



Retirement matters seminar (Industry update from PLA conference)

2026



ACTUARIAL SOCIETY
OF SOUTH AFRICA

Advancing Actuarial Excellence

Educate • Develop • Uphold

What is the COFI(Conduct of financial institution) bill?



Overview:

The Conduct of Financial Institutions Bill (COFI Bill) is a comprehensive legislative framework designed to regulate the market conduct of financial institutions in South Africa, including banks, insurers, and retirement funds. It is a key component of South Africa's Twin Peaks model, where prudential regulation is overseen by the Prudential Authority (PA) and market conduct regulation is managed by the Financial Sector Conduct Authority (FSCA),. The bill adopts a principles-based, activity-based, and outcomes-focused approach, requiring institutions to demonstrate that their conduct delivers fair outcomes for customers in practice, not just on paper.

Impact on pension funds:

For retirement funds, the COFI Bill introduces a stronger emphasis on governance, accountability, and member protection. Trustees, fund administrators, and employers are expected to align their governance arrangements and compliance frameworks with COFI's core principles of fairness, transparency, and accountability. This represents a significant shift from the previous regulatory approach, ensuring that pension fund members are better protected and that institutions are held accountable for their conduct.

What is the COFI(Conduct of financial institution) bill?



The Conduct of Financial Institutions Bill seeks to replace multiple industry laws with a single consolidated framework.

- Pension fund Acts
- Collective Schemes Act
- Short and Long Term Insurance Acts
- FAIS
- Other Acts

Aims to consolidate and strengthen market conduct regulation across all financial institutions under a single framework.

COFI Transition



The CoFI Bill introduces significant changes that will redefine conduct of business regulation and supervision, reshaping the financial sector's regulatory landscape.



Impact of the CoFI Bill on the financial sector should not be underestimated



Active stakeholder engagement is essential for successful implementation.



Financial institutions should assess implications across licensing, governance, compliance, and operations—especially over the medium to long term.



Institutions are encouraged to participate in consultations on both the primary and subordinate legislation throughout the reform process.



Update on the legislative process of the COFI bill:

- The first draft of COFI was published in December 2018, followed by a second draft in September 2020.
 - Cabinet approved submission to Parliament on 25 March 2026.
 - The Bill was formally introduced to the National Assembly on 17 April 2026.
 - Promulgation is anticipated in 2026, with a transitional period of approximately three years for institutions to comply.
-

Board actions for arrear contributions



Where the industry stands and where is it going?

- Two pot system:

Members trying to access their savings component have and continue to expose employer non-payment.

The two-pot system revealed employer default on a large scale. Members accessible benefit was lower than expected or absent.

Scale of default prompted both FSCA and Department of employment and labour to take decisive, concurrent regulatory action

- Dual enforcement:

Labour Inspectors can now enforce BCEA section 34A compliance [with proposed Labour Court, CCMA and bargaining councils]; FSCA's existing enforcement powers under the Pension Funds Act.

- CoFI Bill:

The CoFI Bill is positioned as a major transformation of the entire regulatory landscape, shifting the framework from traditional oversight toward a conduct-focused outcomes-based regime emphasising member protection, governance and transparency.

Board actions for arrear contributions



Dual enforcement:

On 13 January 2025, the Minister of Employment and Labour withdrew the 2003 determination that exempted employers from section 34A of the BCEA for benefit fund contributions (including pension, provident, retirement, medical aid and similar funds), meaning labour law enforcement now applies to these payment deadlines. Labour Inspectors can now enforce BCEA section 34A compliance alongside the FSCA's existing enforcement powers under the Pension Funds Act — creating a dual-enforcement regime – Labour inspectors have certain enforcement tools available to them in terms of section 69 of the BCEA.

The CoFI Bill:

Key provisions relating to retirement funds:

- No License, no business
 - Conduct governance
 - Retirement fund members as retail financial customers
 - Expansion of regulatory reach
-

