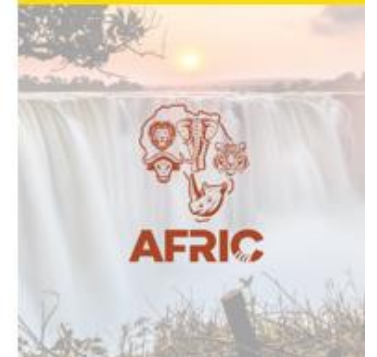


# Actuarial, Finance, Risk and Insurance Congress: AFRIC 2023

UNSW BUSINESS SCHOOL



**Regulating for a Millennial Pensioner by Blessing Mbukude (FIA)**



**It starts in  
the  
1920s**



# Disclaimer

**The views and opinions that I express today are entirely my own and not of the organization that I work for. These views are based on my personal experiences and professional judgement. These views can not be construed as the official regulatory position or as the intended policy direction by the regulator.**

1920s



1960s

18 Others



1980s

5 Others



2000s

3 Kids



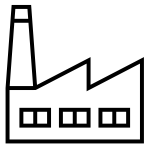
4 Different Companies

2 Different Countries

10 Others



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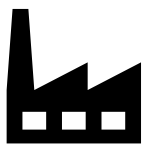
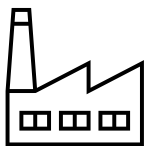


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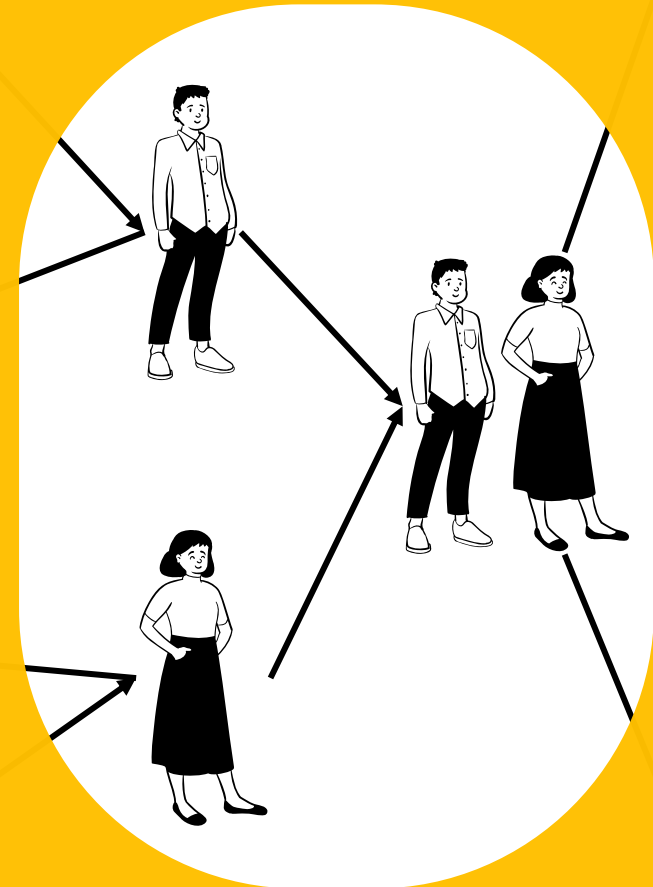
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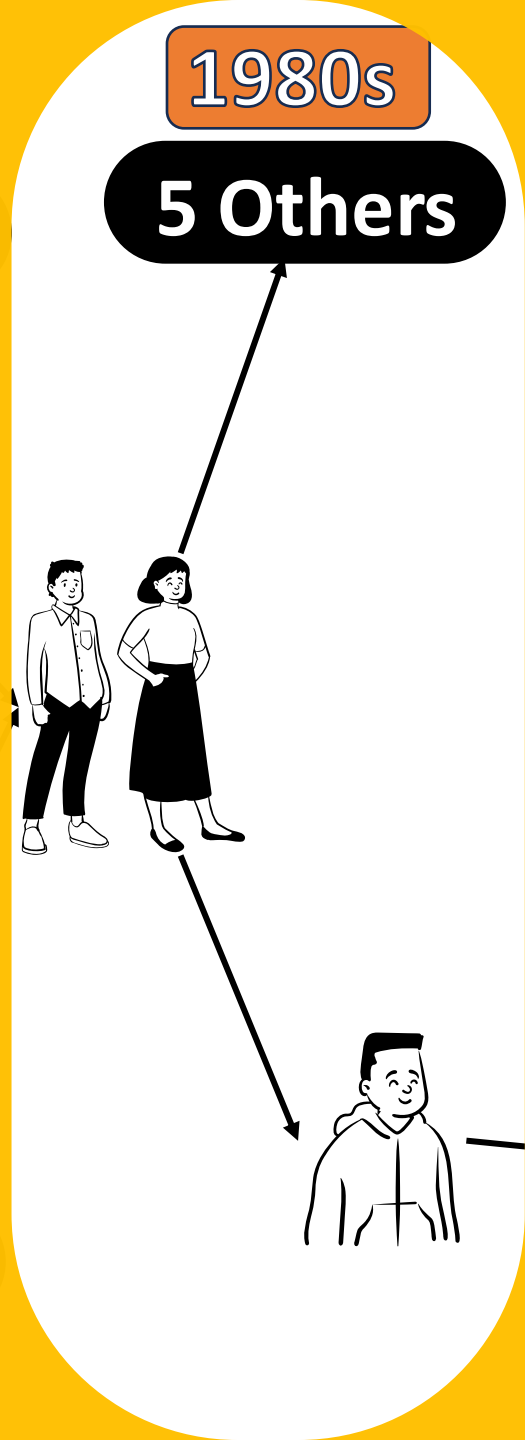
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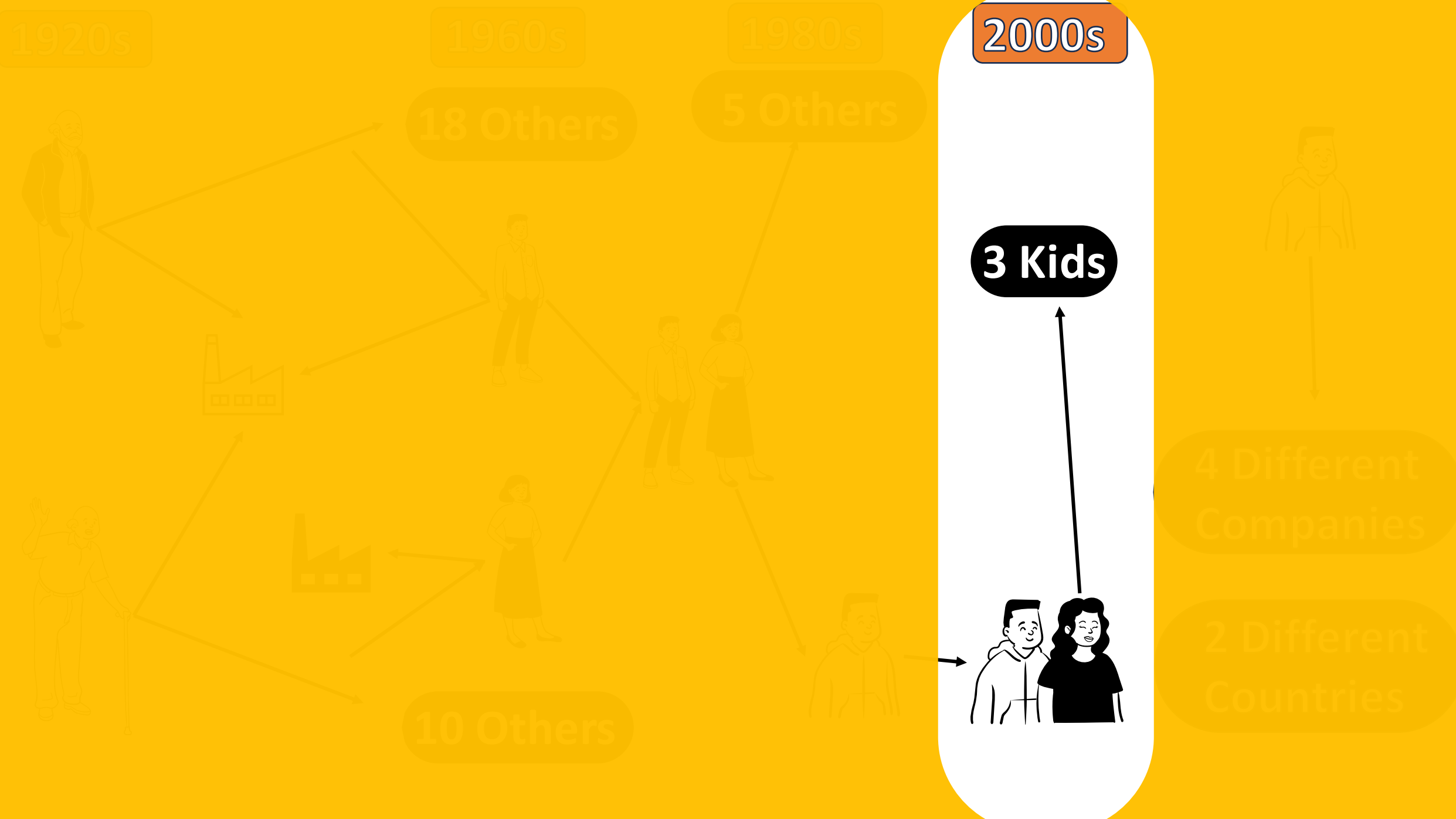
2000s

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4 Different Companies

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A white rounded rectangle on the right side of the image. At the top is a simple line drawing of a person in a hoodie. A black arrow points downwards from the person. Below the arrow are two black rounded rectangles with white text. The first rectangle contains the text '4 Different Companies' and the second contains '2 Different Countries'.

