SPECIAL EDITION **2025**

MINDSPACE

THOUGHT LEADERSHIP THAT SHAPES TOMORROW

FROM INSIGHT TO IMPACT

Driving progress through collaboration

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THE POWER OF POLICY TO MOVE SOUTH AFRICA FORWARD

Recent retirement reforms lay a firm foundation for improved outcomes. Now is the time to continue building.

South Africa's savings industry has a vital role to play in the country's growth and prosperity. Amidst rising unemployment, economic pressure, social fragility, and global shifts in work, health, and technology, we have a powerful opportunity – and responsibility – to reshape our long-term savings system to deliver better outcomes for individuals, society, and the broader economy. But we can't do this alone. Collaboration with, and support from, all stakeholders, including government and employers, is crucial.

The good news is that, thanks to reforms over the last few decades – the latest being the implementation of the Two-Pot Retirement System – we are on the right track. With the consolidation of smaller retirement funds accelerating and evolving digital technologies challenging traditional financial and workforce paradigms, there is growing momentum to fundamentally reimagine how retirement funding, governance, and risk pooling should function in a modern, inclusive, and agile economy.

Projections are positive

Indications are that member retirement outcomes could improve two- to three-fold over the next 30 to 40 years due to compulsory preservation through the Two-Pot Retirement System.

The most powerful lever

Prof. Adrian Saville, an expert in economics, finance, and strategy, highlights why staying the course on improving savings and investment is critical for the nation. He proposes six factors that have been proven to drive growth in countries around the world: savings and investment, openness, demography, policies and institutions, education, and healthcare.

From these, Saville derives three key priorities for South Africa:

- **Savings and investments:** Research shows that countries experiencing fast economic growth typically have savings rates of 25% of GDP or higher. However, South Africa's gross domestic savings rate currently sits at just 15% of GDP.
- **Public-private partnerships:** Public-sector investment is the catalyst for private investment.
- **Job-creating growth:** Even if the country improved on all six factors, the nature of its economic structure means growth would not necessarily translate into employment. The answer is to focus on labour-absorbing sectors, such as tourism and agriculture.

The question is: what practical next steps can we take as an industry – together with policymakers, government, and employers – to improve savings and investments for the benefit of the entire country?

Finding solutions to improve outcomes

To understand where we need to go, we must assess where we are. We begin by providing an overview of the current state of retirement and suggesting solutions to improve members' outcomes.

Ultimately, the industry must be judged by a single question: are member outcomes improving? While there is still evidence to support the 6% statistic, this year our Old Mutual Corporate data, research and insights suggest that we are standing at a moment of both progress and possibility, where the first signs of reform, strong employer design, and member engagement are beginning to show their potential to transform the future of retirement in South Africa.

Our research highlights two effective interventions:

- Ensuring sufficient contributions
- Maximising members' time in a fund by potentially increasing retirement ages and advocating for preservation when members change jobs.

In both cases, employers have an essential role to play.

Humphrey Mkwebu, Acting Managing Director: Old Mutual Corporate

ULTIMATELY, THE INDUSTRY MUST BE JUDGED BY A SINGLE QUESTION: ARE MEMBER OUTCOMES IMPROVING?

Lessons from the Two-Pot system

New behavioural data emerging from early Two-Pot modelling provides further insight into the changes needed to improve member outcomes. Our data shows that members are susceptible to liquidity access, with early withdrawals likely if education and digital guardrails are not in place. This reinforces the need for:

- **financial literacy and guided decision-making** as core service features;
- **smart defaults** to protect preservation without disempowering members;
- **consolidated fund systems** to manage leakage efficiently.

The Two-Pot system must be seen not just as a structural change, but as a behavioural inflection point, where trust, simplicity, and digital support become paramount. However, our modelling further shows that the Two-Pot system is set to have a significant effect on outcomes, improving them by up to two-to-three times in the long term. The seeds of this are already taking root, with signs of preservation evident in the first year. Looking ahead, the question is: how can we harness similar, or even multiplying effects through broader, coordinated efforts?

Learning from the Australian example

Having built an understanding of South Africa's reform journey, we can now look at global examples.

In Australia, according to industry veteran Paul Watson, the average Australian now sees significant infrastructure around them that is funded by their pension funds. This offers a view of what four decades of superannuation reform can deliver in terms of sustainable savings growth and economic impact.

Australia's superannuation system is often held up as a gold standard in global retirement funding, and for good reason. With assets exceeding AUD3.5 trillion and a net replacement ratio among the world's best, Australia demonstrates what's possible when scale, default design, and regulation align.

CONSOLIDATION IS THE SCAFFOLDING UPON WHICH PRESERVATION, ADEQUACY, AND EFFICIENCY CAN BE BUILT.

To understand what a successful reform path can look like, we look at Australia's phased approach over 30 years:

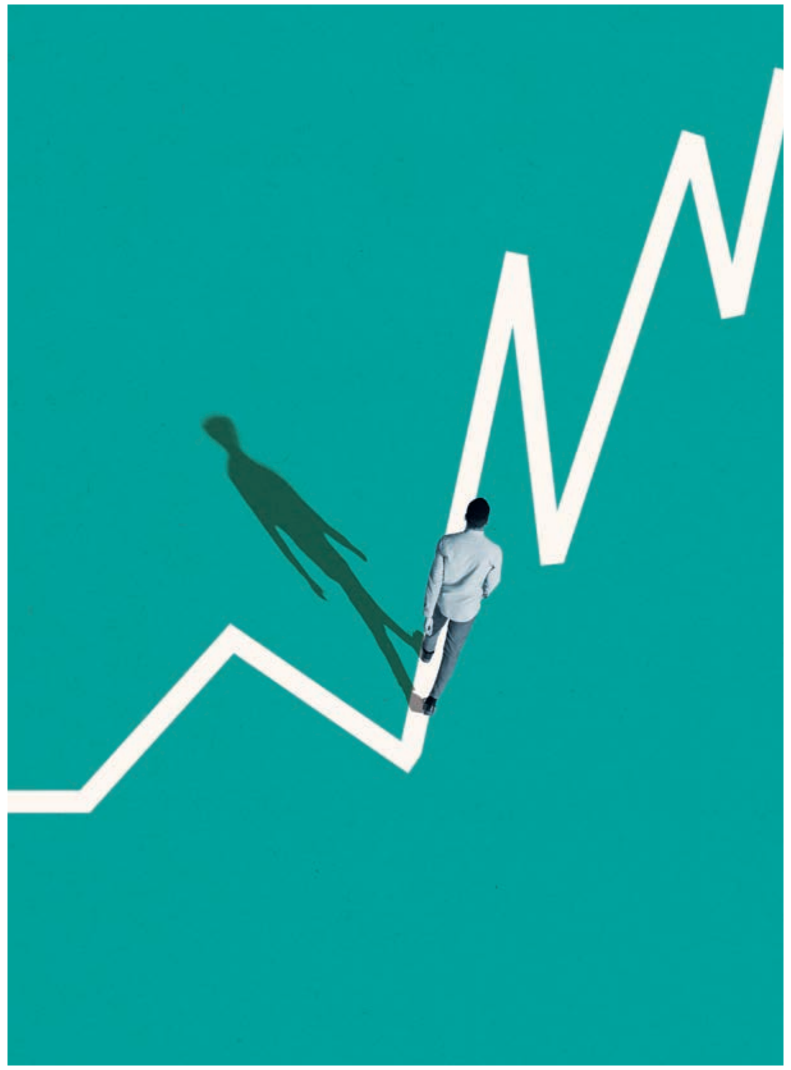
1. **Compulsion:** Australia mandated employer contributions in the early 1990s, laying the foundation for broad-based participation. A roadmap was also put in place to increase minimum contributions from 3% to the recently implemented 12%.
2. **Default design and governance:** Australia introduced strong standards for default funds, member protections, and fund performance measurement and disclosure.
3. **Consolidation:** The market moved from thousands of small funds to a much smaller number of more efficient and better-governed entities.
4. **Outcomes focus:** Today, the system is designed to deliver value to members, with performance scrutiny and portability, and a lifetime income.

Choosing the best solutions for South Africa

Given South Africa's unique challenges, the solution is not to replicate the Australian example, but to learn from it and use it to inform our pathway.

The Two-Pot system is an integral part of that path, as it introduces preservation and access principles that nudge us closer to sustainable savings behaviour.

For South Africa, auto-enrolment is an important next step towards a stronger savings industry that can invest meaningfully in infrastructure. Global evidence points to the value of auto-enrolment and minimum contributions in overcoming member apathy and improving coverage. The success of Australia's superannuation system, which covers more than 90% of the country's workforce through minimum contributions, is well known. The UK has had success with its auto-enrolment model, where employees earning £10 000 (R240 000) per year are automatically enrolled in a workplace pension scheme. New members have the option to opt out, yet most stay enrolled. Successful micro pension schemes across sub-Saharan Africa – such as Kenya's Mbao scheme, Mazima in Uganda, or Rwanda's EjoHeza savings scheme – also offer lessons worth exploring.



Consolidiaton to support transformation

Another critical evolution is the continued consolidation of retirement funds. With approximately 66% of retirement funds in South Africa managing less than R500 million in assets, this is almost inevitable. For these smaller funds, achieving the scale, governance and cost advantages needed to truly benefit members is difficult.

Well-executed consolidation offers:

- **improved investment returns** through scale and diversified asset allocation;
- **lower administration costs** and streamlined compliance;
- **stronger fiduciary oversight** via professionalised governance structures;
- **better member support** with integrated digital servicing, fewer transitions, and clearer communications.

It also directly enables the other reforms. Preservation becomes easier when exits are limited to fewer channels. Digital transformation is more viable when fewer systems must be retrofitted. Financial inclusion becomes scalable when products and platforms are standardised across sectors.

Consolidation is the scaffolding upon which preservation, adequacy, and efficiency can be built, and should therefore be treated not as a by-product of reform, but as its strategic enabler.

We also argue that further consolidation can support inclusion and transformation, as these funds can use their scale and procurement power to actively drive transformation across the retirement industry.

Technology as a supporting force

While fund architecture and legislation form the system's backbone, rapid technological change is reshaping the world of work. Leading technology expert Valter Adão warns that business leaders should not start with technology and then look for ways to use it. Instead, they should consider how AI can contribute to achieving their strategic objectives.

According to Adão, there are only three reasons to adopt any technology in a business, and leaders should cut through the complexity and sales talk to focus on these alone. These are:

- **the exponential growth dividend**
- **the exponential productivity dividend**
- **the exponential experience dividend**

As an industry, we should be using technology as a tool to enhance our ability to deliver. AI and digital tools are redefining how funds engage with members, calculate liabilities, assess risk, and deliver advice. In the retirement industry, this translates to:

- **mass customisation** of retirement journeys via robo-advice and nudging;
- **operational efficiency** through smart data processing and automated compliance;
- **predictive analytics** to pre-empt risk (e.g. early retirement triggers and debt distress).

Digital transformation, when integrated with consolidation, enables real-time governance, smarter risk pooling, and seamless member engagement, particularly critical in a Two-Pot future where preservation and access must be tightly controlled and monitored.

The power of employers

In today's workplace, employees increasingly demand flexibility across all aspects of their value proposition – from working arrangements to compensation structures. For employers, the challenge is maintaining a responsible framework that protects employees from short-sighted decisions that could jeopardise their long-term financial security or leave them dangerously underinsured against life's inevitable risks, such as death and disability. We also highlight the rising cost and complexity of mental health, as well as the strong link between employee wellness and business outcomes.

In this environment, technology provides both opportunities and challenges. Employers can harness the power of technology to respond to employees' needs for customisation and flexibility, and to simplify the retirement journey, especially for those most in need.

However, technology is also placing new pressure on human resources professionals. Our Employee Benefits Annual Trends Survey 2025 reveals that human capital and workplace management top the list of leaders' concerns. Amidst these challenges, employers must continue using the available levers to improve member outcomes.

HOW TO BUILD ON THE MOMENTUM

What's needed now is bold leadership and coordinated execution.

We propose six key actions:

1. **Focus on three priorities:** Embed the three priority areas of savings and investments, public-private partnerships, and a focus on labour-intensive industries in national planning to ensure that retirement policy supports economic growth.
2. **Make outcomes the north star:** Use data and behaviour-driven insights to measure success.
3. **Support consolidation:** This is a lever for inclusion, efficiency, and innovation.
4. **Advance auto-enrolment:** Build for further retirement reform in auto-enrolment and coverage.
5. **Invest in strategic partnerships:** Forge partnerships across the private and public sectors.
6. **Harness the digital revolution:** Leverage technology to deliver personalised communication, education, engagement, and scalable solutions that empower South Africans to save more for longer, and navigate their retirement journeys with confidence.

The momentum is real, and we are already seeing the results of regulatory reform, policy innovation, and innovative use of technology.

Let's make sure we keep moving in the right direction.

GLOBAL EVIDENCE POINTS TO THE VALUE OF AUTO-ENROLMENT AND MINIMUM CONTRIBUTIONS IN OVERCOMING MEMBER APATHY AND IMPROVING COVERAGE.

AT A GLANCE

News and insights from Old Mutual Corporate

PATTERNS EMERGING

Earlier this year, Old Mutual conducted a Two-Pot withdrawal survey to assess member behaviour. The insights gained will inform a proposition for preservation strategies as well as advise on enhancements to processes and additional communication required. The following findings emerged:

79%
OF MEMBERS WHO WITHDREW ARE LIKELY TO VERY LIKELY TO WITHDRAW AGAIN

HIGH TAX IMPLICATIONS
IS THE TOP DETERRENT TO WITHDRAW

DEBT
WAS THE LARGEST REASON FOR WITHDRAWAL
(45%)

PAYING OFF
SCHOOL FEES
WAS THE SECOND LARGEST REASON FOR WITHDRAWAL
(18%)

FOR DEEPER TWO-POT MEMBER BEHAVIOUR INSIGHTS FROM OUR SURVEY, SEE PAGE 24

INTRODUCING THUSO AND DIGITAL ENGAGEMENT

In a world where immediacy, personalisation, and convenience define great customer experiences, we introduce digital engagement to improve our members' experience. Here are five ways in which Thuso, Old Mutual Corporate's new chatbot, will assist members:

1. **Always-on, always-there support**
   Thuso is available 24/7, helping members access information anytime. This builds trust and reliability, especially during important life events, such as retirement, when support matters most.
2. **Seamless onboarding and education**
   From the moment a member joins, Thuso will guide them through benefits, product options, and policy details in a clear, conversational way. This simplifies complexity and drives early engagement, laying the foundation for a long-term relationship.
3. **Personalised, proactive engagement**
   Eventually, Thuso will be able to use data to anticipate member needs, offering nudges, reminders, or tailored advice based on life stages, contribution history, or previous interactions. This drives relevance and shows that we see and understand the member as an individual.
4. **Reducing friction in moments that matter**
   Whether it's updating details, checking benefit balances, or lodging a claim, Thuso will be fully trained to remove friction from admin-heavy processes. That means less frustration and quicker resolutions, especially during emotionally or financially stressful times.
5. **Supporting scalable, consistent service**
   By handling routine queries, Thuso will allow human consultants to focus on high-empathy, high-complexity interactions, improving service quality while managing costs – an important aspect of sustaining relationships at scale.

Thuso isn't just a support function, it's a strategic partner in our Member for Life journey, helping to meet members where they are, support them through life's transitions, and build enduring trust and engagement across their entire financial wellness journey.

EMPLOYEES IN THE NEW WORLD OF WORK

This year, we conducted our first Employee Benefits Annual Trends Survey, which provides valuable insights into employees' evolving needs, preferences, and experiences related to flexible pay, benefits, and working arrangements across different generations in South Africa. While global data on these trends is increasingly accessible, our findings offer a unique local perspective on employees' and employers' views.

Of employees who responded to the survey:

7% WORK FULLY REMOTE.

39% feel their pay and benefits support their financial wellbeing.

Increased living expenses (44%) and **small salary increases (37%)** were the two dominant reasons given by employees saying their pay and benefits do not support their financial wellbeing.

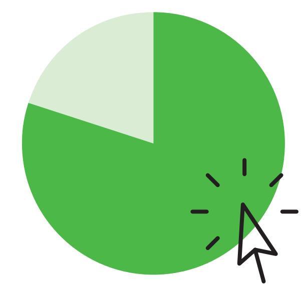
64% are very excited to extremely excited about the future of AI.

THE TOP 3 BENEFITS MOST VALUED BY EMPLOYEES:

1. COMPANY RETIREMENT FUND
2. MEDICAL BENEFIT
3. LIFE COVER THROUGH THE COMPANY

92%
OF GEN Z RESPONDENTS HIGHLIGHTED THE COMPANY RETIREMENT FUND AS ONE OF THEIR MOST VALUED BENEFITS.

75%
OF BABY BOOMERS SAID A COMPANY CAR OR CAR ALLOWANCE WAS ONE OF THEIR MOST VALUED BENEFITS.



OVER 80%
of employees working for companies with 220+ employees feel the employer uses technology to help staff access/manage their employee benefits.

87%
of employees said having a say in choosing their benefits is important.

100% OF GEN Z AND **96%** OF MILLENNIALS WANT *FLEXIBLE* WORK

60%
OF EMPLOYEES FEEL FLEXIBILITY IN PAY STRUCTURE IS HIGHLY VALUABLE.

AT A GLANCE

TALKING THE TALK

Expert insight is all the more impactful when it's delivered in the expert's own voice. The third season of Old Mutual Corporate's Big Business Insights podcast series covers a wide range of topics – from leading with empathy to the impact of AI, and the shifting landscape of financial wellbeing in South African workplaces. This season's inspired selection of guests includes renowned futurist Dion Chang (who shares his thoughts on retirement in a changing world), independent leadership consultant Dr Ngao Motsei (who speaks about balancing authority and empathy as a business leader), and financial educator and author Mlamuli Mbambo (who discusses ways to improve employee engagement with financial wellness programmes). Designed to equip business leaders for the ever-changing nature of business, this podcast is informative and highly engaging, providing a 360° view that covers past experience, current conditions, and future potential.

DR NGAO MOTSEI

MLAMULI MBAMBO

SCAN THE QR CODE TO LISTEN NOW.

DECODING DEBT

South Africans need to save and invest for a comfortable retirement, but our data also highlights a very real struggle to service debt. Here's a snapshot of the current situation:

NOTEWORTHY NUMBERS

20%
of individuals drive **59%** of all credit requests and are classified as "extreme credit seekers".

41%
actively pursue unsecured loans, significantly heightening debt vulnerability and directly threatening their long-term retirement security.

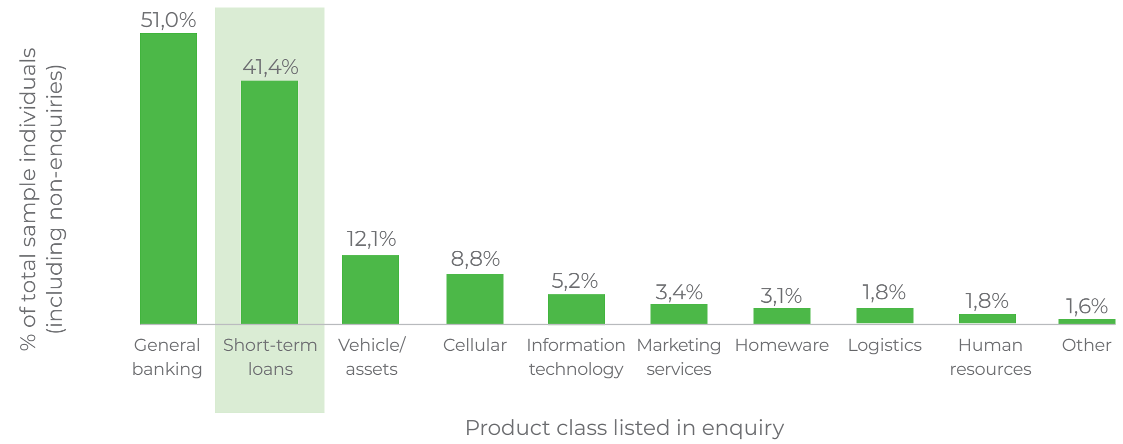
44% of micro-loan applicants also withdrew from their Two-Pot savings, highlighting a dangerous cycle of short-term credit reliance and distress.

CREDIT SCORE DISTRIBUTION AND TWO-POT WITHDRAWALS

Individuals who accessed their Two-Pot savings had lower credit scores than those who didn't, suggesting riskier credit profiles and limited access to affordable loans, which increases pressure to withdraw despite long-term financial costs. Members with higher credit scores were significantly less likely to withdraw from their Two-Pot savings. These individuals are likely to have access to more affordable, flexible credit options, enabling them to cover short-term needs without compromising their retirement goals.

WHY MEMBERS APPLIED FOR NEW CREDIT IN THE PAST 18 MONTHS

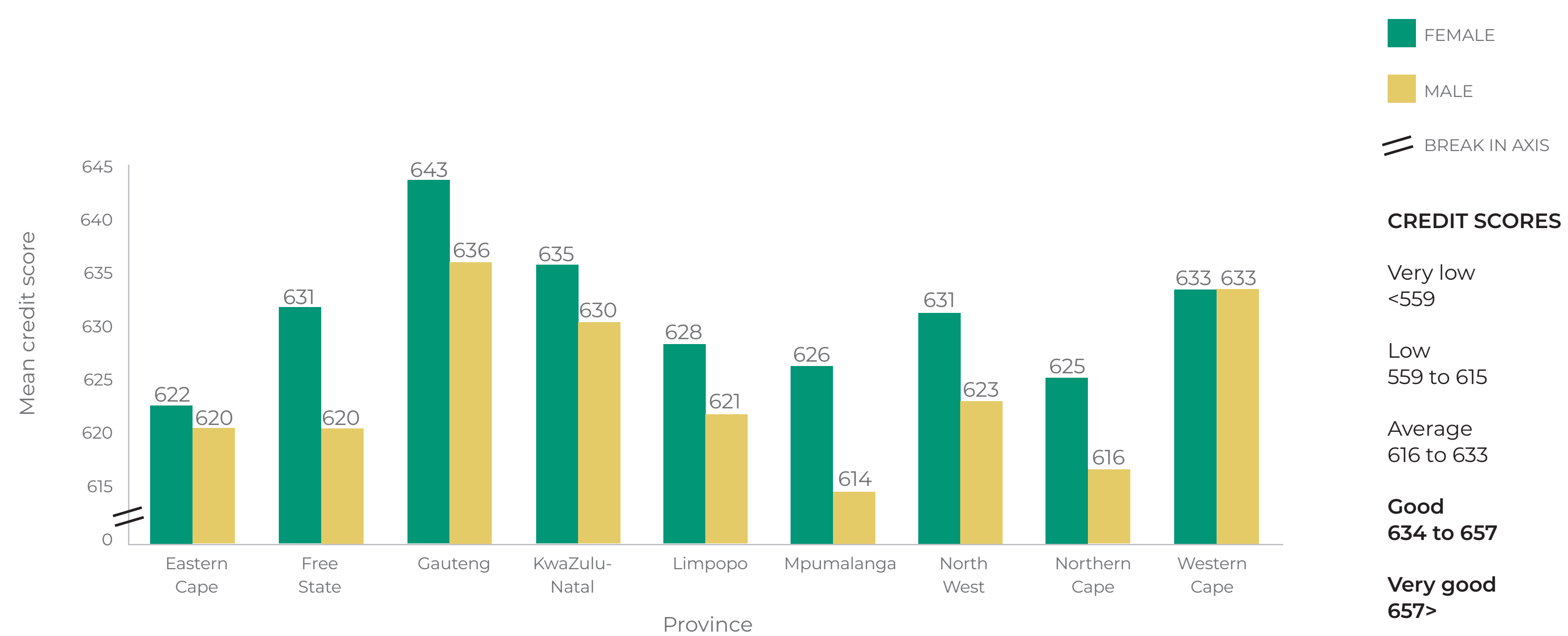
TOP 10 ENQUIRY PRODUCT CLASS CATEGORIES



Over 40% of our sample actively use short-term loans, exposing them to high interest rates and short terms – a key driver of financial strain and early withdrawals. This highlights the need for financial education and safer credit alternatives. Only 12% of the sample sought traditional asset-backed loans (vehicle or home finance) – a strikingly low figure that signals limited access to credit-building assets and long-term wealth accumulation tools.

A CREDIT OVERVIEW

AVERAGE INDIVIDUAL'S CREDIT SCORE BY PROVINCE AND GENDER



THIS GRAPH PROVIDES A DEMOGRAPHIC SLICE AND HIGHLIGHTS TWO KEY FACTORS:

1. Female financial strength:
Female members consistently demonstrate higher average credit scores than their male counterparts, reflecting greater credit discipline and behavioural advantage. Women emerge as critical financial influencers for regional credit health improvement.

2. The rural gender gap:
Credit-score disparities widen significantly in rural provinces. Mpumalanga exemplifies this gap, with women (average score 626) notably outperforming men (average score 614), categorising them in distinct credit-risk bands. Most men fall into higher-risk segments, likely hindering access to traditional credit.

What South Africa must focus on in order to achieve the greatest impact in the shortest amount of time.

ADDRESSING SAVINGS AND INVESTMENT FIRST WILL PROVIDE THE FOUNDATION AND RESOURCES NEEDED TO TACKLE EDUCATION AND HEALTHCARE MORE EFFECTIVELY.

SOUTH AFRICA'S ECONOMIC ROADMAP

As South Africa grapples with persistent unemployment, sluggish growth and the lingering effects of state capture, the question of how to unlock the country's economic potential has never been more urgent.

Adrian Saville, professor of economics, finance and strategy at the Gordon Institute of Business Science (GIBS) and director of the GIBS Centre for African Management and Markets (CAMM), believes the answer lies in a research-backed framework that has guided countries from economic stagnation to sustained prosperity.

