

OLD MUTUAL

TWO-POT

RETIREMENT SYSTEM

Implementation In South Africa: A Gendered Lens

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Presented by:



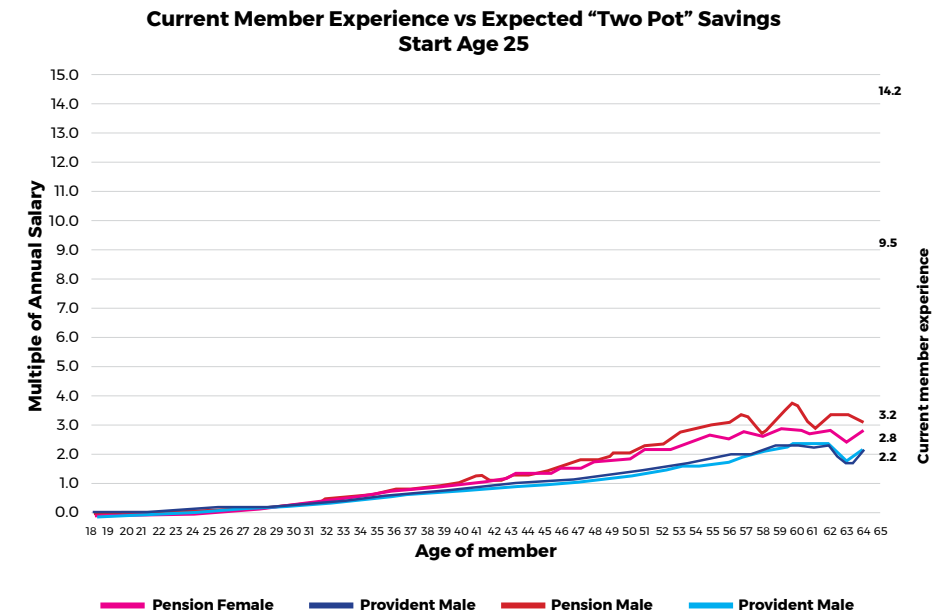
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Overview, Purpose, and Objectives



To ensure equitable outcomes means recognising that treating everyone the same does not always result in equal outcomes.

Gender Disparities and Cultural Factors: South African Context



Source: Research from Old Mutual Corporate Consultants | September 2023



Currently women in provident funds experience the worst outcomes on retirement, having saved 2.2 times their annual salary for retirement. Industry professionals suggest a target of 10 times for a reasonably comfortable retirement.

Gender Disparities and Culture Factors: A Universal Experience



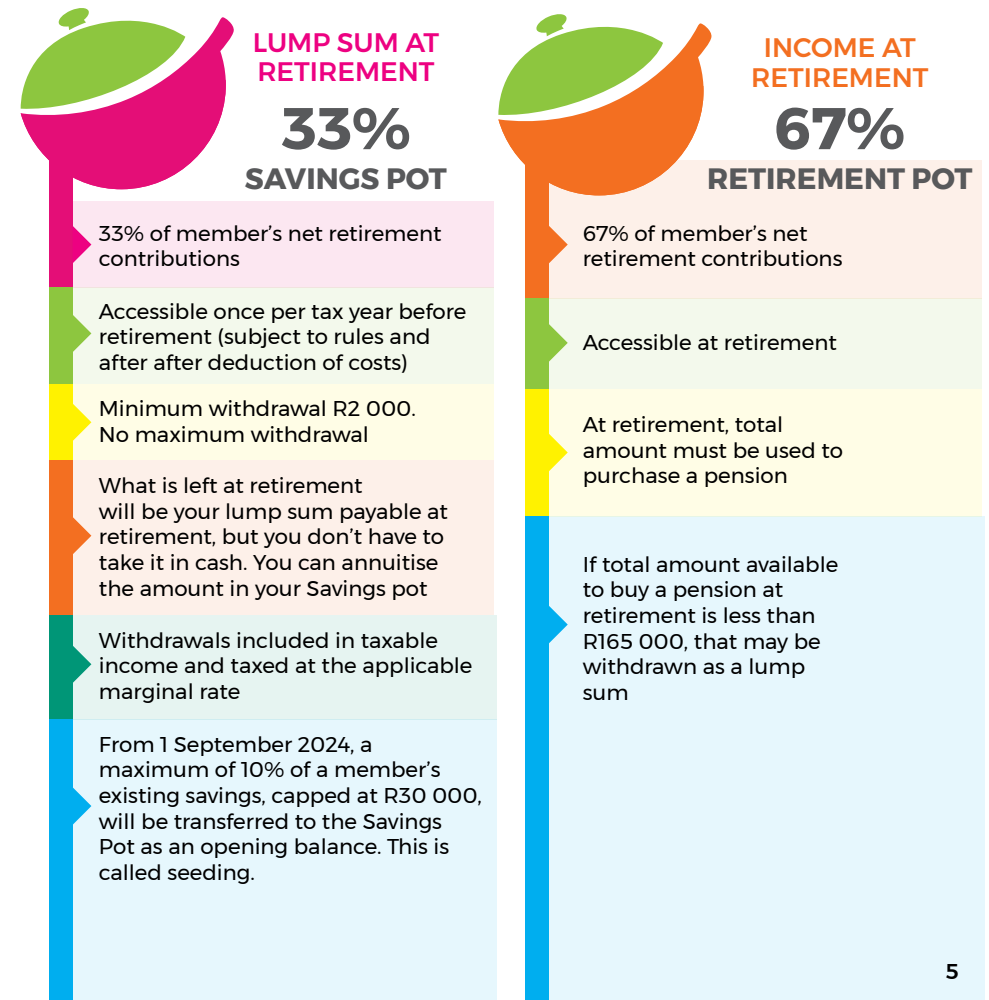
Based on research looking at the behaviour economics between women and men, women are more likely to use money to support their family and children than men in a financial emergency.