# 3 Generations of Pensioners



# Living Through over a Century





- **1 Company**
- **1 Town**
- **1 Country**
- **18 Children**
- **Over 100 grandchildren**

**When he retired, he moved to his rural home with 2 of his children and over 15 grandchildren in the same household.**





**Also**

- **1 Company**
- **1 Town**
- **1 Country**



**But**

- **6 Children**
- **13 grandchildren**

**Retired**

**Also, moved to his rural home**



**But,**

**Children only come to visit**

**Also**

- **1 Company**
- **1 Town**
- **1 Country**



**But**

- **6 Children**
- **13 grandchildren**

**Retired**

**Also, moved to his rural home**



**But,**

**Children only come to visit**

One of the Children is this guy...



He is a Millennial

- 4 Company
- Many Towns
- 2 Country
- 3 Children
- I'm sure much less grand children

Where will he retire

How can he best prepare for that?



- **Longevity**
- **Labor migration**
- **Declining Fertility**
- **Diversity and Inclusion**
- **Environmental Issues – Compliance**
- **Larger Proportion of the aged population**



- Longevity
- Declining Fertility
- Larger Proportion of the aged population
- Labor migration
- Diversity and Inclusion
- Environmental Issues – Compliance



➤ **Unemployment (especially the Youth)**

➤ **Informal Sector**

➤ **Constrained Budgets Debt**





# Constrained Budgets Debt

- 57 percent of GDP
- Debt-servicing costs doubled
- Current-account balances halved in 2019



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➤ **Unemployment (especially the Youth)**

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➤ **Constrained Budgets Debt**

➤ **Environmental Issues**



# Environmental Issues

- 460 million people, or 36 percent of the total African population, are exposed to at least one form of climate hazard such as drought, heat, water stress, or flooding.
- By 2050, this number will almost double to 900 million people, or 45 percent of the continent's population, in a 2°C warming scenario.
- The continent depends on commodity exports, including fossil fuels and minerals, for 16 percent of its GDP



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- Unemployment (especially the Youth)
- Informal Sector
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- Environmental Issues
- Poverty

# Poverty



- **Since the start of 2020, the number of people living with acute food insecurity has more than doubled to roughly 200 million**





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- Environmental Issues
- Poverty
- Political, Social and Economic Instability

# Political, Social and Economic Instability



- 30% percent of Africa's population was affected by unstable political events such as coups that brought instability in the 2010–19 decade,
- This is compared with 4 percent in the preceding decade



- Longevity
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  - Increasing droughts
    - Debt
- Political, Social and Economic Instability



# The Positives

- Longevity
- Declining Fertility
- Larger Proportion of the aged population
- Labor migration
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- Environmental Issues – Compliance
- Unemployment (especially the Youth)
- Informal Sector
- Constrained Budgets
- Environmental Issues
  - Increasing droughts
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## Population By 2050

- 796 million added to global workforce
- Become home to the largest and youngest population by 2050.



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- 93 percent of global platinum reserves
- 50% global cobalt and manganese reserves
  - 33% of aluminum reserves
- 11 percent of copper and lithium reserves



