

Media Release

Association for Savings and Investment South Africa (ASISA)

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ASISA Retirement Savings Cost Disclosure Standard developed to build trust through meaningful disclosure

ASISA has taken note of a number of media reports published over the past week, quoting one source who implied that the new ASISA Retirement Savings Cost (RSC) Disclosure Standard, which came into effect on 1 March 2019, was developed to “reveal” and “expose” hidden costs in the industry. The articles also suggested that umbrella fund administrators, mostly ASISA members, would find loopholes in the Standard to “hide” costs.

Taryn Hirsch, senior policy consultant at ASISA, rejected the insinuations as ill-informed and short sighted.

“The development of this Standard, as was the case with the Retail Effective Annual Cost Standard, was initiated by our members to build trust in the savings and investment industry through meaningful disclosure. We strongly disagree therefore that the same members would then try and look for loopholes to hide costs.”

Hirsch also points out that ASISA members are required to submit compliance certificates to ASISA annually certifying that the RSC calculations and disclosures comply in all respects with the letter and spirit of the RSC Disclosure Standard. The certificate must be signed by the company's CEO as well as either the auditor, statutory actuary, or chief compliance officer.

“In addition to the compliance requirements, healthy competition between service providers will also promote cost efficiency and meaningful disclosure. Our members are well aware of the reputational risks should a competitor call them out on not being completely transparent.”

ASISA announced the implementation of the RSC Standard in a media release issued in May last year.

Development of the new Standard

ASISA and its members started developing the new RSC Disclosure Standard almost three years ago following the success of the ASISA Retail Standard on Effective Annual Cost (EAC). The Retail EAC Standard came into effect on 1 October 2016 and is a world-first. It enables consumers and advisers to compare charges and their estimated impact on investment returns across most retail savings and investment products.

The RSC Disclosure Standard was developed in consultation with a number of stakeholders including the Financial Sector Conduct Authority (FSCA), intermediaries and Batseta (the Council of Retirement Funds for South Africa).

In terms of the new RSC Standard, ASISA members that administer umbrella retirement fund solutions are committed to presenting all relevant costs (based on certain assumptions) in a standardised manner. This will enable employers to compare like with like when considering quotations for umbrella

retirement fund solutions from different ASISA members. The Boards of Trustees of umbrella funds will also find it easier to consider costs as part of their fiduciary duties.

Hirsch says it is important to understand that the current RSC Disclosure Standard is only relevant at an employer and trustee level. "It is not a fund member cost disclosure standard and is not designed for disclosure to individual fund members. It should therefore not be confused with the Retail EAC Standard."

The RSC Disclosure Standard also does not apply to stand-alone retirement funds, retirement annuity (RA) funds, preservation funds, beneficiary funds and other retail savings products covered under the Retail EAC Standard.

Up next: disclosure at member level

She says the ASISA RSC Disclosure working group has completed the development of an umbrella fund member-level disclosure standard, which is awaiting ratification by the ASISA Board at its next meeting in May 2019.

"If the ASISA Board approves the member-level disclosure standard at the next board meeting in May, it will be introduced with an effective date of 1 October 2020 to allow for the required systems changes."

Hirsch explains that cost disclosure at member level will, for example, enable employees to factor in cost decisions when deciding on whether to allocate additional funds to either their umbrella fund or an RA.

The RSC Disclosure Standard in a nutshell

By 1 September 2019, ASISA members will provide employers and trustees of umbrella funds with a disclosure template indicating all costs that will be incurred at a scheme level.

The template will reflect four separate components into which various charges are allocated over various investment periods:

- investment management charges;
- advice charges;
- administration charges; and
- other charges including regulatory, compliance and governance costs.

The RSC is calculated separately for each of the four components and then totalled to derive the RSC for the umbrella fund as a whole. The value for each of the components, as well as the total RSC, is expressed as a percentage of the investment amount in a table at four mandatory disclosure periods.

The table below is an example of a RSC Table, using illustrative values as a percentage of assets:

Charges	1 Year	1 to 3 Years	1 to 5 Years	1 to 10 Years
Investment management	1.1%	1.1%	1.1%	1.1%
Advice	0.5%	0.5%	0.5%	0.5%
Administration	0.9%	0.9%	0.9%	0.9%
Other	0.3%	0.3%	0.3%	0%
Total Retirement Savings Cost (RSC)	2.8%	2.8%	2.8%	2.5%

Note to Editors: Please refer to the [Retirement Savings Cost Disclosure Standard](#) and the [Retail Effective Annual Cost \(EAC\) Standard](#) for more detail.

Ends

To set up interviews please contact:

Lucienne Fild
Independent Communications Consultant
082 567 1533
lucienne@fild.co

Issued on behalf of:

Taryn Hirsch
Senior Policy Consultant
The Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.

