



## **ANNEXURE A**

# **EXPLANATION OF BUDGET FOR 2025/26, ESTIMATES OF EXPENDITURE AND LEVY PROPOSAL**

## 1. INTRODUCTION

- 1.1 In terms of section 239(1) of the Financial Sector Regulation Act, 2017 (“FSR Act”), the Office of the Pension Funds Adjudicator (“OPFA”) as a financial sector body, must, for each financial year, prepare and adopt:
- (a) a budget in accordance with section 248 that includes an estimate of its expenditure;
  - (b) a proposal for the fees that will be charged and levies that will be imposed by the financial sector body; and
  - (c) projected estimates of its expenditure for the next 2 financial years.
- 1.2 In terms of section 240 of the FSR Act, Part 1 of Chapter 7, with the exception of section 100, applies with the necessary changes to the adoption of the budget, estimates of expenditure, and levy proposal as provided in section 239.
- 1.3 As such, in adopting the budget and determining levies, the OPFA must publish the following documents for public comment:
- (a) the budget, including estimates of expenditure;
  - (b) the levies proposal for the relevant financial year;
  - (c) the projected estimates of its expenditure for the next 2 financial years; and
  - (d) an explanation of the budget, estimates of expenditure and levies proposal, and the variation of the budget, estimates of expenditure and the fees and levies proposals against the budget, estimates of expenditure and the levies proposal adopted for the previous financial year (section 240(2)(b) of the FSR Act).
- 1.4 The OPFA hereby provides the explanation referred to in paragraph 1.3(d) above.

## 2. BACKGROUND

- 2.1 The FSR Act provides for the regulation and supervision of the South African financial sector. Among others the Act provides for establishment of the market conduct regulator, the Financial Sector Conduct Authority, reforms of the ombud system to make it more accessible and effective, which includes a recognition of ombud schemes as financial sector bodies, establishment of the Ombud Council to regulate ombud schemes and provision for governance and funding arrangements for ombud schemes.
- 2.2 One of the fundamental principles set out by the National Treasury in a document titled “A safer financial sector to serve South Africa Better”, released on 23 February 2011, is that regulators of the financial sector should be appropriately and adequately funded to enable them to execute their mandates effectively. According to this policy document, the regulated entities should ideally fund the operational budgets of regulators, including ombud schemes, in a way that eliminates conflicts of interest. The FSR Act provisions have been implemented in phases, including amendments to the ombud system and its funding as stated in the Financial Sector and Deposit Insurance Levies Act, 2022 (“Levies Act”).
- 2.3 Proclamations no. 3186 and 3187 were published in the Government Gazette No. 48291 dated 24 March 2023, on the commencement of Levies Act and the commencement of certain provisions of the FSR Act that amend the Pension Funds Act, 1956 (“Pension Funds Act”) as they relate to funding and governance requirements of the Office of the Pension Funds Adjudicator, with effective dates of 01 April 2023 and 01 June 2023, as applicable.
- 2.4 The following is a summary of the provisions of the Pension Funds Act applicable:
- *Section 30R: Funds of Adjudicator* - The funds of the Adjudicator shall consist of funds accruing to the Adjudicator in terms of the Levies Act on the grounds of a budget submitted to, and approved by, the Minister of Finance (“Minister”).

- *Section 30S: Remuneration and terms and conditions of employment of Adjudicator and employees* - The remuneration and other terms and conditions of employment of the Adjudicator shall be determined by the Minister and any employee of the Adjudicator shall be determined by the Adjudicator with the concurrence of the Minister.
- *Section 30T: Accountability—The Adjudicator is the accounting authority of the Office of the Pension Funds Adjudicator. Effective 01 April 2023, the Adjudicator assumed this role, which necessitates reviewing the organisational design, processes, and governance framework to ensure good governance outcomes are achieved.*

2.5 The Levies Act provides for the imposition of financial sector levies on supervised entities for the funding of the OPFA as per the amended section 30R of the Pension Funds Act. Schedule 5 of the Levies Act (Annexure C) provides for the formula of the financial sector levy with respect to the funding of the OPFA. Section 237(1)(b) of the FSR Act provides that the OPFA, as a financial sector body, may impose levies in accordance with the FSR Act, read with the Levies Act, to fund its operations.

