Trustee Tutor 27: Global pensions - How people save for retirement around the world

South Africa's retirement system is influenced by other such systems globally, as our regulators learn from lessons and experience in other jurisdictions. This issue of Trustee Tutor gives you some background into retirement systems around the world, one jurisdiction at a time.

Almost every country has some way for people to build up money for their old age, but the design choices differ a great deal. Some countries lean heavily on the government, some lean on employers, and some place the responsibility squarely on the individual's shoulders.

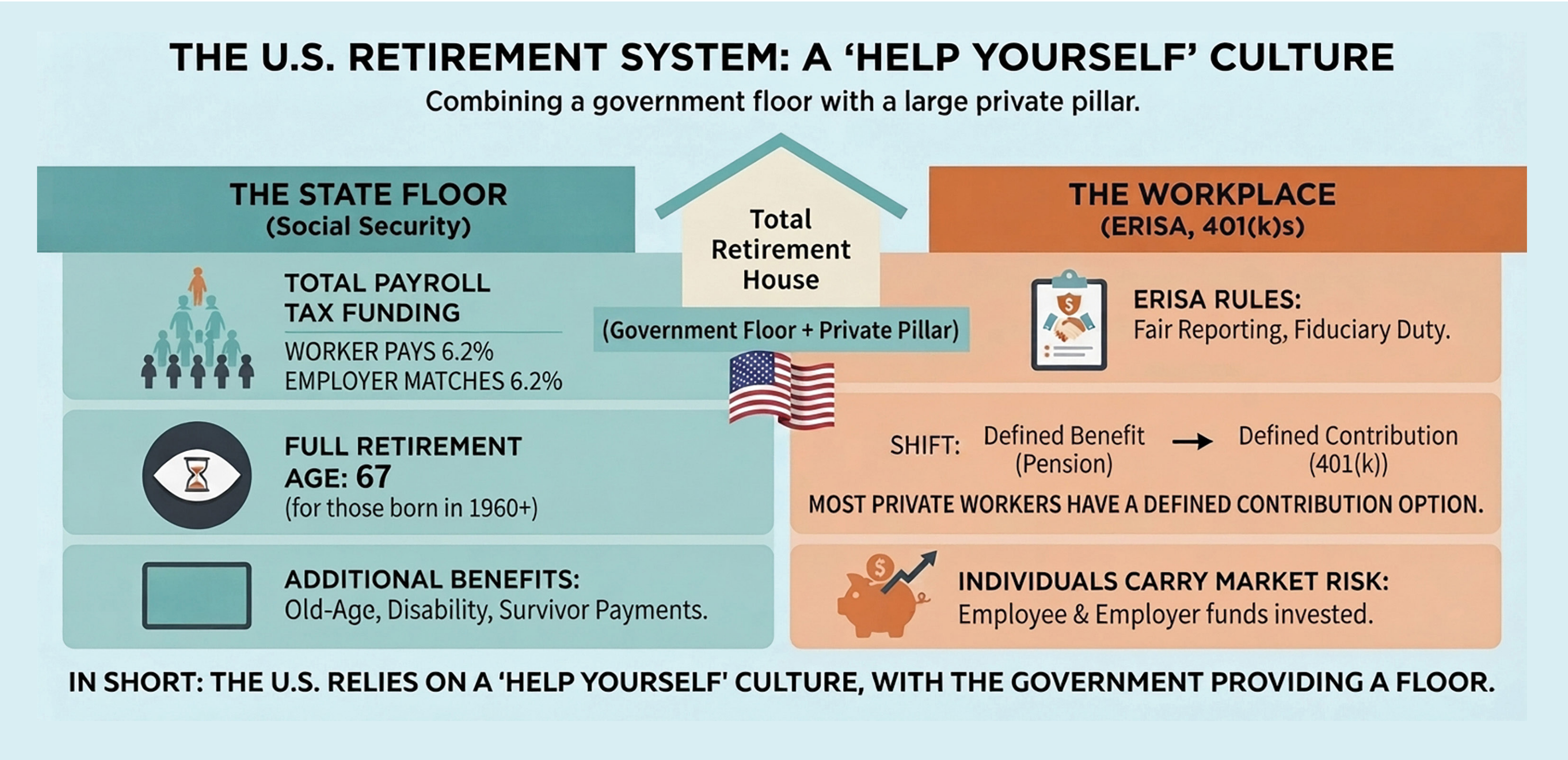
Before we begin, it helps to keep one simple framework in mind. Analysts often describe pension systems as having up to three "pillars":

