VERBATIM

July 2026

ISSUE 129

LEGAL & INDUSTRY UPDATE – JULY 2026

In this publication we look at:

- The 2026 Sanlam Benchmark Survey

SOUTH AFRICA'S RETIREMENT SYSTEM IS IMPROVING, BUT MEMBER OUTCOMES STILL LAG

South Africa's retirement fund industry is more efficient, more regulated and more consolidated than it was two decades ago, yet the Sanlam Benchmark 2026 report shows that many members still reach retirement with too little savings and too little certainty about what comes next. The system has made real progress on fund governance, administration costs, default investment design and benefit structures, but those gains have not yet translated into consistently strong retirement outcomes for ordinary members.

The clearest warning sign is the income gap at retirement. The report says the average South African retires at age 65 with a replacement ratio of only 25%, well below the 75% benchmark generally regarded as necessary to maintain living standards in retirement. Only 44% of members say they are confident they will be able to maintain their standard of living once they retire, and confidence falls even further among members aged 55 and older. In that older age group, only 39% believe they are on track, while 30% say they are not and 31% are unsure.

This poor outcome is not a product failure. It is more often a timing and behaviour problem. The 2026 Benchmark Survey shows that retirement benefit counselling still happens far too late, with 80% of counselling in standalone funds and 86% in umbrella funds taking place only at retirement. Members themselves believe financial education should start far earlier, with the report pointing to age 35 as the preferred starting age. By the time many people receive support, key decisions on contribution levels, withdrawals and preservation have already worked against them.

Contribution patterns also help to explain the shortfall. In 2026, total average contribution rates sit at 17,44% of pensionable salary in standalone funds and 14,09% in umbrella funds. That is still not enough in many cases, particularly where members' pensionable salaries are lower than their full remuneration, or where insurance premiums and other deductions reduce the amount allocated to retirement savings. The report notes that many funds allow member-specific pensionable salary choices, which creates flexibility but also raises the risk of underinsurance and under saving.

One of the more encouraging findings is that administration fees and other fund costs have come down sharply over the past two decades. Average administration fees for standalone funds have fallen from about 1,2% of salary in 2006 to 0,45% in 2026, while umbrella fund fees have dropped from 1,63% to 0,25%. This is a significant gain for members because lower costs mean a greater share of every contribution can be invested for their retirement. In fact, the report shows that although the overall average umbrella fund contribution rates

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are lower than they were 20 years ago, the reduction in risk and administration costs has improved the effective portion going toward retirement provision.

The structure of the industry has also changed materially. In 2006, South Africa had more than 13 000 registered retirement funds, with 4 057 active funds. By March 2026, that had fallen to just over 4 000 registered funds, of which only 837 were active. Over the same period, total retirement fund assets grew from around R1,5 trillion to R5,8 trillion. The shift reflects an industry-wide move toward umbrella funds and fewer, better governed vehicles, in line with the Financial Sector Conduct Authority's push for stronger oversight and operational efficiency.

Investment design has improved too, especially since the 2017 default regulations required all funds to offer suitable default investment strategies. The dominant approach today is the lifestage model, used by 80% of standalone funds and 72% of umbrella funds. These strategies automatically reduce investment risk as members approach retirement, which is useful in theory because it helps protect those members near retirement from severe market shocks. But design alone is not enough. The report says about one in five respondents still do not know how their retirement savings are invested, which suggests that member engagement remains too shallow.

The same gap appears at retirement, especially in the conversion of capital into income. While trustee endorsed annuity strategies are now widely available, uptake remains low. Average take-up sits at only 26%, and one in five participating employers report zero uptake, while almost half cannot report uptake at all. Elsewhere in the report, the consumer and fund data show that only 54% of members are aware that their fund has a trustee-endorsed annuity strategy, and only 61% say they understand the annuity options available to them. In practice, this means many members still reach retirement without a clear grasp of how to convert savings into sustainable income.

That helps explain another disturbing finding: 48% of retirees choose to take their vested retirement savings as cash instead of using a structured retirement income solution. This happens even though 88% of surveyed consumers say their main goal in retirement is a secure, inflation-linked income for life. The mismatch points to a system where products may exist, but trust, understanding and decision support are still lacking. The report argues that financial advisers often have more influence than retirement benefit counsellors at the point of retirement, and where adviser recommendations do not support default pathways, members often abandon the trustee-endorsed option.

Risk benefits remain an important part of the employee benefits proposition, and the Survey shows that these have broadly held up well. Death cover remains fairly stable at around three times annual salary in both standalone and umbrella arrangements. Funeral cover has expanded materially, rising to 70% in standalone funds and 78% in umbrella funds, reflecting its cultural and financial importance in the South African market. Critical illness cover has also grown, increasing from 5% in 2006 to 20% in standalone funds and 36% in umbrella funds in 2026.

The report also highlights the pressure that short term financial stress places on long term retirement planning. Among members who took cash from a withdrawal benefit, 52% used it to settle debt, 37% used it for major purchases and 34% used it for everyday living costs. Only 32% preserved or invested the money. The two-pot system has introduced useful flexibility, but the 2026 Survey warns that it may also increase fragmentation, with members building up multiple preserved pots across employers and providers over time. Smaller, scattered balances are more vulnerable to fee erosion and can make long term retirement planning more difficult.

The technical lesson from the Sanlam Benchmark 2026 report is clear. South Africa has made substantial progress in retirement fund design, cost control, defaults and governance, but the member journey is still too reactive and too fragmented. Better outcomes will depend less on inventing new products and more on strengthening the basics: higher contributions, earlier engagement, stronger preservation, simpler communication, integrated advice and more visible income projections long before retirement. The industry has improved the machinery of retirement saving. The next challenge is making sure far more South Africans arrive at retirement with enough money, better choices and a far clearer path to lasting income.