

RETIREMENT REFORM

BE A PART OF IT.

CLOSING THE COVERAGE GAP – ACCESS FOR ALL

Johan Schreuder & John Green



ASISA

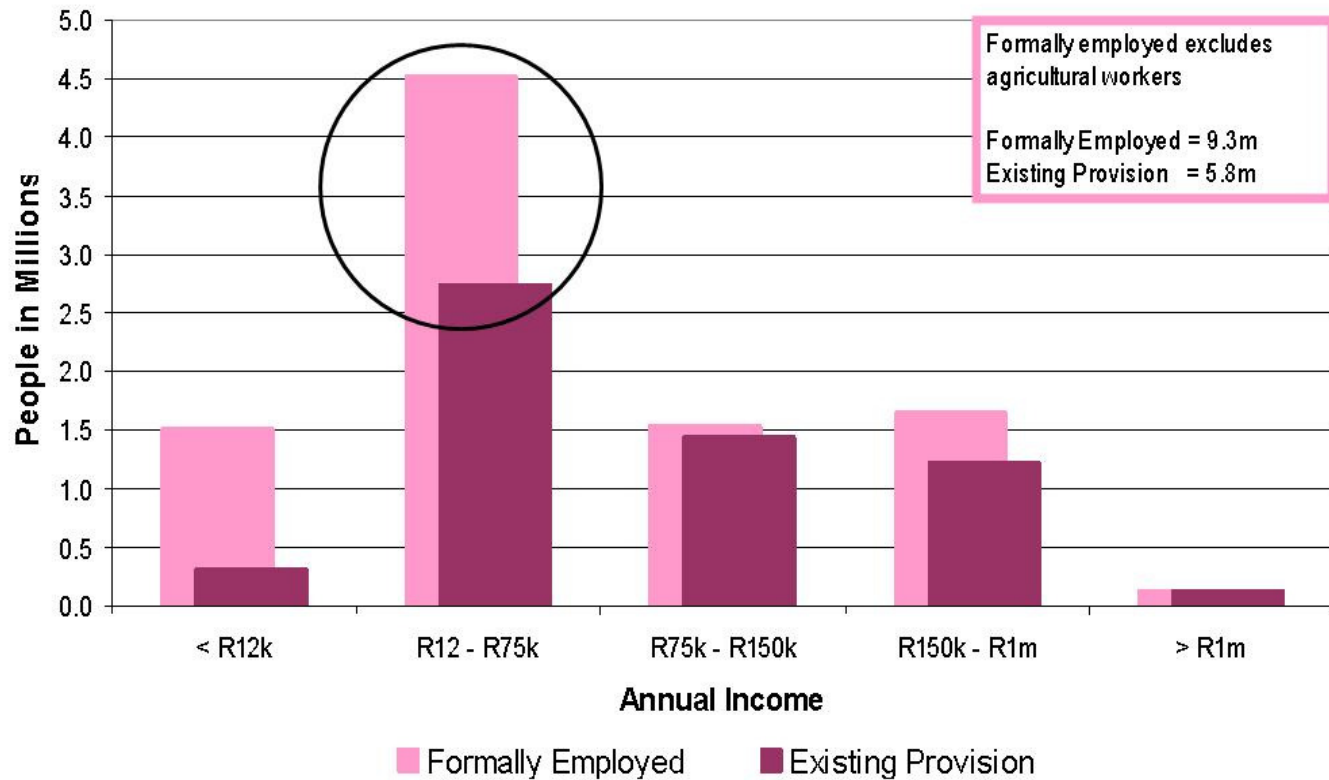
RETIREMENT REFORM

CLOSING THE COVERAGE GAP CONTEXT FOR A GAP FUND

A Social Old Age Grant is available to South Africans older than the State Pension Age, now equalised at age 60. Employed South Africans are also eligible for disability benefits from the Workman's Compensation Fund and unemployment benefits from the Unemployment Insurance Fund (UIF). For the latter, employers are responsible for enrolling their employees, deducting a 1% employee contribution and making an additional 1% employer contribution.

