

IRFA 2025 CONFERENCE: "LEADING WITH RESILIENCE: A JUDGEMENT ON PROGRESS" - KEYNOTE PANEL BRIEFING

Date: 25 August 2025

Venue: Cape Town International Convention Centre

Panel Title: Leading with Resilience: A Judgement on Progress

Facilitator: Judge Dennis Davis

Panellists:

- Geraldine Fowler: IRFA Chairperson and Managing Director of GQM Fund Administrators (Pty) Ltd (Pillar 1: Investing for Economic and Social Impact)
- Brian Karidza: GEPF (Pillar 2: Operational Resilience for Stability)
- Nancy Andrews: IRFA Exco Member and Head of Legal: Discovery EB and Invest (Pillar 3: Landscaping for Future Reforms)

Executive Summary

The keynote panel at the IRFA 2025 Conference, "Leading with Resilience: A Judgement on Progress," convened to critically examine the South African and African retirement landscape through three core pillars: **Investing for Economic and Social Impact, Operational Resilience for Stability, and Landscaping for Future Reforms**. Facilitated by Judge Dennis Davis, the discussion adopted a "judicial-style" format, challenging panellists' assertions and probing the industry's progress and shortcomings.

A central theme was the "African paradox" – a young, rapidly growing population facing significant infrastructure deficits, high unemployment, and inadequate pension savings coverage. The panel debated the extent to which the retirement industry, holding "trillions of assets across the entire Africa," can act as a "serious vehicle for the kind of economic transformation" needed to address these challenges while fulfilling its fiduciary duties to members.

Key takeaways include the urgent need for:

- **Strategic, visible, and community-level impact investments**, moving beyond large-scale projects that have not adequately translated into job creation and poverty reduction.
- **Robust operational resilience** that prioritises transparent member engagement and the ability to ensure uninterrupted benefit payments under any circumstance, moving from "engineering sunny days" to "engineering for the days that are rainy."
- **Proactive and collaborative engagement with regulatory reforms**, learning from past implementation challenges (like the Two-Pot Retirement System) to simplify processes and ensure effective, member-centric outcomes.
- **Transformative member education** that goes beyond financial literacy to foster trust and buy-in for broader societal investments, explaining *how* funds are invested and *why* specific investment philosophies are crucial for future sustainability.

The consensus was that while the industry has made progress, it is far from achieving a "first-class pass," with significant "house-cleaning" and a fundamental re-evaluation of current approaches required.

I. Main Themes and Core Ideas

A. The "African Paradox" and the Transformative Potential of Retirement Funds (Pillar 1)

- **Dual Challenges:** Africa faces a paradox of having the "youngest population in the world" alongside "some of the poorest pension savings coverage." This is compounded by "massive, rapid population growth" and "huge infrastructure deficits," leading to "huge unemployment issues."

- **Consequences of Inaction:** "Africans will continue to retire poor, and we will continue to have huge unemployment" if the industry "don't act now." The current system "tapping the same pool of privileged few" is unsustainable.
- **Retirement Funds as "Powerful Vehicles":** With "trillions of assets," retirement funds "really do hold the power for sustainable socio-economic growth and transformation across Africa."
- **Investing for Impact:** This involves "investing in local infrastructure, energy, affordable housing, transport, health key, digital connectivity," which can "unlock economic growth, create jobs, and reduce inequality."
- **ESG as a Compass:** Applying ESG principles can "ensure that growth is not only financial, but it's also ethical and sustainable."
- **Case Studies:** Examples cited include Ghana's Infrastructure Investment Fund and South Africa's GEPIF and PIC channelling capital into renewables, affordable housing, SMEs, and social infrastructure.
- **Critique of Current Investment Approach:** Judge Davis challenged the panellists on the disconnect between the "billions" invested and the "unofficial unemployment rate of close to 50%." Geraldine Fowler acknowledged that "somewhere, the approach is wrong, obviously, because the proof is not in the pudding."
- **Call for Localised, Visible Impact:** There is a need to "stop focusing on these big-scale, large infrastructure projects" and instead "get into local communities," where investments are "visible to the members" and create tangible benefits like jobs, healthcare clinics, and education. This fosters "trust and buy-in from our members."

