

RETIREMENT INSIGHTS

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The dilemma of reinstatement orders and the payment of retirement withdrawal benefits

Mpho Kgomongoe, Head: Legal and Technical Services



One of the more complex issues facing retirement funds arises where a member is dismissed from employment, cashes out and receives their withdrawal benefit from their retirement fund, but is subsequently reinstated pursuant to a CCMA or Labour Court order. While labour law is relatively clear on the consequences of reinstatement, retirement fund and tax laws do not always provide straightforward answers.

What does a reinstatement order mean?

In terms of section 193 of the Labour Relations Act, reinstatement is the primary remedy for unfair dismissal. The Constitutional Court in *Equity Aviation Services (Pty) Ltd v CCMA* confirmed that reinstatement places the employee back into the position they would have occupied had the dismissal never occurred. The employee resumes employment on the same terms and conditions that existed immediately prior to the dismissal.

The Constitutional Court described reinstatement as restoring the employment contract and returning the employee to the position before the dismissal. In essence, where reinstatement is ordered retrospectively, the dismissal is treated as though it never occurred.

This has important consequences for retirement fund membership.

The retirement fund dilemma

A withdrawal benefit may become payable because the member has exited the service of the employer. From the fund's perspective and in terms of the rules of the fund, the payment is lawful when made.

The difficulty arises when a later CCMA or Labour Court ruling effectively determines that the employee ought to never have ceased employment. If employment is reinstated retrospectively, the legal basis for the withdrawal no longer exists because the employee is deemed to have remained in service throughout the period.

This creates an anomaly:

- Labour law says the member is continuously employed.
- Retirement fund records may show the member exited service and received a withdrawal benefit.

For this reason, some funds seek to manage this risk through clear fund rules, containing provisions that require repayment of the withdrawal benefit upon reinstatement or, alternatively,

for the member to be treated as a new entrant (with no retrospective adjustment to prior benefits or service, unless otherwise permitted by the rules).

Some employers manage the risk by withholding the claim form if there is a possibility of a reinstatement order on the basis that, where benefits have already been paid and reinstatement subsequently occurs, it creates uncertainty regarding the member's position – including whether prior service should be recognised, whether repayment of the benefit would be required, and whether the member should be treated as a new entrant to the fund. In addition, it cannot reasonably be expected of the fund to place the member in precisely the same position as if the withdrawal benefit had never been paid.

Should the withdrawal benefit be repaid to the fund?

In principle, there is nothing preventing a retirement fund from accepting repayment of a previously paid withdrawal benefit, provided:

- the repayment is necessary to give effect to a reinstatement order; and
- the fund's administrator can properly reconstruct the member's fund credit.

Repayment seems like the most logical outcome because it restores the member to the position they would have occupied had the dismissal not occurred. However, the reality is that the member might no longer have the funds available.

Even if the member is able to repay the benefit, practical difficulties emerge, including determining the amount that should be repaid. The member would have received the benefit less tax under a SARS tax directive.

The question is therefore whether repayment should include the gross withdrawal benefit with possible additional investment growth. Neither pension legislation nor most fund rules provide explicit guidance.

Timing issues

It is not uncommon for reinstatement disputes to take months or even years to resolve.

During this time:

- the member may have spent the withdrawal benefit;
- the fund may already have issued tax certificates;
- contributions may not have been paid; and
- benefits may have been transferred to another retirement fund.

The longer the delay, the more difficult the reconstruction exercise becomes.

The tax treatment

The most difficult aspect of these cases is the tax treatment. When the withdrawal benefit was originally paid, SARS withdrawal tax tables would have been applied correctly at the time of payment.

However, if the withdrawal is later repaid due to reinstatement, the legislation is unclear as to how the earlier tax event should be unwound.

Questions that arise include:

- Can the original withdrawal tax be reversed?
- Will SARS allow the withdrawal benefit to be treated as though it never accrued?
- Can a revised tax directive be issued years later?
- Will the member receive a refund of taxes already paid?
- Will the historic withdrawal remain on the member's cumulative withdrawal tax history?

The Income Tax Act does not appear to contain an explicit mechanism dealing with the reversal of a withdrawal benefit following a Labour Court reinstatement order. As a result, there is uncertainty about whether SARS would recognise the repayment as effectively cancelling the original taxable event.

Should the member be treated as a new entrant?