RETIREMENT REFORM

CLOSING THE COVERAGE GAP SOUTH AFRICA'S COVERAGE GAP



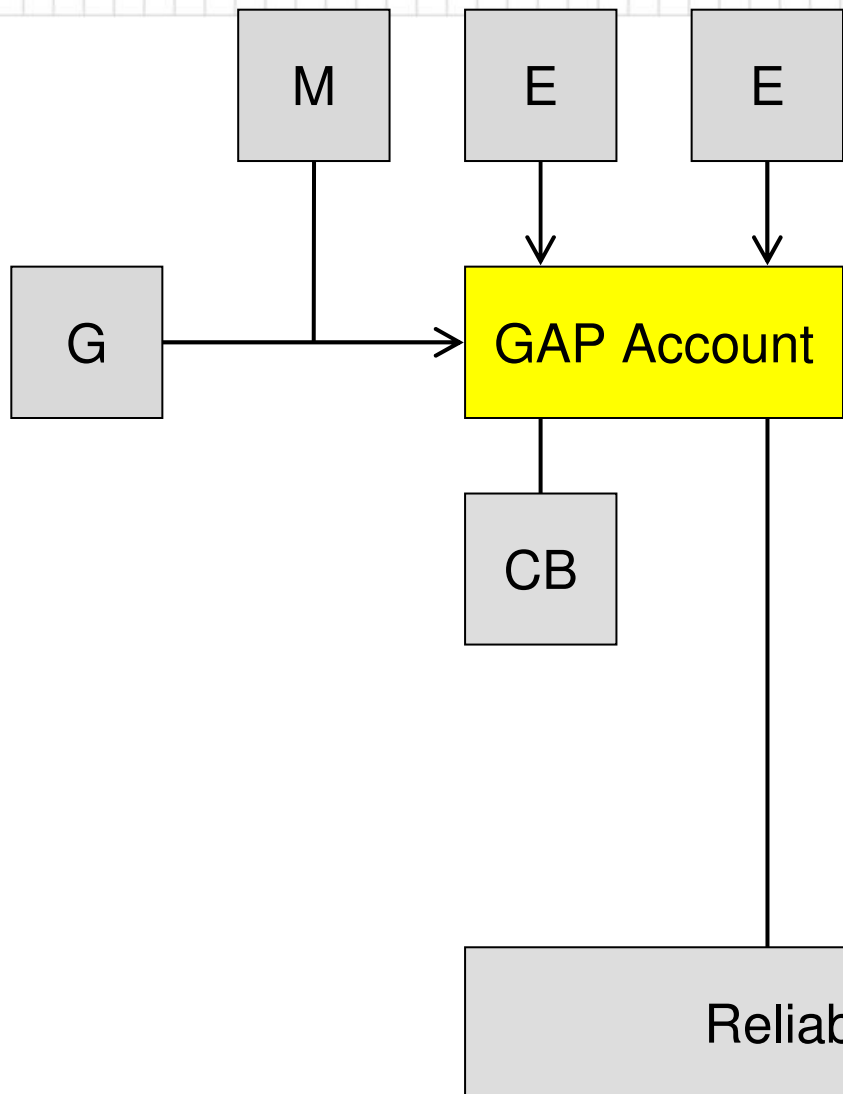
RETIREMENT REFORM

CLOSING THE COVERAGE GAP CONTEXT FOR A GAP FUND

Many South Africans also belong to traditional retirement funds offering retirement and death benefits. However, there is a large coverage gap in this area, and the purpose of this concept is to fill that gap. The proposed GAP fund will have many things in common with a traditional retirement fund. Aspects of the fund will however operate in a similar fashion to the current UIF. Important principles of the fund include greater transparency, governance and accessibility.

RETIREMENT REFORM

CLOSING THE COVERAGE GAP GAP FUND EXAMPLE



- Member earns R60,000 per year
- Contributes 15% from age 30 to 60
- Enjoys a contribution booster to age 60
- Withdraws R100,000 ad hoc before age 60
- Remaining R150,000 buys R1,000 pension
- Pension received in addition to SOAG