2.6 After the completion of the process prescribed in section 239 of the FSR Act, -

- (a) the OPFA must publish the levies that have been imposed in the register and on its website in terms of section 237(2) of the FSR Act; and
- (b) the Minister—
  - (i) must amend the Schedules to give effect to the increase of the levies by the arithmetic mean of the Consumer Price Index as published by Statistics South Africa in the preceding calendar year as contemplated in section 10(4)(b) of the Levies Act; or
  - (ii) may amend the Schedules to the Levies Act as contemplated in section 10(2)(a) of the Levies Act to give effect to a proposal for levies made by the financial sector body in terms of section 239(7)(b) of the FSR Act.
  - (iii) the Minister must then publish the amendments in the *Gazette* if Parliament approves or adopts the amendments, , and the Schedule will take effect

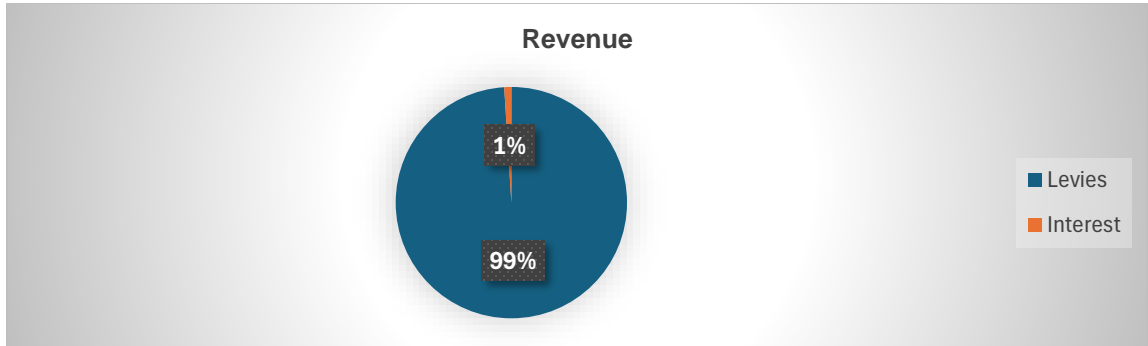
on the publication date in accordance with section 10(1)(e) of the Levies Act.

- 2.7 The OPFA's budget, supported by the imposed levies, is therefore critical to ensuring that it is adequately funded to execute its mandate effectively.

### **3. FUNDING MODEL**

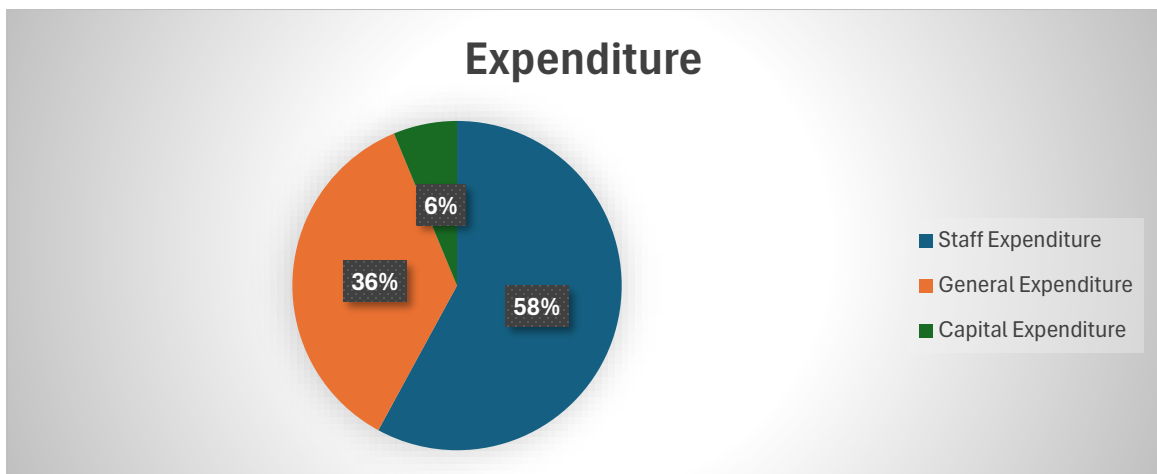
- 3.1 The OPFA is funded in terms of section 30R of the Pension Funds Act by imposing levies on the pension fund industry as detailed in the Levies Act. The levies are the main contributor to the OPFA's revenue base and as such, the costs associated with the disposal of complaints are funded primarily from the levies' income.
- 3.2 The OPFA must raise sufficient levies to cover its operational requirements and shall not, as a general principle, budget for a surplus/deficit unless prior approval is obtained from the National Treasury. For the financial year 2025/26, the OPFA budgets gross revenue of R113 million (Budget 2024/25: R108 million), operations expenditure of R106 million (Budget 2024/25: R100 million) and R7 million (Budget 2024/25: R8 million) capex.
- 3.3 The gross revenue budget of R113 million comprises mainly of levies accounting for 99% (Budget 2024/25: 99%) of the gross revenue. The levy income is charged on pension funds based on a formula that considers audited member numbers from the preceding year and a flat levy rate that must cover all OPFA operational expenses, including a 15% contingency reserve. The gross revenue also covers additional establishment costs and changes in legal mandate of the OPFA due to changes in legislation that were not in the prior budget and other expenses that are not part of the ordinary course of discharging the mandate (i.e. capex expenditure). Invoices are generated annually in the middle of the year and collected within reasonable period by the FSCA on behalf of the OPFA.