Even if the rules provide that no repayment will be made but that the member will be regarded as a new entrant, practical difficulties may still arise, like:

- Should the employer pay over the contributions retrospectively, including administration costs and the cost for insured risk benefits plus late payment interest?
- Where the fund provides for insured risk benefits, will the member have to undergo underwriting again and will any waiting periods start afresh?
- Will the member now have to pay administration costs for two records, where the retirement component is likely still in the fund as a paid-up benefit?
- Should the employer withhold benefit claim forms in the event of a dispute regarding a person's dismissal?

Some employers justify withholding the retirement fund claim form if there is a possibility of a reinstatement order on the basis that, where benefits have already been paid and reinstatement subsequently occurs, it creates uncertainty regarding the member's position with the fund.

It may be argued that withholding a withdrawal claim form is in the member's best interest, as it avoids these complexities and ensures certainty and consistency in the event that reinstatement is ultimately granted.

However, there is no legal basis to withhold the claim form and it may not be fair towards the member if the member is unemployed and may need the benefit to sustain themselves.

Conclusion

A CCMA or Labour Court reinstatement order generally means that the employment relationship is restored and, particularly where reinstatement is retrospective, the employee is treated as though they had never left employment. This creates tension where a retirement fund has already paid a withdrawal benefit based on the assumption that the employee's service terminated.

Funds, administrators and employers are left to navigate a significant legislative gap, balancing the objectives of reinstatement under labour law against the practical realities of retirement fund administration, tax compliance and fairness to members.

Until regulatory guidance is issued, funds should consider addressing these scenarios expressly in their rules and administrative procedures. In addition, CCMA Commissioners and Labour Court judges should be mindful of the retirement fund consequences that may arise when granting retrospective reinstatement orders.

Until legislative clarity is provided, retirement funds, employers and administrators should adopt a proactive and rules-based approach to managing reinstatement scenarios in order to minimise uncertainty and ensure equitable outcomes for affected members.

From returns to retirement outcomes: Rethinking what success looks like in pension funds

Lisa Langner, Head: Actuarial, FASSA

For decades, retirement fund performance has been judged primarily on investment returns. Trustees and asset managers have focused on outperforming benchmarks and managing volatility. While these measures remain important, a profound global shift is underway: returns alone are no longer seen as sufficient.

Leading pension systems are increasingly defining success in terms of retirement outcomes, specifically whether members achieve a sustainable, an adequate and a predictable income in retirement. This reflects the reality of defined contribution systems, where members bear the risk and where poor decisions, poor timing or poor design can translate directly into financial insecurity.

As South Africa navigates the impact of reforms such as the two-pot system, there is an opportunity to rethink what retirement fund success should mean in practice. This shift aligns closely with King V, which emphasises long-term value creation, and demonstrating that value over time. In a retirement fund context, value cannot be defined solely by investment returns; it must ultimately be reflected in members' financial security in retirement.

From performance reporting to outcome reporting

Traditional measures such as fund returns, peer rankings and volatility remain relevant, but they are increasingly recognised as incomplete indicators of success.

What ultimately matters is not how a portfolio performs in isolation, but the retirement income and standard of living it can support. As a result, many leading retirement systems are adopting more outcome-focused measures like projected retirement income, replacement ratios and assessments of retirement adequacy.

In practice, this means providing members and trustees with a clearer picture of what current savings may translate into at retirement. Income projections, scenario analysis and reporting that links accumulation to post-retirement outcomes are becoming increasingly important.

The implications for trustees are significant. Fiduciary duty is evolving from simply maximising returns to optimising member outcomes amidst uncertainty. This requires a broader understanding of risk that includes longevity, inflation and member behaviour; not just investment performance.

Decumulation: The missing link

Global attention is increasingly focused on what happens after retirement. While accumulation strategies have evolved considerably, the decumulation phase remains underdeveloped in many markets, including South Africa.



This matters because retirement outcomes depend heavily on how savings are converted into income.

In response, several jurisdictions are introducing more structured retirement solutions. Jurisdictions such as the United Kingdom are moving towards default or guided retirement pathways that help individuals navigate complex choices, particularly where access to financial advice is limited.

Best practice is also moving beyond the traditional choice between life and living annuities. Increasingly, attention is focused on blended solutions that combine flexibility with protection against longevity risk. Flexible drawdown can support liquidity and member choice, while lifetime income components provide protection against outliving one's savings. Research suggests that combining these objectives can improve retirement outcomes by balancing flexibility, sustainability and income security.

