Evaluating Umbrella Funds

What you need to know

GRAYSWAN

2025

DECEMBER 2025

Evaluating Umbrella Funds

GRAYSWAN

The South African retirement-fund environment continues to evolve. Recently, regulation and governance expectations have intensified.

Employers and trustees must therefore be more deliberate in choosing the right umbrella fund to ultimately ensure the most optimal member outcomes

"If you keep doing what you always do, you'll just get what you always get." - Albert Einstein

WHAT IS AN UMBRELLA FUND?

An umbrella fund permits multiple employers to participate in a single retirement-fund structure. It is governed by a board of trustees, supported by administrators, insurers and investment managers. The decision drivers remain unchanged: governance, cost, investment design (pre- and post-retirement), service quality and risk benefits.

KEY ASPECTS IN EVALUATING AN UMBRELLA FUND:

REGULATORY REFORM AND SUPERVISORY FOCUS HAVE INCREASED

The Financial Sector Conduct Authority's (FSCA) 2025 strategy introduces stricter supervision, improved reporting and Conduct of Financial Institutions (COFI)-aligned standards that raise expectations for administrators and fund operations.

THE TWO-POT RETIREMENT SYSTEM RESHAPES FUND DESIGN AND ADMINISTRATION

The introduction of the Two-Pot Retirement System from 1 September 2024 – with its savings pot, retirement pot and potential additional legacy components – adds complexity to umbrella-fund administration, investment design and member communication. Providers must now accommodate new contribution flows, withdrawal rules and possibly pot-specific investment strategies, while employers need clearer guidance to help members navigate these choices.

TRANSFER AND CONSOLIDATION MECHANICS EASED

Mid-2025 FSCA exemptions simplified certain retail fund transfers, making consolidation and provider migration more practical for trustees and employers.

ENFORCEMENT AND TRANSPARENCY ROSE

With the FSCA now publicly naming employers in arrears regarding retirement fund contributions, contribution collection and reconciliation have become critical compliance priorities.

GOVERNANCE EXPECTATIONS TIGHTENED

King V corporate governance principles are driving stronger expectations for independent trustees, term limits and robust conflict-management frameworks in umbrella funds.

COST AND DISCLOSURE REMAIN FRONT OF MIND

Retirement Savings Cost (RSC) disclosures remain essential, but trustees must also compare indirect and implementation costs to assess true value for money.

INVESTMENT DESIGN – GLIDEPATHS AND LIFE-STAGE MODELS

Providers continue refining glidepaths and life-stage models, requiring trustees to evaluate both the structure and the governance behind its implementation.

MEMBER ENGAGEMENT INCREASED

Digital capability now matters as members expect intuitive applications, clear communication and tailored engagement across different age groups.

PARTNERING WITH GRAYSWAN FOR RETIREMENT SUCCESS

GraySwan provides independent, practical advice across the umbrella fund life cycle. We publish a quarterly Umbrella Fund Default Investments Survey, highlighting the main Umbrella Fund offerings in South Africa and comparing the default investment portfolios of each. Utilising our years of investment and employee benefit experience, we help you make sense of the data – empowering you to make your decision with confidence.

Our process entails the following:

REVIEW OF THE CURRENT UMBRELLA FUND

GraySwan analyses all aspects of your existing umbrella fund – fees, investments, performance, and risk benefits – to identify inefficiencies and areas where member outcomes can be improved.

COMPARISON OF ALTERNATIVE UMBRELLA FUNDS

A like-for-like evaluation of competing umbrella fund providers is conducted using identical criteria, enabling transparent assessment of cost, investment design, risk benefits and overall value.

FEE, BENEFIT & INVESTMENT BENCHMARKING

Administration fees, risk-benefit premiums and investment fees are benchmarked against the market, with detailed rand-value and percentage comparisons to highlight cost savings and efficiency improvements.

CLEAR STRATEGIC RECOMMENDATIONS

All findings are consolidated into practical, evidence-based recommendations outlining whether to retain the current fund or switch, and which provider and structure best suit the employer.

FULL SECTION 14 & IMPLEMENTATION SUPPORT

Should a change in Umbrella Fund Administrator be in the best interest of the members, GraySwan assists HR, Management and the members with the transfer by managing the entire transition process – documentation, regulatory submissions, onboarding, timelines and compliance – ensuring a smooth and low-risk fund transfer.

ONGOING MEMBER COMMUNICATION & ENGAGEMENT

Tailored member communication and education initiatives ensure employees understand the changes, the benefits, and the impact on their retirement savings, strengthening trust and engagement.

CONCLUSION

The umbrella fund landscape in South Africa now offers more choice, more complexity and far greater scrutiny than ever before. With tightening regulation, rising governance demands and increasing pressure on operational excellence, employers can no longer rely on surface-level comparisons or marketing narratives. Decisions must be evidence-based, outcome-driven and independently validated.

If you want to protect your members, reduce organisational risk and gain absolute clarity in a complex environment, reach out to GraySwan today. Let our expertise guide you to the right umbrella fund solution – one that lets you truly Sleep Well At Night.

MART-MARIE DE JONGH
Investment Consultant
martmarie@grayswan.co.za

BRAAM BREDENKAMP
Investment Consultant
braam@grayswan.co.za