**Figure: 1: Revenue budget composition**



3.4 The operations expenditure of R106 million (Budget 2024/25: R100 million) comprises staff expenditure of R65 million (Budget 2024/25: R62 million) and general expenditure of R41 million (Budget 2024/25: R38 million). Capital expenditures of R7 million (Budget 2024/25: R8m) account for 6% of the total expenditure budget. As a percentage of total expenditure, staff expenses represent 58%, general expenditure 36% and capital expenditure 6% of the total expenditure budget.

**Figure: 2: Expenditure breakdown**



- 3.5 To cover the budgeted operational expenditure (which includes the capex expenditure) and the implementation of the recent changes to the Pension Funds Act, the OPFA proposes an increase of 4.7% in the levy from 10.38 cents to 10.87 cents i.e. if the number of eligible pension fund members remain the same.
- 3.6 For detailed information on the budget and explanatory notes refer to **Annexure B** of the OPFA Budget 2025/26.

#### 4. LEVY PROPOSAL 2025/26

- 4.1 The financial sector levy payable by a supervised entity to the OPFA as contemplated in Part A of the Levies Act, read with Schedule 5 of the Levies Act, in respect of the 2025/26 levy year, is an amount equal to the sum of the amounts specified in or calculated in accordance with Table E in Schedule 5, in relation to that supervised entity, in the Levy Proposal as per **Annexure C**.
- 4.2 The levy amount specified is determined based on the OPFA's operational funding requirements and divided by the number of registered pension fund members and all other persons who receive regular periodic payments from such a fund (excluding any member or such persons, whose benefit remained unclaimed and beneficiaries of members of pension funds) as reflected in the latest annual financial statements furnished to the FSCA as at 28 February of the preceding levy year depicted as letter "L" on Table E Schedule 5. The assumption is that this number of eligible pension fund members will remain the same for the purposes of the annual budget, expenditure estimates for the medium term and proposed levy determination.
- 4.3 The number of eligible pension fund members (L) were reported at 10,9 million as at 28 February 2024, which is an increase from a total of 10,8 million in the prior year.

- 4.4 The levy amount formula is determined as the base amount (i.e., the budget year levy amount) plus a variable amount, which is an increment from the current budget year amount.
- 4.5 The OPFA levy proposal for the 2025/26 financial year, as per **Annexure C** (Schedule 5, Table E), illustrates the proposed change to the variable amount in the column “Proposed Variable Amount” and the variable percentage as “% change”.
- 4.6 The OPFA proposed a levy amount of 10.89 cents, a difference of 0.49 cents, which amounts to a variance percentage increase of 4.7%. This is expected to be within the estimated CPI and will not require the Minister to table for Parliament approval as per section 10(1)(a) of the Levies Act. This increase will ensure that the legislation changes are implemented optimally to achieve the desired outcomes of an improved, independent and more effective alternative dispute resolution mechanism.



## **ANNEXURE B**

### **OFFICE OF THE PENSION FUNDS ADJUDICATOR BUDGET FOR 2025/26 AND ESTIMATES OF EXPENDITURE FOR 2026/27 AND 2027/28**

The Office of the Pension Funds Adjudicator, in terms of section 240 of the FSR Act, hereby proposes its budget for 2025/26 and estimates of expenditure for 2026/27 and 2027/28.

## INTRODUCTION

The OPFA is a schedule 3A public entity in terms of the Public Finance Management Act, 1999. It was established in terms of section 30B of the Pension Funds Act to investigate and determine pension fund related complaints lodged in terms of the Pension Funds Act and those designated to the Adjudicator in terms of the FSR Act. Section 30D requires that the Adjudicator, when disposing complaints, must:

- apply, where appropriate, principles of equity;
- have regard to the contractual arrangement or other legal relationship between complainants and any financial institutions;
- have regard for the provisions of the Pension Funds Act; and
- act in a procedurally fair, economical, and expeditious manner.