Saville's optimism is grounded in data. Together with his team at CAMM, he developed a six-factor model by analysing 160 countries over six decades and identifying the key ingredients that enable nations to transition and transform their economies. "We can be objective about South Africa's performance," he explains. "By studying what works across different countries and time periods, we can identify our biggest challenges and opportunities."

Saville emphasises the broader global context. "We are in a disrupted world, and a disrupted world presents a combination of challenges and opportunities," he notes. For instance, he says, the 2024 elections saw massive political change globally, with more people going to the polls as a percentage of the population than any year in history.

In two-thirds of those elections, there was a change in leadership or governments that didn't achieve majority outcomes. "This sets you up for a 10-year delta, because when people vote next time, they vote like they voted last time," Saville observes. "The global political stage has been reset."

For South Africa, a small, open, and often deficit economy heavily reliant on global trajectory and commodity prices, these international shifts matter enormously.

In this context of global uncertainty, Saville argues that countries need evidence-based frameworks to navigate their path forward. Rather than relying on political rhetoric or ideological preferences, his approach is grounded in empirical analysis of what actually works.

"It allows us to talk about other people's relationships rather than our own," he says with a smile. "And that allows us to have a degree of objective curiosity and observation. The CAMM six-factor model – research that has been running since 2009 – is a detailed study of economic transformation with a broad, global scope."

Six factors to guide countries from stagnation to prosperity

The model created what Saville describes as "a treasure trove of economic and industrial intelligence". It identifies six critical factors:

- **savings and investment**
- **openness**
- **demography**
- **policies and institutions**
- **education**
- **healthcare**

Crucially, not all factors carry equal weight. "With a coefficient of 27.5, the savings and investment factor is the most important, containing more than a quarter of the model's explanatory power," Saville explains. "The openness factor is nearly as potent, correlated with just under a quarter of explanatory power."

This weighting system provides policymakers with what Saville calls "bang for policy buck" – indicating where an amount of energy and investment ought to provide the highest relative return in prosperity terms.

Adrian Saville, Professor of Economics, Finance & Strategy at GIBS & Founding Director, Boundless World

From the six factors, Saville derives three key priorities for South Africa to focus on: savings and investments, public-private partnerships, and job-creating growth. While South Africa does not necessarily score well in all the other areas, focusing on these factors would have the greatest impact in the shortest amount of time.

SA'S 3 PRIORITIES

1 SAVINGS AND INVESTMENT

"Arguably, savings and investment is our single biggest hole," Saville says. "If we were running the Comrades Marathon, we would be on the 10-hour bus."

The numbers are stark. Every country that has successfully transitioned has achieved an elevated savings rate of 25% of GDP or higher. "The absence of that saving and investment leaves us in a low growth trap – trapped by our own financial dysfunction," he explains.

The problem extends beyond aggregate figures to household behaviour. "The net saving rate in South African households is 0%," Saville reveals. "To a large extent, that is the difference between the 15% saving and investment rate that we have, and the 25% that we require."

In the first quarter of 2025, in fact, Statistics South Africa reports that the household saving rate in South Africa actually decreased to -1.20% from -1.10% in the previous quarter.

This household savings crisis stems partly from South Africa's inequality. "Unequal societies tend to behave as consumption frameworks," Saville explains. "When you live in an unequal environment, you have to provide evidence that you are worthy through displays of material wellbeing. That feeds a consumption culture, which by definition is the opposite of saving."

The solution requires both systemic change and education. "Saving is a learned behaviour, and it has little to do with people's income levels and tax rates," Saville argues. "If we don't see it in policy, then surely it is the private sector that has to do it." He suggests innovative approaches, such as financial literacy apps and gamified systems that reward education.

2 PUBLIC-PRIVATE PARTNERSHIPS

The second critical factor is robust public-private partnerships, which falls under policies and institutions in the framework. "There is no country that has transitioned without effective public-private collaboration," Saville notes. "Gross domestic fixed investment is a key missing ingredient – this is the R1 trillion story."

The importance of this investment is twofold. "Public-sector investment is the catalyst for private investment. That is the first big story. And second, your multipliers, spillovers and linkages here are greater than any other activity that the public sector could get on with."

3 JOB-CREATING GROWTH

The third focus area does not fall neatly into the six factors, but is rather a cross-cutting structural issue that Saville identifies as critical for South Africa. "Even if the South African economy were to double in size, it is not going to double the number of jobs, because South Africa's growth tends to be capital intensive and productivity-led," Saville explains. In other words, even if the country improved on all six factors, the nature of its economic structure means growth would not necessarily translate into employment.

The solution lies in identifying and developing labour-absorbing sectors. Agriculture and tourism represent obvious opportunities: "Barriers to entry are relatively low and your job multipliers in tourism show that one tourist creates one job," he notes. However, he points out that these sectors alone cannot solve South Africa's unemployment crisis.

Saville suggests exploring additional possibilities: "Is there a reasonable prospect of South Africa becoming re-industrialised? What about business processing outsource (PBO) centres? Why aren't we the BPO centre for Europe, for example?"

SAVING IS A LEARNED BEHAVIOUR, AND IT'S GOT LITTLE TO DO WITH PEOPLE'S INCOME LEVELS AND TAX RATES.

THE 6 FACTORS: SOUTH AFRICA'S SCORECARD

ECONOMIC FACTORS

Savings and investment:
room for improvement

Demography:
outstanding

Policy and institutions:
superb policy
poor institutions

SOCIAL FACTORS

Education:
depends on location

Healthcare:
depends on location

Openness:
good

Supporting factors

South Africa performs variably on the remaining three factors of CAMM's six-factor framework. In demography, the country scores well, benefitting from a young, growing population. "In openness, we work relatively well," Saville notes, though there is room for improvement.

However, significant challenges remain in both education and healthcare. He notes that only 15% of the country has access to good schools and private healthcare. Eighty-five percent of South Africans, however, are in a very different boat – and, as the majority of voters, shape the direction of the country. While healthcare and education are obviously crucial for South Africa's long-term prosperity, Saville argues that addressing savings and investment first will provide the foundation and resources needed to tackle education and healthcare more effectively.

On policies and institutions, South Africa presents a mixed picture. "In policies, we are superb, and in institutions, we have fallen over," Saville observes. This disconnect between policy design and implementation capability represents a critical weakness.

The path forward

Despite the challenges, Saville remains optimistic about South Africa's potential. "Although I am frustrated by its performance, I am deeply invested in this country," he says.

"The financial services industry has a particular responsibility here," Saville emphasises. The industry could play a role by, for example, offering accessible courses to improve financial literacy and providing solutions that empower individuals to save, even in small increments. "Obviously, financial services providers can't solve for all of South Africa, but they can solve for something."

His message is clear: the tools for transformation are available and proven. Countries like Bangladesh have achieved 32% savings rates through innovative financial inclusion models. "If Bangladesh can achieve a 32% savings rate, South Africa can achieve a 32% savings rate," Saville concludes. "How do we reconfigure and redesign the system to achieve those types of outcomes? That is the conversation we need to have."

South Africa can move from its current trapped state to sustainable prosperity, Saville says. What is required is the collective will to implement the changes that the evidence shows are necessary.

THERE IS NO COUNTRY THAT HAS TRANSITIONED WITHOUT EFFECTIVE PUBLIC-PRIVATE COLLABORATION.

IMPROVING OUTCOMES

"RETIREMENT ADEQUACY IS BUILT BRICK BY BRICK, STEP BY STEP, THROUGH CONSISTENT CONTRIBUTIONS AND TIME. IT IS NOT PATCHWORK, IT IS ARCHITECTURE. IT IS NOT A SPRINT, IT IS A MARATHON."

THE STATE OF RETIREMENT OUTCOMES IN SOUTH AFRICA

A data-driven look at the magic numbers for retirement in 2025, and the most powerful levers of change.

While structural change in the retirement system takes time to unfold, and often years to deliver visible results, the need for coordinated and sustained action has never been more urgent. Ensuring the sustainability of South Africa's retirement system – as a social safety net and a financial pillar of the economy – demands a unified response from all stakeholders: government, regulators, employers, industry leaders, and public and private institutions.

"Even for members with access to retirement funds, outcomes will remain inadequate without multi-stakeholder collaboration driving further systemic reform and large-scale change that improves member positions," says Keri-Lee Edmond, Head of Business Intelligence in the Customer Team at Old Mutual Corporate.

Old Mutual Corporate's 2025 quantitative research, conducted by Edmond and based on actual member data from umbrella fund arrangements, confirms that there is still evidence to support National Treasury's long-suffering statistic that only 6% of members are on track for a secure retirement – an estimate made decades ago and evidenced year on year.

"It can be profoundly disheartening to watch the same statistic resurface year after year, unchanged – a constant reminder of how slowly progress comes in the retirement landscape," says Edmond. "Most members still accumulate savings at a pace that's just too slow to secure enough financial security and freedom, consistently falling short of the 70 to 75% replacement ratio considered the gold standard in South Africa. Despite years of industry effort, regulatory reform, and public awareness, the dial has barely moved."

From insight to impact: how the numbers help us move forward

What changes have the power to finally improve that 6% statistic? The Two-Pot system is mathematically certain to have a significant impact on member outcomes over time – at the very least, improving savings by up to two to three times. Preservation is already showing small but positively measurable movement within the first year of implementation. The maths implies that, in 30 to 40 years, if all else remains the same, that statistic could be trending upwards of 20% of South Africans being on track for a secure retirement. This is powerful for one area of action in the larger system.

The significant impact of retirement reform suggests that this is an area worth pursuing. Retirement strategies that have worked for global countries – including mandatory and minimum contributions, auto-enrolment, auto-escalation, and consolidation – all remain promising options for the South African landscape, if these can be tailored for our unique nuances and societal functions.

According to Edmond, there are two key areas of action, or levers, that are in the control of the employer and employee, that would drive the most meaningful change in improving member outcomes: time in the fund and contribution rates.

These levers are important because they interact in a way that has a multiplied effect. Contributions + time = magic. "Sufficient time in the fund and appropriate contribution levels are the magic numbers for retirement, and the earlier they align, the greater the impact," explains Edmond. "Without enough contributions, more time alone will not close the gap; without enough time, high contributions may still fall short. Both must be addressed concurrently to shift outcomes at scale."

Keri-Lee Edmond, Head of Business Intelligence, Customer Team: Old Mutual Corporate

ENSURING THE SUSTAINABILITY OF SOUTH AFRICA'S RETIREMENT SYSTEM DEMANDS A UNIFIED RESPONSE FROM ALL STAKEHOLDERS: GOVERNMENT, REGULATORS, EMPLOYERS, INDUSTRY LEADERS, AND PUBLIC AND PRIVATE INSTITUTIONS.

WHAT TRENDS AND PATTERNS ARE WE SEEING?

Looking at savings behaviours and outcomes, Edmond highlights a few key statistics and insights from Old Mutual Corporate's extensive data investigations in 2025:

Short tenure and leakage: **The majority of members spend fewer than ten years in any employer fund, with more than half consistently changing jobs in three years or less, says Edmond. This short tenure leads to frequent cash withdrawals (leakage), undermining compounding and continuity.**

Under-saving: **Contribution rates remain far too low relative to what is needed to achieve a decent replacement ratio to continue desired standards of living. More than 70% of total contribution rates are below 15%. Even sustained participation doesn't close the gap without higher contributions.**

Ineffective preservation: **Members cash out smaller balances (less than R150 000) almost universally. With less time spent in jobs and funds, the balances available when leaving employers are lower and, therefore, very likely to be withdrawn. This is a behavioural insight observed across income bands, ages, genders, and levels of financial education. The Two-Pot system will improve preservation.**

Fund design and defaults: **Low default contribution categories and lack of supportive employer practices in many sectors further limit adequacy. A statistically significant number of employees remain in defaults, due to fear, apathy, lack of knowledge, or perceived social norms. Where these defaults are inefficiently designed, it is negatively impacting large groups of members in the long run.**

Behavioural and financial literacy gaps: **The quantitative trends reflect that members lack the behaviour, resources, tools and incentives to make better choices about contribution escalation, preservation, and annuitisation. Many members exercising active changes are making poor choices. However, the data does demonstrate that digitisation improves scale and will potentially allow us to increase reach in more underserved communities – engaging, educating and helping significantly more members close these gaps.**

LEVER ONE

TIME IN THE FUND

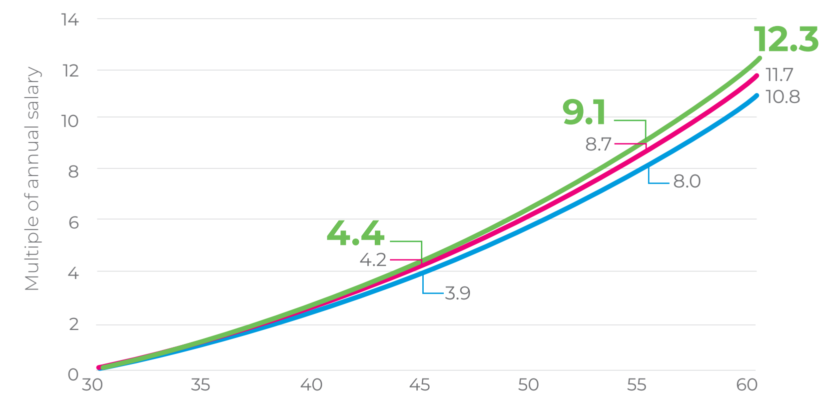
"Increasing the time that money is invested in the fund – by preserving retirement savings when changing jobs and extending working life – meaningfully improves adequacy through three reinforcing effects: continued contributions, longer compounding on larger assets, and a shorter drawdown period," says Edmond. As illustrated in the graphs below, extending retirement age from 60 to 65 reduces the required savings multiple by nearly one times a member's annual salary, which is significant in absolute asset accumulation terms.

Increasing the retirement age is one of the most efficient levers for improving sustainability in systems where increasing contributions may be limited, says Edmond. "The impact of additional working years is disproportionately large compared to other adjustments, making it

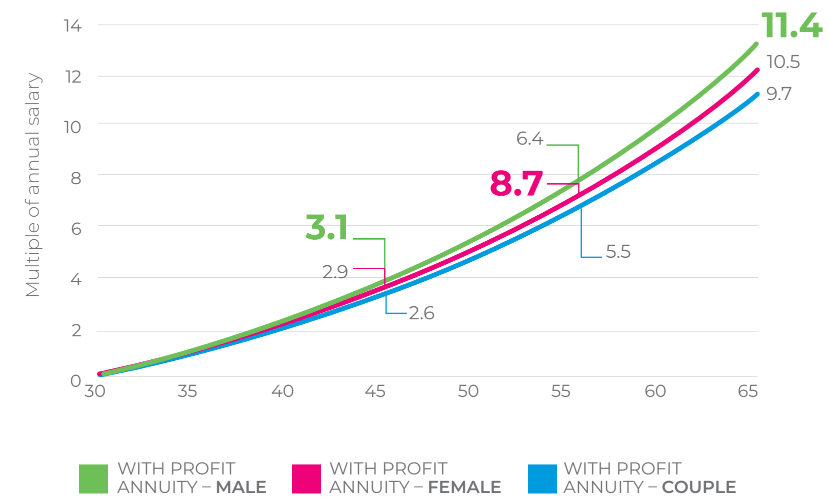
RETIREMENT TARGET COMPARISON: AGE 60 VS AGE 65

Individuals who retire at 65 require fewer multiples of their annual salary compared to those who retire at 60, thanks to continued contributions, longer compounding on larger assets and a shorter drawdown period.

RETIREMENT AT AGE **60**



RETIREMENT AT AGE **65**



BY SETTING HIGHER DEFAULT CONTRIBUTION LEVELS FROM THE START, EMPLOYERS CAN EMPOWER THEIR PEOPLE TO BUILD STRONGER FINANCIAL FUTURES, WITHOUT THE STRESS OF CONSTANT DECISION-MAKING. IT REMOVES THE BURDEN OF TOUGH CHOICES AND REPLACES IT WITH QUIET PROGRESS, HELPING EMPLOYEES SAVE MORE, EFFORTLESSLY, YEAR AFTER YEAR.

an efficient strategy in contexts where increasing contributions may be financially constrained."

Old Mutual Corporate's data reflects a growing trend of more employers steadily shifting towards a retirement age of 65 – a movement shaped by demographic realities, financial pressures, and the pursuit of long-term retirement adequacy. However, some businesses justify, or even encourage, maintaining an earlier retirement age, through the lens of employee transformation and workforce renewal. This is likely as a result of the concern that retaining older workers may limit opportunities for youth employment – a particularly salient issue in South Africa, where youth unemployment remains elevated.

Edmond acknowledges this directly: "With South Africa's high youth unemployment, it is understandable that employers worry about reduced job openings for younger workers". However, a growing body of research – including work by the World Bank and the Organisation for Economic Co-operation and Development (OECD) – shows that increased employment among older adults tends to coincide with stable or even rising youth employment. "Multi-generational participation often accelerates innovation, productivity, and the development of complementary skills," she explains.

"It's also important to understand that our low savings levels and high dependency ratios on limited incomes exist across age groups, genders and incomes. Employment options at all levels and ages are required to improve the economic stability of the country," Edmond adds.

She cautions that sector-specific challenges must be acknowledged. "In physically demanding industries like mining, manufacturing and construction, older employees may face higher health risks and safety concerns. Evidence shows that while functional strength can remain stable, declining stamina or endurance means that some tasks may require adaptation."

The argument that an extended working age increases youth unemployment can therefore be countered by global evidence within a local context, which indicates that a mentor-mentee relationship system enables transfer of knowledge, reduced years of drawdown for older members, increased employment of youth, and a more stable financial economy for all generations.

"Intentional and thoughtful design of employment models can mitigate many of the downsides," says Edmond. "The evidence underscores the importance of flexible work arrangements, gradual transitions to retirement, and redesigned roles that match employees' capacities and aspirations. These approaches allow employers to maintain productivity while assisting employees to transition into the next chapter of their choice with additional financial support."

According to Edmond, we are all a part of this intricate ecosystem. "South African employers have a responsibility to build good infrastructure, not only for the long-term financial security of their employees, but to contribute to the future of our economy," she says.

Ultimately, extending working life for employees should be viewed not only through the lens of cost containment, but as part of a broader responsibility to design strong and reliable national systems. "This is reinforced by why employees belong to funds in the first place: for protection from poverty, to provide income support for life

SUFFICIENT TIME IN THE FUND AND APPROPRIATE CONTRIBUTION LEVELS ARE THE MAGIC NUMBERS FOR RETIREMENT, AND THE EARLIER THEY ALIGN, THE GREATER THE IMPACT.

after traditional employment, and to reduce pressure on our social protection system. Balancing affordability, responsible flexibility, and fairness is the mark of a mature retirement framework that meets the needs of both employers and employees over time," Edmond says.

In addition to increasing the retirement age, preserving retirement savings when changing jobs is an important way to increase time in the fund. According to Edmond, nearly all members with balances below R150 000 withdraw their savings when changing jobs, effectively resetting their progress. While the Two-Pot system will significantly improve preservation over time, it's crucial to recognise that vested monies remain accessible and at risk of withdrawal.

"Preservation isn't just a policy issue; it's a behavioural and practical decision within each member's control," says Edmond. "When people change jobs, they have the power to preserve their savings and transfer benefits to their new employer's fund or a preservation fund. It's critical that this portability is designed by funds and decision makers to be straightforward and beneficial to members, but it will also depend on the active decisions made by those employees at crucial career and life moments."

Employers and trustees can help by making preservation the easiest choice. Systems, communication, and default processes must support members in retaining their savings. In a world where inertia shapes behaviour, making preservation the path of least resistance is one of the most effective interventions available.

LEVER TWO

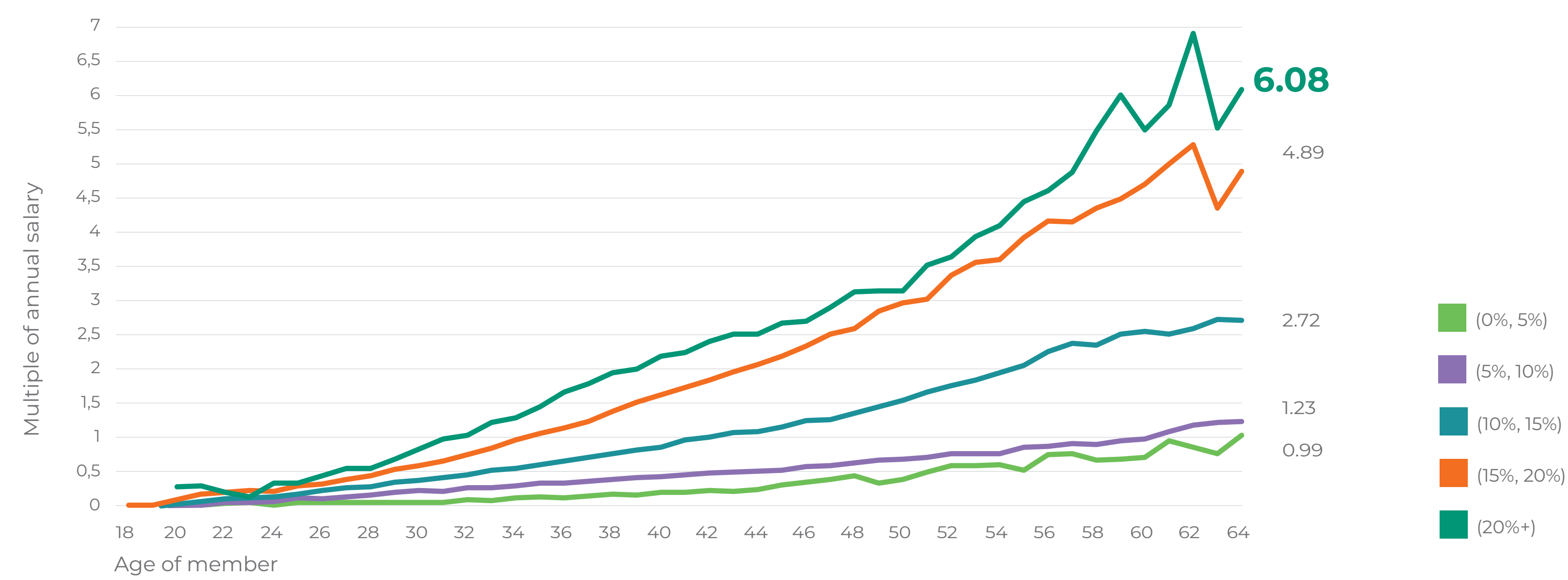
CONTRIBUTION RATES

"The data demonstrates that higher contribution rates are the single most powerful driver of outcome divergence over a working lifetime," says Edmond. She explains that members in the highest contribution categories accumulate more than double the assets of moderate contributors, and several times more than low contributors (see graph below).

"The magnitude of how much you are saving matters," says Edmond. "Many employees remain in the lowest permissible contribution categories – often not by informed choice, but by a lack of engagement with the system. This underscores the critical importance of minimum contributions, defaults, and using automation to assist members with the emotion of increasing their contributions."

The gap in outcomes becomes increasingly pronounced from mid-career onwards, as higher-contributing members begin to benefit from the exponential effects of compound interest, investment returns, and sustained capital accumulation. These patterns point to a structural challenge – and to a powerful opportunity. The evidence strongly supports early intervention through well-calibrated default contribution rates, targeted communication strategies, or even policy frameworks that encourage incremental increases over time. When aligned with long-term fund design, contribution rates become a high-impact lever for improving member outcomes at scale, driving both individual financial security and system-wide sustainability.

MULTIPLE OF ANNUAL SALARY BY AGE & CONTRIBUTION RATE



HOW CAN WE INCREASE CONTRIBUTIONS?

Edmond highlights the following key considerations when it comes to shifting the dial on contribution rates.

1

Gradual escalation is more sustainable than sudden increases: "As shown in our 2025 analysis, contribution rates have the most transformative impact when they are built progressively rather than imposed overnight. Increasing contributions around salary-increase time, in small increments or by automatic escalation (where contributions are automatically increased, also by small increments, each year), helps members adapt without feeling immediate financial strain. Over time, these incremental steps compound into a much stronger retirement outcome."

2

Defaults matter because most people stay where they start: "Our data research highlights that many employees remain in the default contribution category due to fear, inertia, or a lack of clear guidance. By setting higher default contribution levels from the start, employers can empower their people to build stronger financial futures, without the stress of constant decision-making. It removes the burden of tough choices and replaces it with quiet progress, helping employees save more, effortlessly, year after year.

3

Framing contributions as part of total reward could also improve buy-in: "Many employees often begrudgingly view these monthly contributions as reduced take-home pay that could otherwise be used for current consumption. However, pension assets tend to be one of the largest forms of savings for most South African workers. When contributions are positioned as deferred income or long-term security rather than a deduction, members are more likely to view them positively. Clear, empathetic communication can shift perception from sacrifice to investment for personal growth and progress."

4

Employer contributions remain a critical lever: "Our 2025 statistics and insights showed that sectors with higher employer contributions, such as mining and financial services, are demonstrating significantly better outcomes. For many workers under pressure, employer generosity and good fund design are the most practical ways to close the gap. Encouragingly, some employers are demonstrating that it is possible to balance business sustainability with a commitment to employee wellbeing."

