poised to join the new ombud schemes dispensation with much vigour in the knowledge that stakeholders, especially fund members, stand to be the biggest winners.



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**MA Lukhaimane**  
**Pension Funds Adjudicator**

## Official Sign-off

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the OPFA under the guidance of the Executive Authority and Accounting Authority;
- Takes into account all the relevant policies, legislation and other mandates for which the OPFA is responsible;
- Accurately reflects the impact, outcomes and outputs which the OPFA will endeavour to achieve over the period 2022 to 2023. The strategic plan will be reviewed throughout this period to take into account the effect of Twin-Peaks implementation where necessary.



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**B Makunga**

**Chief Financial Officer**



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**MA Lukhaimane**

**Pension Funds Adjudicator**



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**U Kamlana (FSCA Commissioner)**

**Accounting Authority**

**Approved by:**

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**E Godongwana (Minister for Finance)**  
**Executive Authority**

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1 APRIL 2022 – 31 MARCH 2023

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## DEFINITIONS

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<b>ACT</b>	Pension Funds Act, 24 of 1956;
<b>BCM</b>	Business Continuity Management
<b>FSCA</b>	Financial Sector Conduct Authority
<b>FSR Act</b>	Financial Sector Regulation Act, 9 of 2017
<b>HR</b>	Human Resources
<b>ICT</b>	Information and Communications Technology
<b>NCU</b>	New Complaints Unit
<b>OPFA</b>	Office of the Pension Funds Adjudicator
<b>Adjudicator</b>	Pension Funds Adjudicator and/or Deputy Pension Funds Adjudicator
<b>PFA</b>	Pension Funds Adjudicator
<b>DPFA</b>	Deputy Pension Funds Adjudicator
<b>CFO</b>	Chief Financial Officer
<b>PFMA</b>	Public Finance Management Act, 1 of 1999

## **PART A: OUR MANDATE**

### **1. Legislative and policy mandates**

The Office of the Pension Funds Adjudicator is a PFMA Schedule 3A entity established in terms of section 30B of the ACT with effect from 01 January 1998 to investigate and determine complaints lodged in terms of the ACT. It is funded in terms of section 237 of the FSR Act by way of levy imposed by national legislation and collected by the FSCA.

The mandate of the OPFA in terms of section 30D of the ACT is to ensure a procedurally fair, economical and expeditious resolution of complaints by:

- Ensuring its services are accessible to all;
- Investigating complaints in a procedurally fair manner and;
- Reaching a just and expeditious resolution of complaints in accordance with the law.

### **2. Institutional Policies and Strategies over the five year planning period**

The OPFA is guided by its mandate and is committed to achieving its strategic goals and contribute to social protection of consumers of pension products and services by:

- Being a trusted, independent and impartial Pension Funds Adjudicator
- An organisation that leads by example and committed to service excellence
- Providing access to consumers
- Educate and inform consumers of their rights
- Establish meaningful and collaborative relationships with stakeholders

The OPFA's strategic objectives over this period focus on discharging the mandate of the OPFA; improving and maintaining its operations and having informative and value adding interactions with its stakeholders. Namely:

- Strategic goal 1: Dispose of complaints received
- Strategic goal 2: Achieve operational excellence
- Strategic goal 3: Effective Stakeholder Engagement

The OPFA is committed in the National Development Plan 2030. The OPFA holds role players in the retirement fund industry to account as it reinforces measures put in place by the State (Social Protection) to make pensions safe and sustainable. By resolving complaints, the OPFA lays the basis for more acceptance of envisaged mandatory savings. Through its involvement in the various tertiary institutions providing pension law training, the OPFA supports the development of specialised pension law programmes (further education and training), that in turn lay the basis for universities to conduct research in the sector.

Through its organisational development activities the OPFA strives to create a society where equal opportunities are granted and employees demonstrate their participation by accepting that they have both rights and responsibilities (nation building and social cohesion).

## **PART B: OUR STRATEGIC FOCUS**

### **3. Situational analysis**

#### ***Performance environment***

The OPFA has jurisdiction over complaints of over 10 million active members of pension funds in privately administered and underwritten funds registered in terms of the ACT. This environment has a majority of unskilled and low-skilled employees that are accommodated in large industrial sector funds or umbrella funds. There is a prevalence of non-compliance with fund contributions as required by the ACT in industrial sector funds and umbrella funds.

The 2020/21 financial year saw the office receive 7 014 complaints, representing a 37.25% reduction from the prior year and 10 940 matters were finalised. The number of complaints closed included those that were carried over from 2019/20 and represented an increase of 13.93% in complaints finalised when compared to the prior year. During this period the OPFA revised its processes and procedures by introducing the referred-to-fund process in the second half of the year. This process requires that all premature complaints (those complaints not referred to fund/employers/administrators) be referred to the other party to resolve with the complainant before such a complaint is lodged with the OPFA. This has allowed the OPFA to reduce its lead times as mostly ripe complaints would remain unresolved between the parties and lodged for formal resolution.

Furthermore, the office did its best to finalise complaints expeditiously despite the fact that funds that generate the largest number of complaints continue to delay responses and take longer than the prescribed 30 day period. This behaviour stretches the organizational capacity and puts unnecessary strain on case officers who are expected to send multiple reminders to funds to file responses on matters that are mostly straightforward. The stability in the management team assisted in coping with a difficult operating environment.

The effectiveness of the OPFA to meet its mandate should be measured against the backdrop of applicable regulatory prescripts. The operational efficiency of the organisation is impacted by the relationship and response rate of key stakeholders as required by our

regulatory prescripts as exercised by the FSCA. The critical stakeholders that influence our operational efficiency in resolving complaints are the following:

- Members/Complainants;
- Retirement funds;
- Administrators;
- Employers and;
- Value chain providers i.e. actuaries, asset managers, life insurers

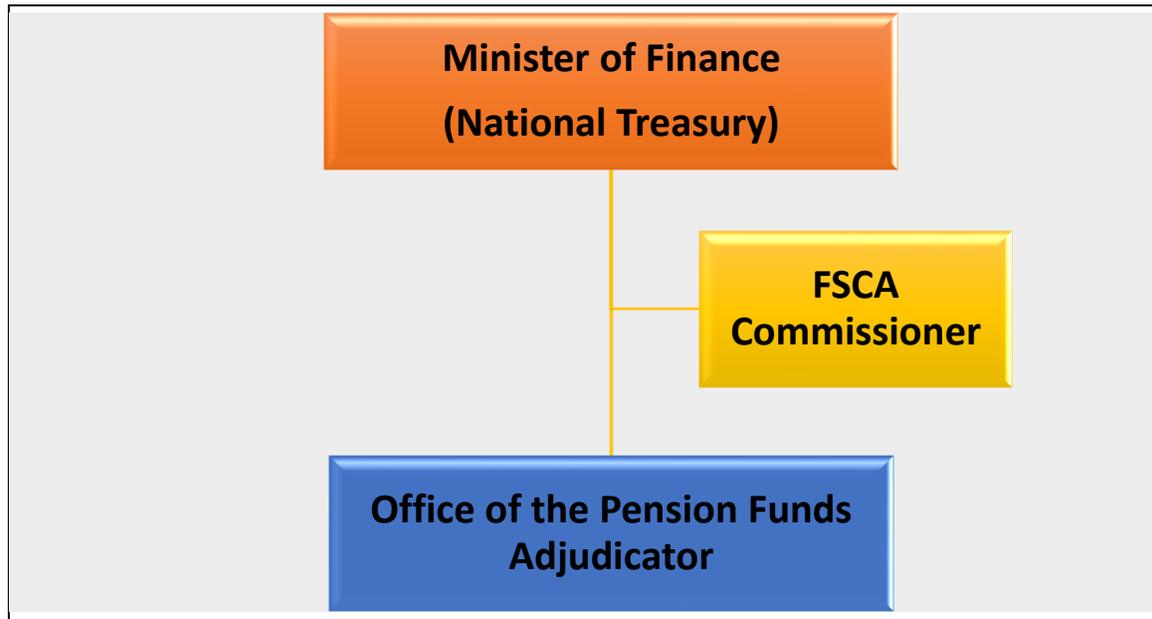
### ***Organisational environment***

The PFA is the Accounting Officer and reports to the Minister of Finance in terms of the ACT. The OPFA is a Schedule 3A listed entity in terms of the PFMA. The FSCA Commissioner is the Interim Accounting Authority of the OPFA until the Financial Services Ombud Schemes Council is established and Chapter 14 is fully effective, which is expected to be 01 April 2022. The OPFA is engaging with National Treasury on this matter and will continue to evaluate the impact on its strategy and operations.

