



ACTUARIAL SOCIETY
OF SOUTH AFRICA

Advancing Actuarial Excellence

Third time lucky? South Africa's path to mandatory pension preservation

28 July 2025

Megan Carswell
Andrea Bezuidenhout
Stephen Walker

AGENDA



1. Background to the South African system
 2. Leakage and preservation
 3. International experience
 4. SA position before 1 Sept 2024
 5. SA experience since 1 Sept 2024
 6. Third time lucky?
 7. What we are learning
-

THE SOUTH AFRICAN PENSION SYSTEM

Private pensions

7 million people ≈
43% coverage

Occupational schemes

Pension or Provident
Voluntary for employers, mandatory for employees

Assets ≈ 68% GDP

✕
**NO
social
insurance
pension**

4 million
recipients

SOCIAL ASSISTANCE

Means-tested
Broad coverage

LEAKAGE AND PRESERVATION

Leakage

- Cash lump sums leaving retirement system not for retirement income
- Can include money lost due to loan default – not our focus

Preservation

- Voluntary or mandatory

Balance

- Broader social protection system
- Fiscal burden
- Admin
- Philosophy
- History

SHOULD RETIREMENT FUND MEMBERS HAVE ACCESS TO CASH LUMP SUMS...

1. ...while working?
2. ...when changing jobs?
3. ...at the point when they retire?
4. ...during the retirement phase?

INTERNATIONAL EXPERIENCE

Strict/Lax

UK

Strict preservation system
No Covid-19 concession

Proposals to allow access before
retirement failed

Since 2015 drastic change in
annuitization requirements

- Historically had 25% tax free commutation allowance & de minimis on small balances
- Forced annuitisation since phased out.

**No leakage before retirement
but lots of opportunity after
retirement.**

Special Early Access Schemes during Covid-19

Chile

**Ordinarily strict preservation
before, at and after retirement.**

Then Covid-19 happened...

- 10% of balances (min&max)
- Once-off initially, 2 more added (3 total)

Round 1: 80%+ take-up, 95%
applied for max.

Declined in rounds 2 & 3 as limits
reached

Overall 37% of members
withdrew & 19.1% depleted
accounts:

- Younger females
- Bias towards smaller accounts

**Those who needed money
most ran out first.**

Australia

**Ordinarily strict preservation
before retirement except cases
of hardship. Lump sum on
retirement and cash
withdrawals during retirement.**

Then Covid-19 happened...
2 tranches of A\$10,000 with no
penalties

15% take-up over both rounds

40% repeat withdrawers

Average withdrawal A\$7,368

- Younger
- Financially fragile
- Lower income levels & savings balances

Reasons for withdrawal

- 58.7% smooth consumption
- 26.6% prefer liquid savings

Anytime Access

USA

Most liquid system in developed
world.

**Can withdraw at any point.
Penalties if not for 'hardship'
before retirement.**

Penalties don't really help

40% leakage rate before age 55
Leakage on job separation main
contributor

~1/3rd of withdrawals due to
hardship

Preservation more for higher
balances

Allowed penalty free withdrawals
during Covid-19...
2% take-up

SA POSITION BEFORE 1 SEPT 2024



When?	Access?
While working?	No!
On job change?	Yes! (in occupational funds) No! (for personal pensions)
At retirement?	Yes!
During retirement?	No!

LEAKAGE RATES



In occupational funds

- Leakage rates highest for small amounts
- On job change in 2022
 - 86.4% by count and 47.5% by assets
 - High relative to USA

At retirement

- Almost all provident fund money
- Many pension members below de minimis (threshold)
- Most pension members take the full cash sum available
- Choice of life guaranteed annuities and income drawdown dependent on interest rates and expected future investment growth

TRYING TO FIX THE PROBLEM



- 9 commissions of enquiry (1966-2002)
- 2 firm recommendations for compulsory preservation
- 1 Bill on compulsory preservation and end to provident funds (1981) 
- Equal tax treatment and annuitisation requirements for pension and provident funds & personal pensions (2016-2021)
 - Vested rights remain
- Right to become a deferred member/retiree (2015-2019)
- Default preservation (2019)
- Tax penalties on withdrawal before retirement
- Different preservation options introduced
- 2024: Introduction of Two pot system

Round 1: 1 Sept 2024 to 28 Feb 2025

- Lots of withdrawals!
- Almost 60% in month 1
- Very high rates of withdrawal for earnings in R100k-R250k range
 - But not adjusted for eligibility
- Most claims from members aged 31-40
 - But not adjusted for membership numbers or eligibility
- Large claims

Total Claims Received	Total Claim Amount
375,025	R6.71bn

Average Claim Amounts	
Payment to Members	R13,015
Tax Payment	R4,899
Total Amount (Excl Fees)	R17,914

Source:
Alexforbes Two Pot Claims analysis Data
Last updated 9 Jul 2025

Round 2: 1 March 2025 to ...

