Retirement Reform in South Africa

An Overview and Update from the National Treasury

Presentation to SCOF
26 August 2015

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

National Treasury

- Ismail Momoniat
- Alvinah Thela
- Chris Axelson
- David McCarthy

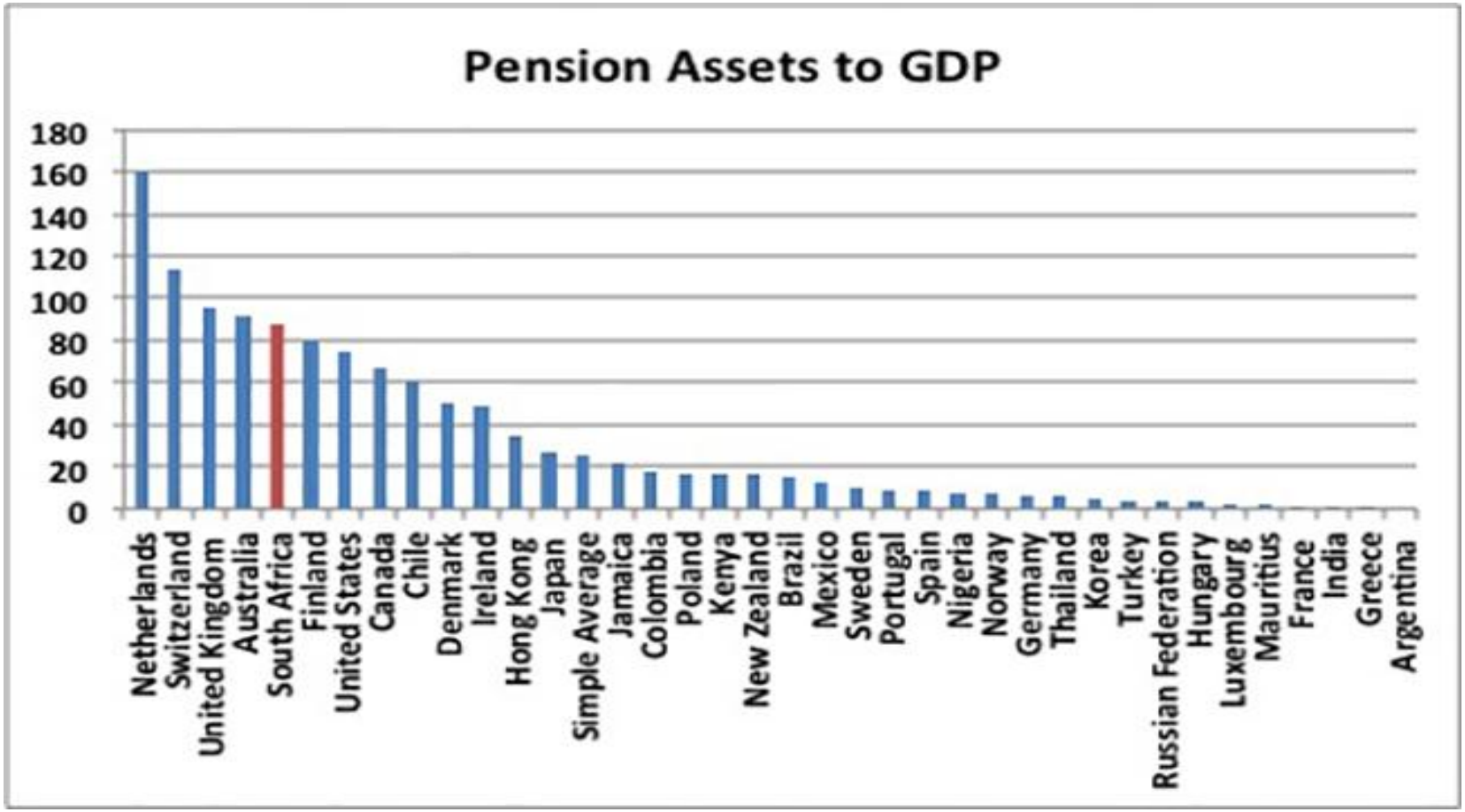
- Apologies: Olano Makhubela, Basil Maseko