1. **The first is the state pension run by the government,**
2. **The second is the workplace pension funded by employers and employees together, and**
3. **The third is voluntary private saving.**

The United States: A State floor and a strong do-it-yourself culture

The American system is a useful place to start because it shows how a modest first pillar can sit alongside a very large third pillar. It rests on two main legs. The first is Social Security, created by the Social Security Act of 1935 and run by the Social Security Administration (SSA). It is the government's safety net, funded by a payroll tax. Workers pay 6.2% of their wages and employers match it, adding up to 12.4% in total, though only up to a wage cap that sits at $176,100 in 2025 and rose to $184,500 in 2026. The "full retirement age" for Social Security has increased to 67 for anyone born in 1960 or later.

The second leg is the workplace. Here the rules come from a 1974 law called the Employee Retirement Income Security Act, better known as ERISA, which set the guardrails for employer retirement plans. It is policed mainly by the Employee Benefits Security Administration (EBSA), a division of the U.S. Department of Labor, working alongside the IRS and the Pension Benefit Guaranty Corporation.



South America: Chile's landmark reform and Brazil's tightening

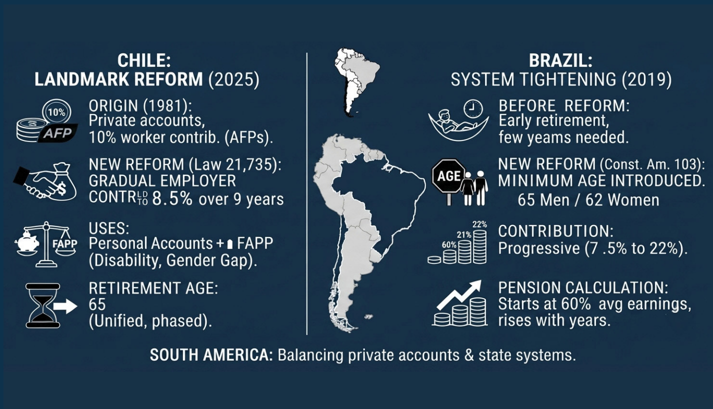
South America is instructive because it was the birthplace of the fully private pension account, and it is now busy repairing the weaknesses that have emerged over time.

Chile made history in 1981, under Decree Law 3,500, when it replaced its state system with private individual accounts run by companies called AFPs, funded by a 10% contribution from workers. The whole system is overseen by the Superintendencia de Pensiones, the pensions supervisor.

The trouble was that pensions ended up too small, especially for women. So in 2025, Chile passed a landmark reform under Law No 21,735. Employers, who previously contributed almost nothing, must now gradually add up to 8.5% of wages, phased in over nine years. Most of that goes into personal accounts, while a part funds a new collective safety net, managed by a public body called the FAPP, that pays disability and survivor insurance, and helps to close the gender gap. The reform also unified the retirement age at 65 for both men and women, up from 60 for women, and lifted the Universal Guaranteed Pension for the elderly.

Brazil went the opposite direction, tightening a very generous system through Constitutional Amendment 103 of 2019. For years, Brazilians could retire young simply by clocking up enough contribution years, sometimes in their mid-fifties. The reform introduced, for the first time, a minimum retirement age: 65 for men and 62 for women.

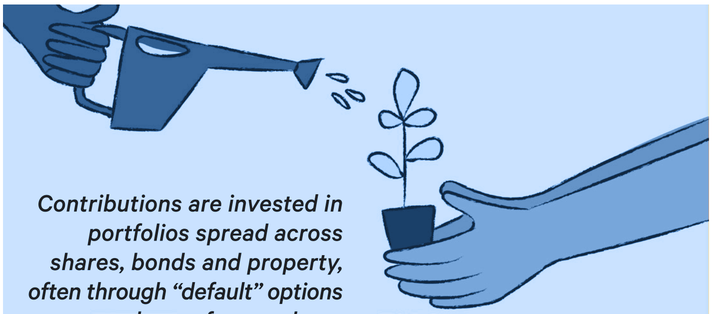
Workers pay progressive contribution rates from 7.5% up to 22% depending on income, and the pension starts at 60% of average earnings and rises with each extra year of contributions, so a full pension takes decades of work. Brazil's public system is administered by the National Social Security Institute (INSS), which pays survivor pensions and keeps a minimum-wage safety net for the very poor, while private company pensions are supervised separately by Previc.