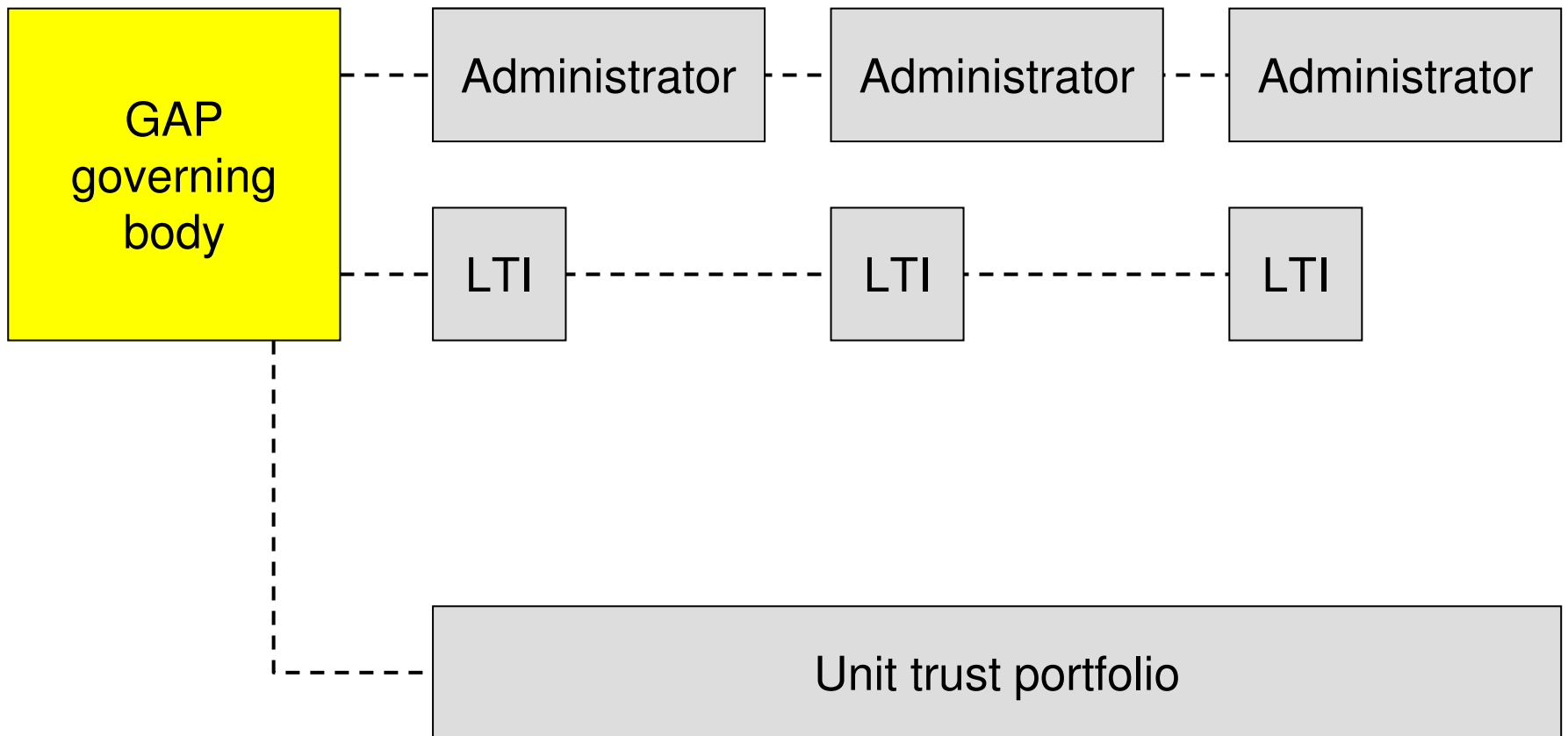
RETIREMENT REFORM

CLOSING THE COVERAGE GAP GAP FUND FEATURES

- Low-cost, unitised investment savings account
- Administered in the name of the member
- Catering for regular, ad hoc and matching contributions
- Offering reliable inflation-plus returns
- Providing limited liquidity regardless of age
- With a contributions booster on early death

