ANNUAL PERFORMANCE PLAN

2023/24

March 2023

Minister's Statement

The Office of the Pension Funds Adjudicator presents its Annual Performance Plan during challenging period for the country. South Africa faces a challenging fiscal and economic outlook, and unemployment and inequality remain elevated. To achieve higher, more inclusive economic growth and create jobs, the government must strengthen the capability of the state to deliver services and execute sorely-needed structural reforms.

The enactment of the Financial Sector Regulation Act (Act no. 9 of 2017) indicates government's commitment to reforms in the financial services industry. The Act proposed regulatory transformation in the current ombud system and the establishment of the Ombud Council to enhance the policy goal of improving consumer protection and embedding principles of *Treating Customers Fairly.* In addition, the Act established a Financial Services Tribunal, an independent avenue for aggrieved persons to review decisions of the Pension Funds Adjudicator.

In this transition and reform period, I applaud the efforts demonstrated by the Office of the Pension Funds Adjudicator in discharging its mandate of a fair, cost effective and timely resolution of pension fund relatedcomplaints. Efforts will continue to ensure all reforms implemented and envisaged are for the benefit ofpension fund members.

E Godongwana (Minister for Finance)

Executive Authority

Accounting Authority Statement

I have pleasure in presenting the reviewed 2023/2026 Strategic Plan and 2023/24 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 introduction of performance measures for the reviewed complaints' management process and recommencement of physical stakeholder engagements post 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.

Measurement of the reviewed of complaints' management process

From 1 September 2020, the OPFA adjusted its processes and referred complaints to funds for internal dispute resolution before commencing a formal investigation in terms of section 30A(1) of the Pension Funds Act. Should the complainant remain dissatisfied with the response or receives no response within the prescribed period, then the OPFA proceeds to investigate the complaint. An Early Resolution function was established to be responsible for this Refer-to-fund (RTF) process and report on its performance. The process is now considered sufficiently matured to be measured and two key performance indicators were introduced in the 2023/24 annual performance plan (APP). This process will continue to be monitored and its effectiveness reported on a regular basis to ensure optimal outcomes.

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 accessible, cost effective and efficient.

Conduct of Financial Institutions Bill and Financial Services Levies Bill

The Conduct of Financial Institutions (COFI) Bill and Financial Services Levies Bill (Levies Bill) are being by the National Treasury reviewed and are at an advanced stage. The COFI Bill aims to streamline the legal landscape for conduct regulation in the financial services sector. This includes repurposing the current legislative framework on retirement funds, rebranding the OPFA to Office of the Retirement Funds Adjudicator, widening the definition of what constitutes a pension fund related complaint and ensuring the scope of the OPFA encompasses all relevant products and services. The resources required to execute these reforms are also being reviewed with the Levies Bill due for tabling and consideration in Parliament.

Post-Covid-19 Stakeholder management plan

The OPFA welcomes the repeal of Covid-19 regulations and has already started experiencing increased number of complaints received. It has adopted a hybrid model in its stakeholder engagement plan for the 2023/24 which recommences physical engagement with complaints through outreach programmes and industry engagements via participation in conferences. This will be supplemented by continued use of digital platforms such as webinars, visiting community radio stations, conducting TV interviews and writing articles to enhance education and awareness.

Conclusion

The OPFA is earnestly preparing itself for these impending changes and demands within the financial services ombud space. Over the past 24 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 ability to attract and retain talent and offer competitive remuneration packages.

Over the medium term, the key strategic priorities for the OPFA are in the main to ensure operating effectiveness in complaints management processes; maintain and monitor performance of the RTF process; increase visibility on using a hybrid model to intensify outreach programmes and stakeholder engagements for improved education and 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.

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 agility; 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 easy onboarding, continuous professional development to improve inhouse technical skills and competencies. The ICT capabilities 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. This was exacerbated by Covid-19 which left employers and funds with financial sustainability exposure which filters as pervasive non-compliance with section 13A from our end. The organisation will be focusing on strengthening the engagement with stakeholders such as the FSCA as the regulator, the industry, problematic funds and other stakeholders, to communicate patterns and underlying causes of 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 continue to participate and contribute to developing retirement fund policy, legislation and regulatory amendments in the financial services sector.

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.

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;
- Considers all the relevant policies, legislation and other mandates for which the OPFA is responsible and;
- Accurately reflects the impact, outcomes and outputs which the OPFA will endeavour to achieve over the period 2023 to 2024. The plan will be reviewed throughout this period to consider the effect of the continuing Twin-Peaks implementation, where necessary.

B Makunga

Chief Financial Officer

MA Lukhaimane

Pension Funds Adjudicator

U Kamlana (FSCA Commissioner)

Accounting Authority

Approved by:

E Godongwana (Minister for Finance)

Executive Authority

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DEFINITIONS

ACT	Pension Funds Act, 24 of 1956;
BCM	Business Continuity Management
FSCA	Financial Sector Conduct Authority
FSR Act	Financial Sector Regulation Act, 9 of 2017
HR	Human Resources
ICT	Information and Communications Technology
NCU	New Complaints Unit
OPFA	Office of the Pension Funds Adjudicator
Adjudicator	Pension Funds Adjudicator and/or Deputy Pension Funds Adjudicator
PFA	Pension Funds Adjudicator
DPFA	Deputy Pension Funds Adjudicator
CFO	Chief Financial Officer
PFMA	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 30R of the ACT based on the grounds of a budget submitted to the FSCA and approved by the Accounting Authority and National Treasury.

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;
- Applying, where appropriate, principles of equity;
- Demonstrating regard to the contractual arrangement or other legal relationship between complainants and any financial institution;
- Having regard to the provisions of the ACT and;
- Reaching a just and expeditious resolution of complaints in accordance with the law.

2. Institutional Policies and Strategies over the three 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. Through effective and efficient disposal of complaints, the OPFA lays the basis for more acceptance of envisaged mandatory savings. In addition, through its involvement in the various tertiary institutions providing pension law training or awareness, 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 section 13A of the ACT in industrial sector funds and umbrella funds.

The 2021/22 financial year saw the office receiving 8 858 (2021:7 014) new complaints. New complaints represented an increase of 26.29% from the previous year. Some funds with a high volume of complaints did not submit responses timeously, resulting in delays in the finalisation of complaints. 8 382 (2021:10 940) complaints were closed during this period. The reduction is due to the revised complaint management process. This closure rate represented a decrease of 23.38% from the previous period. Withdrawal benefits remained the highest category of complaints at 45%. Complaints relating to the non-payment of retirement fund contributions (section 13A compliance) came in second at 40%. Complaints relating to withdrawal benefit and section 13A complaints are caused by failure of employers to pay contributions and delays in payment of withdrawal benefits. The number of complaints relating to payment and distribution of death benefits have also increased.