BACKGROUND

Retirement Funds Total Assets R3.77 trillion or 110% of GDP

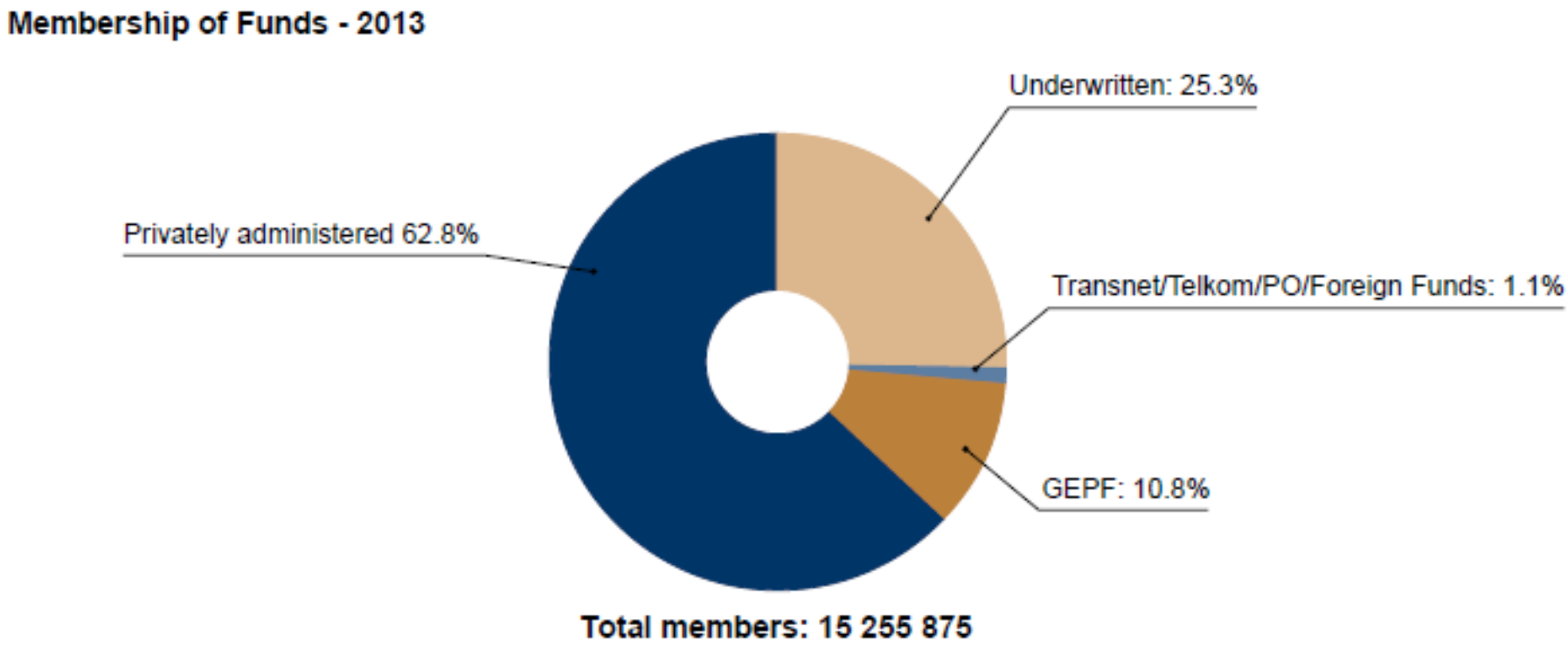
- 2014 FSAP reports that total pension assets in 2013 was R3 773.6 bn, or 110% of GDP, comprising:
  - Official funds R1 541.22 bn or 45% of GDP
  - Private Self-Administered Funds R1 195.1 bn or 35% of GDP
    - of which funds invested with insurers R375.1bn (11% GDP)
  - Underwritten private pension funds R1 037.3 bn (30% GDP)
- Total number of members comprise 15.3 million members
  - Of which 10.4 million are active members
- Retirement savings the most important part of total household savings
- History has shaped the nature of retirement funds and lack of harmonisation (pension, provident, RAs)
- FSB reports that there are 5144 retirement funds
  - GEPF, Transnet, Post Office, Telkom not supervised by FSB
  - Pensions can either be defined benefit or defined contribution

South Africa has relatively large pension assets according to OECD measure



- *Source: OECD/The Economist/Moneyweb Today*

Number of retirement fund members in South Africa



- *Source: FSB Annual Report 2013, Registrar of Pension Funds*

Number of active fund members in South Africa

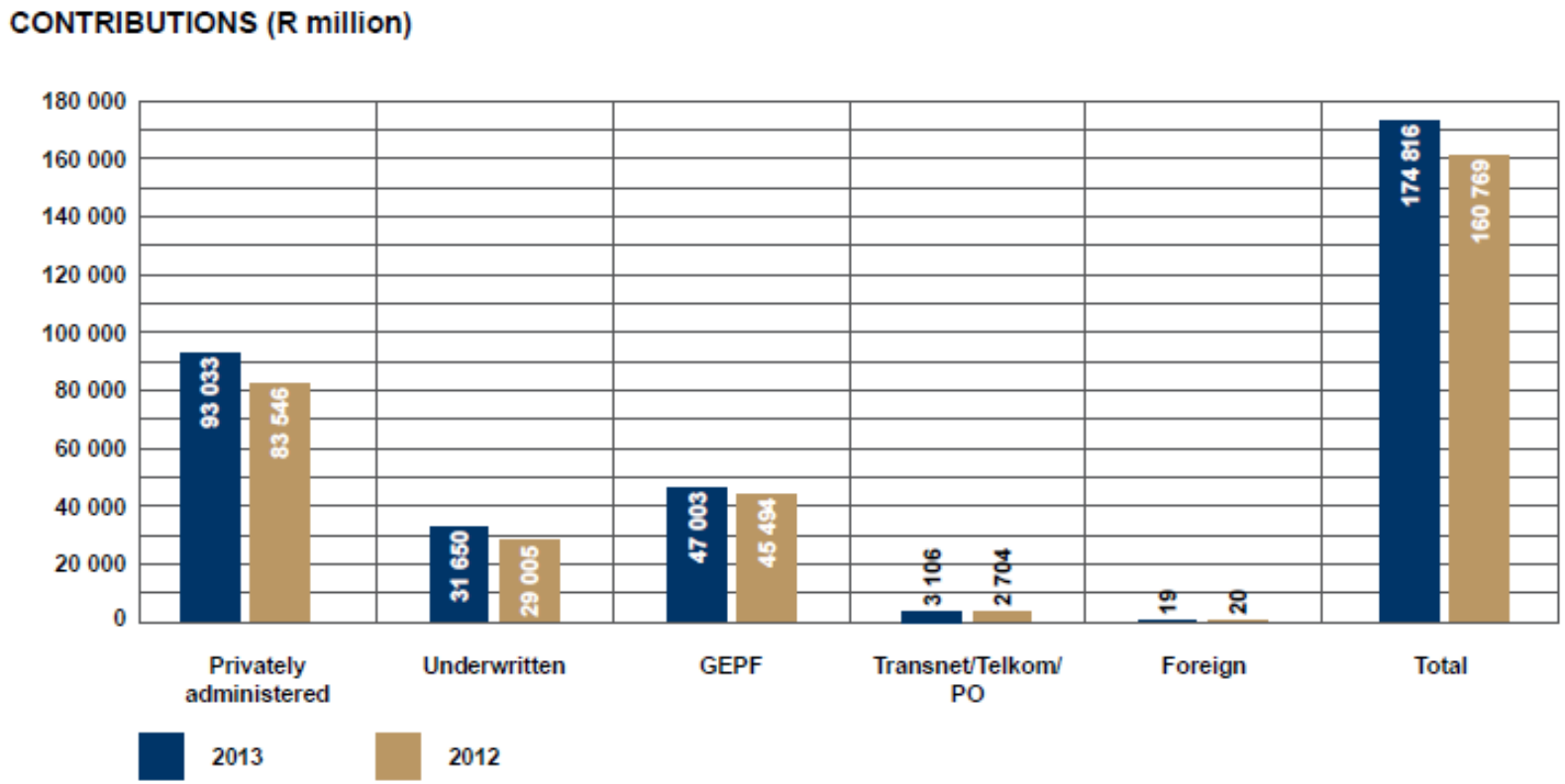
- The previous chart included deferred members, pensioners, dependents and those with unclaimed benefits
- Total active members of retirement funds in 2013 was closer to 10 million