Globally, there is also renewed interest in risk-sharing mechanisms. Collective approaches, such as collective defined contribution (CDC) schemes and pooled longevity arrangements, allow members to share investment and longevity risks rather than managing them individually. In a CDC scheme, assets are pooled and managed collectively, with retirement outcomes reflecting the fund's overall investment performance and longevity experience. While benefits are not guaranteed, risk-sharing across the membership can provide a more stable and sustainable retirement income than purely individual defined contribution arrangements, without creating additional liabilities for employers.

South Africa does not have a regulatory framework for CDC arrangements (where assets and risks are managed collectively across a membership pool), but elements of risk pooling already exist through products such as with-profit annuities.

This is particularly relevant in a market dominated by living annuities that offer flexibility but also place considerable responsibility on retirees to manage investment, withdrawal and longevity risks.

A South African opportunity

This creates a practical opportunity for South African retirement funds. Default decumulation frameworks could provide members with structured pathways that guide them towards sustainable withdrawal strategies and appropriate asset allocation. Similarly, blended solutions that combine flexible drawdown with some form of lifetime income could materially improve retirement security.

These approaches align closely with the value creation principles embedded in King V. Retirement funds should consider whether their strategies, default arrangements and member communication are designed to help members achieve the outcome that matters most: lasting financial security in retirement.

This does not imply a one-size-fits-all solution. Members have different circumstances, resources and preferences. However, it does mean that funds should provide better guidance, better information and greater protection against predictable risks.

Designing for real behaviour

Even with improved product design, member behaviour remains a critical determinant of outcomes. Evidence consistently shows that people often make decisions that undermine their long-term financial security.

During the pre-retirement phase, members may save too little, fail to preserve benefits when changing jobs, make inappropriate investment choices or access retirement savings through the two-pot system to meet short-term financial needs.

The challenges continue after retirement. Living annuitants must decide how much income to draw, how to invest the remaining assets, and how to manage longevity risk.

Recognising these realities, leading retirement systems increasingly incorporate behavioural insights into their design. Simplified choices, default strategies, personalised projections and clearer communication help members make better decisions before retirement. After retirement, guided pathways and sustainable withdrawal strategies help retirees manage income more effectively.

Redefining success

Retirement systems are moving towards a more integrated definition of success. Investment performance, product design and member behaviour are no longer separate considerations, but part of a single objective: delivering sustainable retirement income.

For South Africa, the two-pot system, evolving governance expectations and the continued growth of defined contribution arrangements all point to the same conclusion. Retirement funds need to become more outcome-focused. Success should be measured not only by the returns a fund generates, but by the lasting financial security it helps members achieve.

Unlocking opportunity: Building private market exposure for South African pension funds

Rushil Kalidas, Senior Investment Consultant, CFA®



Private markets – private equity, private debt, unlisted infrastructure (equity and debt) and unlisted property – are drawing growing attention from South African retirement funds. For trustees, the appeal is clear: broader diversification, differentiated return drivers and the potential to earn an illiquidity premium. The trade-offs are equally real: less frequent valuations, longer investment horizons, greater manager selection risk, higher governance and liquidity management demands. The question is not whether private markets belong in retirement portfolios, but how to add them prudently.

Characteristics of private market assets

Desired Outcomes	Characteristics	Private Debt	Unlisted Property	Infrastructure Equity ¹	Infrastructure Debt ¹	Private Equity
Growth	Higher target returns	✓	✓	✓	✓	✓
Inflation protection	Inflation-linked cash flows		✓	✓	✓	
Diversification	Low correlation	✓	✓	✓	✓	✓
Income	Stable cash flows	✓	✓	✓	✓	

Source: Adapted from BlackRock

¹Infrastructure assets exhibit a stable cash flow profile due to the long-term contractual cash flows received from investee companies/projects.

Although private market investments are a lot less liquid and demand high governance, they offer opportunities to create a more resilient portfolio with additional sources of uncorrelated alpha, thereby increasing the likelihood of fulfilling member outcomes over time. Worldwide, there are 95 000 privately owned companies with revenues exceeding US\$100 million, compared to just 10 000 publicly listed firms, broadening the range of investment opportunities.