RETIREMENT REFORM

CLOSING THE COVERAGE GAP GAP FUND ILLUSTRATION



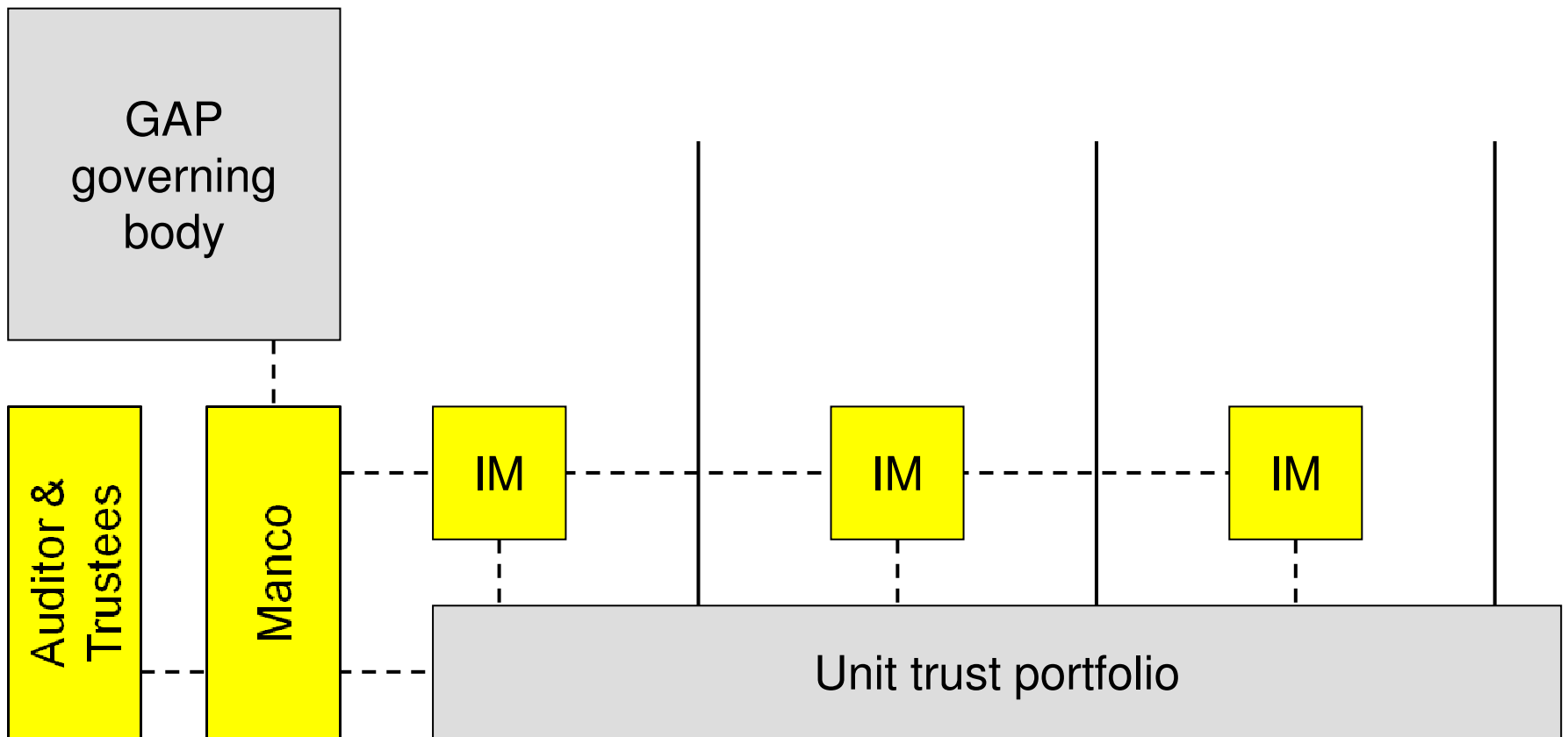
RETIREMENT REFORM

CLOSING THE COVERAGE GAP INVESTMENT FEATURES

- Central multi-managed investment fund
- Providing scale benefits and member solidarity
- Invested in inflation-linked government bonds
- Offering reliable inflation-plus returns
- Professional investment managers
- Independent custody and corporate trustees