Source: Australian Institute of Family Studies. (2021). Towards COVID Normal: The Early Release of Superannuation, through a Family Lens. Retrieved from https://aifs.gov.au/sites/default/files/publication-documents/2108_6_fias_superannuation_0.pdf

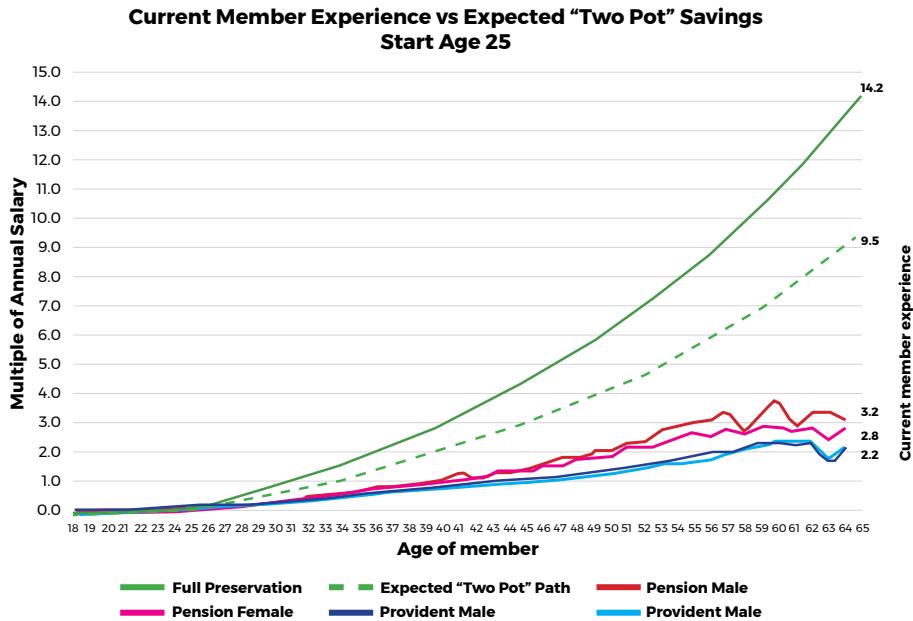
Unpacking the Two-Pot System in South Africa

HOW IT WILL WORK

Members' retirement contributions will be allocated to two "pots" from 1 September 2024.



The Two-Pot System and The Expected Outcome



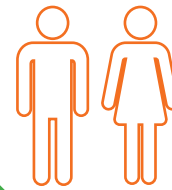
From the graph above, we can see that **retirement outcomes in a "two pot" world are expected to be up to 2-3 times better than in the current retirement system.** Also supporting the previous analysis, the effect of the retirement reform is exponentially better for younger members, with more service years until retirement.

