

South Africa

South Africa: Pension system in 2020

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	150 000	645 391
	USD	9 106	39 178
Public pension spending	% of GDP		7.7
Life expectancy	at birth	63.7	80.6
	at age 65	13.1	19.7
Population over age 65	% of working- age population	9.6	30.4

Qualifying conditions

The pension age is 60 for both men and women.

Benefit calculation

Old-age pension

The pension is means-tested with individuals having an income of under ZAR 86 280 for singles and ZAR 172 560 for couples and no more than ZAR 1 227 600 in assets for a single person and ZAR 2 455 200 for a couple. The benefit amount is up to ZAR 1 860 per month for singles and ZAR 3 720 for couples. The benefit is increased to ZAR 1 880 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.

Personal income tax and social security contributions

Taxation of pensioners

South Africa provides a higher tax rebate for those over the age of 65 than for the working age population. Workers are entitled to a tax rebate of ZAR 14 958 with an additional ZAR 8 199 for pensioners.

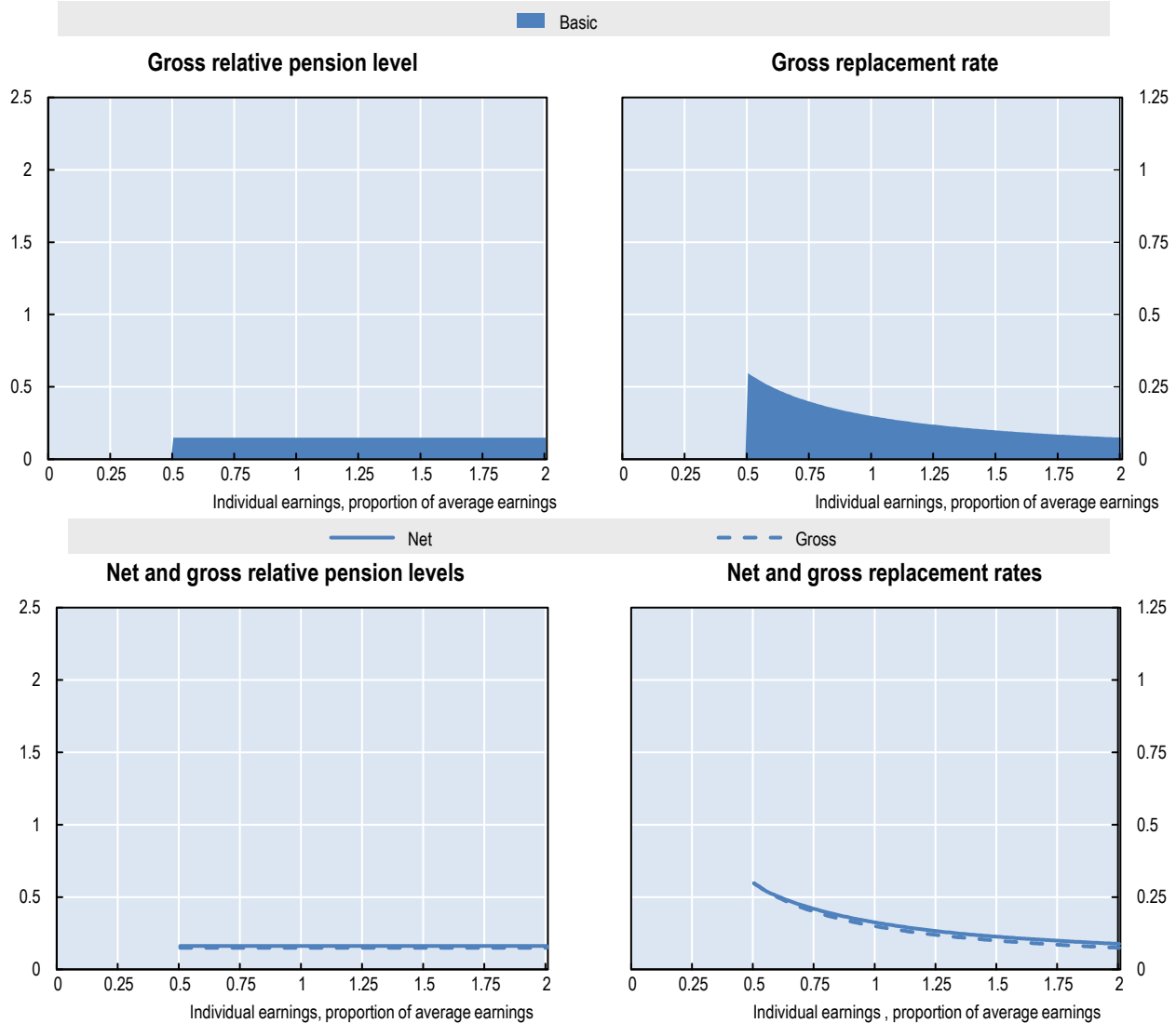
Taxation of pension income

The old age grant is not taxed, as its recipients earn below the tax threshold.

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 in 2058 retirement at age 60



Men	Individual earnings, multiple of average					
<i>Women (where different)</i>	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	14.9	14.9	14.9	14.9	14.9	14.9
Net relative pension level (% net average earnings)	16.2	16.2	16.2	16.2	16.2	16.2
Gross replacement rate (% individual gross earnings)	29.8	19.8	14.9	9.9	7.4	5.0
Net replacement rate (% individual net earnings)	29.8	20.8	16.2	11.3	8.8	6.2
Gross pension wealth (multiple of individual gross earnings)	4.5	3.0	2.3	1.5	1.1	0.8
Net pension wealth (multiple of individual net earnings)	5.6	3.7	2.8	1.9	1.4	0.9
Net pension wealth (multiple of individual net earnings)	4.5	3.2	2.4	1.7	1.3	0.9
Net pension wealth (multiple of individual net earnings)	5.6	3.9	3.1	2.1	1.7	1.2

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 90%. Labour market entry occurs at age 22 in 2020. Tax system latest available: 2020.