Furthermore, the office did its best to finalise complaints expeditiously closing 94% within six months despite delays in responses from funds taking 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
- FSCA as the regulator of retirement funds

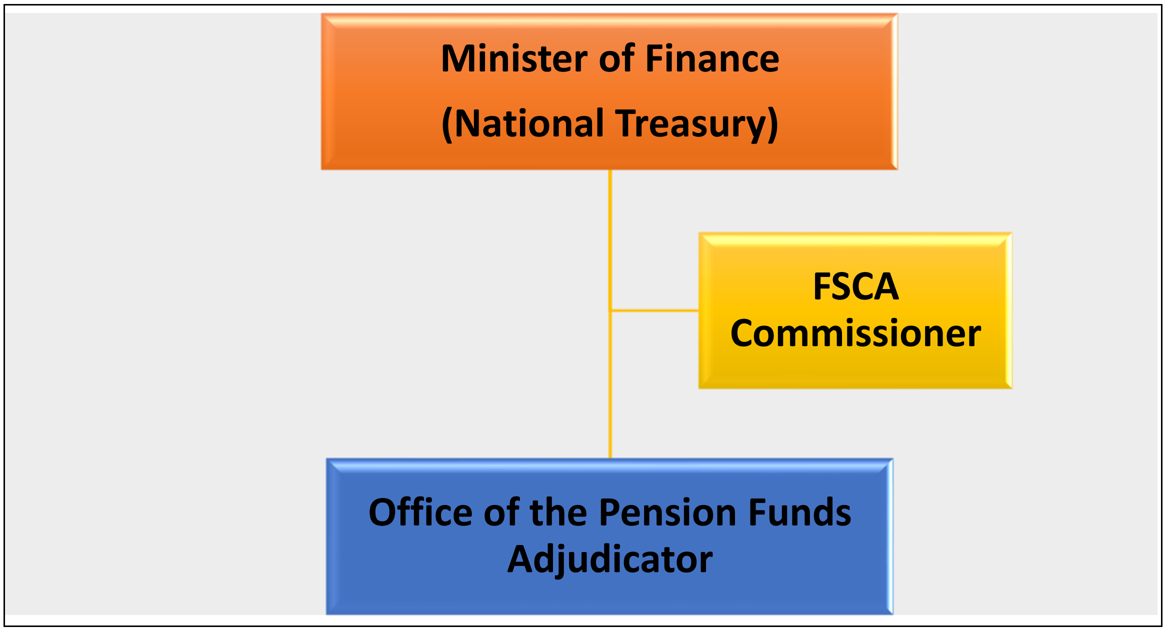
Organisational environment

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 Twin-peaks transition period is fully effective, which is expected to be 01 April 2023. 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 for work conducted at the OPFA.

The OPFA is audited by the Office of the Auditor General South Africa 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 71 as at September 2022 including fixed term contract employees. 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.

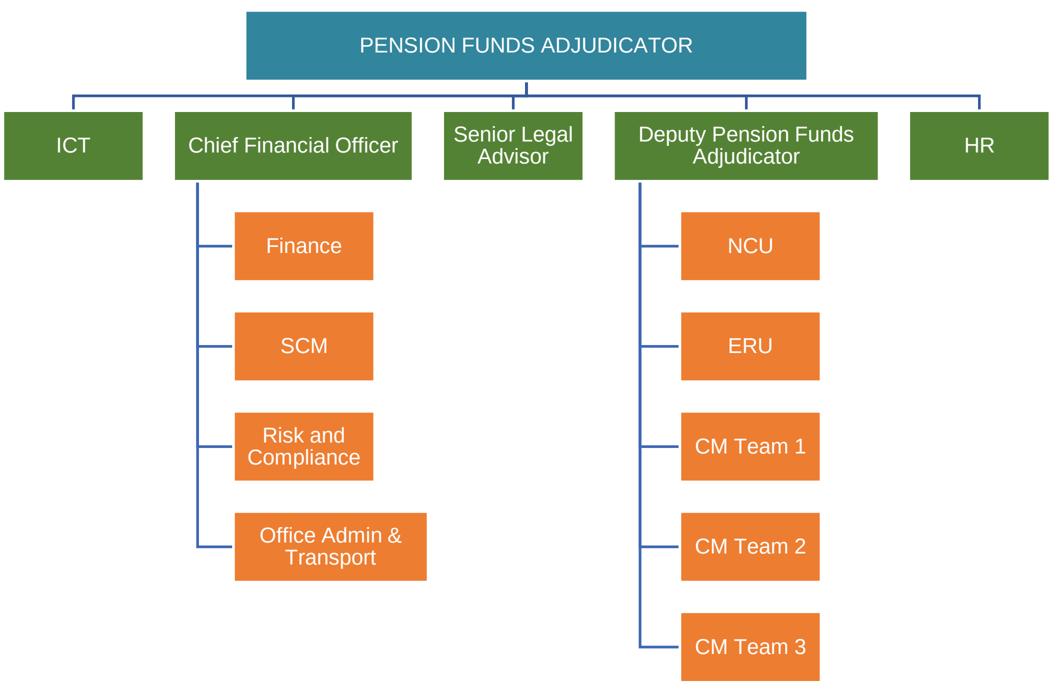
The New Complaints Unit (NCU) timeously registers and assesses new complaints, allocates to the Early Resolution Team (ER) if out of jurisdiction, requests further information if needed, serves parties where a complainant did not liaise with a fund and / or employer prior to lodging a complaint with our office, assesses responses received and allocates to ER and or Case Management Teams (CM). The Early Resolution Team (ER) deals with and close Out of Jurisdiction-matters, assesses RtF-responses received, closes RtF-complaints as Resolved by Fund and or allocate complaints to Case Management Teams (CM) as formal complaints.

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:

- *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 Departments* – is responsible for all operations that include ICT, Human Resources Management, Library Services 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 supporting the filling of the DPFA vacancy to streamline case management operations for optimal performance.

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 predicted future demands may require a review and upgrade in our existing capabilities but this will be done in a measured manner. 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

Capability	***Description***
Human resources	• Commitment by staff to achieve the mandate
Stakeholder relations	• Good relations with National Treasury and the accounting authority • Satisfactory level of co-operation and respect from the Industry and the Regulator
Operational efficiencies	• Continued improvement of business processes and overall performance. • Tender processes are transparent • Service providers paid every 2 weeks
Governance	• Stable and experienced accounting authority during the transition period

The strength of these current capabilities enables the organisation to maintain its current efficiencies, performance, and sound relationships with key stakeholders.