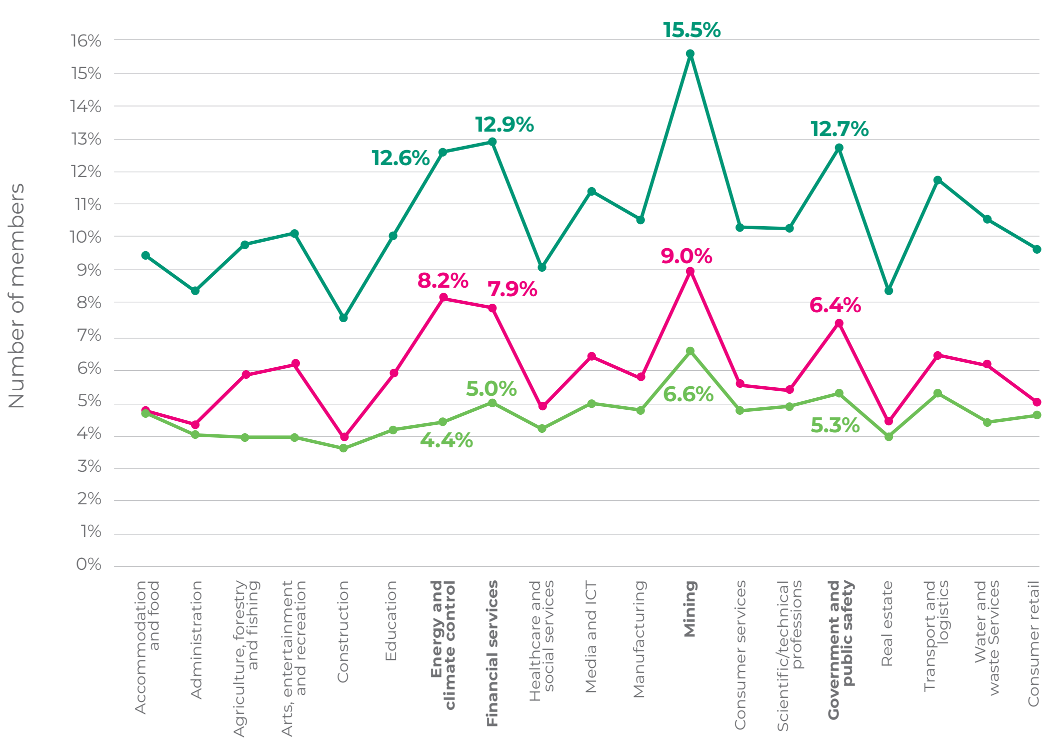
5

Policy can play a role in protecting long-term interests: "The Two-Pot system is an example of reform designed to address immediate liquidity needs while safeguarding a portion of savings for retirement. Over time, this balance can help households manage short-term costs without eroding their future financial security. As private and public sector, we need to put more policies like this in place that serve our members, and South Africa, for the greater good."

6

Behavioural support and education are essential: "Data shows that members often underestimate how much they need to save. Regular, accessible education and transparent tools can empower people to make informed trade-offs. When people understand the consequences of contribution choices, they are more likely to commit to gradual increases, even in a challenging economic environment. Behavioural nudges and journey designs are also critical as they have shown to have effects on member behaviours, i.e. how easy or difficult it is to withdraw or preserve money when leaving employers."

THE REAL DIFFERENTIATOR: EMPLOYER CONTRIBUTIONS



The graph illustrates the average contribution rates of both employers and employees across various industries. As shown in the heatmap on page 22, employees in industries with the highest contribution rates tend to achieve the most favourable retirement outcomes. The relative consistency in employee contributions, shown across industries, highlights that the employer portion. is the real differentiatior.

EMPLOYER

EMPLOYEE

TOTAL

The power of employers

The implications are clear: employers play a pivotal role not only in providing access to retirement funds, but in shaping whether or not those funds will lead to meaningful outcomes. The variation in employer behaviour highlights a pressing need for better standards. Without regulation or industry benchmarks to guide minimum contribution levels or default design, disparities will persist – and so will unequal outcomes.

"Encouragingly, some employers are setting an example, showing that it is possible to balance employment costs with a genuine commitment to long-term employee wellbeing and our country's economic stability," says Edmond. "High employer contributions, paired with well-considered defaults, can dramatically improve the likelihood of positive and valuable member outcomes. These employers deserve recognition, not just for fulfilling a payroll function, but for upholding a social promise."

The heatmap of retirement outcomes on page 22 corroborates this interesting insight with a visible pattern of improving outcomes emerging in the financial services and mining industries. This has largely been due to positive fund design changes from larger employers, improving the outcomes of members across their life journey, and paints a powerful picture for the employer role in securing their employees' financial futures.

INCREASING CONTRIBUTIONS AROUND SALARY-INCREASE TIME, IN SMALL INCREMENTS OR BY AUTOMATIC ESCALATION, HELPS MEMBERS ADAPT WITHOUT FEELING IMMEDIATE FINANCIAL STRAIN.

EMPLOYERS CAN IMPROVE OUTCOMES FOR ALL THROUGH DEFAULT FUND DESIGN

Each block on the heatmap shows the average retirement savings for members in that age group, expressed as a multiple of an individual's salary (total savings/annual salary). Green is good (the average savings of that age group is on track according to target), while red is bad (the average savings of that age group is not on track according to target). The sectors where more age groups are showing movement from red towards green, like mining and financial services, are the real "green shoots of progress". They demonstrate that good employer fund design works for young, mid-career, and older employees alike. These are outcomes in today's value, showing that the decisions and choices we make now build the path to secure positive outcomes for everyone. By setting the right defaults in place, employers have a strong influence on outcomes for members across all ages. Our mission is clear: we're working towards a future where every block on this map turns green – for every employee, at every life stage.

NOT ON TRACK ON TRACK **0.0-5.5** MULTIPLE OF ANNUAL SALARY

Age

Industry	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65
Accommodation and food	-	-	-	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.7	0.7	0.8	0.9	0.8	1.0	0.9	0.9	1.0	1.1	1.3	1.3	1.3	1.5	1.8	1.7	2.3	2.3	2.4	2.6	3.2	2.8	4.1	3.5	3.7	0.7
Administration	-	-	-	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.5	0.5	0.6	0.5	0.5	0.8	0.7	1.0	0.6	0.8	0.8	0.7	1.0	1.0	0.8	1.2	0.9	1.2	0.9	1.0	0.8	1.4	0.4
Agriculture, forestry and fishing	-	-	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.7	0.8	0.9	0.8	0.9	1.0	1.1	1.1	1.2	1.3	1.4	1.4	1.2	1.4	1.5	1.6	1.2	1.7	1.7
Arts, entertainment and recreation	-	-	-	-	-	-	0.0	0.0	-	0.0	0.0	0.2	0.1	0.1	0.1	0.3	0.2	0.3	0.4	0.4	0.5	0.5	0.7	0.9	0.9	1.3	0.8	1.1	1.3	1.4	1.5	1.4	1.3	1.8	1.5	1.9	2.3	2.0	2.9	2.5	2.7	1.9	2.9	2.4	4.8	3.7	2.2	2.1
Construction	-	-	-	-	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.6	0.5	0.6	0.6	0.7	0.7	1.0	1.0	0.8	0.9	1.1	0.9	1.1	1.4	1.3	1.0	1.6	1.3
Education	-	-	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.7	0.6	0.7	0.7	0.6	0.7	0.9	0.8	1.0	0.9	1.0	1.0	1.0	1.2	1.2	1.4	1.3	1.2	1.4	1.6	1.7	1.6	1.9	1.4	1.5
Energy and climate control	-	-	0.0	0.5	-	0.3	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.3	0.4	0.6	0.7	0.7	0.9	0.8	1.3	1.0	1.3	0.9	0.7	1.1	1.1	1.0	1.0	1.1	1.2	1.6	1.3	1.5	1.4	1.7	1.2	2.0	1.5	1.5	2.4	2.3	1.9	2.0	0.8
Financial services	-	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.4	0.5	0.6	0.7	0.7	0.8	0.9	1.0	1.1	1.3	1.4	1.5	1.6	1.8	1.8	2.0	2.0	2.3	2.5	2.7	2.9	3.2	3.6	3.7	4.0	4.3	4.5	4.8	4.9	5.4	5.1	5.3	5.5	3.3	3.3	2.2
Healthcare and social services	-	-	-	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.9	0.9	1.0	1.1	1.1	1.2	1.5	1.6	1.3	1.5	1.4	1.6	1.7	2.0	2.0	2.0
Media and ICT	-	-	0.0	-	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.7	0.7	0.9	1.0	1.1	1.2	1.3	1.5	1.8	1.8	2.1	2.3	2.4	2.6	2.5	2.7	3.0	2.9	3.3	3.3	3.4	3.2	2.9	3.5	3.7	3.2	3.3	3.6	5.1	2.1
Manufacturing	-	-	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.8	0.8	0.8	0.9	0.9	1.0	1.1	1.1	1.2	1.2	1.3	1.4	1.5	1.6	1.7	1.7	1.7	1.9	2.1	2.3	2.3	2.4	2.3	2.9	2.8	2.8	2.8	2.3
Mining	-	-	0.0	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.7	0.8	1.0	1.1	1.3	1.4	1.5	1.6	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.5	2.5	2.5	2.7	2.8	2.7	3.1	3.4	3.0	3.5	3.1	2.1	2.6	2.2	1.8	1.8	1.1
Consumer services	-	-	-	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.8	0.7	0.8	0.9	1.0	1.0	1.3	1.2	1.4	1.2	1.4	1.3	1.5	1.6	1.6	1.7	2.0	2.3	1.8	2.4	2.4	2.2	2.0
Scientific/technical professions	-	-	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.6	0.7	0.8	0.8	0.8	0.8	1.0	1.1	1.0	0.9	1.4	1.2	1.3	1.4	1.3	1.6	1.8	2.1	1.6	1.8	1.7	1.7	2.9	2.9	2.0	1.0
Government and public safety	-	-	-	-	-	0.1	-	-	0.1	0.1	0.1	0.2	0.2	0.5	0.4	0.5	0.5	0.8	0.7	0.8	0.7	0.9	1.3	1.1	1.5	1.0	1.6	1.7	1.4	1.0	1.7	1.4	1.9	2.1	2.3	2.0	2.7	2.2	2.9	3.3	3.0	2.6	2.6	2.9	3.3	3.1	3.6	1.5
Real estate	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.2	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.5	0.4	0.6	0.5	0.6	0.5	0.7	0.6	0.8	0.7	0.8	0.7	0.9	1.0	1.0	0.9	0.9	1.0	1.0	1.0	0.8	1.8	1.3	1.2	1.5
Transport and logistics	-	-	-	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.7	0.8	0.9	0.9	0.8	0.9	0.9	1.0	1.1	1.2	1.3	1.1	1.3	1.5	1.4	1.6	1.5	1.5	1.7	1.5	1.8	1.1
Water and waste services	-	-	-	0.1	0.1	0.0	0.2	0.1	0.2	0.2	0.2	0.3	0.4	0.5	0.3	0.5	0.5	0.7	0.5	0.6	0.8	0.7	0.6	0.9	0.8	0.9	0.7	1.1	1.0	1.0	1.1	1.2	0.9	1.6	1.4	1.8	2.0	1.3	2.1	2.0	1.8	3.3	2.8	3.5	3.2	1.8	2.0	3.2
Consumer retail	-	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.8	0.7	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.2	1.3	1.3	1.4	1.4	1.6	1.7	1.8	1.6	2.3	1.5

The sum of our collective parts

"The story told by our data is actually not one of despair; it's one of possibility, precision, and potential for progress," says Edmond. "Retirement adequacy is built brick by brick, step by step, through consistent contributions and time. It is not patchwork, it is architecture. It is not a sprint, it is a marathon."

While it takes time to demonstrate the full impact of systemic change, the extensive Old Mutual Corporate data research in 2025 reveals promising green shoots. Combinations of small tweaks – whether in contribution defaults or retirement age – can produce outsized impact for members. And the earlier we act, the better the result.

"Our modelling shows that a one-year increase in NRA plus a 1% increase in contribution rate can yield a 10 to 12% improvement in replacement ratio. These levers don't add; they multiply," says Edmond. One lever at a time may shift the dial, but used together, preservation, contribution escalation, extended working years, and appropriate annuitisation become a system of transformation.

Employers hold both the power and a responsibility to shift retirement outcomes for working South Africans. They also hold one of the greatest untapped levers in the retirement system: the ability to design futures, one default at a time. "We cannot build a better future by solving only for today," Edmond says. "Retirement reform is about the courage to design 40 years ahead, for our generation and generations to come."

RETIREMENT ADEQUACY IS BUILT BRICK BY BRICK, STEP BY STEP, THROUGH CONSISTENT CONTRIBUTIONS AND TIME. IT IS NOT PATCHWORK, IT IS ARCHITECTURE. IT IS NOT A SPRINT, IT IS A MARATHON.

A TALE OF TWO-POT:

LESSONS FROM MEMBER BEHAVIOUR

Almost a year into the Two-Pot system, we reflect on emerging member behaviours and what they suggest about the evolving retirement landscape in South Africa.

Blessing Utete, Managing Executive: Old Mutual Corporate Consultants, a division of Fairbairn Consult, FSP9328

Michelle Acton, Chief Customer Officer: Old Mutual Corporate

When South Africa's Two-Pot Retirement System was implemented, the focus was firmly on functionality: rollouts, readiness, communication, education, digital adoption, volumes, and tax processing to cope with the anticipated volumes. But what if the story is about more than just the stats?

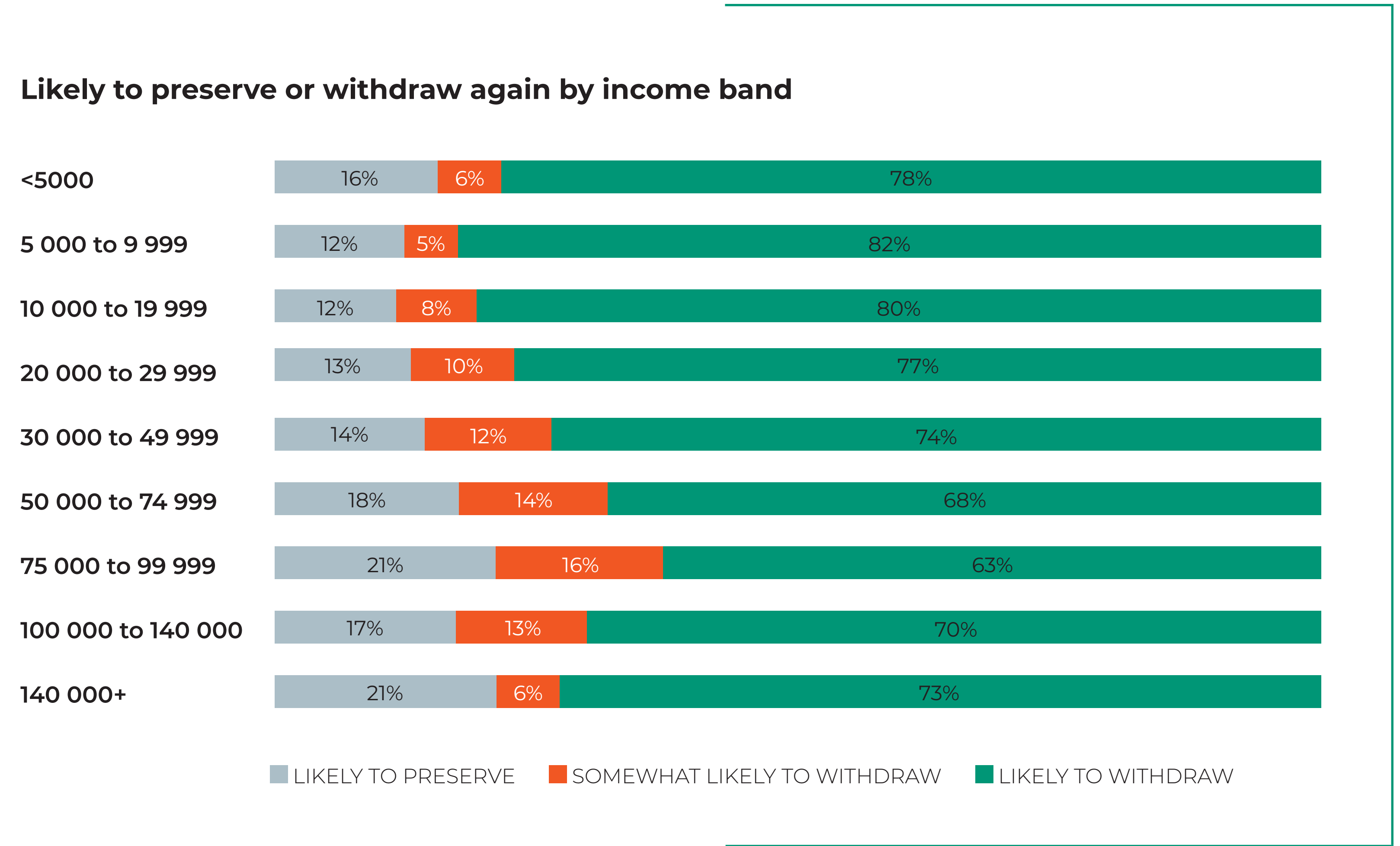
Beneath the numbers lies something more human: a behavioural shift that is rewriting the script on how South Africans engage with their finances, savings, and futures. And while the system is new, the early signals are powerful – revealing deep financial stress and lack of financial literacy. These insights are proving to be a call to employers and a potential leap forward in retirement outcomes.

The data can be distilled into the following six key member-behaviour insights:

1 South Africans are financially stressed (and it's not income-dependent).

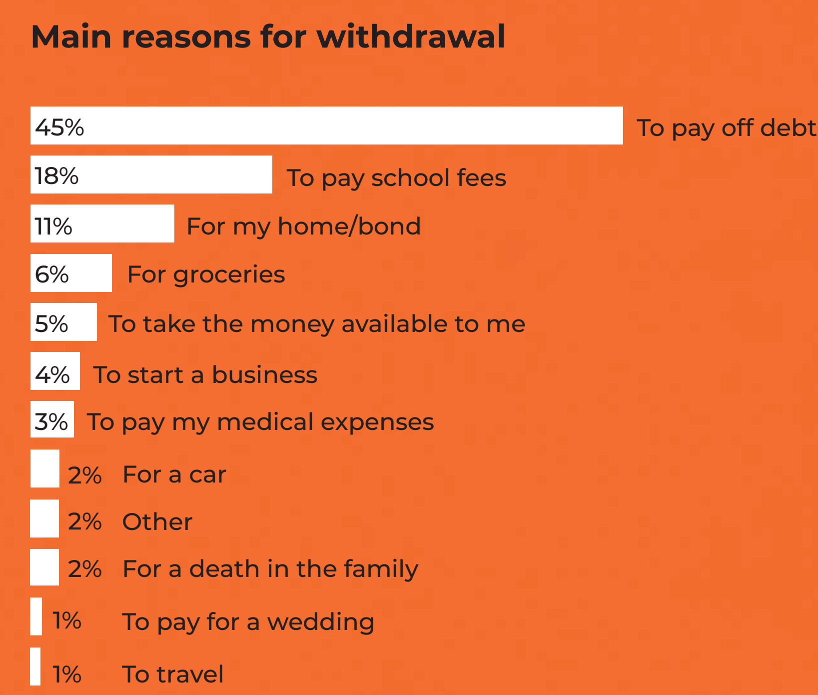
When the system was introduced, industry expectations were for a staggered pattern of withdrawals: some in September, a lull, then a spike around "Janu-worry", followed by another tax-related spike in March. But that's not what happened.

"We didn't see the behaviours we were expecting," says Michelle Acton, Chief Customer Officer at Old Mutual Corporate. "Those who could, dived in right away – and they did so across all income levels, fund values, and ages. We had savings-pot withdrawals from people who earn more than R140 000 a month. This means they were being taxed at 45% on the portion they pulled out, yet they still withdrew it."



DEBT MANAGEMENT IS THE **THIRD BIGGEST PRIORITY** AMONG SOUTH AFRICANS.

OMSIM 2024



Many members didn't hesitate to withdraw, suggesting that South Africans are struggling to make ends meet – and when financial distress is high, urgency trumps strategy. "Financial stress drives behaviour more than long-term planning considerations," says Blessing Utete of Old Mutual Corporate Consultants. "It doesn't matter how much you earn – all that goes out the window if you're taking financial strain."

Would a salary increase solve our problems? Not according to Acton, who places a stronger emphasis on the pressing need for financial education and the importance of putting systems in place to make it easier for South Africans to save. "If you give someone a salary increase this week, there's a strong possibility that they will have spent it in two weeks' time and will then be back in the same financial position," she explains. "In general, policy and legislation need to put the right guardrails in place so that people can't make fundamental decisions that may lead to financial ruin. The fact that the Two-Pot system has introduced some restrictions – including the two-thirds being preserved – is actually much better for people in the long run."

2 Some people will always find reasons to claim.

Over the past year, three distinct member personas have emerged, based on their claiming behaviour:

The preservers: people who view retirement funds as untouchable and have opted out of withdrawals entirely.

The serial claimers: a group for whom access equals action. If there is something to take, they will take it, every time.

> MANY MEMBERS DIDN'T HESITATE TO WITHDRAW, SUGGESTING THAT SOUTH AFRICANS ARE STRUGGLING TO MAKE ENDS MEET – AND WHEN FINANCIAL DISTRESS IS HIGH, URGENCY TRUMPS STRATEGY.

The contingency withdrawers: members who use Two-Pot withdrawals only in genuine emergencies, treating the fund like a personal safety net.

These personas offer critical insights for designing policy, tools, and communication going forward. "The serial claimers are not using their savings pot as an emergency vehicle and will always find reasons to claim when they can," says Acton. "Forty-eight percent of those who could claim, did. But, by contrast, those who didn't access their savings have a shock absorber to help them with the possible financial trauma of one or two months of rent, a new fridge, or a medical emergency – and that's something they didn't have before."

3 People want to pay off debt, but it's more complex than it seems.

As shown in the graph above, 45% of members cited "to pay off debt" as their main reason for withdrawal, but bank data has not recorded a significant reduction in debt since the Two-Pot system was implemented. This suggests an ecosystem of informal debt: loan sharks, family loans, unpaid bills, and laybys. For many members, debt is not a credit card or vehicle finance; it is utility bills, clothing on account, or the R1 000 borrowed from a relative or friend last month.

"When respondents refer to debt, they don't seem to be referring to vehicle or bond repayments," says Utete. "Many South Africans probably don't have access to formal avenues to access credit – which would be better-priced credit – so they are forced to access high-interest, punitive debt facilities. Again, this underscores the financial stress that people are under."

Another interesting – and surprising – finding was this: October 2024 recorded the highest level of secondhand car sales since 2012. "The only thing that the statisticians can attribute it to is the Two-Pot system," says Acton. "We think Two-Pot withdrawals have actually enabled people to put down deposits on secondhand vehicles that they would otherwise have been unable to afford, which is actually a good thing for a lot of people."

Both Acton and Utete can't help wondering whether or not South Africans are, in fact, paying off as much debt as they claim to be. "People may be saying they will pay off debt because they think it is the responsible thing to say, or they might have the intention to settle debts, but end up using the money for something else. We'll need to do further digging to get a better understanding of what's going on," says Acton.

4 We're less likely to withdraw money we choose to save.

According to Acton, members with retail retirement annuities (RAs) were significantly less likely to withdraw than those in occupational funds. Why? Because retail fund members actively opted into their savings – often via a financial adviser – which adds a level of intention, guidance, and understanding.

"We know, and studies have shown, that if you don't make saving for retirement compulsory, very few people do it voluntarily. It's just a mindset thing," says Acton. "Around the world, the countries with the highest levels of coverage are not the countries with the sexiest, most attractive retirement funds; they are the countries where guardrails are in place to ensure that people join a fund and put something into it."

In contrast, occupational funds are compulsory, and when savings are not viewed as a personal choice, the emotional and psychological connection weakens. Acton explains: "If I voluntarily sign up for a retirement annuity and put money into it every month, I'm less likely to access that money. Why would I set up a debit order into an RA and withdraw it again at the end of the month?"

This highlights the power of advice and behavioural framing: people who feel in control of their money are more likely to preserve it.

5 **Financial literacy is foundational.**

One of the starkest insights highlighted by Acton and Utete is that many members had no idea how much money they had – or how tax would affect their withdrawal.

"Two-Pot flooded the market with retirement fund education, but there's such a shortfall of it," says Acton. "We assume people understand retirement funds because they are in them, but that is not the case. Many people do not understand their pay, how much is in their fund, or even their marginal tax rate – and many were not able to access their Two-Pot money because they had too little and were not aware."

The lesson? Financial literacy is not a luxury; it is a necessity – one without which members are navigating complex financial systems blindfolded. "Two-Pot turned the industry on its head in terms of engagement," says Utete. "The ability to engage with people from a digital perspective really changed the game, and now it is a question of how we leverage that in the future. How do we use the kind of engagement that people have now – because they will be looking at it every year. This presents us with a massive opportunity to educate and talk to people about financial wellbeing and what they need to do."

According to Utete, financially savvy members are less likely to withdraw from their savings than those with lower financial literacy – even when the latter earn higher incomes. "Whether you look at it from the retail and occupational funds or from an adviser-based pool of members, it is still clear that the people who are getting quality advice and direction are generally the ones making the right decisions."

6 **South Africans need support, and employers play a key role.**

"It is absolutely critical for employers to be part of the solution when it comes to education and financial literacy," says Acton. "It is not something an administrator or retirement fund can do on their own – and that is the benefit of an employer getting involved, because they know their employees and their nature."

Simply raising salaries is not the answer, says Acton, as the underlying mindset will remain the same – as will employees' financial struggles. Business leaders need to support their employees by providing financial education, access to advice, emergency savings tools, debt counselling, and clear, targeted communication. Increasing financial literacy is key to fostering a savings mindset and, ultimately, improving retirement outcomes.

"As an employer, you need to be thinking about the holistic wellness of your employees, and about how you can structure your employer value proposition (EVP) to allow for some interventions around managing debt and financial wellness," Acton says. "The fact that we have incredibly high dependency ratios exacerbates the situation, as does the country's high unemployment rate. On average, every working person is supporting 10 people, so we have only six-million tax-paying people in this country supporting a population of 65 million. The numbers don't gel, and that also adds pressure."

Compounding the problem is a growing culture of flash materialism, paired with a widespread habit of spending beyond our means. "We don't have a savings culture as a country," says Utete. "That's why even people who should not be financially stressed are under pressure."