The OPFA is guided by its mandate and is committed to achieving its strategic goals and contributing to social protection of consumers of pension products and services by:

- being a trusted, independent and impartial Pension Funds Adjudicator;
- being an organisation that leads by example and is committed to service excellence;
- providing access to complainants;
- creating awareness of the role of the OPFA, educating and informing consumers of their rights; and
- establishing meaningful and collaborative relationships with relevant stakeholders.

The OPFA's strategic objectives in the medium-term focus on discharging its mandate, improving the efficiency of its operations through an effective system of internal control and sound governance, and having informative and value adding interactions with its stakeholders, namely:

- Strategic goal 1: Dispose of complaints received;
- Strategic goal 2: Achieve operational excellence; and
- Strategic goal 3: Effective stakeholder engagement.

The consolidated budget for the 2025/26 financial year, as presented, is drawn from the funding requirements to implement the various programmes of the OPFA derived from these strategic objectives.

Furthermore, this budget accounts for recent changes in the Pension Funds Act to fund the transition to a more independent statutory ombud scheme that has a more comprehensive mandate to realise the *Treating Customer's Fairly* outcomes for consumers of pension fund products and services.

The OPFA budgets gross revenue of R113 million, staff costs of R65 million, operating costs of R41 million, capital expenditures of R7 million and contingency reserves of R6 million for the 2025/26 financial year.

## 1. OPFA BUDGET 2025/26

### 1.1 PRINCIPAL BUDGET ASSUMPTIONS

#### General budget assumptions applied– Economic Indicators.

|                           |                                                                                                                                                        |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Assumption        | <b>The OPFA proposed this budget and levy on an assumption that the levy proposal for 2024/25, which is currently in Parliament, will be approved.</b> |
| MTEF budgeting guidelines | Where practical budgeting is aligned to MTEF guidelines in reducing costs overall.                                                                     |
| Inflation (CPI)           | Annual CPI inflation of 4.7% expected in 2025/26.                                                                                                      |
| Interest on investments   | The current yield on Corporation of Public Deposits (CPD) is 8.25% and this is expected to remain in a high inflation environment.                     |

**Staff Costs**

|                          |                                                                                                                                                                 |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salaries                 | Actual as at July 2024, with budgeted increase of 6% from 1 January 2025.                                                                                       |
| Relief Staff Expenditure | As budgeted based on the projections based on team requirements. Savings from vacancies used to augment budget in the circumstance of high seasonal complaints. |
| Other Staff Expenditure  | Other staff expenditures including employer contributions for Retirement, Seta levy and UIF.                                                                    |

**General Expenses**

|                                           |                                                                                                                     |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| IT maintenance and support                | Increments based on OEM software packages maintenance costs and existing support contracts.                         |
| Audit fees                                | Based on the internal audit plan and a CPI adjustment on external audit from prior year fees.                       |
| Depreciation and Armortisation            | Based on Capex budget and the existing asset balances with diminishing carrying values in the fixed asset register. |
| Legal fees                                | Budget according to current legal cases in progress, historical information and probabilities.                      |
| Rentals and Utilities                     | Based on existing lease agreement plus rates, taxes, water and electricity.                                         |
| Telephone, Postal services and connection | Telephone and postal services costs based on actual costs and new data cards contract for mobile connections.       |
| Other operating expenditure               | Stationery, printing, off-site storage, travel costs etc., based on actual costs and projected future requirements. |

## 1.2 ABRIDGED INCOME STATEMENT

**Table 1: Annual budget 2025/26 and variances**

| ITEM                               | REFERENCE | ACTUAL BUDGET<br>2024/25 | ACTUAL BUDGET<br>2025/26 | VARIANCE           | % VARIANCE |
|------------------------------------|-----------|--------------------------|--------------------------|--------------------|------------|
| <b>REVENUE</b>                     |           |                          |                          |                    |            |
| LEVY INCOME                        | 1.3.1     | (99,487,170)             | (111,611,671)            | (12,124,502)       | 12%        |
| SPECIAL LEVY                       | 1.3.2     | (7,461,538)              | -                        | 7,461,538          | -100%      |
| INTEREST INCOME                    | 1.3.3     | (1,067,950)              | (1,117,182)              | (49,232)           | 5%         |
| <b>TOTAL REVENUE</b>               |           | <b>(108,016,658)</b>     | <b>(112,728,854)</b>     | <b>(4,712,196)</b> | <b>4%</b>  |
| <b>EXPENDITURE</b>                 |           |                          |                          |                    |            |
| OPERATING COSTS                    | 1.3.4     | 38,200,000               | 40,371,312               | 2,171,312          | 6%         |
| STAFF COSTS                        | 1.3.5     | 61,913,000               | 65,307,458               | 3,394,458          | 5%         |
| <b>GENERAL EXPENDITURE</b>         |           | <b>100,113,000</b>       | <b>105,678,769</b>       | <b>5,565,769</b>   | <b>6%</b>  |
| CAPITAL EXPENDITURE                | 1.3.6     | 7,903,658                | 7,050,085                | (853,573)          | -11%       |
| <b>TOTAL ESTIMATED EXPENDITURE</b> |           | <b>108,016,658</b>       | <b>112,728,854</b>       | <b>4,712,196</b>   | <b>4%</b>  |