Organisational Weaknesses

Capability	***Description***
Human resources	• Organisational development not refined

	• Limited skilled pool of adjudicators and case managers for complaints resolution with pension law experience
Operational efficiencies	• The standard resolution time of six months remains long • IT infrastructure not being utilised optimally • 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
Governance	• Compliance findings from the AGSA

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.

External environment analysis

Legislative changes

<u>FSR Ombuds System Revision</u>

Amendments to the FSR Act have been proposed in the FSR Ombuds Revision Bill 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 rebranding and an awareness campaign.

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 will also mandate 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.

<u>COFI Bill</u>

Whilst the FSR Act was intended to legislate the manner in which 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.

A third draft of the COFI Bill was provided by National Treasury to the OPFA for comment and the OPFA took up the opportunity to submit comments on the draft. In the third 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. Similar comments were submitted by the OPFA on the second draft of the COFI Bill.

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 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. The OPFA made submissions to the FSCA on the proposed conduct standard and in the final version, many of the OPFA comments were incorporated. The final version of the Conduct Standard was published on 19 August 2022. FSCA Conduct Standard 1 of 2022 (RF) – Requirements related to the payment of pension contributions will become effective on 19 February 2023 or such later date as determined by the FSCA

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.

Ombud Council and Chief Ombud

The FSR Act also established the Ombud Council ("OC") and the Chief Ombud. The OC consists 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 as a regulator of ombud schemes and the OPFA will be subject 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.

<u>POPIA</u>

The OPFA has adopted policies to with POPIA as far as 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 has engaged with the Information Regulator to confirm its position in relation to the handling of complaints by the OPFA i.e. that they form part of the public record and are not subject to POPIA. In the event that the

Information Regulator disagrees, the OPFA may need to apply for an exemption. However, the likelihood of same is not anticipated.

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. The WBG report remains under consideration by National Treasury.

Two-pot system

Comments on the proposed legislative amendments to the Income Tax Act, 1962 incorporating the so-called two-pot system were submit by the OPFA to National Treasury for consideration. The following extract from an article appearing in the BusinessTech website (https://businesstech.co.za/news/business/635385/treasury-and-sars-make-changes-to-south-africas-two-pot-retirement-proposals/) best summarises the current position:

"On 29 July 2022, the 2022 Draft Revenue Laws Amendment Bill was released for public comment, setting out proposals for implementing a new "two-pot" retirement fund system to provide more flexibility for members.

The public comments period closed on 29 August, with National Treasury (Treasury) receiving written comments from 27 organisations and 80 individuals. There have also been workshops and discussions with the Standing Committee on Finance about these proposals.
Broadly, the plan in the draft bill is to create two "pots" for retirement fund members. From the date the new system comes into effect, members will be able to make one taxable withdrawal a year from their "savings pot" (one-third of contributions), but the "retirement pot" (the other two-thirds) has to be preserved until retirement and used to purchase an annuity. There is a third pot, the vested amount in the fund at the implementation date.

Taking public comments into account, Treasury proposes to clarify and amend the draft bill on broader policy issues as follows:

- The implementation date will be postponed from 1 March 2023 to 1 March 2024, although this may still be optimistic in our view
- Members must contribute one-third to the savings pot and do not have the ability to contribute less
- The 12-month period in which one withdrawal will be allowed will be a rolling 12 months
- The minimum withdrawal amount of ZAR 2 000 per rolling 12-month period is gross, not net
- Members exiting a fund with less than ZAR 2 000 in the savings pot will be allowed to withdraw that sum or ask for it to be transferred into their retirement pot
- The ZAR 165 000 de minimis will apply on a cumulative basis to amounts that are subject to annuitisation, i.e., full withdrawal is possible if the total of (i) two-thirds of the vested pot value; and (ii) value in the retirement pot, is less than ZAR 165 000
- Seed funding from the implementation date into the savings pot is possible, with further consultation required on the risks and benefits of this approach, methods to minimise the adverse impact on liquidity, and possible trade-offs on vested rights
- There will be more consultation with the public sector defined benefit funds stakeholders to explore how the new regime will affect these funds and their members, given that members' benefits are based on a defined formula without reference to contributions and investment performance
- Section 37D of the Pension Funds Act (relating to deductions for pension-backed housing loans, divorce settlements, etc.) will have to be amended to cater for the two-pot system and to provide that such deductions must be made from the vested and retirement pots
- The two-pot system will be mandatory for all retirement funds, although Treasury is still considering a request to exempt certain legacy retirement annuity fund products

- The scope and nature of charges levied on transfers from another fund and fund values will be clarified, as the draft bill provided for costs to be deducted from contributions, and fund values arising from transfers from another fund have no contributions by members
- In the event of a member's retrenchment, the government will allow limited income-based withdrawals, subject to conditions, from the retirement pot

On tax policy, Treasury responded to the comments as follows:

- The proposal in the draft bill to credit section 11F of the Income Tax Act (ITA) non-deductible contributions only to the retirement pot will be withdrawn
- Non-deductible contributions will be offset against future years' taxable income, lump sum payments from the vested pot or post-retirement annuity payments (via section 10C of the ITA)
- On death or retirement, the beneficiary or member will be able to choose between a lump sum or annuity payment from the savings pot. Any annuity payments would be taxed at marginal rates (max 45%), and a lump sum would be taxed using the lump sum tables (max 36%). On retirement, the member could also choose to transfer any remaining savings from the savings pot to the retirement pot on a tax-neutral basis
- The draft bill will be amended to allow fund administrators to apply the relevant effective tax rates to withdrawals from the savings pot, including for taxpayers receiving more than one annuity stream. (This will be a similar regime to the paragraph 2(2B) of the Fourth Schedule of the ITA regime where administrators will receive a directive to withhold PAYE at the SARS-calculated effective tax rate.)
- In the case of a taxpayer that chooses to emigrate, the three-year waiting period will not apply to withdrawals from the savings pot, although the rolling 12-month limitation and taxation at marginal rates will apply
- Treasury also intends to rename the different pots (currently "savings", "retirement" and "vested" in the draft bill) to avoid confusion, since what are referred to as "pots" in the draft bill are essentially components of the respective funds.
- Provident fund members who were 55 or older on 1 March 2021 will have the option to participate in the two-pot system. If they do, they will need to select a new product with the "savings pot" feature."

Given that the implementation date has been postponed until 1 March 2024, OPFA staff may require upskilling since the two-pot system is required to be contained in the rules of a fund and would therefore fall within the definition of "complaint".

