

RETIREMENT: More clarity and accountability needed

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One crystal-clear message emerged at this year's Institute of Retirement Funds (IRF) Conference: government, retirement funds and administrators needed to work harder to clarify the current position of the average South African in terms of their retirement and social security, especially given the uncertainty of investments in the global economy.

New IRF Chairman Zamani Letjane explained, "It's high time to ring in the changes. Irrespective of the role you play, the industry is united by one urgent plea – that the next 12 months be one of action, accountability and positive change."

Speakers took to Durban's ICC stage to challenge the status quo on trustee capabilities, corporate governance, investment strategies, commitment to CSI, lack of member communication, and comparatively high investment fee structures.

Said Letjane, "I see how the elderly are afraid to retire. They don't even know what they will be getting from their 20 or 30 years of investing until they get their first payment, and suddenly it's not what they expected – but it's too late."

Pension Funds Adjudicator, Muvhango Lukheimane, explained, "We must work together and realise our promise to members. We cannot tolerate poor record-keeping which leads to distress and adds a burden on the state and society," with IRF Board Member and Mineworkers Provident Fund trustee, Faith Metlala, adding "that statements must be pitched at the individual's level of financial literacy, and in their own language."

One proposed solution lay in education. The IRF launched its Trustee Development Program to support Board-level training and education, which will be part-funded by the proceeds of the conference. One trustee was given the opportunity to fund his development through an IRF-sponsored bursary to the value of R50 000. Multiple speakers also re-enforced the necessity for financial literacy at school level – to ensure the next generation understand retirement and social security, resulting in better planning and more realistic expectations.

The IRF also announced its Research Foundation, set in place to analyse industry compliance, benchmark standards, and provide guidance and education. The incoming data would also monitor trends in alternative asset allocation, social responsibility investment (SRI), assets under management (AUM), overall fund performance and average asset management fees.

Wits' Professor Alex van der Heever implored the government to review its position and unite all social security departments (among them health, maternity, retirement, death, disability) in order to approach it from a holistic, integrated and long-term perspective. He said, "Silos don't communicate effectively. Until we have one Social Security Department in place for policy reform, South Africa will be slow to progress. Government has yet to publish its paper on social security reform, keeping this as a narrow, bilateral discussion that excludes society."

Personal Finance associate editor Bruce Cameron, known for his tenacity in chasing the truth and 'outing' unlawful and unethical behaviour, put forward 10 industry reforms for improved governance. These included trustee training, minimum qualifications for industry decision-makers, preservation, improved umbrella fund regulations, and the updating of PF130.

The contribution of the industry cannot be under-estimated or overlooked, boasting 7000 funds (of which 3000 are active), 967 unit trust funds, and 185 registered administrators with total retirement AUM exceeding R2 trillion.