Board actions for arrear contributions



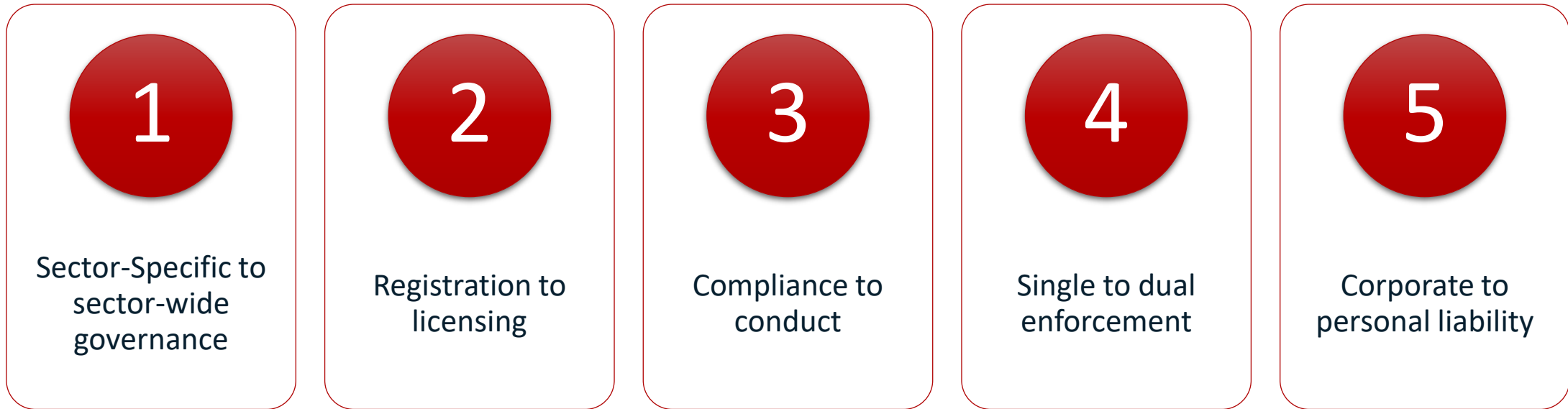
What the two-pot system revealed:

- 7 770 defaulting employers affecting 310 000 members (December 2023)
 - The FSCA received reports of 16 556 employers in contravention of Section 13A of the PFA. (February 2026) . Of these, 6064 employers have been published due to the severity and duration of their arrears.
 - Total arrears are estimated to be R8.33 billion, affecting approximately 590 000 retirement fund members. This represents an increase of R1.04 billion (14.2%) from the R7.29 billion reported as at 31 March 2025.
 - Entities participating in local government funds account for 21.5% of total arrears, while those participating in bargaining council funds contribute 76.9%. Arrears by municipalities in the North-West and Free State provinces remain the most significant within the local government sector, collectively accounting for 79.4% of all municipal arrears.
 - Conduct – criminal Section 37(1)(a) of the PFA
-

Board actions for arrear contributions



Five pillars of the regulatory framework:



Pension fund money forms the cornerstone of most people's retirement security. The era of contribution non-compliance as a manageable administrative risk may be over. The only question that remains is whether everyone in this system has absorbed that reality and acted on it.

Board actions for arrear contributions



Municipal workers retirement fund vs Mafube local municipality and others (1653/2024):

- Directors of Mafube Local Municipality ordered to pay back R14 723 639.52 (R10 210 053.38 + R4 513 586.14).
 - The Municipal Officers do not seem to deny that a municipal manager, a CFO and a mayor do fall within the ambit of section 13A(8)(c) but suggest that because they did not hold the positions at the time (or for the whole period) when the arrear contributions became payable, they cannot be held personally liable. This contention is wrong in law.
 - The current municipal manager, chief financial officer and mayor are personally liable in terms of section 13A(8) if regard is had to the following principles of interpretation set out in Endumeni.
 - The date of appointment and resignation is irrelevant to the liability. What is significant is that the respondents were in office at the time the claim was lodged.
-



South Africa budget speech 2026:

- During the 2026 budget speech it was revealed that south Africa has R88 billion in unclaimed assets.(2022 discussion paper FSCA)
 - The FSCA has also noted that there are over 4.3 million members with unclaimed retirement benefits worth over R51 billion.
 - Following recommendations from the Financial Sector Conduct Authority, National Treasury will introduce reforms to manage these unclaimed benefits through the creation of a central administrator responsible for record keeping and tracing.
-

Conduct standard for 13B administrators



Why does the conduct standard exist?

- The legislature (sets standard and enforcement mechanisms(PFA/CS/FSRA)) gives the FSCA the powers to directly regulate the administrator to ensure the administrator meets the standard that makes it possible for the fund to meet its own obligations to members.

What is a conduct standard in law?

- Issued by the FSCA under section 106 of the Financial Sector Regulation Act
- It is subordinate legislation: not a guideline, circular, or best-practice notice
- It has the force of law and binds every person to whom it applies
- Obligations exist by operation of law, not by contractual incorporation or consent
- Parties cannot contract out of a conduct standard
- The FSCA enforces it directly, enforcement does not depend on the fund taking action
- Non-compliance puts the administrator's section 13B approval at risk

Why does it matter?

