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Making retirement great for future generations

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RETIREMENT funds need to focus on the outcomes being delivered to members rather than fixating on costs, says Sanlam's David Gluckman. Supplied

The 2019 Sanlam Benchmark research contains the country's first analysis of how retirement funds have implemented the default regulations.

At the release of the latest annual Sanlam Benchmark survey, David Gluckman, the head of special projects at Sanlam Employee Benefits, said that focusing on improving the lives of fund members was the key to making retirement great again.

Sanlam's study has been conducted since 1981, and this year 100 funds, 100 employers and 100 employee benefits consultants were surveyed via a combination of face-to-face interviews and online studies.

Gluckman said the research provided the first objective review of how the default regulations had been implemented.

"The data around compliance paints a bleak initial picture. Funds had until March 1 to comply with default regulations, so it is very early days. However, the research has found at least 24 percent of retirement funds were still struggling to meet all of the regulatory requirements around the time of the March 1 implementation deadline. This is consistent with the Financial Sector Conduct Authority's reporting of slow uptake, with many funds that lodged applications for exemptions leaving it right up until the last month to do so," said Gluckman.

The default regulations aim to improve the level of savings by South Africans through a range of interventions, including the implementation of default investment strategies, default preservation, trustee-endorsed annuity strategies and retirement benefits counselling.

“Retirement benefits counselling done well will result in better member decisions at resignation and retirement, which, in turn, will lead to a bigger pool of funds available, which, in turn, will allow more members to benefit from quality financial advice,” Gluckman said.

“Funds need to focus on the outcomes being delivered to members rather than fixating on costs. Costs have always been central to the retirement debate. However, when we asked 100 independent employee benefits consultants what their number one wish was, the biggest call was for their own clients to stop fixating on costs over value,” Gluckman said.

While cost efficiency is important, the conversation needs to shift to value.

“Ultimately, it’s about enabling financial resilience. The fact that the majority of umbrella and standalone funds surveyed believed just on 20% of their members would be able to retain their standards of living into retirement is incredibly alarming. There needs to be more focus on what consultants, administrators and providers are doing to proactively improve members’ outcomes.”

The current scenario can be solved only by a combination of factors.

“Better member communication, education and counselling can only do so much. A focus on better investment by clients can only do so much.

“A regulator with strong leadership can only do so much. Ultimately, it’s a co-ordinated effort by all stakeholders that has the best chance of assisting South Africans towards achieving financial resilience,” says Gluckman.

“We need to work together to make retirement great again.”

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