

Retirement fund auto-enrollment promise light on detail

The South African government is planning on making auto-enrollment a provision for "all employed workers" as part of the broader social security and retirement reforms, Finance Minister Tito Mboweni said in his Medium Term Budget Policy Statement last week.



Malusi Ndlovu, general manager: Old Mutual Corporate Consultants

This decision is aimed at bringing more workers into existing and new retirement funds. Treasury also announced it would be establishing a fund to cater for workers currently lacking access to coverage by a formal employer-sponsored retirement fund. While the state's plan is well-intended, the devil will be in the detail of the broader plan to promote life-long savings, says Malusi Ndlovu, general manager: Old Mutual Corporate Consultants.

Many unanswered questions

"Currently, not all South Africans are fortunate enough to have access to a retirement fund, and the benefits of a well-run retirement fund are very difficult, if not impossible, for an individual to replicate. However, many more details will be needed to properly evaluate the impact of auto-enrollment on retirement outcomes and overall prosperity," he says.

"There are many unanswered questions. What exactly does auto-enrollment mean, for example? Will people be auto-enrolled via their employers or as individuals? Will they be able to opt-out actively? What will be the level of contributions and the impact on take-home pay? How much choice will there be regarding investment and administration providers? What governances will be put in place? What will be the nature of the benefits? All these questions will need to be answered before implementation," Ndlovu says.

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