The OPFA makes use of the governance subcommittees of the FSCA in its functioning and accountability. The governance subcommittees comprise of a Risk Committee, an Audit Committee, a Human Resources, Social and Ethics Committee and Remuneration Committee and serve to advise the Commissioner on oversight work conducted at the OPFA.

The OPFA is audited by the Office of the Auditor General as its external auditors and outsources its internal audit function to optimise independent overall assurance regarding the adequacy and effectiveness of organisational processes, risk management, governance and control environment.

### OPFA Governance Structure



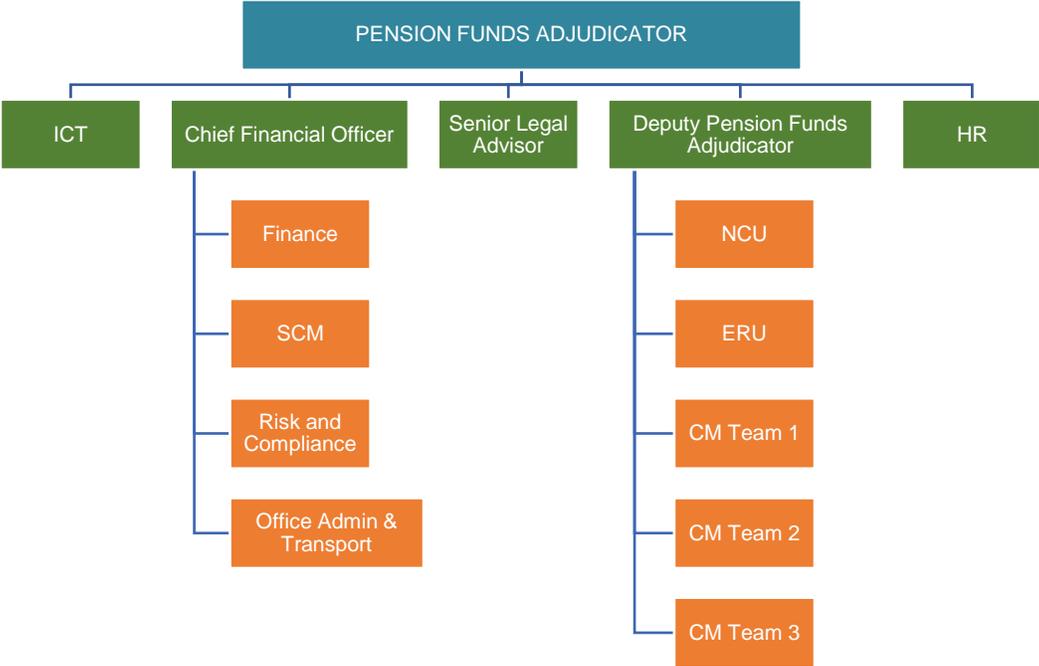
The organisation had a staff complement of 62 as at September 2021 including the Management committee. The operations are structured into two major inter-dependent functions, adjudication and corporate support services. The adjudication function consists of 3 departments, New Complaints Unit, Early Resolution Unit and Case Management.

The ERU is responsible for the referred-to-fund process where complaints are referred to respondents to provide an opportunity to resolve using own internal dispute mechanism. NCU department receives and allocates new complaints to the case management teams. The case management teams investigate complaints, where possible pursue settlements, refer matters for Conciliation and draft determinations in terms of section 30M of the ACT. Where determinations are drafted, these are then submitted to the Adjudicator for consideration and finalisation. The Investigation phase is aimed at soliciting further information in respect of complaints from the parties concerned. The Adjudicator approves and signs off determinations.

The corporate support function consists of the following departments which are led by the CFO:

- *Finance Department* — is responsible for the management of financial resources of the OPFA in terms of the ACT, the PFMA and Treasury Regulations, Supply Chain Management and Office Administration.
- *Operations Department* – is responsible for all operations that include ICT, Library and Risk and Compliance. The OPFA leverages off the FSCA’s sound ICT environment as most of its ICT infrastructure, maintenance and support is managed by the FSCA in terms of a service level agreement.

The illustration below presents a picture on how the operations of the OPFA are organised:



## ***Internal Environment Analysis***

Over the years the OPFA has developed professional and technical capabilities to address its mandate effectively. As the volume of complaints from the industry increases the organisational capability would need to be bolstered to ensure continued operational efficiency. This is one of the underlying reasons for recruiting a DPFA and consolidating corporate services to the CFO's office.

The current strengths of the organisation as listed below are viewed as sufficient to cope with both the volume and complexity of the current challenges. The predicated future demands may require a review and upgrade in our existing capabilities. The current weaknesses of the organisation will receive attention by the management team in the coming financial year.

The current organisational strengths and weaknesses are listed below:

### ***Organisational Strengths***

<b><i>Capability</i></b>	<b><i>Description</i></b>
<b><i>Human resources</i></b>	<ul style="list-style-type: none"><li>• Commitment by staff to achieve the mandate</li></ul>
<b><i>Stakeholder relations</i></b>	<ul style="list-style-type: none"><li>• Good relations with National Treasury and the accounting authority</li><li>• Satisfactory level of co-operation and respect from the Industry and the Regulator</li></ul>
<b><i>Operational efficiencies</i></b>	<ul style="list-style-type: none"><li>• Continued improvement of business processes and overall performance.</li><li>• Tender processes are transparent</li><li>• Service providers paid every 2 weeks</li></ul>
<b><i>Governance</i></b>	<ul style="list-style-type: none"><li>• Stable and experienced accounting authority during the transition period</li></ul>

	<ul style="list-style-type: none"> <li>Track record of compliance with the PFMA and AGSA audit requirements</li> </ul>
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The strength of these current capabilities enables the organisation to maintain its current efficiencies, performance and sound relationships with key stakeholders.

### **Organisational Weaknesses**

<b>Capability</b>	<b>Description</b>
<b>Human resources</b>	<ul style="list-style-type: none"> <li>Organisational development not refined</li> <li>Limited skilled pool of adjudicators and case managers for complaints resolution with pension law experience</li> </ul>
<b>Operational efficiencies</b>	<ul style="list-style-type: none"> <li>The standard resolution time of six months remains long</li> <li>IT infrastructure not being utilised optimally</li> <li>Outdated internal records management and data warehousing systems. The OPFA needs to improve its records management systems to ensure that no internal records are misplaced or lost</li> </ul>

The current strategic plan includes initiatives to address the identified weaknesses in Human Resources and operational efficiencies. This includes a measurable timeframe regarding filling of key vacancies and a commitment to clean administration as an organisation. The ICT environment is currently under restructuring to align capabilities with strategic goals of the organisation. This is to ensure that the newly upgraded infrastructure and improved systems support business and create efficiencies.

There are also issues that emerge from the external environment that will receive the attention of both the accounting authority and the Management team in the coming financial period.

## ***External environment analysis***

### ***Covid-19***

South Africa remains under a state of disaster declared in terms of the Disaster Management Act, 2002 due to the Covid-19 pandemic since 1 March 2021. South Africa has experienced three waves of high infections since the commencement of the state of disaster and it is expected that a fourth wave is likely to happen with the state of disaster expected to be renewed monthly going into 2022.

The OPFA has strictly adhered to regulations published under the disaster legislation and implemented measures such as mandatory face masks, hand and work-station sanitization, body temperature checks, social distancing, remote working, and rotation of staff attending the workplace. The measures implemented have naturally influenced the OPFA's efficiencies although much effort has gone into ensuring that minimal disruption was caused to service delivery. A high percentage of staff have reported being vaccinated against the virus and the OPFA will continue to encourage staff being vaccinated. A mandatory vaccination policy is being considered with due regard to the individual rights of staff members.