The current external environment presents the following opportunities and threats:

Opportunities

Opportunity	***Description***
Stakeholder relations	• Digital interaction with stakeholders • OPFA can demonstrate how to operate a public entity with ethical leadership and credible governance • Leverage goodwill of stakeholders to improve on response times. • Develop proactive training programmes for pension fund administrators and board members to reduce complaints • Enhance relationships with media and increased use of channels that reach scattered areas • Participate in legislative reform discussions • Conduct public education about OPFA determinations • Establish partnerships with other Ombuds and Consumer bodies
Operational efficiencies	• Invest and maximise on IT capabilities • Promote use of emails to lodge complaints

Threats

Threat	***Description***
Human resources	• Training requirements for OPFA staff on implementation of extended mandate and amended definition of “complaint’
Stakeholder relations	• Office access to complainants due to restricted movement • Office access to complainants across provinces due to single location in Gauteng

	• Continuous avoidable misconduct by some pension funds may undermine public confidence in the office and industry • Delay on Twin-peaks transition impact on governance, funding and staff members • Branding and awareness requirements for new entity name

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 as mandated by the Pension Funds Act and Financial Sector Regulation Act.

Impact statement: A trusted, independent and impartial Office of the Pension Funds Adjudicator.

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual performance			Estimated performance	MTEF Period		
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
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	**Not achieved** 90% acknowledged within 2 days	**Achieved.** Within 2 working days	90%	90%	90%
	1.1.2 Refer complete premature complaints to respondents for resolution directly with the complainant within 5	1.1.2 Percentage (%) of complete premature complaints referred to respondents by the NCU within 5 working days	New KPI	**Not achieved.** 93% of complaints allocated within 5 working days – Received 7 014 complaints.	**Not achieved** 94% referred to respondents within five working days	**Achieved.** Within 5 working days	90%	90%	90%

	working days of receipt								
	1.1.3 NCU to close complaints allocated for closure within 2 working days as: Abandoned, Withdrawn, Duplicates, Out of jurisdiction	1.1.3 Percentage (%) of complaints closed by the NCU within 2 working days as: • Abandoned • Withdrawn • Duplicates • Out of Jurisdiction	New KPI	New KPI	**Achieved** 100% allocated within 2 working days Abandoned: 392 Withdrawn:30 Duplicates:65 Out of - Jurisdiction:0 Reformuations:2	**Achieved.** Within 2 working days	90%	90%	90%
	1.1.4 ERU to close complaints allocated for closure within 2 working days as: Abandoned, Withdrawn, Duplicates, Out of jurisdiction	1.1.4 Percentage (%) of complaints closed by the ERU within 2 working days as: • Abandoned • Withdrawn • Duplicates • Out of Jurisdiction	New KPI	New KPI	New KPI	New KPI.	90%	90%	90%

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/ERU	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/ERU	New KPI	New KPI	New KPI	New KPI.	90%	90%	90%
	1.2.2 Finalised complaints with time taken to resolve them	1.2.2 Percentage (%) of complaints finalised within set timeframes	**Not achieved.** 7 737 matters finalised as follows: 4 991 determinations, 2 170 settlements and 576 deemed to be out of jurisdiction. 28% of complaints within six	**Not achieved.** 8 708 cases were finalised as follows: 5 245 Determinations, 2 807 Settlements, and 656 Out of jurisdiction. 56% of the complaints finalised within six months of receipt,	**Not achieved** 94% complaints finalised within six, 99% complaints finalised within nine months 7 821 cases were finalised as follows:	**Achieved.** 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 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 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 with an exception of cases that are under curatorship and/or reopened/ delayed due to reasons

		months of receipt, 88% within nine months of receipt and 94% within eleven 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.	Determinations: 3816 Settlements: 2420 Out of jurisdiction: 1585	OPFAs control.			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,	1.2.3 Percentage (%) of matters allocated for closure at CMU closed within 2 working days as: • Abandoned • Withdrawn • Duplicates	New KPI	New KPI	New KPI	**Achieved.** 100%	90%	90%	90%

Out of jurisdiction	• Out of jurisdiction							
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	**Achieved.** ≤1% of signed-off determinations remitted on the same facts	≤1% of signed-off/issued determinations remitted on the same facts	≤1% of signed-off/issued determinations remitted on the same facts	≤1% of signed-off/issued determinations remitted on the same facts

	1.2.5 Finalised complaints with time taken to resolve them by the ERU	1.2.5 Percentage (%) of complaints finalised within 90 days at ERU	New KPI	New KPI	New KPI	New KPI.	90%	90%	90%

PROGRAMME 2: ACHIEVE OPERATIONAL EXCELLENCE

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

Impact statement: An organisation that leads by example and committed to service excellence.

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual performance			Estimated performance	MTEF Period		
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
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	**Achieved.** Unqualified audit opinion with no material findings.	**Achieved.** Unqualified audit opinion with no material findings	**Achieved.** Unqualified audit opinion with material findings relating to compliance	**Achieved.** Unqualified audit opinion 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	**Achieved.** 99.7% of supplier invoices paid	**Achieved.** 100% of supplier invoices paid	**Achieved.** 100% of supplier invoices paid	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved

							delegation of authority	delegation of authority	delegation of authority
2.2 Achieve operational excellence and establish an effective value proposition that will ensure that the OPFA attracts and retains talent	2.2 Percentage implementation of the employment equity plan	2.2 Percentage implementation of Employment Equity plan for the specific areas: % Black employees (including Africans, Indians and Coloureds) % Female employees % Employees with disabilities	**Not achieved.** 88% Black employees 62% Female employees 0% Employees with disabilities	**Not achieved.** 82.76% Black employees 56.9% Female employees 1.72% Employees with disabilities	**Not achieved** 85% (50 of 59) African employees – Achieved 56% (33 of 59) Female employees – Achieved 2% (1 of 59) Employees with disabilities – Not achieved	**Achieved.** 84% African employees 55% Female employees 1.6% Employees with disabilities	92% Black employees 51% Female employees 2% Employees with disabilities	92% Black employees 51% Female employees 2% Employees with disabilities	92% Black employees 51% Female employees 2% Employees with disabilities

PROGRAMME 3: EFFECTIVE STAKEHOLDER ENGAGEMENT

Purpose: To educate consumers of pension related products and services and establish value-adding relationships with internal and external stakeholders.

Impact statement: Informed consumers, established meaningful and collaborative relationships with stakeholders.