Utete explains that it doesn't take much to tip someone into financial distress: "A R10 000 shock – something like needing a new fridge – can push someone over the edge. That's not the kind of money most people have saved."

Of those who are "very unlikely" to withdraw,

43%

cited high taxes as the primary reason for this decision.

BANK DATA HASN'T RECORDED A SIGNIFICANT REDUCTION IN FORMAL DEBT LEVELS SINCE THE TWO-POT SYSTEM WAS IMPLEMENTED. THIS SUGGESTS AN ECOSYSTEM OF INFORMAL DEBT: LOAN SHARKS, FAMILY LOANS, UNPAID BILLS, AND LAYBYS.

ACCORDING TO UTETE, FINANCIALLY SAVVY MEMBERS ARE LESS LIKELY TO WITHDRAW FROM THEIR SAVINGS THAN THOSE WITH LOWER FINANCIAL LITERACY – EVEN WHEN THE LATTER EARN HIGHER INCOMES.

NOTEWORTHY NUMBERS

Since the introduction of the Two-Pot system, we have received more than

450 000 claims.

Average claim amounts

Occupational:

R12 000

Retail:

R5 500

>75%
of members selected "withdraw all" when given the option.

>99%
of claims were submitted digitally.

54 905
claims were received in the first four weeks of March (new tax year).

79%
of the members who withdrew to pay off debt said they are likely to draw again in the next financial year.

THE ROAD AHEAD: how Two-Pot will reshape South Africa's retirement landscape

Two-Pot may have launched with a bang, but its deeper impact is only beginning to emerge. What was once a simple "cash or preserve" decision has become a set of three choices – one for the vested pot, one for the savings pot, and one for the retirement pot. "We've gone from a world where you ticked one box and cashed out to a world where exiting employees suddenly have three separate decisions to make," explains Acton. "This shift has exposed a critical support gap, as members struggle to understand their options and navigate the system."

Even amidst this confusion, something remarkable is happening: preservation rates are rising. "Historically, people didn't even know they had the option to preserve," says Acton. "Now that they're being asked and it is becoming easier, more are saying, 'Oh, can I preserve it all? Great, then I will'."

That said, many members don't qualify to withdraw due to low balances, revealing how little some contribute – especially those earning lower incomes.

With members moving jobs more frequently, fragmentation is also a growing concern. "We've kicked off this compulsory preservation, which means that members are now going to have pockets of money in different funds as they work and change jobs. There's an element of individual consolidation we need to drive as an industry. If we, as administrators, want to put the member forward – and the saver forward – we have to do whatever it takes to ensure that members can go onto the system and get a full picture of their retirement savings across the space."

Another positive outcome is the increased engagement by clients, as they check the value of their savings more often. "This allows us to provide them with relevant information at the right time to help them make better financial decisions," says Acton.

Looking ahead, both Acton and Utete are optimistic. The successful implementation shows what can be done when policy-makers, regulators and industry stakeholders collaborate. The advent of a retirement pot means members no longer have full access to their savings – and this form of compulsory preservation is sure to stand them in good stead, says Utete. Old Mutual's initial projections suggest that member retirement outcomes could improve two- to three-fold over the next 30 to 40 years. But with preservation rates already outpacing expectations, and growing opportunities to educate and engage members, that improvement could come sooner – and be even more significant. If the momentum holds, the Two-Pot system won't just change how South Africans save; it could fundamentally reshape the country's future.

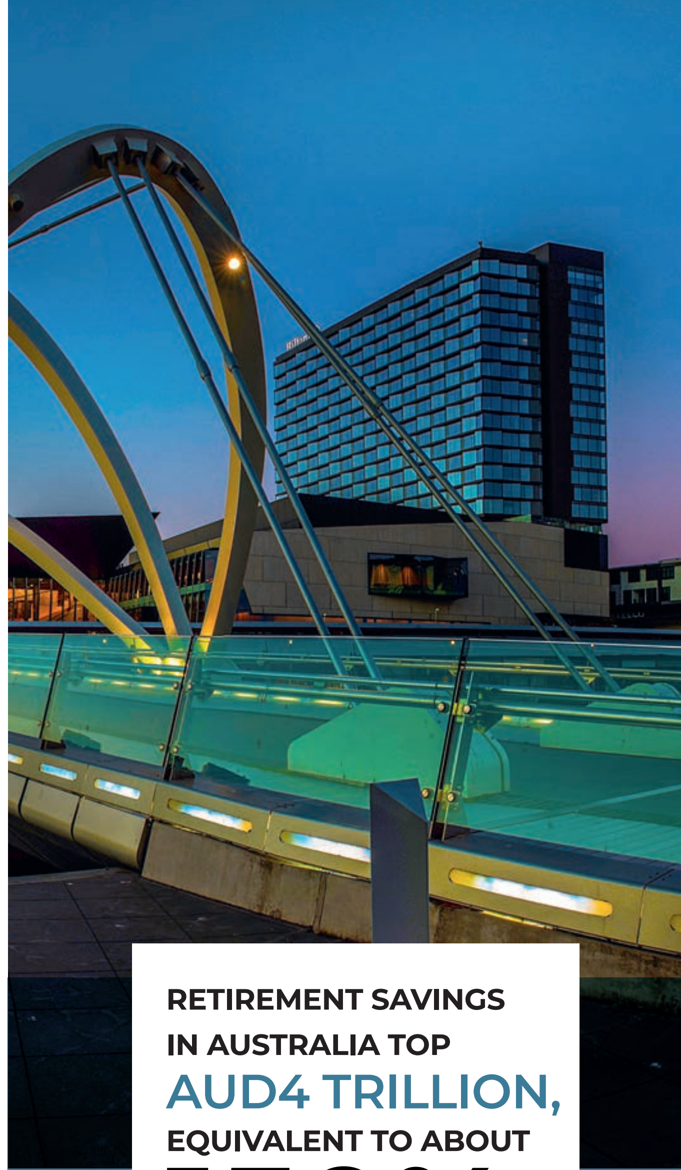
RETIREMENT REFORM

“IF POLICYMAKERS, EMPLOYERS, AND PROVIDERS CAN ALIGN AROUND A VISION, SOUTH AFRICA’S RETIREMENT LANDSCAPE MAY FINALLY COMPLETE ITS JOURNEY FROM MANY TO MEANINGFUL, DELIVERING NOT JUST FUNDS, BUT FUTURES.”

AUSTRALIA’S 35 YEAR JOURNEY TO SUCCESS

A look at the lessons learnt by Australia on its path to raising retirement coverage for almost its entire workforce.

Paul Watson, Principal: PDW Advisory and Advisory Board Member, Allianz Retire+ (Australia)



South Africa is at an inflection point: it has the pivotal opportunity to turn retirement savings into a national asset. Key to unlocking this opportunity is to view the adoption of the Two-Pot reform as the beginning of a long-term economic strategy, not the end of one.

Australia set out on this path more than three decades ago, and its success shows what is possible when retirement savings are transformed from a wage substitution tool into a multi-trillion dollar pool that finances roads, ports, energy grids, and public infrastructure. Today, Australian workers receive benefits that are the envy of the world, while at the same time helping to build the country around them.

This outcome wasn't accidental. It took political consensus, policy discipline, and sustained implementation over more than three decades. The lesson isn't that Australia had better conditions. It's that they made a plan, and stuck to it.

South Africa now has the opportunity to do the same. If the country builds broad-based participation in the retirement system and scales up contributions over time, it could become more than a safety net; it could become a funding engine for national development.

RETIREMENT SAVINGS IN AUSTRALIA TOP AUD4 TRILLION, EQUIVALENT TO ABOUT 150% OF THE COUNTRY'S GDP

First came coverage

Australia's broad-based universal superannuation system, known as the Superannuation Guarantee (SG), was launched in 1992, starting with a modest 3% employer contribution. This largely mandatory contribution wasn't introduced as a perfect solution, but as a starting point. As a result of having set down a roadmap, which has seen the SG contribution grow in small increments over the intervening years, as of July 2025 that minimum default contribution level has risen to 12%.

Prior to the introduction of the SG, Australia's superannuation coverage was significantly lower than it is today. In 1987, superannuation was largely voluntary and primarily available to public servants and employees of large corporations. Superannuation assets were estimated at AUD41.1 billion (R493 billion), covering 32% of private sector employees.

Although for many years after its inception Australian employees earning at least AUD450 per month (approximately R5 233) were provided SG coverage, that minimum income stipulation was recently removed. Today, with little exception, Australian employees are automatically enrolled in a fund when they commence work, and receive SG from their first salary.

A consequence of mandatory enrolment is that the Australian retirement contributions mechanism is markedly different from the South African experience. While in South Africa, retirement fund contributions are often structured as a benefit, particularly in large firms, Australian employers are legally required to contribute 12% of each employee's pre-tax salary into a superannuation fund.

That 12% contribution is less of a perk than a right, with new positions often advertised with the annual salary plus the super fund contribution rate. Employers might, in fact, offer a higher level of contribution as a way to offer a more competitive package to attract and retain talent.

One element of the Australian system worth mentioning is that funds that receive SG contributions must include, as part of their proposition, a level of default life (death and disability) insurance.

When superannuation was introduced, however, the goal was coverage, not adequacy. Today, more than 90% of the country's workforce participate in the system, leading to retirement savings in Australia topping AUD4.2 trillion (approximately R46 trillion), equivalent to about 150% of the country's GDP.

Then came consolidation

Another major industry transformation since the 1990s – when it was predominantly characterised by hundreds of small, often employer-specific funds – was consolidation. Approximately 25 large funds now dominate the pool of retirement assets, with eight mega-funds each managing more than AUD100 billion (approximately R1 162 billion) on behalf of 14.5 million members. It is estimated that several of these mega-funds will each manage over AUD1 trillion by 2040.

A notable outcome of mandatory participation is that even though these funds are defined-contribution schemes, the majority of Australians are expected to retire comfortably. Retired Australians use their super savings in combination with a partial pension provided by the government. By removing individual discretion when it comes to the base contribution, the sytem ensures disciplined, consistent savings over one's career.

So, how did it come about?

"The biggest step changes didn't come from legislation," says Paul Watson, an experienced Australian superannuation fund executive, now a consultant and non-executive director who also serves as an advisory board member of Allianz Retire+, an Australian provider of retirement products. "They were often led by the industry, with the regulator stepping in only when necessary." Watson's former executive career, including two leading Australian institutions, Hostplus and MilitarySuper, has seen him closely involved with the evolution of Australia's retirement landscape.

Watson says alignment between employers, unions, regulators, and fund managers allowed the system to evolve without constant

IN AUSTRALIA, PEOPLE DIDN'T HAVE TO OPT IN. THEY WERE JUST IN. THAT'S WHAT MAKES THE SYSTEM WORK.

resets. In fact, the superannuation framework was preceded by an accord signed in the mid-1980s between employers, unions and the federal government, which introduced a minimum contribution of 3% of payroll; a so-called productivity benefit.

The intention was that rather than receive direct pay rises, workers would have a productivity benefit paid into a relevant super fund – as a form of deferred income for when they retire. These funds were initially aligned to industry-specific sectors and, in the face of high inflation, this agreement – championed by the unions – was seen as a win-win, offering workers long-term financial security without adding immediate pressure to wages.

However, compliance was patchy, so the government stepped in, in the 1990s, to reform the system, improve employers' contribution compliance, and set a course for improved adequacy over time. That intervention led to the mandatory superannuation contributions system that is in place today.

With the basis of the SG system being mandatory contributions made for workers, defaults underpinned participation while fee transparency and benchmarking improved performance over time. Concurrently, funds shifted from being passive custodians to long-term investors in the real economy.

Watson says Australia's success was not built on any single policy win, but on a well-sequenced series of reforms. First came mandatory contributions. Then came default fund design. These were followed by fee reform and consolidation. This sequencing was critical to the achievement of today's outcomes, he suggests.

Rather than trying to solve adequacy, governance, and long-term, infrastructure-led patient capital investment all at once, Australia focused on achieving each milestone to support the next, letting the system mature along the way.

Inertia beats intent

A key to success in Australia was that most workers didn't have to make active decisions. They were automatically enrolled into a superannuation fund through their employer's payroll system, with the vast majority being placed in a fund's default investment option.

"In Australia, people didn't have to opt in. They were just in," Watson says. "That's principally what makes the system work as well as it does."

But auto-enrolment, with little ability to opt out, wasn't enough. As the system matured, duplication became a major challenge, because fund members ended up with multiple accounts if they changed jobs a few times.

"The Australian Taxation Office took on the role of the central administrator of the superannuation system's data," Watson explains. While the industry, regulators and the government came together to address the multiple accounts issue, the tax office began consolidating data and records, matching accounts using tax file numbers – unique to each Australian – as a way of identifying inactive funds. "They started using tax data to match people and pull everything together, leading to the creation of a single, sovereign overseen dashboard for each Australian."

In 2022, this administrative backbone enabled the introduction of super "stapling", a system whereby a person's first super-fund account follows them from job to job. "The move to stapling was a big step," Watson says, because it reduced unnecessary fees and confusion. It also improved people's engagement with their super.

These changes helped build public confidence and gave members more visibility and control. People began to see their contribution not just as a mandatory deduction, but as a meaningful asset they could track and grow throughout their careers.

8

MEGA-FUNDS MANAGE MORE THAN

AUD100 BILLION

The bigger prize

What South Africa stands to gain by adopting similar reforms isn't just improved retirement adequacy. It's a long-term domestic pool of capital to fund critical national projects and infrastructure, such as roads, airports and ports, renewable energy, affordable housing, logistics infrastructure, and more.

In Australia, superannuation funds have become major and influential institutional investors. For instance, they own stakes in Transurban toll roads, Sydney Airport, the Port of Melbourne, and energy transition assets across the country and internationally. These investments not only contribute to the growth and development of essential infrastructure, but also play a crucial role in the long-term financial returns for superannuation fund members.

Watson points to this shift as one of the most important: "The average Australian now sees significant infrastructure in their day-to-day lives that's funded by their own and other Australians' pension funds, whether it's an airport, a toll road, or a renewable energy asset".

This kind of investment matters. It provides pension funds with inflation-linked, long-dated assets. It also lowers the cost of infrastructure for the state, attracts private capital, and ensures that workers see a direct connection between the contributions going into their retirement savings and national progress.

THE AVERAGE AUSTRALIAN NOW SEES SIGNIFICANT INFRASTRUCTURE IN THEIR DAY-TO-DAY LIVES THAT'S FUNDED BY THEIR OWN AND OTHER AUSTRALIANS' PENSION FUNDS, WHETHER IT'S AN AIRPORT, A TOLL ROAD, OR A RENEWABLE ENERGY ASSET.

IT'S NOT ABOUT COPYING. IT'S ABOUT LEARNING

South Africa doesn't need to copy-paste Australia's model. The economic, demographic and labour market contexts are different. But the principles – sequencing, alignment, simplicity, and scale – are applicable.

The Two-Pot system was a vital first step. But it must be followed by policies that:

- **expand participation across the formal workforce**
- **introduce phased contribution increases over time**
- **establish reliable default options for passive savers**
- **reduce fragmentation in the fund landscape**
- **create regulatory space for retirement funds to participate in infrastructure investment**

None of this will be achieved in one policy cycle, but it can be done over a generation – just as it was in Australia.

A national opportunity, not just a financial one

Retirement reform is often framed as a household issue: how much people save, when they can access it, and what their income will be in retirement. That matters. But it's only part of the picture.

The bigger opportunity is national. With the right policy and industry choices, South Africa could build one of the continent's largest sources of long-term domestic capital. Like Australians, South Africans, too, could one day – maybe 35 years from now – look across South Africa's built environment and see office buildings, schools, hospitals, housing, wind and solar farms, clean water, and other nation-building, productivity and quality of life enhancing outcomes funded by and supporting the growth of money from citizens' retirement contributions.

Australia is proving what's possible when savings are scaled, preserved, and invested with purpose. The question now is which models South Africa can adopt to achieve similar success, despite what could appear to be a mightily high hill to climb.

SOUTH AFRICA'S NEXT STEP IN RETIREMENT REFORM

Why mandatory retirement coverage is a national imperative.

SOUTH AFRICA is on the cusp of completing a decades-long arc of retirement reform. With the Two-Pot system in full swing and compulsory preservation rules now in place, the next phase is perhaps the most palpably needed: compulsory coverage with minimum contribution rates. Mandatory retirement coverage for all formal-sector employees is the bold next act to achieve this aim.

South Africans working in the formal sector have long been branded as "bad savers", leaving millions dependent on government support through old-age grants. An oft-repeated statistic is that only 6% of working South Africans will have the means to retire comfortably. One source for this failure lies in the findings from research in 2020, which show that only around 58% of people employed in the formal sector contribute to retirement funds or pension products. With informal-sector coverage being far lower, the overall average number of South Africans saving formally for retirement drops to only 43%. In addition, Statistics South Africa data from 2023 shows that roughly 73% of South Africans over the age of 60 receive the state's old-age grant.

These figures certainly support the claim of "bad savers", but what if it's not only about individuals saving badly, but also about a retirement system that falls short of its own aspirations? What if, as a society, we are prone to instincts that prioritise today's needs above those of tomorrow? And what if we could learn to plan for tomorrow because the retirement system equips participants across the board with the tools and incentives to do so? This is what dominates debate around the next step in our retirement reform journey. The key to that debate is the question of voluntary vs compulsory savings in achieving universal coverage.

Where we are, and why it's not enough

Sudhir Ramdass, a Consulting Actuary at Old Mutual Corporate Consultants, sees the progress made in recent years as essential groundwork needed to shape the course of how we save for our future. "We've made great progress over the past decades, culminating in the introduction of the Two-Pot Retirement System," he says. "Now, we tick the box on maximising preservation *and* we tick the box on what you can do with your money at retirement."

WITH THE AVERAGE SOUTH AFRICAN RETIREE HAVING RETIREMENT SAVINGS OF ROUGHLY ONLY TWO TIMES THEIR ANNUAL SALARY, THIS IS A CRISIS OF EPIC PROPORTIONS.

Stephen Walker, Principal Consultant: Old Mutual Corporate Consultants, a division of Fairbairn Consult, FSP9328

Sudhir Ramdass, Consulting Actuary: Old Mutual Corporate Consultants, a division of Fairbairn Consult, FSP9328

> WHAT IF WE COULD LEARN TO PLAN FOR TOMORROW BECAUSE THE RETIREMENT SYSTEM EQUIPS PARTICIPANTS WITH THE TOOLS AND INCENTIVES TO DO SO?

But a few remaining design creases still need to be ironed out, as some employees find themselves underprepared for retirement, despite saving throughout their working lives. That shortfall is a result of a lack of guardrails that ensure individuals are saving enough to fund their retirement. In the absence of a more structured and pervasive retirement savings ecosystem, employees can hardly be blamed for not contributing enough, for long enough, or at all. "With the average South African retiree having retirement savings of roughly only two times their annual salary, this is a crisis of epic proportions," Ramdass says. "Studies show that most people are not saving, especially when their employers do not provide benefits. So it's hardly surprising that many people suddenly realise, at the age of 45, that they don't have enough saved for retirement. But by then, it is often too late."

What default systems around the world have proven

Stephen Walker, Principal Consultant at Old Mutual Corporate Consultants, points to international evidence that the "default approach" – through either auto-enrolment or mandatory contributions, or both, rather than relying on employees to actively choose to save – is the most reliable way to achieve wide coverage and adequate saving.

Walker cites Australia's wildly successful retirement system, commonly known as the superannuation system, which now provides cover for more than 90% of the country's workforce through a mandatory contribution system. We also have a local example of the success of default contributions: the Unemployment Insurance Fund (UIF) is compulsory and, as a result, covers some 90% of private sector workers.

In the UK, employees earning £10 000 (R239 000) per year are automatically enrolled in a workplace pension scheme. "The approach is to email new members, giving them one month to opt out," he explains. "What happens in most cases is that employees don't opt out. They just go into the pension scheme because they think, okay, I need to be on the pension scheme."

"Human apathy is the default," Walker says. "So putting someone onto a pension scheme by default is a good thing, because the vast majority of people will just go along with the default."

Walker is clear: "Whether we go the auto-enrolment route or the superannuation compulsory contribution route, we need to bring in some guidance. Without that, the system leaves too much to chance. And too many workers, especially those without financial knowledge or bargaining power, will miss out.

WHAT "MANDATORY COVER" MEANS IN PRACTICE

A phased system could look like this:

Applies to:
all formal-sector workers earning above R10 000/month

Starts at:
2% of salary

Phased to:
10% over 10 years

Split between:
employer and employee (flexible)

Minimum age:
25+

Rollout:
by employer size
(e.g. 250+ employees first)

Potential impact:
2 to 4 million additional workers in pension schemes.

> THE WINDOW FOR ACTION IS OPEN, AS SOCIETY IS CURRENTLY STILL BROADLY OPEN TO CHANGE, AND NOT ACTING BEFORE IT CLOSES WOULD BE A MISTAKE.

A WIN FOR SOCIETY, NOT JUST INDIVIDUALS

Mandatory savings reform is not simply a personal finance issue; it's a national development strategy. Both Ramdass and Walker stress the broader fiscal and social benefits of raising the national savings rate and expanding the savings footprint to be fully inclusive. "If you don't save for retirement, the only support system on offer is the old age state pension," Ramdass says. According to StatisticsSA, 50% of households are dependent on some sort of grant and have no access to viable formal savings.

This creates a self-perpetuating burden on the fiscus. "We have a country where only six million people are taxpayers. It's unsustainable to fund a social system based on funding from six million people when we have 60 million living here," he adds. Not only does the lower savings rate hurt individuals, but the country's overall wellbeing is at risk if pension funds aren't investing in the local economy.

"Increasing mandatory contributions isn't just about helping people retire better; it's about lifting a long-term tax burden off the state while also generating local capital to invest in the real economy."

Improving savings and investments is a crucial lever to improve the country's economy.

FISCAL BENEFITS OF A MANDATORY SYSTEM

Reduced future grant burden:
Fewer retirees fully dependent on the state

Increased tax base:
More workers with documented earnings and savings

Local investment:
Pension savings can be channelled into infrastructure and growth

Lower admin fees:
Default schemes reduce marketing/distribution costs

We have already tested the model – just not everywhere

"In some areas of our retirement system, we already have compulsion," Walker says, referring to sectoral determinations. "If you work in the security industry, you must belong to the Private Security Sector Provident Fund (PSSPF). It's compulsory." But compliance with such sectoral determinations can be inconsistent, and in some areas, practices that stretch the rules are a concern. This was rife, he says, in the private-security sector, where fly-by-night companies would do all they could to avoid their obligations under such sectoral deals. Even in better-governed environments, the urge to undercut remains. He recounts how some employers in industry funds are trying to argue that the minimum contribution rate hurts their ability to attract talent because higher rates mean lower take-home pay. "What's the point of putting employees into a pension fund when they aren't committing enough to their retirement savings?" he asks. His frustration points to a bigger issue: employers might be able to tick the box by providing for their staff's pension, but at rates that meet the letter of the law, not the spirit. That's why Walker proposes a national framework: "What I'm describing is a sectoral determination across the whole of the formal sector."

But what about the informal sector?

Ramdass notes that workers in the informal sector remain marginalised from the traditional retirement savings system. While statistics show that nearly one in five of all workers is employed in the informal sector, informal worker membership of retirement schemes is fractional. OECD research indicates that only 2% to 5% of informal workers across Africa participate in retirement schemes.

Roughly two-thirds of these, nearly two million South Africans, run informal businesses. This means they are not registered for income tax or VAT, operate without formal contracts, and often work in

WE DON'T NEED PERFECTION. LET'S MAINTAIN THE MOMENTUM GAINED FROM THE RECENT RETIREMENT REFORMS, GET SOMETHING WORKABLE IN PLACE, AND REFINE IT OVER TIME.

unlicensed entities. Their income tends to be low and irregular, they lack job security, don't have access to insurance and credit, and there is no formal retirement age.

"These features form structural and regulatory barriers to voluntary participation in the retirement system," Ramdass says. We need solutions that take on contributions that vary in both amount and frequency, accommodating periods of furloughs or financial hardship for our members. This would also require the development of new fee models.

The state of affairs is not entirely bleak. There is evidence that approximately 800 000 stokvels handle annual transfers of R49 billion for over 11 million people, pointing to community-driven solutions filling the void. Recent surveys and studies also suggest the informal MSME economy is larger than commonly believed, with an estimated 13 million people employed in these businesses. "The informal economy may be more robust and less monolithic or bleak than generally assumed," says Ramdass. More data and insights into this sector should be extracted as a first step towards developing appropriate financial solutions drawing from the community practices and innovation.

Making it politically and practically viable

Ramdass is pragmatic about making this reform land: "You don't immediately make the minimum default contribution 10%. We need to recognise that it could take 10 years to get to 10%. So, for now, let's say it is 2%, then 4%, 6% and 8%, and then 10%."

Another way to introduce mandatory cover could be a dual threshold based on income and age. "Everybody who earns R10 000 or more and/or is over the age of 25 should be contributing to a retirement fund," he says.

Below that salary, where employment is most likely to be informal, and below that age, where employment is likely to be entry level or intermittent, savings can be voluntary or directed into alternate pathways, such as micro-pension schemes. There are several examples of well-established programmes in many regions in the sub-Saharan continent, such as the Kenyan Mbao and KNEST schemes, Mazima in Uganda, or the EjoHeza Long Term Savings Scheme introduced in Rwanda.

Phasing by employer size is another lever. Ramdass points to examples where default contributions were introduced by staff count, starting with large enterprises and gradually lowering the threshold to include smaller businesses. This multi-dimensional phasing strategy ensures the reform is scalable, non-disruptive, and politically feasible while still delivering national coverage over time. "Again, the nature of informal-sector employers can be accommodated in this approach, allowing for the unique features and behaviours of these groups," says Ramdass.