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## Urbanization

- Fastest urbanization
- 12 Megacities (10m+ people) from just 2 now



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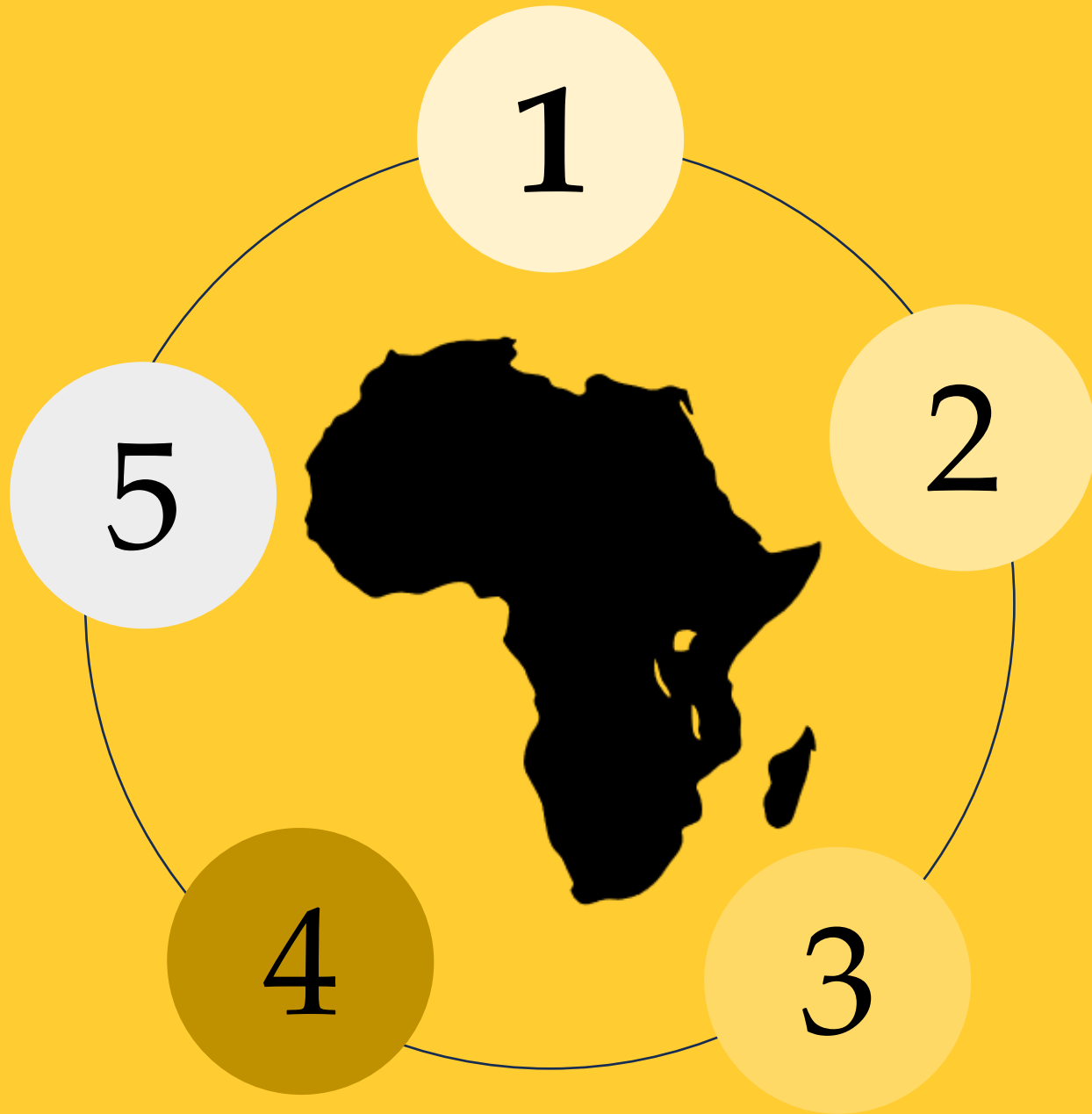
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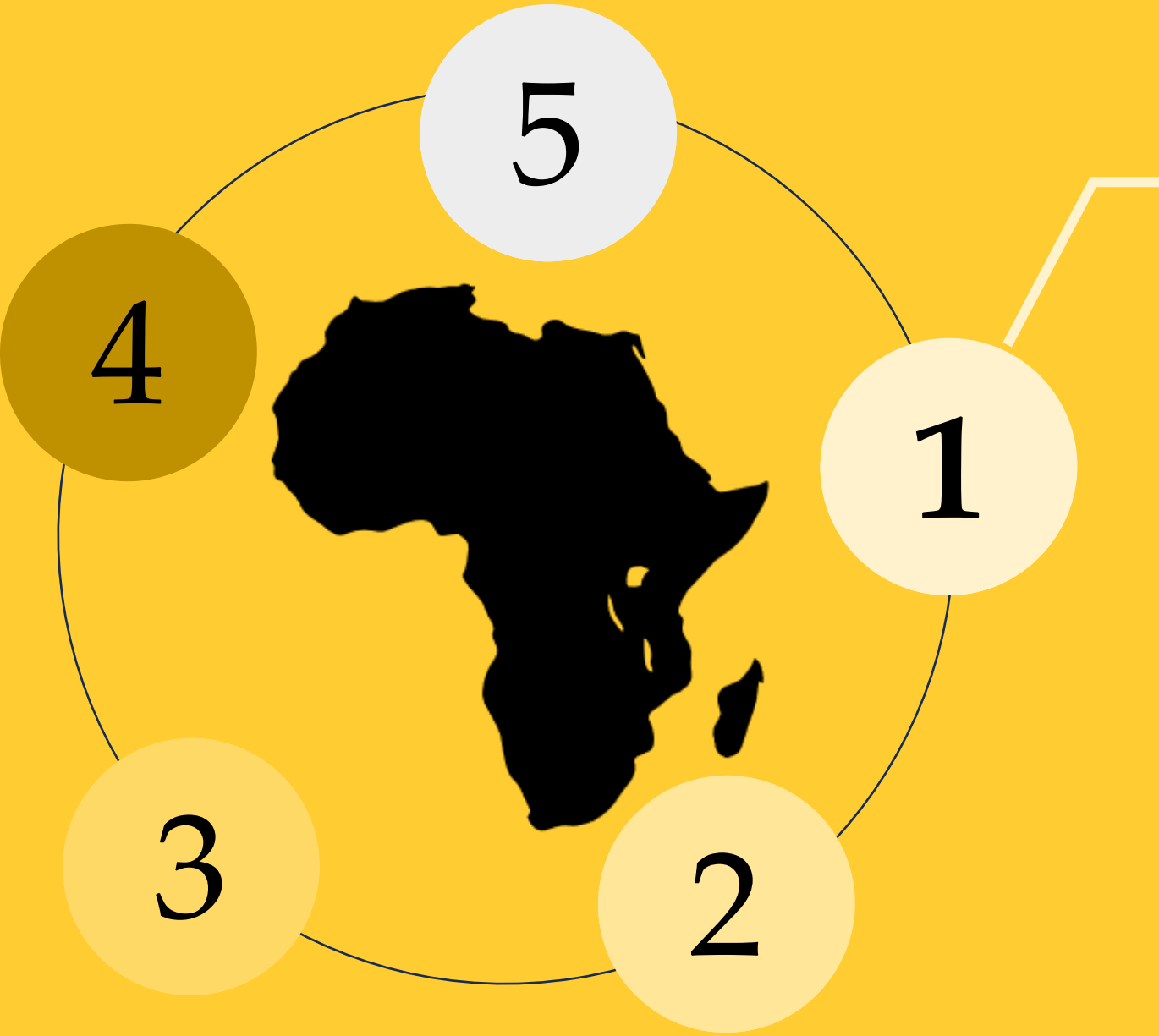
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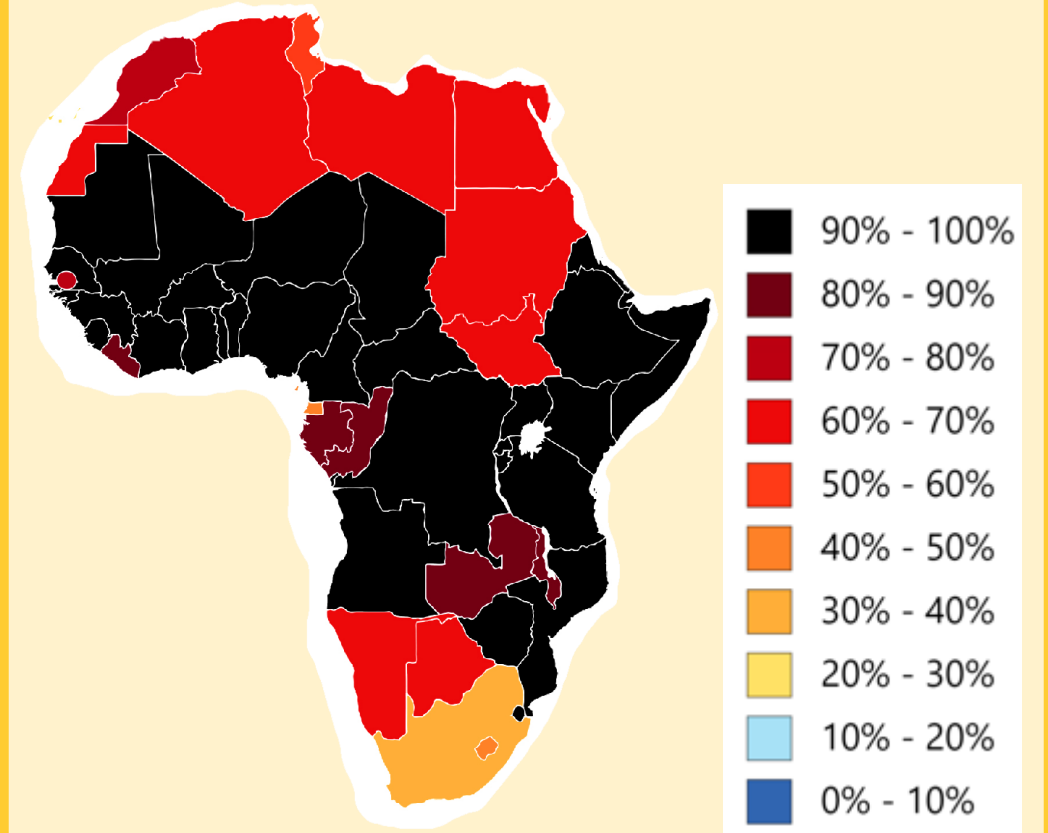
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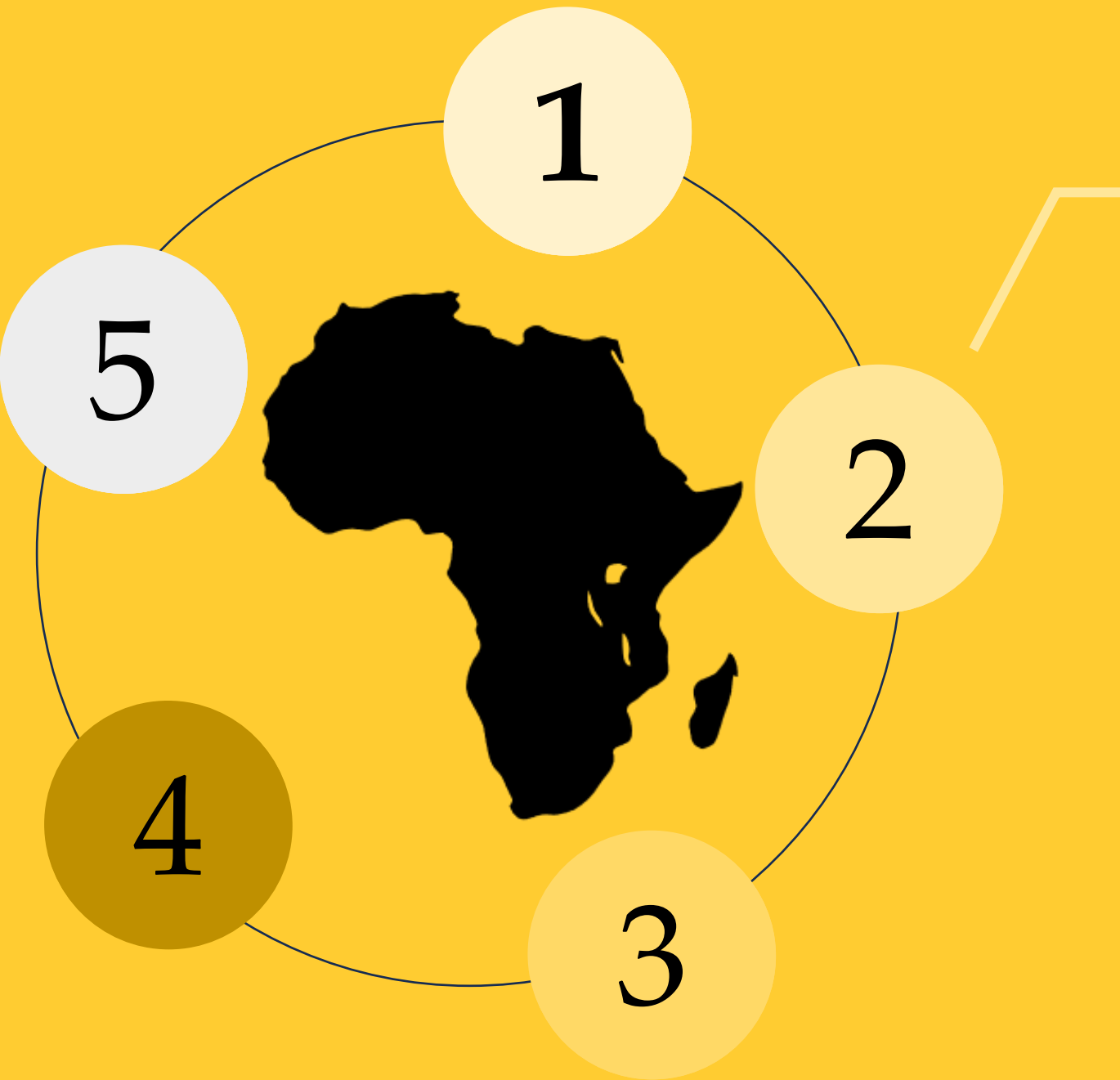
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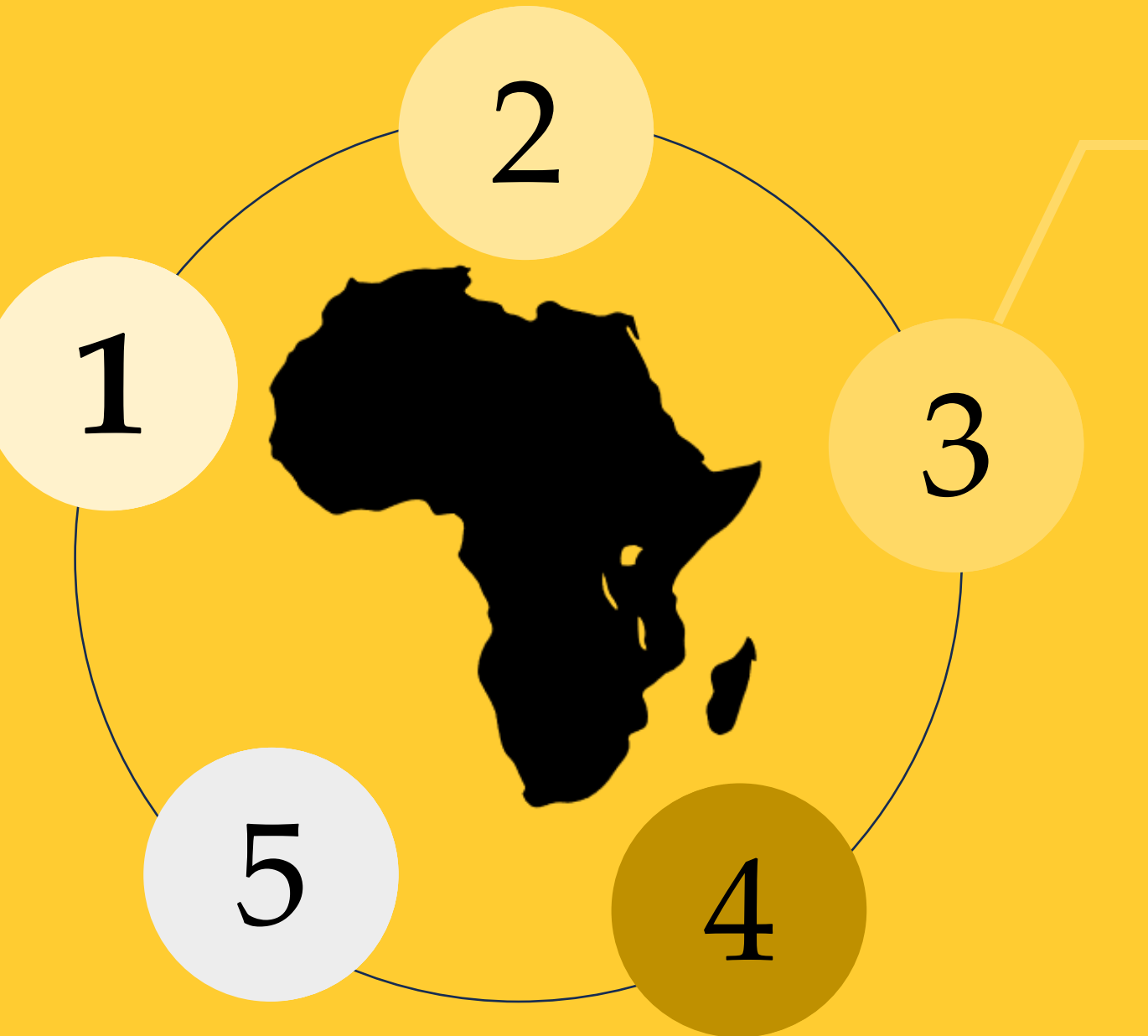
# Informal Sector Inclusion





