

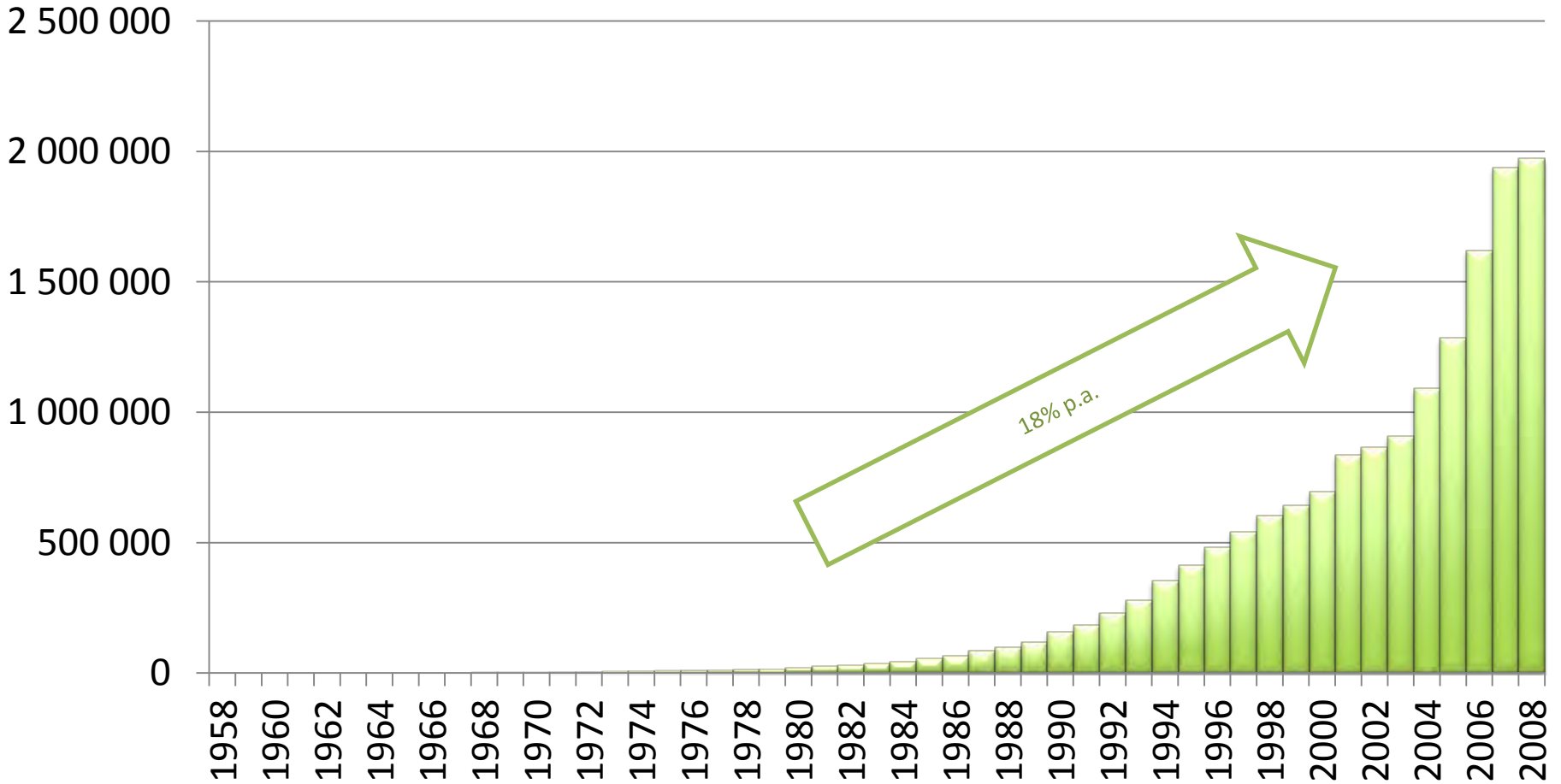


# **Retirement Saving in SA**

Association for Savings & Investments South Africa

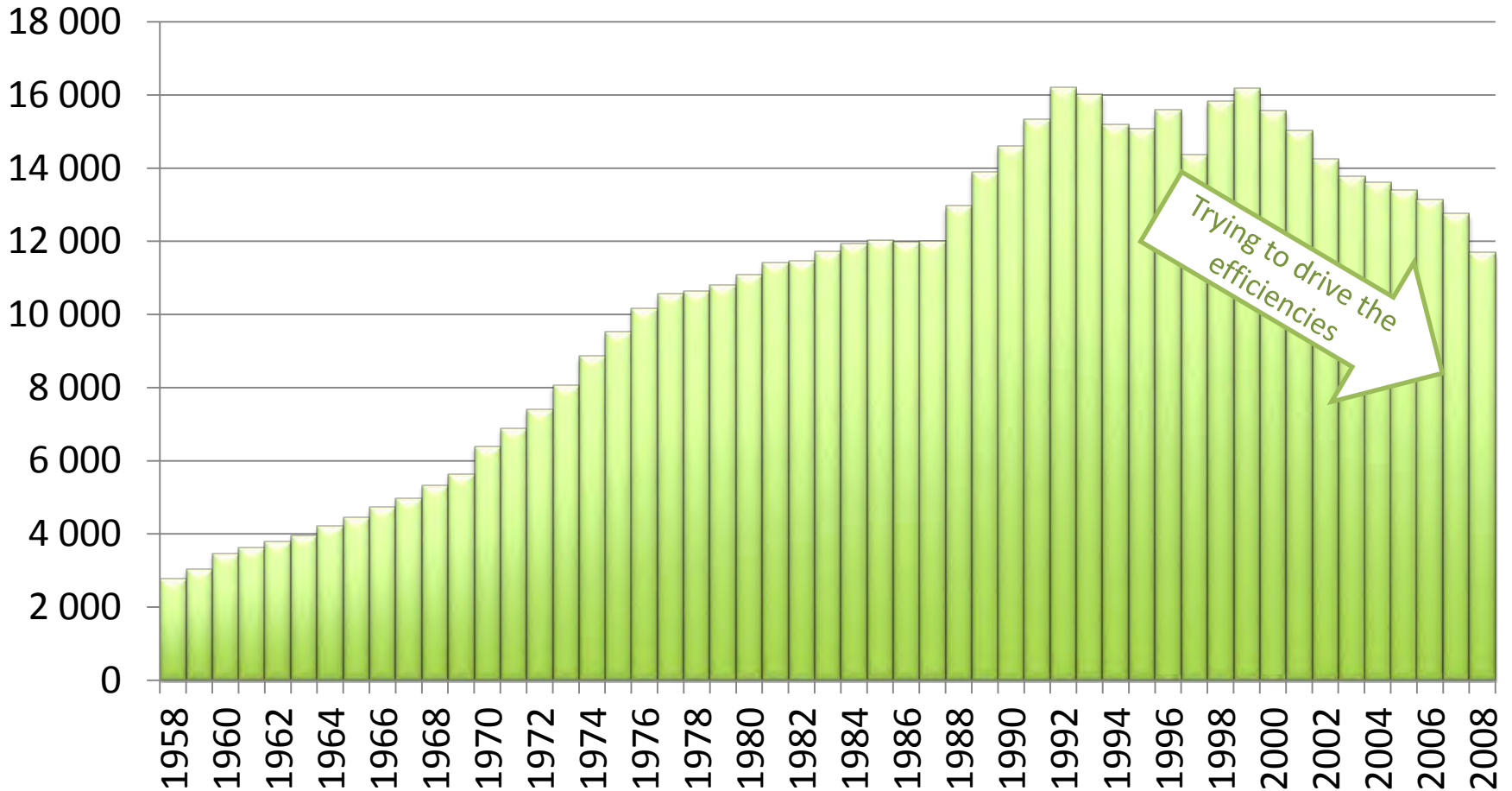
September 2011