As reported in the OPFA Annual Report 2020/2021, there has been a correlation between the reduced number of complaints received and the national lockdowns which limited the number of walk-in complainants. With vaccinations on the increase and experts predicting that the fourth wave will be of a milder effect than its predecessors, it is likely that the number of walk-in complaints will resume to the trends experienced prior to 2020.

The FSCA Annual Report 2020/2021 reported that in June 2020, a survey by the FSCA showed that in nearly 40% of active retirement funds, the employer was in some form of financial distress because either they or/and employees approached the fund to ask for a temporary suspension or reduction of retirement contributions due to Covid-19 lockdowns. Several employers have also gone through liquidations, thereby impacting funds and members. The termination of funds is of concern as it places fund members in precarious future financial positions. This is likely to result in an increase in complaints pertaining to exit benefits unless proper communication is put in place by the respective retirement funds. It

is also foreseeable that the much reported upon issue of arrear contributions will not be resolved.

### ***Legislative changes***

#### **Financial Sector Regulation Act**

South Africa is well underway to implementing a Twin Peaks model of regulation in its financial sector. The introduction of the Financial Sector Regulation Act, 2017 (“FSR Act”) and the establishment of the FSCA was one of the first major steps taken towards achieving this objective. The FSR Act also made consequential amendments to the Pension Funds Act, 1956 (“PF Act”) and other financial sector legislation, which included amendments affecting the OPFA.

The evolution of the Financial Services Appeal Board into the Financial Services Tribunal (“FST”) was one such amendment as it brought within the ambit of the FST’s jurisdiction decisions made by the Adjudicator. The FST has been in operation since 2018 and has been a welcomed process for the quick and cost-efficient resolution of an aggrieved party’s grievance. Decisions made by the FST have shaped some of the OPFA processes to ensure that parties are not unduly prejudiced. It is expected that during the next period, sufficient data will be available to analyse trends arising from FST decisions.

#### **FSR Ombuds System Revision**

Amendments to the FSR Act have been proposed in the FSR Ombuds Revision which will have a direct effect on the OPFA. It is proposed that Chapter VA of the PF Act (which established the OPFA), be transferred into the FSR Act. Similar proposals have been made in respect of the FAIS Ombud. Along with the proposed transfer, is a name change for the Adjudicator to be called the “Retirement Funds Ombud” and for the PF Act to be renamed the “Retirement Funds Act”. This is obviously in line with the project that has been underway by National Treasury and the FSCA to eliminate unnecessary jargon and for all types of pension funds to fall within the umbrella term “retirement fund”. If these changes are implemented during the upcoming period, it will present an opportunity for not only rebranding

but also for an awareness campaign subject, obviously, to any lockdowns and Disaster Management regulations.

The mandate of the OPFA may also be extended via the expansion of the definition of “complaint”. The proposed amendment seeks to carry over the current requirements set out in the definition and also introduce “advice” in relation to a retirement fund and types of complaints that may be specified by the Ombud Council. This will naturally necessitate upskilling of the professional staff to handle the new types of complaints that may be received.

The proposed amendments also enable the sharing of information between ombuds and the regulator. This is positive as it creates an opportunity to establish a system for the exchange of information the objective of which should be to reduce systemic issues giving rise to common types of complaints in specific retirement funds.

### COFI Bill

Whilst the FSR Act was intended to legislate for the manner in which the regulators and ombuds conduct themselves, the Conduct of Financial Institutions Bill (“COFI Bill”) is intended to legislate for the manner in which financial institutions such as retirement funds are expected to conduct themselves.

The second draft of the COFI Bill was published for comment and the OPFA took up the opportunity to submit comments on the draft. In the second draft, certain consequential amendments to the PF Act were proposed which if passed would likely have a significant impact on the OPFA’s mandate. Of importance, was the proposals made pertaining to section 37C of the PF Act which deals with the manner in which death benefits in a pension fund should be disposed of. The proposed amendments appear to have been not well thought through and if adopted would serve to create significant confusion in the industry and impact on the complaints that would have to be dealt with by the OPFA. In the OPFA comments, it was accordingly proposed that a full consultation process takes place which must include workshops held with relevant stakeholders in the retirement funds industry

before any amendments to section 37C are effected. If the proposal is accepted by National Treasury, this will present an opportunity for the OPFA to engage meaningfully with the relevant stakeholders on the appropriate ways in which the issues pertaining to section 37C of the PF Act can be addressed.

It is intended that all conduct issues will be exported from the PF Act into the COFI Bill as an overarching piece of legislation that applies to the conduct of all financial institutions, including retirement funds. The sectoral legislations that currently exist are expected to be repealed either in whole or in part. It is also expected that the prudential issues relating to the financial soundness of retirement funds will remain within the PF Act. Conduct issues pertaining to specific types of financial institutions is expected to be addressed in conduct standards issued by the FSCA.

### Conduct Standards

The publication of conduct standards in terms of both the FSR Act and COFI Bill will also form part of the legislative framework that retirement funds will be expected to abide. Naturally, these are also likely to form the basis of complaints received by the OPFA.

The publication of conduct standards for comment are usually published on the FSCA website and a period of at least 30 days is allowed for comment. In the past, the FSCA published a conduct standard pertaining to section 13A and the collection of arrear contributions, which is yet to be finalised. The OPFA made submissions to the FSCA on the proposed conduct standard.

It is anticipated that there will be various other conduct standards issued by the FSCA relating to retirement funds for comment and the OPFA will most likely make submissions to the FSCA for consideration prior to the finalisation of any conduct standards. A similar process will obviously apply for prudential standards and joint standards.

### Annuitisation of provident funds

The T-Day reform and changes to the Income Tax Act took effect on 1 March 2021 and provides for the compulsory annuitization of provident funds. The changes only affect members who are retiring (not withdrawals) and will not affect members who are over 55 years of age on 1 March 2021. Vested rights will not be affected and it is subject to the *de minimus* amount of R247 500. Given that vested rights have been afforded protection, the OPFA is only likely to see complaints pertaining to the T-Day reform arising in the next period.

### Ombud Council and Chief Ombud

The FSR Act also established the Ombud Council (“OC”) and the Chief Ombud. The OC will consist of the Chief Ombud, the Commissioner (of the FSCA), and at least four, but not more than six, other members appointed by the Minister of Finance.

The OC is empowered to:

- make rules relating to ombud schemes including governing rules, definitions of types of complaints to be dealt with by specific ombud schemes, dispute resolution processes, and any rule that is appropriate and necessary for ensuring that financial customers have access to, and are able to use affordable and effective independent and fair alternative dispute resolution processes for complaints about financial institutions in relation to financial products, financial services, and services provided by market infrastructures.
- issue directives to a person who is an ombud, or to an ombud scheme, requiring the person to take action specified in the directive if the person has contravened or is likely to contravene a financial sector law in so far as it relates to ombud schemes.
- accept written enforceable undertakings by an ombud scheme regarding the ombud scheme’s future conduct in relation to a financial sector law in so far as it relates to ombud schemes.
- commence proceedings against an ombud scheme in the High Court for an order to ensure compliance with a financial sector law in so far as it relates to ombud schemes.
- make a debarment order in respect of a natural person if the person has contravened a financial sector law in so far as it relates to ombud schemes, or an Ombud Council rule; or attempted, or conspired with, aided, abetted, induced, incited or procured another person to contravene a financial sector law in so far as it relates to ombud schemes.

- impose an administrative penalty on an ombud scheme, a member of the governing body of an ombud scheme, or an ombud.
- the OC may also conduct supervisory on-site inspections and investigations on ombud schemes, as well as request specified information from an ombud scheme which is relevant to the OC's assessment of compliance by the ombud scheme with a financial sector law in so far as it relates to ombuds; an OC rule; a directive issued by the OC; or an enforceable undertaking accepted by the OC.

In essence, the OC acts inter alia as a regulator of ombud schemes and the OPFA will be subjected to such regulation. It is anticipated that the OC may determine certain reporting requirements to assess compliance by ombud schemes. The OPFA has started engaging with the interim Chief Ombud and making available all requested information to assist the Ombud Council in performing its mandate.

