There are people in the world whose quest it is to go beyond the ordinary…
To push the boundaries of the expected and to never be satisfied with the status quo. These are the people that harness the possibilities of the future and bring them to the present, right here, right now…

Elon Musk pushed the boundaries of transportation. We pushed the boundaries of the retirement industry.

Mark Zuckerberg changed the way millions of people stay in touch. We’ve changed the way people think about retirement funds.

Steve Jobs turned a company he started in a garage into a $billion industry within 10 years. We went from 13 000 members to 190 000 members in 10 years.

At Sanlam Umbrella Fund we are redesigning the world of retirement, one new solution at a time. Everything we do is aimed to ultimately result in better retirement outcomes for our clients.

Thank you for sharing this journey of a decade with us.
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Principal Officer’s Message

The Sanlam Umbrella Fund is proud to be instrumental in many of the exciting new trends in the retirement fund industry. We are redesigning the world of retirement for our members - one new solution at a time. Everything we do is aimed at supporting our members during their work life to achieve better retirement outcomes tomorrow.

Sustainable Investment performance

The Sanlam Umbrella Fund continues to enjoy outstanding investment performance. Although investment returns in the short term may not have lived up to expectation, retirement savings is a long term game and over the last five years the investment returns have still been very pleasing. All trustee-approved portfolios have comfortably outperformed inflation over the review period.

Sanlam Lifestage enhancements

After extensive, independent review, a new equity blend was implemented for the Sanlam Lifestage Accumulation portfolio during September 2016. The aim of the new blend is to prevent unexpected out/under performance as a result of bias to a specific style/sector. The Fund wants the underlying manager’s skill to incrementally add value over time. It is pleasing to see that the implemented enhancements are paying off and performance of the Sanlam Lifestage Accumulation Portfolio has improved consistently over the last 12 months.

Good retirement outcomes for members

Behavioural finance studies make it clear that members worldwide are generally apathetic about their retirement savings. The Sanlam Umbrella Fund seeks to counter this culture with a combination of guidance and support and trustee-approved default strategies.

Default regulations

At the time of going to press Treasury’s draft default regulations were just gazetted. The Fund has however already implemented the default benefits listed below based on the previous draft and in the belief that the regulations make a compelling business case for our members. We will make further adjustments where required in due course.

- Default Investment strategy
- Default Preservation strategy
- Annuity strategy

Member guidance, supporting tools and strategies

The members are the ultimate beneficiaries of the Fund. With this in mind, considerable investment in technology has been done during the last decade to improve members’ access to their retirement fund information. This includes:

- The Sanlam My Retirement app places information in the palm of members’ hands
- The improved member web portal is easy to follow and very informative
- Access to telephonic support via a call centre or the Retirement Benefit Counsellors.

The Fund’s focus is on empowering members to make informed decisions. We seek to achieve this regardless of how members may choose to access their retirement fund information.

Improved intermediary web portals

To help ensure good retirement outcomes for our members, we need to assist and support
each role player in the chain – especially benefit consultants and financial advisors. The new and improved online broker portal offers intermediaries a secure and centralised access to the Sanlam products on their portfolio. The portal empowers intermediaries to provide their clients with a professional and proficient service, with quick access to reports for use during Joint Forum meetings and claim status reports with detailed information on member movements.

Supporting participating employers

Employers and new employees are often overwhelmed by the amount of administrative work and forms that need to be completed on the first day of employment. To facilitate the data gathering and the decisions that has to be made at this important point, the Fund’s Day One tools are available to all participating employers as part of their on-boarding process for new employees.

The Administration platform

We are delighted to report that the enormous investment made by the Sponsor in automating key functions are paying dividends. With the new electronic contribution process, 98% of members’ monthly contributions are invested within one day.