### **Revenue**

The OPFA's main revenue source is levies based on the levy rate as determined in line with the Levies Act. The FSCA is responsible for collecting levies from pension funds on behalf of the OPFA as per the Levies Act. The gross revenue excludes special levies. Interest is earned on cash balances which is not material. The revenue required is based on a proposed budget that is driven by the costs of funding the OPFA operations. The gross revenue budget of R113 million (Budget 2024/25: R108 million) comprises mainly levies accounting for 99% of the total revenue.

### **Expenditure**

Operating costs consists of audit fees, depreciation, IT maintenance and support, legal fees, telephone, postage, operating lease rentals etc. The average growth in operating expenditure is 6% and driven by CPI related factors as well as extra costs that will come with additional office space.

Staff costs include salaries, retirement fund contributions, workers' compensation, employee assistance programmes, governance fees, internship fees, etc. The average increase in staff costs is 5% and is largely driven by CPI-linked adjustments.

Capital expenditure consists of cost to procure computer equipment & software, furniture & fittings, office equipment etc. The growth in capex expenditure is primarily driven by the investment in IT equipment and software, investment in ICT security management, and the implementation of the ERP system (Finance and SCM) to improve overall ICT capabilities and realise more efficiencies.

The OPFA relies heavily on its human resources capacity to deliver its mandate. Therefore, it will continue to strive to provide a positive organisational climate and comply with employment equity requirements. The OPFA will also continue to evaluate its operations to ascertain possible opportunities for greater efficiencies including improving its systems and processes.

### 1.3 DETAILED OPERATIONAL BUDGET

**Table 2: Gross revenue budget**

| ITEM                 | REFERENCE | ACTUAL BUDGET<br>2024/25 | ACTUAL BUDGET<br>2025/26 | VARIANCE           | % VARIANCE |
|----------------------|-----------|--------------------------|--------------------------|--------------------|------------|
| <b>REVENUE</b>       |           |                          |                          |                    |            |
| LEVY INCOME          | 1.3.1     | (99,487,170)             | (111,611,671)            | (12,124,502)       | 12%        |
| SPECIAL LEVY         | 1.3.2     | (7,461,538)              | -                        | 7,461,538          | -100%      |
| INTEREST INCOME      | 1.3.3     | (1,067,950)              | (1,117,182)              | (49,232)           | 5%         |
| <b>GROSS REVENUE</b> |           | <b>(108,016,658)</b>     | <b>(112,728,854)</b>     | <b>(4,712,196)</b> | <b>4%</b>  |

#### ***Levy budget and Interest Income***

##### *1.3.1 Pension Funds Levies, R112 million (Budget 2024/25: R99 million)*

The levy budget is based on the rates as determined in line with the Levies Act. The overall OPFA levy increased by 4.7% compared to the 2024/2025. The OPFA raised the levies by this margin in order to cover its operational requirements, to cover additional costs as a result of the separation (decoupling) with the FSCA and funding the contingency reserves of 15% (section 239(3) of the FSR Act) to be accumulated over a three-year period (i.e. 5% per year) if all assumption remains the same.

### 1.3.2 Special Levy R0 million (Budget 2024/2025: R7.5 million)

The Levies Act allowed the OPFA to raise a special levy in the first two years of its enactment to cover establishment costs and last year was the last year for the special levy.

### 1.3.3 Interest Income R1 million (Budget 2024/25: R1 million)

The interest income is based on cash management strategies to optimise unutilised funds throughout the year to augment the OPFA budget. The savings deposited with the South Africa Reserve Bank CPD as required by the PFMA, generates the interest income which is calculated based on a rate of 10 basis points less than the yield on 91-day Treasury bills. The yield on the 91-day Treasury bills changes weekly.

