



*DESIGN AND DELIVERY OF ADEQUATE DC  
PENSIONS:  
CHALLENGES AND SOLUTIONS IN THE AFRICAN  
CONTINENT*

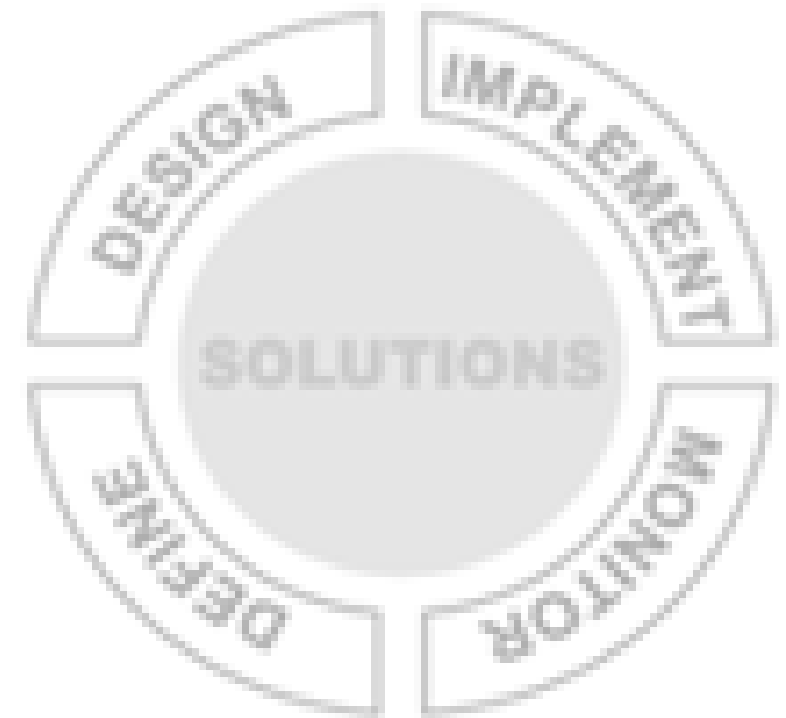
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18 OCTOBER 2023



# AGENDA

1. DC Pension Funds – Underlying Structural Issues
2. Africa Socio-Economic Dynamics
3. Capital Markets – African Weaknesses/Strengths?
4. Industry Design & Practice Issues
5. Solutions
6. Questions?



DC FUNDS – UNDERLYING  
STRUCTURAL ISSUES



# DC PENSION FUNDS – UNDERLYING STRUCTURAL ISSUES

- A legacy DB legal structure super-imposed on DCs;
  - *DBs aren't DCs*
  - *While the end objective is the same the path to getting there is totally different;*
  - *DCs can't deliver the same value at half the average costs of DBs.*
- Contributions: Whose money is it, and the **overly-adopted employer paternalism mindset?**
- Give power to members – **and let them vote with their fee**

# DC PENSION FUNDS – UNDERLYING STRUCTURAL ISSUES

- Trust structure – a company structure would deliver better results;
  - *More innovative, more cost-effective, more member-centric, competition will drive weaklings out, and likely less regulation;*
  - *Mistrust between employer and employee irrelevant.*
- Focus on Accumulation at Retirement as opposed to Income in Retirement;
- DC Funds never intended to be the primary platform for retirement savings.

AFRICA SOCIO-  
ECONOMIC DYNAMICS



# AFRICA SOCIO-ECONOMIC DYNAMICS

- Members totally disengaged, or overly engaged for the wrong reasons;
  - Immediate benefits considered more important (home/personal/emergency loans);
  - Behavioural bias that cannot attach value to benefits in the far distant future.
- Mostly only asset for most members and certainly only retirement savings arrangement for many;
- Absence of Pillar 0 and Pillar I social benefits;
- Voluntary arrangements – no compulsion for establishment of private occupational schemes;
- Absence of ret. savings regulatory framework for the highly inform