Micro-pension schemes across Africa and other developing regions offer a roadmap. Building viable options will require an appropriate licensing and legal framework, bundling micro-pensions with financial products that support financial inclusion, establishing alternative administration and management platforms at the right price points, leveraging technology, and introducing tax and fiscal incentives to boost participation.

THE INFORMAL ECONOMY CONUNDRUM

One of the most frequent objections to formal-sector reform is that it leaves out millions of informal workers. But Ramdass argues that trying to do both at once is a recipe for failure.

"Combining our formal and informal sectors under this new framework sounds beautiful, but we're not going to solve that," he says, adding that South Africa has two distinct economic systems. "We might try to solve all the economies at the same time, but there is no one-size-fits-all solution. So let's solve for our formal economy and then look at solving for our informal economy."

One of the major obstacles with the informal sector is simply defining income levels. Work and pay are often sporadic, with periods of no disposable income beyond basic necessities. Walker agrees, warning against solutions that are administratively complex or unenforceable. He references the Nigerian experience, where compliance was undermined by employer workaround strategies to avoid needing to comply with the requirement for compulsory minimum contributions. "There's no way to solve that right now, but if we could just get this one bit right – the formal sector, earning above a basic threshold – that's already half the battle," he says.

THE MOMENT IS NOW

Both Ramdass and Walker agree that the window for action is open, as society is currently still broadly open to change, and not acting before it closes would be a mistake. "We are where Australia was 35 years ago," Ramdass says. "It took many years for them to get where they are now. This means we need to make the changes now so that we start seeing the impact in 25 years." Walker sees a unique post-Covid reset as a policy opportunity. "Post-Covid, we are designing something very different," he says. "The 2020 crisis reset the game. Now is the time to bed down the concept that if you're working in the formal sector, congratulations – you have to save.

"We don't need perfection. Let's maintain the momentum gained from the recent retirement reforms, get something workable in place, and refine it over time. The worst thing we could do now is to decelerate the critical evolution of our retirement landscape ," says Walker.

WHAT MUST HAPPEN NEXT

The reform path ahead is not without obstacles. Employer resistance, political caution, and competing fiscal priorities could all slow momentum. But the case is strong, and the need is undeniable.

The next steps to move the process forward involve:

- **starting with the formal sector,**
- **setting a clear income threshold,**
- **phasing in contributions over time,**
- **regulating through sectoral determinations within a national requirement, and**
- **building in simplicity and scale.**

This is not a leap into the unknown, but rather a continuation of the work already underway. It's the next step forward on our path. And if it is done right, it will not just help people retire better; it will help the country move forward.

73%

OF SOUTH AFRICANS OVER THE AGE OF 60 RECEIVE THE STATE OLD AGE GRANT

What policymakers can do to ensure the retirement landscape evolves in favour of members.

FROM MANY TO MEANINGFUL

RESHAPING SOUTH AFRICA'S RETIREMENT FUND INDUSTRY

South Africa's retirement system has long mirrored the country's complex social and economic evolution. For decades, it was fragmented and marred by inequality under apartheid-era policies and employer-dominated schemes. Later, it became a platform for unions to build collective power, negotiate worker benefits, and secure greater representation. While this helped reshape the system, it also layered it with competing interests that still echo today in mistrust between stakeholders, lingering perceptions of power imbalances, and a system often struggling to put its members truly at its centre.

Over time, the industry has undergone three major shifts:

- from employers carrying full responsibility, along with full control, under defined benefit schemes to individuals assuming investment risk through defined contribution funds;
- from a proliferation of small, standalone schemes to the rise of umbrella funds that pooled resources for scale and governance;
- and, most recently, the beginning of a move to a growing emphasis on members themselves – their choices, their wellbeing, and their retirement outcomes.

Each of these shifts has been driven by policy, regulation, and market forces, but the central question remains: has it brought us closer to a system that genuinely puts the member first?

As Humphrey Mkwebu, General Manager: Employee Benefits Solutions at Old Mutual Corporate, puts it: "The absolute reason for a retirement fund to exist is to make sure that employees have a sustainable income when they retire, and that they are protected on their journey to retirement with risk cover and protection". So, what will it take to build a system that better delivers on this promise, transforming many fragmented parts into something truly meaningful?

Beyond funds: consolidation as the new normal

Between the year 2000 and today, South Africa's retirement industry has transformed dramatically. Where the number of funds stood at 15 587 at the advent of the new millennium the FSCA's 2023 Pensions and Statistical Report now puts that number at 4 909, of which only 29% are active. This stark reduction underscores just how far fund consolidation has progressed over the past two decades, as many employers moved into umbrella structures to pool resources and secure the governance and scale efficiencies that standalone schemes simply couldn't sustain.

With the introduction of the Two-Pot Retirement System in 2024, the landscape is shifting again. This reform might not directly tackle member consolidation like Australia's automated consolidation measures, but it does tackle one of South Africa's biggest long-term challenges: weak preservation. By splitting contributions into a long-term retirement pot and a more accessible savings component, it aims to protect members' retirement journeys from being repeatedly depleted by cash-outs.

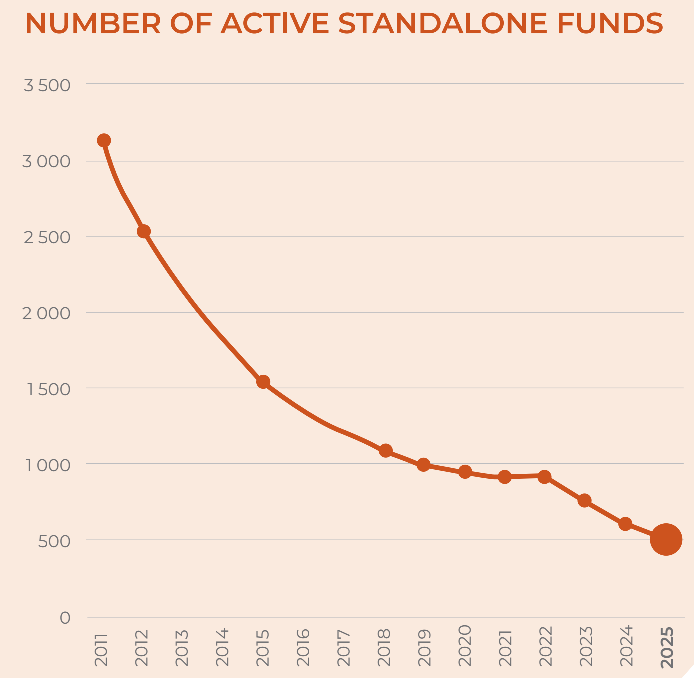
Michelle Acton, Chief Customer Officer and Retirement Reform Executive at Old Mutual Corporate, believes the momentum for even more significant change is clear. "About 66% of the remaining retirement funds in South Africa have less than half a billion rand in assets," she notes. "At that level, it becomes very hard to achieve the scale, governance and cost advantages needed to truly benefit members, which means more consolidation is almost inevitable."

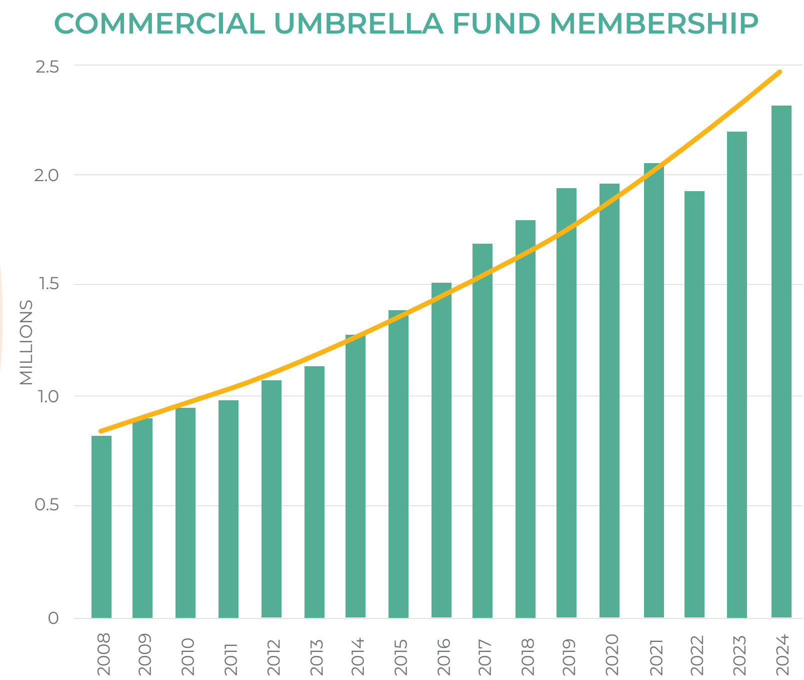
An industry target of between 200 and 500 funds has been cited as the optimal range for South Africa's retirement landscape. But history and the numbers tell a deeper story: consolidation for its own sake means little. Whether through fewer funds, stronger preservation rules, or tighter governance standards, real progress will be measured by how these shifts deliver better outcomes, build trust, and create a retirement system that truly serves its members, says Acton.

WHETHER THROUGH FEWER FUNDS, STRONGER PRESERVATION RULES, OR TIGHTER GOVERNANCE STANDARDS, REAL PROGRESS WILL BE MEASURED BY HOW THESE SHIFTS DELIVER BETTER OUTCOMES, BUILD TRUST, AND CREATE A RETIREMENT SYSTEM THAT TRULY SERVES ITS MEMBERS.

Humphrey Mkwebu, Acting Managing Director, Old Mutual Corporate

Michelle Acton, Chief Customer Officer: Old Mutual Corporate





THE VALUE PROPOSITION OF UMBRELLA FUNDS

Economies of scale
Fees are lower as fixed costs are spread across a larger member base and improved negotiating power with asset managers

Professional governance
Full-time trustees, compliance officers, and structured oversight

Modern administration
Digital dashboards, app-based access, and better member communication

Integrated advice and risk
Group risk benefits, investment tools, and member education are included

Compliance simplicity for employers
No need to manage compliance requirements or trustee elections directly

What Australia got right and why South Africa must have a tailored approach

Australia's superannuation system is often held up as a benchmark for how consolidation, done well, can improve outcomes. From over 1 500 funds in 2004 to fewer than 100 today, it's a story of scale driven not by sheer mergers, but by tough standards linking fund survival to costs, net returns, and transparency.

"Underperforming funds in Australia had to write directly to members and explain why they lagged," Acton highlights. "That level of disclosure alone drove significant consolidation."

Acton cautions against assuming a simple copy-paste scenario. South Africa's landscape is different, shaped by historic divides, union-led structures, and stark dual economies. "The real story is who has not yet consolidated, and why," adds Mkwebu. "It could be smaller, union-aligned funds. If we want progress, we need to understand their realities and build trust."

That's why consolidation here is not without controversy. Some fear that fewer, larger funds could crowd out black-owned administrators and consultants, potentially slowing transformation. Others worry about concentration risk, diluted employer voices, or bundled fees that obscure true costs.

Even if some of these fears prove unfounded, it's only through genuine transparency that trust can be rebuilt and lingering doubts addressed. Clear, comparable disclosures would show whether or not both smaller and larger structures are delivering on their promise to better serve members.

Australia's experience points to powerful levers: standardised cost and net-return disclosures that compel funds to compete on real value. For South Africa, adopting similar measures could spark the right conversations and help members and employers see which funds genuinely deliver and provide the impetus for continued change.

THE POLICY PATH: FIVE LEVERS FOR A FUTURE-FIT INDUSTRY

So, what can South African policymakers do to ensure the retirement landscape evolves decisively in favour of member outcomes? Mkwebu and Acton argue for the following five actions:

1 Strengthen disclosures, from costs to member outcomes.
Right now, cost transparency through the Retirement Savings Cost (RSC) disclosure is mandatory for commercial umbrella funds, but leaves many other funds outside its scope. Extending similar standardised public disclosures to all funds would empower members, drive competition, and flush out inefficiencies. Acton acknowledges disclosure is "not a perfect measure", but even imperfect data gets the right conversations started and forces funds to show the value members receive if their fees are above market. Australia's model goes a step further, publishing a simple net return figure after all fees, directly comparing the actual annual return a member earns versus costs, which could inspire South Africa to build a clear, comparable benchmark. Grouping funds by type – commercial umbrellas, employer funds, and individual RA funds – would allow for fair comparisons.

2 Raise the bar with minimum criteria for trustees, servicing and member education. Then enforce it.
Instead of direct incentives like tax breaks, Acton suggests a stronger approach: raising the bar on what is required. Member money cannot be left to goodwill or patchy oversight. She argues for minimum trustee qualifications, regular assessments, and clear requirements on servicing levels, education, counselling, reporting, and even minimum fees. Robust governance should be universal, with firm oversight to ensure these standards are not only guidelines, but actual protections members can rely on.

3 Introduce digital industry tools to drive both transparency and engagement.
Beyond disclosures, technology can revolutionise how members see and shape their retirement journeys. Public digital dashboards, like Australia's YourSuper comparison tool, could allow members and employers to evaluate costs, governance, and net outcomes at a glance while introducing more accessible education and engagement tools. "This is members' money," says Acton. "It impacts their entire future. It should not be treated like a secret."

4 Enable easier member portability through regulatory reform.
Preservation, assisted by the introduction of the Two-Pot system, is only part of the equation. South Africa also needs to simplify how members consolidate benefits from different employers and stages of work. This prevents fragmented pots that erode long-term adequacy and support a cleaner, more sustainable accumulation path.

5 Drive fund type consolidation through smarter policy.
Finally, Acton notes it may be time to reconsider the need for separate legal structures for pension, provident, and retirement annuity funds. Over time, regulatory changes could enable these to be combined into simpler, more modern retirement vehicles, helping achieve scale and efficiency without compromising the core goal: stronger outcomes for members.

A system built around the member

Despite decades of reform, the numbers remain sobering. The National Treasury estimates that 94% of fund members are not on track to achieve adequate retirement outcomes, and Old Mutual's OnTrack™ data shows most employers score just a single star. More of the same will not be enough.

Mkwebu believes the industry must keep sight of the long game. Retirement funds must sustain members not just for the next few years, but across lifetimes that could stretch to 80 or more years, demanding a system built on trust, robust governance, and an unwavering focus on members' futures.

This evolution will depend on stronger disclosures, higher minimum standards for governance and servicing, digital tools that inform and empower members, and regulatory changes that make it easier to consolidate member benefits and fund types. Only then can consolidation become a force that truly serves members, rather than an end in itself.

If policymakers, employers, and providers can align around this vision, South Africa's retirement landscape may finally complete its journey from many to meaningful, delivering not just funds, but futures.

> WELL-GOVERNED UMBRELLA FUNDS CAN USE THEIR CENTRALISED SCALE AND PROCUREMENT POWER TO ACTIVELY DRIVE TRANSFORMATION ACROSS THE RETIREMENT INDUSTRY.

Transformation is key in the next wave of reform

But while, in many cases, consolidation has improved governance and efficiencies, the question remains: is it a net positive for inclusion and transformation? According to Mkwebu, the answer depends on how we design and regulate the next wave of retirement reform.

He acknowledges that there are valid concerns: consolidation has disproportionately benefited a few large players. A concentrated market dominated by a few players may risk stifling innovation or marginalising smaller providers, but that doesn't mean consolidation can't be used to deliver broader value. "That's why transparency – on costs, net returns, trustee independence, and member outcomes – is key to building trust and enabling real competition."

We need to ensure that umbrella funds are held to the highest standards, and the power utilised to inclusively enable. Done well, this looks like:

BEYOND DISCLOSURES, TECHNOLOGY CAN REVOLUTIONISE HOW MEMBERS SEE AND SHAPE THEIR RETIREMENT JOURNEYS.

1 ACCESS TO UNDERSERVED EMPLOYERS AND MEMBERS

Umbrella funds give smaller employers access to institutional-grade retirement offerings, which they may not find affordable on a standalone basis.

2 SUPPORT FOR TRANSFORMATION

Well-governed umbrella funds can use their centralised scale and procurement power to actively drive transformation across the retirement industry. By including black-owned providers, ringfencing mandates for impact, and adopting inclusive procurement strategies, umbrella funds can support emerging businesses and diversify the value chain. To ensure this happens, strong accountability, transparent reporting, and inclusive governance are essential.

3 ACCESS TO GREATER TECHNOLOGY AT SCALE

- **Member value add:** Most of the top umbrella funds are now able to provide access to mental and financial wellbeing tools, innovative digital budgeting tools, member counselling, and healthcare services – many at discounted rates or no cost due to the scale of the funds.
- **Access to data intelligence tools and systems:** This may be too expensive for small funds. Data allows for robust research, benchmarking, and tailored digital and advisory solutions.

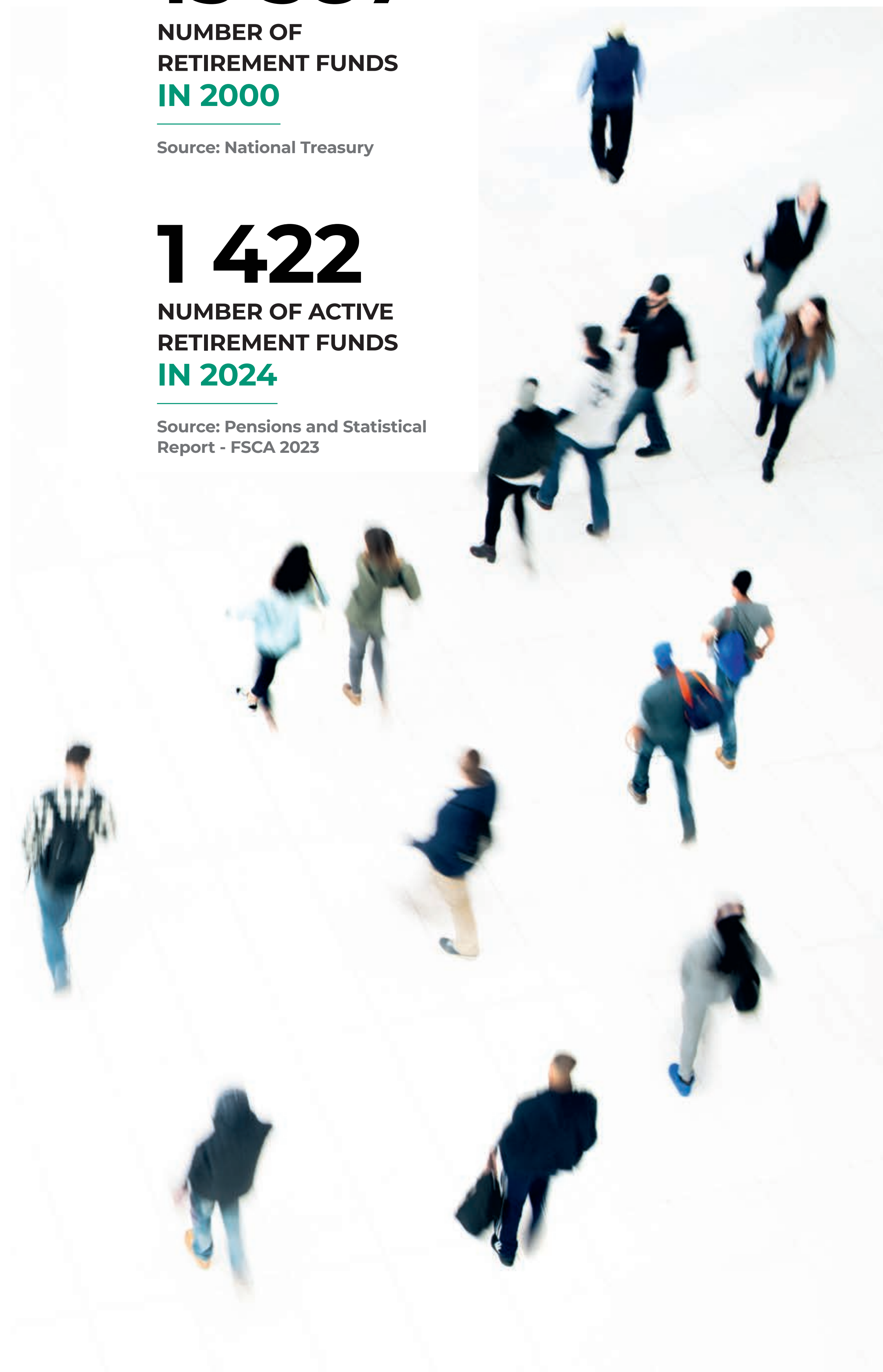
4 ALL OF THE ABOVE, TOGETHER, PROVIDING A PLATFORM FOR BROADER POLICY GOALS

At scale, umbrella funds can enable:

- **Auto-enrolment for SMEs –** Looking ahead, umbrella funds may also provide the infrastructure required to support future reforms like auto-enrolment for SMEs, where small and medium-sized businesses can seamlessly onboard employees into a compliant, well-governed fund, without the administrative and fiduciary burdens of running a standalone scheme.
- **Simplified portability –** Portability of benefits across employers within the same fund avoids fragmented pots and the associated loss of value from early withdrawals or poor consolidation practices. This is particularly important for a highly mobile workforce, where people frequently move between jobs or alternate between formal and informal employment.
- **Centralised retirement education platforms –** Access to AI tools and digital counselling would allow funds to serve a larger proportion of the population without the resourcing constraints.

As consolidation continues, clear disclosure standards, minimum governance thresholds, and digital tools that empower members will be essential to ensure this transformation doesn't simply serve the largest players, but delivers meaningful progress for the industry and its people.

Consolidation for the sake of consolidation should not be the end goal. Stronger outcomes, wider access, and better retirement for all South Africans are, and must remain, the true measure of success.



15 587

NUMBER OF RETIREMENT FUNDS IN 2000

Source: National Treasury

1 422

NUMBER OF ACTIVE RETIREMENT FUNDS IN 2024

Source: Pensions and Statistical Report - FSCA 2023

RETIREMENT REFORM AT A GLANCE

WAVE 1

DB to DC

1980s to 1990s

Shift from defined benefit (DB) to defined contribution (DC) funds – political change and union power reshape governance

WAVE 2

Advent of umbrella funds

1996

Pension Funds Act amended, and mandatory member-elected trustees introduced – employer control reduced

1997

Old Mutual launches South Africa's first umbrella fund

2000

Still more than 16 000 funds on record; a highly fragmented system

2000s

More employers begin moving into umbrella funds to cut costs and shed governance burdens. Fund numbers start dropping

2018

Financial Sector Regulation Act (FSCA) establishes Twin Peaks model: Financial Sector Conduct Authority oversees conduct; Prudential Authority oversees prudential soundness

WAVE 3

Member focus

2020s

Umbrella funds mature – FSCA issues Conduct Standards and pushes for digital reporting and improved governance

2021

Introduction of compulsory annuitisation of provident funds

2024

Two-Pot Retirement System implemented – FSCA ramps up rule amendments and oversight, encouraging further consolidation

WAVE 4

Retirement fund of the future

Improved member outcomes – policy shifts to strengthen disclosures, enhance governance, drive transparency and engagement, enable member portability, and drive scale and efficiency

NEW WORLD OF WORK

"SOFT SKILLS, LIKE EMOTIONAL INTELLIGENCE, COMMUNICATION, AND COLLABORATION, ARE ESSENTIAL FOR MANAGING CHANGE, LEADING DIVERSE TEAMS, AND MAINTAINING A HUMAN TOUCH IN INCREASINGLY AUTOMATED ENVIRONMENTS."

LEAN IN OR BE LEFT BEHIND

Leading teams and businesses to success in an era of rapid technological change.

The promise of artificial intelligence (AI) is tantalising: a world of unprecedented productivity, innovation, and economic growth.

"If you're on the right side of change, opportunities for investment, value creation, and jobs will be phenomenal," says Valter Adão, chief executive of Cadena Growth Partners, a consultancy specialising in growth and modernisation. Yet, he warns, navigating this transformation won't be easy. It requires leadership, investment, coordination, focus, and well-crafted contributions by business, government, and civilians – there are no spectators. It will also demand clarity of purpose rather than a blind rush to adopt the latest tools. In an era of AI hype, the lesson is clear: strategy must lead and technology must follow.

Lessons from the past

A decade ago, South Africa's corporate boardrooms buzzed with talk of "digital transformation". Technologies like machine learning, the Internet of Things, and 3D printing captivated executives, who saw disruption everywhere – from garage-born entrepreneurs to fintech startups and new ways of engaging with customers without the bricks-and-mortar investments traditionally required to do so.

Adão, then leading a strategy and innovation practice at a global consultancy, says he observed a persistent error at the time: firms mistook technology deployment for progress. "Companies rushed to adopt tools without a clear business case, then scrambled to justify the investment," he recalls. Back then, fewer than 20% of digital transformation initiatives met their expected returns. Even now, many investments remain misdirected. Many believed the technology was the silver bullet. But if that were true, the most established and resource-rich companies would be the most modernised and innovative. They're not."

The problem, Adão argues, is mindset. "Too many approached digital transformation with a technology-first lens. Instead, the technology should be led by, and serve, the corporate strategy in a qualified and quantified manner. In fact, I prefer the term business modernisation to digital transformation, to redirect the conversation from technology choices to the modernisation choices a business needs to consider. True modernisation begins with a clear ambition, not a shiny new algorithm."

Looking beyond the hype

Today, as AI dominates corporate agendas, he senses a familiar pattern. Media hype is high, performance promises are bold, and anxiety about disruption – particularly its impact on workforces – is once again in the headlines. How can business leaders distinguish a truly transformational technology from one caught in a cycle of hype? And, more importantly, how should they determine whether, or how, to adopt it? The key, Adão suggests, is to firstly look beyond headlines and focus on credible, data-backed indicators. Secondly, understand the critical points of value your corporate strategy aims to achieve.

Valter Adão, Chief Executive: Cadena Growth Partners

Several signs suggest that AI is not simply a passing wave, but a technology shift of profound and durable significance.