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual performance			Estimated performance	MTEF Period		
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
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	**Not achieved.** 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.	**Not achieved.** 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 .	**Achieved.** 92% implementation of activities for stakeholder engagement implemented 12x webinars/industry conference 2x determination releases 15x media engagements 1x Annual report 4x staff meetings	**Achieved.** 100% implementation of activities for stakeholder engagement	90% implementation of activities for stakeholder engagement (As listed below): 4 x Industry Conferences and Seminars participation (Physical and virtual) 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 (Physical and virtual) 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 (Physical and virtual) 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 (Physical and Broadcast/Radio Interviews - Roadshows)

							1 x Annual Report issued 4 x Outreach programmes (Physical and Broadcast/ Radio Interviews - Roadshows) 4 x Internal Staff meetings	1 x Annual Report issued 4 x Outreach programmes (Physical and Broadcast/Radio Interviews - Roadshows) 4 x Internal Staff meetings	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	**Not achieved.** 64.14% stakeholder satisfaction rate	**Not achieved.** 69.22% Stakeholder satisfaction from the Employee Wellbeing Survey.	Not applicable	Not applicable. Not conducted only due in 2023/24	60% satisfaction rate from Stakeholder satisfaction survey	Not applicable	Not applicable

INDICATORS, ANNUAL QUARTERLY TARGETS FOR 2023/24

STRATEGIC OBJECTIVE 1: DISPOSE OF COMPLAINTS RECEIVED

Performance indicator	Reporting period	Annual target 2023/24	Quarterly targets			
			1st	2nd	3rd	4th
1.1.1 Percentage (%) of complaints received and acknowledged within 2 working days	Quarterly	90%	90%	90%	90%	90%
1.1.2 Percentage (%) of complete premature complaints referred to respondents by the NCU within 5 working days	Quarterly	90%	90%	90%	90%	90%
1.1.3 Percentage (%) of complaints closed by the NCU within 2 working days as:	Quarterly	90%	90%	90%	90%	90%

• Abandoned • Withdrawn • Duplicates • Out of Jurisdiction						
1.1.4 Percentage (%) of complaints closed by the ERU within 2 working days as: • Abandoned • Withdrawn • Duplicates • Out of Jurisdiction	Quarterly	90%	90%	90%	90%	90%
1.2.1 Percentage (%) of complaints referred by CMU (that were initially referred by the NCU to respondents for a reply)	Quarterly	90%	90%	90%	90%	90%

within 5 working days of receipt from NCU/ER						
1.2.2 Percentage (%) of complaints finalised within set timeframes	Annually	To finalise 85% of the complaints within six months of receipt 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 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 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 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 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: • Abandoned • Withdrawn • Duplicates • Out of jurisdiction	Quarterly	90%	90%	90%	90%	90%
1.2.4 Percentage (%) of OPFA	Quarterly	≤1% of signed-off/issued determinations	≤1% of signed-off/issued determinations	≤1% of signed-off/issued determinations	≤1% of signed-off/issued determinations	≤1% of signed-off/issued determinations

determinations issued remitted for reconsideration by the FST on the same facts		remitted on the same facts	remitted on the same facts	remitted on the same facts	remitted on the same facts	remitted on the same facts
1.2.5 Percentage (%) of complaints finalised within 90 days at ERU	Annually	90%	90%	90%	90%	90%

STRATEGIC OBJECTIVE 2: ACHIEVE OPERATIONAL EXCELLENCE

Performance indicator	Reporting period	Annual target 2022/23	Quarterly targets			
			1st	2nd	3rd	4th
2.1.1 Unqualified audit opinion	Annually	Unqualified audit opinion	Not applicables	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	Quarterly	92% Black employees	92% Black employees 51% Female employees	92% Black employees	92% Black employees	92% Black employees

Equity plan for the specific areas: % Black employees (including African, Indians and Coloureds) % Female employees % Employees with disabilities		51% Female employees 2% Employees with disabilities	2% Employees with disabilities	51% Female employees 2% Employees with disabilities	51% Female employees 2% Employees with disabilities	51% Female employees 2% Employees with disabilities

STRATEGIC OBJECTIVE 3: EFFECTIVE STAKEHOLDER ENGAGEMENT

Performance indicator	Reporting period	Annual target 2022/23	Quarterly targets			
			1st	2nd	3rd	4th
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 (Physical and virtual) 2 x Group sessions with industry stakeholders 2 x visits to Tertiary institutions 12 x Media releases 1 x Annual Report issued	Not applicable	Not applicable	Not applicable	90% implementation of activities for stakeholder engagement (As listed below): 4 x Industry Conferences and Seminars participation (Physical and virtual) 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 (Physical and Broadcast/Radio Interviews - Roadshows) 4 x Internal Staff meetings				4 x Outreach programmes (Physical and Broadcast/Radio Interviews - Roadshows) 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	60% - satisfaction rate from Stakeholder satisfaction survey	Not applicable.	Not applicable.	Not applicable.	60% - satisfaction rate from Stakeholder satisfaction survey

4. Programme Resource Considerations – Annual budget 2023/24

ITEM	ANNUAL BUDGET 2022/23	ANNUAL BUDGET 2023/24	CHANGE IN (INCOME)/COSTS	% INCREASE/ (DECREASE)
REVENUE				
FSCA CONTRIBUTION/LEVY INCOME	(82 729 529)	(83 687 096)	(957 567)	1%
SPECIAL LEVY	-	(6 276 532)	(6 276 532)	100%
INTEREST INCOME	(403 000)	(427 180)	(24 180)	6%
TOTAL REVENUE	(83 132 529)	(90 390 808)	(7 258 279)	9%
EXPENDITURE				
AUDITORS REM - EXTERNAL	1 598 441	1 694 347	95 906	6%
AUDITORS REM - INTERNAL	647 465	686 313	38 848	6%
CONSULTING AND PROFESSIONAL FEES	1 738 225	1 842 518	104 293	6%
DEPRECIATION AND AMORTISATION	3 868 000	4 100 080	232 080	6%
IT MAINTENANCE AND SUPPORT	6 163 292	7 989 990	1 826 698	30%
LEGAL FEES	526 947	558 564	31 617	6%
LEASE RENTALS AND UTILITIES	8 197 202	9 213 655	1 016 453	12%
OTHER OPERATING COSTS	9 983 382	10 198 073	214 690	2%
PERSONNEL COSTS	54 698 081	58 139 494	3 441 414	6%
TOTAL EXPENDITURE	**87 421 035**	**94 423 034**	**7 002 000**	8%
BUDGETED DEFICIT/(SURPLUS)	**4 288 506**	**4 032 226**		
CAPITAL EXPENDITURE	**6 276 532**	**5 360 000**	(916 532)	-15%
BUDGET SHORTFALL/(SURPLUS)	**10 565 040**	**9 392 226**		
FUNDED BY PRIOR YEAR RETAINED SURPLUS	**(10 565 040)**	**(9 392 226)**		
AGGREGATE BUDGET SHORTFALL/(SURPLUS)	-	-		
TOTAL OPFA EXPENDITURE 2023/24	**93 697 567**	**99 783 034**	**6 085 467**	**6%**

Legislative Mandate

The OPFA is a PFMA Schedule 3A entity established in terms of section 30B of the Pension Funds Act with effect from 01 January 1998 to investigate and determine complaints lodged in terms of the Pension Funds Act and FSR Act. It is funded by the FSCA in terms of section 30R of the Pension Funds Act.