- Elevates the conduct expectations of administrators
- Strengthens protection of members and funds
- Increases transparency, governance and oversight

Conduct standard for 13B administrators



Self-administered funds:

- Self-Administered funds are not subject to the conduct standard at this stage but they will be under COFI and need to start working toward compliance.

Adequacy of insurance:

Current requirement:

- A benefit administrator must maintain in force professional indemnity and fidelity guarantee insurance from and up to such an amount as determined by the benefit administrator and which is adequate relative to the complexity and size of its administration business
 - The benefit administrator must disclose to the fund :
 - (a) instances where the professional indemnity and fidelity guarantee insurance provides for a self-payment gap; and
 - (b) any material exclusions, limitations or restrictions contained in the professional indemnity and fidelity guarantee insurance.
-



How effective is TCF?

- TCF mandatory and enforceable for administrators
- The Standard requires administrators to treat members fairly
- Who measures: The administrator itself.
- What is measured: Frameworks, processes and complaint volumes.
- Against what standard: The administrators own prior assessment. There is no external benchmark that says what good looks like or what counts as improvement.
- The TCF measurement gap. How do we close this gap? The better answer is administrators genuinely measuring and demonstrating their own improvement against TCF outcomes (and other outcomes) over time.



What is the Omni risk return?

- Supervisory data collection tool developed by FSCA
- Forms part of the FSCA's Integrated Regulatory Solution (IRS), a supervisory technology platform
- Underpinned by FSCA's statutory information- gathering powers
- Imposes annual reporting obligations on financial institutions
- Not a regulatory instrument
- Compliance = matter of supervisory co-operation and information provision
- Applies to “financial institutions” supervised by FSCA – including pension funds
- Single consolidated risk profile for each FI regardless of how many licenses it holds
- Includes entities operating across multiple sectors and product lines, as well as single licensed institutions

Update from the OPFA



Specific matters:

SC's opinion:

- PFA can issue summons if a fund fails to file a response
- Served by authorised official or the Sheriff

An offence (punishable by fine or imprisonment or both) to:

- Defy / wilfully fail to comply with summons / subpoena
 - Fail to attend at time and place specified in summons
 - Remain in attendance until excused
 - Refuse to be sworn in
 - Fail to answer fully or satisfactorily any question asked
 - Lie under oath
 - Fail to produce any book, document or object required in the summons
 - Adjudicator cannot conduct contempt proceedings *mero motu* – can lay a criminal charge of contempt or institute civil contempt proceedings against the contemnor
 - Summons / subpoena will be directed at Principal Officer and Chairperson of the Board
-

Update from the OPFA



Notable trends:

- Section 13A crisis greatest contributor to case load:
 - Some people using our anonymous tip-off line to anonymously report their employers – some ask to not be identified for fear of reprisals
 - S13A now surfacing in non-traditional areas (e.g. large commercial umbrella funds and municipal funds)
 - Increasing number of funds directly lodging S13A complaints with the PFA on behalf of affected members
 - Funds delay in lodging complaints, and thus we have to time-bar some of the contributions they want to recover in those proceedings – section 30I – potential legal claim by a complainant against the board for failing to act
 - Some funds lodge complaints but they do not request a section 13A(8) order against the responsible person – often due to not wanting to upset employers who are their clients – conflicts of interest – fiduciary duty to members and the fund
 - Employers raising S30I time-barring
 - Some funds allege outstanding contributions only for employer to provide proof that money was paid but not properly allocated by the Fund
 - Funds failing to provide us with a computation of outstanding contributions in order to secure an order sounding in money for ease of enforcement
 - Exploring partnerships with other strategic partners to stem S13A non-compliance
 - MOU with Auditor General to assist AG tackle S13A non-compliance in state institutions (e.g. municipalities)
-

Update from the OPFA



Withholding:

- Funds withholding at request of employer without giving the complainant a hearing – then suddenly rushing to give the complainant a hearing once they receive notice of a complaint from the OPFA – Attempt to cure procedural defect
- Acquiescence to employer withholding requests without objectively interrogating request – especially standalone funds

Claim fraud:

- Unclaimed benefits – member coming back many years later to claim, only for the Fund to claim that it received and paid a claim some years back

Two Pot:

- Poor understanding of two-pot rules, leading to complaints, e.g. complainant wanting to be paid full benefits (including retirement component)
- Funds not communicating about the remaining retirement component when paying withdrawal benefits – potential to create unclaimed benefits because complainant thinks s/he does not have any further benefits in the Fund once paid a withdrawal benefit