# Growth in Assets Impressive

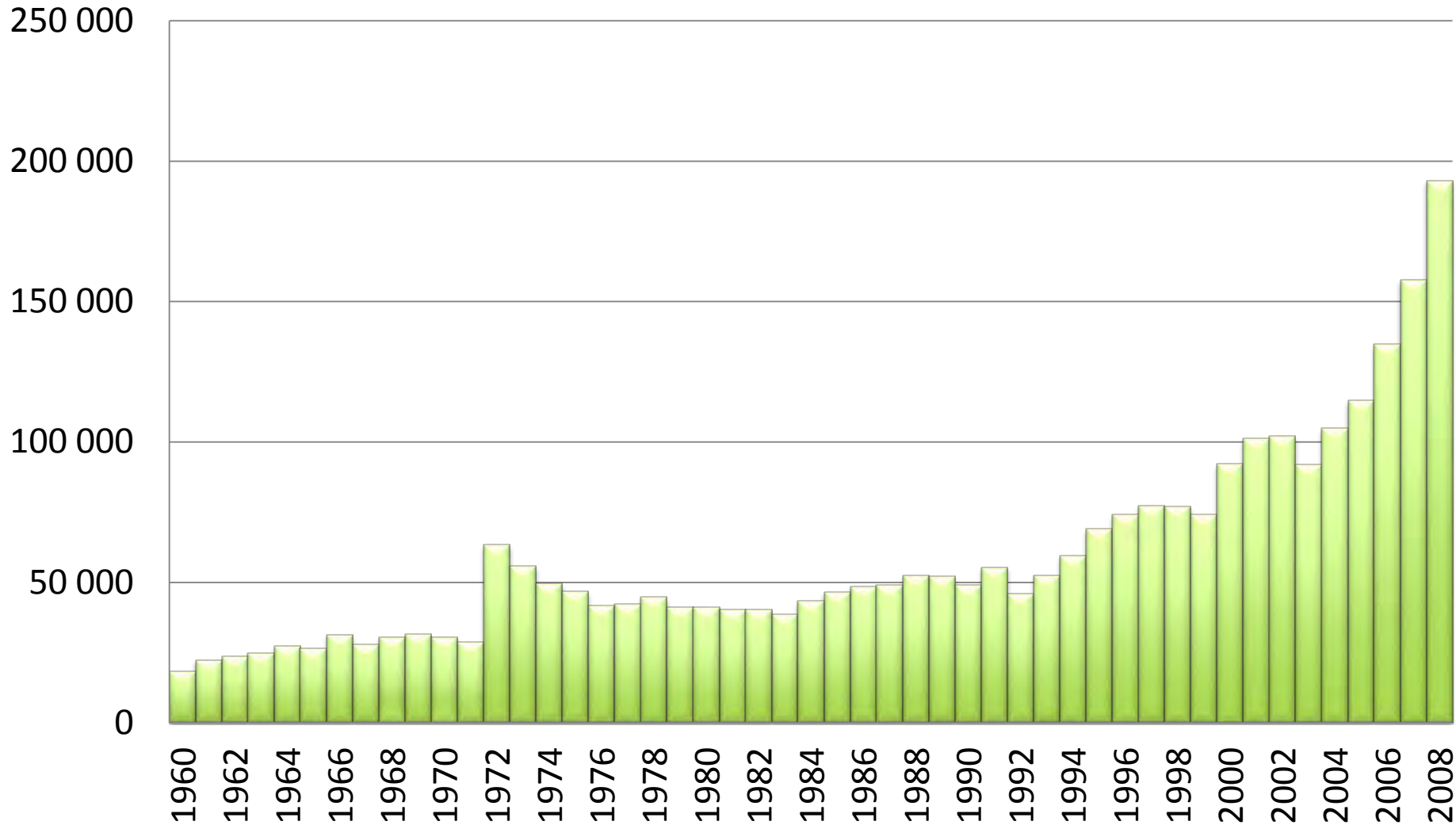


*Data from FSB annual reports  