### POPIA

On 01 July 2021 the Protection of Personal Information Act ("POPIA") became fully effective since Parliament assented to it in 2013. Even though the adjudication work is not affected as it is exempted from POPIA, the OPFA has adapted its policies accordingly and complies with POPIA as far as other corporate records are concerned. The OPFA had embarked on a readiness project since August 2020 and held training and awareness sessions for all its staff members. It also registered the Information Officer (Adjudicator) and Deputy Information Officer (Senior Legal Advisor) within the prescribed timelines. The OPFA is keeping abreast with developments and continues to take steps to embed the POPIA requirements in its processes and work procedures.

### ***World Bank Group report***

During 2021, the World Bank Group ("WBG"), as commissioned by National Treasury, published a report in terms of which it evaluated the current financial-sector ombud system in South Africa, compared it against international good practice, and recommended reforms to provide good-quality outcomes and good value for money for the future.

The report proposes consolidation of all of the industry ombud schemes (the Banking, Credit, LTI, STI, and JSE Ombuds) plus that of the statutory FAIS Ombud into a non-statutory National Financial Ombud (NFO). Further, it proposes that the OPFA evolve into Retirement Funds Ombud (RFO) and be retained separately. The reasons for a separate retention, which should be reviewed after 5 years, include the avoidance of further complexity to an already complex transition, and to allow for the non-payment of pension contributions to be resolved by FSCA before consolidation.

The OPFA has made submissions to National Treasury on whether the proposed NFO should be statutory or non-statutory. The OPFA is of the firm view that the NFO should be statutory scheme. Plans are underway for implementation in consultation with all stakeholders.

The current external environment presents the following opportunities and threats:

***Opportunities***

<b><i>Opportunity</i></b>	<b><i>Description</i></b>
<b><i>Stakeholder relations</i></b>	<ul style="list-style-type: none"> <li>• Digital interaction with stakeholders</li> <li>• OPFA can demonstrate how to operate a public entity with ethical leadership and credible governance</li> <li>• Leverage goodwill of stakeholders to improve on response times.</li> <li>• Develop proactive training programmes for pension fund administrators and board members to reduce complaints</li> <li>• Enhance relationships with media and increased use of channels that reach scattered areas</li> <li>• Participate in legislative reform discussions</li> </ul>

	<ul style="list-style-type: none"> <li>• Conduct public education about OPFA determinations</li> <li>• Establish partnerships with other Ombuds and Consumer bodies</li> </ul>
<b>Operational efficiencies</b>	<ul style="list-style-type: none"> <li>• Invest and maximise on IT capabilities</li> <li>• Promote use of emails to lodge complaints</li> </ul>

### **Threats**

<b>Threat</b>	<b>Description</b>
<b>Human resources</b>	<ul style="list-style-type: none"> <li>• Training requirements for OPFA staff on implementation of extended mandate and amended definition of “complaint”</li> </ul>
<b>Stakeholder relations</b>	<ul style="list-style-type: none"> <li>• Office access to complainants due to restricted movement</li> <li>• Office access to complainants across provinces due to single location in Gauteng</li> <li>• Continuous avoidable misconduct by some pension funds may undermine public confidence in the office and industry</li> <li>• Delay on Twin-peaks transition impact on governance, funding and staff members</li> </ul>

The OPFA considers the emerging opportunities and threats within its capability to respond effectively. The organisation will reposition its stakeholder engagement strategy to respond to its current challenges of misconduct by specific pension funds and enhance its media relations.

## PART C: MEASURING OUR PERFORMANCE

### PROGRAMME 1: DISPOSE OF COMPLAINTS RECEIVED

Purpose: To resolve complaints in a procedurally fair, economical and expeditious manner by complying with the ACT

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual performance			Estimated performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1.1 New Complaints Unit (NCU) to finalise matters received expeditiously	1.1.1 Acknowledge receipt of complaints within 2 working days of such receipt	1.1.1 Percentage (%) of complaints received and acknowledged within 2 working days	New KPI	New KPI	New KPI	<b>Achieved.</b> Within 2 working days	100%	100%	100%
	1.1.2 Refer complete premature complaints to respondents for resolution directly with the complainant within 5 working days of receipt	1.1.2 Percentage (%) of complete premature complaints referred to respondents by the NCU within 5 working days	New KPI	New KPI	<b>Not achieved.</b> 93% of complaints allocated within 5 working days – Received 7 014 complaints.	<b>Achieved.</b> Within 5 working days	100%	100%	100%
	1.1.3 NCU to close complaints	1.1.3 Percentage (%) of complaints	New KPI	New KPI	New KPI	<b>Achieved.</b> Within 2 working days	100%	100%	100%

	allocated for closure within 2 working days as: Abandoned, Withdrawn, Duplicates, Out of jurisdiction	closed by the NCU within 2 working days as: <ul style="list-style-type: none"><li>• Abandoned</li><li>• Withdrawn</li><li>• Duplicates</li><li>• Out of Jurisdiction</li></ul>							
1.2 Dispose of complaints in a procedurally, fair, expeditious resolution of complaints in terms of the ACT	1.2.1 Case Management Unit (CMU) to refer complaints that were initially referred by the NCU to respondents for a reply within 5 working days of receipt from NCU/ER	1.2.1 Percentage (%) of complaints referred by CMU that were initially referred by the NCU to respondents for a reply within 5 working days of receipt from NCU/ER	New KPI	New KPI	New KPI	New KPI	90%	100%	100%
	1.2.2 Finalised complaints with time taken to resolve them	1.2.2 Percentage (%) of complaints finalised within set timeframes	<b>Achieved.</b> Case management teams to finalise 80% of the complaints within six months of receipt, 95% within nine months of receipt	<b>Not achieved.</b> 7 737 matters finalised as follows: 4 991 determinations, 2 170 settlements and 576 deemed to be out of jurisdiction.	<b>Not achieved.</b> 8 708 cases were finalised as follows: 5 245 Determinations, 2 807 Settlements, and 656 Out of jurisdiction. 56% of the complaints	<b>Achieved.</b> To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or	To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or reopened/dela	To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or reopened/delayed due to reasons not within the	To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or

		and 100% within eleven months of receipt.	28% of complaints within six months of receipt, 88% within nine months of receipt and 94% within eleven months of receipt.	finalised within six months of receipt, 83% within nine months of receipt, and 92% within eleven months of receipt. Furthermore , 89 cases were finalised at Case Management as follows: 65 Withdrawn, 6 Abandoned, and 18 Duplicates.	reopened/delayed due to reasons not within the OPFAs control.	yed due to reasons not within the OPFAs control	OPFAs control.	reopened/delayed due to reasons not within the OPFAs control.
1.2.3 Case Management unit to close complaints allocated for closure within 2 working days as: Abandoned, Withdrawn, Duplicates, Out of jurisdiction	1.2.3 Percentage (%) of matters allocated for closure at CMU closed within 2 working days as: <ul style="list-style-type: none"><li>• Abandoned</li><li>• Withdrawn</li><li>• Duplicates</li></ul>	New KPI	New KPI	New KPI	<b>Achieved.</b> Within 2 working days	100%	100%	100%

	<ul style="list-style-type: none"> <li>Out of jurisdiction</li> </ul>							
1.2.4 Minimise percentage of OPFA determinations remitted by the Financial Sector Tribunal (FST) for reconsideration on the same facts	1.2.4 Percentage (%) of OPFA determinations issued remitted for reconsideration by the FST on the same facts	New KPI	New KPI	New KPI	New KPI	≤1% of signed-off determinations remitted on the same facts	≤1% of signed-off determinations remitted on the same facts	≤1% of signed-off determinations remitted on the same facts

## PROGRAMME 2: ACHIEVE OPERATIONAL EXCELLENCE

Purpose: To ensure clean administration and build capacity to optimally deliver on the mandate of the OPFA