B. Operational Resilience as the Backbone of Trust (Pillar 2)

- **The "Basics" of Resilience:** Brian Karidza emphasised that for a member, resilience boils down to simple questions: "When will I... will you be able to pay me when my payment is due? Would that payment be made to the right person? Would it be paid in time? And can it be paid under several circumstances?"
- **Trust and Transparency:** "Operational resilience is the backbone of trust." This means transparent communication and the ability to maintain operations during internal or external disruptions.
- **Key Critical Services:** These include "collecting the contributions as and when required," "allocating them and passing them on to the different investment managers," "communicating with our members," and "making sure that we pay our members their benefits as and when they fold you."
- **Current Strengths:** The industry exhibits "adequate segregation of duties," "good corporate governance," "adequate, and strict SLAs between providers," and "extensive communication."
- **Areas for Improvement: Legacy Systems:** Many funds have "legacy systems... which are not adaptable" and need upgrading.
- **Opaque Communications:** "Some funds... have been accused of opaque communications." Transparency is crucial.
- **Third-Party Risk Management:** Proactive management of "all third-party risks" and keeping stakeholders informed.
- **Shift in Mindset:** The industry must move from "engineering sunny days" to "engineering for the days that are rainy, for the days where there's failure." The adaptation to the Two-Pot system, despite initial panic, demonstrated the industry's ability to "largely deliver" through collaboration and acceptance of potential failure.
- **Accountability and AI:** Brian confirmed that recommendations from the Maparti Commission concerning the PIC (the GEPIF's largest investment manager) "were taken seriously by both sets of boards," leading to ongoing "actions that are being taken." AI is seen as a tool to "have further outreach to our members" for "simple communications," but human interaction and collaboration are vital for addressing complex investment challenges.

C. Navigating and Influencing Future Reforms (Pillar 3)

- **A Dynamic Regulatory Landscape:** South Africa's financial and retirement systems have seen "phenomenal" reform, particularly since the introduction of Twin Peaks in 2018.
- **Stakeholder Engagement:** A key strength is South Africa's "National Policy Development Framework," which allows the industry "to actually be part and parcel of the reforms or the changes coming through legislation." Regulators are "inclusive of stakeholders" and "want to hear what our... what we as an industry know about reform."
- **Transparency and Collaboration:** The legislative development process is characterised by "transparency, the collaboration, the inclusivity of stakeholders." The goal is "better outcomes for retirement fund members, and more particularly, efficiency within the retirement sector."
- **Lessons from Two-Pot System:** Nancy Andrews acknowledged that the Two-Pot system, while successfully implemented, "wasn't not thought through properly." The "crucial lesson" learned was that "we overcomplicate things" and that a simpler approach is needed. It also "created a mind shift for everybody," indicating a greater willingness to adapt.
- **Preparing for COFI:** The industry has an "understanding of" COFI (Conduct of Financial Institutions Act) and the FSCA is "trying to take out certain issues to kind of, get us ready for it, so in small chunks."

