

**FSCA Press Release**

**17 November 2021**

## **The National Treasury and FSCA release the Retirement Fund Economies of Scale report**

The Financial Sector Conduct Authority (FSCA) and the National Treasury (NT) have published an updated Economies of Scale report on the Retirement Fund Industry of South Africa, revealing remarkable insights about the shifting dynamics of the industry and some valuable interventions to improve fund member outcomes across the industry.

The report was commissioned by Nedlac as part of the social security and retirement reform discussions.

The report is based on a 2011 study called Economies of Scale and Pension Fund Plans: Evidence from South Africa (by Albert Touna Mama, Neryvia Pillay and Johannes Fedderke). That report found that there were between 25% and 30% of unused scale economies in the retirement fund industry, with an optimal fund size of 220 000 members. These findings were based on data from 1996 to 2006.

The research, which is meant to assist Nedlac with its discussions on social security and retirement reforms, uses an updated dataset on retirement funds up to 2018 to study the relationship between their size and costs. Data used includes detailed information on administrative expenses, membership, assets, fund type, fund class, fund status, benefit structure, member contributions and benefits paid. The findings of the report show:

- A general decrease in the number of funds
- An increase in the average fund size
- An increase in average administrative expenses per member
- The optimal size of funds is now 300 000 members (220 000 in 2011)
- Most Funds in SA are below this optimal size, while only 0.4% are above this figure

Additionally, the report also found that most funds operate inefficiently, with differing efficiencies across fund subtype, class and benefit structure.

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**Executive Committee:**

**Commissioner:** U. Kamlana | **Deputy Commissioners:** A. Ludin | K. Gibson

The updated South African Retirement Fund economies report with full breakdown of the data, research methodologies and research findings, can be accessed [here](#).

**ENDS**

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