



# Summary of Report 2: Actuarial Study of the proposed National Social Security Fund



CTMX	0.45	▲	+0.45%
FTR	-0.23	▼	-2.34%
CSCO	-1.01	▼	-1.89%
CHK	0.02	▲	+0.21%
AAPL	+2.59	▲	+2.59%
PRTG	-0.12	▼	-1.20%
AMZN	0.15	▲	+1.50%
TSLA	0.10	▲	+1.00%
AVGO	0.87	▲	+8.70%
SIRI	-0.65	▼	-6.50%

## Report 2: Actuarial Study of the Proposed NSSF

This actuarial study dealt with the implementation of a new NSSF in South Africa to carry out the projections as it is expected that the scheme will be in force in 2022. The methodology used for the pension branch is based on a model developed by the ILO for reviewing the long-term actuarial and financial status of national pension schemes. The model has been adjusted to fit the situation of the NSSF. The ILO's model is based on methodologies that are appropriate and consistent with accepted actuarial practice. The data related to the NSSF (contributors) used in this actuarial valuation are in general complete and of enough quality to undertake an actuarial valuation and to obtain a picture of the financial soundness of the NSSF. Some elements in the data collection process bring some uncertainties to the actuarial valuation:

- The [mortality rates](#), the invalidity rates, and the retirement rates of the new insured populations because no experience exist.
- The impossibility to match the financial statement of UIF with the data that has been transmitted.

The assumptions in this study are appropriate both individually and as a whole. They are also consistent taken together. Assumptions are established to reflect long-term trends rather than giving undue weight to recent experience. The objective of pension projections is not to forecast the exact development of the scheme's income and expenditures, but to verify its financial viability over the long-term.

### Findings of the study:

- The 10 per cent [contribution rate](#) is not sufficient to finance all the expenditures on a fully funded approach.
- With a contribution rate of 10 per cent:
  - Total expenditures will be higher than contributions starting in 2052. In 2052, [investment incomes](#) will be used to pay the expenditures.
  - In 2091, the contributions and the investment income are no longer enough to pay the expenditures, the reserve starts to decline.
  - In 2104, the reserve is depleted.
  - The non-introduction of eligibility conditions may considerably increase the cost of the scheme particularly for the invalidity and survivors' branch.
- The risks the new NSSF will face depends considerably on the way the scheme will be financed.
- It is possible to introduce a new parameter in the design of the scheme to make the scheme less expensive in terms of contribution rate for individuals having lower income
- Impact of increasing the [retirement age](#) may differ according to the way people react to the increase. However, increasing the retirement age should have an important positive impact on the financial sustainability of the scheme.
- The general [coverage rate](#) by age and sex will remain unchanged over the projection period. In other words, the number of male and female covered under the scheme will increase at the same pace as the number of male and female employed in South Africa over the projection period
- The average full-time salary sometimes decreases with the age in both sectors. This valuation assumes that this pattern will not last: the salary scales of all cohorts of members is projected to gradually evolve over the projection period, increasing at least with the inflation rate each year

### Recommendations of the study:

- According to the provisions described in [Annexure 1](#): , the full funding contribution rate is 12 per cent.
- If a 25 per cent funding ratio is desired, as it is presently discussed, the contribution rate will have to double in the very long run