D. Cross-Cutting Issues and the Need for a "Resilience Charter"

- **Interconnected Pillars:** The panellists stressed that the three pillars are "mutually reinforcing" and "interconnected," and cannot be viewed in isolation.
- **The "First-Class Pass" Debate:** When asked to rate the industry's performance, Geraldine Fowler stated, "We get a pass, do, but it's not... it's not with distinction." Nancy Andrews was more optimistic, suggesting "about 70% there," though Judge Davis challenged this, particularly on impact investing.
- **"Clean Our House":** Geraldine advocated for "cleaning our house" by redesigning existing operational efficiencies in line with the collaborative approaches seen with Two-Pot, rather than just adding new complexities.
- **Member Education Gap:** A significant criticism was the "unbelievably pathetic financial discourse in South Africa" and the industry's failure to effectively educate members. Geraldine stated, "We are looking at it and coming up with solutions using our eyes. We need to turn around, and we need to look at it through the eyes of a member." She highlighted that many members "don't even understand the concept of a percentage." Without relevant education, "we are not going to get the members' buy-in to use their money for socio-economic development."
- **The Broader Obligation:** Judge Davis concluded by emphasising the "fundamental question" of the industry's "broader obligation to the society as a whole," particularly given the "trillions of rand" under their control, and the need to calibrate investment to simultaneously "improv[e] the returns for ordinary members" and address societal issues like unemployment.

II. Most Important Ideas/Facts/Quotes

- **The African Paradox:** "By 2054, one in every four people in the... on the entire planet is going to be African. So... But we've also got dual challenges in that we've got this massive, rapid population growth, and on the other hand, we've got huge infrastructure deficits." – Geraldine Fowler
- **Retirement Funds as Nation Builders:** "Retirement funds are really powerful vehicles for nation building. We've got trillions of assets across the entire Africa, and we really do hold the power for sustainable socio-economic growth and transformation across Africa." – Geraldine Fowler

- **Critique of Current Investment Impact:** "If there is so much going into infrastructure. Why do we have an unofficial unemployment rate of close to 50%? Correct. That, that to me, I mean, that, that... What's happening to the billions? Not all of it is being stolen. So how do you contribute to the reduction thereof?" – Judge Dennis Davis
- **Need for Localised Impact:** "Should we not just stop focusing on these big-scale, large infrastructure projects? We need to get into local communities... Where the brothers and sisters and fathers and mothers are getting jobs." – Geraldine Fowler
- **Operational Resilience Defined:** "The basics to a member, it's very simple. They want to know. When will I... will you be able to pay me when my payment is due? Would that payment be made to the right person? Would it be paid in time? And can it be paid under several circumstances?" – Brian Karidza
- **Resilience and Trust:** "Operational resilience is the backbone of trust." – Brian Karidza
- **Shifting to "Engineering for Failure":** "The first transition we should make is moving from engineering sunny days. But also allowing for engineering for The days that are rainy for the days where there's failure." – Brian Karidza
- **Collaborative Policy Development:** "South Africa's National Policy Development Framework gives us as an industry the opportunity to actually be part and parcel of the reforms or the changes coming through legislation." – Nancy Andrews
- **Lesson from Two-Pot:** "What was the crucial lesson that you can learn? That we overcomplicate things." – Nancy Andrews
- **Industry's "Pass, Not Distinction":** "We get a pass, do, but it's not... it's not with distinction." – Geraldine Fowler
- **Need to "Clean Our House":** "Should we not go back to point A, redesign it, in line with these collaborative approaches that we've taken with two pot that Nancy spoke about?... Clean our house." – Geraldine Fowler
- **Rethinking Member Education:** "We need to turn around, and we need to look at it through the eyes of a member. Members don't... more than half don't even understand the concept of a percentage." – Geraldine Fowler
- **Broader Societal Obligation:** "There is a fundamental question. Which is, what is the broader obligation to the society as a whole, and with members a part of that?" – Judge Dennis Davis

III. Call to Action (as articulated by Judge Davis)

- **No more passive compliance.**
- **Build forward. Build resiliently.**
- The industry must engage in a national debate on its "broader obligation to society" and how to balance member returns with significant contributions to social and economic transformation, particularly in addressing high unemployment and poverty.
- A "Resilience Charter" outlining three key commitments for the sector should be developed.
- Prioritise which of the three pillars (Investing for Economic and Social Impact, Operational Resilience for Stability, Landscaping for Future Reforms) requires the most urgent attention.