Source: Research from Old Mutual Corporate Consultants | September 2023



Data-driven analysis suggests that the Two-Pot system could enable workers who start saving at age 25 and continue to work for 40 years to amass retirement savings 1-2 times greater than those accumulated under the old system through an occupational retirement fund.

Reality Check: It's Not An Equal Playing Field For South African Women



Female pay in South Africa generally lags Male pay by 18% (top decile) and 25% at the bottom decile.




Only 58.5% of companies pay employees who are on maternity leave their full salary and benefits.



Female pay in South Africa generally lags male pay on average 21,5% while only 58,5% of companies pay full maternity benefits to women on parental leave according to the 2024 April Remchannel Salary and Wage Survey.

Employer Strategies: Creating an EVP for Workers

 **Financial**


- Competitive pay
- Retirement savings
- Financial education
- Financial support (incl. through loans)
- Earned wage/salary access
- Retrenchment cover

 **Physical**

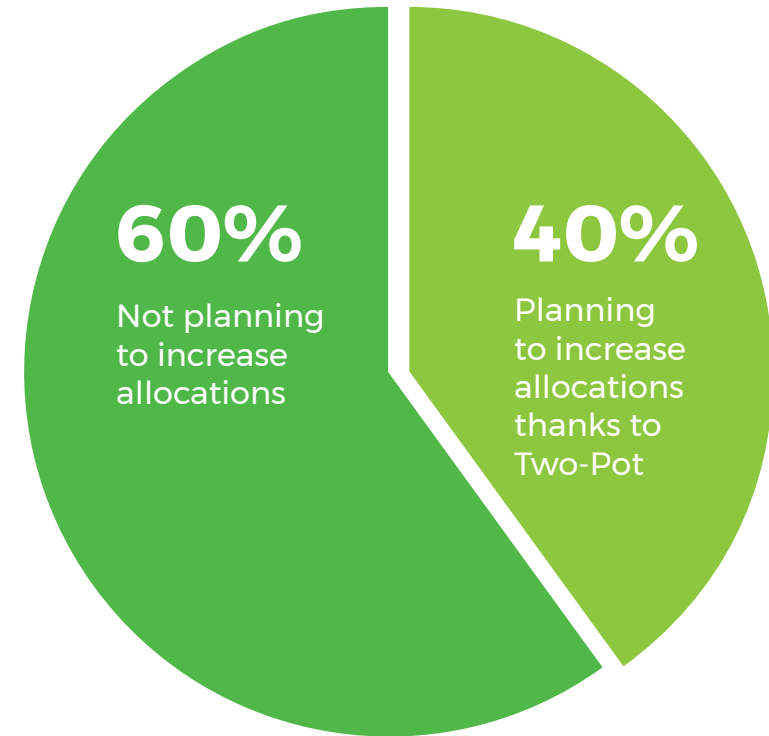
- Health insurance
- Gap cover
- Short-term insurance


 **Emotional**

- Hybrid-work/productivity enablement
- Flexible work arrangements.
- Well-being support.
- Fully paid maternity and parental leave.
- Various categories of additional unpaid leave
- Recognition