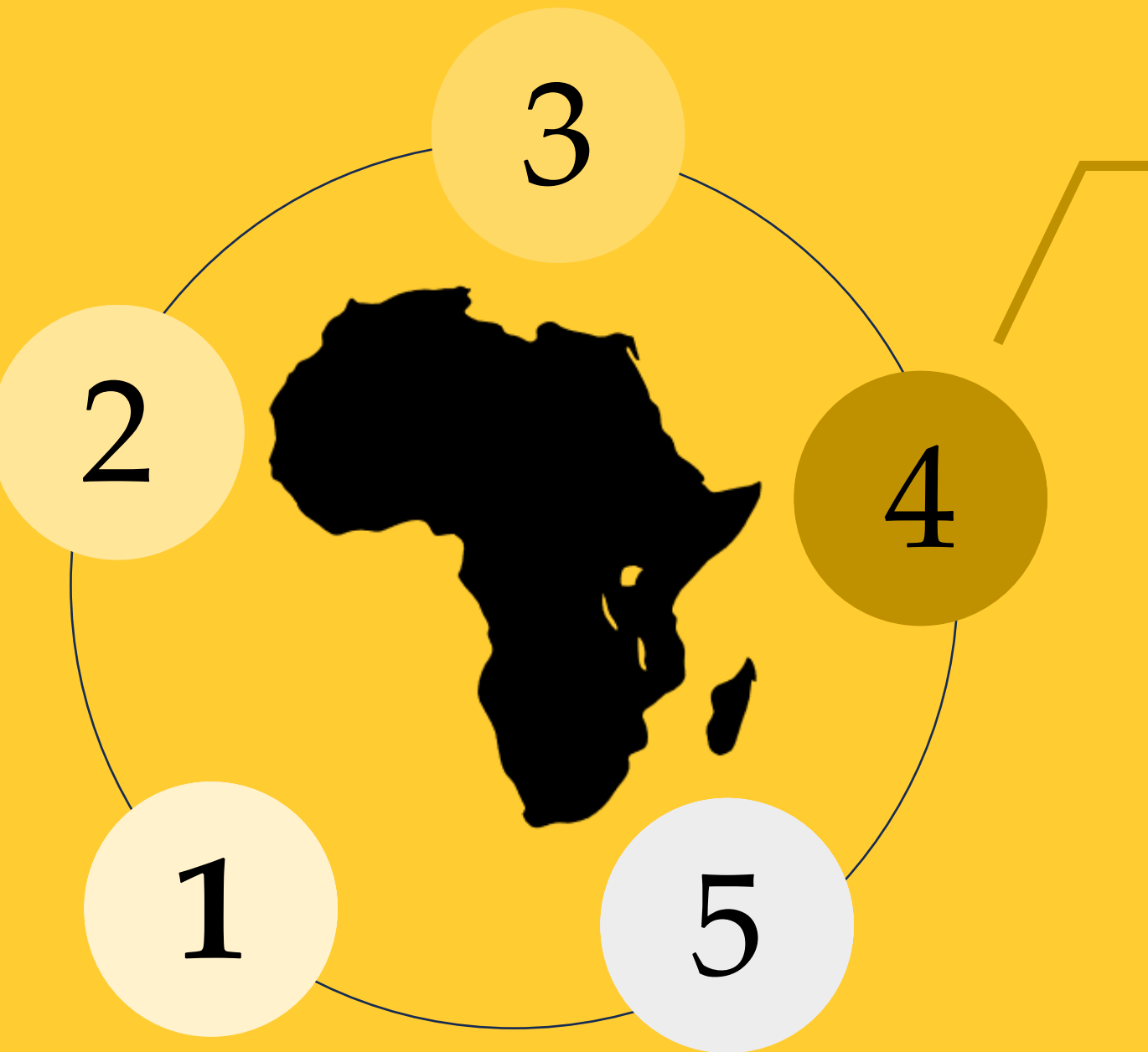
## **Compulsory Contribution**

- **Ghana and Nigeria already there**
- **Zambia, Kenya and South Africa are going in some form or another.**



