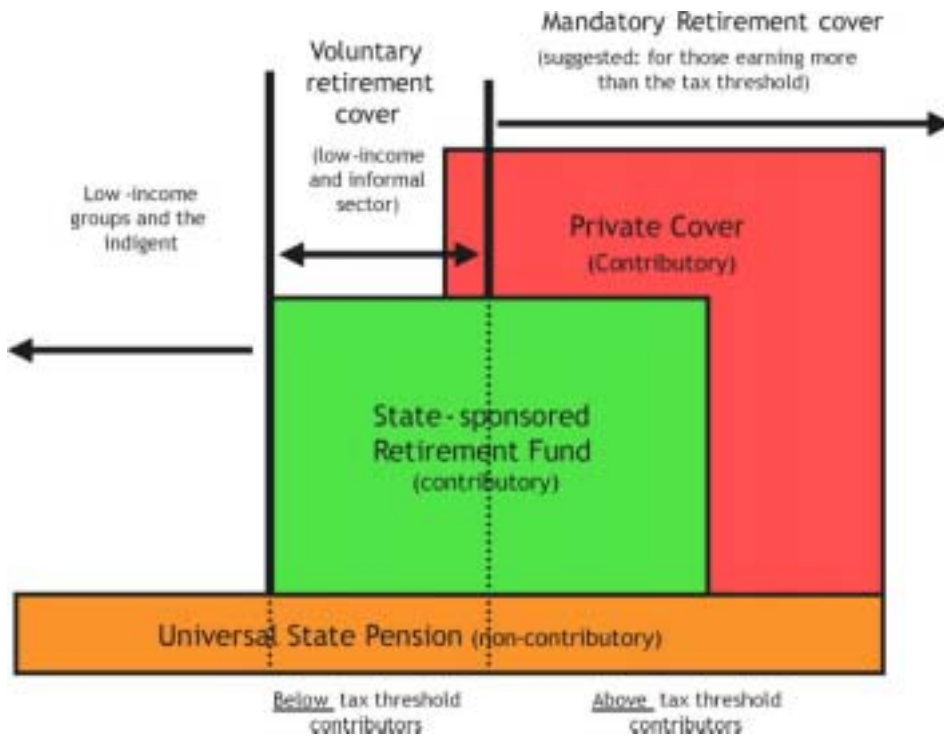


**Figure 16**  
**Proposed strategic framework for retirement provision in South Africa.**



funds should be eliminated. All retirement funds should have the characteristics set out below.

## 9.2.1 Compulsion and preservation

### 9.2.1.1 Minimum mandatory contributions

In line with the discussion in section 3.6, the Committee recommends that all people employed in the formal sector (including all casual and part-time workers) be required to contribute a prescribed minimum percentage of their income for retirement saving. (In line with life cycle needs, this could be redirected to repay a housing bond if they are under the age of 40.) An exemption could also be given where the monthly contributions are so low that administrative costs exceed say 25 per cent of the contributions.

The Committee believes that the South African Revenue Service (SARS) should be able to identify non-contributors, and recommends that an appropriate enforcement mechanism be instituted to ensure that all employers contribute to an approved retirement fund. Provision should be made to take action against employers who fail to comply.

### 9.2.1.2 Compulsory preservation and unemployment

Compulsory contributions will not have the

desired effect if members continue to withdraw their benefits when changing jobs. There is however, a need to make the funds available if the member becomes unemployed.

The Committee recommends that retirement funds' rules be amended so that benefits may be transferred on a member's withdrawal to their new employer's fund, or a retirement fund of the member's choice, if the member remains in employment in the formal sector. If no longer employed in the formal sector monthly payments a monthly amount, no greater than 60 per cent of income before becoming unemployed, should be payable – once the member is no longer entitled to further UIF benefits.

### 9.2.1.3 Annuitisation and inflation

The Committee recommends that all approved retirement funds be required, in their rules, to provide pensions that are intended to compensate for future inflation, and able to adapt to future changes in the rate. The rules must provide a specific mechanism for deciding on pension increases: either a formula or the use of a disinterested arbitrator. Up to one third of the value of the pension could be commuted for a lump sum.

### 9.2.1.4 Compulsory survivors' and disability cover

The Committee recommends that survivor's and