



# Insurance and Pensions Symposium

Regulating for Fair Value: Strengthening Consumer Outcomes in Insurance and Pensions

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# Introduction



Value for Money is not simply about cost efficiency. It is about whether retirement fund members receive fair outcomes relative to the fees they pay, the risks they bear, and the services they receive.

**IOPS** identifies 5 key components of a holistic Value for Money system:

- 1.Scope of Assessment** – define which entities and funds are being compared (e.g., umbrella vs stand-alone).
- 2.Standardised Metrics** – Metrics should be comparable, consistent, and based on reliable data. They fall into 4 categories: Investment Performance; Costs and Charges; Quality of Service; and Suitability.
- 3.Benchmarks and Comparative Assessments** – Benchmark-based assessment (standard portfolios) or Peer-group comparisons (similar funds).
- 4.Transparent Disclosure and Member Communication** – Results must be published clearly and regularly.
- 5.Regulatory Actions and Consequences** – A Value for Money framework has no impact without enforcement.

Comprehensive Value for Money frameworks currently exist mainly in Australia, Hong Kong, China and Mexico. The UK is an example of jurisdiction that is advanced in creating a Value for Money framework.



# Application in Australia



Measures value delivered to members as net investment returns minus total fees, based on a fixed hypothetical starting balance (typically \$50,000) over 8-10 years.

## APRA Annual Performance Test

- Funds are compared against a benchmark derived from their own asset allocation
- Fees and administration costs are evaluated using a standardised benchmark.
- Produces a pass/fail result

Strong disclosure regime that includes heatmaps, comparison tools and public performance dashboards.

Funds failing the performance test must:

- Notify members (1<sup>st</sup> fail) and may be closed to new entrants (2<sup>nd</sup> fail)
- Cannot force funds to merge but can force funds to scan market for merge partner



# Application in United Kingdom



Assess whether defined contribution pension schemes deliver good outcomes, not just low costs.

Uses a consistent set of metrics to compare pension schemes, covering:

- Investment performance (net of fees)
- Costs and charges (investment charges vs administration/service costs)
- Quality of services (member engagement, complaint handling, digital access)

Uses standardised disclosures and a Red Amber Green (RAG) public rating system.

- Amber/Red schemes must contact employers and prepare remediation plans
- Red schemes must consider transferring members

Risk weighting in order of importance: investment performance, quality of service, cost and charges



# Application elsewhere



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# Application in South Africa



Many jurisdictions have “implicit” Value for Money measures such as: fee caps; governance requirements; disclosure rules; and consumer protection and investment rules.

The FSCA is currently exploring the development of its own Value for Money framework, drawing on key elements of the Australian and UK models to create an approach suited to South Africa’s retirement fund landscape.

The FSCA intends to apply a transparent, outcomes-focused methodology.

The framework will leverage formulas and indicators already widely used in the South African industry, such as Return on Investment (ROI) and the Total Expense Ratio (TER), to ensure practicality, comparability and ease of implementation.

This approach aims to promote consistency in evaluating member outcomes, support stronger governance, and drive meaningful improvements in cost efficiency and investment performance across retirement funds.



# Challenges for supervisors



- Availability of data
- How to manage regulatory consequences
- How to enable member engagement
- Anticipating unintended consequences

*Thank You*