Collection thanks to Allan McCulloch*

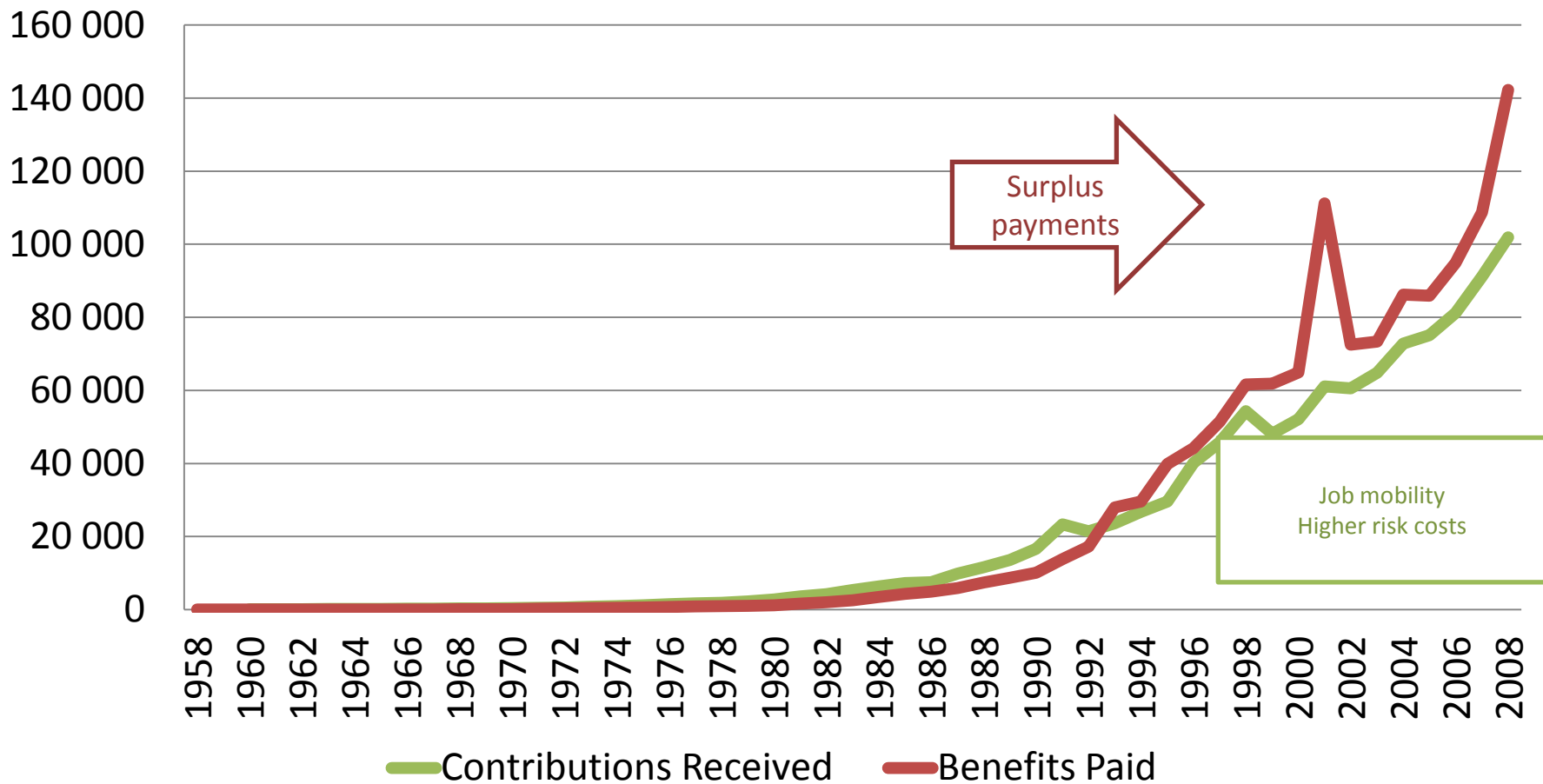
# Starting to