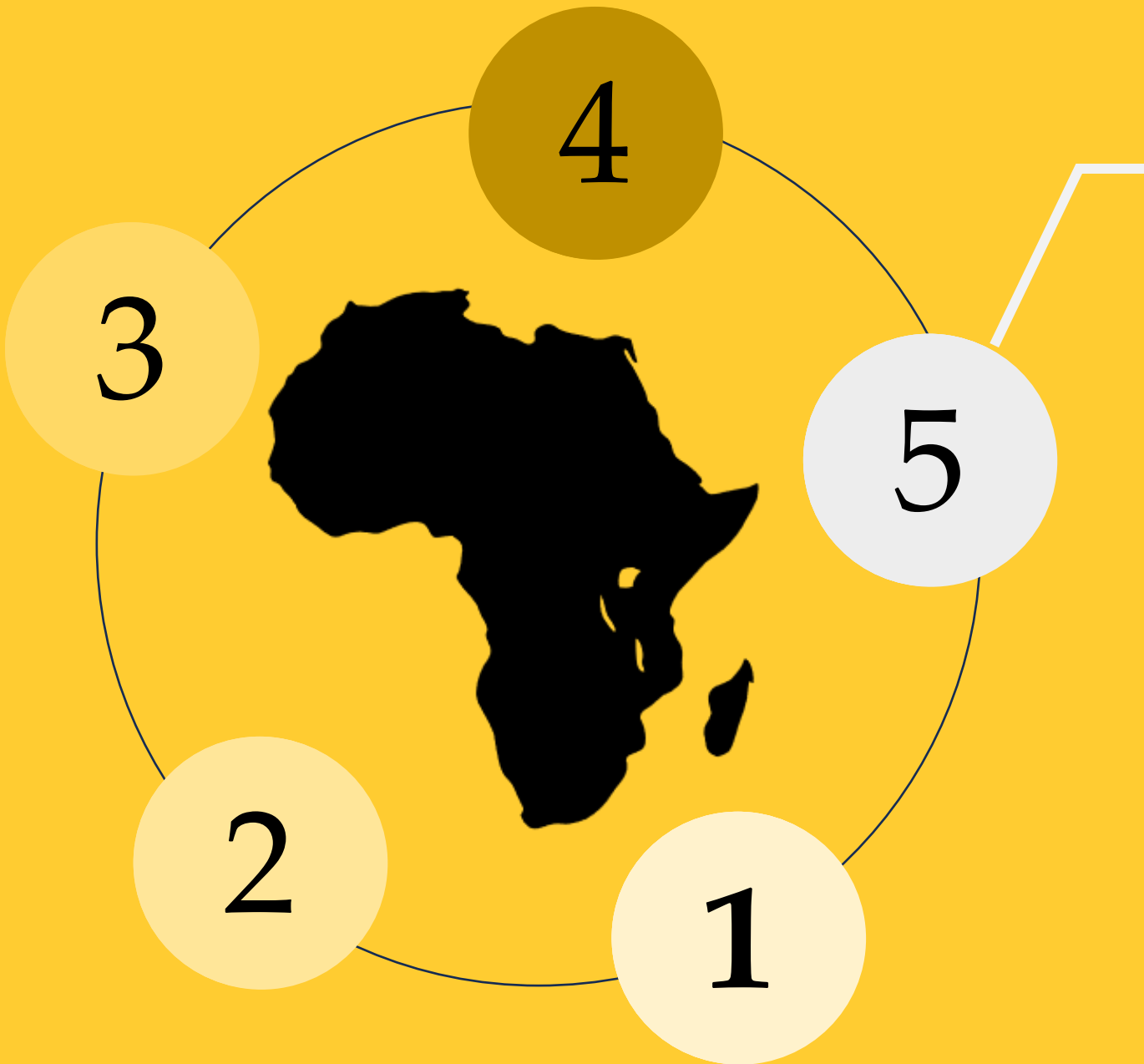
## Preservation vs Early Access

- Most African Countries have some form of compulsory preservation
  - is it the right thing?
  - considering migrating workforce?
- Namibia and SA did not have this. They are now pushing for it.
- COVID saw many countries relaxing this rule e.g., Nigeria, Eswatini



# Provident Funds

- South Africa, Eswatini, Uganda, Namibia are in the process of moving away from Provident Funds.
- Retirement benefits must purchase an annuity
- Or maybe a mix like Kenya



# Local vs International Investments

- Namibia, Botswana, Lesotho and Eswatini increasing local investments
- Zimbabwe now allowing a small percentage
- SA increasing external investments

# THE MELLENIAL

Born 1980 and 2000

Start retiring in 10 years



Seek new learning opportunities

Demand Better life balance: e.g  
Germany's biggest trade union is pushing for a  
4-day work week, instead of salary increase.

Attach more value to family life and  
to leisure

Less committed to one single  
employer

Prefer environment with few rules  
and regulations

High demand for on demand





# Cost of Retirement

**Tunisia –  
USD216K**

**Algeria –  
USD211K**

**Morocco –  
USD249K**

**Ghana –  
USD233K**

**Nigeria –  
USD376K**

**Egypt –  
USD217K**

**Uganda –  
USD240K**

**Kenya –  
USD241K**

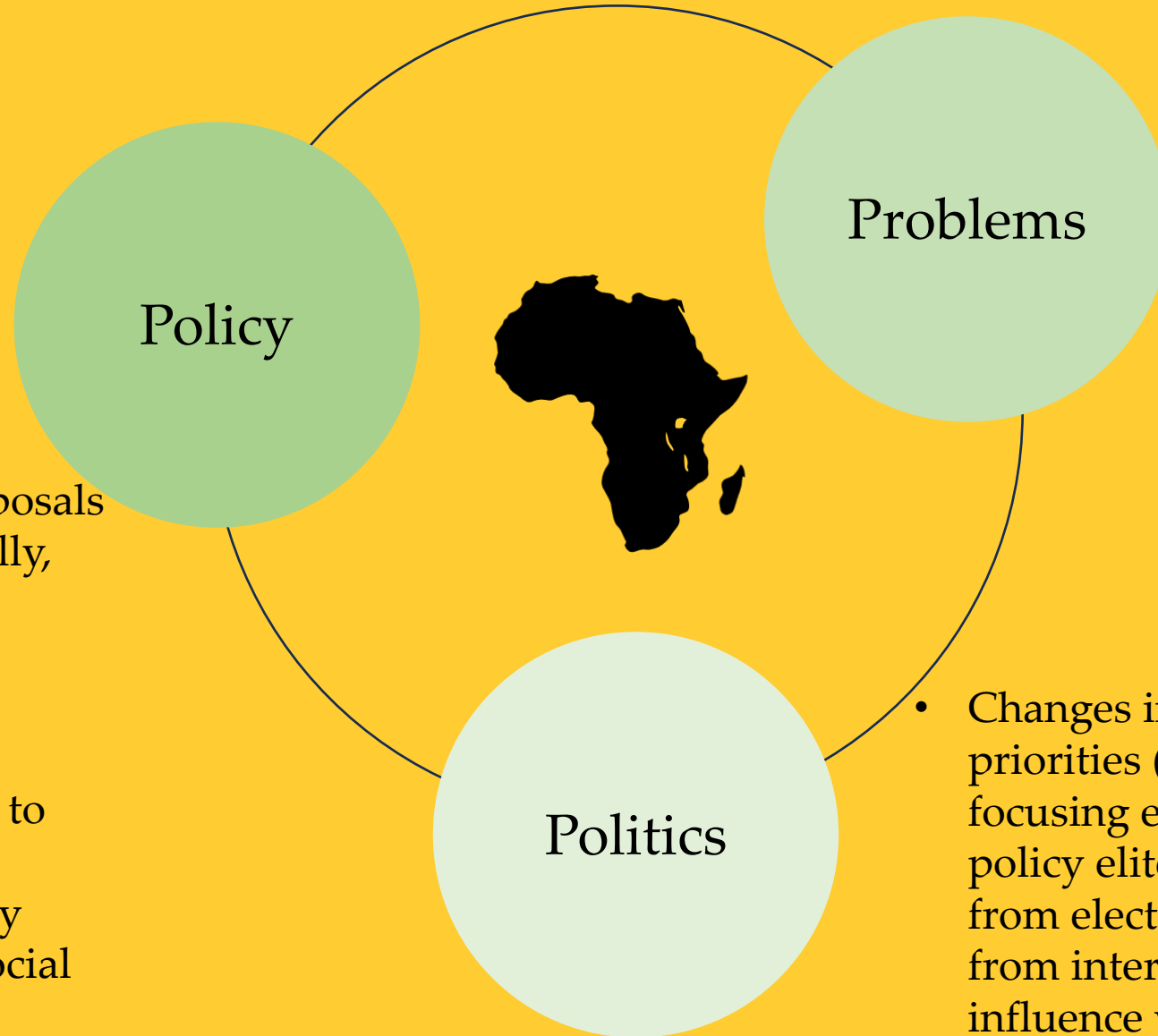
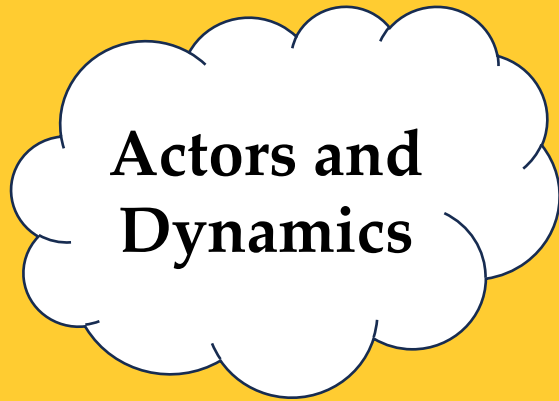
**Tanzania –  
USD262K**

**Mauritius –  
USD320K**

**South Africa –  
USD309K**



# Theory of Reform



- Public and policy elites must perceive a problem to be both important and solvable.
- Issues tend to get on the agenda after a “focusing event” such as a financial crisis, COVID

- There must be policy proposals that appear to be technically, financially, and politically feasible
- Its proponents must have resources, skills, and communication strategies to connect their proposals to concrete concerns of policy makers, the public, and social actors and address their potential shortcomings

- Changes in the public’s policy priorities (often as a result of focusing events), changes in policy elites (often resulting from elections), and pressure from interest groups all influence which issues and proposals make



Thank you!