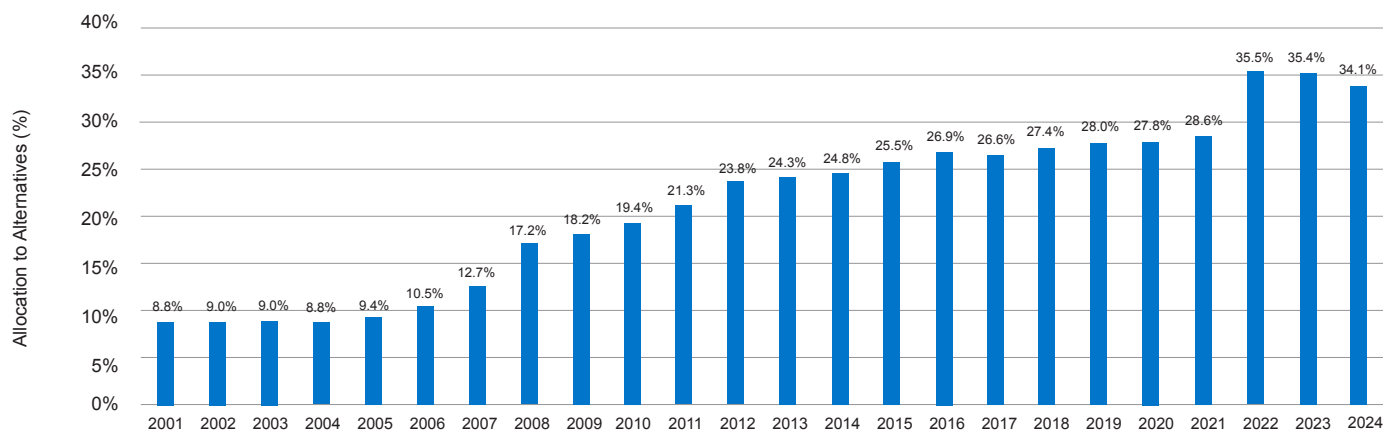
Infrastructure, a growing popular trend, has become a compelling option compared to listed global bonds, as governments increasingly use public-private partnerships to fund, build and operate essential assets such as transport, utilities and renewable energy. The Global Infrastructure Outlook estimates that by 2040, the world will need US\$68 trillion in new infrastructure investment, far exceeding the funding capacity of governments and taxpayers. South Africa faces a multi-trillion rand

infrastructure funding cliff, with the 2026 Budget Speech highlighting that more than R1 trillion has been allocated for infrastructure over the medium term.

Regulation 28 and the portfolio reality

Regulation 28 permits a maximum allocation of 15% to private equity investments. However, South African retirement funds generally make a very small allocation to “alternative” assets. An allocation of approximately 5-10% to “alternatives” (including private market assets and hedge funds) by more sophisticated retirement funds is commonly cited in the industry. A number of multi-managers also allocate similar amounts to “alternatives”, improving the democratisation of these investments. In comparison, many large global funds, particularly major defined benefit funds in Canada, the US and UK, as well as endowments, typically invest around 20-30% in private market assets, according to the Thinking Ahead Institute Global Pension Assets Study.

Figure 1 displays the rapid rise of alternative asset class allocation for US state and local pension funds.



Sources: Public Plans Data. "National Data – Investments." Centre for Retirement Research at Boston College; MissionSquare Research Institute; National Association of State Retirement Administrators; Government Finance Officers Association. Accessed 15 March 2026.
<https://publicplansdata.org/quick-facts/national/#investments>

Why are South African pension fund allocations lower than global peers?

South African pension funds have largely moved from defined benefit (DB) to defined contribution (DC) plans, shifting investment and longevity risk to members. While DC funds are permitted to invest in private markets, there has been a perception that DC fund portfolios have a higher liquidity need than DB fund portfolios and therefore allocations must be carefully sized for liquidity and capital calls.

Trustees face challenges beyond regulation, including liquidity, implementation capacity, and fewer local managers at scale. Larger funds can build diversified private market programmes, while smaller ones often require pooled solutions to manage risk and governance. Investing in private markets benefits ESG practices, corporate citizenship, job creation and B-BBEE performance – all supporting broader pension fund objectives.