1. **THE SPEED OF PROGRESS IS OUTPACING MOORE'S LAW.**
Moore's Law predicted that computing cost-performance would double every 18 months. In contrast, a Stanford AI Index report noted that AI computational power has doubled every 3.4 months since 2012.
2. **DEVELOPER CONCENTRATION IS SURGING.**
A strong indicator of a platform's relevance is if developers choose to spend their time there. According to Google, more than 7 million developers are now building on Gemini, five times more than a year ago. This suggests a high level of engagement and monetisation potential.
3. **AI IS BECOMING RAPIDLY COST-EFFICIENT.**
Relative to previous enabling technologies, AI's cost curve is dropping faster. This makes it more accessible and more easily scaled, especially for organisations and regions that were previously technology-constrained.
4. **ADOPTION AND MONETISATION ARE ACCELERATING AT AN UNPRECEDENTED RATE.**
ChatGPT reached 100 million monthly users just two months after launch, faster than any consumer application in history. ChatGPT also reached $10 billion in annual recurring revenue in just 2.5 years, outpacing all major tech platforms, including TikTok, Instagram, and Facebook.
5. **AI'S LEAPFROGGING POTENTIAL IS PLAYING OUT IN EMERGING MARKETS.**
A recent study by KPMG and the University of Melbourne showed that the 13 countries reporting the highest use of AI are predominantly emerging economies. South Africa ranks 8th, indicating a strong appetite for adoption and innovation in regions often underserved by previous waves of technology

Sources: The Bond Report 2025, Gillespie et al., 2025

Strategy first

When it comes to corporate strategy, Adão says, "Too frequently, business leaders start with the tech and look for ways to use it – the 'everyone's doing it' argument. In fact, it's wiser to begin with your strategy and vision. The technology should flow from there".
In other words, AI can contribute to achieving your strategic objectives, but it can't fix a broken strategy.

According to Adão, there are broadly three reasons to adopt any technology in a business, and leaders should cut through the complexity and sales talk to focus on these alone. "I call them the exponential dividends," he says. "The clue to which dividends an organisation should prioritise will be found in its corporate strategy."

1 EXPONENTIAL GROWTH DIVIDEND

The first dividend lies in technology's ability to generate new forms of revenue. This could involve leveraging technology to innovate entirely new products or services, or to enable more profitable business models that transform how value is created and captured.

Think of Amazon's "Customers who bought this also bought ..." tool; McDonalds' use of AI to automatically adapt drive-through menus in real time, adapting to variables like weather and sales trends; and Netflix tailoring your recommendations based on viewing history. In South Africa, Checkers' Sixty60 has been tremendously successful at growing its retail footprint.

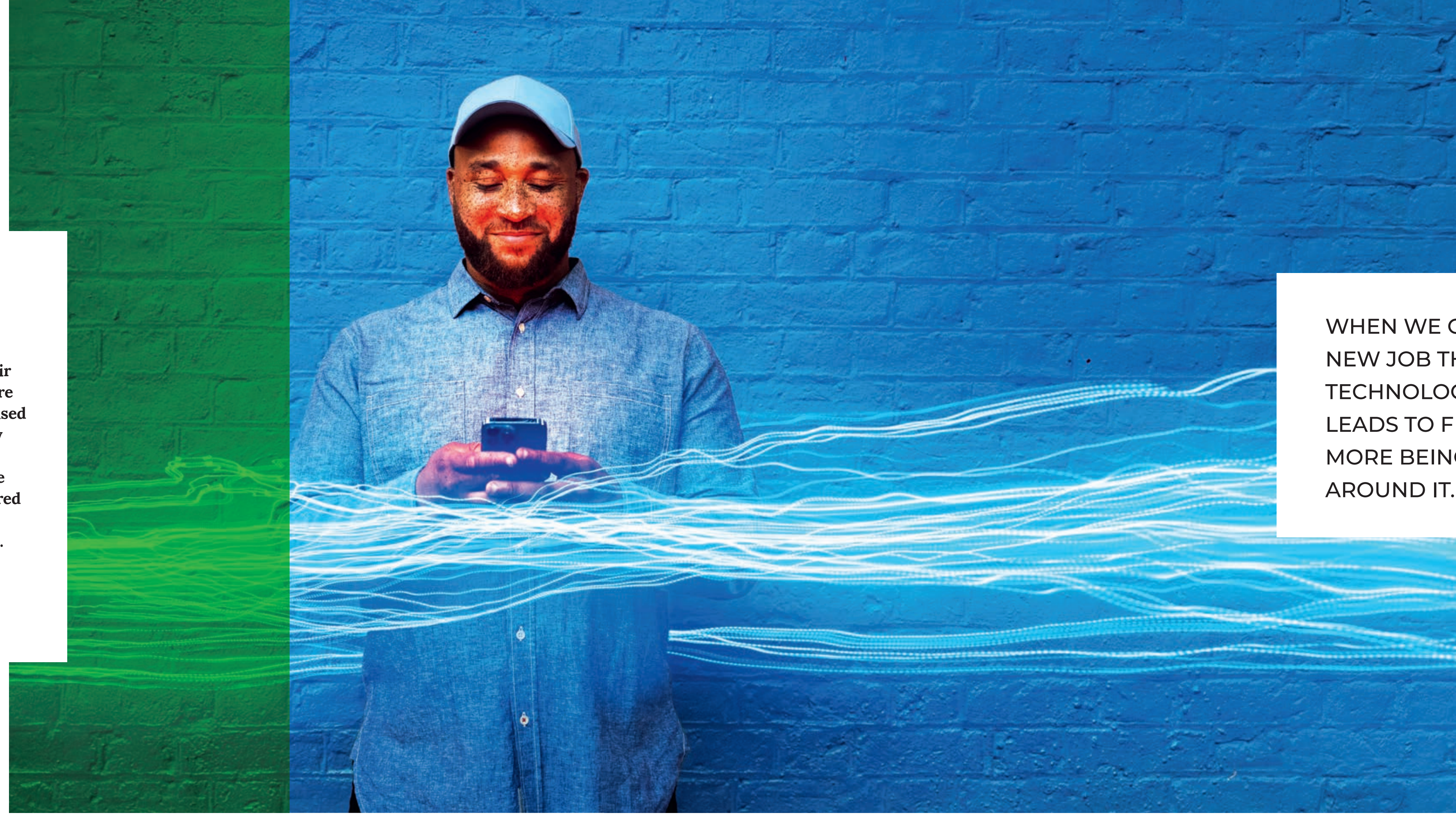
I PREFER THE TERM BUSINESS MODERNISATION TO DIGITAL TRANSFORMATION, TO REDIRECT THE CONVERSATION FROM TECHNOLOGY CHOICES TO THE MODERNISATION CHOICES A BUSINESS NEEDS TO CONSIDER.

2 EXPONENTIAL PRODUCTIVITY DIVIDEND

The second dividend refers to the use of technology to dramatically reduce the cost of production or service delivery by increasing efficiency, improving quality, and streamlining operations. AI, in particular, has the potential to slash production costs at scale. "In South Africa, I've found this to be the most sought-after benefit of emerging technologies," says Adão. Cost reduction is not just a financial advantage; it's a disruptive force. The digital era is defined by the marginal cost of distribution trending towards zero. Consider Netflix: what does it actually cost them to add one more customer? Virtually nothing. AI now extends this logic further, driving the cost of creation, not just distribution, towards zero.

3 EXPONENTIAL EXPERIENCE DIVIDEND

The third dividend refers to the ability of technology, particularly AI, to fundamentally enhance the way organisations interact with their customers. With AI, businesses can generate more meaningful touchpoints, deliver hyper-personalised interactions, and significantly elevate the quality of each engagement. Equally important, it can eliminate unnecessary or frustrating steps in the customer journey. For example, what once required a lengthy phone call or a branch visit can now be resolved in seconds through a well-designed app. This dividend is about transforming customer relationships from transactional to intelligent, seamless, and deeply personalised. Agentic AI is the key to unlocking these benefits.



WHEN WE CREATE ONE NEW JOB THROUGH TECHNOLOGY, IT OFTEN LEADS TO FIVE OR SIX MORE BEING CREATED AROUND IT.

Unemployable to unstoppable

Despite the potential for technology to unlock real value for organisations, perceived risks remain. Exponential productivity is often associated with job losses, which complicates this narrative.

A decade ago, consultancies predicted that automation would hollow out workforces – a concern amplified in South Africa, where unemployment remains high. Adão, also a faculty member at Singularity University, with a focus on how technology will impact the future of work and jobs, argues that this is a one-dimensional view that assumes a static pool of work, where machines directly displace workers, leading to a net loss of employment.

A broader perspective reveals that automation and related innovations can amplify productivity, spawn new products and services, enhance affordability, and fuel sectoral and organisational growth. The World Economic Forum projects a net gain of 12 million jobs by 2030, with roles like AI trainers and ethics specialists emerging. Far from merely substituting labour, technology often redefines economic possibilities, creating new opportunities that offset displacement.

Adão also believes that the opportunities presented by emerging technologies are not limited to high-tech or highly skilled roles. Rather, technologies like AI are lowering the barriers to entry, enabling individuals with limited formal education or experience to participate in the workforce more quickly and effectively. A 2023 World Bank report estimated that the online gig economy accounts for up to 12% of the global labour market, with significant growth in developing countries, including G20 members like India, Indonesia, and South Africa. This suggests that digital platforms contribute substantially to new job creation, especially those with large informal sectors.

HYBRIDISATION OF PEOPLE AND TECHNOLOGY IS THE SECRET SAUCE. EXPLORE WAYS WE CAN EQUIP PEOPLE TO DO MORE, BETTER, AS OPPOSED TO DOING LESS, CHEAPER, BY JOINING FORCES WITH TECHNOLOGY.

Adão cites Enrico Moretti, whose research revealed that for every new technology job, five non-technology jobs are created as a secondary effect. This is supported by a World Bank view that digital technologies could create 85 million new jobs in Africa's services sector by 2030, driven by platform-based models and broader digital transformation. Another study suggests that 4.8 million workers in eight African markets were already providing services through digital platforms prior to the Covid-19 pandemic. In Europe, the platform economy is projected to generate 43 million jobs by 2026, underscoring the scale and breadth of the opportunity.

"Mass unemployment is not inevitable," asserts Adão. "In fact, if it happens, it will be the result of bad choices by business leaders and policymakers, and will stem from a mismatch of skills with economic reality." Adão says that if we approach this well, skills will adapt to be relevant in the AI-powered economy. "It's only through technology that some jobs will remain relevant."

In other words, some tasks and roles will become obsolete, but updating skills and redirecting business activities to be relevant will mean a net growth in jobs and output.

Many jobs won't be replaced, but will rather take on a new shape, where employees harness AI to be more productive. Many of the mainstay corporate roles that have evolved gradually over the decades will likely become human-AI "partnerships", where the human has the same outputs, but generates them better and faster by working with machines.

"It's only through technology that some jobs will remain relevant," explains Adão. We had a taste of this with the abrupt jump to remote and hybrid work that Covid-19 lockdowns forced on us. Suddenly, laptops, cameras, and video-conferencing tools became digital extensions of ourselves. The better we used these tools, the more productive we were. Despite the shock it caused at the time, it became common to work fully or partially remotely even post the pandemic.

From artificial to action

So, how do we lead people into this new era successfully? Step one, says Adão, is a full audit of jobs and technology. "It's important to be transparent about where the organisation is in this revolution, including who's fluent and who isn't. Map out current jobs down to the level of individual tasks. Don't chase redundancy. Look for augmentation. Hybridisation of people and technology is the secret sauce. Explore ways we can equip people to do more, better, as opposed to doing less, cheaper, by joining forces with technology."

Once you've mapped your current position, you can plan the route forward, says Adão. But don't limit the level at which you equip people. "Some jobs will be transformed more than others, but people have to be equipped to get the most out of AI, including management." Data from MIT recently showed that CEOs score 23% and CFOs 11% on understanding technology's impact on business and people (fluency). "This must change," says Adão. "Not everyone needs to be a propeller head, but they must be fluent in the impact, progression and economics of technology in a way that matches their role."

Finally, time is of the essence. "Lean in responsibly. And do it fast," warns Adão. "The longer an organisation resists change, the harder it becomes to adapt. Competitors and customers aren't hanging around."

UNLOCKING THE DIGITAL DIVIDEND

For digitisation to transform retirement outcomes, collaboration is key.

> WHILE DIGITAL TECHNOLOGIES MAY BE THE CAR ON THE ROAD OF THIS EVOLUTION, HUMANS ARE IN THE DRIVER'S SEAT.

Digital transformation is an opportunity knocking at the door of South Africa's retirement industry. Long challenged by low member engagement, this sector is facing powerful new possibilities as digitisation unlocks the potential to streamline operations, connect directly with members, and engage with them like never before.

At stake is more than efficiency. As Old Mutual Corporate's Keri-lee Edmond puts it: "Digitisation is not just about technology; it is about creating opportunities to reach more members, especially those in underserved communities, in new ways. It is about improving retirement outcomes for all."

A break from the past

For Old Mutual Corporate, navigating the shifts of a post-Covid society and the introduction of the two-pot retirement system crystallised opportunities to reach members through new avenues, and highlighted the importance of collaborating with different stakeholders to leverage these opportunities.

In the past, retirement communication was largely paper-based, tethered to the traditional employer-member relationship with physical documents. Engagement was minimal and communication was a tick-box exercise with members interacting with their benefits only during annual statement reviews. Letters were stapled to payslips, relying on staff for distribution in the hope that members would eventually read them. Financial education was often limited to in-person engagements, and attendance and scale proved to be a challenge.

The last few years have seen a fundamental shift. In 2024, empowered by WhatsApp's accessibility, Old Mutual enabled digital two-pot claim submissions via the messaging app. Of South Africa's 26 million social media users, 94% use WhatsApp, according to 2025 Meltwater statistics.

"WhatsApp is an accessible, familiar tool across income levels," says Lourens Joubert, Head of Digital Enablement at Old Mutual Corporate and part of the team working towards creating an inclusive and engaged retirement system through digital transformation.

"Old Mutual built a claims portal inside the platform and trained our branches and call centres to help members complete the process themselves, rather than doing it for them," explains Joubert.

To help members access their savings pots, a digital campaign enabled them to update their details and access their money. As a result, WhatsApp usage grew from around 60 000 active users at the start of 2024 to almost 300 000 members as of June 2025, with this figure still rising.

"We are now shifting from relying on employers to connecting directly with members, thanks to digital tools that enable real-time engagement," Joubert says.

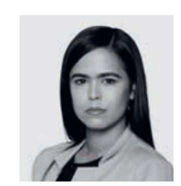
But the efficiency of digitised claims is only part of the story. What stands out is that Old Mutual enabled real, measurable interaction with members in a meaningful, impactful way. "A few years ago, we reached maybe tens of thousands of members a year through face-to-face education," says Edmond. "This year, at the halfway mark alone, we had already reached hundreds of thousands of members in the comfort of their own pockets, with digital recordings of financial webinars, educational content, and timely member communication sent via cellphone. People don't mind using digital technology, as long as it works and they know how to use it."

Data quality as a foundation

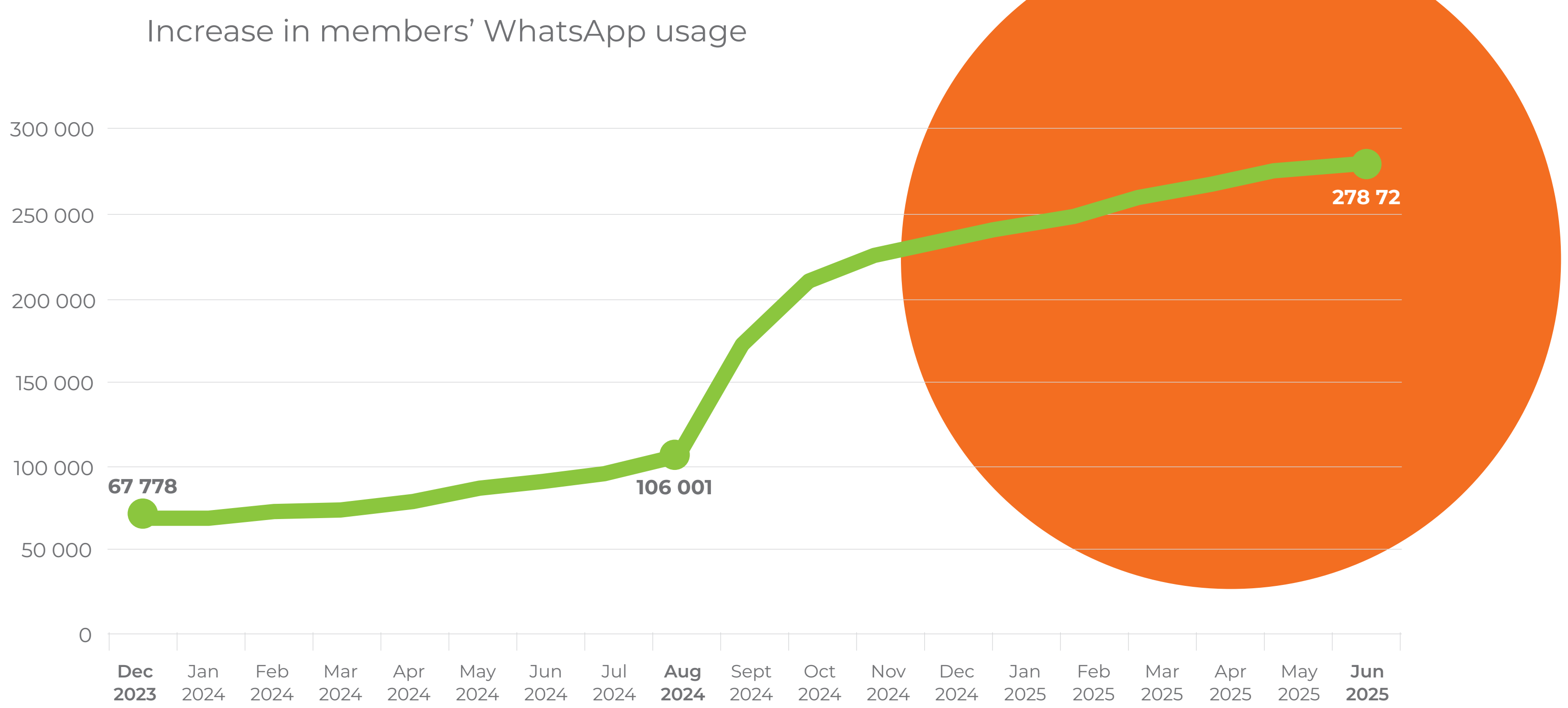
The dramatic increase in WhatsApp engagement may have coincided with the introduction of the two-pot system, but success was not a matter of chance. It took foresight and the groundwork of data enrichment and member engagement to give Old Mutual the leverage it needed to push the boundaries. Preparing for digital claims and WhatsApp communication took about 18 months, with Joubert's team collaborating with teams across the business.

"We pushed through. We cleaned the data. We checked with Home Affairs and fixed IDs, names, and genders. If you go digital,

Lourens Joubert, Head of Digital Enablement, Customer Team: Old Mutual Corporate



Keri-Lee Edmond, Head of Business Intelligence, Customer Team: Old Mutual Corporate



your dirty laundry gets aired – and that laundry is your data quality," explains Joubert.

The success of this effort is proof that accurate and complete member data is the cornerstone of tailored retirement solutions. However, the process required to achieve improved outcomes through digitisation demonstrates the importance of collaboration among all stakeholders. "The cost of digital can be high. It requires appropriate systems, infrastructure, processes, data and people," says Edmond.

Leveraging data analytics for better decision making

The effort may be substantial, but the outcomes are transformational. Digital tools allow funds to break away from a past weighed down by cumbersome processes. They enable funds to educate, inform and connect with individuals who were once out of reach, opening the door to smarter, more inclusive retirement planning.

With quality data, analytics is unleashed, providing insights for trustees, employers, administrators and consultants to more accurately track, measure and personalise outcomes and communication, boost member engagement, and identify underserved communities – all at scale. "Predictive analytics allows a more proactive, rather than reactive, approach for our decision makers and members, informing innovative fund design, good member choices, positive behaviour, and efficient service delivery. It allows us to understand members better and develop solutions that truly meet their needs," says Edmond.

THE DIGITAL DIVIDEND IS NOT ABOUT EFFICIENCY FOR ITS OWN SAKE; IT IS ABOUT EQUITY, ACCESS AND EMPOWERMENT.

With data and analytics in place, AI applications present the next step in the evolution. While AI is still in its nascent stages in the retirement industry, it is brimming with potential. Besides automating processes, it enables bespoke services based on actual member data points. "Humans are already showing strong tendencies to connect with AI in empathetic ways, and the possibilities of using these advanced technologies to scale services and experiences previously provided only by another human, are tremendous," says Edmond.

Edmond emphasises that harnessing the digital dividend is not about going digital for the first time. "What's different is the shift in scale, in responsiveness, and in how intentionally we're designing for members."

The digital dividend means delivering real, measurable value to everyone, especially the people who need it most. It is about what members experience when technology makes retirement simpler, clearer, and more accessible. "It is what happens when a member, whether in a city or on a farm, can update their details via WhatsApp; when a young employee changing jobs receives a personalised message that helps them preserve their savings; or when a retiring member can access the answers to all their questions with ease. It is when someone who once felt excluded begins to see themselves in the system," Edmond explains.

Building trust

However, while digital technologies may be the car on the road of this evolution, humans are in the driver's seat. The human qualities of trust, authenticity, and collaboration will ensure its impact. "AI ethics should be a matter of public interest," says Edmond. "These models need to be properly understood, trained and monitored," she explains. For decades, the retirement industry has traded on trust and human connection. The introduction of automated tasks, AI and data insights may reduce the mundane human labour in those processes, but what is emerging is an opportunity to build trust in new ways.

26 MILLION:
NUMBER OF SOCIAL MEDIA USERS IN SOUTH AFRICA

Joubert believes that trust starts by delivering on your promises to your members, and those deliverables can be automated to an extent. But it is the human connection that deepens that trust. "People build the brand," he explains. "Ultimately, it is about whether or not members can trust us as humans, and whether or not we can provide them information and resolve their issues," he says. "Automation can be used to free up client-facing employees," he adds, so they can focus their time and energy on building relationships, supporting members, and driving better outcomes.

Similarly, trust is developed through demonstration, says Edmond. "People didn't ask for Uber; they were happy to continue using their respective modes of transport. But when the technology delivered and transportation needs were fulfilled in new ways, trust was built. People didn't ask for digitisation, so if we put it in place, we, as industry leaders, must demonstrate that it works and adds value for members."

However, the challenges can't be ignored. "We must balance innovation with responsible data stewardship," says Joubert. "Navigating the regulatory landscape and ensuring compliance is crucial. Being a trusted brand and assuring customers that the information they are sharing will not be compromised is a level of trust that must be built over time. We are actively working on this."

Reaching underserved communities

The power of digitisation as a bridge to underserved communities is an opportunity Edmond is particularly excited about. "South Africa's retirement system continues to reflect deep disparities in coverage, savings levels, and financial literacy," she says. "Many members lack the means to save adequately and access clear, consistent information and advice that can help them make informed decisions."

Large segments of the workforce, especially in lower-income and rural communities, have limited understanding of the long-term consequences of contribution choices, preservation decisions, and annuity selection. "This knowledge gap is a key driver of poor outcomes over time," explains Edmond. Digital channels offer the opportunity to scale education, advice, and support, and are a powerful way to close this gap.

"It is essential to recognise that these technologies are designed to enhance, not replace, human-centred service. Our qualified consultants, counsellors, advisers, and intermediaries remain central to the member experience, now enabled by digital tools that extend their reach, efficiency, and impact."

"The vision is to build an inclusive system that empowers every member, regardless of geography or income. We see digital transformation not just as an efficiency measure, but as a cornerstone of broader retirement inclusion," says Edmond.

Collaboration and regulatory support

Technology alone will not bring about real transformation. Collaboration and investment across the industry will be required to build a digital ecosystem that truly serves our citizens.

Too often, institutions aim for a "single view of the client", but only within their own data, says Edmond. Instead, we need a "single view of the South African" – one that is accurate, consolidated and central, and enables seamless, member-first services across platforms, providers, and systems. "The digital dividend is not about efficiency for its own sake; it is about equity, access, and empowerment."

"We should all aim to keep the member interest at the centre of these innovations," says Edmond. "When we do that, the dividend is more than digital; it is human. It is better outcomes, deeper engagement, and a retirement system that works a little better for all."

Business leaders and policymakers have crucial roles: business leaders must proactively adopt digital tools to enhance connectivity and engagement, and policymakers and regulators should support initiatives that boost national savings. "Regulatory support for auto-enrolment and data consolidation will be crucial for realising the full potential of digitisation," Joubert says.

More than just passing trends, digitisation and data analytics are transformative forces reshaping and radically enhancing financial futures. By working together, business leaders, fund managers, and policymakers can create a more equitable, efficient, and future-proof system. The opportunity is clear: harness the digital dividend to build an inclusive, intelligent, and truly member-focused retirement system.

A framework for protecting employees from poor long-term decisions while providing meaningful choice.

ADDING RESPONSIBILITY TO BENEFIT FLEXIBILITY

IT'S A MYTH THAT YOUNGER EMPLOYEES DON'T CARE ABOUT RETIREMENT SAVINGS.

The war for talent has fundamentally shifted the rules of engagement. As employers navigate an increasingly complex landscape – managing multi-generational workforces while controlling costs in a constrained economic environment – one truth has emerged: flexibility across key facets of the employee value proposition is no longer a nice-to-have, but the cornerstone of competitive employee value propositions.

