
WHAT SHOULD HAPPEN TO RETIREMENT FUND CONTRIBUTIONS WHEN A MEMBER GOES ON MATERNITY LEAVE?

We have on occasion been contacted by our clients who have an employee going on maternity leave and they want to know what should happen to the retirement fund contributions during this period of leave. There is no one-size-fits-all answer to this question.

This note will let you know where to take guidance from if you have an employee going on maternity leave as well as bring to your attention some important points which must be given consideration in these situations.

WHAT DOES LEGISLATION SAY ABOUT MATERNITY LEAVE AND RETIREMENT FUND CONTRIBUTIONS?

The Basic Conditions of Employment Act says that pregnant women may take up to 4 months of maternity leave. The employer is not, however, obliged to pay her while she is on leave. There is no mention of what should happen to retirement fund contributions during this period of absence.

SO WHERE SHOULD I TAKE GUIDANCE FROM?

You should start by asking yourself “*What happens to the employee’s pay while she is on leave?*”

Many employers do not pay employees while they are on maternity leave but rather leave them to make use of their UIF benefits. There are however some employers who do pay their employees either their full salary or part thereof.

Whether or not an employer pays the employee while on maternity leave is dependent on the company’s policies and procedures, and the employee’s employment contract. In addition to stating what will happen regarding pay, these documents should go on to say what will happen to employee benefits such as medical aid, retirement funding and insured benefits etc.

WHAT DO THE RETIREMENT FUND RULES SAY?

The rules of the fund should be written in conjunction with the employer’s policies and procedures so that there is no conflict between what the rules say and the practice of the employer. If necessary a specific rule could be written regarding members on maternity leave if the employer has a particular policy in this regard, or this could be covered under

what is known as the “Absence” rule which covers members who go on extended leave (including maternity leave).

NOW THAT I KNOW WHAT THE EMPLOYEE WILL BE PAID WHAT HAPPENS TO THE RETIREMENT FUND CONTRIBUTIONS?

1. If the employee is going to receive her full pay while on leave then contributions to the fund should continue as normal.
2. If the employee is going to be paid a reduced salary while on leave then contributions to the fund could be paid based on this reduced salary for the period of absence. The rules of many funds however allow contributions to continue to be paid based on the member’s salary immediately prior to going on leave if the member and employer agree on this. So this is a question that needs to be asked when reduced salary is being paid.
3. If the employee is not going to be paid anything while on leave then contributions to the fund could be suspended while she is on leave as long as the rules of the fund allow for this.

If you are in any doubt as to what to do, your Robson Savage administrator or consultant will be glad to assist.

WHAT HAPPENS TO DEATH AND DISABILITY BENEFITS?

It is very important for the employer to give consideration to what will happen to the employee’s death and disability benefits, which are covered under fund-owned and/or employer-owned policies of insurance, while she is on leave.

- In the case of point 1. above, premiums for all insured benefits that the employee is normally covered for should continue to be paid.
- In the case of point 2. above, premiums should continue to be paid at least on the reduced salary but consideration should be given to maintaining the benefits at the same level as they were immediately prior to the employee going on leave. Your fund administrator would be able to assist in calculating the premiums to be paid to maintain the insured cover at the required levels.
- In the case of point 3. above, the employer should give careful consideration to at least funding the premiums for the insured benefits while the employee is on leave. Although this would be a cost for the employer, no one would want to have to explain to a family dealing with a tragic situation that there was no insurance in place while their loved one was on leave. Again your administrator would be able to advise what the cost would be to maintain the cover during the period of leave.

IS THERE ANYTHING ELSE WE NEED TO CONSIDER?

Lastly you need to keep in mind that although the member is on leave, and contributions might be suspended or reduced, she is still an active member on the fund and fund expenses such as administration fees and investment advice fees will still be deducted in respect of these months. If the employer is normally responsible for these expenses (per the rules of the fund) then the employer should make payment to cover these expenses while the employee is on leave.

WHAT DOES THIS MEAN FOR YOU?

- *Check that your company policies and/or employment contracts cover what will happen to salary, retirement fund contributions and employee benefits while an employee is on maternity leave.*
- *Ask your fund consultant to check that the rules correspond with what the employer's policies say.*
- *In the event of an employee going on maternity leave make sure that the employee understands what will happen with her retirement fund contributions while on leave and more importantly whether or not she will be covered for her insured benefits during this time.*

Your Robson Savage consultant will be glad to provide any further input you might require, and will ensure this matter is raised for discussion at a future fund meeting.

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