Although there are challenges to investing in private markets, appropriately structured funds of funds and semi-

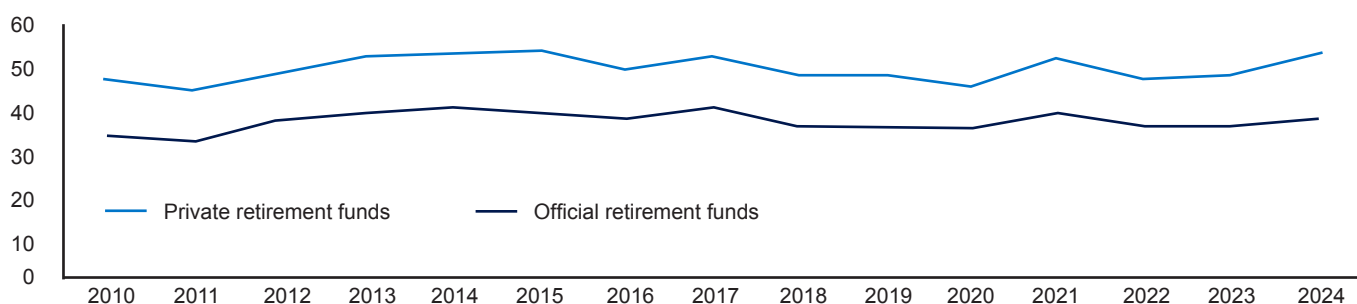
liquid products can address most – if not all – of them and make investment palatable and attractive for individuals and retirement funds alike. The limited size of the market in South Africa places constraints on opportunities to create these vehicles, but we have seen a significant increase in the number of semi-liquid global private markets funds.

Even though South African retirement funds are permitted to invest in global private equity, there are onerous local regulatory constraints to making these investment opportunities easily accessible.

Unlocking South Africa's pension power: assets vs GDP

South Africa has a well-reformed retirement system and a large proportion of pension fund assets relative to the economy. Figure 2 compares ratios of private and official pension fund assets under management to GDP in South Africa. South Africa's pension assets are large relative to the economy, so even small allocation shifts can mobilise meaningful capital.

Figure 2: South African pension assets to GDP



Sources: SARB; EconData

Private markets are not a shortcut. With disciplined governance, clear liquidity planning and careful manager selection, even a modest allocation can help turn South Africa's pension savings into more resilient member outcomes and real-economy impact. Start small, diversify, and build conviction responsibly – because every basis point matters when it is someone's future.

Multi-managed solutions: An intentional investment framework

Mubeen Abdulla, Senior Investment Consultant



At first glance, many wealth accumulation multi-manager solutions appear similar. They aim to deliver inflation-beating returns over the long term through meaningful exposure to growth assets.

Yet, beneath the surface, portfolios can differ materially in how they are constructed, governed and implemented. These differences can ultimately lead to very different member outcomes over time.

For trustees, the key question is therefore not simply which portfolio performed best historically, but whether the underlying investment framework is intentional, transparent, robust and aligned to the fund's long-term investment objectives.

Performance insights

Historical performance is often the starting point when comparing multi-manager portfolios. However, identifying future outperformers is inherently difficult, and what appears obvious in hindsight is far less certain when making forward-looking decisions.

Importantly, return outcomes can vary meaningfully across multi-manager portfolios in both strong and weak

market environments. For example, during 2025 – a year characterised by strong market returns – outcomes across eleven prominent multi-managers ranged from 18.0% to 26.4%. Similarly, during the muted market conditions of 2022, returns ranged between -1.5% and 3.9%. This dispersion reflects the impact of differing asset allocation and portfolio construction decisions. Over time, these differences in returns can compound significantly, making portfolio construction a key driver of long-term investment success.

For trustees, the key takeaway is that while performance monitoring plays an important role, it should be considered alongside the underlying decisions that contributed to those outcomes.

Table 1 – Performance comparison

Calendar Year Performance - (Where data is not shown, this reflects a shorter performance history)										
Multi-Manager (MM)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
MM 1	21.8%	15.8%	12.8%	2.3%	23.2%	9.6%	11.2%	-0.6%	11.9%	5.1%
MM 2	23.8%	14.8%	14.0%	1.4%	21.3%	10.2%	13.0%	-2.7%	12.6%	
MM 3	21.0%	15.9%	14.0%	0.4%	23.7%	4.1%	10.1%	-4.1%	10.5%	1.2%
MM 4	20.3%	16.8%	13.7%	2.1%	24.4%	0.3%	12.5%	-5.3%	15.6%	4.4%
MM 5	26.4%	16.4%	11.5%	-1.5%	20.7%					
MM 6	24.4%	14.0%	13.7%	1.0%	26.7%	9.4%	12.1%	-6.1%	15.4%	
MM 7	19.5%	15.1%	14.9%	2.4%	24.3%	8.5%	12.1%	-1.0%	12.0%	3.5%
MM 8	26.0%	15.6%	9.8%	-0.6%	22.8%					
MM 9	20.0%	15.3%	16.0%	0.8%	26.5%	8.4%	11.9%	-2.9%	12.2%	
MM 10	22.7%	15.9%	11.6%	3.0%	26.5%	8.4%	11.3%	-5.9%	16.1%	
MM 11	18.0%	16.9%	11.5%	3.9%	24.8%	4.7%	11.5%	0.0%	8.6%	2.6%
AF Global LMW*	21.9%	14.5%	13.4%	1.5%	22.0%	5.4%	10.9%	-2.0%	11.3%	3.6%
Median	21.8%	15.8%	13.7%	1.4%	24.3%	8.4%	11.9%	-2.9%	12.2%	3.5%
Minimum	18.0%	14.0%	9.8%	-1.5%	20.7%	0.3%	10.1%	-6.1%	8.6%	1.2%
Maximum	26.4%	16.9%	16.0%	3.9%	26.7%	10.2%	13.0%	0.0%	16.1%	5.1%

