

Changes to the industry

Change happens very slowly, then very quickly

Dawie de Villiers, Chief Executive Officer of Alexander Forbes Group Holdings, discusses shifts in the South African retirement-funding landscape over the past decade-and-a-half.

The Japanese have a construct that ripples across their various art forms, from the theatrical to the martial. It can crudely be summed up as “slow, then fast”, which describes a movement that begins with circumspection and rapidly accelerates beyond a certain point in its trajectory.

This pacing aptly describes the South African retirement-funding landscape in the time since *Today's Trustee* was founded, given the considered pace of reform that transitioned into swift adoption and implementation. The shifts noted below are some of the key interventions over this period that have changed, and will continue to change, the course of outcomes for members, with trustees bearing the responsibility to make decisions that have far-reaching impacts:

► **Default regulations**

The default regulations represented the most significant opportunity over the course of the past 16 years for fund trustees to apply themselves to shift outcomes for their members. They presented the ability for trustees to set their members up for success by directly addressing investments, preservation and annuity strategies, with the intent of leveraging the institutional scale and access to

sophisticated consulting expertise, to positively impact on the lives of the majority of members. They also introduced the requirement of retirement benefits counselling, which ultimately supports members in making informed decisions about their retirement savings and benefit options. It was regulation that considered the member's journey through their career into retirement, and expanded the scope of trustees' responsibilities through this journey.

► **Individualisation of institutional retirement funds**

Retirement funds have traditionally been far removed from the specific needs of individual members, with structures and decisions being taken by trustees to apply rigidly to the whole. Over the past 16 years, though, this dynamic has changed, with members being empowered by choice to construct their respective retirement-funding journeys in a manner that best suits their circumstances and goals. Whether via flexibility offered in contribution rates, group risk benefits or investment portfolio choice, the spectrum now available to members is greater than ever before. An outcome of this range of choice is the need to better



De Villiers . . . change happens

connect members with their benefits, their options and the consequences, as well as the longer-term impact, of their decisions.

As such, member engagement has emerged as a discipline in its own right, and has taken various forms, ranging from financial literacy training and retirement benefits counselling to financial advice, in order to empower the individual to make appropriate decisions.

► **The rise and rise of umbrella funds**

The dramatic consolidation of standalone retirement funds into umbrella fund structures has gathered pace over the past decade, due to the convergence of multiple factors, including greater competition, resulting in better value for members and an increased regulatory burden on trustees. Trustees have to consider whether they are best equipped to optimise outcomes for their members, or whether members are best served by placing this responsibility with a trusted and capable umbrella fund, which takes a high degree of maturity

and conviction. Trustees of such funds have an amplified impact on members, given the significant scale of a number of leading umbrella funds, and the professionalisation of the trustee body in South Africa is therefore an enabler of better outcomes across this growing segment.

► **Simplification of retirement-funding structures**

Members are largely disconnected from their retirement funds, partially due to the complexity of the legal vehicles traditionally on offer, among other factors. The simplification of the vehicles via the harmonisation of pension and provident funds, on both the tax treatment of contributions and the annuitisation requirement, has standardised what members can expect of retirement funds and allowed for further consolidation. This makes it easier for most members to comprehend their structures, and they are therefore more empowered to act rationally, rather than being confused into apathy by complexity.

The body of work within *Today's Trustee* reflects the flow of our industry's contribution to people's lives, which often goes unseen for decades, but becomes very real, very rapidly, at some point in the distant future. It is exactly at that point that the individual member benefits from the decisions made over the course of decades by informed, engaged and empowered trustees. This is the calling that *Today's Trustee* has answered since 2005, and the need for its voice to resonate today and into tomorrow has never been greater.

On a personal note, I wish to acknowledge Allan's steadfast commitment to doing the right thing, and for using the public platform he created via *Today's Trustee* to promote good governance and call out bad behaviour. His intent of empowering trustees to make better decisions, by providing access to information, insight and opinion, lives on in the impact that he has made on the lives of the people that knew him, but, and probably more important to him, on the lives of retirement-fund members who would never have heard of him, but benefited nonetheless from his life's work. ■