Reduce No. of Funds



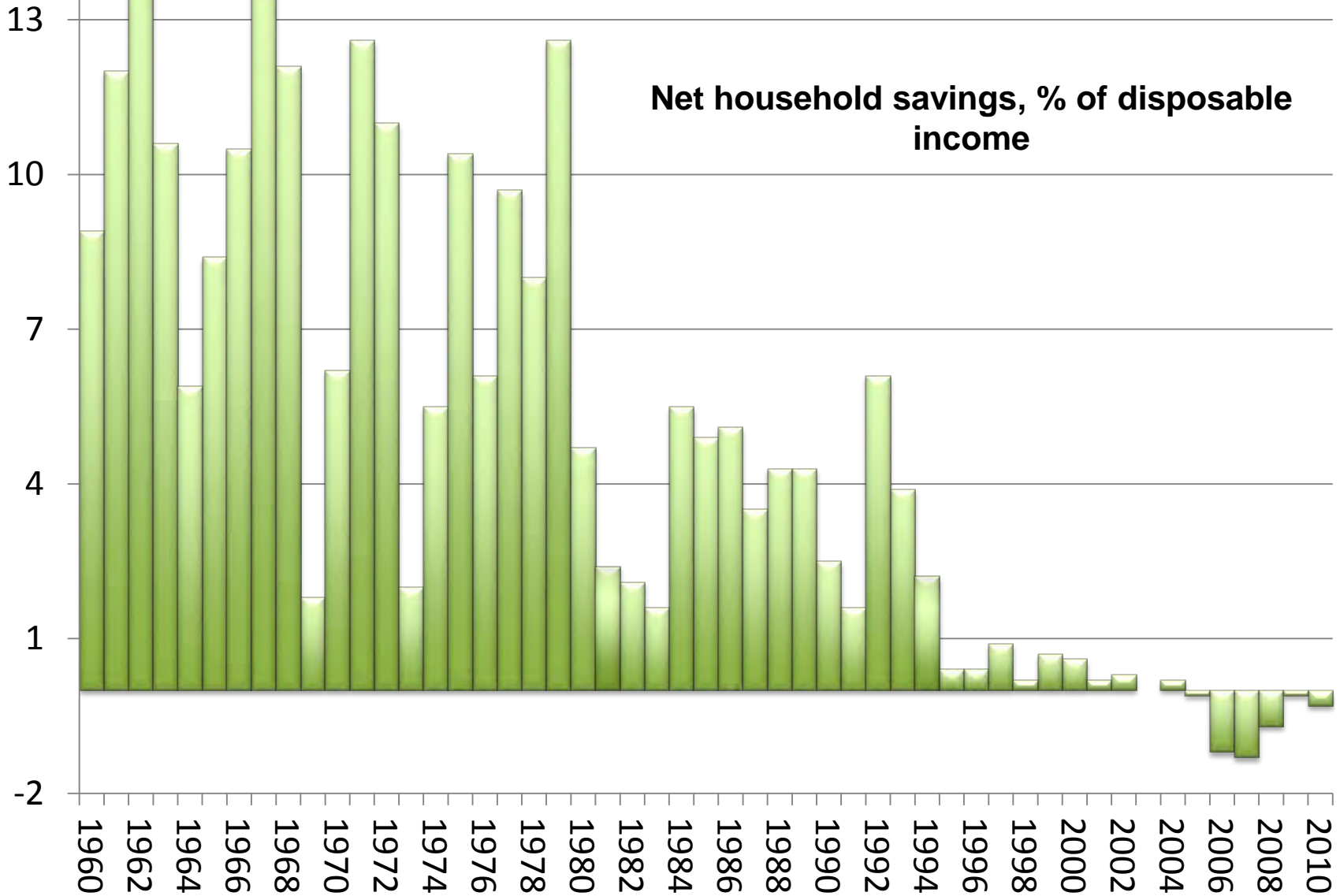
# Assets per Member Adj. for Inflation



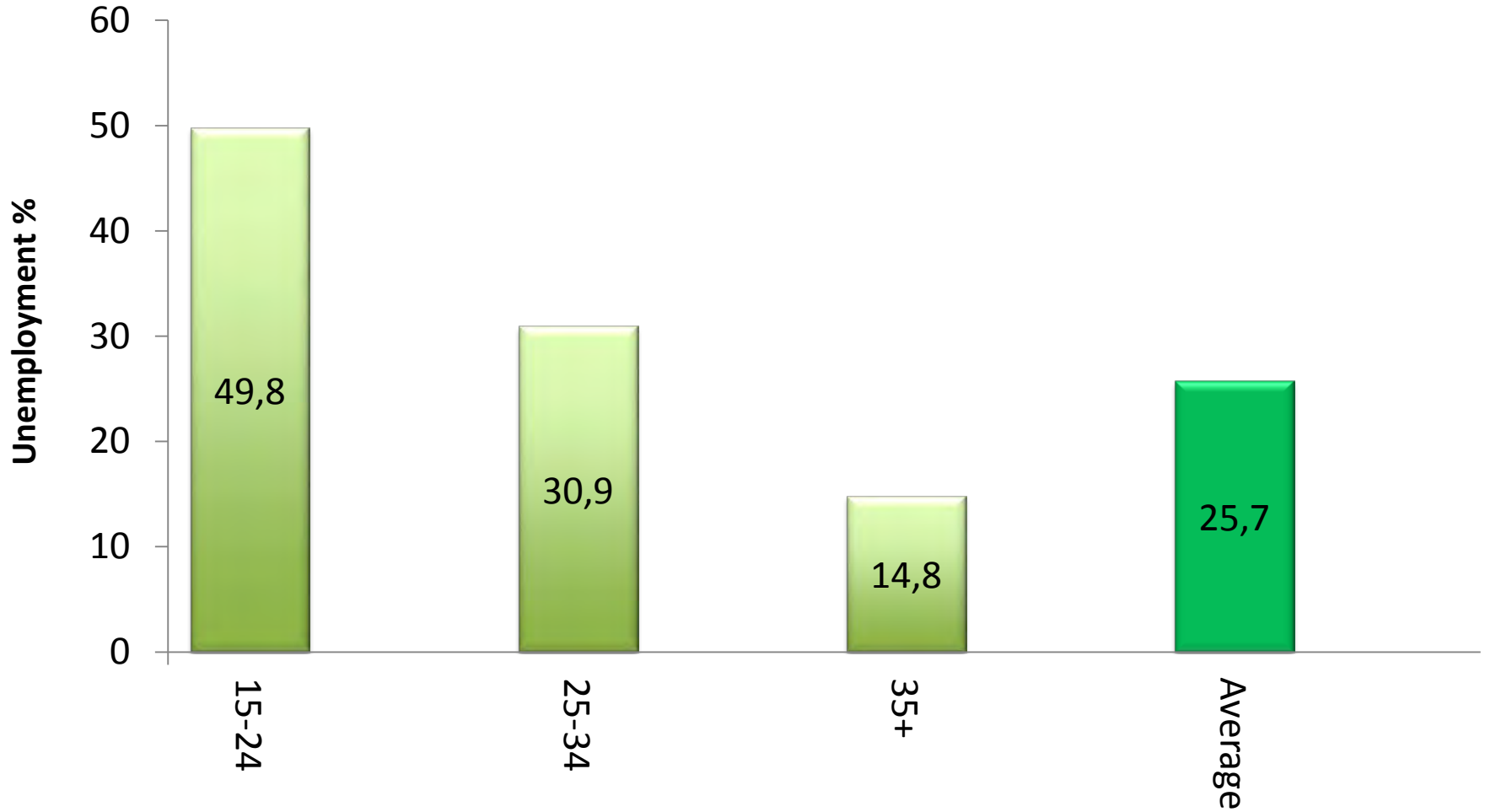
# But since 1993, more outflows than inflows



# Low Household Savings Rate



# Pensions Funding Time Bomb



# What do we need to Fix?

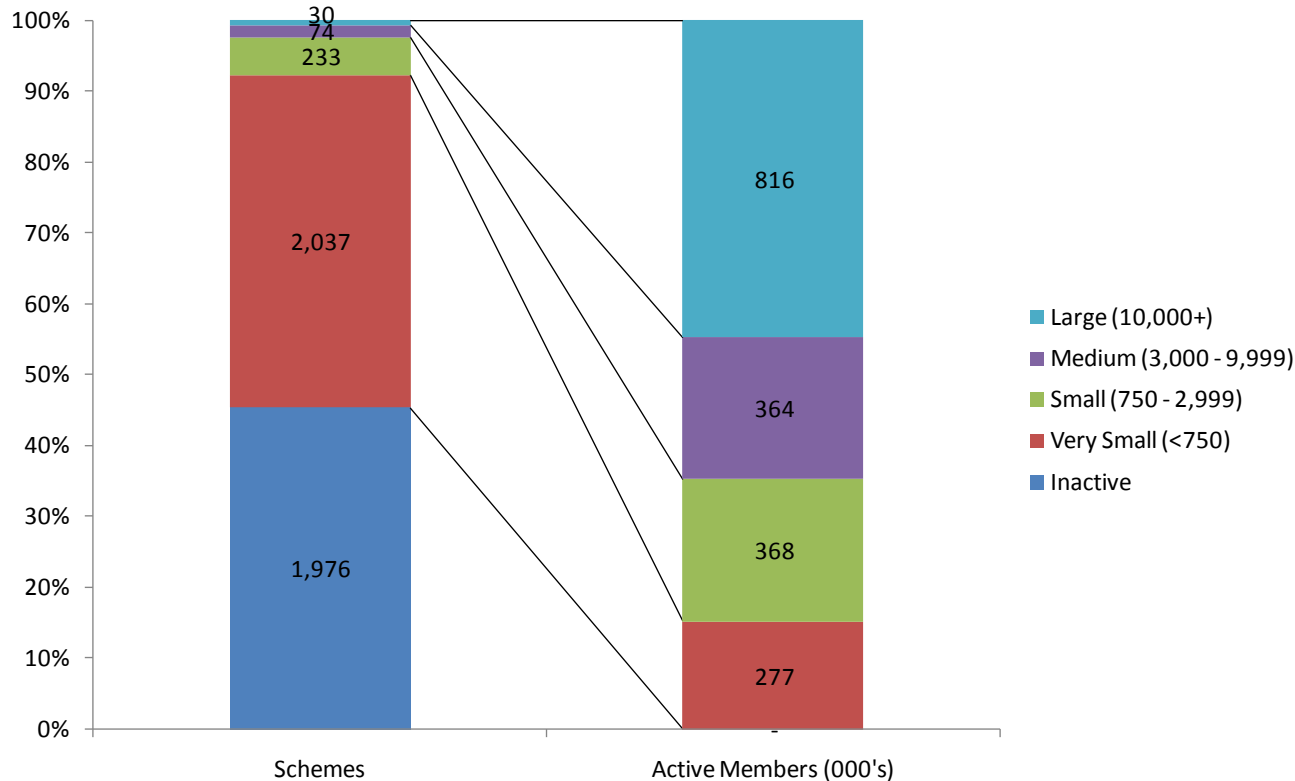
- Savings Culture / mandation
- Preservation
- Alternative precautionary saving vehicles
- Retirement Annuity (life office) / CIS parity in legislation
- Adequacy of Benefits and Incentives
- Costs / Efficiency
- Capacity of Regulators
  - Twin Peaks model supported

# ASISA Research

- Compass completed industry wide study <sup>ASISA</sup>
  - Not too different from global peers considering structure of industry
  - Any cost as % assets will look poor because assets are the problem – not costs (non preservation)
- Seem to reach efficiencies of scale reasonably quickly *ERSA : Dr A Touna Mama*
- Number of funds rapidly reducing to 3 200 active funds *NT : A safer financial sector to serve South Africa better*

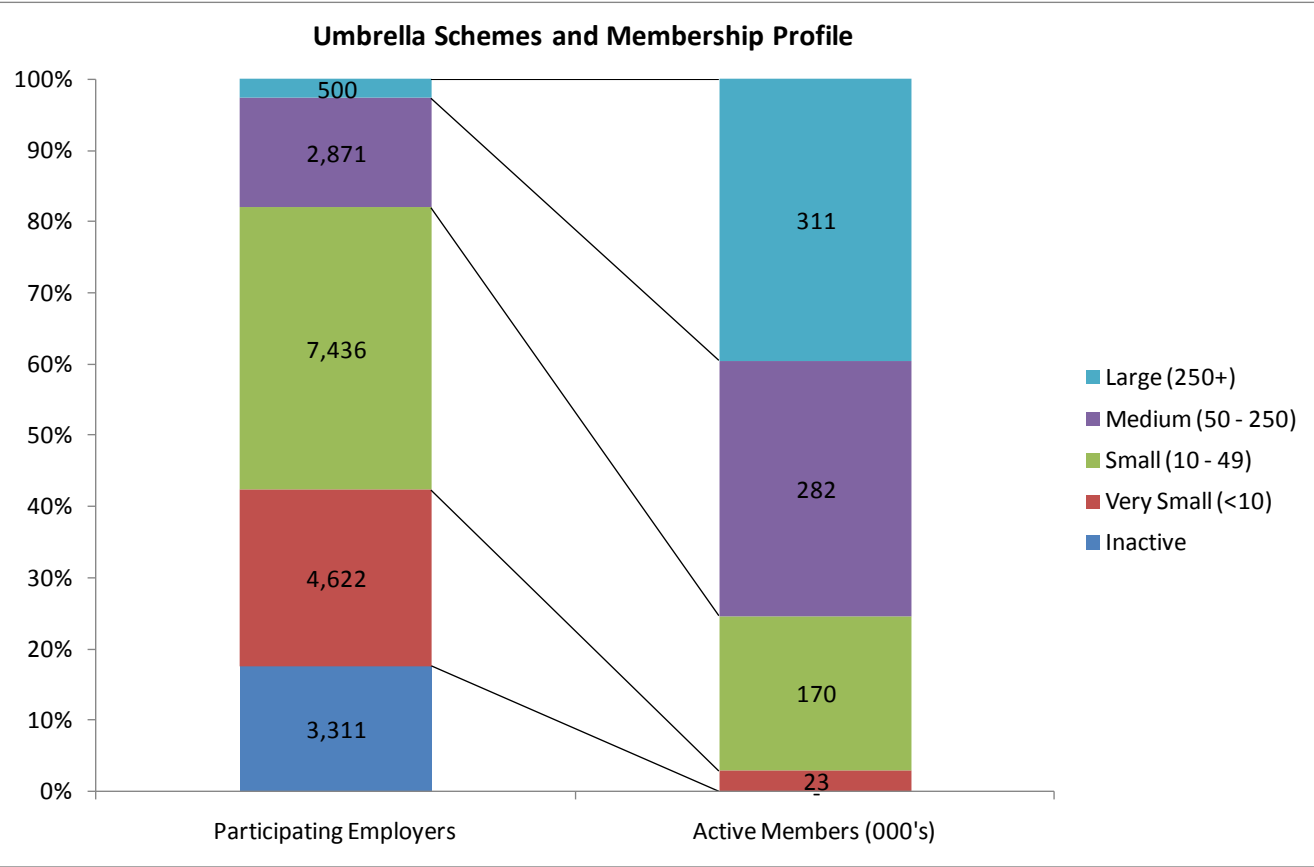
# Corporate Scheme Profile

Standalone Schemes and Membership Profile



- 86% of schemes with active members are very small, holding 15% of the total active membership
- Additional analysis revealed that 58% of the very small schemes have less than 250 members
- There were large differences in average scheme size across the participants
- Only 30 schemes had more than 10,000 active members

# Umbrella Scheme Profile



- 40% of Umbrella membership is in the large participating employer size. The migration of smaller standalone schemes to umbrella has contributed to this
- There is still a significant number of inactive schemes, though most of these are awaiting S14 approval
- The very large number of very small schemes reflects a structural dynamic in South Africa, and their requirements for pension provision must not be neglected in interpreting costs of provision

# ASISA Low Cost Product Prototype

- Low cost CIS structure using feeder fund to accommodate:
  - Individual branding by members / unions
  - Central fund for policy perspectives
  - Single transparent price for all
  - Co-contribution incentive for low income workers
  - 'Best of breed' asset managers
  - Maximise economies of scale
  - Simple drawdown via RIDDA
  - Shared governance (industry/labour/gov)

# 'Gap' Prototype

