



ACTUARIAL  
 SOCIETY  
OF SOUTH AFRICA

QUANTIFYING RISK, ENABLING OPPORTUNITY

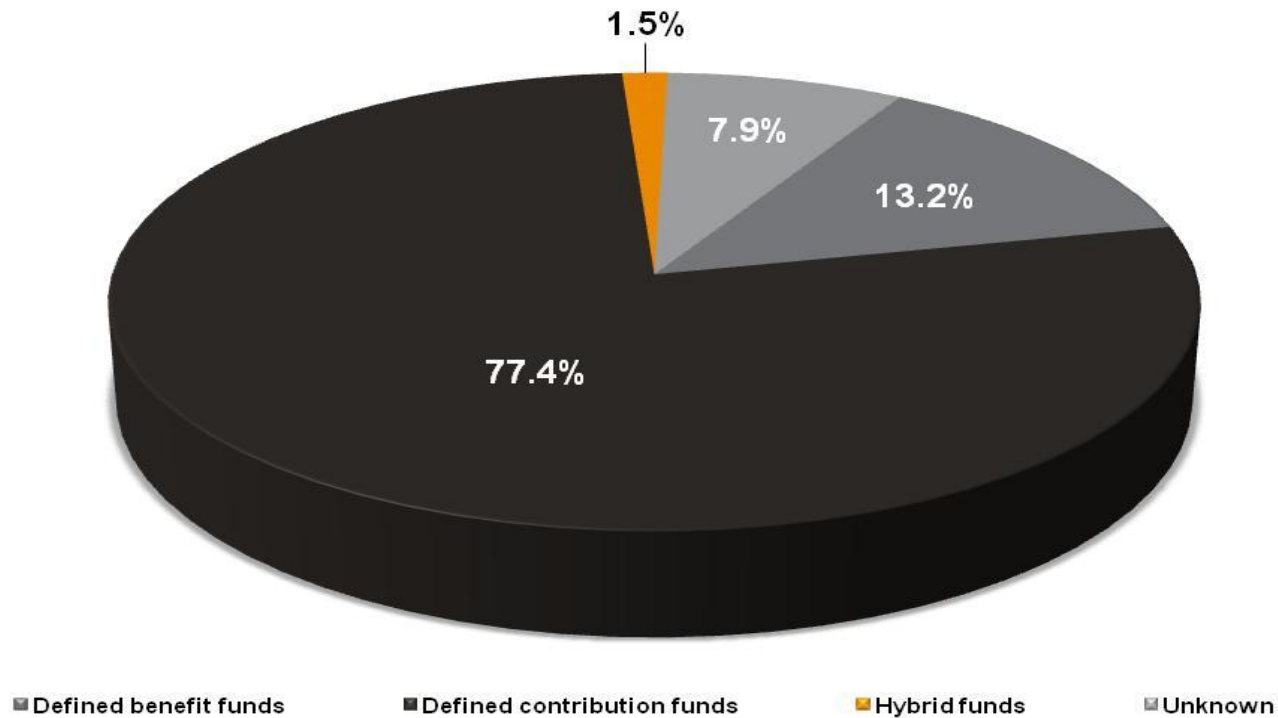
# Panel discussion : issues for actuaries working on DC schemes to consider in a low return environment...

John Anderson

David Knee

Johan Geldenhuis

## Benefit structures of SA Retirement Funds



**NOTES:**

These figures are based on information received from the Financial Services Board.