*AF Global LMW: Alex Forbes Global Large Manager Watch
Sources: Multi-Managers, Morningstar, Simeka Consultants and Actuaries

Asset allocation considerations

Asset allocation remains a key driver of long-term outcomes. However, what matters most is not current positioning, but how allocations evolve over time as market conditions change. This is particularly relevant when considering the balance between local and offshore exposure. Table 2

provides asset allocation across multi-managers as of June 2026. The insight gained from this table is that there are significant differences in asset allocation across the multi-manager portfolios.

Table 2 – Asset allocation

	Local					Offshore					Overall Exposure		
	Cash	Bonds	Pro- perty	Equity	Alterna- tives / Other	Cash	Bonds	Pro- perty	Equity	Alterna- tives / Other	Total	Local	Offshore
MM 1	2.2%	12.7%	2.5%	35.5%	6.4%	3.5%	1.4%	0.5%	34.2%	1.2%	100.0%	59.3%	40.7%
MM 2	2.9%	16.4%	0.8%	39.5%	0.0%	0.6%	2.4%	0.0%	31.8%	5.7%	100.0%	59.6%	40.4%
MM 3	8.8%	15.1%	2.1%	36.5%	3.6%	0.0%	2.6%	0.0%	31.3%	0.0%	100.0%	66.0%	34.0%
MM 4	0.2%	12.6%	5.9%	37.6%	5.1%	1.3%	1.6%	3.5%	32.3%	0.0%	100.0%	61.3%	38.7%
MM 5	1.0%	18.2%	4.4%	40.6%	0.0%	0.0%	1.2%	1.6%	33.0%	0.0%	100.0%	64.2%	35.8%
MM 6	0.0%	13.9%	1.8%	43.6%	6.4%	0.0%	4.5%	2.8%	26.8%	0.2%	100.0%	65.7%	34.3%
MM 7	3.1%	15.1%	3.9%	39.7%	0.2%	0.0%	6.2%	0.0%	31.8%	0.0%	100.0%	62.0%	38.0%
MM 8	1.9%	15.6%	5.3%	46.0%	0.0%	0.0%	2.2%	1.6%	27.3%	0.0%	100.0%	68.9%	31.2%
MM 9	2.2%	9.2%	2.5%	44.5%	5.1%	1.0%	1.9%	0.3%	32.3%	1.0%	100.0%	63.5%	36.5%
MM 10	1.0%	10.4%	3.1%	38.3%	5.0%	2.0%	4.1%	3.2%	32.9%	0.0%	100.0%	57.7%	42.3%
MM 11	5.0%	9.9%	3.8%	38.5%	0.3%	6.6%	5.1%	2.1%	28.5%	0.2%	100.0%	57.5%	42.5%
Median	2.2%	13.9%	3.1%	39.5%	3.6%	0.6%	2.4%	1.6%	31.8%	0.0%		62.0%	38.0%
Minimum	0.0%	9.2%	0.8%	35.5%	0.0%	0.0%	1.2%	0.0%	26.8%	0.0%		57.5%	31.2%
Maximum	8.8%	18.2%	5.9%	46.0%	6.4%	6.6%	6.2%	3.5%	34.2%	5.7%		68.9%	42.5%

Source: Multi-Managers (MM) as of June 2026

• Local versus offshore exposure

Offshore allocations differ meaningfully, currently ranging from 31% to 43%. These differences reflect varying views on the current macroeconomic outlook, diversification and currency impact.

