


South Africa

South Africa: Pension system in 2014

The public pension is flat rate based on a residency test. There is also a large number of occupational schemes, though coverage is not high at lower-income levels.

Key indicators: South Africa

		South Africa	OECD
Average worker earnings (AW)	ZAR	144 627	461 978
	USD	12 525	40 007
Public pension spending	% of GDP		7.9
Life expectancy	At birth	57.1	80.0
	At age 65	13.2	19.3
Population over age 65	% of population	5.7	16.2

StatLink  <http://dx.doi.org/10.1787/888933302077>

Qualifying conditions

The pension age was equalised at age 60 for men and women in 2010.

Benefit calculation

Old-age pension

The pension is means-tested with individuals having an income of under ZAR 64 680 for singles and ZAR 129 360 for couples and no more than ZAR 930 600 in assets for a single person and ZAR 1 861 200 for a couple. The benefit amount is up to ZAR 1 410 per month for singles and ZAR 2 820 for couples. The benefit is increased to ZAR 1 430 for those aged over 75.

Voluntary private pension

The average contribution rate for occupational schemes is around 15% of earnings, divided between employers and employees.

Variant careers

Early retirement

It is not possible to claim the public pension before the normal eligibility age of 60.

Late retirement

Receipt of the old-age pension is not dependent on retirement. It is therefore possible to combine pension and employment as long as the recipient's income does not exceed the means test threshold.

While people are not obliged to claim the public pension on reaching the qualifying age, there is no advantage in deferring a claim.

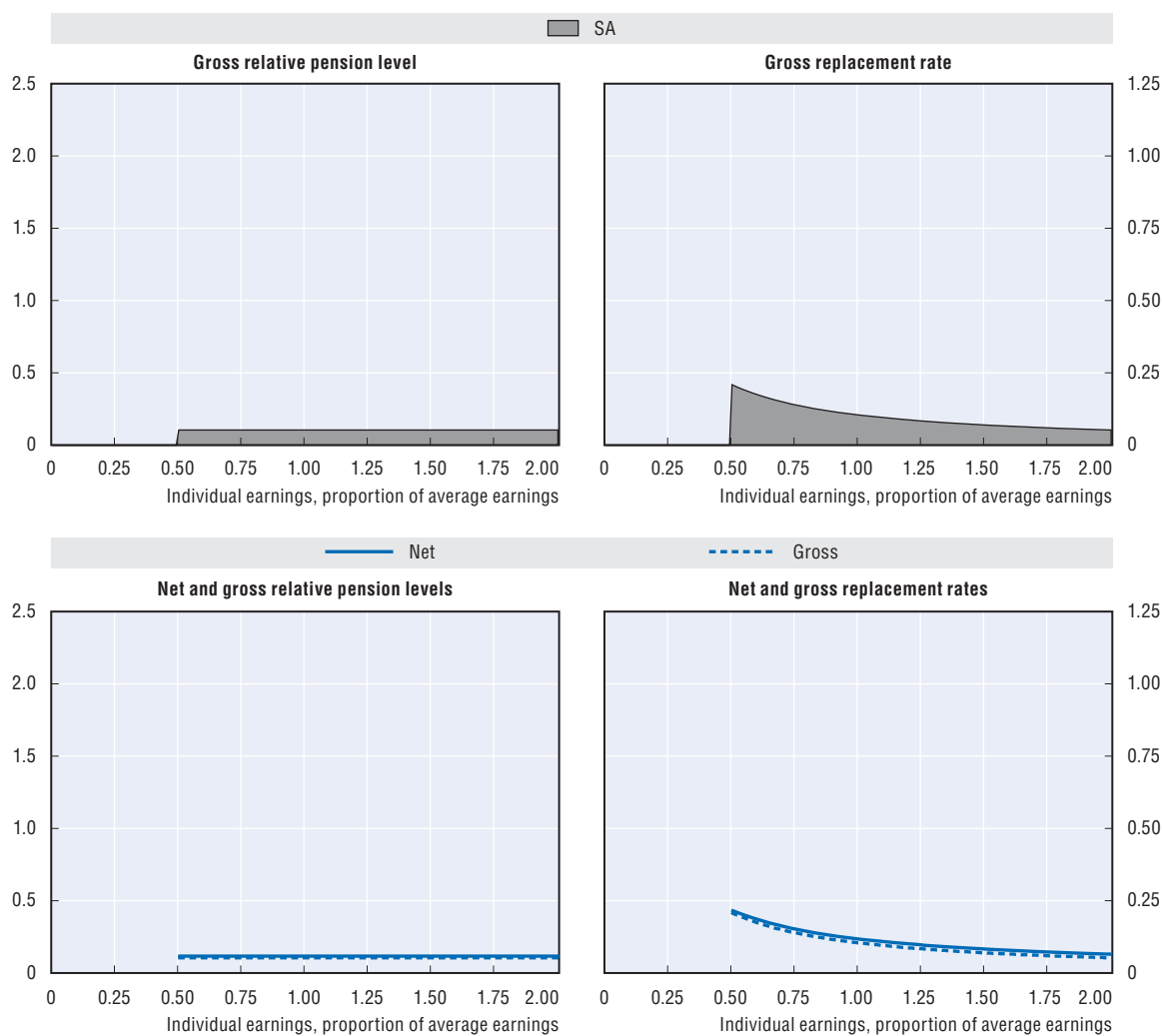
Childcare

Eventual public pension entitlement is not affected by periods out of paid work for caring purposes.

Unemployment

Eventual public pension entitlement is not affected by periods of unemployment.


Pension modelling results: South Africa in 2054, retirement at age 60



Baseline scenario: Legislation scenario (wage indexation of safety-nets schemes)

Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	10.5	10.5	10.5	10.5	10.5	10.5
Net relative pension level (% net average earnings)	11.8	11.8	11.8	11.8	11.8	11.8
Gross replacement rate (% individual gross earnings)	20.9	13.9	10.5	7.0	5.2	3.5
Net replacement rate (% individual net earnings)	21.7	15.2	11.8	8.3	6.5	4.6
Gross pension wealth (multiple of individual gross earnings)	2.9	1.9	1.4	1.0	0.7	0.5
Net pension wealth (multiple of individual gross earnings)	3.6	2.4	1.8	1.2	0.9	0.6
Net pension wealth (multiple of individual net earnings)	2.9	1.9	1.4	1.0	0.7	0.5
Net pension wealth (multiple of individual gross earnings)	3.6	2.4	1.8	1.2	0.9	0.6

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 85%. Labour market entry occurs at age 20 in 2014. Tax system latest available: 2013.

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