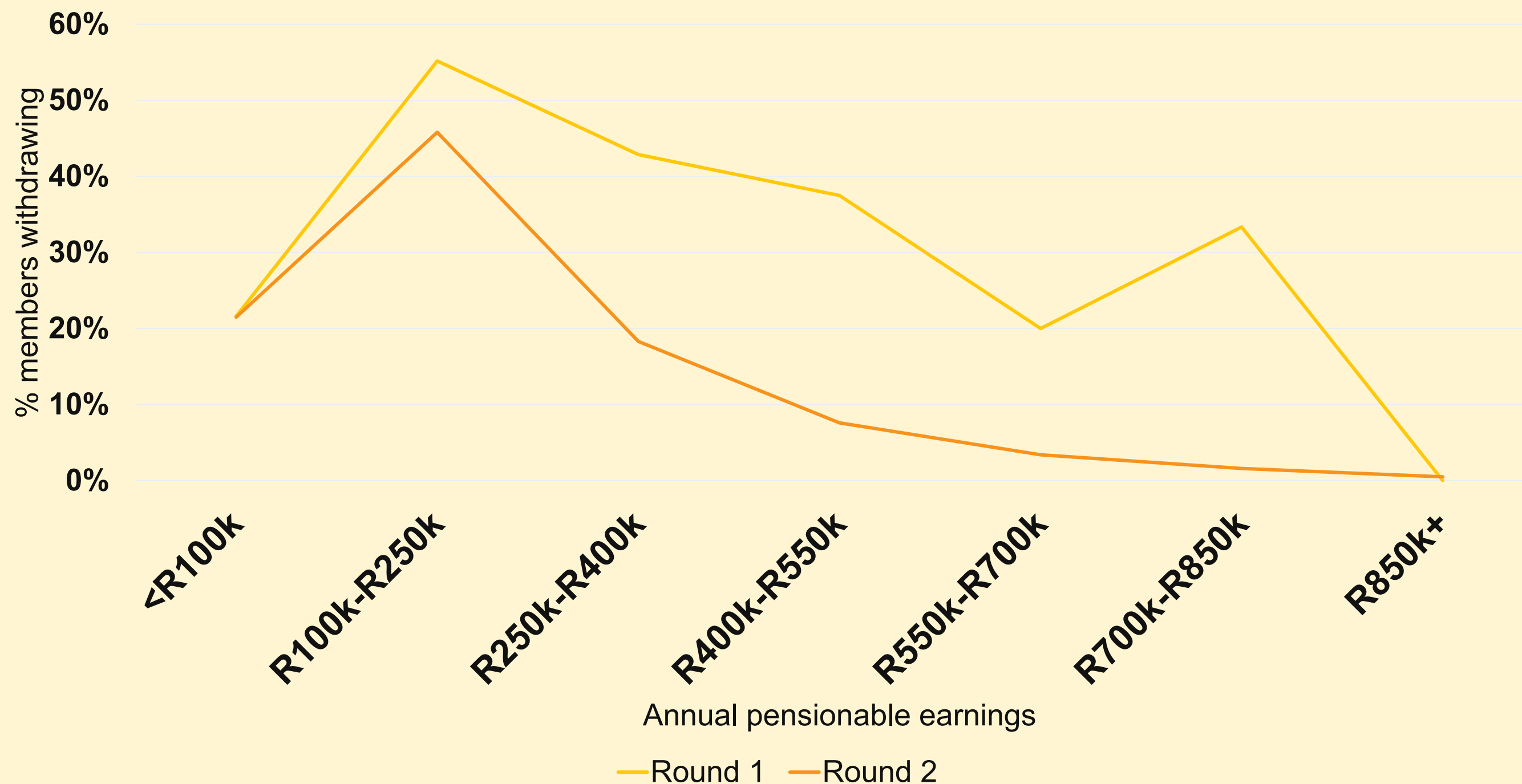
- Slightly fewer claims
 - Unclear on eligibility stats
- Repeat customers (75%)
- Approx 45% claims received in month 1 (and falling)
- Still dominated by members ages 31-40
- Smaller claims

Total Claims Received	Total Claim Amount
212,825	R1.87bn

Average Claim Amounts	
Payment to Members	R6,079
Tax Payment	R2,632
Total Amount (Excl Fees)	R8,711

Source:
Alexforbes Two Pot Claims analysis Data
Last updated 9 Jul 2025

Round 2: Rate of withdrawal by Pensionable Earnings*



Source:
Alexforbes Two Pot
Claims analysis
Data
Last updated
9 Jul 2025

* Not adjusted for
eligibility to claim

THIRD TIME LUCKY?