Funds have been excluded if they were:

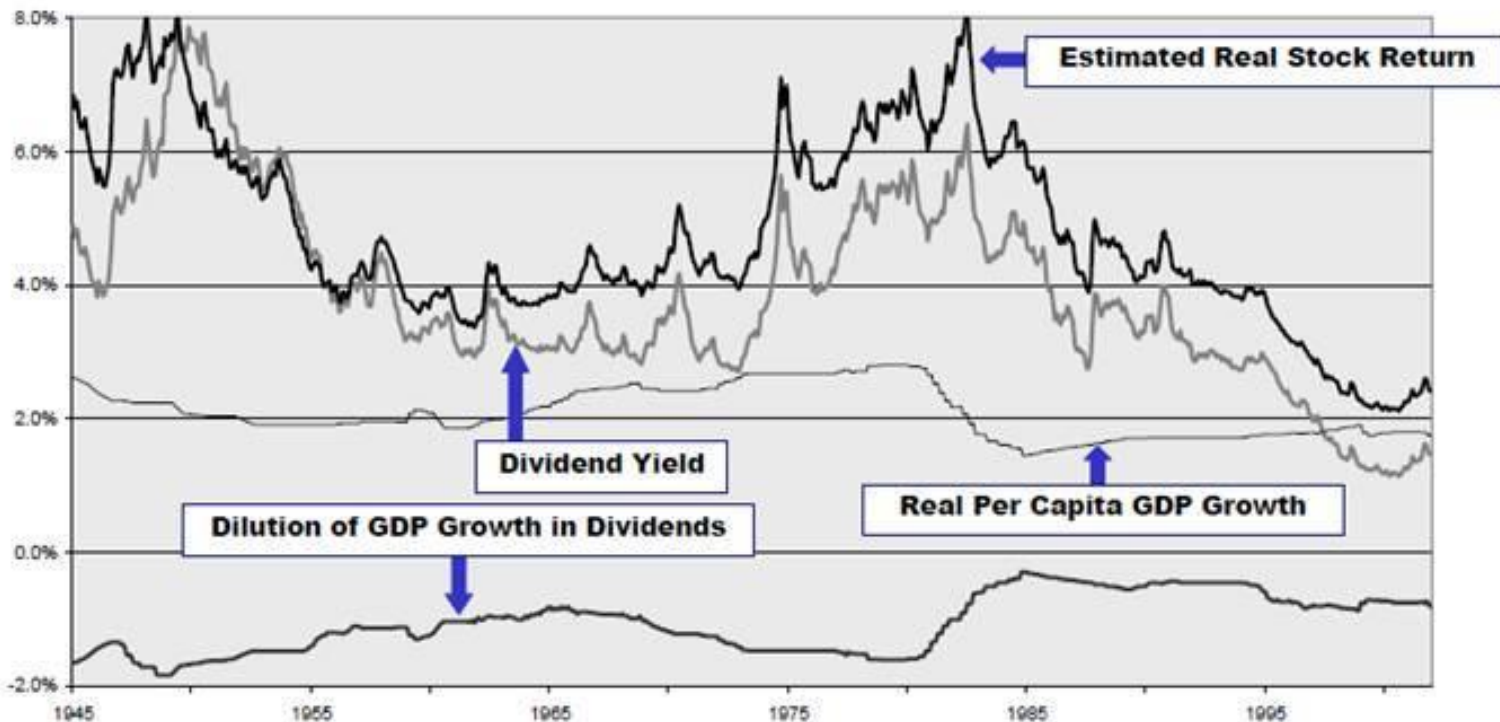
- i) pending transfers (either partial or full), or
- ii) liquidated (either finalised or still in the process of liquidating), or
- iii) had a cancelled registration (irrespective of reason thereof), or
- iv) are under curatorship.

