

**Media Release:**

**GOVERNMENT NEEDS TO STRIKE CORRECT BALANCE WITH RETIREMENT REFORM**

*10 January 2012:* Government's proposed overhaul of South Africa's current retirement funding model is a positive step given the alarming lack of retirement savings among the majority of South Africans. However, it is critical that the correct balance is struck in order for the initiative to succeed.

That is according to Pieter Cronjé, Director at the Financial Intermediaries Association of Southern Africa (FIA), who says the combined cost of National Health Insurance (NHI) combined with the proposed contributions to the National Savings Fund, may prove too expensive for lower income earners to afford. "If this is the case, what we could end up seeing is a resistance from employees to belong to the schemes, which would defeat the purpose of government's initiatives."

"It is therefore very important that the contribution levels towards healthcare, social security and retirement be kept at a sustainable level, in order to encourage the greatest participation."

Cronjé says the government has a tough task implementing changes to the current system, as there has to be a balance between the provision of social security and retirement benefits, as well as macroeconomic job creation and the infrastructure development goals of government. "That being said, the FIA is in full support of Government's aim to reform social security and retirement provision in South Africa, as the shortcomings in the current system are evident.

However, he says any proposals on social security and retirement reform must be negotiated at the Nedlac forum before any implementation. "Implementing a national scheme on this scale is a huge undertaking and in order for it to be successful it is crucial that Government obtains buy-in from all parties. Negotiating such a proposal at the Nedlac level would make this process much easier.

"It is also important that from a governance perspective, government is not involved in the regulation or operation of any national savings scheme. If a national savings scheme is to be adopted, then the FIA supports a management board consisting of representatives from Business, Labour, Community and Government."

Cronjé says a phased-in approach should be implemented, with the first phase being the revision of the current social security model while the second phase would need to target those employees who are currently without any formal retirement provision.

"South Africa is facing a serious retirement savings crisis and it is vital that we do something now to avoid what will become an even bigger problem in the years ahead. However, as crucial as it is to deal with the issue promptly, it is just as important to do so in a way that enables all stakeholders to participate."

“It is only through a proper, collaborative approach, with the views of all parties being considered, that we can ensure such a scheme will be successful,” concludes Cronjé.