



THE PRIVATE SECURITY SECTOR PROVIDENT FUND LAUNCHES THE NATIONWIDE PRIVATE SECURITY SECTOR COMPLIANCE

Fellow Trustees, Principal Officer, Chief Operations Officer and Members of the Media

Ladies and Gentlemen

On behalf of the Private Security Sector Provident Fund I extend a heart-warming greeting to all and thank you for attending this gathering.

It is a great pleasure to address you this morning on this occasion of formally launching the Fund's nationwide compliance drive and the unveiling of its revamped offices that are aimed at improving the experience and services rendered to our members.

Before getting into the matter of today, I would like to take up this opportunity on behalf of the Trustees and the Fund to join in the united voice of most South Africans and the rest of the world to condemn the ongoing attack on foreign nationals in some parts of the country.

We call upon South Africans to condemn the widespread violence orchestrated against our African brothers and sisters and not allow criminals to use the social conditions in South Africa to justify their criminal activities.

Having said this, today we are gathered to share with the members, the media and the public in general, the Fund's achievements and challenges in dealing with compliance with the objective of improving the quality of life of all security employees and their families.

We are also here to unveil the Fund's revamped offices as part of the Fund's initiatives to turn things around by ensuring accountability on rendering quality service to members and improve operational efficiency by addressing the backlog of claims and any queries that arise with regards to its administration.

It has been twelve years since 2002 that the Private Security Sector Provident Fund was enacted through the revision of the Sectoral Determination 6. The coming into effect of PSSPF has so far benefitted approximately 2 million families through the provision of better retirement, disability, death and funeral benefits.

Yet, compliance by some of the private security sector employers still remains a huge challenge as a large number of security companies are still not making mandatory contributions to the Fund. One of the major challenges that the PSSPF is facing is that it operates in a dynamic industry that does not have a set number of operating employers. The Fund may currently be in the process of weeding out the non-compliant employers whilst new companies are being registered with the Private Security Industry Regulatory Authority (PSIRA) on a monthly basis.

The fund currently receives contributions from some 800 employers equating to R1 billion annually. This is in spite of another 250 000 security employee's contributions not being received by the fund through fraud perpetrated by some employers. The loss to members translates to approximately R1.5 billion on contributions held back.

The effect of non-compliance is evident with security employees and their families, who should be benefitting from various benefits offered by the Fund being unable to receive what is due to them as their claims are being repudiated as a result of not contributing and non-compliance.

Some of the employees whose money has not been paid to the Fund have forfeited their benefits. This has also affected thousands of outstanding withdrawal claims. This includes since the inception of the Fund over 3289 funeral claims that have been repudiated to date which amounts to the value of R 30.4 million. On the latter, 1855 of these claims are entitled to lump sum death benefits of approximately R 102 million.

The above figure excludes a large number of employees working in administration and support services that are supposed to also belong to the Fund. It also excludes a number of employees employed by the fly-by-night companies who are not registered with the Authority and the Fund. Of this number, only less than 300 000 security employees are members of the Fund, while the rest remain unaccounted for.

This situation cannot be allowed to continue any longer. We are now vigorously implementing a zero tolerance approach on non-compliance by proactively going after those employers who continue to not comply with the Fund and defraud their employees. The latter includes the following categories of non-compliance;

1. Employers not registered with the Fund, not making any deductions from employees and not making any payments to the Fund.
2. Employers not registered but collect monies from workers and not paying it over to the Fund.
3. Employers registered with the Fund, but only pay for a limited number of member contributions and provide conflicting schedules.
4. Employers registered with the Fund, paying member and employee contributions, however, missing payments every now and then.

The recent amendments to the Financial Services Act relating to Section 13A allowing for far more effective regulation and law enforcement, has enabled the PSSPF to hold company shareholders, directors, members in a CC, partners and trustees personally liable in

honouring their legal obligation towards their employees. Failure to do so could lead to fines of up to R10-million or imprisonment or both.

Other defaulting security service providers pursued by the Fund, have entered into an admission of debt arrangements. Over 170 acknowledgements of debt and payment arrangements have been signed with more than R180-million secured by way of AODs and more than R110-million having physically entered the Fund's bank account.

Various matters are also in court and being pursued to recover members' monies. The recovery process involves negotiation for the recovery of funds and where this is unsuccessful it is followed by litigation. Failure by those employers to meet their obligations results in litigation, attachment of assets and possible liquidation.

Compliance certificates are only issued to fully compliant employers and those employers' who have entered into acknowledgements of debt and pay late contributions, receive the Compliance Letter that only confirms that the employer is a participating employer within the Fund.

Although the Fund does not have statutory power in terms of conducting inspections to employers, it has formed collaborative efforts with the Private Security Industry Regulatory Authority (PSIRA) and the Department of Labour to jointly tackle issues of non-compliance in the industry.

