

Media Release**Association for Savings and Investment South Africa (ASISA)****19 August 2021****ASISA Media Statement: Green Paper on Comprehensive Social Security and Retirement Fund Reform**

The Association for Savings and Investment South Africa (ASISA) has taken note of the Green Paper on Comprehensive Social Security and Retirement Reform published yesterday by the Minister of Social Development, Lindiwe Zulu, for comment by 10 December 2021.

A Green Paper is a government policy discussion paper that details specific issues and then points out possible courses of action in terms of policy and legislation. It is a precursor for a White Paper, which details a government policy position that has been approved by Cabinet.

ASISA, as part of a Business Sector task team, has been engaging with Government and social partners at the National Economic Development and Labour Council (Nedlac) for the past four years on a 2012 Discussion Document on Comprehensive Social Security and Retirement Reform.

Dr Stephen Smith, a senior policy advisor and member of the ASISA Social Security Standing Committee, says that the core proposals set out in the Green Paper are not new and have been the subject of discussion and debate for almost twenty years.

He notes that the Green Paper contains significant proposals to streamline and restructure the social security system. "These are complex and wide-reaching reforms, which will not result in immediate change. It is essential that members of the public have an opportunity to comment. ASISA therefore supports the consultative process being followed by the Minister."

Smith says the Green Paper identifies three areas within the public social protection system that are lacking: a basic contributory state pension, statutory health insurance, and adequate income security for those aged 18 to 59 years of age.

He says it is important that future social security reform programmes build on, rather than disrupt, the existing contractual savings and life insurance arrangements of both public and private sector employees. "It is these savings pools that finance much of the country's investment requirements and fund South Africa's capital market."

Smith points out that a better integrated social security system requires that a balance is achieved between different components. "For example, a state pension which is used to pool and subsidise risks between workers has to be balanced against what proportion of income remains for the funding of an adequate pension related to an individual's accustomed standard of living."

He says much of the document will therefore have to be weighed with reference to how scarce individual and state resources are optimised on an affordable and sustainable basis.

According to Smith, this implies providing those most at risk with solutions first. "Existing contributors are already struggling to preserve what they have accumulated, asking for access to their long-term retirement savings."

Smith notes that the National Social Security Fund (NSSF) is proposed as a defined benefit scheme and will pay benefits on a partially funded basis. "This means that today's contributors have a percentage of their contributions used to fund those who have retired. The interests of the future young need to be protected against what is viewed by our actuaries as a strong likelihood of ever-increasing contributions to fund benefit promises."

He adds that it is important to have clarity on how the promises embedded in the design of the NSSF system will impact on the fiscus.

According to Smith, it needs to be ensured that future social security reform programmes do not inhibit employment creation. "A job is still the best form of security. Social security is a safety net when all else fails."

Smith comments that the Covid-19 pandemic and the consequences of the economic lockdown have highlighted the urgent need for the appropriate social protection, particularly of informal and vulnerable workers. "We need solutions to provide protection for these workers to provide support through unemployment and saving through to retirement as existing legislation and structures are not designed to cater for their needs. ASISA sees this as the most urgent issue to solve."

Smith says ASISA remains committed to working with government and other stakeholders on achieving a good outcome for all South Africans. "The Covid-19 pandemic has once again shown how much can be achieved when government and the private sector work in partnership and we believe that together we can design an effective social security and retirement system."

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Issued on behalf of:

The Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.