Type of fund	Active members	Proportion
Privately administered funds	5,806,758	55.8%
Underwritten funds	3,247,316	31.2%
GEPF	1,275,206	12.2%
Transnet funds	67,100	0.6%
Post Office Retirement Fund	14,022	0.1%
Foreign funds	600	0.0%
Telkom pension fund	97	0.0%
Total	**10,411,099**	**100%**

- *Source: FSB Annual Report 2013, Registrar of Pension Funds*

Contributions by active members to retirement funds

- Total annual contributions to retirement funds amounted to R174.8 billion in 2013



- *Source: FSB Annual Report 2013, Registrar of Pension Funds*

Active members who received a deduction from SARS

- Personal income tax data from individual assessment data shows that
  - over 2.2 million taxpayers received a deduction for contributions to a pension fund
  - over 1.4 million taxpayers received a deduction for contributions to retirement annuity funds for the 2011/12 tax year

Employee contributions	Number of people	Amount deducted (Rm)
Pension funds	2,214,173	29,056
Retirement annuities	1,447,000	14,347

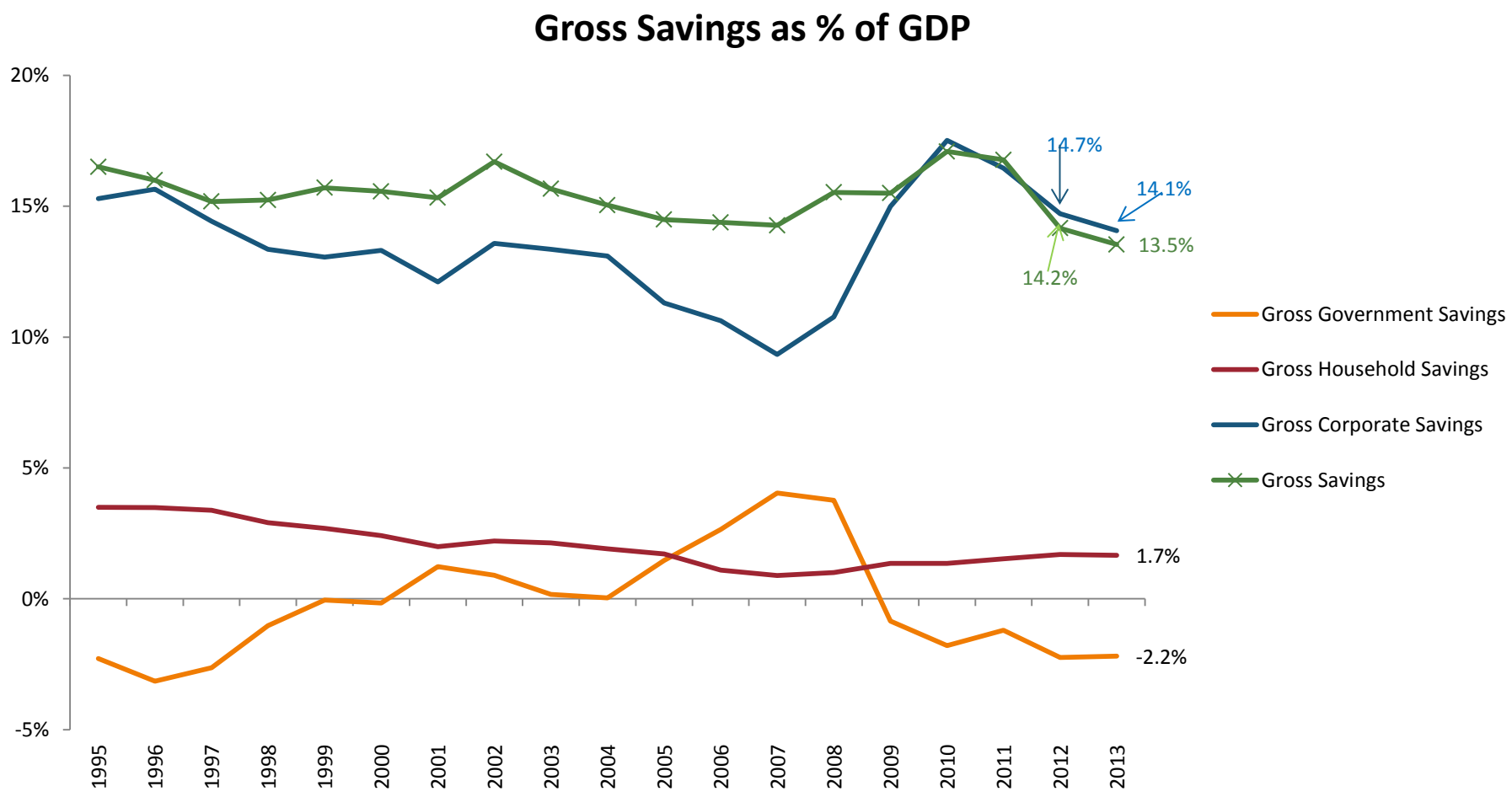
- IRP5 data filled in by employers indicates that for the 2013/14 tax year
  - 2.96 million employees contributed to a pension fund
  - 2.74 million employees contribution to a provident fund
- Little to zero data available on contributions by employers per employee