# GENERAL DECLINE IN REAL YIELDS...



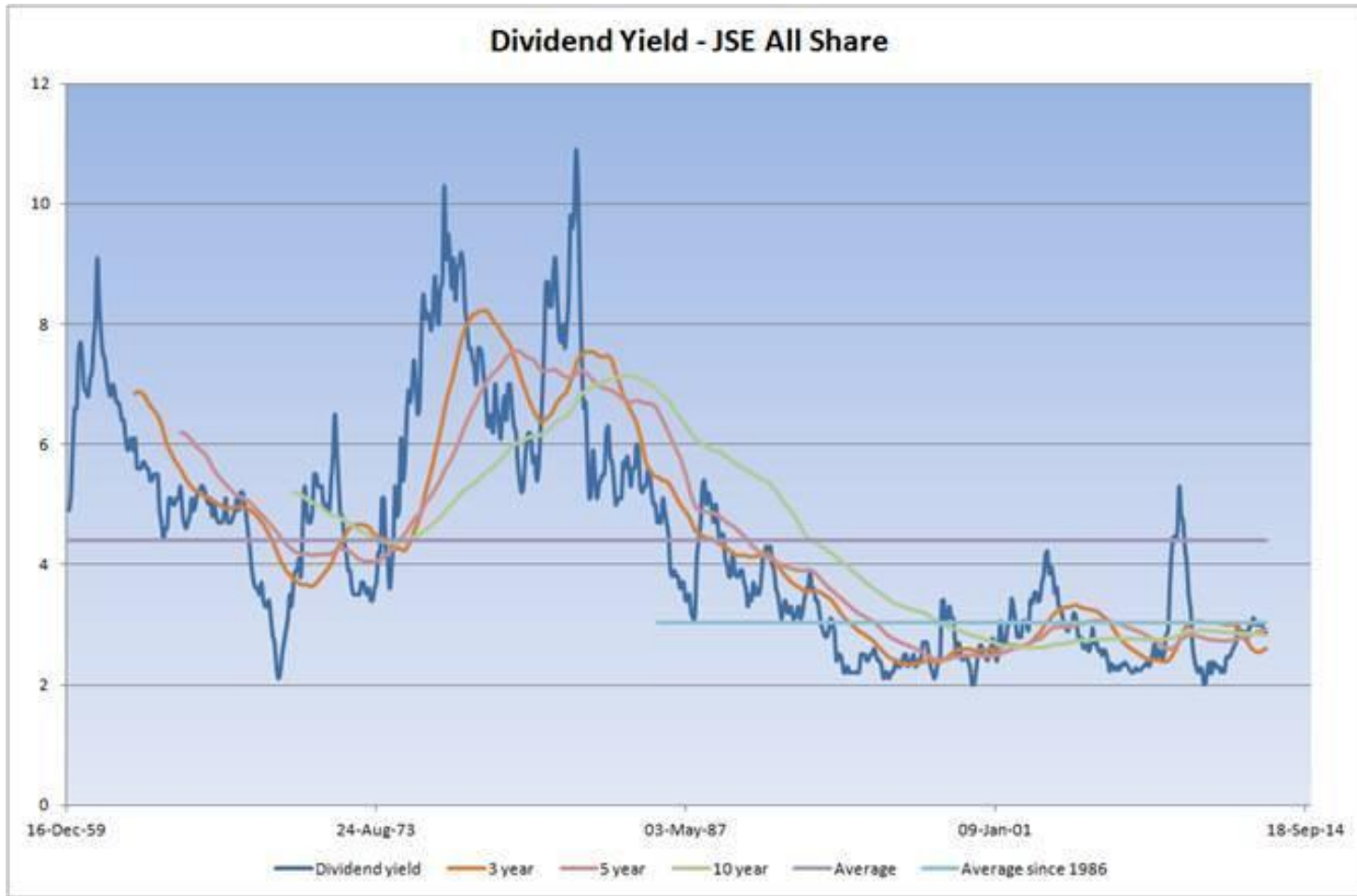
# WHAT ABOUT RETURNS ON EQUITIES?

**Exhibit 2b. Estimating Real Stock Returns, 1945-2001**  
**Real Stock Return = Dividend Yield + Per Capita GDP Growth - Dividend/GDP Dilution**