RETIREMENT REFORM

CLOSING THE COVERAGE GAP INVESTMENT ILLUSTRATION



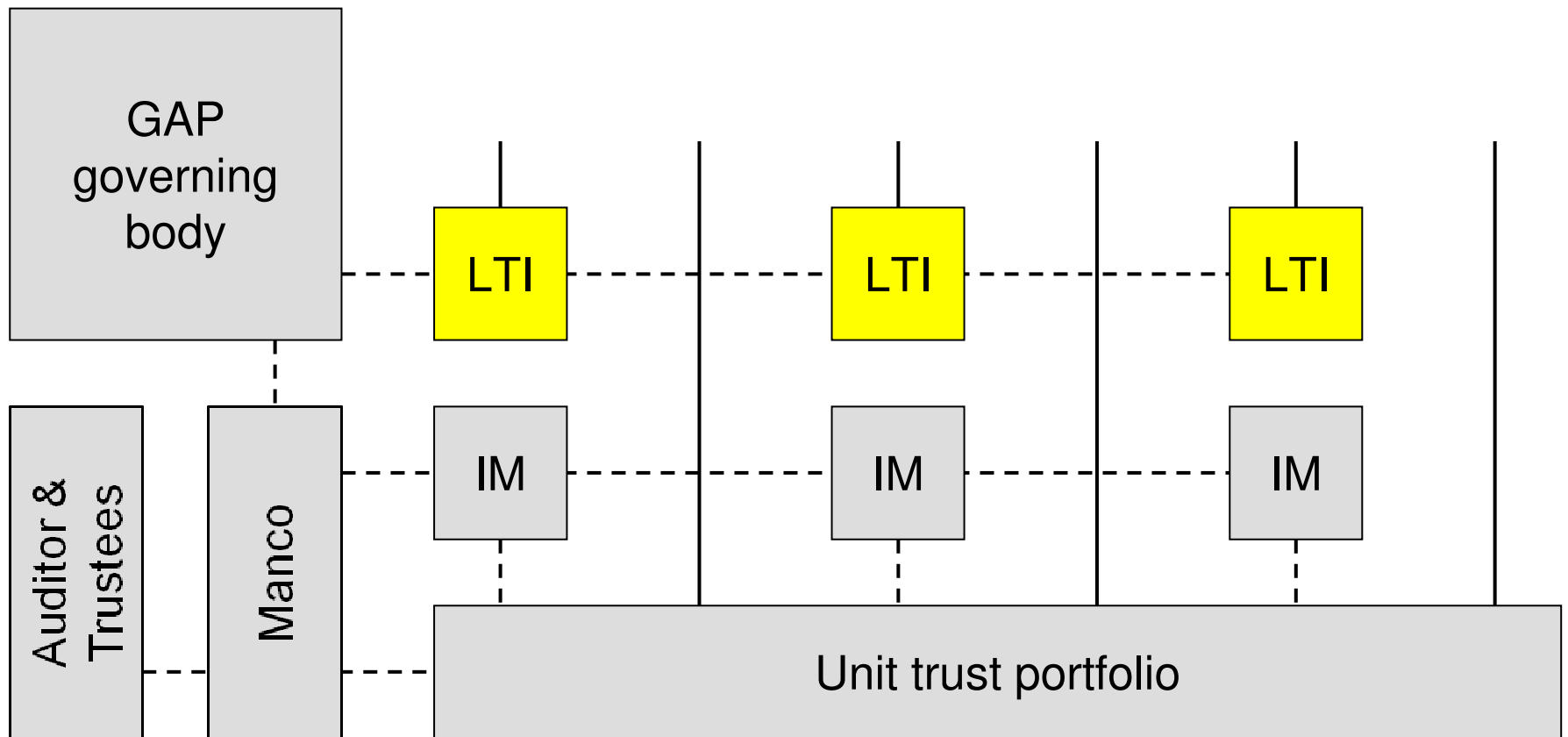
RETIREMENT REFORM

CLOSING THE COVERAGE GAP LIFE COVER FEATURES

- Contributions booster on early death
- Helps make up for lost years of contributions
- Younger members receive the greatest boost
- Solidarity via standardised premium rates
- Nil underwriting with a short waiting period
- Multiple providers to spread the risk