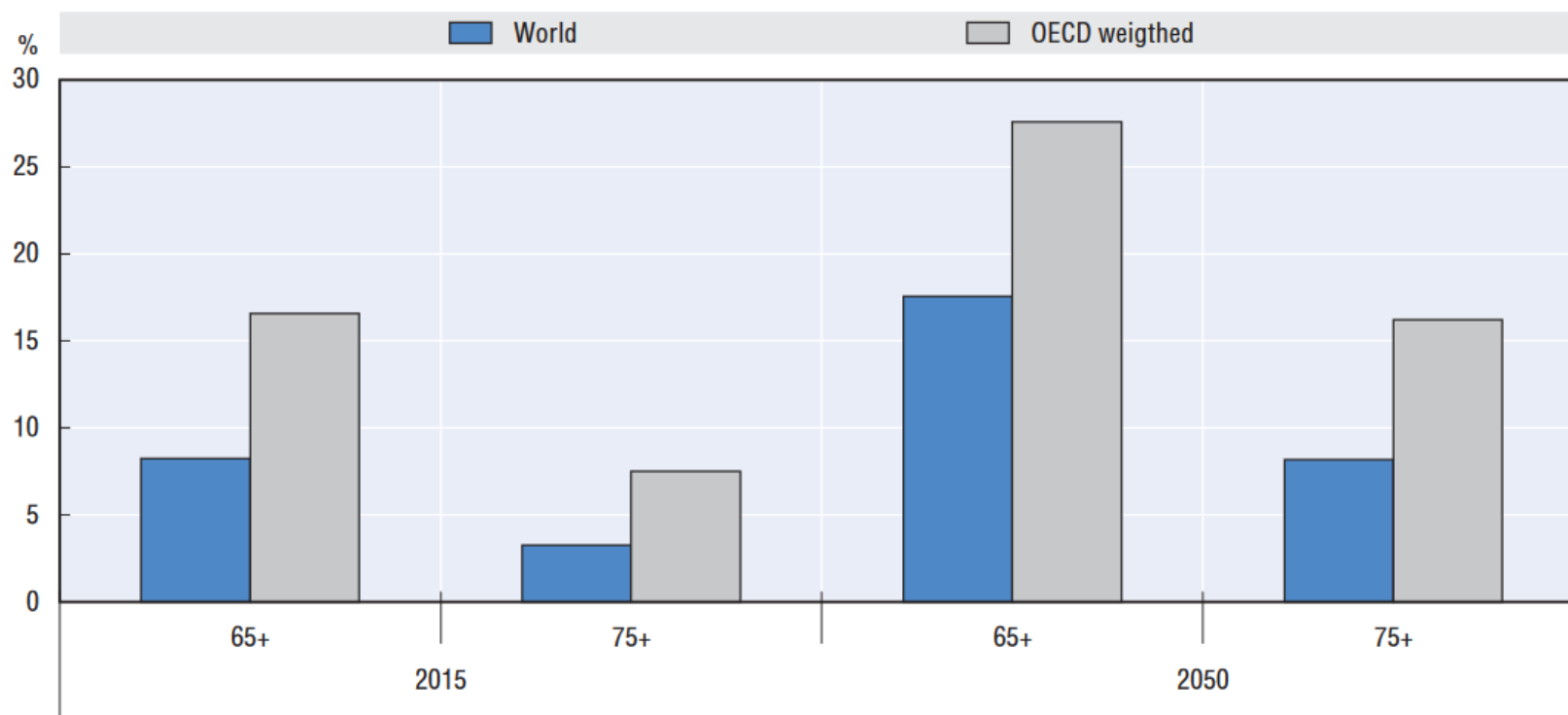
Your  
Thoughts?

# Appendix

# Source

- <https://documents1.worldbank.org/curated/en/673721556881833333/pdf/The-Politics-of-NDC-Pension-Scheme-Diffusion-Constraints-and-Drivers.pdf>
- [https://www.researchgate.net/publication/324922926\\_Understanding\\_the\\_Millennial\\_Generation](https://www.researchgate.net/publication/324922926_Understanding_the_Millennial_Generation) Smith, Travis & Nichols, Tommy. (2015). Understanding the Millennial Generation.
- Hauw, S., & Vos, A. (2010). Millennials' career perspective and psychological contract expectations: does the recession lead to lowered expectations? *Journal of Business & Psychology*, 25(2), 293-302.
- <https://africa.businessinsider.com/local/lifestyle/see-how-much-money-you-need-to-have-to-retire-comfortably-in-africa/gtdm339>
- [https://www.oecd-ilibrary.org/sites/20c7f443-en/1/3/5/index.html?itemId=/content/publication/20c7f443-en&\\_csp\\_=f2b27c8bfaae83ab6fff909cad93f284&itemIGO=oecd&itemContentType=book](https://www.oecd-ilibrary.org/sites/20c7f443-en/1/3/5/index.html?itemId=/content/publication/20c7f443-en&_csp_=f2b27c8bfaae83ab6fff909cad93f284&itemIGO=oecd&itemContentType=book)
- [https://www.oecd-ilibrary.org/docserver/pension\\_glance-2015-4-en.pdf?expires=1687616417&id=id&accname=guest&checksum=187586A2D11CA84442375EF4EE78977C](https://www.oecd-ilibrary.org/docserver/pension_glance-2015-4-en.pdf?expires=1687616417&id=id&accname=guest&checksum=187586A2D11CA84442375EF4EE78977C)
- Reimagining economic growth in Africa – Turning diversity into opportunity a report by McKinsey Global Institute

Figure 1.1. **Share of elderly older than 65 and 75 in the total population**



Source: United Nations (2013), *World Population Prospects: The 2012 Revision* and OECD calculations.


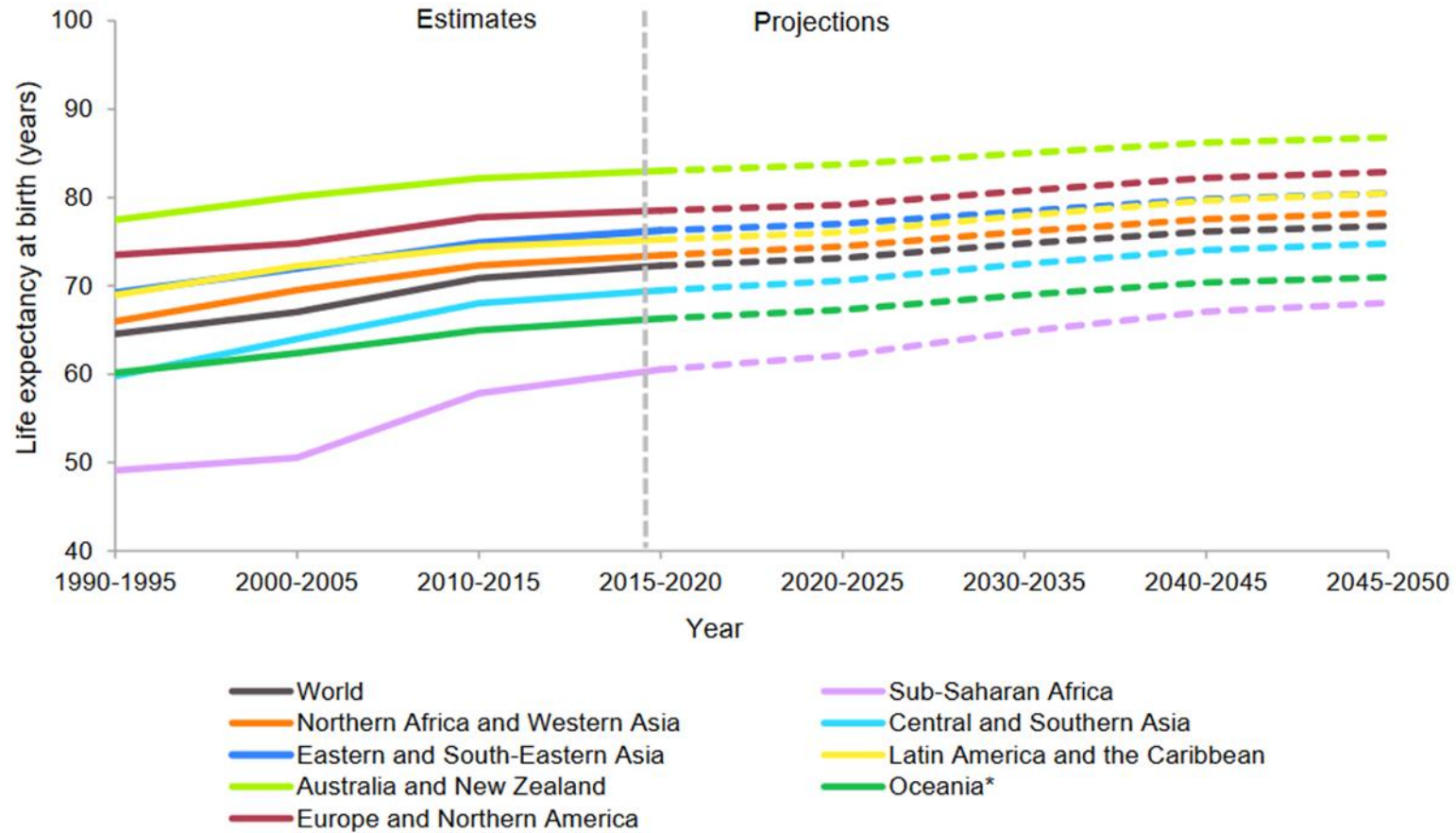
StatLink  <http://dx.doi.org/10.1787/888933300213>