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual performance			Estimated performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
2.1 Achieve operational excellence and clean administration and enhance reporting	2.1.1 Management and Audit Report with no material findings that will lead to a qualified opinion.	2.1.1 Unqualified audit opinion	<b>Achieved.</b> Unqualified audit opinion with no material findings	<b>Achieved.</b> Unqualified audit opinion with no material findings	<b>Achieved.</b> Unqualified with no material findings	<b>Achieved.</b> Unqualified with no material findings	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion
	2.1.2 A percentage of valid Supplier invoices paid within 30 days	2.1.2 A percentage of valid OPFA Supplier invoices paid within 30 days	New KPI	New KPI	<b>Achieved.</b> 99.7% of supplier invoices paid	<b>Achieved.</b> 100% of supplier invoices paid	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority
2.2 Achieve operational excellence	2.2 Percentage implementation of the	2.2 Percentage implementation of Employment	New KPI	<b>Not achieved.</b>	<b>Not achieved.</b> 82.76% Black employees	<b>Achieved.</b> 84% African employees	92% Black employees	92% Black employees	92% African employees

and establish an effective value proposition that will ensure that the OPFA attracts and retains talent	employment equity plan	<p>Equity plan for the specific areas:</p> <p>% Black employees (including Asians, Indians and Coloureds)</p> <p>% Female employees</p> <p>% Employees with disabilities</p>		<p>88% Black employees</p> <p>62% Female employees</p> <p>0% Employees with disabilities</p>	<p>56.9% Female employees</p> <p>1.72% Employees with disabilities</p>	<p>55% Female employees</p> <p>1.6% Employees with disabilities</p>	<p>51% Female employees</p> <p>2% Employees with disabilities</p>	<p>51% Female employees</p> <p>2% Employees with disabilities</p>	<p>51% Female employees</p> <p>2% Employees with disabilities</p>
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### PROGRAMME 3: EFFECTIVE STAKEHOLDER ENGAGEMENT

Purpose: To educate consumers and established meaningful and collaborative relationships with stakeholders

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual performance			Estimated performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
3.1 Conduct impactful awareness programmes; build meaningful and collaborative stakeholder relationships	3.1 Implemented activities for stakeholder engagement	3.1 Percentage implementation of activities for stakeholder engagement	<b>Not achieved.</b> 36% implementation of activities in the stakeholder engagement plan	<b>Not achieved.</b> 55% of activities were implemented.  Of the 31 approved activities on the Stakeholder Plan, the following were achieved: 11 stakeholder meetings; 5 conferences and 1 breakfast session.	<b>Not achieved.</b> 63% implementation of activities in the approved engagement plan. 3 x Industry conferences 1 x Group breakfast session with stakeholders 1 x visit to North West University 8 x Media releases .	<b>Achieved.</b> 100% implementation of activities for stakeholder engagement (As listed below):	90% implementation of activities for stakeholder engagement (As listed below):  4 x Industry Conferences and Seminars participation  2 x Group sessions with industry stakeholders  2 x visits to Tertiary institutions  12 x Media releases	90% implementation of activities for stakeholder engagement (As listed below):  4 x Industry Conferences and Seminars participation  2 x Group sessions with industry stakeholders  2 x visits to Tertiary institutions  12 x Media releases	90% implementation of activities for stakeholder engagement (As listed below):  4 x Industry Conferences and Seminars participation  2 x Group sessions with industry stakeholders  2 x visits to Tertiary institutions  12 x Media releases

							1 x Annual Report issued 4 x Outreach programmes (Broadcast/Radio Interviews - Roadshows) 4 x Internal Staff meetings	1 x Annual Report issued 4 x Outreach programmes (Broadcast/Radio Interviews - Roadshows) 4 x Internal Staff meetings	1 x Annual Report issued 4 x Outreach programmes (Broadcast/Radio Interviews - Roadshows) 4 x Internal Staff meetings
3.2 High quality stakeholder service experience and impactful stakeholder engagement	Stakeholder satisfaction survey percentage	3.2 Overall percentage of stakeholder satisfaction survey – the survey will be conducted once every three years	New KPI	<b>Not achieved.</b> 64.14% stakeholder satisfaction rate	<b>Not achieved.</b> 69.22% Stakeholder satisfaction from the Employee Wellbeing Survey.	Not applicable	Not applicable	70% satisfaction rate from Stakeholder satisfaction survey	Not applicable

## INDICATORS, ANNUAL QUARTERLY TARGETS FOR 2022/23

### STRATEGIC OBJECTIVE 1: DISPOSE OF COMPLAINTS RECEIVED

Performance indicator	Reporting period	Annual target 2022/23	Quarterly targets			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.1.1 Percentage (%) of complaints received and acknowledged within 2 working days	Quarterly	100%	100%	100%	100%	100%
1.1.2 Percentage (%) of complete premature complaints referred to respondents by the NCU within 5 working days	Quarterly	100%	100%	100%	100%	100%
1.1.3 Percentage (%) of complaints closed by the NCU within 2 working days as: <ul style="list-style-type: none"> <li>• Abandoned</li> <li>• Withdrawn</li> <li>• Duplicates</li> <li>• Out of Jurisdiction</li> </ul>	Quarterly	100%	100%	100%	100%	100%
1.2.1 Percentage (%) of complaints referred by CMU that were initially referred by the NCU	Quarterly	90%	90%	90%	90%	90%

to respondents for a reply within 5 working days of receipt from NCU/ER						
31.2.2 Percentage (%) of complaints finalised within set timeframes	Annually	To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or reopened/delayed due to reasons not within the OPFAs control.	To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or reopened/delayed due to reasons not within the OPFAs control.	To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or reopened/delayed due to reasons not within the OPFAs control.	To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or reopened/delayed due to reasons not within the OPFAs control.	To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or reopened/delayed due to reasons not within the OPFAs control.
1.2.3 Percentage (%) of matters allocated for closure at CMU closed within 2 working days as:  <ul style="list-style-type: none"> <li>• Abandoned</li> <li>• Withdrawn</li> <li>• Duplicates</li> <li>• Out of jurisdiction</li> </ul>	Quarterly	100%	100%	100%	100%	100%

1.2.4 Percentage (%) of OPFA determinations issued remitted for reconsideration by the FST on the same facts	Annual	≤1% of signed-off determinations remitted on the same facts	Not applicable	Not applicable	Not applicable	≤1% of signed-off determinations remitted on the same facts
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## STRATEGIC OBJECTIVE 2: ACHIEVE OPERATIONAL EXCELLENCE

Performance indicator	Reporting period	Annual target 2022/23	Quarterly targets			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
2.1.1 Unqualified audit opinion	Annually	Unqualified audit opinion	Not applicable	Not applicable	Not applicable	Unqualified audit opinion
2.1.2 A percentage of valid OPFA Supplier invoices paid within 30 days	Quarterly	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority
2.2. Percentage implementation of Employment Equity plan for the specific areas:	Quarterly	92% Black employees 51% Female employees	92% Black employees 51% Female employees 2% Employees with disabilities	92% Black employees 51% Female employees	92% Black employees 51% Female employees	92% Black employees 51% Female employees

<p>% Black employees (including Asians, Indians and Coloureds)</p> <p>% Female employees</p> <p>% Employees with disabilities</p>		<p>2% Employees with disabilities</p>		<p>2% Employees with disabilities</p>	<p>2% Employees with disabilities</p>	<p>2% Employees with disabilities</p>
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### STRATEGIC OBJECTIVE 3: EFFECTIVE STAKEHOLDER ENGAGEMENT

Performance indicator	Reporting period	Annual target 2022/23	Quarterly targets			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
3.1 Percentage implementation of activities for stakeholder engagement	Annually	90% implementation of activities for stakeholder engagement (As listed below):  4 x Industry Conferences and Seminars participation  2 x Group sessions with industry stakeholders  2 x visits to Tertiary institutions  12 x Media releases  1 x Annual Report issued  4 x Outreach programmes (Broadcast/Radio Interviews - Roadshows)	Not applicable	Not applicable	Not applicable	90% implementation of activities for stakeholder engagement (As listed below):  4 x Industry Conferences and Seminars participation  2 x Group sessions with industry stakeholders  2 x visits to Tertiary institutions  12 x Media releases  1 x Annual Report issued  4 x Outreach programmes (Broadcast/Radio Interviews - Roadshows)

		4 x Internal Staff meetings				4 x Internal Staff meetings
3.2 Overall percentage of stakeholder satisfaction survey – the survey will be conducted once every three years	Annually – Once every three years	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