In today's workplace, employees increasingly demand flexibility across all aspects of their value proposition – from working arrangements to remuneration structures. Yet this shift towards customisation presents employers with a critical challenge: how to maintain a responsible framework that protects employees from short-sighted decisions that could jeopardise their long-term financial security or leave them underinsured against life's risks, like death and disability. Research consistently demonstrates that retirement savings, healthcare, and risk coverage remain the most valued and essential benefits. This creates a delicate balance for responsible employers, who must move beyond outdated one-size-fits-all approaches while ensuring their workforce remains protected.

"Traditionally, benefits were designed around the 'average employee'," explains Blessing Utete, Managing Executive at Old Mutual Corporate Consultants. "But no-one is average, and employers who recognise this have an opportunity – and responsibility – to create frameworks that offer meaningful choice without compromising their employees' fundamental financial wellbeing.

The need for choice

The challenge for senior leaders is clear: how do you create a benefits framework that meets diverse generational needs without sacrificing fiscal responsibility or long-term employee protection? The answer lies in responsible benefits flexibility – a strategic approach that's rapidly climbing corporate agendas as forward-thinking employers recognise its potential to transform both talent acquisition and cost management.

Designing a benefits programme that balances flexibility and responsibility begins with a deep understanding of the reasons behind employees' growing need for choice, says Lindiwe Sebesho, Managing Director at Remchannel.

The imperative for employers to offer flexibility is clear: according to the 2023 LIMRA-EY study on workforce benefits – Harnessing Growth and Seizing Opportunity – a majority of employers (61%) recognise they will need to offer a wider variety of benefit options to meet the expectations of the different generations within their workforce. Sebesho also says that companies offering tailored benefits packages see an increase in employee productivity and retention rates.

"Responsible benefits flexibility can attract Millennial and Gen Z employees by offering them choices that align with their lifestyles and career goals, thereby reducing job-hopping and increasing retention," says Sebesho.

However, it's a myth that younger employees don't care about retirement savings, says Utete. "There's a perception that they all want to live for 'the now'. That is not necessarily the case." He believes younger employees are mindful of their financial future and that offering flexible, well-designed benefits is key to helping them save, despite the challenges they may be facing at this stage of life.

This is echoed in the results of Old Mutual Corporate's Employee Benefits Annual Trends Survey 2025, an in-depth survey conducted across generations. The results show that Gen Z employees have the highest confidence in understanding their benefits, rating their own understanding on average as 87%. In addition, 68% rate their understanding as excellent. While this can partly be attributed to youthful optimism or simpler benefit structures, it also reflects a growing awareness and engagement with financial planning tools early on in their careers. Gen Z respondents also indicated that they are already exploring diverse and modern saving instruments, such as tax-free savings accounts and cryptocurrency.

Flexibility within a responsible benefits framework means accommodating employees' natural progression through life

Blessing Utete, Managing Executive: Old Mutual Corporate Consultants, a division of Fairbairn Consult, FSP9328

Lindiwe Sebesho, Managing Director: Remchannel stages whilst maintaining protective guardrails against excessive customisation. A well-designed system can facilitate structured benefit adjustments at significant life events – promotions, childbirth, adoption, or marriage – recognising that these moments align with both greater financial capacity and heightened protection needs, without opening the door to complex choices that could undermine long-term security. While this level of customisation might seem administratively burdensome, Sebesho says technology is making it more manageable than ever.

She also highlights the importance of the "psychology of choice", and trusting that, with the right information and support, employees will make informed decisions. Younger workers often feel that the workplace is too paternalistic and prescriptive, forcing them to save for retirement while not understanding their immediate realities. "When you acknowledge the short-term needs, but emphasise the benefits of long-term planning, they feel heard," she says. Often, that acknowledgement is all that's necessary to attract and retain talent, as it communicates respect and responsiveness. "Choice itself is a value proposition," Sebesho adds.

A framework rooted in behavioural finance

Behavioural finance studies consistently demonstrate that individuals make suboptimal financial decisions when left to their own devices, particularly regarding long-term savings and risk protection. This human tendency towards present bias and loss aversion forms the foundation for designing responsible benefits frameworks that protect employees from their own cognitive limitations while providing necessary flexibility.

THE 3 PILLARS OF: RESPONSIBLE FRAMEWORK DESIGN

1 Strategic guardrails over full autonomy
According to Utete, effective frameworks deliberately limit employee autonomy in critical areas. "An appropriate framework should not give employees full autonomy and thereby allow them to compromise adequate retirement savings or risk protection for short-term gain." This approach recognises that unrestricted choice often leads to decisions that employees later regret.

2 Expert partnership and cost assessment
Sebesho emphasises the importance of partnering with specialists who can evaluate flexibility costs and economies-of-scale impact. This collaboration ensures frameworks remain financially sustainable for employers whilst representing responsible stewardship of employee welfare.

3 Smart defaults and guided choice architecture
Rather than overwhelming employees with unlimited options, Utete advocates for "appropriate defaults" that combat choice overload. For instance, while employees cannot opt out of retirement savings entirely, they can adjust contribution levels within predetermined parameters as circumstances change.

THE TOP 5 MOST-VALUED BENEFITS

1. Company retirement fund
2. Medical benefit
3. Company life cover
4. Financial incentives
5. Annual leave

Source: Old Mutual Corporate, Employee Benefits Annual Trends Survey 2025

OVER 70%

PROPORTION OF EMPLOYEES WHO FEEL THAT HAVING A SAY IN CHOOSING BENEFITS IS HIGHLY IMPORTANT

SUGGESTED FRAMEWORKS

1. DEFAULT-PLUS MODEL

- Set strong, evidence-based defaults for all benefit elections.
- Allow flexibility above minimum thresholds, not below them.
- Use automatic enrolment with opt-out rather than opt-in for core benefits.
- Default contribution rates should meet levels that provide appropriate outcomes (i.e. 12-15% total towards retirement savings if targeting 70-75% replacement ratios).

2. TIERED FLEXIBILITY STRUCTURE MODEL

- **Tier 1 (Protected Core):** non-negotiable minimums (e.g. minimum retirement contribution, basic disability cover)
- **Tier 2 (Guided Flexibility):** options within safe parameters with decision support
- **Tier 3 (Full Choice):** complete flexibility for supplementary benefits above adequate levels

This framework acknowledges natural behavioural patterns: "Younger employees tend to down-weight risk benefits initially, but as they mature, they up-weight risk benefits and increase retirement contributions," explains Utete. By maintaining group purchasing power while allowing employees to adapt their benefits as their personal and financial circumstances change, employers can offer flexibility that "encourages long-term savings and builds appreciation of saving value and appropriate protection without disregarding short-term financial needs," concludes Utete. That is at the heart of responsibility.

Sebesho agrees: "It sounds counterintuitive, but offering flexibility encourages long-term savings and builds appreciation of the value of saving without disregarding people's short-term financial needs".

FINDING A BALANCE

Sebesho acknowledges the limitations that many small employers face. "When we talk about flexibility, we are not suggesting offering options that are not essential and could potentially increase costs for smaller organisations. It's about identifying the benefits that really matter and making sure that you focus on what will drive employee engagement and attract the right employees."

Ultimately, the employer must strike a balance: between flexibility and long-term outcomes, and between the needs of the business and those of its people.

With the right partner, it is possible to design personalised benefits solutions that are both cost-effective and easy to manage. Responsible flexibility means offering a range of tailored options that meet individual employee needs while ensuring that these options are sustainable for the company and encourage positive behaviours, such as long-term savings.

In turn, employers benefit from greater retention, higher job satisfaction, and deeper employee loyalty.

CHOICE ITSELF IS A VALUE PROPOSITION.

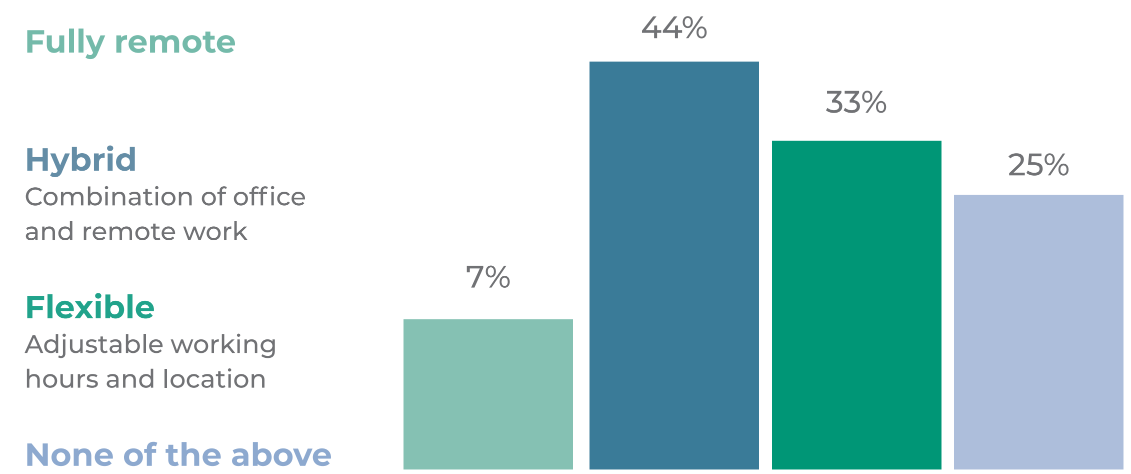
69%

PROPORTION OF GEN Z EMPLOYEES WHO SAY THAT FLEXIBILITY IN PAY STRUCTURE IS EXTREMELY VALUABLE

41%

PROPORTION OF BABY BOOMERS WHO SAY THAT FLEXIBILITY IN PAY STRUCTURE IS EXTREMELY VALUABLE

Survey insight: Do you currently have flexible working arrangements?



Of those who have no flexibility, what % would like to have flexibility?

	TOTAL	Baby Boomers	Gen X	Millennials	Gen Z
YES	82%	80%	63%	96%	100%
NO	18%*	20%	37%	4%	–

*Of the total sample, 4% do not want flexible arrangements.

For years, employee benefits were treated as a box to tick: predictable, standardised, and largely invisible until someone needed them. But recent trends show that this model is falling short.

THE COST OF DOING NOTHING

WHY WELLBEING IS RESHAPING GROUP RISK

Brice Salence Nunes, Head of CVP Group Assurance: Old Mutual Corporate

Suzette Müller, Corporate Consultant: Old Mutual Corporate Consultants, a division of Fairbairn Consult, FSP9328

Disability claims linked to psychological distress have surged, exposing how often early signs go unnoticed or unsupported. Presenteeism – a phenomenon in which employees are present, but not engaged, often driven by untreated mental health issues – is quietly draining productivity, and employers who treat wellbeing as an optional extra are paying the price, in claims and in lost talent.

"Mental health has become one of the most significant drivers of income protection claims, and the fastest growing," says Brice Salence Nunes, Head of CVP Group Assurance at Old Mutual Corporate. "And that changes everything when it comes to how we think about protection in the workplace."

That shift is not just statistical. It's conceptual. Mental health is challenging long-held definitions of disability, forcing employers and insurers alike to rethink what it means to be "unfit for work". "It underscores a reality we can no longer ignore; when the mind is unwell, so is the person," says Salence Nunes. "And that's exactly why integrated benefits are no longer a nice-to-have. Siloed approaches simply don't work when the risks – mental, physical and financial – are this connected."

A hidden crisis comes to light

Group risk benefits, which cover death, disability, and income protection, have historically been designed around clear, physical events, such as a heart attack, a car accident, or a life-altering diagnosis. But today, it's mental health that's driving costs and complexity. And the financial impact is staggering.

As shown in the graph, mental illness now accounts for over 16% of group income protection claims, up from just over 10% in 2015. More than 65% of these claims are due to major depressive disorder, according to Old Mutual's latest claims data.

> WHEN YOU ALIGN STRUCTURE WITH STRATEGY, GROUP RISK BECOMES A TOOL FOR EMPOWERMENT, NOT JUST PROTECTION.

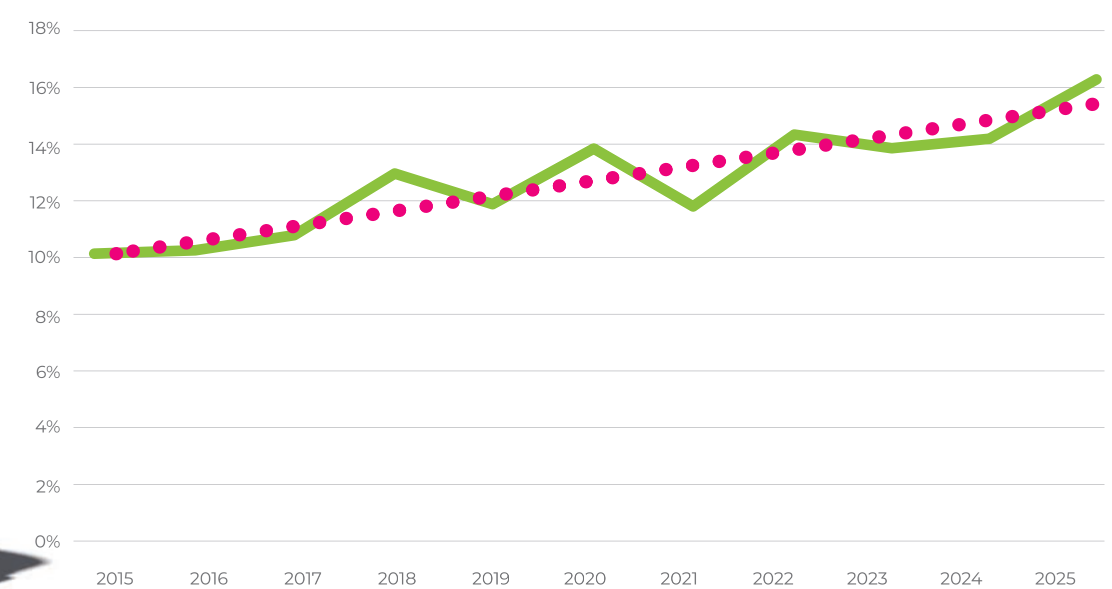
That's just the claims side. On the ground, the business impact adds up fast. A 2024 survey by the South African Depression and Anxiety Group (SADAG) found that employees with depression take an average of 18 days of sick leave per year. Globally, depressive disorders now account for more Disability-adjusted Life Years (DALYs) than HIV/Aids and are on track to surpass tuberculosis. DALYs reflect the number of healthy years lost to illness, disability, or early death, with far-reaching consequences for individuals, insurers, and the economy.

"This rising risk has direct financial implications," says Salence Nunes. "The more healthy years lost to poor mental health, the higher the claims burden for insurers, and the more employees face reduced time in the workforce, reduce retirement savings, and greater financial insecurity."

According to the Geneva Association, mental health-related disability claims now cost insurers more than $15 billion a year globally. In South Africa, unaddressed mental health in the workplace is estimated to cost the economy R19 billion annually. "This isn't just a healthcare problem," says Salence Nunes. "It's a systemic risk that affects productivity, increased claims, and workforce stability."

THE RISING MENTAL HEALTH CURVE

PROPORTION OF MENTAL HEALTH SUBMITTED CLAIMS (GIP)



Why prevention must replace payouts

In most organisations, group risk still operates on a delayed trigger. The benefit only kicks in once a formal claim is made. But by then, it's often too late. This reactive model does little to address the slow build-up of stress, fatigue, or undiagnosed mental health conditions that quietly erode capacity long before a claim is filed.

"Waiting for claims to materialise is no longer viable," says Suzette Müller, Corporate Consultant at Old Mutual Corporate Consultants. "We're dealing with conditions that require earlier intervention, multidisciplinary support, and more integrated approaches to employee wellbeing."

At the same time, the need for more comprehensive and flexible benefits is growing. As the workforce becomes more fluid, remote, and fragmented, traditional one-size-fits-all models are increasingly out of step with how people live and work today. Without redesign, the cost of inaction will only escalate – in claims, talent loss, and long-term financial insecurity for employees.

The business case for proactive and flexible wellbeing

Fortunately, the solution isn't just about spending more – it's about spending smarter. Organisations that invest early in employee wellbeing are seeing results. "The literature shows that integrated wellbeing strategies not only support employees, but also drive down costs, improve retention, and create lasting business value," says Müller. "Progressive employers are discovering that proactive mental health support generates measurable returns."

Research shows:

- Employers implementing structured return-to-work programmes saw a 73% reduction in lost-time claims, a 54% decrease in Workers' Compensation costs, and a 61% drop in medical-only claims, according to a 2023 analysis by McGriff Risk Services, citing Johns Hopkins University research.
- According to Mercer, companies that foster a strong culture of health by embedding wellbeing into their employee value proposition (EVP) experience employee turnover rates that are 11 percentage points lower than those of their peers.
- A 2024 meta-analysis by Wellhub found that 95% of companies tracking ROI from wellbeing programmes reported a positive return, with 56% reporting a 2:1 ROI.

Reducing claims costs also creates financial headroom, allowing employers to reinvest in enhanced retirement contributions or expanded benefits. "Providing protections like critical incident cover strengthens support during periods of crisis and sets employers apart in a competitive hiring environment," says Müller. "This can give employers a meaningful edge in attracting and retaining talent, while supporting employees through life's most disruptive moments."

The benefits extend beyond employers. For insurers, proactive employers mean lower claims frequency and more accurate pricing. For trustees or management committees, integrated benefit models can help balance short-term protection with long-term retirement adequacy, which is a growing concern as benefit costs rise.

"When you design benefits that reflect how people actually live and work today, everyone wins," says Müller. "It's not about choosing between cost control and employee support. Done right, wellbeing becomes the mechanism for achieving both."

FROM STRATEGY TO PRACTICE: WHAT LEADING EMPLOYERS ARE DOING DIFFERENTLY

The employers already seeing returns – in reduced claims, improved retention, and stronger employee engagement – share a clear trait: they translated strategy into action. They didn't just talk about wellbeing. They built it into the core of their culture, benefits design, and day-to-day management.

Here's what they did differently, and what others can emulate:

1 Embedding wellbeing into the EVP
Employers are making mental, physical, and financial wellbeing central to their employee value proposition. Rather than treating wellbeing as an add-on, they position it as a strategic asset that supports engagement, loyalty, and performance.

2 Creating a culture of psychological safety
These employers go beyond benefits design to build environments that reduce stigma and encourage early help-seeking. They promote open dialogue about mental health, train leaders to recognise distress, and ensure that communication is consistent, clear, and supportive – across languages and platforms.

3 Introducing tiered benefit structures
One-size-fits-all is being replaced with layered models that adjust based on income levels, life stage, or family responsibilities. This ensures that employees receive support that fits their financial situation and personal priorities, such as increased risk cover for families or more savings flexibility for early-career staff.

4 Building flexibility with safeguards
Flexibility is paired with structure. Employers offer personalised options while protecting long-term outcomes with guided choices, smart defaults, and contribution thresholds. This allows employees to tailor benefits to their needs without compromising essentials like retirement savings or income protection.

5 Linking platforms and products for integration
Rather than managing risk, retirement, and healthcare in silos, forward-thinking employers integrate these into a seamless benefits ecosystem. This simplifies the experience for employees and allows employers to manage costs and outcomes more effectively.

Rethinking the role of group risk

Group risk is no longer just about insuring against unforeseen events. In an era of rising mental health claims, chronic illness, and financial insecurity, it has become a frontline tool for building workforce resilience. The challenge now is shifting from siloed claims payouts to integrated, preventive solutions, especially for conditions that develop gradually and invisibly, such as depression or burnout.

This requires a new kind of benefits architecture. One where group risk is embedded in a connected ecosystem that spans mental health and financial wellbeing, and where employees are not just covered, but supported to make informed, confident benefits decisions. That means offering meaningful choice in benefits, while also guiding employees through life-stage responsive defaults that protect long-term outcomes.

Employers and leadership teams play a vital role in unlocking this potential. Benefit structures must support innovation and integration, and hold providers to higher standards – not just in pricing, but in the quality of prevention, flexibility, and employee support they enable. "Flexibility without coherence leads to fragmentation," says Müller. "But when you align structure with strategy, group risk becomes a tool for empowerment, not just protection."

MENTAL HEALTH IS CHALLENGING LONG-HELD DEFINITIONS OF DISABILITY, FORCING EMPLOYERS AND INSURERS ALIKE TO RETHINK WHAT IT MEANS TO BE "UNFIT FOR WORK".

DECISION MAKERS SHOULD BE ASKING:

1. **Are our current group risk benefits aligned with emerging health and lifestyle trends?**
2. **Have we clearly modelled the trade-offs between short-term protection and long-term savings?**
3. **Do our communication efforts enable informed, confident benefit decisions, across all literacy levels?**
4. **Are we enabling innovation from providers or defaulting to outdated, inflexible structures?**
5. **Do we support early intervention strategies that reduce absence and improve return-to-work outcomes?**
6. **Is our benefit design flexible enough to meet diverse needs without compromising long-term security?**

"Leadership mandates matter", says Müller. "The decisions made today will shape how effectively funds protect employees, manage costs, and respond to tomorrow's workforce realities."

Why employers must rethink group risk

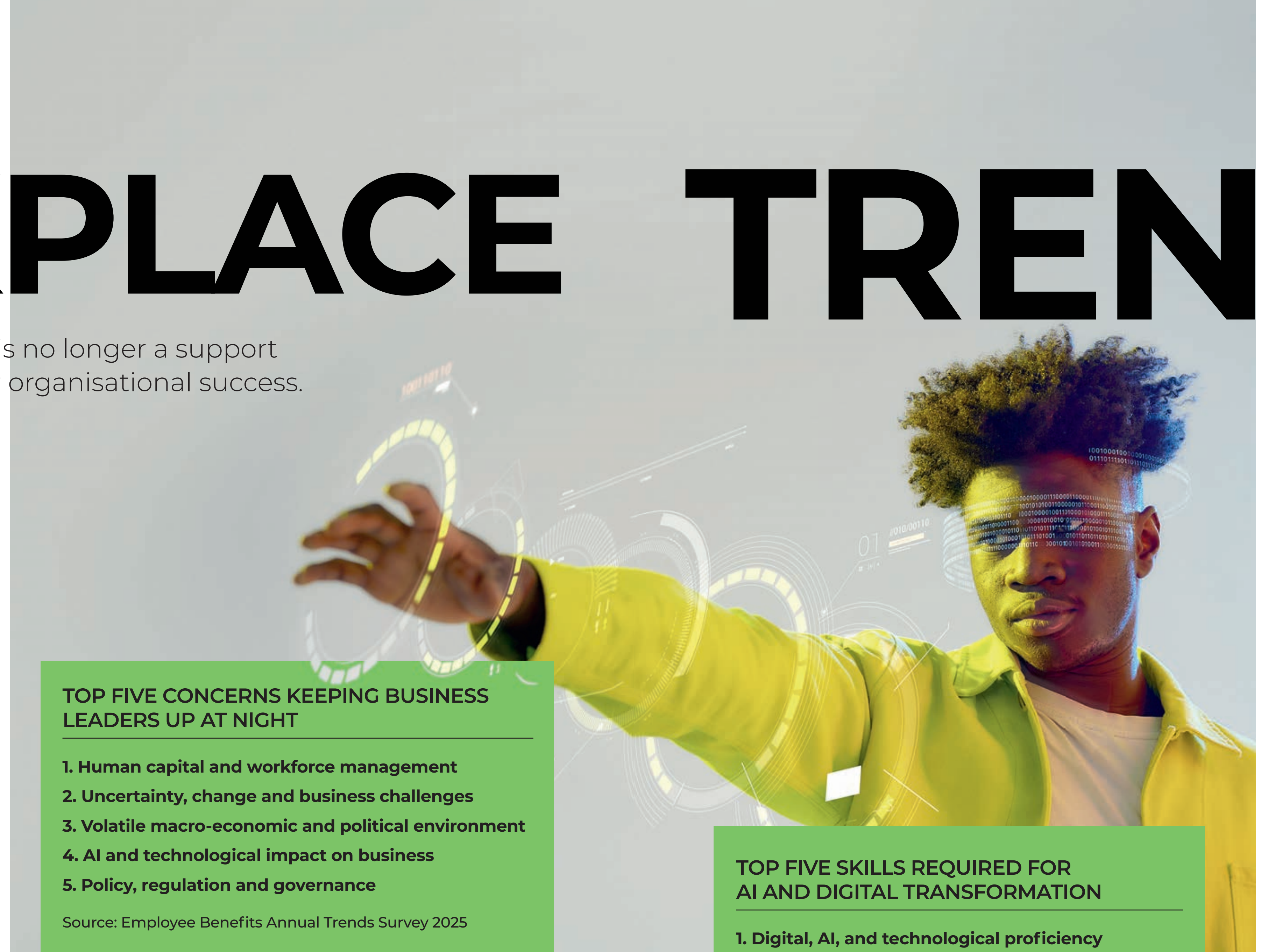
As risk trends evolve, employers and HR leaders have a critical role to play in shaping benefit strategies that are both sustainable and responsive. The rise in mental health and lifestyle-related claims, alongside flexible, fluid workforces, calls for governance that is strategic as well as compliant.

The way forward

For employers under pressure to manage costs, retain talent, and meet the needs of a changing workforce, one thing is clear: mental wellbeing is no longer a perk; it's the foundation of a sustainable group risk strategy. "Doing nothing is already costing more across claims, turnover, and productivity losses," concludes Salence Nunes. "But the opportunity is real. When group risk moves from reactive payout to proactive support, it becomes more than just insurance. It becomes a tool for resilience, retention, and long-term value."

EMERGING WORKPLACE TRENDS

Why talent management is no longer a support function, but a linchpin for organisational success.



The soldiers on the frontline of digital transformation in today's workplaces are, perhaps surprisingly, our talent managers and human resources professionals.

Across sectors and in businesses ranging from corporates to large SMMEs, leaders who participated in Old Mutual Corporate's recent survey on AI and its impact on the workplace made it clear: human capital and workplace management is the top concern keeping them up at night. In particular, they are finding it challenging to attract and retain staff, manage employees' evolving expectations, manage different generations in the workplace, address skills gaps, and ensure wellbeing.