The United Kingdom: Automatic enrolment as the central idea

The United Kingdom offers a good lesson in how clever design can lift the number of people saving for their retirement. Its most important reform was automatic enrolment, brought in by the Pensions Act 2008. Instead of hoping people would sign up for a pension, the law now signs them up automatically. If you are aged between 22 and State Pension age, earn more than £10,000 a year, and work in the UK, your employer must enrol you into a qualifying scheme. Under the Pensions Act 2008, every UK employer must put certain staff into a workplace pension and contribute towards it. You can opt out, but most people choose to stay in because saving becomes the default.

The contributions add up to a minimum of 8% of an employee's "qualifying earnings". The employer pays at least 3% and the rest comes from the individual plus tax relief from the government. All of this is watched over by The Pensions Regulator (TPR), the supervisor for workplace pensions, who can fine employers who don't play by the rules.



Contributions are invested in portfolios spread across shares, bonds and property, often through "default" options chosen for members.

Sitting above the workplace pension is the State Pension, a flat government payment funded by National Insurance contributions during a person's working life. This is governed mainly by the Pensions Act 2014 and run by the Department for Work and Pensions. The State Pension age is currently 66, rising to 67 between 2026 and 2028, and then to 68 between 2044 and 2046 (this final increase in retirement age could still be reviewed).

There is also a top-up payment for poorer pensioners called a Pension Credit. This benefit, paid by the government, ensures that pensioners' weekly incomes are guaranteed at a minimum of £238.00 for single people and £363.25 for couples.

Life and disability cover, meanwhile, usually come through a separate employer benefit rather than the pension itself, though the government's welfare system provides a backstop for people who cannot work.

Europe: The Dutch benchmark and the German workhorse

Europe is a patchwork of national systems rather than one single scheme, so it helps to study two contrasting examples that between them capture most of the continent's approaches.

The Netherlands is often ranked as one of the best pension systems in the world and it maps neatly onto the three-pillar framework. The first is the AOW (Algemene Ouderdomswet), a basic state pension that every resident gets simply for having lived in the country, whether or not they ever worked. A single person receives roughly €1,353 a month.

The second layer is the workplace pension, which is huge, well-funded and collective. The Dutch are in the middle of a big reform under the Future Pensions Act (the Wet toekomst pensioenen, or Wtp), which came into force in July 2023 and moves everyone away from guaranteed defined benefit promises towards defined contribution schemes with a flat, age-independent contribution, to be fully in place by 2028.

Supervision is shared: the central bank, De Nederlandsche Bank (DNB), watches the financial soundness of the funds, while the Authority for the Financial Markets (AFM) oversees conduct and how funds treat their members. Retirees are allowed to take a lump sum of up to 10% of their pot on the day they retire.

Germany takes a different route with a "pay-as-you-go" state system, built on the country's Social Code (the Sozialgesetzbuch, especially Book VI) and run by the German Pension Insurance body, Deutsche Rentenversicherung, under the oversight of the Federal Ministry of Labour and Social Affairs.

It means today's workers pay for today's pensioners rather than saving in their own pots. The contribution rate is 18.6% of gross pay, split evenly between employer and employee. You need at least five years of contributions to qualify, and the standard retirement age is rising to 67 for anyone born in 1964 or later. Individuals are able to retire from 63 but with a permanent 0.3% cut for every month early. The system aims to keep pensions at around 48% of average wages.

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Because the state pension alone isn't generous, Germany encourages private top-ups like the subsidised "Riester" pension. The German state system also pays reduced-earning-capacity (disability) pensions and survivor pensions to widows, widowers and orphans, so it does a lot of the social protection work that other countries leave to private insurers.

It is worth remembering that the European Union does not run one single pension. Each country keeps its own state system, but the EU sets shared rules for workplace pension funds through a directive known as IORP II, which pushes for strong governance, risk management and clear information for members. That is why, across Europe, you keep seeing the same three-pillar idea at work.