- *Source: 2014 Tax Statistics and own calculations using SARS data*

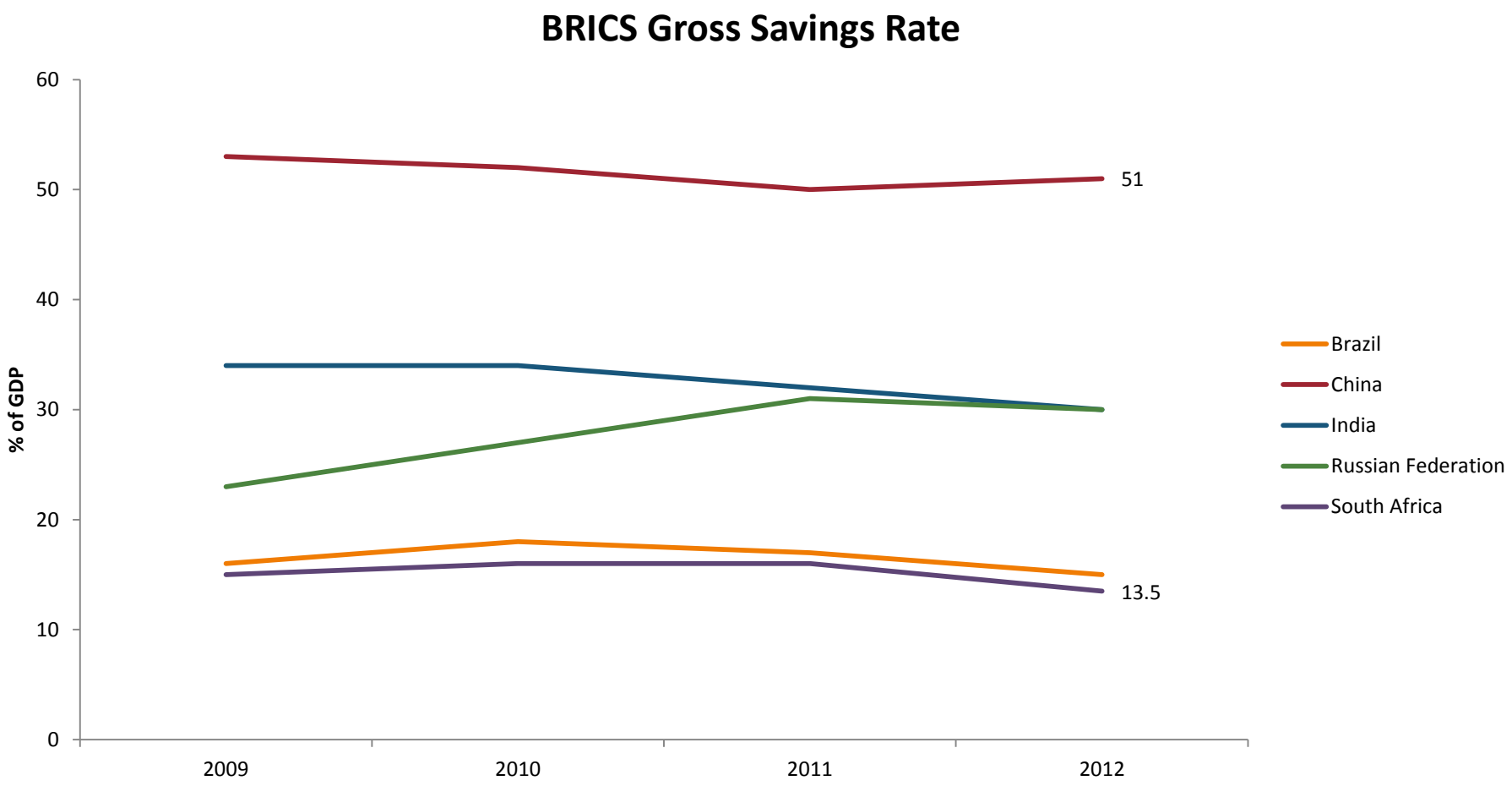
Trends on Saving and Retirement

- Despite a relatively large retirement fund assets, the reality is that
  - Too few South Africans have sufficient retirement funds when they retire
  - Too few South African households save for retirement or non-retirement

South Africa Gross Savings Rate



South Africa's Low Savings Rate



GOVERNMENT PROPOSALS

Government initiatives to boost household savings

- Government announced social security reform proposal in 2008 (?)
- Interdepartmental team to develop proposals, including Treasury, Social Development and Labour departments
- This process has taken many years, and it is hoped that a social security reform paper will be published later this year
- NEDLAC awaits this paper to discuss the roadmap for social security reform
- Given the number of years to develop social security reform, Govt has proceeded with more urgent retirement and non-retirement proposals
  - Publication of a number of papers in 2012 and 2013
  - Legislation passed in 2013 to improve retirement fund governance and employer abuse
  - Tax harmonisation legislation in 2013 TLAA
  - Introduction of tax-free savings in 2015

Why is it important for households to save?

- To improve household security, to enable households to deal with income shocks over their lifetime
- Retirement savings are important as a person's ability to earn an income is significantly reduced once a person leaves employment after age 60 or 65
  - What will the replacement income or monthly annuity yield to a retirement person?
  - How dependent is a retirement or older person on their children or family to survive?
  - Old-age state grant is an important source of monthly income, covering around 80% of cohorts
- Retirement income is too important a matter to only leave for retirement
  - BEHAVIOURAL THEORY and compulsion are important tools to use to get those earning an income to save for their retirement
  - Biggest underlying problems: HIGH EMPLOYMENT and HIGH INDEBTEDNESS

Key Retirement Reform Policy Proposals in 2012 and 2013 published by National Treasury