Dalene Sechele, Executive: Corporate Engagement at Old Mutual Corporate, says this result is both expected and revealing. "In a world of accelerated change, talent management becomes the linchpin of organisational resilience and success," she says. "I always say that strategy will not fly off the page and execute itself; it requires talented, energised, and engaged people."

Although AI and technological disruption in itself is one of the top five concerns for business leaders, it is also a contributing factor to their other worries. One important reason for this, also highlighted by global institutions such as the World Economic Forum (WEF) in the Future of Jobs Report 2025, is the skills challenge that accompanies rapid technological change.

TOP FIVE CONCERNS KEEPING BUSINESS LEADERS UP AT NIGHT

1. **Human capital and workforce management**
2. **Uncertainty, change and business challenges**
3. **Volatile macro-economic and political environment**
4. **AI and technological impact on business**
5. **Policy, regulation and governance**

Source: Employee Benefits Annual Trends Survey 2025

The skills challenge

The skills challenge is not just around recruiting people with technical expertise. What is proving to be even more challenging is hiring for the skills that support those technical capabilities – the human skills that machines can't replicate.

These results echo global research showing that the rise of AI is increasing the need for human skills. For example, a 2023 study by the Organisation for Economic Cooperation and Development (OECD) on the impact of AI in the workplace, pointed to a need for a broad range of skills as AI becomes more pervasive within the economy. AI adoption does not require just AI expertise, but also skills in creative and social intelligence, reasoning skills and critical thinking.

Similarly, the Future of Jobs Report highlights the importance of a combination of cognitive, self-efficacy, and interpersonal skills. In today's world of work, it is critical to have an agile, innovative, and collaborative workforce, where problem-solving abilities and personal resilience are critical for success.

Dalene Sechele, Executive: Corporate Engagement

"Soft skills, like emotional intelligence, communication, and collaboration, are essential for managing change, leading diverse teams, and maintaining a human touch in increasingly automated environments," says Sechele. "

The data shows that communication, interpersonal skills, and professionalism are seen as gaps in younger generations. "However, this is not about generational blame; it is about evolving workplace norms. Younger employees are digital natives, often preferring asynchronous, informal communication. Bridging this gap requires mutual adaptation, not criticism. Organisations should foster intergenerational mentorship, where older employees share soft skills and institutional knowledge, while younger ones offer digital fluency and innovation," says Sechele.

How to answer the million-dollar question

Globally, employers appear to be addressing AI-related skills challenges primarily through training. Training the existing workforce, upskilling internal talent, and buying services from external companies were the most popular strategies of global firms, according to the OECD. Hiring new workers was a less common strategy.

TOP FIVE SKILLS REQUIRED FOR AI AND DIGITAL TRANSFORMATION

1. **Digital, AI, and technological proficiency**
2. **Analytical and critical thinking**
3. **Implementation of AI and digital tools**
4. **Soft skills and human-centric attributes**
5. **Strategic and innovation-orientated thinking**

Source: Employee Benefits Annual Trends Survey 2025

The WEF report reaffirms this, as reflected in the fact that despite current uncertainty around the long-term impact of generative AI, the expected pace of disruption of skills has begun to stabilise. Employers expect 39% of workers' core skills to change by 2030. While this is still a high pace of change, it is down from 44% in 2023. According to the report, the growing focus on continuous learning, upskilling and reskilling programmes contributes to this stabilisation, as it enables companies to better anticipate and manage future skills requirements.

Locally, an interesting finding in Old Mutual's survey points to an additional solution. One of the questions compared employers' optimism about the future of AI in the workplace with that of employees.

The data shows that employees are more excited about AI, while employers exhibit ambivalence. Sechele says possible explanations for employers' caution include concerns around data security, governance, and ethical use, as well as fear of job displacement, especially among older staff. Digital transformation can also be expensive, and leaders are concerned about choosing the right investments.

Younger generations, on the other hand, such as Millennials and Gen Z, see AI as an enabler of efficiency, creativity, and autonomy. Another reason for the positivity among employees of all ages is that they see it as a "career accelerator", freeing them from mundane tasks and allowing focus on strategic or meaningful work.

IN THIS NEW ERA, HR IS NO LONGER PART OF THE SUPPLY LINE. IT IS IN THE ROOM AND ON THE FRONTLINE, INFORMING THE BATTLE PLAN.

4 STRATEGIES

Based on these research outcomes, Sechele suggests four tangible strategies for South African businesses:

1. **Leverage employee enthusiasm by creating innovation hubs, AI idea challenges, and bottom-up feedback loops**
2. **Focus on both technical upskilling of existing employees and change management to reduce fear and resistance**
3. **Develop clear AI policies and vetting tools that will ensure ethical use while empowering experimentation**
4. **Ensure that C-level leaders understand the impact of technology on the business and its people in order to harness its full potential.**

But, perhaps more important, says Sechele, is not to have an answer, but to be the voice that raises awareness and asks the right questions. "Covid represented a pivot for HR professionals. It gave HR a seat at the table because the leadership turned to human resources professionals and asked them to guide the companies' response. AI represents an opportunity for human resources to cement and secure their seat at the table," she says.

In this new era, HR is no longer part of the supply line. It is in the room and on the frontline, informing the battle plan.

SCENES FROM THE **FRONTLINES**

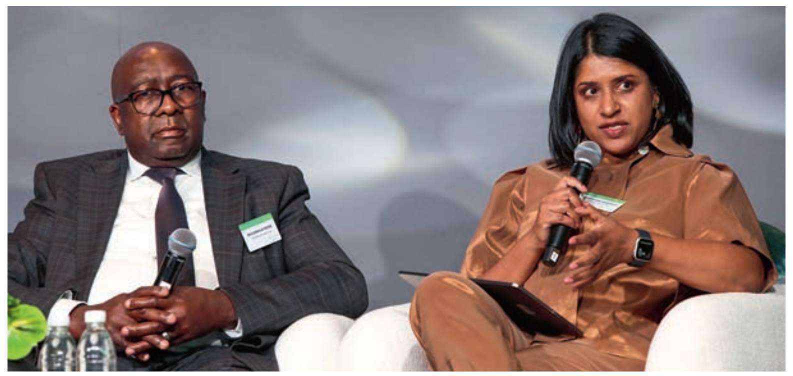
Snapshots of our thought-leadership events, where leading minds came together to explore the ideas and actions shaping the future of the industry.

WHERE **IDEAS** TOOK THE **STAGE**

The inaugural **Old Mutual Thought Leaders Forum** in 2024 brought together leading local and international experts and industry stakeholders to find solutions to the industry's most pressing challenges. Deputy Minister of Finance David Masondo set the scene in his opening remarks, paving the way to four panel discussions that delved into learnings from the best pension systems in the world, what employee benefits look like in a human-centred workplace, and future-fit retirement solutions. To close the day, a group of visionary leaders took the stage to reflect on the key takeaways of the day.

Collaborative spirit. Leaders at Old Mutual Corporate engaged with industry stakeholders to discuss how the lives of South Africans could be improved through better financial outcomes.

Offstage. Nhlanhla Nene and David Masondo, Deputy Minister of Finance, exchanged ideas.



Sharing perspectives. Nhlanhla Nene, Old Mutual SuperFund Chairman, and Prabashini Moodley, outgoing Managing Director of Old Mutual Corporate and current Old Mutual CEO: Life and Savings, discussed their views on ensuring better financial futures.

Influential. David Masondo, Deputy Minister of Finance, delivered the opening address.

Leading the future of work: Panellists discussed challenges of the new world of work, such as collaboration between different generations and new work arrangements, as well as the implications for employee benefits.

Putting ideas on the table. Humphrey Mkwebu, Acting Managing Director of Old Mutual Corporate, with Chris Axelson, Head: Tax and Financial Sector Policy at National Treasury, Olano Makhubela, Divisional Executive: Market Integrity and Decision Sciences at the FSCA, and Thembi Mazibuko, Chief People Officer at Pick n Pay. They discussed what South Africa could learn from other pension systems around the world.

AMONG **VISIONARIES**

Old Mutual hosted a cocktail event ahead of the 2024 **Institute of Retirement Funds Africa** conference. Our experts took the stage alongside Africa's leading retirement experts, contributing to insightful discussions on this edition's vital theme: Building a Socially Secure Future.

Building relationships. Our speakers from the cocktail event ahead of the Institute of Retirement Funds Africa conference.

Delivering better outcomes. Andrew Davison, Head of Linked Investments at Old Mutual Corporate, addressed the audience on the Two-Pot Retirement System.

On point. Edward Kiesetter, Commissioner at the South African Revenue Service (SARS), addresses the audience.

Impact. Hosted by Old Mutual Corporate outgoing MD Prabashini Moodley and EICN, the 2024 event theme was *Innovate, Elevate, Lead.*

Relevant topics. Guests discussed strategies for a more inclusive economy, driving growth and entrepreneurship.

IN GOOD **COMPANY**

Old Mutual Corporate and the Economist Intelligence Corporate Network (EICN) collaborated to create a four-part roundtable series where business leaders can discuss ideas to take South Africa forward.

Networking. Delegates exchanged valuable insights during the four-part series.

A call to action. The theme for first roundtable event in 2025 was *Complexity: Thriving in an Uncertain World.*

Critical discussions. The evolving role of AI in South Africa was among the topics of discussion.

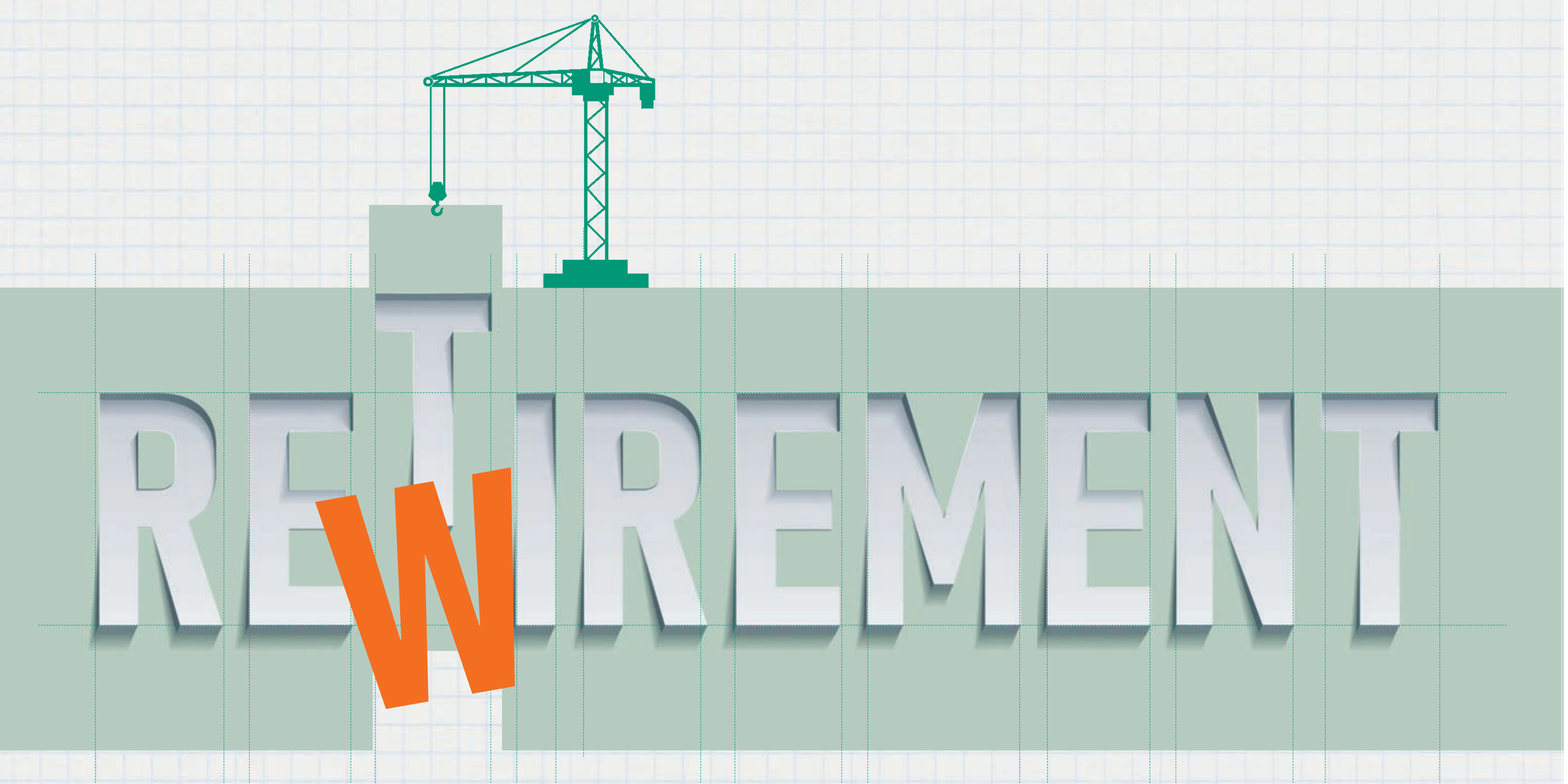
The role of leaders. Guests also discussed future-proofing organisations with strong senior teams.

HOSTING **LEADERS**

Old Mutual Corporate, along with **Old Mutual Investment Group** and **Old Mutual Alternative Investments,** co-hosted a Cocktail Conversations stakeholder engagement ahead of the **2025 Batseta Winter Conference.**

Ferial Haffajee, renowned journalist, author and associate editor at the *Daily Maverick*, delivered a compelling keynote on the state of local politics and skilfully unpacked the case for optimism in SA's future.

Nhlanhla Nene (middle), Chairman of the Old Mutual SuperFund Board and formerly the Minister of Finance, gave insight into the drive to stimulate improved retirement outcomes.



RECONSTRUCTING RETIREMENT

The time has come to abandon the outdated notion of retirement as a static event marked by decline and, instead, embrace a dynamic transition filled with possibility, purpose and lifelong contribution, writes Prabashini Moodley, Old Mutual CEO: Life and Savings.

> THE TRADITIONAL RETIREMENT MODEL – WORK FOR 40 YEARS, RETIRE AT 65, THEN QUIETLY FADE INTO THE BACKGROUND – WAS DESIGNED FOR A DIFFERENT ERA.

At the heart of every policy proposal, reform effort, and employee benefit recommendation in this edition lies our passion for the individuals whose lives we are ultimately impacting: hard-working South Africans. Every day, they are working not just to secure a dignified retirement for the future, but to provide for their families today. It's for them that we advocate for further improvements to our policy environment, and it's for them that we call on all stakeholders to use every lever at their disposal to improve long-term outcomes.

But as we strengthen our system, we are mindful that retirement is more than just a financial milestone. It's a deeply personal life transition. Along with the change in how people spend their time, there are changes in how they see themselves, their purpose, and their place in the world.

The traditional retirement model – work for 40 years, retire at 65, then quietly fade into the background – was designed for a different era. Today's reality is very different: people are living longer, staying healthier, and craving meaning that extends far beyond the boundaries of formal employment.

This calls for a fundamental shift in how we think about the stages of our lives. The question is not just about how long we might stay in formal employment, but about how we find meaning and purpose – while also securing our financial future. It is not simply about delaying retirement, but about reimagining it entirely.

The financial imperative

The numbers tell a stark story. Old Mutual Corporate numbers show that many South Africans haven't been able to save enough to fund retirements that may last 25 to 30 years. This is not due to a lack of will, but is a reflection of economic realities: inter-generational dependencies, interrupted careers, informal employment, caregiving responsibilities, low wages, access to savings vehicles, and historically low preservation rates. The result is a growing risk of financial vulnerability that affects not only individuals, but also households, communities, and the broader economy.

Simply put, most South Africans cannot afford to retire at 65. Many will realistically need to work for another decade or more to achieve basic financial security. But rather than viewing this as a burden, we should see it as an opportunity to redefine what productive ageing looks like.

The longevity revolution

South Africa is experiencing its own version of the global longevity revolution. According to Statistics South Africa, approximately five million South Africans were over 60 in 2022 – about 9% of our population. By 2050, this figure is expected to reach 16%. While not on the scale of Europe's ageing population, we're witnessing demographic change that demands new thinking about how we structure our later years.

The International Monetary Fund notes that many people reaching 70 today are healthier than 53-year-olds were several decades ago. The focus is no longer only on how long we live, but also on how well we live – with the capacity for continued contribution well beyond traditional retirement ages.

A psychological shift is therefore required, and not only because recent research has shown that as many as one in four people suffers from depression when entering retirement, largely due to a lack of preparation. The psychological transition from productive contributor to passive recipient can be devastating for those whose identities have been deeply tied to their work.

But we also need to shift our thinking from the way retirement has long been regarded – as a time in the future when we can finally do what we want to do. Because attitudes towards retirement are shifting.

A newly commissioned study by Old Mutual Corporate, for example, revealed that there are some interesting generational differences in retirement expectations. While Baby Boomers continue to aim for retirement between 63 and 65, many express regret over missed

Prabashini Moodley, Old Mutual CEO: Life and Savings.

opportunities and feel unprepared. Generation X shows similar financial anxiety, citing lack of employer guidance. Millennials desire earlier retirement, but face the reality of financial constraints, while Generation Z optimistically plans for early retirement despite uncertain economic conditions.

Across all generations, anxiety persists about whether savings will be sufficient. This reinforces findings from a 2018 study published in the South African Actuarial Journal showing that 82% of employees are willing to work beyond official retirement age, if necessary, especially as retirement savings fall short and living costs rise.

Global perspectives on extended working lives

South Africa isn't alone in grappling with these challenges. The OECD reports that approximately 60% of member countries plan to raise statutory retirement ages, directly linking this trend to longer life expectancy and pension system sustainability.

There's another age consideration too: a persistent concern that extended working lives mean older workers crowd out opportunities for youth – particularly relevant given South Africa's alarmingly high youth unemployment figures.

However, international evidence consistently challenges this assumption. The World Bank's comprehensive analysis shows a clear trend: countries that support employment for older workers also tend to see stronger youth employment.

The new world of work creates opportunities

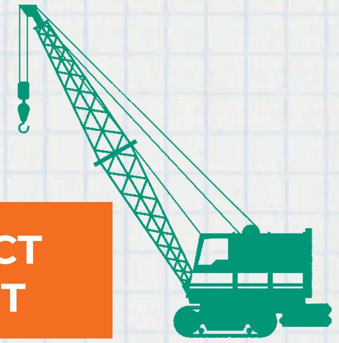
The evolving nature of work itself creates unprecedented opportunities for extended careers. Skills shortages across multiple sectors mean experienced workers are increasingly valuable. Flexible work arrangements, accelerated by Covid-19, now allow for gradual transitions rather than abrupt endings to productive working life.

Our research shows that 50% of South Africans under 60 expect to work into retirement, reflecting a growing cultural shift towards rewirement. This isn't just about financial necessity – it's about finding purpose and maintaining engagement in later life.

In South Africa, active participation in the economy and society can take many forms beyond traditional employment. It might mean starting a small business in a local community, mentoring young people, pursuing flexible or portfolio work, or contributing to national priorities like education, healthcare, and public service.

These forms of engagement are critical to South Africa's economic recovery and long-term resilience. As outlined in Prof Adrian Saville's economic roadmap for SA (page 10), education and healthcare are key pillars for national growth, deeply linked to productivity, human capital, and inclusive development. When South Africans participate in these areas by supporting schools, volunteering in clinics, or engaging in public programmes, they're contributing to the economic engine of the country.

This broader view of participation recognises that the evolving world of work doesn't just reshape individual careers – it can reshape the nation. Enabling this kind of contribution at scale strengthens communities, drives job creation, and supports the structural transformation South Africa needs to unlock meaningful, sustainable growth.



THE REAL IMPACT OF REWIREMENT

Rewirement has the potential to drive lasting, wide-ranging benefits for individuals and the country as a whole. These include:

Financial resilience:
Active participation in society, whether through continued work, entrepreneurship, trade, or public and community service, is one of the most powerful enablers of better personal outcomes. Earning an income for longer, in any form, helps individuals build assets, grow savings, and sustain themselves without drawing too early on retirement funds. Real impact lies in designing systems that reflect South Africa's realities, in supporting diverse and meaningful ways for people to remain engaged in the economy and contribute to society across all life stages."

Purpose and identity:
Work provides more than income; it offers structure, social connection, and identity. Rewirement acknowledges that these needs don't disappear at 65. It creates pathways for continued contribution through flexible employment, consulting, mentoring, or community engagement.

National impact:
Rewirement supports three of South Africa's most urgent economic priorities, as noted by Prof Adrian Saville: building a stronger savings and investment culture, enabling job-creating growth, and fostering effective public participation in the economy. When individuals remain active – through work, enterprise, or service – they earn for longer, reduce early drawdowns, and contribute meaningfully to household resilience and national productivity. With the right systems in place, these efforts scale into national impact. Retirement funds can serve as investment engines, channelling long-term capital into infrastructure, renewable energy, and inclusive development – as demonstrated by Australia's superannuation system, which has become a powerful driver of national growth.

60%

THE NUMBER OF OECD MEMBER COUNTRIES THAT PLAN TO RAISE STATUTORY RETIREMENT AGES

Source: Statistics SA

82%

PROPORTION OF SA EMPLOYEES WHO ARE WILLING TO WORK BEYOND OFFICIAL RETIREMENT AGE

Source: South African Actuarial Journal

REWIREMENT AND THE SUSTAINABLE DEVELOPMENT GOALS

Rewirement is also a catalyst for achieving the Sustainable Development Goals by rethinking how longer lives can contribute to economic, social, and environmental progress.

SDG 1 (no poverty) - By encouraging extended workforce participation, phased retirement, and public, social and economic engagement beyond traditional retirement age, rewirement reduces the risk of long-term financial insecurity and supports household resilience.

SDG 8 (decent work and economic growth) Skilled, experienced individuals are economically active, driving productivity and enabling knowledge transfer across generations.

SDG 3 (good health and wellbeing) Staying active, engaged, and socially connected is increasingly recognised as vital to physical and psychological health.

SDG 10 (reduced inequality) Rewirement promotes inclusive retirement pathways that acknowledge the diverse realities of gender, income levels, informal work, and access to financial tools.

SDG 9 (industry, innovation and infrastructure) and SDG 13 (climate action) Perhaps most powerfully, rewirement positions retirement systems as agents of sustainable investment. By unlocking long-term savings as patient capital, rewirement enables critical funding for infrastructure development, affordable housing, clean energy, and climate resilience.

> WHEN INDIVIDUALS REMAIN ACTIVE – THROUGH WORK, ENTERPRISE, OR SERVICE – THEY EARN FOR LONGER, REDUCE EARLY DRAWDOWNS, AND CONTRIBUTE MEANINGFULLY TO HOUSEHOLD RESILIENCE AND NATIONAL PRODUCTIVITY.

Setting the intention

The possibilities are seemingly endless: some professionals transition to consulting roles, while others pursue entirely new second careers. Many choose flexible arrangements within their existing organisations, and some become entrepreneurs, finally pursuing business ideas they've been thinking about for years.

Still others engage in meaningful volunteer work, board positions, or community leadership roles. The common thread is the intentional choice to remain productive, engaged and contributing members of society.

So, how do we get there? Well, it requires a systemic change, with co-ordinated action across multiple fronts:

50%

PROPORTION OF SOUTH AFRICANS UNDER 60 WHO EXPECT TO WORK INTO RETIREMENT

Source: Statistics SA

> REAL IMPACT LIES IN DESIGNING SYSTEMS THAT REFLECT SOUTH AFRICA'S REALITIES, IN SUPPORTING DIVERSE AND MEANINGFUL WAYS FOR PEOPLE TO REMAIN ENGAGED IN THE ECONOMY AND CONTRIBUTE TO SOCIETY ACROSS ALL LIFE STAGES.

NEXT STEPS

Courageous policy: Bold reforms must support improvement in member outcomes and experience, and design incentives for longer participation in the economy. Policies should be adaptive, inclusive, and grounded in the lived realities of our people. Reforms cannot simply be replicated; they must be re-imagined for our collective future, improving coverage, promoting preservation, and enhancing adequacy.

Industry innovation: Retirement funds must evolve from passive custodians to active life partners. This includes disrupting outdated models, and continuously pushing boundaries in the systems, tools, advice and services that support rewirement journeys.

Cultural change: We must challenge our own poor savings behaviour and ageist mindsets that define older people as obsolete. Need and purpose do not retire. The blend of human and technological resources into the future will define a new world of work and era of existence, and this design needs to support and include all parts and ages within our society.

Member-centricity: The real revolution lies in making the right decisions for the future of South Africans. Our members are telling us what they want and need. They want meaning, value, and options. They need an income for life. We must build for them.

9%

PROPORTION OF SA POPULATION OVER THE AGE OF 60 IN 2022

16%

PROPORTION OF SA POPULATION PROJECTED TO BE OVER THE AGE OF 60 IN 2050

A vision for the future

The conversation about rewirement is, ultimately, about recognising human potential at every age. It's about creating systems that honour contribution beyond traditional boundaries and ensure that longer lives lead not to longer dependency, but to shared prosperity.

The evidence is clear that productive participation in the economy and society benefits individuals, families, and society. The question isn't whether or not we should embrace rewirement, but how quickly we can build the infrastructure to support it.

For policymakers, this represents an opportunity to create sustainable economic and social protection systems. For employers, it's a chance to harness experience and wisdom while addressing skills shortages. For individuals, it's the promise of financial security paired with continued purpose.

As we stand at this crossroads, we have a choice: cling to an outdated model that serves neither our demographics nor our economy, or embrace rewirement as a pathway to a more resilient, inclusive future. The time for that choice is now, because the future of retirement isn't just about working longer; it's about living better.


THE OLD MUTUAL
THOUGHT
LEADERS
Forum 2025
GRAND VITARA
LIVE THE LEGACY
OLDMUTUAL
CORPORATE