Integrated governance assurance

In the course of the last year, the Fund developed and implemented an integrated governance assurance approach. When we studied the new King IV report and its recommendations on effective delegation, the Board was comfortable that the affairs of the Fund received the priority attention of our specialist Sub-committees. What the Board had to do is find more effective ways to align the operational efficiency of the Sub-committees with the duties and responsibilities (and the potential personal liability) of each one of the trustees, especially those that do not serve on the sub-committee. The integrated governance assurance approach consists of:

- an authorization protocol in which we identify all the persons / committees authorised to take decisions on behalf of the board and under what circumstances
- the revised terms of reference of each one of the eight Sub-committees. We empowered each Sub-committee by expanding their terms of reference and by requiring them to take charge, manage the risks, and provide the Board of Trustees with an assurance that the relevant practices and procedures of the Fund are effective.
- A new dashboard report that allows the Board of Trustees to consider an integrated report that contains the key management information as well as the governance assurances provided by each Sub-committee.

In the report that follows we reflect in more detail on the achievements during the past decade and give you a glimpse at future developments for the Fund and retirement industry at large.

This reporting encompasses the five separate legal entities that make up The Sanlam Umbrella Fund:

- The Sanlam Umbrella Pension Fund
- The Sanlam Umbrella Provident Fund
- The Sanlam Futura Umbrella Retirement Fund
- The Sanlam Plus Pension Preservation Fund
- The Sanlam Plus Provident Preservation Fund

Kobus Hanekom
Principal Officer
The Sanlam Umbrella Fund
The Sanlam Umbrella Fund’s sound and comprehensive governance structure ensure that members’ best interests are maintained. The Fund was the first umbrella fund to implement a governance structure that includes:

1. a Board of Trustees with 50% member elected independent trustees
2. a formal structure that includes Sub-committees
3. Joint Forum management committees with member representatives
4. an Annual General Meeting held in more than one region
5. implementation of the King IV Code of Governance

Members elect the independent trustees that serve on the Board. They are:

- **Independent trustees**
  - Joelen Moodley
  - Alex Paterson
  - Jolly Mokorosi
  - Freddy Muswede

- **Alternate Independent trustee**
  - Joelene Moodley
  - Alex Paterson
  - Freddy Muswede

Sanlam appoints trustees to serve on the Board. They are:

- **Sanlam-appointed trustees**
  - Derek Smorenburg
  - Marius Jönas
  - Marius Saayman

- **Alternate Sanlam-appointed trustee**
  - Marius Saayman

**Fund Officers** manage the day-to-day operations of the fund. They are:

- **Principal Officer**
  - Kobus Hanekom

- **Deputy Principal Officer and Head of the Fund Secretariat**
  - Erina le Grange

See annexure A for more details on the current Board of Trustees.
The Board of Trustees and Fund Officers are supported by eight Sub-committees that:
- take care of specific day-to-day issues
- formally report to the full Board which remains responsible for taking final decisions

**The Sub-committees are:**

- Administration
- Audit
- Communications
- Complaints
- Death Benefits Allocation
- Governance & Risk
- Insured Benefits Management
- Investments

The individuals who chair and make up these Sub-committees have a wealth of experience in the retirement fund industry and manage the Sub-committees according to specific guidelines. Members of the Board of Trustees serve on each of these Sub-committees.

See annexure B for the feedback from the Sub-committees.
Joint Forums

Joint Forum committees provide the platform for members and employers to consult (within the spirit of the Labour Relations Act, No. 66 of 1995) and decide on their group retirement benefits. Every participating employer within the Sanlam Umbrella Fund is required to establish a Joint Forum and this forum should meet at least once a year.

For Mini-funds (participating employers with fewer than 50 members and less than R5 million assets) it might be cost-effective to either:

- Meet every two years, or
- Attend Centralised Joint Forum meetings organised by the Board of Trustees for multiple Mini-funds
Looking back at a decade of success

The Sanlam Umbrella Fund’s ultimate goal is to support our members during their work life to achieve better retirement outcomes tomorrow. With this goal in mind, over the last decade, the Fund has embedded a number of tools and strategies to ensure members and other stakeholders are empowered during this journey.

