

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 43 [NW47E]
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43. Dr D T George (DA) to ask the Minister of Finance:

Whether, with regard to pension reform, (a) investment fees and (b) administration fees on compulsory contributions to pension savings will be capped; if not, what is the position in this regard; if so, what are the relevant details? NW47E

REPLY

No, they have not been capped for good reason, given the complexity and potential unintended consequences arising from such measures. As you may be aware, Government has been totally committed to bringing down charges in the retirement industry to maximise benefits for members of such funds, as can be seen from the government policy paper titled Charges in South African Retirement Funds published in 2013. The paper found that the layering of many fees and costs, which were also opaque for certain products, was driving the high charges, and therefore clearly unfair to members of retirement funds since they were reducing their savings significantly by up to 40% over a lifetime in one scenario presented in that paper.

It is also recognised that structural reform issues were also driving costs, with too many funds (nearly 4 500), many of which only had small memberships and were not economical – hence the focus on consolidation, widening coverage and strengthening preservation to drive costs down. The recent December 2021 papers give further effect to these reforms. The proposed reforms are in line with best international practices than direct measures like caps, which have limitations and could have perverse outcomes. Different countries are taking different approaches to regulating the fee structure of retirement fund providers.