- The primary aim of these proposals is to **encourage household savings** and ensure that individuals are not vulnerable to poverty, especially in retirement
- Key policy proposals
  - **Encourage preservation**, especially during job changes
  - **Enhance governance** of funds
  - **Encourage annuitising** at retirement
  - **Simplify the taxation** of retirement contributions
  - **Encourage non-retirement saving** through tax free saving plans
  - **Encourage good value retirement products and services** by reviewing costs
- The above retirement reform proposals were initiated by the policy document: ***"A Safer Financial Sector to Serve South Africa Better"***, released and endorsed by Cabinet in 2011
  - These are urgent MARKET CONDUCT proposals to address major challenges in the current retirement system, especially member protection

Papers released for public comment

- **Overview papers** from 2012 to 2014 Budget announcements:
  - Strengthening Retirement Savings: An overview (14 May 2012)
  - 2013 Retirement Reform Proposals for further consultation (27 Feb 2013)
  - 2014 Budget update on retirement reforms (14 March 2014)

- **Discussion papers** published for public comment:
  - Enabling a better income in retirement (21 Sept 2012)
  - Preservation, portability and governance for retirement funds (21 Sept 2012)
  - Incentivising non-retirement savings (4 Oct 2012)
  - Improving tax incentives for retirement savings (4 Oct 2012)
  - Charges in SA Retirement Funds (11 July 2013)

Extensive consultation process since 2012

- Treasury has consulted extensively within NEDLAC, and with NEDLAC Labour Constituency since 2012
- Met with NEDLAC and Labour constituencies 33 times since 2012
- Key issue arising is how these retirement reforms fit in with broader social security reform
- Publication of social security reform paper will indicate the roadmap government may be proposing
- Retirement reforms are urgent, as the longer we delay, it is members who will suffer, and the wrong people who will continue to benefit
  - High charges will continue to reduce savings of individual members
  - High income group will benefit inordinately from tax incentives
- Retirement reforms are consistent with overall social security reforms
- Risk of resignations from pension and provident funds must be taken into account

Key and urgent problems in the system

- **Costs**
  - Regular fees could erode up to 40% of returns on retirement savings
  - Certain products can be complex to understand
- **Governance**
  - Industry is significant, and failure has major social/economic implications
  - Trustees bear the burden and must be well equipped to discharge duties
- **`Lack of preservation**
  - Around 6% of current working South Africans will manage to replace their incomes fully in retirement AND Average Replacement Rates at around 24%
  - Old Mutual: At least 90% who withdrew from funds in 2013 cashed in!
- **Lack of annuitisation**
  - "Means test" discourages people from saving and annuitising
  - Provident members quickly spend their money in retirement

Key and urgent problems in the system

- **Good coverage but can be further improved**
  - Agricultural, domestic, retail, construction, small-employers have low participation rates
  - Possible solutions; Auto-enrolment or mandatory system
  - Need different tax incentives for low-income workers; eg matching contributions
- **Too many funds**
  - Many funds means loss of economies of scale
  - Difficult to supervise 2500 funds in the system
- **Get the right defaults**
  - Preservation, investment strategy, annuity defaults
  - Very successful in helping individuals to decide and doing the right thing!
- **Tax and benefit simplicity**
  - Easier to encourage savings if products, tax and benefits are simple

Progress on Retirement Reform Proposals

- **Pension Funds Act amendment** (through Financial Services Laws General Amendment Act No 45 of 2013) to strengthen governance in retirement funds:
  - **Whistle-blowing protection** for Board members, valuators, principal/deputy officers, and employees who disclose material information to the Registrar (FSB)
  - Fund board members/trustees to **attain skills and training** as prescribed by the Registrar, within 6 months
  - Extending personal liability to employers in respect of **non-payment of pension contributions** to a pension fund
  - **Protection for board members/trustees** from joint and several liability, if they act independently, honestly and exercise their fiduciary obligations
  - **Registration** prior to undertaking the business of a pension funds
  - Trustees to exercise **fiduciary duty towards fund and members**, and ensure proper governance
- **Taxation Laws Amendment Act No. 31 of 2013** :
  - **Same tax dispensation** for all contributions into retirement funds (RA, Pension or provident)
  - **Annuitisation of benefits** from provident funds (vested rights protected)
  - *De minimus* threshold increased from R75000 to R150 000 for annuitising
  - Tax free lump sum at retirement increased from R315 000 to R500 000
- Tax free savings accounts offered by FSPs as of 1 March 2015

1. Improving Fund Governance

- **Current situation**
  - Pension fund governance problems emerge from weaknesses in governing boards of trustees
  - Limited relevant experience and skills
  - Misunderstanding conflicts of interest
  - It is a tough job to be trustee!

- **Proposals**
  - The FSB is to monitor the appointment of trustees, including ensuring that trustees meet "fit and proper" requirements
  - The current **Trustee Toolkit** is being redesigned into a more comprehensive and compulsory training tool, awaiting accreditation of qualification
  - Strengthen governance by elevating **PF Circular 130** to a Directive
  - See earlier slide on what has been achieved so far

Trustees taking responsibility for investment policy and reducing dependence

- Trustees are not exercising their responsibility in many funds, and often overly dependent on service providers
- Who is the boss? Are trustees telling their service providers how they want to invest for longer-term growth?
  - Regulation 28 only sets overall limits to prevent extremely poor decisions
  - ESG
- Problem of sponsorships and inappropriate spending
- Problem that trustees do not have their own dedicated body to deal with their issues, free of service providers

2A. Encouraging Annuitisation at Retirement

- **Current situation**
  - Members of provident funds are not compelled to annuitise at retirement
  - Entire money can be taken as cash lump sum and can be spent quickly
  - Members reluctant to annuitise since they lose old age grant if annuity larger than the grant (problem of means-test)
- **Key factors taken into account**
  - Means test on state old-age grant discourages savings and annuitising
  - Standard annuity rules required as part of tax harmonisation
  - Vested rights crucial, especially for those near retirement
  - Reforms needed to make annuities market function better for low-income workers
- **Proposals**
  - Annuitisation has been effected in legislation
  - See later slides on simplifying taxation and the tax legislation