A large and extensive investment offering

To cater to the investment needs of all its members, the Sanlam Umbrella Fund continually evolves their large investment product offering. The Fund has been the first to offer members:

- A LISP and stockbroking option, specifically catering for sophisticated high net worth members with access to the Glacier platform and more than 1 000 portfolios
- A new-generation lifestage default strategy with three end phases depending on the retiring member’s intended annuity choice
- A low cost global balanced passive fund
- A product with pricing consistent with ASISA’s pending Effective Annual Cost measure.
The Fund’s full range of investment portfolios includes the following:

<table>
<thead>
<tr>
<th>Investment Strategy / Portfolio</th>
<th>Standard Option</th>
<th>Optimal Option</th>
<th>Comprehensive Option</th>
<th>In-Fund Preservation Members / Phased Retirees / In-Fund Living Annuitants</th>
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<tbody>
<tr>
<td>Sanlam Lifestage</td>
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<td>Volatility Protection Strategy</td>
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<td>Passive Lifestage Strategy</td>
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<td>Sanlam Blue Lifestage Strategy</td>
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<td>SIM Balanced Fund</td>
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<td>SMM Absolute Return CPI + 5% Portfolio</td>
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<td>Sanlam NUR Balanced Portfolio</td>
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<td>Allan Gray Global Balanced Portfolio</td>
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<td>Coronation Houseview Portfolio</td>
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<td>Sanlam Allan Gray Domestic Balanced Portfolio</td>
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<td>Sanlam Allan Gray Global Balanced Portfolio</td>
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<td>Sanlam Coronation Houseview Portfolio</td>
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<td>Sanlam Monthly Bonus Fund</td>
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<td>Sanlam Stable Bonus Fund</td>
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<td>Satrix (SWIX) Balanced Tracker Fund</td>
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<td>Glacier</td>
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All trustee-approved default investment strategies have comfortably outperformed inflation over the review period, ending 30 June 2017.

**Performance on trustee-approved default investment strategies**

*The composite returns are shown taking into account the change in the underlying investment strategy during July 2013.*

See annexure B for further investment performance figures.
A superior **product offering** and **pricing transparency**

Under the Sanlam Umbrella Fund, employers can choose from a wide range of group insurance components and product design options, ranging from simple and cost-effective to comprehensive and flexible.

The Fund offers an automated annual integrated risk rebroking facility that ensures members enjoy the benefit of having each insurance component placed with the most cost effective of two Insurers.

The Sanlam Umbrella Fund is the only commercial umbrella fund that published information on its charges in a research paper presented to the Actuarial Society of South Africa in 2011. We thereby ensure our members that we are committed to the highest levels of transparency.

**Sanlam Umbrella Fund product offerings**

<table>
<thead>
<tr>
<th>Sanlam Unity Option</th>
<th>Standard Option</th>
<th>Optimal Option</th>
<th>Comprehensive Option</th>
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</table>
Strong fund growth

In the last decade, the Fund’s growth remains on the same strong path that has been evident since its inception in 2007. The number of participating employers in the Fund has grown to a total of 4,040 by the end of June 2017. This growth ensures economies of scale that ultimately benefits our members.

The figures below represent the combined growth in membership numbers and assets under management for the five separate legal entities that make up the Sanlam Umbrella Fund.
Empowering members

The member is the ultimate beneficiary of the Fund. Therefore, the Fund and Administrator have made considerable investments in technology during the last decade to improve members’ access to their retirement fund information.

1. The Sanlam My Retirement app places information in the palm of members’ hands
2. The improved member web portal is easy to follow and very informative
3. Members also have access to telephonic support via a call centre or the Retirement Benefit Counsellors.

Regardless of how members choose to access their retirement fund information, the focus is on empowering members through financial education to make informed decisions.

Influencing members’ financial behaviour

Behavioural finance studies make it clear that members worldwide are generally apathetic about their retirement savings. The Sanlam Umbrella Fund seeks to counter this culture with trustee-approved default strategies.