#### 4. Programme Resource Considerations – Annual Budget

ITEM	REVISED ANNUAL BUDGET 2021/22	ANNUAL BUDGET 2022/23	CHANGE IN INCOME/COSTS	% INCREASE - REVISED
<b>REVENUE</b>				
FSCA CONTRIBUTION/LEVY INCOME	(79 302 000)	(83 687 096)	(4 385 096)	6%
SPECIAL LEVY	-	(6 276 532)	(6 276 532)	100%
INTEREST INCOME	(384 000)	(403 000)	(19 000)	5%
<b>TOTAL REVENUE</b>	<b>(79 686 000)</b>	<b>(90 366 628)</b>	<b>(10 680 628)</b>	<b>13%</b>
<b>EXPENDITURE</b>				
AUDITORS REM - EXTERNAL	1 522 325	1 598 441	76 116	5%
AUDITORS REM - INTERNAL	602 295	647 465	45 170	7%
CONSULTING AND PROFESSIONAL FEES	1 667 682	1 738 225	70 543	4%
DEPRECIATION AND AMORTISATION	2 465 315	3 868 000	1 402 685	57%
IT MAINTENANCE AND SUPPORT	5 583 101	6 163 292	580 191	10%
LEGAL FEES	1 053 894	526 947	(526 947)	-50%
LEASE RENTALS	7 590 002	8 197 202	607 200	8%
OTHER OPERATING COSTS	9 281 805	9 983 382	701 577	8%
PERSONNEL COSTS	46 760 518	54 698 081	7 937 563	17%
<b>TOTAL EXPENDITURE</b>	<b>76 526 936</b>	<b>87 421 035</b>	<b>10 894 098</b>	<b>14%</b>
<b>BUDGETED DEFICIT/(SURPLUS)</b>	<b>(3 159 064)</b>	<b>(2 945 593)</b>		
<b>CAPITAL EXPENDITURE</b>	<b>9 600 000</b>	<b>6 276 532</b>	<b>(3 323 468)</b>	<b>-35%</b>
<b>BUDGET SHORTFALL/(SURPLUS)</b>	<b>6 440 938</b>	<b>3 330 939</b>		
<b>FUNDED BY PRIOR YEAR RETAINED SURPLUS</b>	<b>(6 440 938)</b>	<b>(3 330 939)</b>		
AGGREGATE BUDGET SHORTFALL/(SURPLUS)	-	-		
<b>TOTAL OPFA EXPENDITURE 2020/21</b>	<b>86 126 936</b>	<b>93 697 567</b>	<b>7 570 630</b>	<b>9%</b>
<b>ESTIMATED UNUTILISED RESERVES (CONTINGENCY)</b>		<b>5 228 125</b>		

## **Trend analysis**

The OPFA, as part of its strategic objectives review, also assessed its funding, taking into account the reforms in the financial services sector due to implementation of Twin-Peaks and the required resources to deliver on its mandate and additional functions stated in the Financial Sector Regulation Act.

The OPFA derives its revenue in the form of transfers from the FSCA based on the requirements of section 30R of the Pension Funds Act. The OPFA submits a budget based on its estimate of costs to operate to the Financial Sector Conduct Authority and the accounting authority for approval as required by the ACT. A discussion was held with the FSCA Chief Financial Officer on the 2021/22 budget and the medium term, it was agreed that the FSCA will contribute R79.302 million. The budget will be augmented by prior year reserves and savings to fund capital projects.

However, the expectation is from 2022/23 going forward the Levies Bill would have been promulgated as part of the Twin-peaks reforms, to guide the funding model of the OPFA. A levy rate of R7.70 per eligible member has been proposed, which will amount to levy income of R86.24 million as confirmed by the FSCA. The effects of the impact of the Conduct of Financial Institutions Bill were not considered, as the bill is still at initial stages and is expected to be enacted gradually over the medium-term.

## **Economic impact of Covid19 and response**

Since the novel coronavirus was first confirmed in our shores in February 2020, it has had a devastating impact on the domestic economy. This includes mass job cuts across industries which is expected to stabilise in the medium term. This is expected to have a direct impact on the levies imposed from the pension fund industry to fund the OPFA. In drafting this budget, the OPFA incorporated, with available data, the expected impact of the coronavirus on its funding and it undertakes to continue with the following measures in its budget preparation and execution processes (not exhaustive):

- Active Scenario planning and Budget Sensitivity Analysis (Early warning signal)
- Reprioritisation and re-allocation of operational expenditure towards Covid-19 related expenses

- Maintaining a contingency reserve (To be funded by prior year reserves)
- Active cash management processes to increase income opportunities
- Spending ceilings on capital expenditure (Maximum 15% of total budget)
- Deferral of significant capital expenditure to second half of the year (quarter 3 and quarter 4)
- Maintain effective expenditure management and cost containment measures

Further assessment and consideration will be conducted during the 2022/23 financial year where more accurate data on impact of Covid-19 becomes available.

## **Assumptions**

The macro-economic environment is characterised by subdued growth and an economy in recovery with national treasury expecting 1.8% growth in 2022/23 which is expected to curb further job losses that may impact member numbers. CPI is expected to increase to 4.2% in 2022 to a maximum of 4.5% in 2023 as per MTEF guidelines. This will have a direct impact on salaries as a main cost driver and other general expenditure. The OPFA operations are not significantly affected by foreign exchange movements, with only computer licenses for case management system that is due in September of every year and rand to pound exchange rate is expected to remain between R19.00 and R21.00 range. Planned ICT infrastructure projects where equipment may be imported will be monitored throughout the year as possible impact is not quantifiable at this stage. The effects of interest rates are not considered major on this budget as the OPFA does not have any interest-bearing debt but does accrue prime-linked interest on the reserves in CPD account.

## **Revenue**

The OPFA is funded by the Financial Sector Conduct Authority in terms of section 30R of Pension Funds Act 24 of 1956. The OPFA submits a budget based on its estimate of costs to operate to the FSCA and the accounting authority for approval as required by the ACT. In most instances income received from FSCA is only sufficient to cover

the operational expenditure and planned capital spending is funded from prior year reserves.

Total income is expected to increase by 13% in 2020/23 financial year from R79.686 million to R90.367 million. As part of the Twin-peaks implementation, the funding model of the OPFA is expected to change as prescribed by the Financial Sector Levies Bill (Levies Bill) effective 01 April 2022. A levy rate of R7.70 was proposed in the Levies Bill which has been considered in the preparation of this budget. The Levies Bill will also allow for 7.5% special levy for projects which has also been incorporated in the budget.

In October 2021, the FSCA informed the OPFA that based on the new member numbers a total of R83.687 million will be raised from normal levies for operational expenditure, which is 6% increase from the prior year. This will be supplemented by a special levy of R6.276 million (7.5%) that the OPFA is entitled to receive in terms of the Levies Bill to fund projects. The amount to be raised from normal levies is a downward revision due to a decrease in member numbers as a result of jobs lost in the recent past due to the Covid-19 pandemic that has negatively affected the economy. This meant that the OPFA would have to utilise a portion of its reserves to fill the gap but still maintain sufficient cash contingency reserves of R5.228 million as a buffer for unexpected events.

## **Expenditure**

The OPFA has adopted a zero-based budget model in determining its operating and capital expenditure needs. It is committed to continue with exploring creative solutions to ensure costs are contained and its financial resources are allocated efficiently to achieve the best possible returns.

Total operating expenditure is expected to increase by 14.55% from R76.527m to R87.659m, when compared to the 2021/22 budget. This is mainly due to the increase in depreciation allowances (non-cash) owing to the newly acquired computer equipment added to the asset register as part of the ICT infrastructure upgrade project.

There are also increases in the promotions and awareness programmes, foreign travel, seminars, and conferences mainly due to the anticipated relaxations of restrictions which were imposed due to Covid-19. Internet expenses are also expected to increase due to staff working from home.

Since the 2018/19 financial year the OPFA embarked on a project of replacing its old ICT infrastructure and improving its current systems to automate key processes and this project will continue in the medium term. Total capital expenditure is expected to be R10.144 million with R6.276 million funded from the special levy and R3.868 million from non-cash depreciation budget. The main areas of focus will be the continuing upgrade of infrastructure, improved security management and procurement of an ERP System. The investment in ICT is expected to average to just more than R8 million per annum over the next 3 years. The planned investments are to ensure that the organisation's systems are resilient and create efficiencies to meet the increased demands due to changes in landscape for ombud schemes.