2B. Improving the Annuities Market

- **Current situation**
  - Two types of annuities; living and life
  - Living annuity can be complex to manage, costly and might not protect against **longevity risk** (i.e. risk of outliving your retirement savings) because of high draw down rates and **market risk**
  - Life annuity protects against longevity risk, but can be opaque (since they are an insurance product) and some make it hard to bequeath
  - More people opting for living annuities

- **Key considerations taken into account**
  - Many flaws in retirement income market caused by lack of preservation, and problems with intermediation, being addressed by the FSB (e.g. RDR)
  - High levels of heterogeneity means specifying a particular default difficult
  - Simpler products to be encouraged to more complex ones

2B. Improving the Annuities Market

- **Key proposals**
  - Trustees of funds must guide the member during contribution phase until the annuitising phase, and not only during contribution phase
  - All retirement funds to identify and have suitable **default** annuity products they can automatically put their members into (later slides on default regs)
    - Living annuities to be permitted as default, but "suitability" to be guided by principles and rules (e.g. limited investment choice, simplicity, transparency, cost effective and limited draw down levels)
  - Splitting annuities to be made easier
  - Retail Distribution Review (RDR) of FSB to be supported
  - Opening living annuity market to more competition
    - E.g. allow CIS companies to offer living annuities
  - Universalise old-age grant

3. Simplifying the Taxation of Retirement Contributions

- **Uniform retirement contribution model**:
  - Harmonises the tax treatment of contributions to and benefits from pension and provident funds (and retirement annuity funds)
  - Will substantially reduce the complexity of our current retirement system
  - Alignment will lead to tax benefit for provident funds employee contributions
  - Achieve greater equity in the tax system by rationing tax exemptions
  - Encourage higher contributions by increasing the base and rate of contributions
- **Treatment of contributions**:
  - Employer contributions treated as a fringe benefit and therefore taxable in the hands of employee, <u>if above the caps</u>
  - Exemption for employer & employee contributions, up to a percentage ceiling of 27.5% of taxable income or remuneration and up to a R350 000
- **Treatment of benefits**:
  - Phase in annuitisation of 2/3rds of provident fund benefits, similar to pension and retirement annuity fund from 1 March 2016
  - **<u>Vested rights are protected</u>**
  - *de minimus* annuitisation requirement raised from R75 000 to R150 000
- Tax free lump sum at retirement increased from R315 000 to R500 000

Retirement tax regime for contributions is complicated

Source	% cap on deduction	Contribution type – base	Retirement fund
Employer	Exempt entity - unlimited	"*approved remuneration*" (pensionable income)	Pension or provident fund
	Taxable entity - // 10% & 20% & SARS discretion		Pension or provident fund
Employee taxpayer	0%	No deduction, but amount not taxable upon exit	Provident fund
	7.5%	"*retirement-funding employment*"- income (pensionable income). Non-deductible contributions are not taxable upon exit	Pension fund
Other income	15%	'non-retirement-funding employment income' (non-pensionable income). Non-deductible contributions are not taxable upon exit	Retirement annuity fund

TLAA 2013 enacted simplification and harmonisation of tax treatment of retirement contributions

Source	Contribution type – base	% cap	Monetary cap	Retirement fund
Employer taxpayer	Employer contribution = fringe benefit = deemed employee contribution	Unlimited	Unlimited	All retirement funds
All individual taxpayers	The higher of employment or taxable income Rollover of non-deductible contributions & any amount that remains are not taxable upon exit Contributions include amounts paid towards risk benefits & administration costs	27.5%	Maximum of R350 000	All retirement funds

Taxations Laws Amendment Act No 31 of 2013 and Effect on Provident Funds

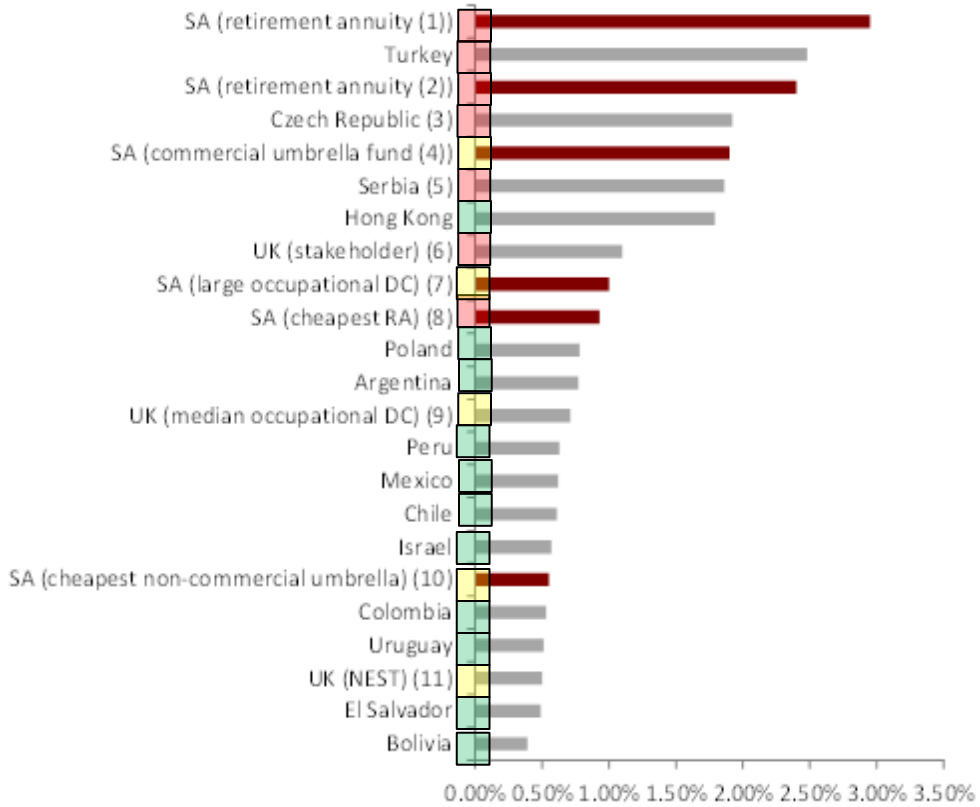
- **Annuitisation is now legislated**
- Reforms on encouraging annuitising in retirement are now in the 2013 Taxation Laws Amendment Act – **postponed** for 1 March 2016 implementation
- Aim is to align pension and provident funds taxation and contributions
- **Vested rights are fully protected:** existing employees can still take **ALL** accumulated savings on date of implementation, and growth on them as a cash lump sum in retirement (i.e. not required to annuitise – irrespective of age)
- Existing members who are 55 years old and above on 1 March 2016 will <u>not</u> to be required to annuitise, to avoid disrupting their retirement plans
- Members below 55 years on 1 March 2016 will be required to annuitise <u>only</u> **new contributions and growth** on them after date of the new rules
  - *de minimus* amount also raised on annuitisation to R150 000
- Provident fund members to enjoy same tax benefits as pension fund members