# CAPITAL MARKETS



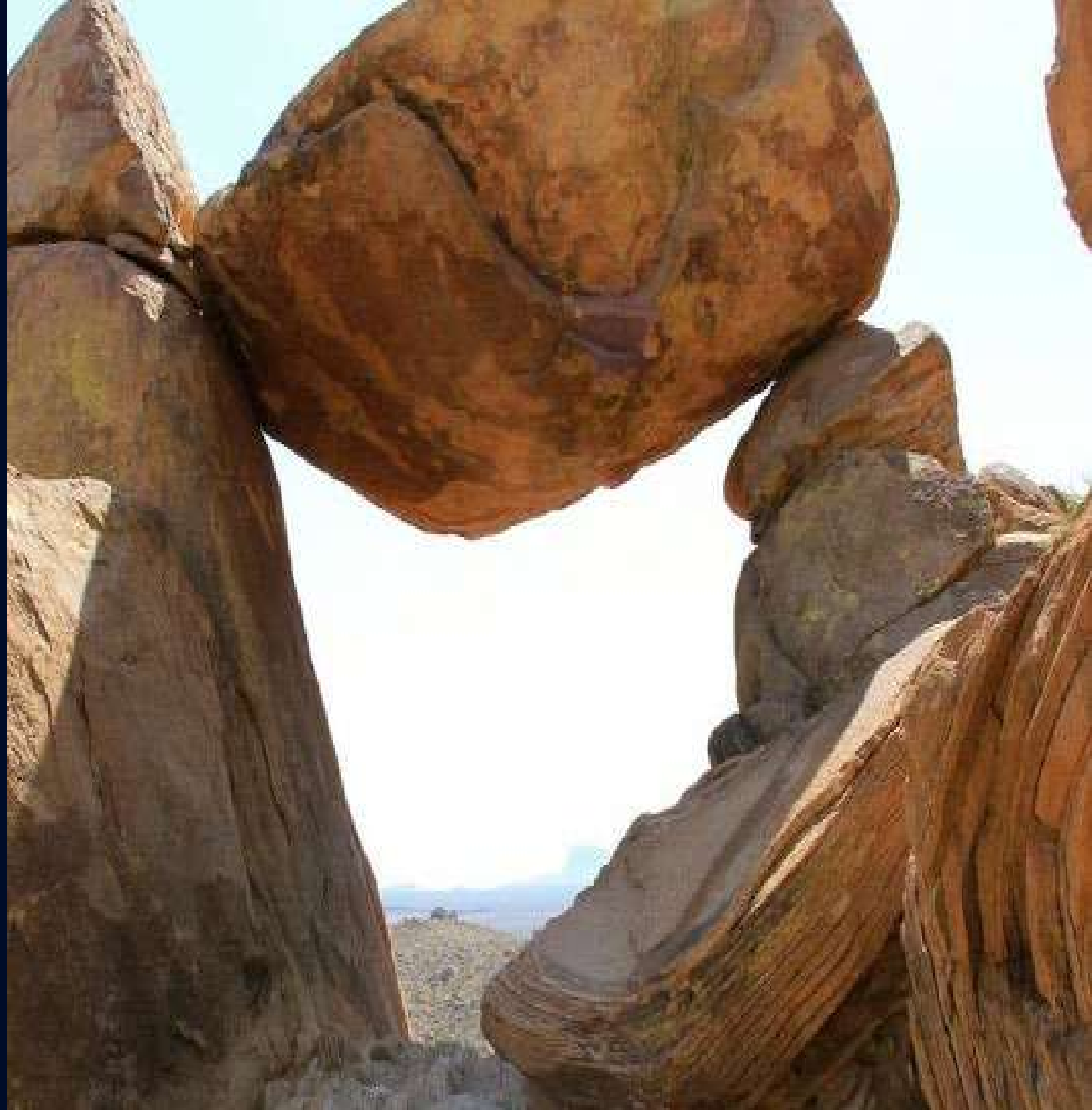
# AFRICAN CAPITAL MARKETS

- Lack of deep capital markets;
  - *A curse or a blessing though?*
- Can the traditional listed equities, bonds, and property continue to be trusted with delivering the required performance?
  - *How should the new 40/60 split look like?*
- Ramping up allocation to alternatives?
  - *Required regulatory changes;*
  - *Developing the ecosystem in the private capital space.*

# AFRICAN CAPITAL MARKETS

- Politics continue to lead economics;
- Inflationary environment, high unemployment, and high and volatile exchange rates, but
  - *Real problems for Africa are just foreign currency related;*
- Industry sitting on mounds of dry powder but failing to deploy for turning the fortunes of Africa;
- Industry strategic in economic turn-around for Africa
  - *It just needs the right leadership and an enabling regulatory e*

INDUSTRY DESIGN  
AND PRACTICES



# INDUSTRY DESIGN AND PRACTICE ISSUES

- Heavily fragmented industry;
  - *Way too many funds – big and small,*
  - *Too many different service providers in the value chain.*
- Key decision makers not directly motivated to act in the best interests of members;
  - *Trustee remuneration – a serious worthwhile consideration.*
- Need for Trustee intellectual empowerment;
- Commercialisation of knowledge by the industry practitioners a threat;
- Lack of meaningful innovation failure to adopt technology as an enable

# SOLUTIONS



# SOLUTIONS

- Regulation-enforced industry-wide consolidation into commercial/public/industry umbrella/super funds;
- Open up fund membership choice to the member and not centralise it via the employer;
- Consideration for compulsion of fund membership for the workforce to generate industry-wide economies of scale;
- Focus on mass-customisation and mass-distribution - leveraging on technology as an enabler;
- Repeal and replace trust-based laws with corporate-company-based laws (or something similar);
- Ramp up regulatory provisions for allocations to alternatives.

# INSPIRATION

*“No greater tragedy exists in modern civilisation than the aged, worn-out worker who, after a life of ceaseless effort and useful productivity, must look forward to his declining years to a poorhouse. A modern social consciousness demands a more human and efficient arrangement”, Franklin Roosevelt, 1939.*





THANK YOU!

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