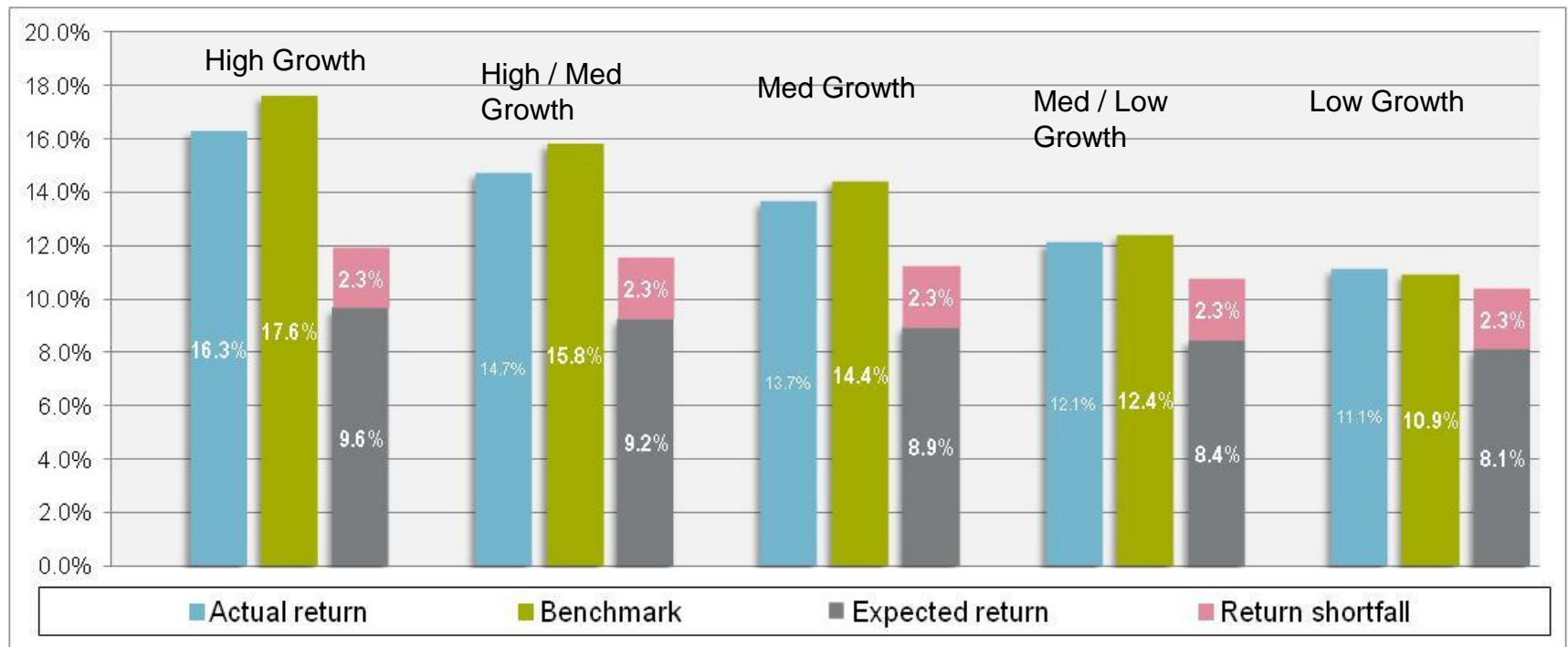


Source : *What risk premium is “normal”?* Arnott & Bernstein

