

## **Pension industry calls for mandatory savings**

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THE pension industry has again called on the government to consider mandatory preservation of retirement funds to ensure South Africans do not retire into poverty.

Speaking at the second annual African Cup of Investment Management conference Cape Town, the head of institutional strategy at Alexander Forbes, John Anderson, said yesterday that mandatory preservation was necessary given SA's low savings rate and the cyclical performance of the economy, which was now at the mercy of global events.

Mandatory preservation usually refers to a legislated portion of a pension fund that would not be withdrawn when a member retires or changes employer.

Pension industry experts said the problem in SA was that thousands of workers chose to cash in their policies and spent the money usually on nonessential needs, such as buying luxuries or paying debts.

The registrar of pension funds, Jurgen Boyd, has already confirmed the government wants to engage with the pensions sector on its views on mandatory preservation.

However, he warned that mandatory preservation was not necessarily the solution to the crisis in the retirement industry, where fewer people saved their entire retirement funds, given the country's high unemployment rate and threats of job cuts.

Mr Boyd said a balance would have to be struck between allowing workers — particularly those who had been retrenched — to access a portion of their pension funds and retaining the bulk of it in a pension fund. He said Mexico's pension fund sector grew significantly after it tightened preservation limits 14 years ago, and its industry was now worth about \$250bn.

Australia introduced tighter limits in 1999 and the sector had grown fivefold to about \$8-trillion by June last year.

Mr Anderson said the government had been looking at ways to reform the pension system for about seven years. The process was currently at the National Economic Development and Labour Council .

Original proposals indicated that employed people would have to contribute to a national retirement savings scheme, he said.

He said the high unemployment rate, rising retrenchments and slowing growth would have a sizeable affect on SA.

If South Africans were forced to save 15% of their salaries, nearly two- thirds of the country would have to increase their contributions, he said. Half of the population does not save at all and about a quarter are saving less than 15%.

Speaking at the same conference, Colin Dutkiewicz, who serves on the Retirement and Social Security Reform Task Force of the Actuarial Society of SA, said SA would need to ensure it could afford the pension fund reform.

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