



SOUTH AFRICA

South Africa: pension system in 2008

The public pension is flat rate based on a residency test. There are also voluntary occupational schemes but coverage for these is not high.

Key indicators

		South Africa	OECD
Average earnings	ZAR	114 300	335 400
	USD	13 800	40 600
Public pension spending	% of GDP		7.0
Life expectancy	at birth	51.5	78.9
	at age 65	77.7	83.1
Population over age 65	% of working-age population	8.0	23.6

Qualifying conditions

The pension age in 2008 is 61 for men and 60 for women. However the age requirement for men has been lowered to 60 from April 2010.

Benefit calculation

Old-age pension

The pension is means-tested with individuals having an income of under ZAR 27 522 for singles and ZAR 58 224 for couples. The benefit amount is up to ZAR 1 010 per month for singles and ZAR 2 020 for couples. The average wage used for 2008 was ZAR 114 324.

Voluntary private pension

The default contribution rate for this scheme is 9% of earnings, divided equally between employees and employers.

Variant careers

Early retirement

It is not possible to claim the 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.

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

Personal income tax and social security contributions

Taxation of pensioners

South Africa does not provide any tax concessions specifically for older people.

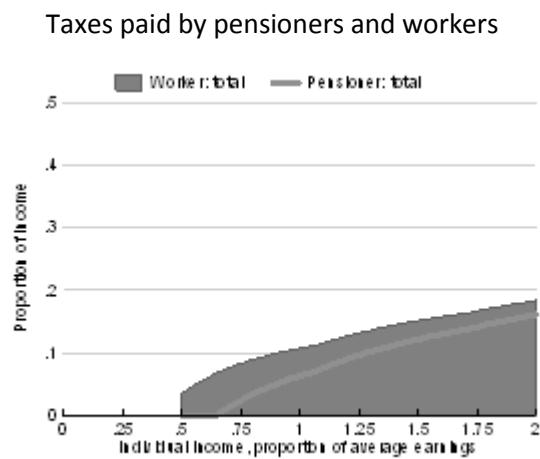
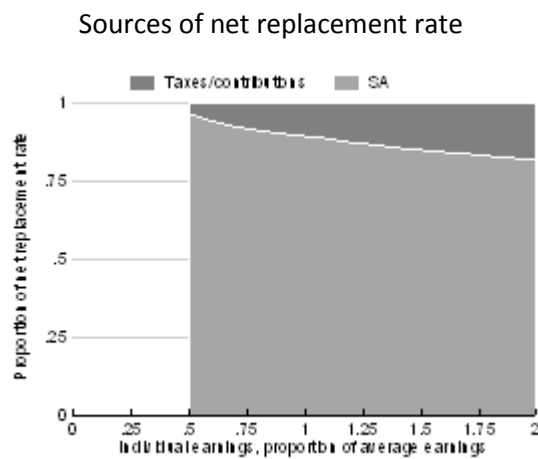
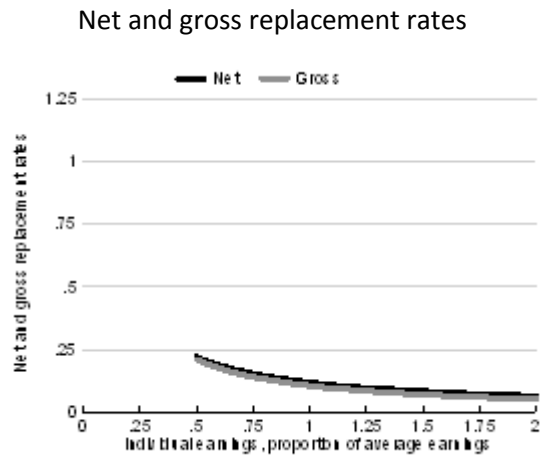
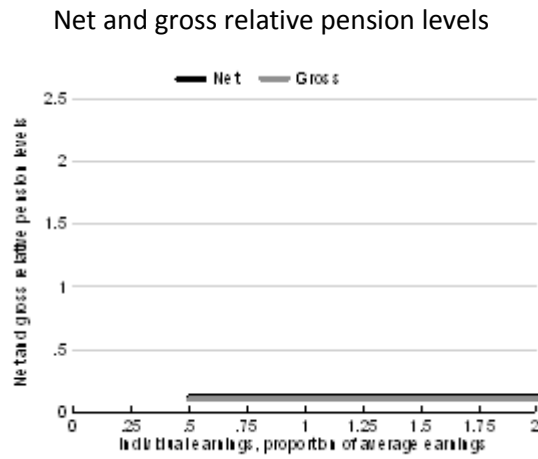
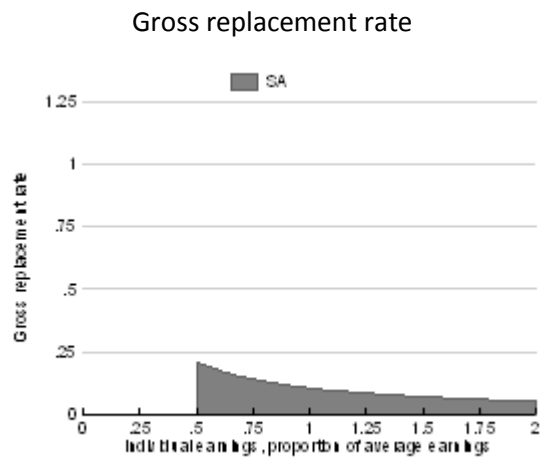
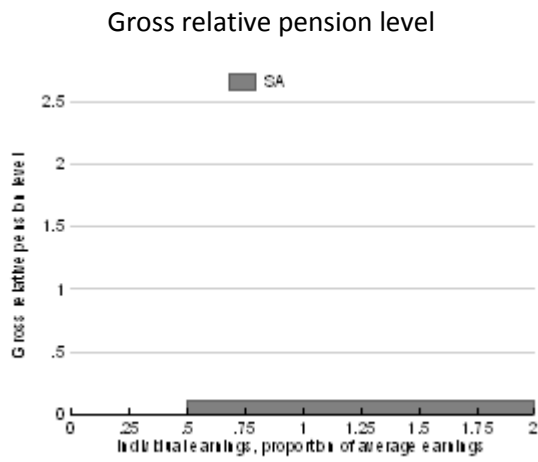
Taxation of pension income

Workers are entitled to a tax rebate of ZAR 8 280 with an additional ZAR 5 040 for pensioners.

Social security contributions paid by pensioners

The South African system is funded through general taxation and there are no specific social security contributions.

Pension modelling results: South Africa



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	10.6	10.6	10.6	10.6	10.6	10.6
Net relative pension level (% net average earnings)	11.9	11.9	11.9	11.9	11.9	11.9
Gross replacement rate (% individual gross earnings)	13.1	21.2	14.1	10.6	7.1	5.3
Net replacement rate (% individual net earnings)	14.4	22.0	15.4	11.9	8.3	6.5
Gross pension wealth (multiple of average gross earnings)	1.8 2.2	2.9 3.5	1.9 2.4	1.4 1.8	1.0 1.2	0.7 0.9
Net pension wealth (multiple of average net earnings)	1.8 2.2	2.9 3.5	1.9 2.4	1.4 1.8	1.0 1.2	0.7 0.9