Australia: The power of a compulsory second pillar

Australia is widely studied as a model of a strong second pillar, and its engine is the Superannuation Guarantee, set up by the Superannuation Guarantee (Administration) Act 1992, with the funds themselves governed by the Superannuation Industry (Supervision) Act 1993, known as the SIS Act.

By law, employers must pay a set percentage of an employee's earnings into a super fund, in addition to their wages. That rate climbed steadily for years and reached its final level of 12% on 1 July 2025, where it is set to stay. The money is invested and taxed at a gentle "concessional" rate of 15%.

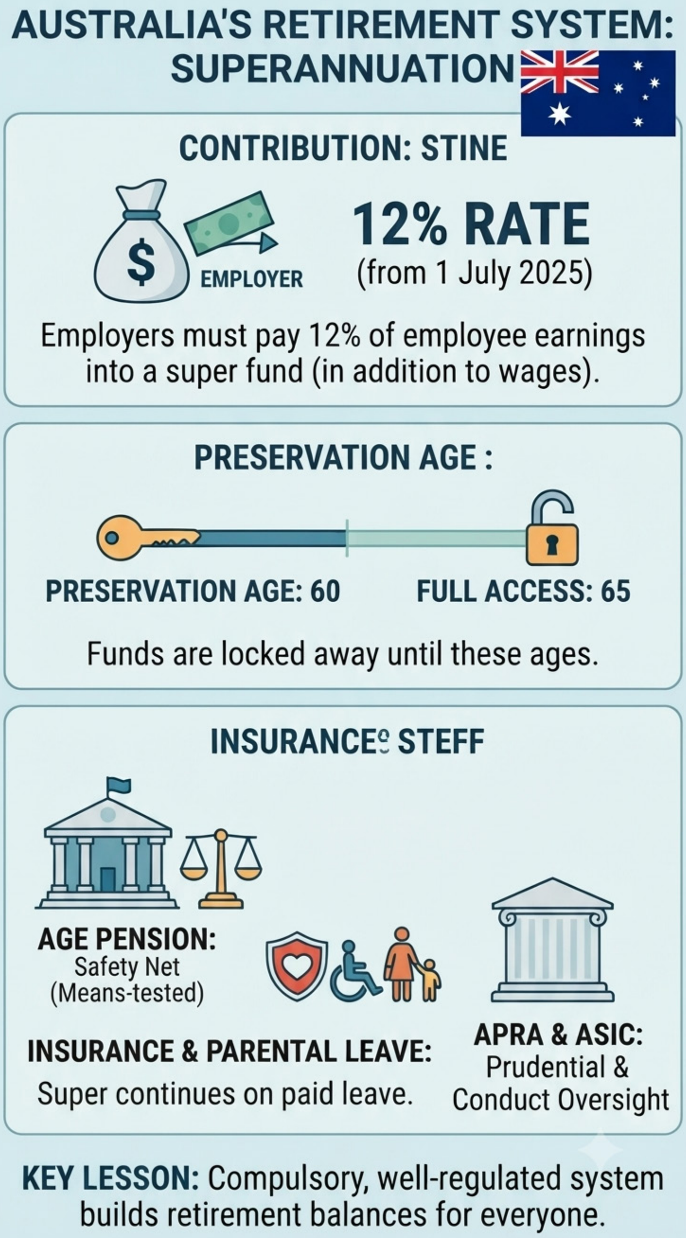
Members generally can't touch their super until reaching their "preservation age", which is now 60 for younger Australians, with full access at 65.

Super funds invest across shares, property, infrastructure and bonds, and Australia's giant pool of retirement savings has become one of the largest sources of investment capital in the world.

The funds are supervised under a twin peaks model: the Australian Prudential Regulation Authority (APRA) makes sure funds are run prudently, while the Australian Securities and Investments Commission (ASIC) polices conduct and how members are treated, with the Australian Taxation Office overseeing self-managed funds.

Behind super sits the Age Pension, a means-tested government payment for those who need it, and most super funds also bundle in life and disability insurance for their members by default. A notable recent improvement is that the government now pays super on top of paid parental leave, so parents do not fall behind on their savings while raising children.

The key lesson from Australia is that a compulsory, well-regulated second pillar can build large retirement balances across an entire workforce.