Update from the OPFA



Withdrawals:

- S13A causing payment delays
- Lack of effective communication of calculations continues to be an issue

Benefit payments generally:

- Delays in payment leading to complaints about financial loss suffered as a result the delay

Transfers:

- Delays in transfer leading to complaints about financial loss suffered as a result the delay

Section 37C:

- Delays in completing investigations because some funds simply sit back and wait (e.g. one with member who died in 2020)
 - Payments to beneficiaries in instalments – payments to guardians beyond the age of majority – complainant accused the Fund of being grossly negligent by continuing to pay to his father without regularly monitoring if he is using the money for the right purposes, but also why they continued paying to the guardian past the age of majority – warning to trustees
 - Blind reliance on affidavits – Makgopa determination – claimant admitting they lied in affidavits
-



Requirements related to regulatory reporting and annual financial statements for pensions funds:

- On the 25th of November 2025, the Prudential Standard and supporting documents were submitted to Parliament in terms of section 103(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act).
- The Prudential Standard seeks to consolidate all audit and regulatory reporting requirements.
- The Prudential Standard incorporates both the regulatory reporting requirements and the format of the financial statements into one instrument.
- The Prudential Standard seeks to align the regulatory reporting requirements with the updated sections of the International Financial Reporting Standard (“IFRS”) and the International Accounting Standard.
- This Prudential Standard will replace Board Notice 14 of 2009 and Board Notice 77 of 2014.



Annual Financial Statements:

- Must comply with full IFRS Principles and the South African Auditing Practice Statement.
- Be prepared in accordance with the Reporting Concepts and Conceptual Framework contemplated in Chapter 3.

Removal of exemptions:

- All funds are required to have their financial statements audited regardless of the total value of assets held by a fund.

Regulation 28:

- Schedule IA -investment schedule, now makes provision for the fund, under column E to report on Section 28(9) investments
 - Schedule L requires fund to report on Regulation 28(9) Investments.
 - Onerous reporting:
 - Boards are required to disclose information relating to their Investment Policy Statement.
 - Cybersecurity.
 - Annuity Strategy.
-



ESG Reporting:

- Schedule Q expected to include reporting in respect of Environmental Social and Governance (ESG).
- Confirm whether Investment Policy Statement includes ESG integration.
- Disclose whether the annual reports currently address the elements contained in the Authority's Guidance Notice on sustainability.

Infrastructure:

- Schedule IB proposed to include Table 2 from Regulation 28 in terms Infrastructure Reporting.
 - Look-through reporting:
 - Funds must now report on underlying investments and not just top-level pooled funding.
 - The reporting now requires funds to drill down.
-



King V, the fifth iteration of South Africa's corporate governance reports, was released on 31 October 2025 by the Institute of Directors in South Africa and the King Committee of South Africa. It supersedes King IV and is effective for financial years beginning on or after 1 January 2026, with early adoption encouraged.

The release of King V comes nine years after King IV, during which the governance landscape has shifted dramatically. Organisations today face intensifying challenges. At the same time, new regulatory developments have raised expectations of boards and governing bodies. King V responds to these realities by:

Aligning with recent legislative reforms and global governance and reporting developments.

Simplifying the Code's language, structure and presentation to make it more accessible and practical across sectors.

Standardising disclosure requirements through a dedicated King V Disclosure Framework, promoting consistency and comparability across organisations.

Refining principles and practices.

Together, these updates position King V as a robust, forward-looking Code to guide ethical and effective leadership in South Africa.



The 13 principles of King V:

Leadership

Ethics

Strategy, performance and sustainable value creation

Reporting

Composition of the governing body

Committees of the governing body

Appointment and delegation to management

Risk

Compliance

Data information and technology

Remuneration

Assurance

Stakeholders

References



- FSCA Press release - 25 September 2025.
 - Municipal workers retirement fund vs Mafube local municipality and others (1653/2024)
 - FSCA Discussion paper 2022.
 - Chantal Manson – Liberty Group
 - Lezanne Botha – Financial Sector Conduct Authority
 - Nicci van Vuuren – Webber Wentzel
 - Tshepo Mokoana – Bowmans
 - Leanne van Wyk - Ensimini
 - Miranda Mkhumbuzi-Rasehala - FNB Employee Benefits
 - Leigh Sedice (ENS)
 - Kirstie Gibson (Discovery)
 - Lebogang Mogashoa, Pension funds adjudicator
 - Nandipha Ngcobo - Senior Legal Advisor (NBC Holdings (Pty) Ltd)
 - FSCA Press release – 2 July 2026
-