RETIREMENT REFORM

CLOSING THE COVERAGE GAP LIFE COVER ILLUSTRATION



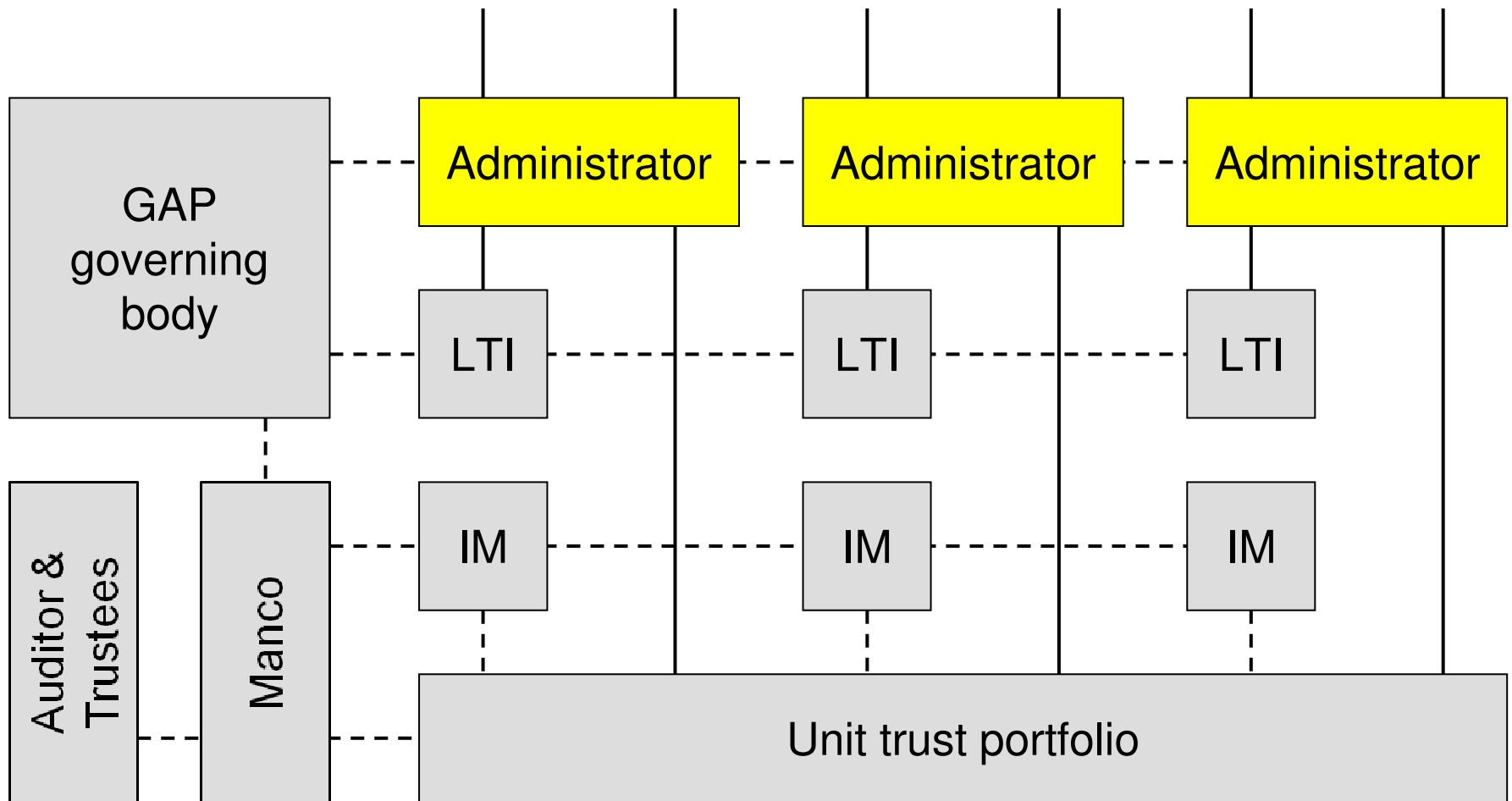
RETIREMENT REFORM

CLOSING THE COVERAGE GAP ADMIN FEATURES

- Choice and portability of administrator
- Well known brands with existing footprint
- Using established admin processes
- Offering economies of scale
- And systemic diversification