In result, the OPFA expects the total budget to increase by 9% to R93.935 million (2021/22: R86.126 million). The increase is mainly due to increase in staff expenditure for new staff members in ICT and Finance, 8% annual escalations from Property rental costs, increase in travel and conferences costs due to the expected easing up of restrictions that will allow the OPFA to revive its stakeholder engagements programme that had been affected by the Covid-19 restrictions. The OPFA will also continue with expenditure on items like Covid19 related expenditure such as training and awareness costs, PPE for staff, hygiene consumables, periodic sanitisation and disinfection of the offices.

## **Reserves**

The National Treasury approved a retention reserve of R18.1 million from the 2020/21 financial year. These related to Operational and Capital Commitments due to be delivered in the 2021/22 financial year and a budget shortfall of R6,441 million to fund the 2021/22 projects. The balance of the reserves will be used to augment the 2022/23 budget shortfall of R3.331 million and contingency reserve for R5.228 million for

unexpected events. Based on past experience, the OPFA expects between 3-5% (+/- R4.6 million) savings in the current budget that will be added the contingency reserves.

### **Overall Resource considerations**

Trends in number of key staff — it is envisaged that the number of key staff will change slightly during the short to medium term to realise the 2022/27 Strategic Plan and 2022/23 Annual Performance Plan. The OPFA has approved SCM Manager and ICT Applications Manager to address new business demands.

Trends in supply of key Inputs — No major change expected, except for amendments transitional implementation of the Financial Sector Regulation Act and added “Equity” mandate.

The OPFA has significant reliance on the FSCA in the maintenance and operational functions of its ICT. This is expected to continue over the short to medium term whilst internal capacity is being developed.

Trends in governance structures — The transitional implementation of Twin Peaks framework is expected to result in changes in the governance structures and increased costs related thereto. However, in the interim the National Treasury appointed the FSCA Commissioner as the Accounting Authority which will be assisted by governance committees appointed by the FSCA Commissioner.

### **Conclusion**

The OPFA funding model is expected to change for the 2022/23 financial year as part of the Twin-peaks implementation. The total OPFA budget is expected to increase by 9% with income expected to increase by 13% due to special levy imposed in terms of the Levies Bill. The budget will be funded from both levy income and retained reserves as approved by the National Treasury. This budget is considered adequate to fund the operations of the OPFA and its key priorities from the 2022/23 financial year.

The key strategic priorities for the OPFA are to respond to and minimise the impact of Covid-19 on its operations, invest in its ICT capacity and capability, intensify consumer awareness using digital platforms, continue to build its technical competence, improved operating efficiencies, and focus on the impact made by the office when resolving complaints. The OPFA is confident that it has the necessary capacity and capability to respond effectively to changes due to Covid-19 and the resources it has at its disposal would be optimised to achieve maximum value and impact, when discharging its mandate.

## 5. Key Risks

Outcome	Key Risk	Risk Mitigation
Dispose of complaints in a procedurally, fair, expeditious resolution of complaints in terms of the ACT	<p>Impact of Covid 19:</p> <ul style="list-style-type: none"> <li>- Risk of service Interruptions and negative impact on organisational outcomes</li> <li>- Non-compliance with Occupational Health and Safety</li> <li>- Funding risk due reduction if levies collected</li> </ul>	<ul style="list-style-type: none"> <li>- Adoption and enforcement of regulations and response measures internally</li> <li>- Regular benchmarking with Department of Health and Labour Covid19 guidelines</li> <li>- Regular budget reviews and realignment</li> </ul>
Dispose of complaints in a procedurally, fair, expeditious resolution of complaints in terms of the ACT	Ineffectiveness and inability to meet the OPFA mandate which may lead to reputational damage for the OPFA and FSCA.	<ul style="list-style-type: none"> <li>- Periodic reporting and escalation to the FSCA on matters of concern, trends and challenges</li> <li>- Real time access by FSCA pensions to OPFA determinations</li> </ul>
Dispose of complaints in a procedurally, fair, expeditious resolution of complaints in terms of the ACT; Achieve operational excellence, Effective stakeholder engagement	Delayed enactment of the Levies on Financial Institutions Bill (Money Bill) – increased risk of underfunding of operational activities.	<ul style="list-style-type: none"> <li>- Continuous engagement with the FSCA, National Treasury and other relevant stakeholders regarding funding of OPFA operations</li> <li>- Implementation of cost-cutting measures</li> </ul>
To ensure established ICT systems support business needs and overall organisational strategy and the OPFA	Cyber security risk which may lead to loss of ICT production time, and a lack of coordinated approach to ICT security management.	<ul style="list-style-type: none"> <li>- ICT security support services consolidated under one contract to improve accountability</li> <li>- Implementation of various technologies,</li> </ul>

risk management strategy		including Firewalls, Antivirus, and Mail filtering)
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**Risk Management and mitigation factors**

The OPFA regards good corporate governance and risk management as a core to the way it conducts its affairs. As such the OPFA has implemented a risk management strategy that provides for a coherent and structured approach in identifying, reviewing and managing the risks of the OPFA. This process is regulated by the establishment of a Risk Committee that meets at least quarterly a year and a management committee that meets on a monthly basis. Risks identified by the organisation are documented in operational risk registers which culminate in an organisational risk register. All risks identified are assessed for their potential impact on the organisation and mitigation plans implemented thereon. The OPFA has also implemented a Fraud and Corruption Prevention strategy and plan in line with its undertaking not to tolerate fraud and corrupt activities. The strategy and plan are monitored in line with OPFA's risk management policy.

## PART D: TECHNICAL INDICATOR DESCRIPTIONS (TID)

### GOAL 1

#### Key Performance Indicator 1.1

<b>Indicator title</b>	<p>New Complaints Unit (NCU) to finalise matters received expeditiously:</p> <p>1.1.1 Percentage (%) of complaints received and acknowledged within 2 working days</p> <p>1.1.2 Percentage (%) of complete premature complaints referred to respondents by the NCU within 5 working days</p> <p>1.1.3 Percentage (%) of complaints closed by the NCU within 2 working days as:</p> <ul style="list-style-type: none"><li>• Abandoned</li><li>• Withdrawn</li><li>• Duplicates</li><li>• Out of jurisdiction</li></ul>
<b>Definition</b>	<p>The indicator measures the percentage of complaints received and acknowledged, assessed and finalised by the New Complaints Unit within set timeframes. Matters are either closed at assessment or allocated to Early Resolution and Case Management teams for processing. Complaints that are prematurely lodged with the OPFA before consideration by the respondent are referred back to the respondents prior to allocation to Early Resolution and Case Management teams for processing. The amount of time taken needs to be measured to ensure that the assessment and refer-to-fund processes from the time a matter is received is efficient.</p> <p>A complete complaint refers to a valid complaint that is supported by the minimum required documentation.</p>

<b>Source/ collection of data</b>	Respond system; quarterly case management reports; email and website automated responses
<b>Method of calculation</b>	<ul style="list-style-type: none"> <li>• Number of complaints received and acknowledged within 2 working days / Number of complaints received x 100 (percentage of complaints received and acknowledged within 2 working days)</li> <li>• Number of complete premature complaints referred within 5 working days / Number of complete premature complaints referred x 100 (percentage of complete premature complaints referred within 5 working days)</li> <li>• Number of complaints closed by the NCU within 2 working days / Number of complaints closed by the NCU x 100 (percentage of complaints closed by the NCU within 2 working days)</li> </ul>
<b>Link to National Development Plan</b>	OUTCOME 13: SOCIAL PROTECTION
<b>Data limitations</b>	Dependent on the accuracy of the Respond system reports
<b>Type of indicator</b>	Output and efficiency
<b>Calculation type</b>	Cumulative
<b>Reporting cycle</b>	Quarterly
<b>New indicator</b>	No
<b>Desired performance</b>	1.1.1 100% 1.1.2 100% 1.1.3 100%
<b>Indicator responsibility</b>	New Complaints Unit Supervisor

