RESERVE BANK OF MALAWI

Pension Awareness

"Employer Obligations & Employee Rights"

SCOM National Associates Conference
Mangochi

October 2025

Outline

1. Pension Overview
2. Legal and Regulatory framework
3. Functions and powers of the Registrar
4. Pension Compliance and Support Department
5. Overview of the Pension Act
    i. Employer obligations
    ii. Exemptions
    iii. Sanctions regime
    iv. Employee rights
    v. Voluntary Pension Schemes & Provident Funds
6. Key takeaways

CONTEXT - UNDERSTANDING PENSION

Pension Overview

Pension defined:

A pension is a financial arrangement that provides individuals with income after retirement*, funded through regular contributions made during working/business life.

Why is Pension important?

Income After Retirement

A pension replaces your salary/business income when you retire, helping you cover daily expenses, healthcare, and other needs.

Long-Term Financial Security

It ensures you don't rely solely on family support in old age.

Protection Against Uncertainty

Life events like illness, disability, or job loss can affect your ability to save. A pension provides a safety net.

Inheritance for Dependents

Pension schemes allow you to nominate beneficiaries, ensuring your loved ones are supported in the event of death.

Legal and Regulatory Framework

Legal and Regulatory Framework

Key players including The Registrar of Financial Institutions, employers, employees, and pension administrators have defined roles under the legal framework

Pension Act 2023

- Primary legislation
- Supported by subsidiary legislation*
- Defines mandatory and voluntary pension schemes and sets minimum contribution rates.

Financial Services Act 2010

- PA administered under the FSA
- Provides supervision and enforcement mechanisms to ensure pension schemes are properly managed

Registrar of Financial Institutions

- Supervised and regulated by the RFI

Functions and Powers of the Registrar of Financial Institutions on Employers - Pension Act 2023

- Register all employers in Malawi
- Carry out employer inspections in relation to pension requirements
- Request any information from an employer
- Enforce employer compliance
- Enforcement and Penalties
- Issue certificate of compliance

RFI CONT'D

How does the RFI enforces pension compliance?

Established:

- Financial Sector Regulation
    - development of legal and regulatory framework for the financial sector
- Pension and Insurance Supervision Department
    - supervising and regulating pension entities
- Pension Compliance & Support Department

Pension Compliance and Support Department (PECOS)

- Operational arm supporting the Registrar
- Established Feb 2025
- Mandate

  Administer and enforce the Pension Act, 2023 – s7(1)(a)

- Mission

  To protect the interest of **employees** in pension-related matters through enhanced **employer compliance**, **stakeholder awareness** and fostering of an **effective pension support system** in Malawi.

Pension Compliance and Support Department (PECOS)

Objectives/Operating Goals of the Department

- Enhance compliance with pension laws by employers
- Enhance complaints handling processes on pension
- Improve pension support processes and systems
- Promote awareness and undertake education programs on pension matters

OVERVIEW OF PENSION ACT

1. Mandatory Occupational Pension scheme (MOPS)

i. Employer obligations
ii. Exemptions
iii. Sanctions regime
iv. Employee rights

2. Voluntary Pension Schemes & Provident Funds

Employer Obligations - MOPS

- Make provision for employees to be on pension scheme - all employees unless exempted*:
  - Register with an approved pension administrator
- Provide a life insurance cover - Equivalent to one year of pensionable earnings
- Mandatory Contributions:
  - Contribute a minimum of **10 percent** of pensionable emoluments
  - Deduct a minimum of **5 percent** of pensionable emoluments

Employer Obligations - MOPS

- Remit contributions -14 days after the contributions became due (salary payment)
- Transfer severance due entitlements where ever applicable

*** employer contribution rates cannot be revised downwards

- Data accuracy and reporting:
    - Ensure accurate payroll and contribution records
    - Ensure employee KYC data is accurate and complete and administrator is updated of any changes

Obligations of Employers under the MOPS

Severance due entitlement s 136

- Severance due entitlement to be escalated for each year as follows –
    - from 1st June, 2011 up to 1st April 2023 - at the rate of the average annual CPI published by NSO.
    - from 1st April 2023 - at the rate of the Reserve Bank of Malawi policy rate plus 10%.

Employer Obligations

Employers are Key!!!!