RETIREMENT REFORM

CLOSING THE COVERAGE GAP ADMIN ILLUSTRATION

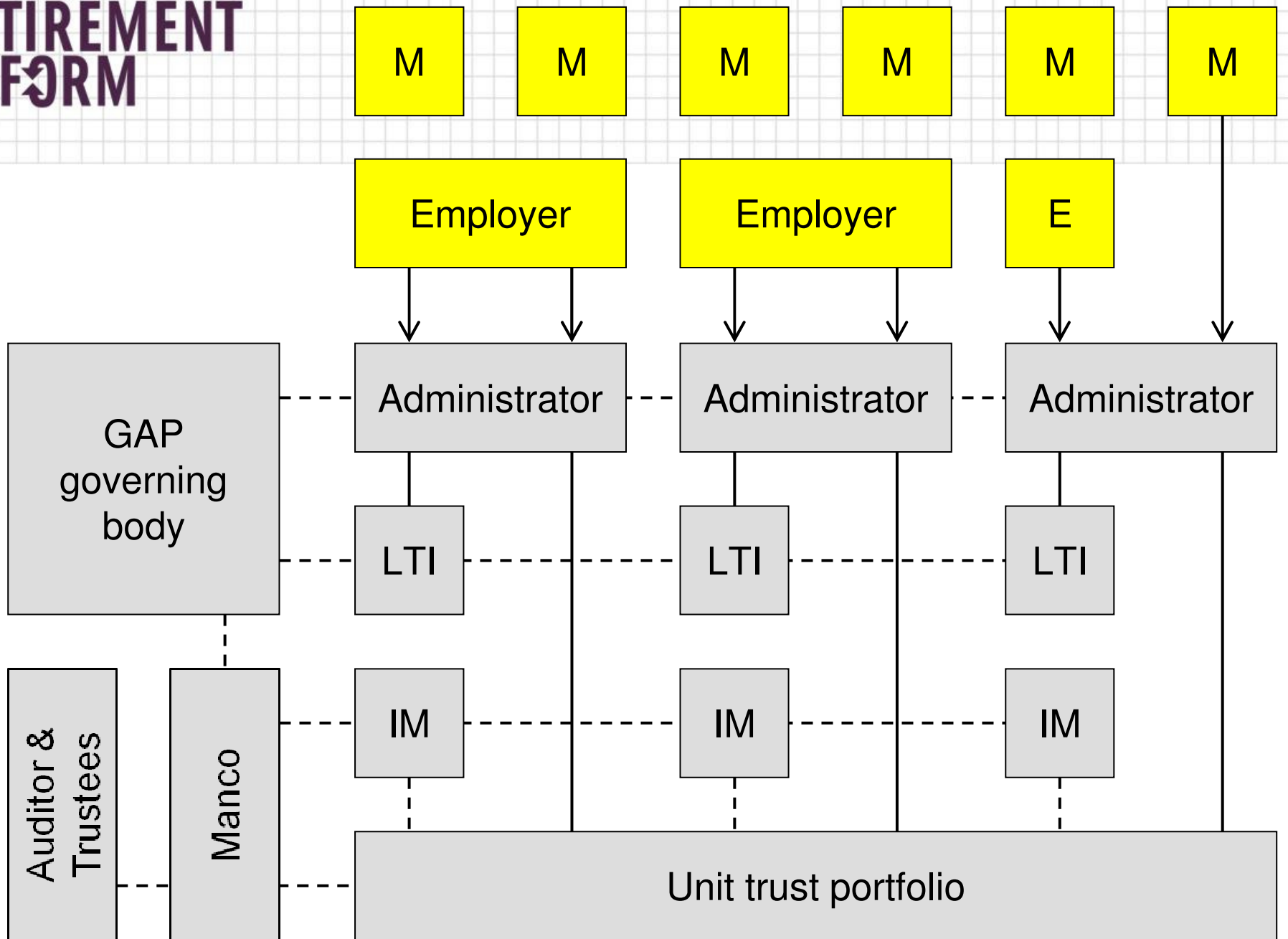


RETIREMENT REFORM

CLOSING THE COVERAGE GAP CONTRIBUTIONS FEATURES

- Enrolment via employers or individually
- Contributions could be made compulsory like UIF
- Employers provide schedules of member contributions
- Administrators debit employers' bank accounts
- Contributions allowed from multiple employers
- Ad hoc contributions also allowed from any source

RETIREMENT REFORM

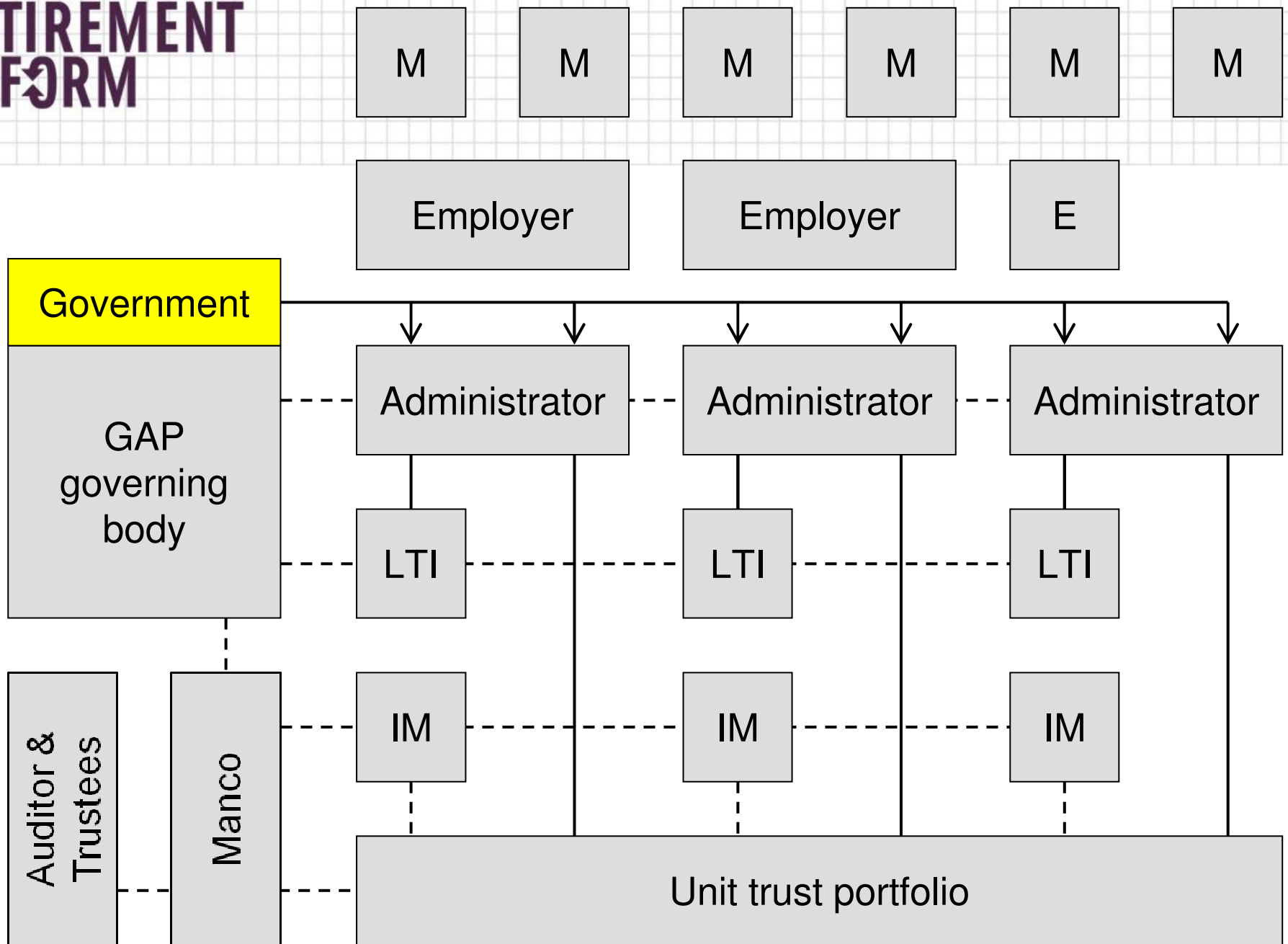


RETIREMENT REFORM

CLOSING THE COVERAGE GAP INCENTIVES FEATURES

- Government incentives optional
- Co-contribution to encourage savings
- Vertical equity with existing tax incentives

