

# UNPACKING THE PENSION ACT 2023



In 2023, the **Pensions Act 2011** was repealed and replaced by the **Pension Act 2023**, introducing a new framework for pension laws. We engaged **Tawonga Manda, General Manager of Old Mutual Pension Services Company (OMPSC) Limited**, who highlights the key changes introduced by the amended law and its implications to the pension members:

## 1. What are the key changes introduced by the Pensions Act 2023?

The Pensions Act 2023 introduces several key reforms aimed at improving pension accessibility, security, and flexibility. These include:

- a. A reduced waiting period for unemployment withdrawals from six months to three months.
- b. An early retirement withdrawal option allowing members within five years of retirement to access up to 50% of their savings.
- c. An increase in the lump sum portion at retirement from **40%** to **50%**.
- d. The introduction of voluntary Pension and provident funds.
- e. There is now a strengthened enforcement mechanisms to ensure employers remit contributions on time.
- f. Beneficiary nomination list that are binding in case of death claims
- g. Transferring of pension fund when you have changed the job or out of work and introduction of a default fund.

## 2. How does the reduced waiting period for unemployment withdrawals benefit pension members?

Previously, individuals who left employment had to wait six months before accessing their pension savings. Now, with the new Act, they can withdraw funds after three months upon proving that they have not picked up another employment. This change provides much-needed financial relief for those that are unemployed.

## 3. What is the purpose of allowing early withdrawals for members close to retirement?

This provision recognises that the period leading up to retirement can be financially challenging. By allowing members who are within five years of retirement to access up to **50%** of their pension savings, the Act helps them plan better for their transition, whether by paying off debts, investing, or securing their retirement plans.

## 4. How does the increased lump sum withdrawal at retirement impact retirees?

With the increase from **40%** to **50%**, retirees now have greater immediate financial flexibility. This means they can settle pressing financial needs, invest in income-generating activities, or improve their post-retirement living conditions while still maintaining an annuity for lifelong financial security. However, for those desiring a large annuity or programmed withdraw payout, they may still opt for lower cash pay for a higher annuity or programmed withdraw payout.

## 5. What are the new voluntary savings options introduced by the Act?

The Act establishes two key voluntary savings options:

- a. Personal pension funds: These allow individuals, including those in informal employment,

to make voluntary contributions towards their retirement. A great opportunity for those on mandatory pension to beef up their pension savings and for those in the informal sector a great vehicle to use to plan for their retirement.

- b. Employer-sponsored provident funds: These are additional savings schemes offered by employers, giving employees an extra avenue to boost their retirement savings.

These options help individuals build a more secure financial future beyond the mandatory pension contributions.

## 6. How does the Act ensure that employers remit pension contributions on time?

The Act introduces stricter enforcement mechanisms, including penalties of up to **150 million kwacha** and the possibility of business closure for non-compliant employers. This measure ensures that pension contributions are paid on time, protecting employees' retirement benefits and ensuring financial security.

## 7. How does Old Mutual Pension Services support members in navigating these changes?

At Old Mutual Pension Services Company, we are committed to guiding our members through these changes by:

- a. Providing education on the benefits and implications of the new Act.
- b. Offering financial planning tools and advisory services to help members make informed decisions.
- c. Ensuring seamless access to pension funds in line with the new regulations.

We encourage both employers and employees to reach out to us for guidance on how to maximize the benefits of the **Pensions Act 2023**.

## 8. What are the implications of not updating the beneficiary list?

Unlike in the past, when Trustees would exercise power to consider a beneficiary say a child or a spouse omitted in a current nomination the discretion to make judgments in certain circumstances on the beneficiary nomination form has been taken away. The new Act requires Trustees to strictly adhere to the listed beneficiaries for a valid nomination form. This is call for members to be vigilant and intentional in updating beneficiary nomination forms.

Therefore, it is important to review and update your beneficiary list regularly. The law mandates that this should be done at least every two years.

## 9. What will happen if you don't facilitate the transfer of pension funds after you have changed job?

If you do not transfer your pension funds within six months after leaving or changing jobs to your preferred unrestricted pension fund, the funds will automatically be moved to a default pension account designated by the government.