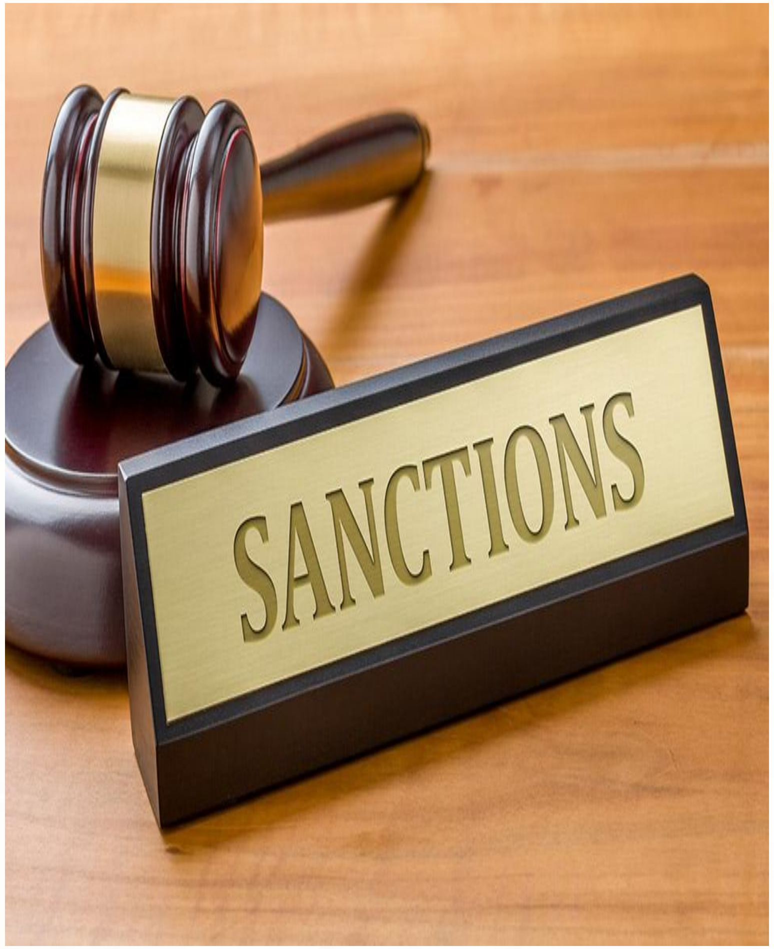
- **Employers play a key role in the provision of pension savings in Malawi**

Exemptions

- The President
- The First Vice President
- The Second Vice-President
- A Member of Parliament
- A Councillor
- A Domestic Worker
- An employee on a non-renewable contract for a specified task, whose term does not exceed a period of six months
- An employee who, at the time of engagement, is above the retirement age of the employer
- An expatriate
- A seasonal employee on a non-renewable contract

Sanctions Regime

- Administrative Penalties s.135 of the Pension Act (Warnings, Direction)
- Freezing of assets
- Closure of business

