



South Africa – an overview of employee benefits

State and Mandatory Benefits	The retirement age is 61 for men and 60 for women. This is to be equalised at age 60 from 2010. State benefits are means tested at a low level and include old age, disability and survivors' pensions. The retirement benefit is ZAR 940 a month (2008) for each pensioner. The state also provides basic primary health care for citizens who do not belong a private plan. There are proposals under consideration for the introduction of a mandatory defined contribution system to provide savings and retirement benefits through individual accounts.
Typical New Private Plan	Most employees in the private sector are covered by defined contribution plans that provide a lump sum at retirement through a non-contributory provident fund. Some employers operate contributory pension funds, which provide a pension at retirement with a 25% cash option. Most plans provide a lump sum death benefit, typically three to four times earnings. Some plans provide survivors' pensions and disability benefits. Employers may also provide pre- and post-retirement medical care.
Typical Costs	Employers and employees both contribute 1% of earnings for unemployment and sickness benefits. The cost of other state benefits is met by the government. Employer contributions to private plans are typically 5% to 15% of earnings. Employee contributions to pension funds are typically 3% to 7.5%.
Tax Implications	Employer contributions are tax deductible up to 20% of payroll. Employee contributions to pension funds are tax deductible up to the greater of 7.5% of earnings or ZAR 1,750. Pension and provident funds are exempt from tax. Pensions are taxed as income. Lump sum benefits are partly tax free depending on the funding vehicle.
Labour Law Issues	Pension plans are subject to regulation in a number of areas including vesting, non-discrimination, disclosure of information, member representation, investment limits and increases in pensions in payment. Funds must be registered with the Registrar of Pension Funds and be approved by the Commissioner of Revenue Services, and comply with their requirements in respect of benefit and contribution levels. On termination, employees are entitled to one week's severance pay for each year of service.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	International Financial Reporting Standards apply in all company statements by both listed and unlisted companies.
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