The mandate of the OPFA in terms of the revised section 30D of the Pension Funds Act requires that the Pension Funds Adjudicator, when disposing complaints:

- Applies where appropriate, principles of equity;
- Has regard to the contractual arrangement or other legal relationship between complaints and any financial institution;
- Have regard to the provisions of the Pension Funds Act; and
- Act in a procedurally fair, economical, and expeditious manner

Background and context

As part of the OPFA strategic planning process, three strategic outcomes were considered to ensure optimum performance and allocation of resources in the medium term. These strategic outcomes are stated in the organisational Annual Performance Plan for 2023/2024 namely, (i) to be a trusted, independent and impartial pension funds adjudicator, (ii) an organisation that leads by example and committed to service excellence when resolving complaints, and (iii) establish meaningful and collaborative relationships with its stakeholders.

The OPFA has a set of clearly articulated and measurable strategic objectives to guide its operations to achieve its mission which are aligned to the mandate of the OPFA as stipulated in the Pension Funds Act. They include the timeous resolution of complaints in a procedurally fair and economical manner; building effective relationships with key stakeholders; and striving for operational excellence in its 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 has resolved more than 90 per cent of complaints received within 9 months of receipt over the past financial year while maintaining the same professional level of delivery capacity. Staff continues to work together to streamline processes and share information speedily to maintain our turnaround times without compromising the quality of the output.

During the strategic planning process, it was identified that the organisation requires additional investment for its modernisation ambition to enhance in its current capabilities to ensure a continuous high level of quality and performance when executing its mandate. The 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 OPFA is delivering on its plans of enhancing its current IT systems to provide for a more efficient and resilient environment with strong ICT security controls.

The analysis of complaints from the past financial years continues to indicate a trend of weak governance processes within funds and administrators, failure by employers to pay over/transfer the pension contributions of members to the fund and a failure by funds/administrators to pay benefits when they accrue to members. The organisation will be focusing on strengthening the engagement with stakeholders to address the underlying causes that result in complaints that we consider administrative and avoidable.

For more than 20 years, the OPFA has contributed to providing much-needed access to alternative dispute resolution in a complex area of law. We have contributed to the development of retirement fund policy, legislation and regulatory amendments.

The introduction of the Financial Sector Regulation Act no. 9 of 2017 which establishes the Chief Ombud’s office, and the Financial Services Ombud Schemes Council will enhance the policy goal of improving market conduct and consumer protection in the financial services industry. The expected outcome of these reforms is a significant improvement in embedding the principles of *Treating Customers Fairly* throughout the financial services industry. 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 beneficiaries in a more integrated and streamlined financial services complaints’ management landscape.

OPFA Annual Budget 2023/24 (*Refer to Annexure A for detailed budget)*

The OPFA, as part of its strategic objectives review, has also assessed its funding, taking into account the Financial Sector Levies Act recently enacted and the required resources to deliver on its mandate including additional functions as stated in the Financial Sector Regulation Act. This budget is prepared on accrual basis.

Economic outlook and assumptions

The macro-economic environment is characterised by subdue growth and rising inflation. Economic outlook according to National Treasury expects a 1.6% growth in 2023/24 which is expected to curb further job losses that may impact member numbers. Average inflation numbers for 2023 have increased to 6.1% in the fourth quarter according Statistics SA. This will have a direct impact on salaries as a main cost driver and other general expenditure. Rising inflation compels the Reserve Bank to take necessary monetary policy responses by adjusting the interest rates. Two further interest rate hikes are expected in 2023 and this will have a positive impact on prime-linked investments in the CPD Reserve Bank account. The OPFA does not have interest-bearing debt.

The OPFA operations are not significantly affected by foreign currency exchange movements, with only computer licenses for case management system that is due in September of every year. The assumption is that the rand (ZAR) to pound (£) exchange rate is expected to remain between R19.00 and R21.00 range. Furthermore, expected increase in diesel spend due to load shedding and rising cost of electricity is expected to also have an impact on general expenditure. Planned ICT infrastructure projects where equipment may be imported will be monitored throughout the year, as possible impact is not quantifiable at this stage. It is further assumed that the Financial Sector Levies Act assented to by the President in December 2022, will be effective on 01 April 2023.

Revenue

The OPFA is at present funded by the Financial Sector Conduct Authority in terms of section 30R of Pension Funds Act 24 of 1956 (ACT). The OPFA submits a budget based on its estimate of costs to operate to the FSCA and the FSCA Commissioner as the accounting authority, for approval as required by the ACT. In most instances income received from the FSCA is only sufficient to cover the operational expenditure and planned capital spending funded from prior year reserves.

As part of the Twin-peaks implementation, the funding model of the OPFA is expected to change as prescribed by the Financial Sector Levies Act expected to be effective on 01 April 2023. A levy rate of R7.70 to be imposed on the industry was published in the Levies Act and an estimated value used in this budget, based on registered number of pension fund members was obtained from the FSCA. The Levies Act also imposed a 7.5% special levy to fund operational requirements during the transition period, was incorporated in this budget.

Total revenue income is expected to increase by 9% in 2023/24 fiscal year from R83.133 million to R90.391 million. This is attributable to the Levy Income which constitutes 90% of the OPFA revenue, special levy as per Financial Sector Levies Act which will be in effect for the first three years and interest income from cash management investment with SARB CPD account.

Expenditure

The OPFA has adopted a zero-based budget model in determining its operational 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 outcomes.

Total expenditure is expected to increase by 6% to R99.783 million for current budget year (2022/2023 - R93.698m). The biggest cost drivers at the OPFA are staff costs, depreciation, lease rentals, utilities and ICT maintenance and support, and capital expenditure.

Personnel Costs

Personnel costs represents 58% of the OPFA total budget due to nature of OPFA's business which is service-based and requires employment of qualified professionals. Personnel costs are expected to increase by an average of 6% in 2023/24 financial year to R58.140 million. The is mainly due to the inflation-based salary increases expected in 2023/24.