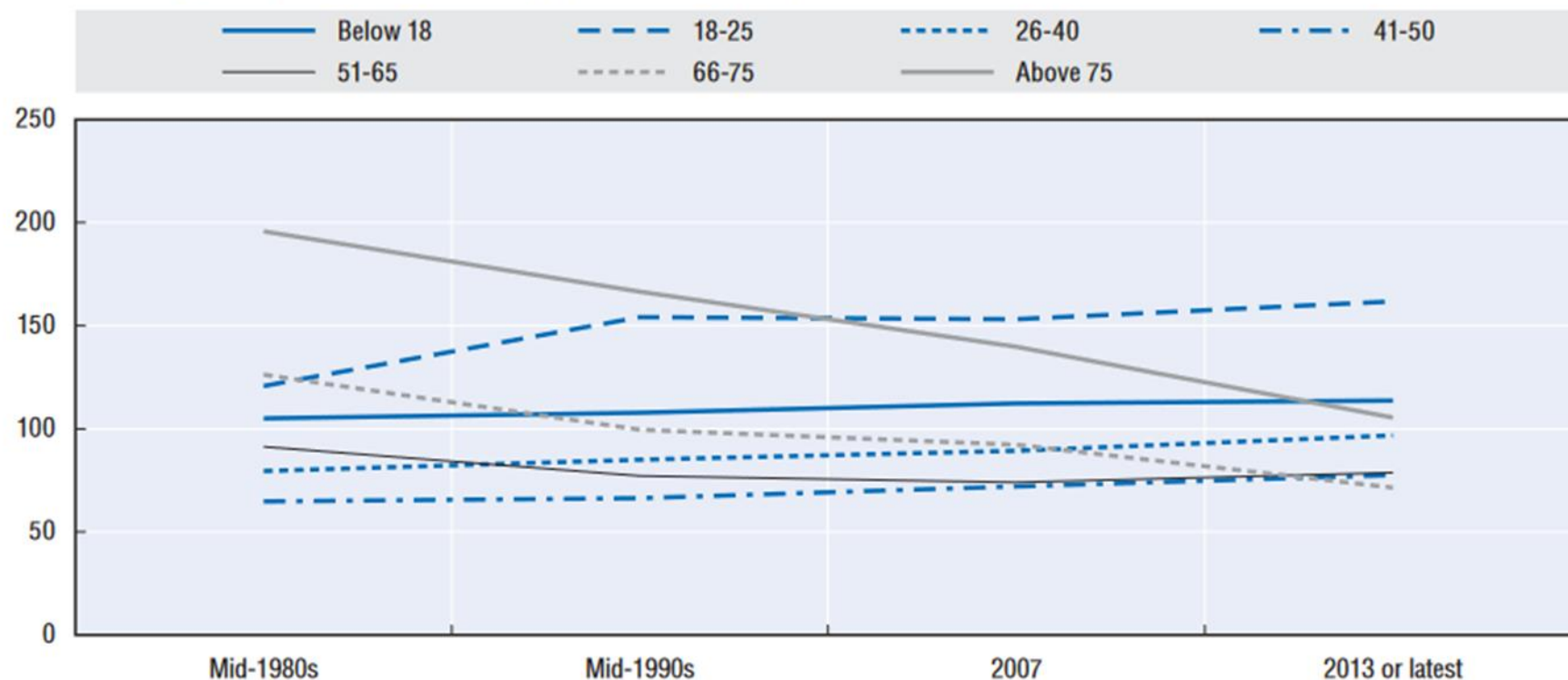
Figure 4.  
Life expectancy at birth by region, both sexes combined (years), 1990-2050



Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). *World Population Prospects 2019*.  
\*Excluding Australia and New Zealand.


### Figure 1.3. Poverty has shifted from the old to the young across OECD countries

Relative poverty rate of the entire population in each year = 100, mid-1980s to 2013 or latest year available



Note: OECD un-weighted average for 18 OECD countries for which data are available from the mid-1980s: Canada, Denmark, Finland, France, Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Sweden, Turkey, the United Kingdom and the United States.

Source: OECD Income Distribution Database, [www.oecd.org/social/income-distribution-database.htm](http://www.oecd.org/social/income-distribution-database.htm); OECD (2014), *Income Inequality Update – June 2014*, OECD Publishing, Paris, [www.oecd.org/els/soc/OECD2014-Income-Inequality-Update.pdf](http://www.oecd.org/els/soc/OECD2014-Income-Inequality-Update.pdf).

StatLink  <http://dx.doi.org/10.1787/888933300231>



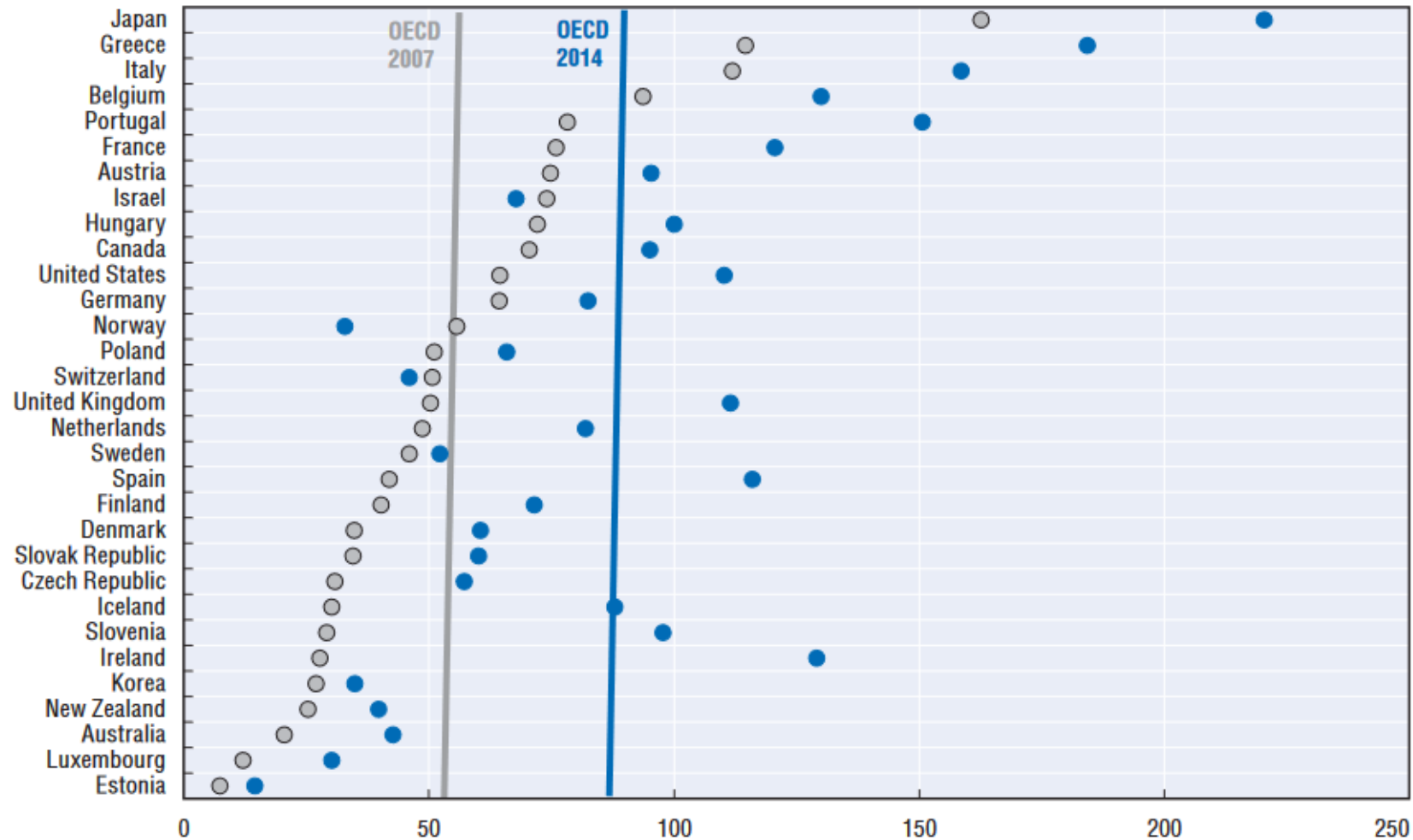
Lets take a step back here

## .....Why Pension Regulation is Different

- Pension has one common thing with Healthcare – the regulations are there to protect and PRESERVE. Government usually has other financial interests in retirements.
- Regulations are meant to allow the government to offer a service.
- In preserving, the regulation allows for very limited changes to the law even when most fundamentals are changing
- Sustainability concerns are often the main driver of legislative change to introduce non-guaranteed lifetime retirement income arrangements – remember pensions are multi-generational. Its important to take into account Generational Fairness.
- The funding model has been the same for decades now – rethink the entire model


Figure 1.2. **Pre- and post-crisis government gross financial liabilities, 2007 and 2014 (or latest year available)**