With respect to	Are we better off?
Support from labour	Yes, but
With savings withdrawals at 100%	Yes (occupational) No (personal)
Actual savings withdrawal rates < 100%	Ditto
The financial system collapsing	Nothing happened, yes!
Costs passed on to members	No, but
Government revenue collection	Yes! (Members disagree!)
People falling below de minimis at retirement	Too soon to tell
Trust in the system	Too soon to tell
Long-term hardship	No!

LEARNINGS – BEFORE RETIREMENT

- Tax penalties don't stop leakage   
- Leakage doesn't always mean wastage 
- People who need emergency money most, are people with least savings
 - Retirement fund can't be used to solve every problem    
- Preserving small pots efficiently? 
- Expect heaping  
- Behavioural impacts of design:
 - Minima and maxima matter 
 - Fewer opportunities = more heaping 

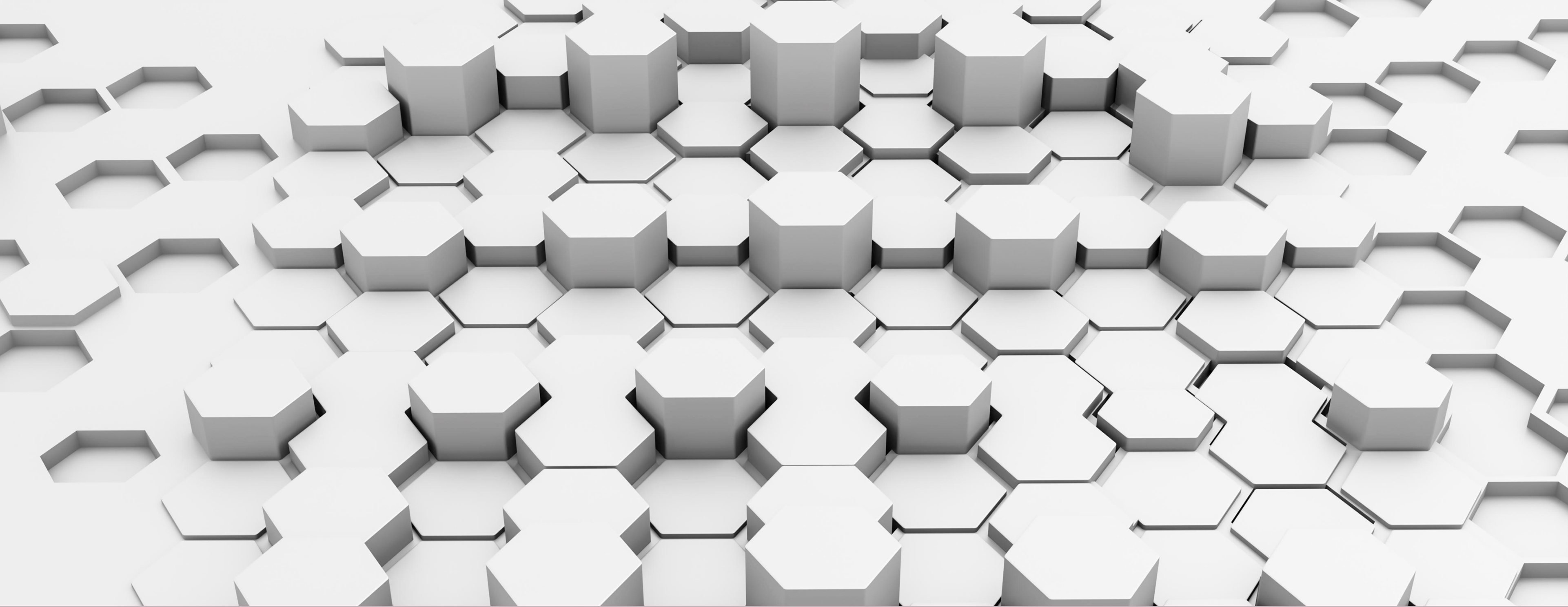
LEARNINGS - AT RETIREMENT AND BEYOND

- De minimis matters  
- Need to fix leakage during work
 - Coverage throughout life.
 - Products for small pots?
- Retirement decisions do not need to be all at once  
- Better ways of dealing with annuity risk

WHAT NEXT?

- Most analysis univariate
 - Need a lot of data for multivariate
- Systems were not necessarily set up to have eligibility flags
 - ETR is messy
- Impact of savings pot patterns on vested pots
- Impact on wellness
- Your data could help!





THANK YOU



ACTUARIAL SOCIETY
OF SOUTH AFRICA

Advancing Actuarial Excellence

Educate • Develop • Uphold