# WHAT ABOUT RETURNS ON EQUITIES?



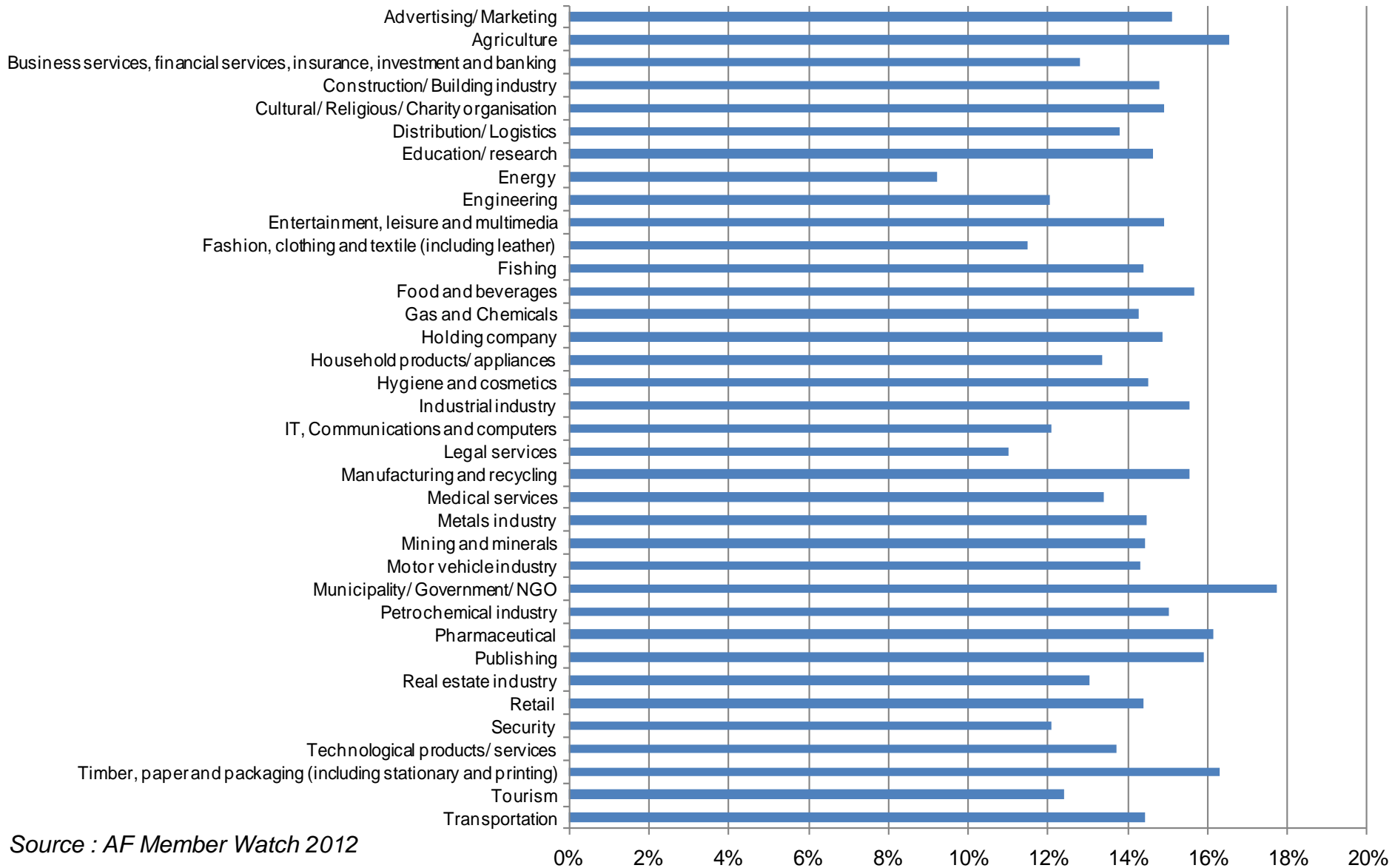
# GENERAL SHORTFALL OF RETURNS TO ACHIEVE RR OF 75%