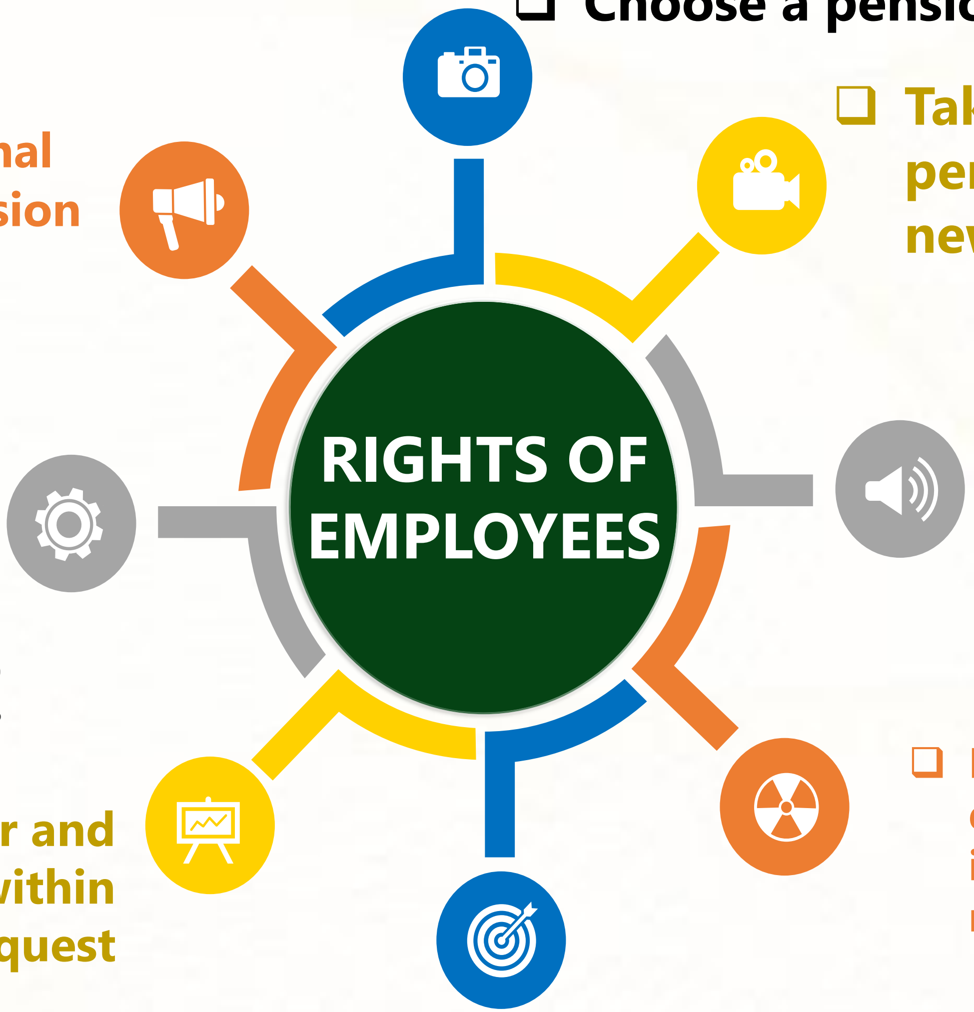


- Monetary Penalties
- Court action

Sanctions Regime Cont..

- Penalties
  - Late remittance of contributions - penalty interest of RBM Policy rate plus 10% for the period the contribution remained outstanding to make up for the lost investment income
  - Employer to remit both employee and employer contribution – non placement
  - monetary penalties of up to K100,000,000 or an amount equivalent to the financial gain generated or the loss suffered
- Court action on behalf of employee
  - Penalty following court action K100m indiv / K150m company

Employee Rights and obligations



- ❑ **Choose a pension fund**
- ❑ **Take with you, your pension account to new employer**
- ❑ **Transfer pension benefits – without giving reasons. Once in two years**
- ❑ **No transfer between MOPS and VPS**
  - ✓ **Employer not required to cover cost of transfer**
  - ✓ **Transfer of pension benefits to a default within 30 days after the lapse of six month from last date of employment**
- ❑ **Nominate beneficiaries for distribution death benefits in the event of death before retirement**
- ❑ **Receive pension benefits within 14 days after complete submission of application form**
- ❑ **Access to member and fund information within 60 days of request**
  - ✓ Fund investment strategy
  - ✓ Investment performance and financial position
  - ✓ Fees and charges
  - ✓ Rights and entitlements of members or beneficiaries under fund rules
  - ✓ Benefit statements
- ❑ **Make an inquiry into, or lodge a complaint about, operation of the fund**
  - ✓ **Complaint must be resolved within 60 days**
- ❑ **Make additional voluntary pension contributions**

Employee Rights and obligations Cont….

Obligations

- Maintain one pension account

- Ensure:
    - Binding/valid Beneficiary Nominations - update at least once every two years or whenever there is a major life event