1. Trustee-investment default strategies provide protection for members who aren’t able to make informed decisions regarding where to invest their money.
2. The Fund was the first major commercial umbrella fund in South Africa to allow members to stay in the fund into retirement, removing the need for members to exit the fund.
3. The Fund’s In-Fund Living Annuity offers members access to a range of institutionally-priced investment portfolios within its trustee-approved investment menu.

All our In-Fund Living Annuity and In-Fund Preservation members benefit from internationally competitive administration fees, with only the first R1.5m assets attracting a fee of 0.10% per annum exclusive of VAT, with zero fees applying above this amount.

Replacement ratio calculator on member web portals gives members at first glance a view of their current retirement provision status

Your replacement ratio

11%

Make sure you are saving enough to live comfortably in your retirement.
Member counselling service

In 2016, the Fund introduced its Retirement Optimisation Services which combines the online retirement planning tool called Retire-mate with the backing of telephonic support from Retirement Benefit Counsellors.

This service addresses the need to empower members through information and education on all aspects related to their retirement fund, to take control of their own financial destinies and arrive at good retirement outcomes.

Participating employers may now also choose to select the Premium Service at an additional cost. In addition to the online self-help option and telephonic support, the Premium Service offers the following:

- Retirement Benefit Counsellors proactively contact members and provide support at certain pre-determined events such as joining the Fund, every fifth year of membership and approach to retirement.
- Retirement Benefit Counsellors prepare personalised reports for members which include an overview of their retirement savings and projected retirement outcomes.
- The Retirement Benefit Counsellors will also prepare a report on the overall retirement health of all members for presentation by the Contracted Benefit Consultant.
- Premium members will have access to a holistic report that incorporates all their policies and savings. This includes employer sponsored retirement savings, individual savings, life insurance and investment policies.

Member financial advice

The Fund has put sustainable structures in place via the Contracted Financial Adviser who is responsible for:

- providing individual members with financial advice and a retirement needs analysis as required
- advising members of the importance of completing beneficiary nomination forms
- advising members on their options in case of retirement, withdrawal or disability
- advising beneficiaries of deceased members on their options
- advising members on investment choices and provide them with financial advice when selecting individual investment portfolios for their savings.
Empowering the Contracted Benefit Consultant

The trustees of the Sanlam Umbrella Fund require that every participating employer appoint a Contracted Benefit Consultant to provide advice on benefit and fund structure to the employer on an annual basis. The Fund has put a number of tools in place to ensure Consultants are empowered:

1. The new and improved online broker portal offers intermediaries a secure and centralised access to the Sanlam products on their portfolio. Investment return information is now available at participating employer level. The portal empowers intermediaries to provide their clients with a professional and proficient service, with quick access to reports for use during Joint Forum meetings and claim status reports with detailed information on member movements.

2. The monthly consultant toolkit is the official communication channel between the Fund, the Administrator and intermediaries. It contains all Fund related information and updates the intermediaries on all developments.

Sanlam Umbrella Fund was the first to eliminate all commissions and to adopt a fee-for-service model consistent with Retail Distribution Review. The only fees intermediaries earn are fees, authorised by the clients, on a fee-for-service basis and the Board of Trustees believe this is the only sustainable model in the fast-changing financial industry.

Supporting Participating Employers

The Participating Employer is the vital link between the Fund and members and shares the responsibility to ensure members are educated and informed on their retirement fund matters. For this reason, a number of tools and strategies have been developed to support participating employers in the Fund:

1. Employers and new employees are often overwhelmed by the amount of administration work and forms that need to be completed on the first day of employment. The Fund’s Day One tools are available to all participating employers, to be included as part of their on-boarding process for new employees.

2. Dedicated Client Relationship Managers ensures that participating employers are assisted with the day to day administrative operations of the Fund. These dedicated Client Relationship Managers will also provide employers with training on the use of the Administration web portal.

3. The Fund’s quarterly electronic newsletter keeps participating employers informed on aspects such as administration updates, industry updates, investment changes, etc.
Continual improvement of the Administration platform

Sanlam Employee Benefits is responsible for the administration of the Fund. This means members enjoy the full backing and protection of Sanlam. The Administrator has made considerable investment in technology to improve service delivery, reporting and make the Fund more scalable.