**Table 3: Staff expenditure**

| ITEM                           | REFERENCE | ACTUAL<br>BUDGET<br>2024/25<br>R'(000) | ACTUAL<br>BUDGET<br>2025/26<br>R'(000) | VARIANCE     | %<br>VARIANCE |
|--------------------------------|-----------|----------------------------------------|----------------------------------------|--------------|---------------|
| <b>STAFF COST</b>              |           |                                        |                                        |              |               |
| SALARIES                       | 1.3.4     | 50,613                                 | 53,338                                 | 2,725        | 5%            |
| RELIEF STAFF EXPENDITURE       | 1.3.5     | 157                                    | 164                                    | 7            | 5%            |
| OTHER STAFF EXPENDITURE        | 1.3.6     | 11,142                                 | 11,805                                 | 663          | 6%            |
| <b>TOTAL STAFF EXPENDITURE</b> |           | <b>61,913</b>                          | <b>65,307</b>                          | <b>3,395</b> | <b>5%</b>     |

### 1.3.4 Salaries R51 million (Budget 2024/25: R53 million)

The overall increase in staff cost amounts to 5%, consistent with a CPI assumption for 2025/26. Salaries represent 82% (Budget 2024/25: 82%) of the staff expenditure budget and 57% (Budget 2024/25: 58%) of total expenditure budget. Personnel costs are the main cost driver. The high ratio of salaries to total expenditure is attributable to the OPFA being a service organisation with mainly legal professionals with specialised pension fund experience.

1.3.5 *Relief Staff R0.164 million (Budget 2024/25: R0.157 million)*

Relief staff expenditure budget increased by 5%.

1.3.6 *Other staff*

Other staff expenditure budgets increased marginally by 6%, which is higher than CPI, to cover some costs related to structural adjustments to progress employees below the minimum median pay point closer to market-related pay and to incentive high-performing staff in line with the high-performance culture envisaged for the OPFA.

**Table 4: Operating expenses**

| ITEM                              | REFERENCE | ACTUAL<br>BUDGET<br>2024/25<br>R'(000) | ACTUAL<br>BUDGET<br>2025/26<br>R'(000) | VARIANCE     | %<br>VARIANCE |
|-----------------------------------|-----------|----------------------------------------|----------------------------------------|--------------|---------------|
| <b>GENERAL EXPENDITURE</b>        |           |                                        |                                        |              |               |
| AUDIT FEES                        | 1.3.7     | 2,409                                  | 2,520                                  | 111          | 5%            |
| IT MAINTENANCE AND SUPPORT        | 1.3.8     | 10,560                                 | 11,047                                 | 487          | 5%            |
| LEGA FEES                         | 1.3.9     | 585                                    | 837                                    | 252          | 43%           |
| OTHER OPERATING COSTS             | 1.3.10    | 12,165                                 | 13,647                                 | 1,482        | 12%           |
| TELEPHONE, POSTAGE AND CONNECTION | 1.3.11    | 2,531                                  | 2,648                                  | 117          | 5%            |
| RENTALS AND UTILITIES             | 1.3.12    | 9,951                                  | 9,674                                  | - 277        | -3%           |
|                                   |           |                                        |                                        |              |               |
| <b>TOTAL GENERAL EXPENDITURE</b>  |           | <b>38,200</b>                          | <b>40,371</b>                          | <b>2,171</b> | <b>6%</b>     |

1.3.7 *Audit Fees R2.520 million (Budget 2024/25: 2.409 million)*

The budget for audit fees is for internal and external audit services for the financial year, with a marginal increase of 5% overall due to an increase in the audit service costs.

1.3.8 *IT maintenance and support R11.047 million (Budget 2024/25: R10.560 million)*

The computer support and maintenance budget covers computer applications and user support costs and is expected to increase by 5%. The variance from the previous budget is driven mainly by the implementation of new technologies, security upgrades, and



support services for existing applications, which are all necessary to ensure critical OPFA systems are working efficiently, sensitive data is protected, and the overall network environment is secure.

*1.3.9 Legal fees R0.837 million (Budget 2024/25: R0.585 million)*

Legal fees budgeted for included section 30P appeals and labour matters. These expenses depend on the number and nature of claims and are expected to increase by 43% due to ongoing matters requiring legal services.

*1.3.10 Other operating costs R13.647 million (Budget 2024/25: R12.165 million)*

This expense includes general administration expenses such as cleaning, repairs and maintenance, bank charges, storage etc. The increase is due to more funds being made available for stakeholder engagement services as the OPFA improves its activities in public awareness campaigns and education.

*1.3.11 Telephone, postage and connection R2.648 million (Budget 2024/25: R2.531 million)*

This expense includes telephone, postal, internet, data connectivity and other communication-related services. This is expected to increase by 5% in line with the projected CPI.

