

Dear Sirs,

Suggestions re RETIREMENT FUND REFORM a discussion paper

- 1 Thank you for a clear exposition on the difficulties faced with the revolution in the Employment and Retirement arenas since the 1956 Act. The suggestions that follow are posed as questions in the interests of brevity and an attempt to avoid sermonising.
- 2 Isn't the purpose of Retirement Funding to enable "Income Spreading" where income earned during one's working life is received over the one's whole life?
- 3 How have the needs of the individual changed from those provided for by a 'Employer for Life' Defined Benefit Fund ? [Periods of self-employment and unemployment need to be provided for?]
- 4 Could your National Retirement Fund :-
 - a) Serve as an alternative to commercial offerings using its economies of scale to contain their admin and management rates?
 - b) Include an Annuity facility avoiding the leakage/brokerage at retirement?
 - c) Be presented as a pre-tax fund. What difference is there to a low earner who having paid no tax in their working life is even less likely to pay tax during retirement?
 - d) As Mzansi Bank accounts, be franchised to commercial organisations who would compete transparently and have low-cost transfer of members between themselves?
 - e) Use technology to make comprehensive and comprehensible information available at an individual account level- with a right of appeal.
 - f) Effectively as a Supra- Employer provide for the lifetime needs of the individual albeit without itself taking on the investment risk. With the long term investment of 'Income Spreading', where monies are accumulated during 40 years and paid out over say the next 25, are not the booms and busts of the markets smoothed out?
- 5 In the Employer's Defined Benefit Fund the ultimate control and responsibility rested on the company. The Trustees role was protected and an amateur approach could be supported. With the current legalistic and complex environment naïve Trustees are in good faith exposing themselves to risks beyond their understanding. Is it not necessary to create 2 levels of Governance - Professional Trustees and Member Representatives who have a watching brief with a right of appeal to the Adjudicator?
- 6 The idea of paying Trustees is valid - where they are employed and released for service by an Employer should not the fee be paid to their Employer?
- 7 In regulating the auditing of a fund can it be specified that there is included the detailed audit of a statistically representative sample of individual accounts? After all is not the accurate servicing of Individuals the prime purpose of the fund?
- 8 Where interest is to be paid to a member (annex 3 3.13.2) should it not be net of retirement fund tax?

Yours Sincerely

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