Lower offshore exposure increases reliance on the South African market, which is relatively concentrated compared to the vast global opportunity set. Higher offshore exposure, by contrast, provides access to a wider range of sectors, regions and structural growth opportunities. Returns are influenced not only by differences in local and global market performance across investment cycles, but also by currency movements, which can materially affect the value of offshore investments when translated into rand.

At the same time, these allocations are not static. Tactical (short-term) positioning may at times favour local assets where valuations and opportunities are more compelling, even where the long-term case for offshore diversification remains intact.

For trustees, the key consideration is therefore less about the exact level of offshore exposure at a point in time, and more about whether these decisions are made within a clear and well-governed framework.

• The role of alternatives

Alternatives have moved beyond niche allocations and are now a practical tool for building more resilient portfolios. They can enhance diversification and provide access to investment opportunities that may not be available in traditional listed markets.

Many multi-managers have historically incorporated hedge funds to improve diversification and help protect portfolios during periods of market stress. More recently, allocations to private market assets such as private equity and debt have

increased, reflecting both their diversification benefits and the need to access a broader opportunity set as the listed investment universe continues to shrink.

While these investments can play an important role in improving portfolio outcomes, they also introduce additional complexity, illiquidity and cost considerations. Trustees should therefore ensure that such allocations are transparent and well understood, with appropriate consideration given to their size, underlying risks, fees and ongoing monitoring requirements.

What portfolio construction reveals

Multi-manager portfolios can be built using specialist asset class managers, balanced managers, or a combination of both. Specialist structures provide greater control over individual asset classes, while balanced manager approaches allow for more flexible and timely investment decisions, particularly in volatile markets. Both approaches have their merits, and many modern multi-manager portfolios now combine the strengths of each through a hybrid portfolio construction approach.

The use of active and passive strategies is another key portfolio construction decision. The narrative has shifted from “active versus passive” to the “best of both worlds”. Active management can add value but comes at a higher cost and requires careful manager selection to ensure genuine complementary sources of return. Passive strategies provide efficient, low-cost market exposure. The differentiator is therefore not whether a portfolio uses active or passive strategies, but how thoughtfully the two are combined to support the portfolio’s objectives and overall investment philosophy.

Table 3 – Portfolio construction comparison

Multi-Manager	Portfolio Construction	Active Allocation	Passive Allocation
Multi-Manager 1	Hybrid	89.1%	11.0%
Multi-Manager 2	Specialist	57.4%	42.6%
Multi-Manager 3	Specialist	60.0%	40.0%
Multi-Manager 4	Specialist	88.0%	12.0%
Multi-Manager 5	Specialist	60.0%	40.0%
Multi-Manager 6	Specialist	75.0%	25.0%
Multi-Manager 7	Hybrid	90.5%	9.5%
Multi-Manager 8	Specialist	93.0%	7.0%
Multi-Manager 9	Hybrid	75.0%	25.0%
Multi-Manager 10	Specialist	59.9%	40.1%
Multi-Manager 11	Hybrid	98.7%	1.3%

Source: Multi-Managers

Conclusion: Key takeaway for trustees

Selecting a multi-managed portfolio based on recent past performance can be misleading, as it does not reflect the true drivers of returns. Portfolio construction differs meaningfully across multi-manager solutions, and greater insight lies in understanding how these portfolios are designed and implemented over time. Given this complexity, a professional investment consultant plays a key role in synthesising the underlying detail – assessing how decisions are made and implemented – to support a well-informed selection aligned with a fund's long-term investment objectives.

Retirement fund contributions in excess of the tax- allowed contributions: Are high-income earners getting good financial advice?

Dirk Oosthuizen, Head: Research and Principal Benefit Consultant



The amount that members contribute to their retirement fund (e.g. a pension, provident and/or retirement annuity fund) usually depends on two factors – their remuneration and their contribution rate. These two factors are defined in the rules of the fund in agreement with the employer. Some flexibility is typically allowed in either the contribution rate or the portion of total remuneration that is pensionable – in other words, the portion taken into account to calculate the contribution.

The maximum tax-deductible contribution rate is 27.5% of the greater of remuneration or taxable income, subject to a limit of R430 000 per tax year as from 1 March 2026, applicable to all the retirement funds to which the member contributes. If a member contributes more than R430 000 per tax year, the contributions in excess of R430 000 (“excess contributions”) do not qualify for a tax deduction at contribution stage and will be funded by after-tax income. These excess contributions are recorded by SARS and the accumulated balance is shown on the member’s annual income tax assessment (ITA34).