The Fund has also been participating in the provincial compliance structures established by PSIRA to ensure that issues of compliance receive proper attention by all stakeholders dealing with enforcement in the sector. The other stakeholders which the Fund is forging partnerships with are the Financial Services Board, South African Revenue Services, National Prosecuting Authority, South African Police Services and the Unemployed Insurance Fund.

The new requirements by the Private Security Industry Regulatory Authority (PSIRA) on the renewal of employers' registration certificates will also go a long way in our quest to drive compliance. In terms of these requirements, the employers will be required to renew their registration certificate every year wherein for them to qualify for the renewal, they must be compliant and in good standing with the Provident Fund, SARS, the UIF, etc.

Having mentioned these measures in addressing non-compliance, the Fund is grateful and appreciative to all those employers who are compliant and acknowledges that its existence is as a result of the compliant employers.

Now zooming on the Fund's operations, I am thrilled to announce its achievement under the present market conditions on attaining a 14.98% average annualised return on investment for members over the last four years. Considering how well the Fund has performed from an investment point of view, the challenge lies in maintaining the status quo and remaining in that position for the next three year cycle.

One of the projects we recently accomplished as the Fund which is one of the reasons we are gathering currently, was the total revamp of the Fund's offices to be member friendly

and accommodative to members' needs and we managed to achieve just that by having uniformity on the structure of our offices. We will now be looking on other innovative ways to service our members better by having mobile offices visiting various areas throughout the country.

Of importance is that we are currently upskilling all our employees to be able to handle any member issue with empathy and adhere to the turnaround time in servicing our members.

The Fund has also established the terms of administration agreement with the fund benefit administrator which in this case is Absa Consultant and Actuaries (ACA) to proactively monitor the performance of the administrator and deal with any queries that arise with regards to administration.

Good governance is becoming more paramount for retirement funds in light of the recent legislation surrounding this matter. As a measure of ensuring proper governance, the Fund has developed a working risk dashboard to evaluate the level of risks faced by the Fund and prioritise issues of concern that the board has to deal with.

The Fund has made significant strides through its Claims Subcommittee to reduce the 80 000 backlog of claims by also utilising tracing agencies. Of the 80 000, more than 70% of these claims have been finalised. The remaining 30% of claims will be finalised by the end of August. Out of the 70% of finalised claims, 60 % have been settled and the 40% have been transferred to the unclaimed benefit fund.

The Fund since its inception has paid more than 267 779 claims. These include more than 258 651 withdrawal claims, more than 7 144 death claims and more than 1 984 retirement claims. The total value of claims paid to date is in excess of 1.8 billion.

It is important to also mention that when the Fund receives claims we inform members that their claims will be paid within 72 hours provided complete documentation is received and the employer is compliant. This is to also encourage members to check with their employers if they are compliant.

Other issues that the fund is currently addressing include the transfer of unclaimed benefits funds and the Pension Fund Adjudicator's issues that are frequently as result of non-compliance by some employers.

It is impressive to also note the interest shown by members in utilising the Fund's social media platform to interact with the Fund and enquire on the status of their contributions. To date, over 20 000 member enquiries and queries have been received and over 50% of those resolved since the launch of the social media project during the 2013 national member roadshows.

The Fund continues to engage its members and other stakeholders through various mediums such as benefit statements, SMS, roadshows, newsletters, mainstream media, social media platforms and others to not only educate them on Fund rules and benefits, but

to also provide regular insight on various Fund initiatives on improving the quality of service and attaining industry-wide compliance.

I am happy to also announce that the Fund is in the process of hosting a golf day and aim to use this as an opportunity to create dialogue and encourage cooperation from stakeholders. The desired outcome is to have changed perceptions with improved working relationships and communication channels with members and stakeholders. As the Fund, we have to generate new ideas and promote a wider circle of responsibility for decisions and actions. With the latter, we can hopefully diffuse any conflict situation that might impede progress.

The Fund continues to monitor closely the new retirement reform proposed by the National Treasury which if not managed properly, may have an impact on monies that have been invested, that is, if a considerable number of members decide to leave the Fund.

With the existing regulation, members are able to access their monies as and when the need arises. Whereas when T-Day comes into effect, members' access to their funds is limited until retirement. However, even if the new developments comes into operation, it will have a nominal effect on PSSPF members because the stipulated threshold under discussion is far above what security employees currently earn.

Finally as a word of caution to those employers who keep on defaulting on their mandatory contributions, the Fund will deal decisively with those not adhering to their legal obligations. We also encourage security employees to contact the Fund to verify or confirm their companies' compliance status.

With that said, please join us as the PSSPF in the official launch of our revamped member-conducive offices with the sole purpose of ensuring efficiency and effectiveness on the service delivery values and exceeding visitor expectations.

On behalf of the Fund - we thank you for having taken the time to avail yourselves for this launch.

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