    - Up to date and accurate KYC data

Voluntary Pension Schemes & Provident Funds

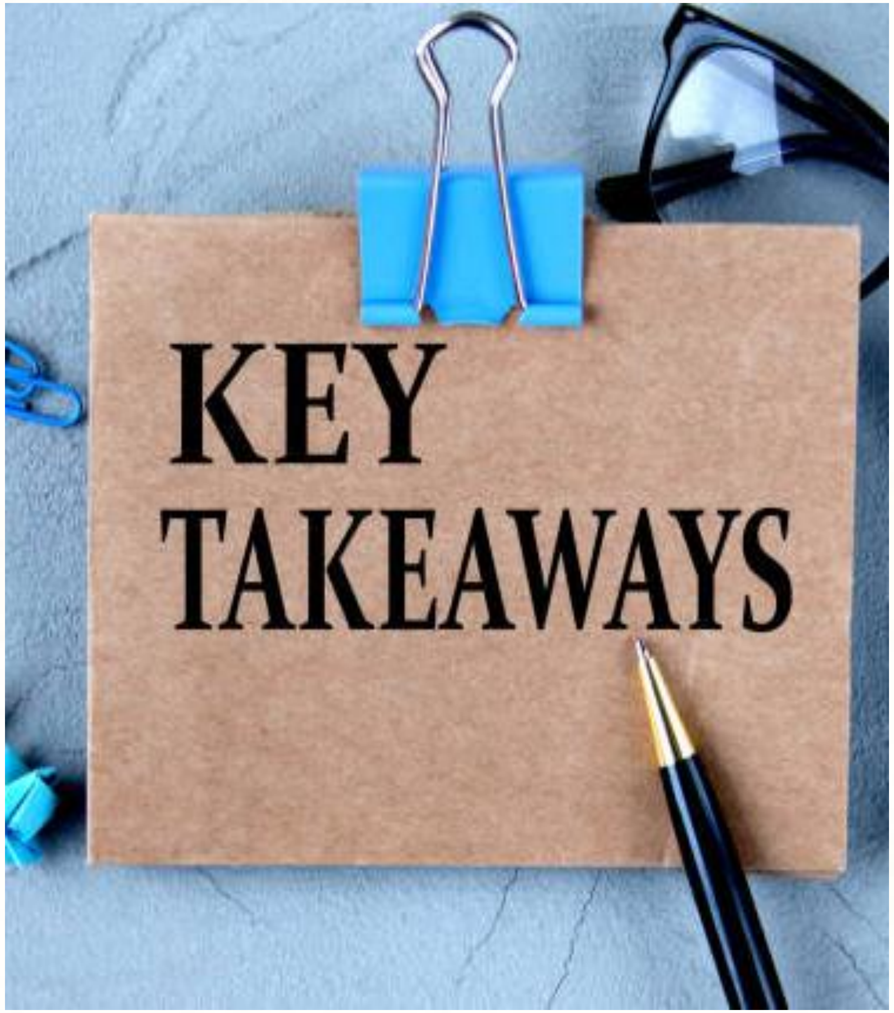
- A member of MOPS may join a VPS
- Contributions made as prescribed in rules
- Employer may make additional payments for an employee
- Employer may set up a PvF over and above the MOPS
- Benefits paid as lumpsum

Key Takeaways - employers

- All employers must comply, place all eligible employees on pension. Exemptions are strictly limited.

- Engage licensed pension administrators

- Employers must ensure timely registration and remittance to avoid penalties and protect employee benefits
    - Non-remittance and non placement is a serious offense with financial and legal consequences ultimately reputational damage



Key Take Aways - employers

- Employers Must Stay Informed
  - Changes in legislation require continuous education and adaptation.
- Ensure employee data is complete and up to date
- Promote periodic update of employee nomination forms to ensure validity
- Ensure transparent communication with employees
- Update pension administrators in a timely manner on any relevant changes
- Regulatory oversight is intensifying; employers must prioritize pension obligations to avoid undesirable ramifications.
- Non-compliance comes with consequences

Key Take Aways - employees

- Be interested in your pension
- Ensure you access your pension benefit statement at least once every year – engage your employer if you don't
- Ensure employee data is complete and up to date
- Frequently update your nomination forms – at least once every two years or whenever there is a major life event

PECOS complaints/enquiry lodging channels

- Telephone
  - +265 111 770 600
  - Toll free line – 459

- Post

  Director, Pension Compliance and Support
  Reserve Bank of Malawi
  P. O. Box 30063, Lilongwe 3

- Email: pensioncomplaints@rbm.mw

- Walk in
  - Head Office – Lilongwe
  - Blantyre Branch
  - Mzuzu Branch

Thank you

Questions??