*1.3.12 Rentals and Utilities R9.214 million (Budget 2024/25: R9.951 million)*

This expense is related to the office lease paid to the landlord and the utilities including rates and taxes, water, electricity, etc. and the decrease of -3% is due to favourable contract terms negotiated with the landlord on the current premises; this is envisaged to carry through to the next contract extension including extra additional space that will be acquired

## 1.4 CAPITAL EXPENDITURE BUDGET

**Table 5: Planned capital assets acquisitions**

| ITEM                             | ACTUAL<br>BUDGET<br>2024/25<br>R'(000) | ACTUAL<br>BUDGET<br>2025/26<br>R'(000) | VARIANCE     | %<br>VARIANCE |
|----------------------------------|----------------------------------------|----------------------------------------|--------------|---------------|
| <b>CAPITAL EXPENDITURE</b>       |                                        |                                        |              |               |
| LEASEHOLD                        | 1,500                                  | 1,000                                  | - 500        | -33%          |
| COMPUTER EQUIPMENT               | 3,204                                  | 3,450                                  | 246          | 8%            |
| OFFICE EQUIPMENT                 | -                                      | 300                                    | 300          | 100%          |
| FURNITURE & FITTINGS             | 1,500                                  | 1,000                                  | - 500        | -33%          |
| COMPUTER SOFTWARE                | 1,500                                  | 1,100                                  | - 400        | -27%          |
| SIGNAGE                          | 200                                    | 200                                    |              |               |
| <b>TOTAL CAPITAL EXPENDITURE</b> | <b>7,904</b>                           | <b>7,050</b>                           | <b>- 854</b> | <b>-11%</b>   |

The Capex budget is mainly to cover costs related to a new lease contract, as the current one comes to an end at the end of March 2025, refresh/upgrade of ICT infrastructure in line with the OPFA modernisation strategy, and construction of a new server room to host our operational environment.

## 1.5 RESERVES

**Table 6: Reserves for the year**

| ITEM                                         | ACTUAL<br>BUDGET<br>2025/26<br>R'(000) | ACTUAL<br>BUDGET<br>2026/27<br>R'(000) | PERCENTAGE<br>CHANGE | ACTUAL<br>BUDGET<br>2027/28<br>R'(000) | PERCENTAGE<br>CHANGE |
|----------------------------------------------|----------------------------------------|----------------------------------------|----------------------|----------------------------------------|----------------------|
| GROSS REVENUE                                | (112,729)                              | (118,365)                              | 5%                   | (124,284)                              | 5%                   |
| TOTAL ESTIMATED EXPENDITURE                  | 112,729                                | 118,365                                | 5%                   | 124,284                                | 5%                   |
| <b>BUDGET SHORTFALL/(SURPLUS)</b>            | -                                      | -                                      |                      | -                                      |                      |
| CONTINGENCY RESERVE (15% TOTAL EXPENDITURE)  | 16,909                                 | 17,755                                 | 5%                   | 18,643                                 | 5%                   |
| REMAINING RESERVES RESERVES                  | -                                      | -                                      |                      | -                                      |                      |
| <b>TOTAL TO BE FUNDED BY LEVIES</b>          | <b>129,638</b>                         | <b>136,120</b>                         | <b>5%</b>            | <b>142,926</b>                         | <b>5%</b>            |
| DEFERRED AND DISCOUNTED RESERVES 10%         | (11,273)                               | (11,837)                               |                      | (12,428)                               |                      |
| INTEREST INCOME FROM INVESTMENT              | (1,117)                                | (1,173)                                |                      | (1,232)                                |                      |
| <b>ADJUSTED TOTAL TO BE FUNDED BY LEVIES</b> | <b>118,365</b>                         | <b>124,284</b>                         | <b>5%</b>            | <b>130,498</b>                         | <b>5%</b>            |
| <b>RESERVES FOR THE YEAR</b>                 | <b>5,636</b>                           | <b>5,918</b>                           |                      | <b>6,214</b>                           |                      |

The OPFA will build the allowable 15% reserves over the medium term. The contingency reserves for the year amount to R5.9 million (Budget 2024/2025: R5.6 million) and are to be accumulated over a three-year period at 5% of total expenditure for the year provided all assumptions remain the same.