## Key Performance Indicator 1.2

<b>Indicator title</b>	<p>1.2.1 Percentage (%) of complaints referred by CMU that were initially referred by the NCU to respondents for a reply within 5 working days of receipt from NCU/ER</p> <p>1.2.2 Percentage (%) of complaints finalised within set timeframes</p> <p>1.2.3 Percentage (%) of matters allocated for closure at CMU closed within 2 working as:</p> <ul style="list-style-type: none"> <li>• Abandoned</li> <li>• Withdrawn</li> <li>• Duplicates</li> <li>• Out of jurisdiction</li> </ul> <p>1.2.4 Percentage (%) of OPFA determinations issued remitted for reconsideration by the FST on the same facts</p>
<b>Definition</b>	<p>Measures the effectiveness and efficiency of the complaints resolution process using a Percentage and time as unit measures. Case Management teams (CMU) includes Early Resolution team, a new unit established to refer matters to funds.</p>
<b>Source/ collection of data</b>	<p>Respond system; quarterly case management reports</p>
<b>Method of calculation</b>	<ul style="list-style-type: none"> <li>• Complaints referred by CMU that were initially referred by the NCU to respondents for a reply within 5 working days of receipt from NCU/ER / Total number of complaints referred by CMU that were initially referred by the NCU to respondents for a reply x 100</li> <li>• Complaints finalised within a specific period / total number complaints finalised x 100 (percentage of complaints finalised within given time)</li> </ul> <p>Finalised – Determinations, Out of jurisdiction (by Case Management teams) and settlement matters.</p>

	<ul style="list-style-type: none"> <li>• Number of matters allocated for closure at CMU closed within 2 working days / Number of matters allocated for closure at CMU x 100</li> <li>• Number of determinations remitted (on the same facts) / total determinations issued x 100 (percentage of signed-off determinations remitted)</li> </ul>
<b>Link to National Development Plan</b>	OUTCOME 13: SOCIAL PROTECTION
<b>Data limitations</b>	Dependent on the accuracy of the Respond system reports
<b>Type of indicator</b>	Output and efficiency
<b>Calculation type</b>	Cumulative
<b>Reporting cycle</b>	Annually (Indicator 1.2.1 and 1.2.3 – Quarterly)
<b>New indicator</b>	Yes – Indicator 1.2.1 and 1.2.4
<b>Desired performance</b>	<ul style="list-style-type: none"> <li>• 90%</li> <li>• To finalise 85% of the complaints within six months of receipt, 100% within nine months with an exception of cases that are under curatorship and/or reopened/delayed due to reasons not within the OPFA's control.</li> <li>• 100%</li> <li>• ≤1% of signed-off determinations remitted on the same facts</li> </ul>
<b>Indicator responsibility</b>	Team leaders: Case Management

## GOAL 2

### Key Performance Indicator 2.1.1

<b>Indicator title</b>	Unqualified audit opinion
<b>Definition</b>	Remain within budget and comply with all regulatory prescripts applicable to the OPFA including the requirements of the PFMA and Treasury Regulations. Ensure financial soundness and clean administration.
<b>Source/ collection of data</b>	External Auditor's report
<b>Method of calculation</b>	No material findings giving rise to a qualified Audit opinion.
<b>Link to National Development Plan</b>	OUTCOME 5: A SKILLED AND CAPABLE WORKFORCE TO SUPPORT AN INCLUSIVE GROWTH PATH
<b>Data limitations</b>	No specific limitations
<b>Type of indicator</b>	Outcome and impact
<b>Calculation type</b>	Non — Cumulative
<b>Reporting cycle</b>	Annually
<b>New indicator</b>	No
<b>Desired performance</b>	Unqualified audit opinion
<b>Indicator responsibility</b>	Chief Financial Officer

### Key Performance Indicator 2.1.2

<b>Indicator title</b>	A percentage of valid OPFA Supplier invoices paid within 30 days
<b>Definition</b>	To ensure supplier invoices are paid on time
<b>Source/ collection of data</b>	Payments made to suppliers
<b>Method of calculation</b>	Total supplier invoices paid within 30 days/ Total supplier invoices paid during period under review

<b>Link to National Development Plan</b>	OUTCOME 5: A SKILLED AND CAPABLE WORKFORCE TO SUPPORT AN INCLUSIVE GROWTH PATH
<b>Data limitations</b>	No specific limitations
<b>Type of indicator</b>	Outcome and impact
<b>Calculation type</b>	Cumulative
<b>Reporting cycle</b>	Quarterly
<b>New indicator</b>	No
<b>Desired performance</b>	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority
<b>Indicator responsibility</b>	Chief Financial Officer

### Key Performance Indicator 2.2

<b>Indicator title</b>	2.2. Percentage implementation of Employment Equity plan for the specific areas:  % Black employees (including Asians, Indians and Coloureds) % Female employees % Employees with disabilities
<b>Definition</b>	To ensure that appropriate talent is recruited, developed and retained to support the execution of the PFA's mandate whilst complying with employment legislation.
<b>Source/ collection of data</b>	Human resources management and EE reports
<b>Method of calculation</b>	Percentage compliance with EE plan for specific areas or National Treasury instruction.

<b>Link to National Development Plan</b>	OUTCOME 5: A SKILLED AND CAPABLE WORKFORCE TO SUPPORT AN INCLUSIVE GROWTH PATH
<b>Data limitations</b>	Change in staff complement may impact on %
<b>Type of indicator</b>	Outcome and impact
<b>Calculation type</b>	Cumulative
<b>Reporting cycle</b>	Quarterly
<b>New indicator</b>	No
<b>Desired performance</b>	92% Black employees 51% Female employees 2% Employees with disabilities
<b>Indicator responsibility</b>	HR manager

## GOAL 3

### Key Performance Indicator 3.1

<b>Indicator title</b>	Percentage implementation of activities for stakeholder engagement
<b>Short definition</b>	Engagement of key stakeholders involved in industry, public and governing bodies to enhance performance, accountability, and public confidence.
<b>Source/ collection of data</b>	Implementation Reports/Agenda/Meeting requests/Minutes of meetings/approval MEMO's/invoices etc.
<b>Method of calculation</b>	% implementation of approved annual Stakeholder Engagement Plan for the identified activities
<b>Link to the National Development Plan</b>	OUTCOME 12: AN EFFICIENT, EFFECTIVE AND DEVELOPMENT ORIENTED PUBLIC SERVICE
<b>Data limitations</b>	No specific limitations
<b>Type of Indicator</b>	Outcome and impact
<b>Calculation type</b>	Non — Cumulative
<b>Reporting cycle</b>	Annually
<b>New indicator</b>	No
<b>Desired performance</b>	<p>90% implementation of activities for stakeholder engagement (As listed below):</p> <p>4 x Industry Conferences and Seminars participation</p> <p>2 x Group sessions with industry stakeholders</p> <p>2 x visits to Tertiary institutions</p> <p>12 x Media releases</p> <p>1 x Annual Report issued</p> <p>4 x Outreach programmes (Broadcast/Radio Interviews - Roadshows)</p> <p>4 x Internal Staff meeting</p>

<b>Indicator responsibility</b>	Deputy Pension Funds Adjudicator
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### Key Performance Indicator 3.2

<b>Indicator title</b>	Overall percentage of stakeholder satisfaction survey – the survey will be conducted once every three years
<b>Short definition</b>	Obtain feedback to improve services provided to complainants and ensure meaningful engagement with the OPFA relevant stakeholders.
<b>Source/ collection of data</b>	Stakeholder engagement satisfaction survey report.
<b>Method of calculation</b>	Measure Overall Percentage/rate of stakeholder engagement satisfaction
<b>Link to the National Development Plan</b>	OUTCOME 12: AN EFFICIENT, EFFECTIVE AND DEVELOPMENT ORIENTED PUBLIC SERVICE
<b>Data limitations</b>	No specific limitations
<b>Type of Indicator</b>	Impact
<b>Calculation type</b>	Non — Cumulative
<b>Reporting cycle</b>	Annually – Once every three years
<b>New indicator</b>	No
<b>Desired performance</b>	70% satisfaction rate from Stakeholder satisfaction survey
<b>Indicator responsibility</b>	Team leaders