Lease Rentals and Utilities

Lease Rentals represents the rental amount payable for the OPFA offices as per the lease agreement with the landlord. Utilities budget includes all incidental costs related to running the

OPFA office such as electricity costs, diesel costs for the generator, rates and property taxes. Lease rentals and utilities are expected to increase by 12% from R8.197 million to R9.214 million in the 2023/24 fiscal year. The higher than CPI increase is due to lease rentals increase of 8% per annum based as per the lease agreement in place and relatively high utilities costs considered due to the rising electricity costs and diesel costs for the back up generator.

ICT support and maintenance

ICT support and maintenance is based on support services provided by the service providers to ensure OPFA systems and applications are maintained at acceptable performance levels. The major part related to the ICT support provided by the FSCA ICT team and licenses for OPFA applications. ICT support and maintenance costs will increase by 30% to R7.990 million in the 2023/24. This is due to expected above inflation costs of annual licenses especially for the Case management system that influenced the rate of the pound to ZAR. There has been an increased security costs over the past two years to protect the OPFA environment and its sensitive data. The amount is also attributable to support and maintenance costs attached to the newly acquired IT infrastructure at production and disaster recovery environment.

Depreciation

Depreciation is an accounting term defined as the systematic allocation of the asset's benefits over its useful life. It is a non-cash item that is based on the portion of the expected reduction in the value of the asset in the current budget cycle. The cash equivalent of the depreciation amount is used to plan and fund additional capital expenditure projects in that budget cycle. Depreciation is expected to increase at an average of 6% due to current capital assets levels and expected acquisitions to be finalised at the end of 2022/23 and those budgeted for in 2023/24.

Capital Expenditure

The OPFA capital expenditure is expected to be R9,46 million for the 2023/24 financial year which is lower than the previous year. This will be funded by cash reserves and depreciation as indicated above. This mainly consists of the multi-year ERP project currently underway, ICT infrastructure replacement and furniture replacement costs.

Reserves

The OPFA utilises its reserves to fund its capital expenditure based on the approved retention of surplus in accordance with the PFMA and Pension Funds Act. Furthermore, the newly promulgated Financial Sector Levies Act permits the OPFA to maintain contingency reserves amounting to 7.5% of the total budget. The OPFA applied for a retention of surplus from the National Treasury of R4,619 million and still awaiting approval. The reserves are currently invested with the SARB CPD account. It is expected that the OPFA will have 3-5% of total budget as additional reserves for the 2022/23 financial year. This will add to the contingency reserve fund of 7.5%.

Conclusion

The OPFA funding model is expected to change for the 2023/24 financial year as part of the Twin-peaks implementation as the Financial Sector Levies Act has been approved by the President. The total OPFA budget is expected to increase by 6% with income expected to increase by 9% due to special levy imposed in terms of the Levies Act. The budget will be funded from both levy income and retained reserves from prior years especially for capital expenditure. This budget is considered adequate to fund the operations of the OPFA and its key priorities from the 2023/24 financial year.

The key strategic priorities for the OPFA are to improve operating efficiencies to respond to changing mandate requirements, invest in its ICT capacity and capability, intensify consumer awareness using digital platforms, continue to build its technical competence, and focus on the impact made by the office on its stakeholders when resolving complaints. The OPFA is confident that it has the necessary capacity and capability to respond effectively to changes in mandate, economic challenges expected ahead 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 Risks	Current Controls	Residual Risk Rating	Action Plan	Risk Owner
Dispose of complaints in a procedurally, fair, expeditious resolution of complaints in terms of the ACT	**Inadequate collaboration between FSCA and OPFA**	● Periodic engagement and escalation to the FSCA of matters of concerns, trends and challenges ● Periodic engagements with FSCA Divisional Executive Retirement Funds ● Real time access by FSCA pensions to OPFA determinations	High	● Establish a MOU with the FSCA to facilitate engagement and share information	PFA/DPFA
Dispose of complaints in a procedurally, fair, expeditious resolution of complaints in terms of the ACT	**HR data risk**	● Review signed off records ● Employee checklists in all Employee files ● Partially implemented audit findings of data transferred from manual to electronic system ● All manual employee information has been captured electronically	High	● Managers to submit information timeously and keep copies where necessary ● Monthly monitoring of manual HR records ● Procurement of new HR System ● HR system to provide module for Data Analytics	HRBP/HR Consultant

		● Manual records updated ● Gap and needs analysis conducted for HR system			
Dispose of complaints in a procedurally, fair, expeditious resolution of complaints in terms of the ACT; Achieve operational excellence, Effective stakeholder engagement	**Funding shortfall and uncertainty** (Levy act effective date not yet Gazetted)	● Regular Budget reviews and realignment ● Regular engagements with the National Treasury ● Cost containment measures ● Establishment of a Treasury approved contingency reserve to fund operations	Medium	● Continuous engagement with the FSCA, National Treasury and other relevant stakeholders regarding funding ● Implement cost-cutting measures and optimally utilise reserves ● Establishment of a contingency reserve to fund operations	CFO
To ensure established ICT systems support business needs and overall organisational strategy and the OPFA risk management strategy	**Information and cybersecurity risk**	● Information and Cyber Security Policy in place. ● Consolidated ICT Security managed service with one ICT service provider ● Technology Implemented (Antivirus, Firewall, URL Filtering, Identity Awareness, Anti bot, IPS and Monitoring)	Medium	● Conduct monthly ICT environment vulnerability assessment and remediate, where required ● Conduct a penetration test once per annum ● Conduct/implement regular ICT security awareness interventions for the users	ICT Senior Manager

		● ICT Business Continuity Plan in place		● Update the DR manuals and conduct two ICT DR test per annum ● Perform daily, weekly and monthly backups ● Update identified ICT security standards and guidelines ● Participate in all internal and external audits and remediate any findings identified ● Development of the Information and Cybersecurity Program and Architecture	
Dispose of complaints in a procedurally, fair, expeditious resolution of complaints in terms of the ACT; Achieve operational excellence, Effective	**Changes in legislative framework with regards to Pension Funds**	● Engagements with other stakeholders such as the National Treasury on effective ways to implement changes ● Constant monitoring of developments to ensure readiness ● Update to staff on key developments	Medium	● Development of training interventions in collaboration with FAIS Ombud	PFA

stakeholder engagement		• Submit comments on draft legislation that is proposed • Media articles on the upcoming legislative changes			

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 DESRCIPTIONS (TID)

GOAL 1

Key Performance Indicator 1.1

Indicator title	New Complaints Unit (NCU) to finalise matters received expeditiously: 1.1.1 Percentage (%) of complaints received and acknowledged within 2 working days 1.1.2 Percentage (%) of complete premature complaints referred to respondents by the NCU within 5 working days 1.1.3 Percentage (%) of complaints closed by the NCU within 2 working days as: • Abandoned • Withdrawn • Duplicates • Out of jurisdiction 1.1.4 Percentage (%) of complaints closed by the ERU within 2 working days as: • Abandoned • Withdrawn • Duplicates • Out of Jurisdiction
Definition	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.