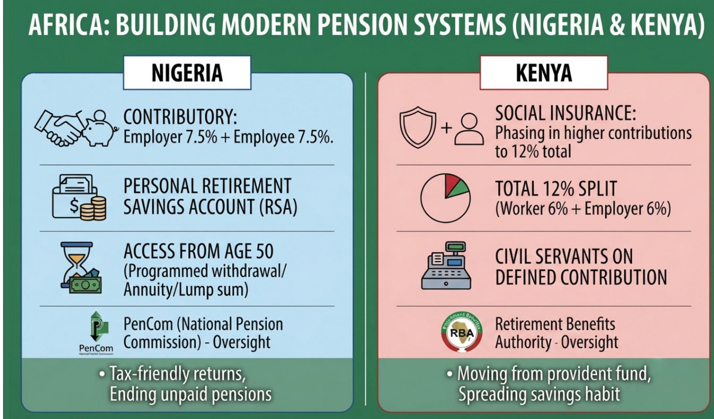
Africa: Nigeria and Kenya building modern systems

Across the rest of Africa, many countries are building modern, contributory systems, often inspired by Chile's account-based model. Two examples show the direction of travel.

Nigeria's Pension Reform Act (originally 2004, updated in 2014) created a contributory scheme where both sides pay in: for most private workers, a minimum of 7.5% from the employer and 7.5% from the employee, into a personal Retirement Savings Account. Workers can access their savings from age 50, and at retirement they choose between a monthly programmed withdrawal, an annuity from a life insurer, or a lump sum, as long as enough is left to fund an ongoing income. The whole system is overseen by the National Pension Commission (PenCom), the industry supervisor.

Nigerian funds are managed by licensed Pension Fund Administrators who invest the money and are tightly regulated, and the reform was designed partly to end the old problem of unpaid government pensions by making everyone save in advance. Contributions and the investment returns on them are tax-friendly, which encourages people to build up their savings.

Kenya has been steadily strengthening its National Social Security Fund under the NSSF Act of 2013, with occupational and personal schemes supervised by the Retirement Benefits Authority (RBA). A reform is phasing in higher contributions over five years, moving from a modest provident fund towards a proper social insurance scheme. The total contribution rate is 12% of pensionable pay, split equally between worker and employer at 6% each, and the earnings limits are reviewed to ensure that more of people's salaries now counts. Kenya also converted its public servants onto a defined contribution scheme to match modern practice. The pattern across much of Africa is clear: countries are moving from thin, patchy coverage towards funded, contributory systems that spread the savings habit to more workers, even if large parts of the informal economy still fall outside the net.



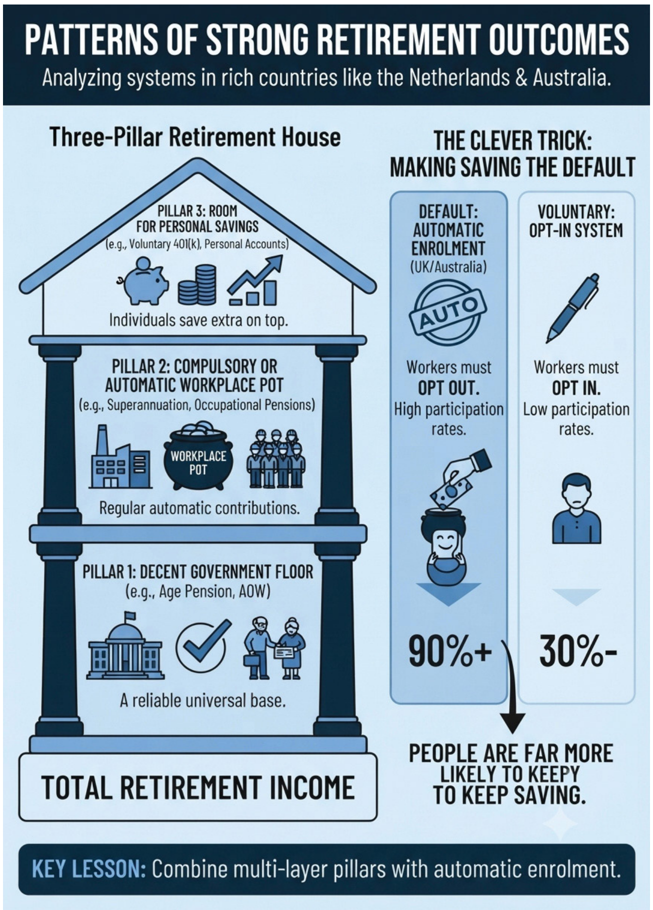
South Africa: A mixed model in the middle of reform

This brings us to South Africa, which runs a mixed model that blends elements of the systems we have already covered. There is no big compulsory state pension funded by payroll taxes like in the US or Germany. Instead, the government provides a means-tested Old Age Grant through SASSA for people who qualify, paid from general taxes.