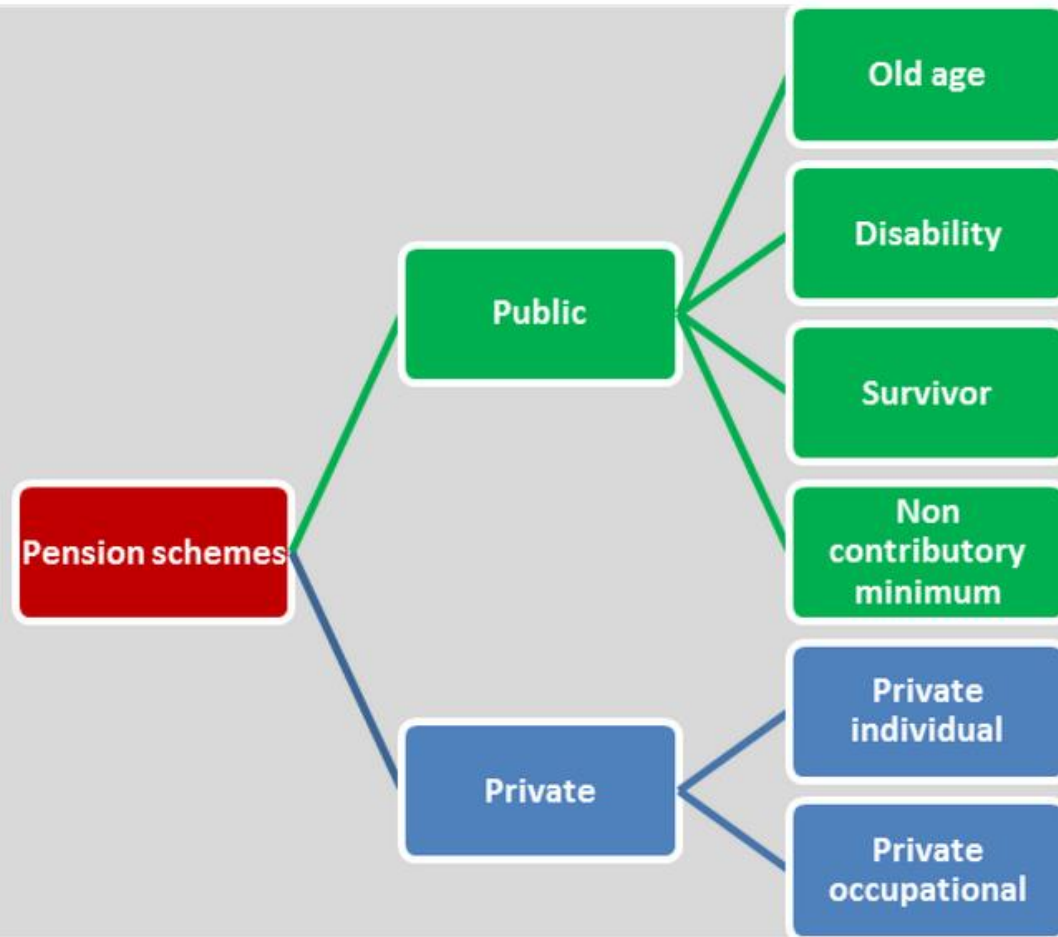
Percentage of GDP



Note: Gross debt data are not always comparable across countries due to different definitions or treatment of debt components. Data for Austria, Iceland, Ireland, Israel, Japan, and Luxembourg is 2013; Switzerland 2012.

Source: OECD (2015), OECD Economic Outlook 97 Database, <http://dx.doi.org/10.1787/eo-data-en>.

StatLink  <http://dx.doi.org/10.1787/888933300228>



**Table 2.1: NDC policy-making outcomes in selected countries**

<b>Outcome</b>	<b>Countries without FDC pillars</b>	<b>Countries with FDC pillars</b>
<b>NDC Innovators</b>		Italy (1995); Sweden (1991–1998)
<b>NDC Adapters</b>	Norway (2009)	Latvia (1996); Poland (1997–1998)
<b>Boundary Straddlers</b>		
Statutory retirement age linked to life expectancy	Cyprus; Denmark (2011); Finland (2015); Greece (2010); Italy (2010); Malta; Netherlands (2012); Portugal (2013)	Slovakia (2012)
Benefits linked to life expectancy	Finland (2005); France (2003); Portugal (2007); Spain (2011)	
Other/Multiple stabilizing mechanisms	Canada (1997) and Quebec (2011); Greece (2012); Germany (1997 and 2004); Spain (2013)	Lithuania (2016)
<b>Dropouts</b>	Kyrgyz Republic (1997); Mongolia (1999)	Russia (2002); Egypt (2010)
<b>Incrementalists</b>	Austria; Brazil; Japan; Slovenia	Hungary; Estonia

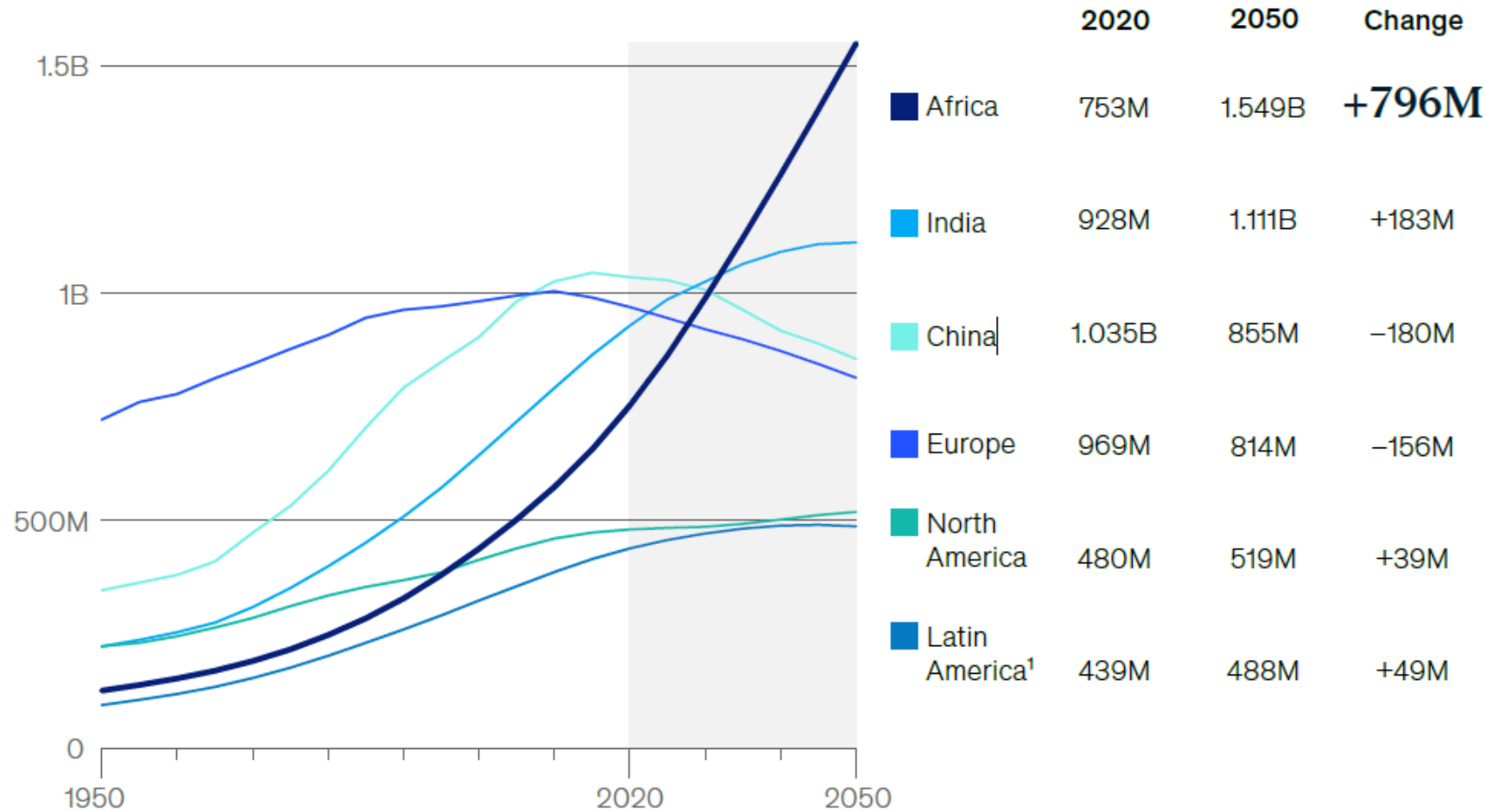
Source: European Commission 2018, 54.

Note: The year(s) of reform adoption is in brackets. Several years apply to incrementalists.

Exhibit 9

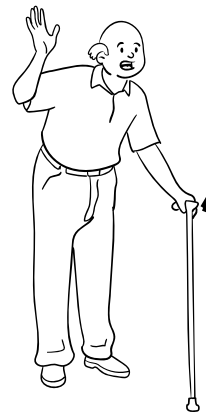
**Africa will add 796 million people to the global workforce and be home to the largest and youngest population by 2050.**

**Working-age (15–64) population**





1920s



1960s

18 Others



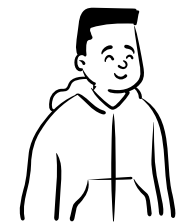
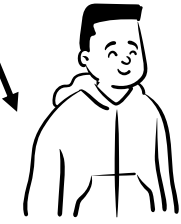
1980s

5 Others



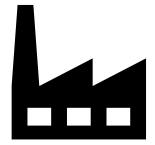
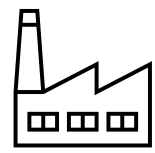
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