RETIREMENT REFORM

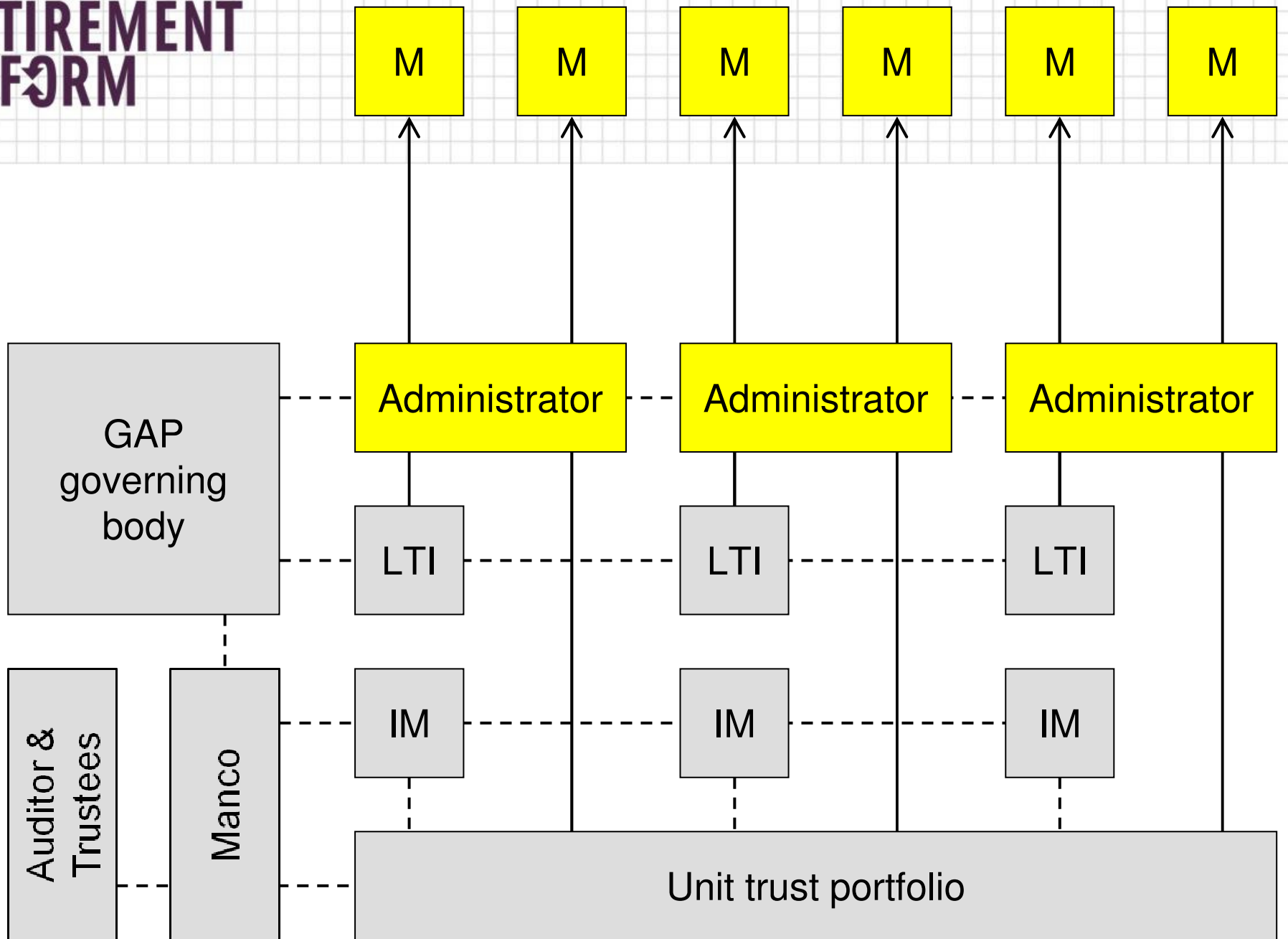


RETIREMENT REFORM

CLOSING THE COVERAGE GAP BENEFITS FEATURES

- Limited withdrawals regardless of age
- Contributions booster on early death
- With nominated beneficiaries, defaulting to family
- Optional annuitisation from age 60
- Compulsory annuitisation at age 75
- Quarterly reporting via SMS

RETIREMENT REFORM



RETIREMENT REFORM

CLOSING THE COVERAGE GAP CONCLUSION

- GAP Fund can leverage existing competencies and economies for lower income workers
- Provides single price and policy transparency
- Solidarity benefits on risk with systemic diversification
- Leverages distribution power of all constituent groups
- Provides ‘funded component’ solution