4. Encouraging Discretionary Non-Retirement Savings

- Encourage South Africans to save and save beyond just for their retirement
- Nature of tax free saving product
  - Similar to many accounts in OECD countries (e.g. Canadian RESP, UK ISA)
  - All financial services providers and Government can offer them
  - Can be invested in bank deposit accounts, retail bonds, money market instruments, Collective Investment Schemes (CIS), Exchange Traded Funds (ETFs), insurance products
- Nature of tax incentive (T-E-E)
  - Tax free capital growth, income (interest and dividend) and no tax penalty at exit
- Contribution caps
  - Yearly contribution limit (e.g. R30 000)
  - Lifetime contribution limit (e.g. R500 000)

5. Reducing costs

- The SA retirement system appears expensive, especially given its relative maturity, and the depth and level of development of our capital markets, but comparisons are difficult for many reasons
- With some exceptions, SA relies almost entirely on market mechanisms to determine type and level of charges
- (Level of charges in DC retirement
- systems is an international conce



Important factors:

- Voluntary system
- Too many funds
- Low rate of preservation
- Poor governance

5. Reducing costs

- Mandation or auto-enrolment (extending coverage to lower-income and vulnerable workers)
- Improving pre-retirement preservation
- Promoting fund consolidation
- Product simplicity and portability
- Improving fund disclosure, esp. charges
- Retirement fund **defaults** (annuities, investment & preservation)
  - Passive vs active management
- Effective intermediation (remuneration of intermediaries)
- Tougher market conduct regulation and effective supervision

6. Encouraging Preservation Before Retirement

- **Current situation**
  - Employees are allowed to cash in their retirement savings upon job changes, and therefore do not preserve
  - Around 6% of current working South Africans will manage to replace their incomes fully in retirement
  - Old Mutual research: at least 90% who withdrew from funds in 2013 cashed in!

- **Key factors taken into account in formulating PROPOSALS**
  - Protection of vested rights; Workers should be permitted access; Requirements should not deter workers from participating in the system; Administrative burden should not be too high
  - At the vey least, have the right Default in place - “Pot Follows Member”

6. Encouraging Preservation Before Retirement

- Nothing has changed on preservation
- **Key proposals**
  - **Protect vested rights**: retirement savings accumulated up to the date of the new rules coming into effect, including growth on these accumulated savings, will not be affected by the new rules
  - **Default**: upon leaving an employer, accumulated retirement savings will automatically be retained in the ex-employer's fund until the departing employee chooses to transfer to a preservation fund of the employee's choice or prospective employer's fund
  - **New contributions** after the date of legislation/new rules will be subject to new rules
    - workers can withdraw annually an amount equal to 10% of the initial deposit into a preservation fund
    - unused withdrawals can be carried forward
    - *de minimus* rule proposed for small amounts
    - withdrawals will reduce retirement lump sum

TWIN PEAKS AND RETIREMENT REFORM

Goals of TWIN PEAKS:
Tougher market conduct regulation and effective supervision

- TOUGHER PRUDENTIAL REGULATIONS to make retirement funds SAFER, improve GOVERNANCE especially by Trustees, and improve growth in funds to members.

- *Market conduct considers how persons involved in the financial sector* ***conduct themselves and their businesses*** *in relation to* ***clients, customers, and each other****, with a* ***focus on fairness and integrity***

- History of bad service: Competition Commission Jali Enquiry, poor pension fund administration ('bulking'), crippling early termination penalties (Statement of Intent)

- Current conduct challenges highlights:
  - Insufficient focus on customer needs
  - Many conduct challenges common across the sub-sectors, while others are unique
  - In some instances deep structural problems
  - Abusive practices exist where there is regulatory coverage

- Financial customers not sufficiently empowered

High costs in retirement industry – Lerato's story

- Lerato invested in a retirement annuity 25 years ago, and decides to review its performance as she approaches her retirement age. The RA seems to have been a poor performing investment, and Lerato wants to compare its performance against other investments

- Lerato asks the insurer for a breakdown of all costs incurred on her investment. Instead, she receives a general response and marketing material from the insurer. She isn't sure that the information disclosed explained the poor performance of her RA. However, when she asks for more information, the insurer invites her to meet with their actuaries for a proper explanation, and says that she would need a sound knowledge of actuarial science too

- An actuarial friend shows Lerato that the real fee "killing" her investment was not the administrative fees charged by the insurance company, or even the commission paid to the broker, but the fee charged by the manager of the fund investing the balance of her annual premium after costs.

- When Lerato tries to move the poor performing policy to a more competitive provider, she discovers that doing so would incur even more financial loss, due to the early termination penalties

RETIREMENT SAVINGS: Questions to consider

- What information was disclosed to Lerato when she bought the RA? Did she understand how different charges might affect the growth of the investment? Why did she not receive sufficient ongoing information during the life of the investment to enable her to judge sooner whether it would deliver on her expectations?
- When she requests information, is the insurer understanding and responding to Lerato's needs?
- Is it fair that ordinary consumers need to be actuaries to be able to evaluate their policies?
- How can financial customers hold institutions accountable for poor treatment?
- How can disclosure better support policyholder capability? Should disclosure of charges be standardised?
- Can increased portability support increased competition and drive better value retirement products?