## 2. OPFA EXPENDITURE ESTIMATES 2026/27 AND 2027/28

| ITEM                               | REFERENCE    | ACTUAL BUDGET 2025/26 R'(000) | ACTUAL BUDGET 2026/27 R'(000) | PERCENTAGE CHANGE | ACTUAL BUDGET 2027/28 R'(000) | PERCENTAGE CHANGE |
|------------------------------------|--------------|-------------------------------|-------------------------------|-------------------|-------------------------------|-------------------|
| <b>REVENUE</b>                     |              |                               |                               |                   |                               |                   |
| LEVY INCOME                        |              | (111,612)                     | (117,192)                     | 5%                | (123,052)                     | 5%                |
| SPECIAL LEVY                       |              | -                             | -                             |                   | -                             |                   |
| INTEREST INCOME                    |              | (1,117)                       | (1,173)                       |                   | (1,232)                       |                   |
| <b>GROSS REVENUE</b>               | <b>2.1.1</b> | <b>(112,729)</b>              | <b>(118,365)</b>              | <b>5%</b>         | <b>(124,284)</b>              | <b>5%</b>         |
| <b>EXPENDITURE</b>                 |              |                               |                               |                   |                               |                   |
| OPERATING COSTS                    | 2.1.2        | 40,371                        | 42,390                        | 5%                | 44,509                        | 5%                |
| STAFF COSTS                        | 2.1.2        | 65,307                        | 68,573                        | 5%                | 72,001                        | 5%                |
| <b>GENERAL EXPENDITURE</b>         |              | <b>105,679</b>                | <b>110,963</b>                | <b>5%</b>         | <b>116,511</b>                | <b>5%</b>         |
| CAPITAL EXPENDITURE                | 2.1.4        | 7,050                         | 7,403                         | 5%                | 7,773                         | 5%                |
| <b>TOTAL ESTIMATED EXPENDITURE</b> |              | <b>112,729</b>                | <b>118,365</b>                | <b>5%</b>         | <b>124,284</b>                | <b>5%</b>         |
| BUDGET SHORTFALL/(SURPLUS)         |              | -                             | -                             |                   | -                             |                   |

### 2.1.1 Gross Revenue R118 million 2026/27 and R124 million 2027/28

Gross revenue is expected to increase by an average of 5% in 2026/27 and 5% in 2027/28 respectively, in line with CPI projections. This is on condition parliament approves the baseline budget submitted to it for 2024/25 with a significant levy increase of 35%.

### 2.1.2 Operating costs R42 million 2026/27 and R45 million 2027/28

Operating costs are budgeted to increase by 5% on average for 2025/26 and 2027/28, respectively, to account for CPI-related increases in costs.

### 2.1.3 Staff costs R69 million 2025/26 and 72 million 2027/28

Staff costs for 2026/27 and 2027/28 is projected to increase by an average of 5% to account for cost-of-living adjustments in salaries and related contributions.

*2.1.4 Capex Costs R7 million 2026/27 and R8 million 2027/28*

Capex costs is set to increase by 5% in 2026/27 and subsequently increase by 5% in 2027/28 to cover capital expenditures related to refurbishing the ICT environment and replacing capital assets that have reached the end of their useful life.

## **ANNEXURE C**

### **LEVY PROPOSAL IN TERMS OF SECTION 239(1)(b) OF THE FINANCIAL SECTOR REGULATION ACT**

The Office of the Pension Funds Adjudicator, in terms of section 240 of the FSR Act hereby proposes levies as reflected below in the form of proposed amendments to Schedule 5 of the Levies Act.

**SCHEDULE 5**

**FINANCIAL SECTOR LEVY CALCULATION FOR SUPERVISED ENTITIES IN RESPECT OF STATUTORY OMBUD SCHEMES**

(Section 4(1)(a))

**Application**

Table E must be applied to calculate the levy payable by a supervised entity that is—

- (a) a pension fund; or
- (b) a financial service provider.

**TABLE E**

| Statutory Ombud Scheme                  | Type of supervised entity | Number of payments per levy | Base Amount (Rands) | Variable Amount(s) (Rands) | Proposed Variable Amount (s) | % Change | Description of Variable                                                                                                                                                                                                                                                                                                                                 | Formula                              | Maximum (Rands) |
|-----------------------------------------|---------------------------|-----------------------------|---------------------|----------------------------|------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------|
| Office of the Pension Funds Adjudicator | Pension fund              | One                         | R0                  | 0 x L                      | 10.87 x L                    | 4.7%     | L = number of members and all other persons who receive regular periodic payments from such a fund (excluding any member or such person, whose benefit remained unclaimed and beneficiaries of members of pension funds) as reflected in the latest annual financial statements furnished to the Authority as at 28 February of the preceding levy year | Levy = Base amount + Variable Amount | Not applicable  |