Source : sample of historical returns to 30 June 2013 for lifestage portfolios

# Are current contributions towards retirement enough?

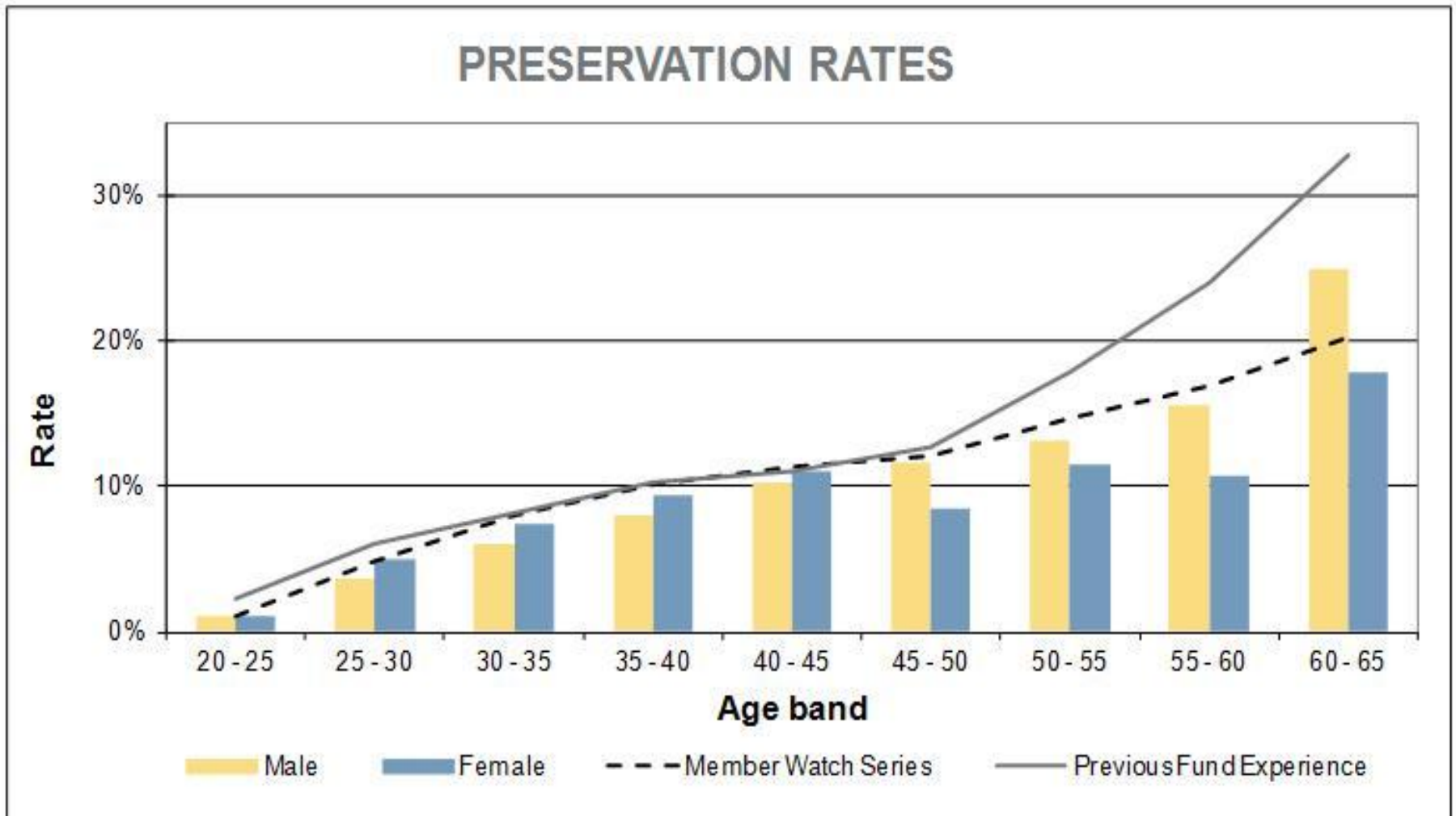
## Contribution rate towards retirement benefits: average per industry



Source : AF Member Watch 2012



# Preservation rates not improving...



## Increased longevity

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- Average life expectancy (age) post retirement for a person retiring at age 60 & 65:

	Life Expectancy (average age reached)			
	60		65	
	Male	Female	Male	Female
Lower income	19	22	15	20
Higher income	22	27	18	22

Source : Calculations based on Alexander Forbes Houseview assumptions

# Issues for the Actuarial profession?

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- What does this mean in terms of TCF?
- Actuarial guidelines / standards required for DC projections
  - Majority of schemes in SA are DC
  - Significant developments in the industry based on replacement ratios
    - Asset liability modelling
    - Construction of investment portfolios and expectations
    - Projection statements
  - Yet, most guidance and regulations still only for DB