The heavy lifting for most working South Africans is done by occupational retirement funds and private savings, all governed by the Pension Funds Act of 1956 and supervised by the Financial Sector Conduct Authority, the FSCA.

Good governance is a strong theme here, with trustee duties, the King Code of corporate governance, and conduct standards all shaping how funds are run. The FSCA continues to tighten the rules, recently overhauling requirements for retirement fund administrators.

The biggest recent shake-up is the two-pot retirement system, which started on 1 September 2024. It splits future contributions into two parts. One-third goes into a savings component that individuals can dip into before retirement without resigning from their fund, giving people emergency access to cash.



The other two-thirds goes into a retirement component that stays locked away and must be used to provide an income when they eventually retire. Whatever an individual had saved before the change sits in a protected "vested" pot under the old rules. It is a clever balance between letting people cope with financial emergencies today and making sure they still have something meaningful for old age.

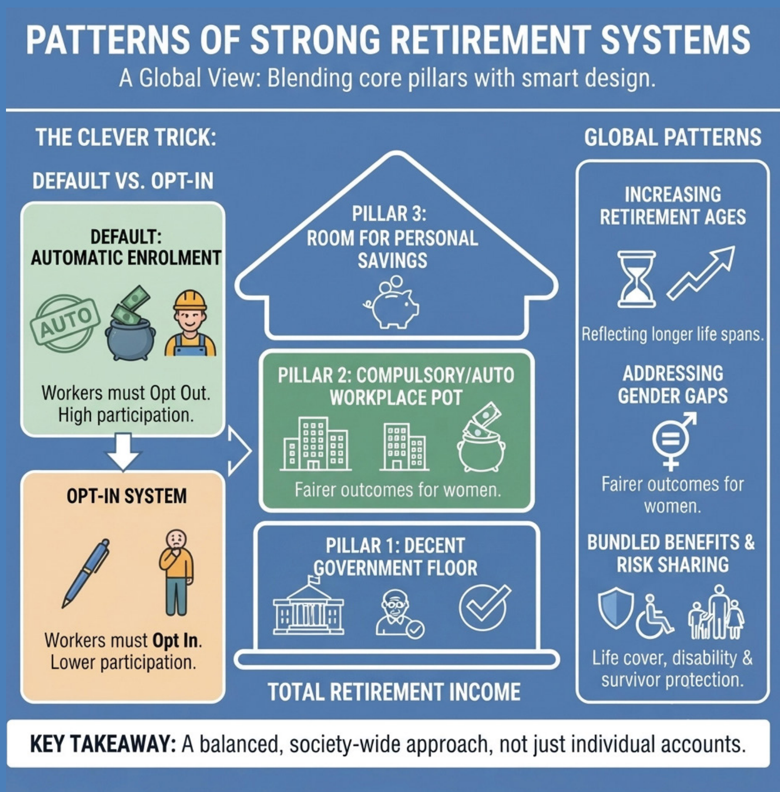
The retirement age is not fixed rigidly by law; the "normal retirement age" is set by each fund's own rules, though it is commonly between 60 and 65. And men and women employed at the same employer will have the same retirement age.
Fund assets are invested according to Regulation 28 of the Pension Funds Act, which caps how much a fund can hold in riskier assets like shares and offshore investments to protect members, while still allowing for growth and for interest in private markets, infrastructure and sustainable investing.

South African funds typically bundle in more than just retirement savings. Group life cover and disability benefits are commonly attached to occupational funds, so members and their families are protected if the worst happens while they are still working, echoing the survivor and disability insurance built into Chile's and Brazil's public systems. Between the SASSA Old Age Grant at the bottom, occupational funds in the middle, and voluntary savings on top, South Africa's structure resembles the three-pillar model that the best global systems rely on, even if coverage and adequacy remain a challenge for many workers.