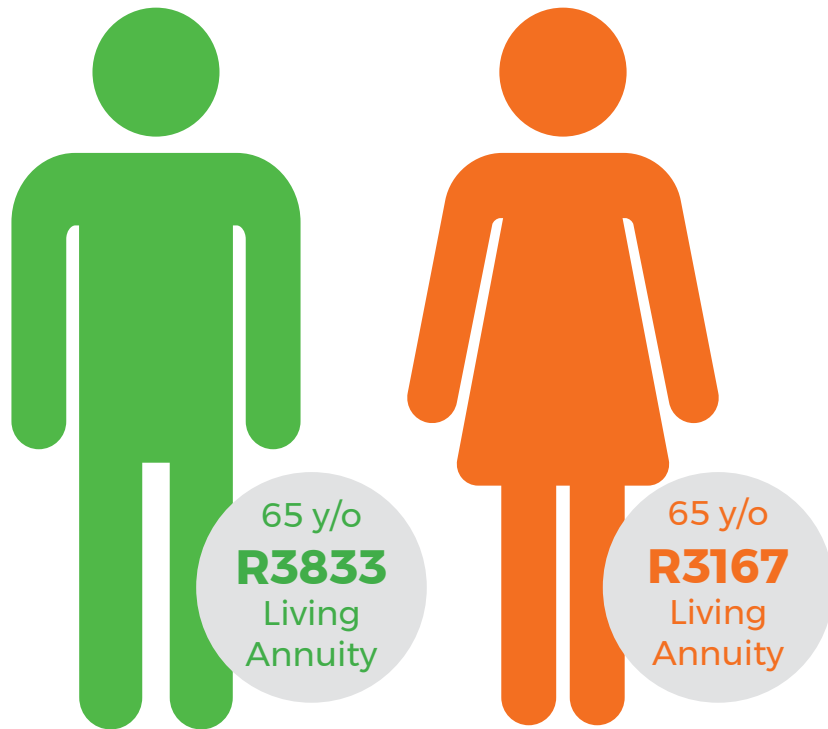
 The recent Remchannel Salary and Benefits surveys showed a trend where employers, unable to sustain high salary increases, are being innovative in their offering of a holistic EVP across the financial, physical, and emotional wellbeing aspects to attract, engage, and retain talent, especially skilled females.

Employer Strategies: Approach for Trustees and Principal Officers



 Research by Old Mutual reveals that 40% of members plan to increase their allocations to their retirement fund after September 2024, thanks to the new Two-Pot system.

Employer Strategies: Approach for Trustees and Principal Officers



Even with equal savings, women need more money at retirement than men to achieve the same financial stability, as a 65-year-old male with one million rand can buy R3833 a month, while a female of the same age can only buy R3167 a month. (These figures are based on a living annuity)

Source: Old Mutual Annuity Research Mar 2024

Recommendations

1. Educate employees on the Two-Pot System
2. Apply a gender lens to companies EVP
3. Find other options to improve liquidity and avoiding cashing in retirement savings
4. Relook retirement contributions and investment strategy of funds
5. Promote fair pay and gender equality at your organisation



Presenters



Samantha Jagdessi, Head of Strategy, Old Mutual Corporate Consultants. A highly skilled corporate strategist, adept at value creation and providing strategic direction to multiple facets of business. Broad expertise in the new frontier practice of sustainability and employee benefits. Responsible for thought leadership, driving strategic partnerships and setting best practice advice models for Old Mutual Corporate Consultants.

About Old Mutual Corporate Consultants:

Old Mutual Corporate Consultants is a division of Old Mutual that provides comprehensive employee benefits consulting services. They offer expert advice on retirement fund management, group insurance, health and wellness benefits, and investment strategies. Their services are designed to help organisations attract, retain, and reward employees by developing tailored benefit solutions that meet regulatory requirements and support employees' financial well-being. Old Mutual Corporate Consultants leverages extensive industry knowledge to deliver insights and solutions that enhance the value of employee benefits programs.



Michelle Acton, Retirement Reform Executive and Chief Customer Officer at Old Mutual Corporate. Michelle plays a pivotal role in advancing retirement reform initiatives, including the implementation of the Two-Pot Retirement System.

Michelle is instrumental in ensuring that Old Mutual's strategies align with the latest regulatory requirements and industry best practices, so enhancing the retirement security of South Africans. Her expertise and leadership have been crucial in preparing for the upcoming changes in the retirement landscape.



Lindiwe Sebesho, Managing Director of Remchannel, South Africa's leading total reward management business. As an accomplished Master Reward Specialist, she leads Remchannel's mission of enabling organisations across various industries, to attract and retain top talent through credible insights and advice on remuneration, benefits, as well as short and long term incentive schemes.

About Remchannel

Remchannel (Pty) Limited - a member of the Old Mutual Group - is a cutting-edge reward management consultancy that gives employers the tools to create a defensible reward strategy. Remchannel provides businesses with invaluable intelligence, including extensive market-related remuneration, reward and employee benefits information as well as expert-led reward consulting services by experienced remuneration experts.



<https://www.oldmutual.co.za/corporate/our-capabilities/remchannel/>



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