The annual tax-deductible monetary limit was increased from R350 000 to R430 000 on 1 March 2026. We noticed that many members that can contribute more have limited their contributions to the previous tax year limit of R350 000. They now have the opportunity to revise their contributions to their retirement fund.

Is it necessary to limit contributions to the tax-deductible contributions in a tax year? The answer is a clear no. As long as it is allowed by the rules of the retirement fund – and in an occupational fund, the agreement with the employer – contributions can be made in excess of the annual tax deduction limit.

Members who have achieved steady salary growth throughout their working life will not be able to achieve their retirement objectives if contributions to their retirement fund are limited. In fact, to achieve a good retirement outcome, it is important to maintain a high enough level of retirement fund contributions even if in excess of the immediately tax allowed contributions. A personalised contribution rate may well be recommended to catch up on years when contributions were made based on a lower salary.

The objective for any member should still be to earn a retirement income as close as possible to their income when they retire.

High-income earners have a choice of different vehicles in which to accumulate capital for retirement. Some of the considerations are discussed below.

Taxation

Tax considerations should not be limited to the contribution stage but should include the investment, benefit payment and estate stages.

• Investment stage

Retirement funds offer a particular advantage in that investment returns within a retirement fund are free of all taxes. Investment returns are also exempt from dividend withholding and capital gains tax.

• Benefit payment stage

At retirement, no tax is payable on the portion in the retirement fund utilised to secure a pension (e.g. a living annuity). Only when benefits (the pension income or lump sum) are paid tax is levied.

If the excess contributions amount to more than the lump sum taken on retirement, the balance may be used to reduce the monthly taxable amount of any annuity (pension) payable to the member. The excess contributions will not attract tax when a lump sum is paid out to the member upon their exit from the fund (due to withdrawal or retirement).

This means that such excess contributions may be deducted against income received from an annuity after retirement for many years (depending on the amount of excess contributions and the lump sum against which it has already been applied). The pensioner will still pay the tax on the income during the tax year but may claim it back via their tax return at the end of the tax year. In this way, members could become entitled to a tax-free income until the excess contributions have been paid back to them.

• Estate stage

Upon the death of the pensioner, where the pension (e.g. a living annuity) is transferred to a spouse or beneficiary and the spouse or beneficiary elects to continue receiving a pension, such a transfer is free of any taxes and does not form part of the deceased member’s estate. The latter is particularly important, as the pension can be transferred to the spouse or beneficiaries without delay, providing a stable income. Such a transfer is not dependent on an executor appointment, winding up of the estate or the tax affairs of the estate to be finalised (e.g. final income tax assessment including capital gains and estate duty assessments). This is an important tool and consideration in estate planning.

Any excess contributions that have not been used by the deceased pensioner, will be included in the pensioner’s estate for estate duty purposes where a beneficiary opts to take a lump sum. Excess contributions may not be used to reduce the taxable amount of any annuity (pension) payable to the beneficiaries.

Investments

Another important consideration is the investment options offered by retirement funds to cater to members' needs. Retirement fund investments are subject to Regulation 28 of the Pension Funds Act, which provides inter alia that a retirement fund may not invest more than 75% of its assets in equities. Furthermore, a limit of 45% of the market value of the fund applies to investing in offshore assets.

Accessibility

Given the introduction of the two-pot system, the fact that two-thirds of future contributions will be locked into the retirement pot should also be considered, as the value in the retirement pot will have to be preserved and used to provide a pension when the member retires. Generally, investments in retirement funds cannot be used as security for borrowing any money.

Fees

Fees in retirement funds are negotiated based on the size of the fund. A large retirement fund may be able to negotiate lower administration and investment fees than a member may be able to secure for their investments in their personal capacity.

Death

The payment of lump sum death benefits by a retirement fund is subject to section 37C of the Pension Funds Act. This means that the board of management of the fund will decide as to the payment of the benefit to dependants and nominees at their discretion, and the benefit does not form part of the estate of the deceased member. The rules of some funds make provision for the continuation of an in-fund living annuity paid to a spouse, in which case section 37C of the Pension Funds Act does not apply and the nominated spouse may continue with the living annuity income.

Conclusion

It is important for high-income earners to maintain adequate contributions to retirement funds to achieve a good retirement outcome. Only focusing on the immediate contribution tax relief does not take all tax and retirement planning considerations into account. Considerations should be wider and include the replacement of income in retirement, tax-free returns on retirement fund investments, fees, access and estate planning.