DEFAULT REGULATIONS

Background on draft defaults regulations

- The default regulations form the first part of further reforms mentioned in the document titled *2014 Budget update on Retirement Reform* (14 March 2014)
- BEHAVIOURIAL THEORY and getting the right NUDGES
- Draft default regulations take into account Treating Customers Fairly outcomes and objectives of the Retail Distribution Review pioneered by the Financial Services Board, for e.g.
  - Suitability of products
  - Understanding of the nature, cost and value of the products offered
  - Fostering consumer/member confidence and trust
- *Charges in South African Retirement Funds* paper released 11 July 2013 highlights:
  - Complex and opaque charges
  - Structure of the retirement industry and low rate of preservation are significant drivers of costs
  - Low level of disclosure
  - Insensitivity to recurring charges

Default investment portfolio

- Individuals are in many cases automatically defaulted into investment strategies that have complex and high charges, complex policy conditions, exit penalties and/or expensive guarantees
- Default investment portfolio for members that do not make any investment choice should be simple, cost-effective and transparent
- Applicable to all defined contribution retirement funds, including retirement annuity funds
- Principles to be adopted for a default investment portfolio strategy:
  - Appropriate for members
  - Can be customised to individual members: age, account balance, pensionable salary
  - Regular communication to members and disclosure of fees and charges
  - Offer good value for money
  - Consider passive or enhanced investment
  - Performance fees and loyalty bonuses not permitted
  - Comply with regulation 28
  - Members can opt out
  - Strategy should be reviewed regularly

Default preservation and portability

- Many members who exit a fund upon resignation are hardly provided with any advice on the different options they have and the effect of these options. For e.g.
  - Loss of compound interest on savings and a (much) greater risk of an inadequate income in retirement
  - Tax penalties
  - Reduction of the total size of the retirement system leading to increased costs
- Principles applicable to default preservation and portability strategies:
  - Fund rules should allow for paid up members
  - Benefits of paid up members should be invested in the fund's default investment portfolio
  - No initial charge upon becoming a paid up member
  - No differential charge between active members and paid up members
  - Fund rules should accept transfers from other funds
  - No new contributions by paid up members
  - Paid up members not eligible for risk benefits
  - Paid up members should be given access to a retirement benefits counsellor before withdrawal benefit is paid or transfer is made to another fund

Default annuity policy

- Currently trustees guide and protect members during the contribution phase but generally leave them to the retail market when they retire, where they must bear the risks of retirement on their own, including the risks of poor financial advice and poor decisions
- Principles that need to be considered when offering a default annuity product:
  - Appropriate for those members who use it
  - Can be customised for individual members: income, health status, account balance
  - Regularly communicate objective, composition and performance
  - Disclosure of fees and charges
  - Offer good value for money
  - Members have access to a retirement benefits counsellor
  - Policy should be reviewed regularly
  - Investments are compliant with regulation 28 and are also consistent with the default investment portfolio
  - In-fund guaranteed pensions, in-fund living annuities, in-fund with-profits pensions, and certain out-of fund life annuities guaranteed by a life office, or a combination, can be offered as default annuity products

Taxation Laws Amendment Bill, 2015

- Paragraph (a) and (b) fund brought into the harmonisation realm
- Closing loophole for avoidance of estate duty through excessive contributions into retirement funds
- Withdrawal from retirement funds by non residents

CURRENT PROBLEMS AND RISKS: UNCLAIMED BENEFITS and RESIGNATIONS

Unclaimed benefits (FSB data)

- Unclaimed benefits R`000
  - 15 809 565 (2013)
  - 15 193 566 (2012)

- Number of members in unclaimed benefit funds
  - 3 440 491
  - 632 314

Impact on GEPF members

- The resignation problem is a public sector (GEPF) problem and not widespread
  - High indebtedness within country and public sector
- The GEPF is a defined benefit pension fund so the annuitisation requirement is already applicable to GEPF members
  - Members will continue to receive both a lump sum and annuity on retirement
  - Members will continue to be paid out their retirement interest if they resign
- The value of the employer contributions will be treated as fringe benefit in the hands of the employee from 1 March 2016
  - Given the unique circumstances of defined benefit funds it will be a notional value
- Increase in allowable deductions means GEPF members can contribute more to a retirement annuity fund and get a larger deduction
- No impact on take home pay (except for DG's earning above around R1.6m)
- There have been no legislative amendments to pre-retirement preservation:
  - If an individual were to resign from employment they can take the full amount of their pension in cash (but may face a high tax charge)
  - This will **not** change from 1 March 2016, so there is no reason for anyone to resign before that date to access their pension

GEPF resignations

Year	Total No of Resignations	% change	GEPF members	Resignations/member %
2009	21,821	-		
2010	18,921	-13.29%		
2011	22,696	19.95%		
2012	23,020	1.43%		
2013	25,855	12.31%	1,180,100	2.2%
2014	35,893	38.82%	1,181,000	3.0%
2015 Jan only	3,811			

Administrator A withdrawals and transfers

Year	Number	Change	% of members
2008	6010		10%
2009	7057	17%	12%
2010	5543	-21%	9%
2011	5259	-5%	9%
2012	4810	-9%	8%
2013	4563	-5%	8%
2014	4674	2%	9%
2015 ytd	4369	-7%	9%

CONCLUSION

- Retirement reform is critical and urgent for current members
- Social security reform and higher employment is critical for those who are not currently covered
  - Timing challenge given that process for SS will take many years, and many retirement reforms and twin peaks are urgent
- Treasury is committed to CONSULTATION with NEDLAC and all other stakeholders
- Many issues addressed here, but many issues not addressed
  - Household indebtedness
- Need to ensure continual communication and measures to empower members and trustees
- Need to continue to encourage preservation, coverage/mandation and lowering of costs, and also ensure system is equitable
- Default regulations aim to NUDGE members to make the right decisions

THANK YOU

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA