



# benchmark symposium

hindsight

foresight

2017



“It is not in the stars that hold  
our destiny but in ourselves”

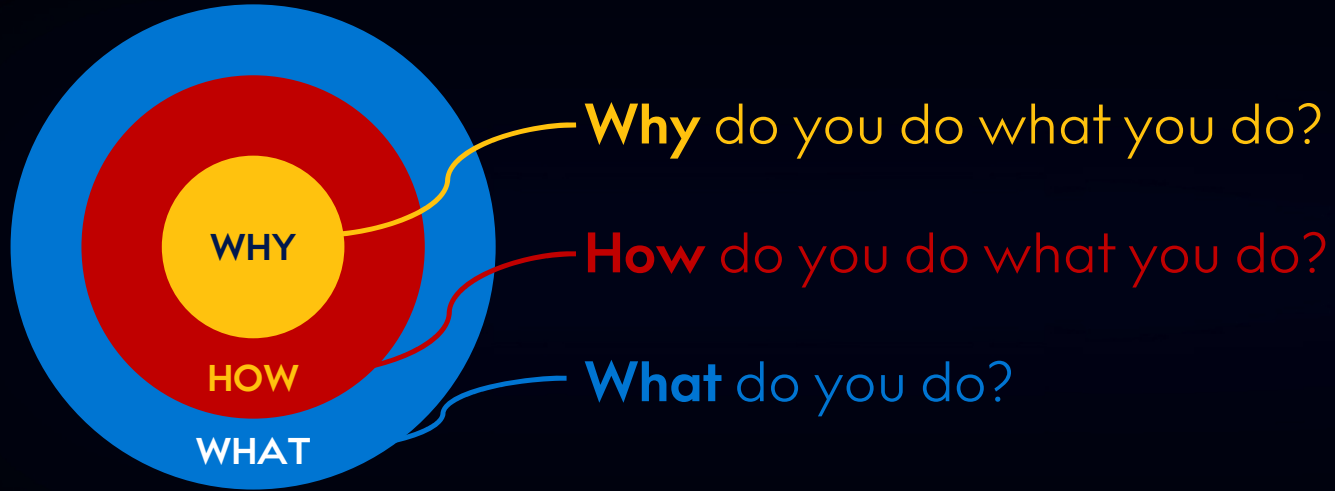
*William Shakespeare*

2017

# Default Regulations – a tipping point

David Gluckman

## Simon Sinek's Golden Circle



It's all about retirement outcomes...

“ Despite the high membership rates for retirement funds and significant accumulated savings, **only about 10% of South Africans** are able to maintain the same level of consumption they had before they stopped working. ”



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

*Strengthening Retirement Savings  
Media Release May 2012*



how do we  
reform an industry?



“ Sanlam’s practical solution going forward is premised on using all of its intellectual capital to build the best multiemployer packaged retirement savings, risk insurance and administration offering in the market ”

*Sanlam Insight Magazine -September 2007*

1 March 2019...

**DEFAULT  
REGULATIONS**

**DECISIONS**



**national treasury**

Department  
National Treasury  
REPUBLIC OF SOUTH AFRICA

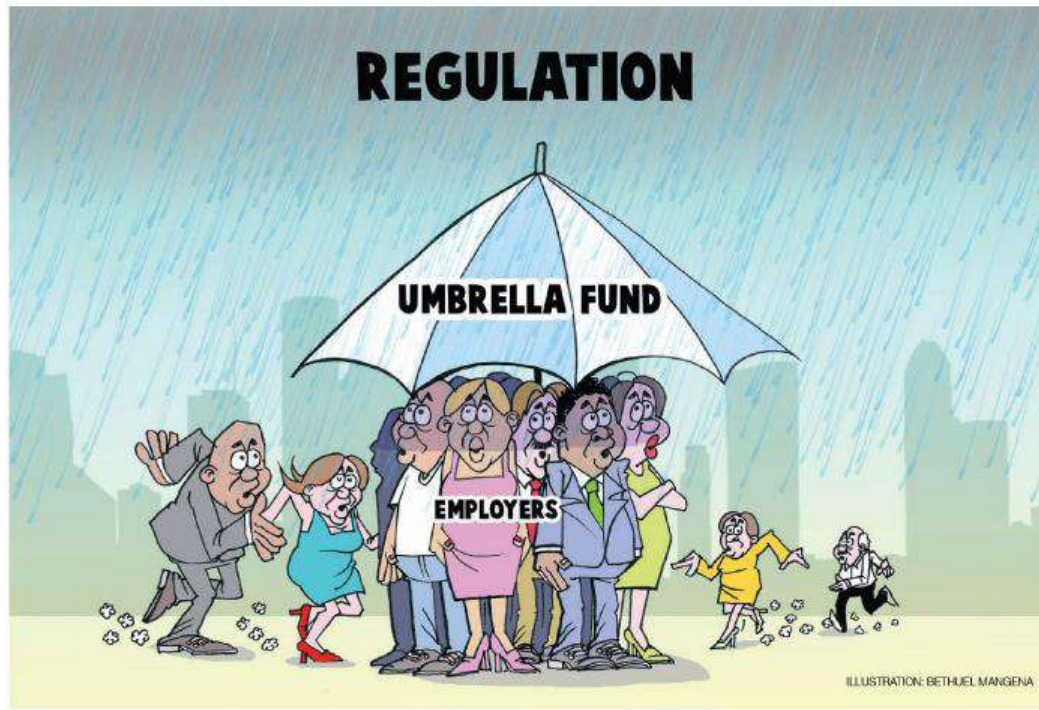


ADMINISTRATIVE AND REGULATORY BURDEN PUSHING EMPLOYERS TO MOVE TO UMBRELLA FUNDS

# End of the road for company pension funds?



The default pension fund regulations could persuade many employer-sponsored funds to move their employees to an umbrella fund. **Martin Hesse** reports





## The member is the customer ... (aka blurring of retail and institutional worlds)

- Treating Customers Fairly (TCF)
- PF Circular 2 of 2016
  - member communication and payment of benefits
- Revised policy holder protection rules
- Draft PF Circular on benefit projections
- ASISA standard on Effective Annual Cost
- Financial Sector Code
- Default Regulations



ASISA



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# TRADE OFF

A photograph of a dirt road with white dashed lines that splits into two paths, leading through a vast field of golden wheat. The sky is filled with large, white, fluffy clouds, and the sun is visible on the right side, creating a bright glow. The overall scene suggests a choice or a trade-off between two different directions.

Compliance

Better retirement outcomes



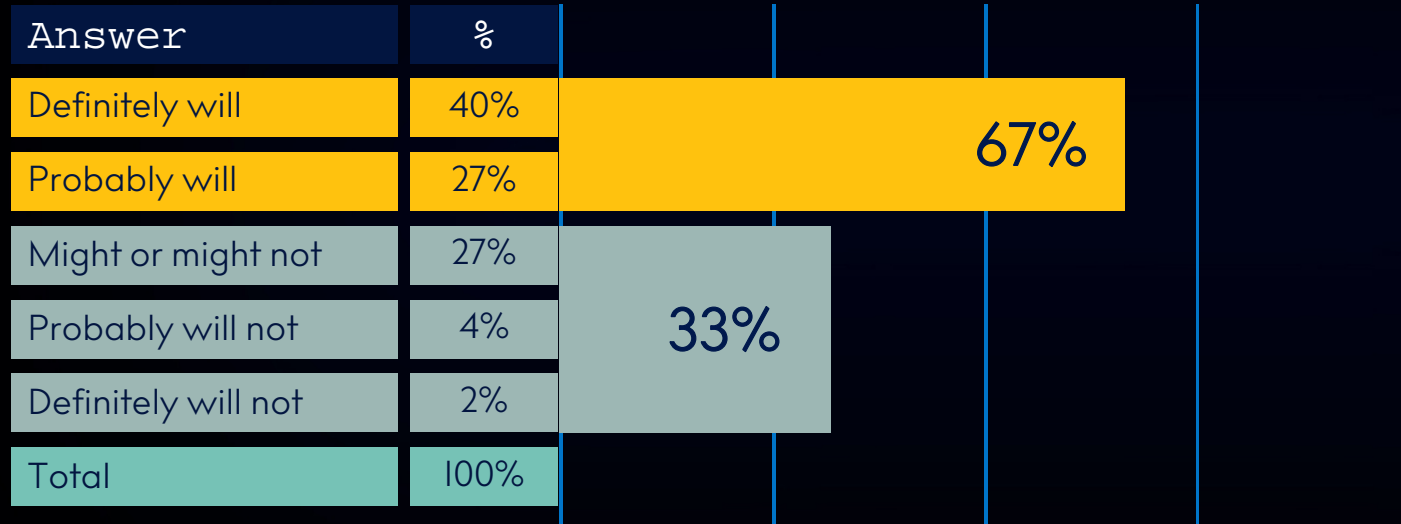
## 2018 Defaults Regulations Survey

- Voluntary online survey
- Survey opened on 27 March 2018 and closed on 22 April 2018
- Sanlam and ACA administered retirement funds
- 34 questions with multiple choice responses
- 109 respondents
- Trustees, principal officers and consultants
- Representing 35 retirement funds
- multiple funds per employer counted once

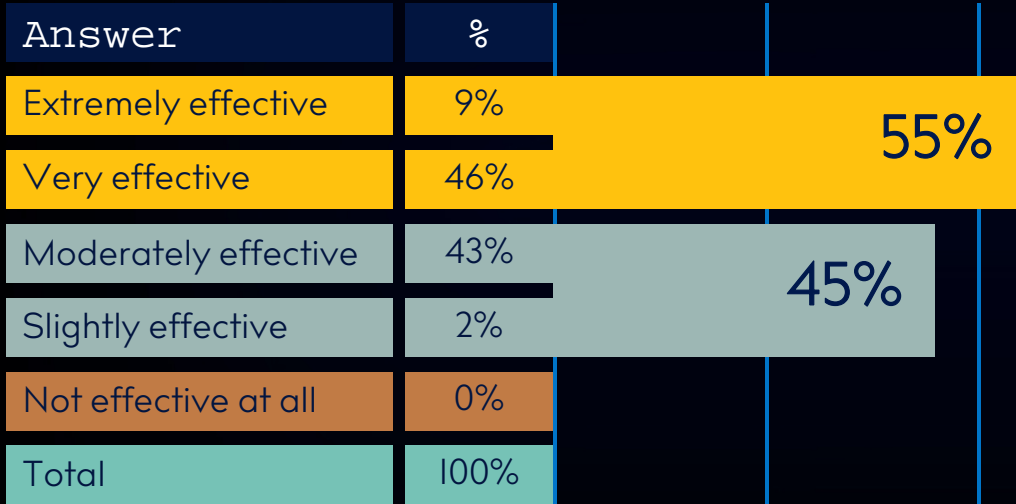


**THE ROAD TO 1 MARCH 2019**

To what extent do you believe the Default Regulations will increase the risks of being a trustee?



# How effective do you think the Default Regulations will be in improving retirement outcomes for members?



How confident are you that your fund can have everything in place by 1 March 2019 as required by the regulations in terms of having implemented the following?

Answer	Extremely likely
Default Investment Strategy	80%
Default In-Fund Preservation	69%
Trustee Endorsed Annuitisation Strategy	53%
Retirement Benefit Counselling	44%



**DEFAULT PRESERVATION**

Do you anticipate a large increase in the number of paid-up benefits in the Fund?

Answer	%
Yes, because the additional requirement of submitting the cash option in writing will be too cumbersome such that it will be a deterrent	12%
Yes, more members will preserve their benefits as a consequence of having access to retirement benefit counselling	57%
No, members will do anything to access their withdrawal benefit in cash	31%
Total	100%

# How should the ongoing service of paid-up members be handled by the Administrator?

Answer	%
Via Human Resources (HR)	8%
Directly with the member	49%
Via Human Resources (HR) for a defined period after tax (i.e. 1 year) thereafter directly with the member	4%
The Fund should choose whether all paid-up members are serviced via Human Resources (HR) or the paid-up members are serviced by the Administrator	14%
Both options should be available, every paid-up member should have the option to make use of either Human Resources (HR) or the Administrator	25%
Total	100%

*quasi-retail  
servicing model*

**ANNUITISATION**

## Trustee-endorsed Annuitisation Strategy

“ In order to increase the competitiveness of the market for retirement income products, to provide a greater degree of assistance to members of retirement funds who retire, and to require funds to use their considerable purchasing power and skill to provide their members with cost-effective annuitisation options, Regulation 39 requires all funds to adopt a default annuity strategy, and lays out the requirements that fund boards implementing such a strategy must comply with.

National Treasury re-emphasises, through these default regulations, **that fund boards have the responsibility** to protect the interests and investments of pension fund members **during and post accumulation stages.** ”



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Do you anticipate that the Fund's Annuity Strategy would be the same for all active members at retirement?

Answer	%
Yes	46%
Maybe	33%
No	21%
Total	100%

If you wanted to distinguish this Annuity Strategy between categories of members what do you think would be an appropriate way to do so?

Answer	%
Demographic profiling (age, income group)	34%
Employee type (professional, blue collar, specialist)	17%
Size of the Member Share	34%
Contribution levels	15%
Total	100%

Please estimate what proportion (%) of retirees over the past 3 years opted for each of the following?

Answer	%
Living annuity	64%
Guaranteed annuity	29%
Combination of both	7%
Total	100%



# What do you anticipate that the Fund's Annuity Strategy will comprise?

Answer	%
Living annuity	15%
Guaranteed annuity	15%
Combination of both	70%
Total	100%

*Options for either living annuities or guaranteed annuities (perhaps targeted at specific membership segments) as opposed to hybrid annuities incorporating both elements*

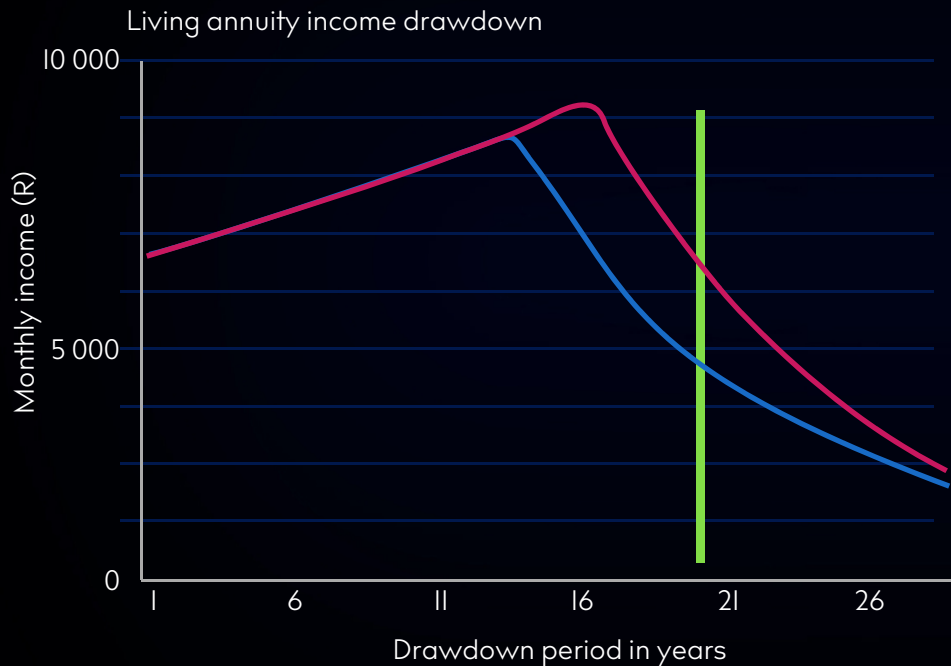
## Compliance v Better Retirement Outcomes

*High annuity quotation volumes but  
low take-up rates*



*High annuity take-up rates and  
favourable charges*

# The Power of Scale



R5 000 000 consideration and 1% cost saving per annum  
= R50 000 extra annual pension  
= >R4 000 extra monthly pension

# RETIREMENT BENEFITS COUNSELLING

# What do you understand is included in Retirement Benefit Counselling?

Answer	Extremely likely
Written communication	29%
Human Resources (HR) to provide retirement benefit counselling	14%
Administrator to provide retirement benefit counselling	22%
Fund will use an Employee Benefits Advisor	14%
Fund will use an Independent Financial Advisor	21%
Total	100%

## Professional EB consultants positive yet sceptical ...

- access to benefit counsellors was the most favoured model
- 51% said no infringement on role as consultant / advisor
- 76% said could be a great deal or a lot impactful on members who would not ordinarily receive financial advice
- 53% said can improve preservation a great deal or a lot

yet ...

- 66% of consultants believe funds will choose to do the bare minimum to comply

# 2015 Sanlam Benchmark

- Default investment strategies
- Default preservation strategies
- Default annuitisation strategies

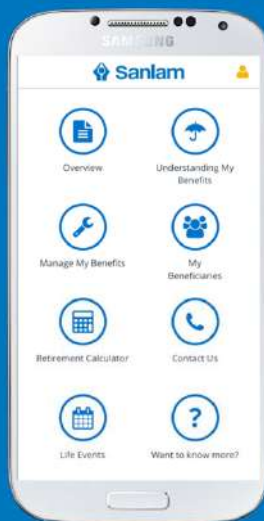


Sanlam

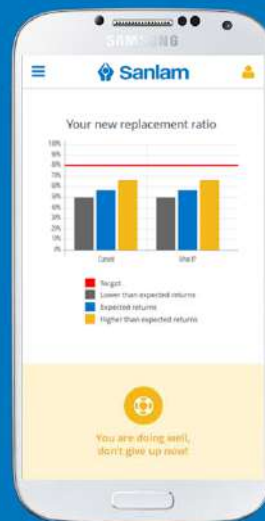
Easy access to your retirement information in the palm of your hand.



Find your way around with this simple and easy to use menu.



Use the retirement calculator tool to calculate your replacement ratio.



With this app you can see your retirement savings and benefits, educational content, and much more.





## Hello David

Welcome to the improved member web experience! Browse around to find all the new information regarding your retirement savings.



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### Your Current Replacement Ratio



Make sure you are saving enough to live comfortably in your retirement.

[Play and calculate other options](#)



### Leaving Early

When you change jobs (whether you resign, are dismissed or get retrenched before you retire), you will have a number of options regarding your existing retirement savings. Find out what your options are.

[Read more](#)



### Saving for Retirement

You are saving towards your future financial independence. Check on your progress and identify what changes you can make to improve your income in retirement.

[Read more](#)



### Approaching Retirement

As you approach retirement, your financial needs and priorities change. Knowledge, planning and preparation will help you through the process. This section provides vital information.

[Read more](#)



### Retiring

Retiring means making some big financial decisions. By ensuring you are informed, this section will help make the process stress-free.

[Read more](#)

Vodacom 1:33 PM 14%

## Sanlam

Retire Later Relationship Status Make More Money Save More Investment Expectations Other Savings

Current: 65 Current: Joint Life Current: R 571 939.20 Current: 27.5% Current: Moderate (CP+ 4%) Current: R 0

[What if?](#)  
R 1 000 000.00

### Your new replacement ratio

Scenario	Target	1.5% Lower than expected returns	Expected returns	1.5% Higher than expected returns
Current	~50%	~50%	~55%	~65%
What if?	~60%	~60%	~70%	~80%

Well done, you are well on your way to a retirement of leisure! To do even better, [email](#) your HR department about increasing your contributions to make the most of tax benefits!

[Read the small print](#)

We had to make a number of assumptions in order to provide you with this useful forecast. These are based on our current understanding of the retirement industry and the investment markets. Actual future events, however, are bound to be different from the assumptions we have made, and this will affect the forecast. The forecast can therefore not be guaranteed. It is intended as a guideline only and does not constitute financial advice. You can use these illustrative values as guidance, but are encouraged to obtain a fresh calculation regularly and to consult with an accredited financial adviser.

# Leaving your fund early

Decide how best to preserve your savings

1 Overview

2 Understand the impact of taking cash

3 Understand your preservation options

4 Set up your preservation plan



## Preserving your savings when you leave your job

If you resign or are retrenched, you have access to the savings that you have accumulated in your employer's retirement fund up to that point. You must decide whether to:



Preserve and grow your savings tax free, OR...



Take a portion in cash (on which you may have to pay tax) and preserve the balance tax free, OR...



Take all your savings in cash, on which you may pay tax.

This section will enable you to:

[Understand the impact of taking cash](#)



[Understand your preservation options](#)



[Set up your preservation plan](#)



[Confirm your preservation decisions](#)



[Take action](#)



CONTACT A COUNSELLOR

Start with understanding the impact of taking cash. This will help you make an informed decision about whether to take cash at all.

# Sanlam Umbrella Fund Retire-mate

Better outcomes for members by default

## Leaving your fund early scenario

Avril is 35 years old and plans on moving to another employer. Avril is unsure of what her options regarding her retirement savings are and knows her retirement fund offers her free access to a retirement planning platform called Retire-mate.

[Follow her journey](#)

## Approaching retirement scenario

Mike is 59 years old and is starting to plan for his retirement. His retirement fund offers all its members free access to a retirement planning platform called Retire-mate, so he decides to check it out.

[Follow his journey](#)

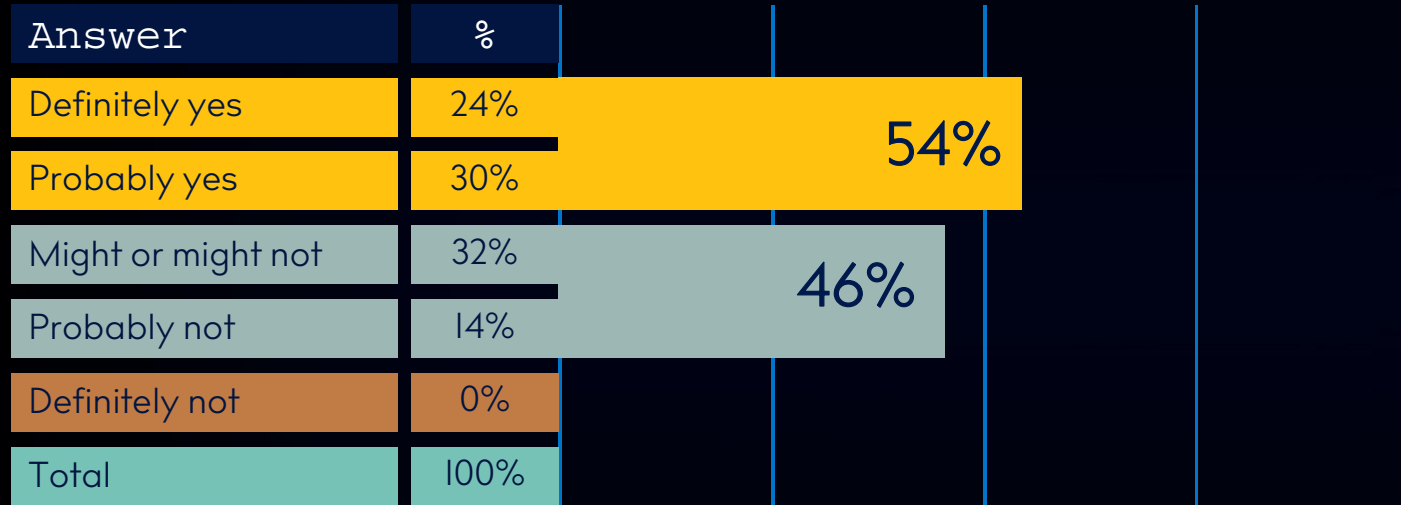
**THE ROAD BEYOND | MARCH 2019**



“If you can't measure it, you can't improve it.”



# Do you believe the benefits to members of the new Default Regulations will outweigh the increased costs?





# Retirement Fund XYZ - Default Regulations Scorecard

## Year ending 31 December 2020

# Withdrawals	Total Withdrawal Benefit Amounts	# Preserved In Fund	Amounts Preserved In Fund	%Withdrawals Preserved in Fund	% Amounts Preserved in Fund
890	R 87,220,000	40	R 407,200	4.5%	0.5%

# Retirements	Total Retirement Benefit Amounts	# Enrolled in Trustee-endorsed Annuitisation Strategy	Amounts Invested in Trustee-endorsed Annuitisation Strategy	% Retirements Invested in Trustee-endorsed Annuitisation Strategy	% Amounts Invested in Trustee-endorsed Annuitisation Strategy
76	R 53,048,000	5	R 150,145	6.6%	0.3%

**“ As with any new policy or regulation, these final regulations will be continuously monitored, assessed and reviewed to enable necessary updates that ensure that members of retirement funds are protected ... ”**


*National Treasury Media Statement  
25 August 2017*



**national treasury**

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Department  
National Treasury  
REPUBLIC OF SOUTH AFRICA

A portrait of Nelson Mandela, an elderly man with grey hair, smiling warmly. He is wearing a dark blue suit, a white shirt, and a patterned tie. The background is the South African flag, which features horizontal stripes of red, white, and blue, and a green and yellow diagonal stripe. The flag is slightly blurred, suggesting movement or a shallow depth of field.

**“What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead.”**

*Nelson Mandela*