	A complete complaint refers to a valid complaint that is supported by the minimum required documentation.
Source/ collection of data	Respond system; quarterly case management reports; email and website automated responses
Method of calculation	• 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). NB. This calculation excludes walk-in complaints as those do not require acknowledgement, they are processed physically in the presence of the complainant. • 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) • 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) as abandoned, withdrawn, duplicates and out of jurisdiction. • Number of complaints closed by the ERU within 2 working days / Number of complaints closed by the ERU x 100 (percentage of complaints closed by the ERU within 2 working days) as abandoned, withdrawn, duplicates and out of jurisdiction.
Link to National Development Plan	OUTCOME 13: SOCIAL PROTECTION
Data limitations	Dependent on the accuracy of the Respond system reports
Type of indicator	Output and efficiency
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	Yes – Indicator 1.1.4
Desired performance	• 90% • 90% • 90% • 90%

Indicator responsibility	New Complaints Unit Supervisor, Early Resolution Manager

Key Performance Indicator 1.2

Indicator title	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/ERU. 1.2.2 Percentage (%) of complaints finalised within set timeframes. 1.2.3 Percentage (%) of matters allocated for closure at CMU closed within 2 working as: • Abandoned • Withdrawn • Duplicates • Out of jurisdiction 1.2.4 Percentage (%) of OPFA determinations issued remitted for reconsideration by the FST on the same facts. 1.2.5 Percentage (%) of complaints finalised within 90 days at ERU.
Definition	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.
Source/ collection of data	Respond system; quarterly case management reports
Method of calculation	• 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/ERU to respondents for a reply x 100 • Complaints finalised within a specific period / total number complaints finalised x 100 (percentage of complaints finalised within given time)

	Finalised – Determinations, Out of jurisdiction (by Case Management teams) and settlement matters. • Number of matters allocated for closure at CMU closed within 2 working days / Number of matters allocated for closure at CMU x 100 • Number of determinations remitted (on the same facts) / total determinations issued/signed-off x 100 (percentage of signed-off/issued determinations remitted) • Complaints finalised within 90 days at ERU / total number complaints finalised at ERU x 100 (percentage of complaints finalised within given time)
Link to National Development Plan	OUTCOME 13: SOCIAL PROTECTION
Data limitations	Dependent on the accuracy of the Respond system reports
Type of indicator	Output and efficiency
Calculation type	Cumulative
Reporting cycle	Annually (Indicator 1.2.1 and 1.2.3 – Quarterly)
New indicator	Yes – Indicator 1.2.1 and 1.2.5
Desired performance	• 90% • To finalise 85% of the complaints within six months of receipt with an exception of cases that are under curatorship and/or reopened/delayed due to reasons not within the OPFA's control. • 90% • ≤1% of signed-off/issued determinations remitted on the same facts. • 90%
Indicator responsibility	Team leaders: Case Management, Early Resolution Manager, Senior Legal Advisor

GOAL 2

Key Performance Indicator 2.1.1

Indicator title	Unqualified audit opinion
Definition	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.
Source/ collection of data	External Auditor's report
Method of calculation	No material findings giving rise to a qualified Audit opinion.
Link to National Development Plan	OUTCOME 5: A SKILLED AND CAPABLE WORKFORCE TO SUPPORT AN INCLUSIVE GROWTH PATH
Data limitations	No specific limitations
Type of indicator	Outcome and impact
Calculation type	Non — Cumulative
Reporting cycle	Annually
New indicator	No
Desired performance	Unqualified audit opinion
Indicator responsibility	Chief Financial Officer

Key Performance Indicator 2.1.2

Indicator title	A percentage of valid OPFA Supplier invoices paid within 30 days
Definition	To ensure supplier invoices are paid on time
Source/ collection of data	Payments made to suppliers
Method of calculation	Total supplier invoices paid within 30 days/ Total supplier invoices paid during period under review
Link to National Development Plan	OUTCOME 5: A SKILLED AND CAPABLE WORKFORCE TO SUPPORT AN INCLUSIVE GROWTH PATH

Data limitations	No specific limitations
Type of indicator	Outcome and impact
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	100% except in cases where the invoice is under a dispute process or requires an approval outside the approved delegation of authority
Indicator responsibility	Chief Financial Officer

Key Performance Indicator 2.2

Indicator title	2.2. Percentage implementation of Employment Equity plan for the specific areas: % African employees (including Asians, Indians and Coloureds) % Female employees % Employees with disabilities
Definition	To ensure that appropriate talent is recruited, developed and retained to support the execution of the PFA's mandate whilst complying with employment legislation.
Source/ collection of data	Human resources management and EE reports
Method of calculation	Percentage compliance with EE plan for specific areas or National Treasury instruction.
Link to National Development Plan	OUTCOME 5: A SKILLED AND CAPABLE WORKFORCE TO SUPPORT AN INCLUSIVE GROWTH PATH
Data limitations	Change in staff complement may impact on %
Type of indicator	Outcome and impact
Calculation type	Cumulative

Reporting cycle	Quarterly
New indicator	No
Desired performance	92% Black employees 51% Female employees 2% Employees with disabilities
Indicator responsibility	HR manager

GOAL 3

Key Performance Indicator 3.1

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

Indicator responsibility	DPFA, Team Leaders

Key Performance Indicator 3.2

Indicator title	Overall percentage of stakeholder satisfaction survey – the survey will be conducted once every three years
Short definition	Obtain feedback to improve services provided to complainants and ensure meaningful engagement with the OPFA relevant stakeholders.
Source/ collection of data	Stakeholder engagement satisfaction survey report.
Method of calculation	Measure Overall Percentage/rate of stakeholder engagement satisfaction
Link to the National Development Plan	OUTCOME 12: AN EFFICIENT, EFFECTIVE AND DEVELOPMENT ORIENTED PUBLIC SERVICE
Data limitations	No specific limitations
Type of Indicator	Impact
Calculation type	Non — Cumulative
Reporting cycle	Annually – Once every three years
New indicator	No
Desired performance	60 % satisfaction rate from Stakeholder satisfaction survey
Indicator responsibility	DPFA, Team Leaders