Key lessons across jurisdictions

Having worked through each jurisdiction, it is worth stepping back to draw out the patterns, because they are the real takeaway of this Tutor. Rich countries with strong retirement outcomes, like the Netherlands and Australia, tend to combine three things: a decent government floor, a compulsory or automatic workplace pot, and room for personal savings on top. The clever trick that keeps popping up is making saving the default, whether through the UK's automatic enrolment or Australia's compulsory super, because people who have to opt out are far more likely to keep saving than people who have to opt in.

Retirement ages are creeping up almost everywhere as people live longer, settling around 65 to 67 in most systems. And there is a global push to be fairer, especially to women, who often retire with less because of career breaks and lower pay, which is exactly what Chile's 2025 reform is trying to tackle. Add in life cover, disability protection and survivor pensions, and it becomes clear that a good pension system is really about spreading risk across a whole society, not just parking money in an account and hoping for the best. South Africa's two-pot reform fits neatly into this global conversation, trying to give people flexibility now without leaving their future selves short.



Trustee Tutor 27:

Global pensions, savings and investments
Assessment questions

How to?

The assessment for this issue of Trustee Tutor follows for information and/or training purposes. If you would like to earn verified CPD hours for reading this issue, please go to www.pensionsworldsa.co.za/cpd-portal/ and complete the assessment electronically to recieve your certificate immediately on meeting the competency requirements.

1. Which framework is used to describe the structure of pension systems around the world?

a. Three-pillar model of state, workplace, private ☐
b. Two-tier split of public and occupational schemes ☐
c. Four-layer grid of tax, savings, insurance, credit ☐
d. Single universal account managed by government ☐

2. In the United States, what is the main purpose of the Social Security system?

a. Offering employer-funded defined benefit plans ☐
b. Running private accounts invested in global shares ☐
c. Managing voluntary savings with tax-free treatment ☐
d. Providing a safety net funded by payroll tax. ☐

3. Under the UK's automatic enrolment rules, which condition must generally be met for mandatory workplace pension enrolment?

a. Any employed person over age 18 regardless of income ☐
b. Aged between 22 and State Pension age with earnings above £10,000 ☐
c. Only full-time workers earning more than £25,000 ☐
d. All employees with more than ten years' continuous service ☐

4. Which statement best captures the Dutch reform under the Future Pensions Act (Wtp)?

a. Moving from defined benefit promises to flat defined contribution regardless of age ☐
b. Replacing workplace pensions with individual private accounts ☐
c. Introducing pay-as-you-go funding with higher payroll taxes ☐
d. Abolishing collective schemes in favour of lump-sum payouts ☐

5. How is Germany's main state pension system funded?

a. Dedicated sovereign wealth fund invested offshore ☐
b. Pay-as-you-go contributions from current workers ☐
c. Fully funded individual accounts held at banks ☐
d. Flat-rate taxes on employers and self-employed ☐

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6. What is the key feature of Australia's Superannuation Guarantee?

a. Voluntary contributions capped at 5% of total earnings
b. Defined benefit pensions sponsored by federal government
c. Compulsory employer contributions at a rate of 12%
d. Non-contributory benefits based only on years of service

7. In Chile's 2025 reform, which change is emphasised as addressing weaknesses in the earlier system?

a. Removal of all worker contributions to personal accounts
b. Automatic enrolment for informal sector and migrant workers
c. Introduction of a flat universal pension for all residents
d. Gradual employer contributions rising to 8.5% of wages

8. Under Nigeria's contributory scheme, what happens at retirement?

a. Members choose between programmed withdrawals, annuities or lump sums
b. All savings are converted into a state-run defined benefit pension
c. Balances are transferred into a compulsory government bond fund
d. Workers must purchase private insurance for regular income

9. Which statement best describes Kenya's pension reforms?

a. Ending all defined contribution schemes for public servants
b. Phased in a 12% total contribution split equally between worker and employer
c. Reducing contribution rates for low-income informal workers
d. Creating a single pay-as-you-go system for all employees

10. In the South Africa section, what is the main design idea behind the two-pot retirement system?

a. Moving all members into compulsory defined benefit arrangements
b. Allowing full cash withdrawal of vested benefits at any time
c. Replacing Regulation 28 with unrestricted offshore investing
d. Splitting contributions into accessible savings and locked retirement components