With the new electronic contribution process, 98% of members’ money are invested within one day. Previously, reconciliations had to be done first, which could take up to 10 days.

An example of how this improved process will benefit our members:

**Member A will be getting 9 months’ worth of contributions extra over the next 20 years!**

**How is this possible?**

- **Invested 7 days earlier**
  On average contributions are invested 7 days earlier

- **R4 500 savings per month**
  If Member A contributes 15% on a salary of R30 000, this will equal R4 500 savings per month.

- **R40 000 additional returns**
  The 7 days per month over 20 years will result in R40 000 additional returns for Member A.

Other administrative enhancements have resulted in members’ exit claims being processed within one or two days after the claim was received. Members are also kept updated on the process of their claims by means of SMS messages from the administration platform.

The Administrator is also running a project to obtain contact details for all members of the Fund. Member contact details are required to ensure members are able to register for the new online communication solutions. It will also put the Fund in a position to communicate with members directly and relieve participating employers of this burden.
Good Governance

The Sanlam Umbrella Fund is leading the industry as far as governance is concerned. The Fund was the first to:

- Implement a governance structure including Joint Forums or management committees for employers, an Annual General Meeting and eight specialist Sub-committees.
- Adopt the King IV Code of Governance and report accordingly to all our clients in writing. This included trustee performance and evaluation, as well as information on trustee remuneration.
- Provide members the opportunity to elect 50% of the Board of Trustees and the first to insist on genuine independence criteria for all member-elected trustees.

Measurements of the Fund’s success

The Sanlam Umbrella Fund has been the recipient of a number of industry awards and accolades during the past 10 years (pictured below).

The Fund successfully achieved good results from a range of measurements, that all testify to the Fund’s success. The Board of Trustees view these as validation that the Fund is on the right path:

1. A near perfect King IV rating of the Fund’s governance structures
2. Unqualified ISAE 3402 audit of internal processes, disaster recovery and access control audits.
These are just some of the milestones the Fund achieved over the past decade. Our quest remains to empower our members to make better retirement and risk decisions supported by committed people, innovative products and proven processes, all designed to help people live a better life tomorrow.
A glimpse into the future of the Retirement Fund Industry

There are many factors that one could consider when predicting the future of the retirement fund industry. But undeniably, the most important factors that will significantly shape our industry are:

1. Regulation;
2. Technology and innovation;
3. Unrelenting and fiercer competition between industry participants; and
4. Members becoming more savvy and demanding better service and better retirement outcomes.

These factors are not independent or mutually exclusive, but rather, they impact and reinforce each other. For example, the intense competition amongst the industry players will require them to develop improved technologies and innovations, in order to provide a better customer experience and value proposition. Increased consumerism will do exactly the same.

Let’s consider the impact of regulation for example. The draft default regulations, which will most likely be enacted, will result in increased fiduciary duties for lay trustees of stand-alone retirement funds. This will result in a greater willingness to outsource retirement fund management to umbrella providers – in fact, we have already seen very big stand-alone funds moving into umbrella solutions. Very typically, these stand-alone funds will choose the more established and mature umbrella fund providers, further adding to the scale of the larger umbrellas. The increased scale will result in lower unit costs of administration for all participants. The impact of this will be that the smaller administrators will struggle to remain competitive and as a result, fewer smaller administrators will be likely to survive in the long term.

Furthermore, the draft regulations for default preservation and annuitisation options will result in less money leaking out of institutional retirement fund assets into retail products, further fuelling the ‘retailisation’ phenomenon we have seen. This will force asset managers and mass affluent retail businesses to either start up their own umbrella offerings (which will fuel the already intense competition in this space), or to somehow partner with existing umbrella fund providers. The combined impact of this as well as the draft default investment proposals will see the larger insurers with umbrella fund offerings re-emerging as significant players in the management of institutional retirement fund assets. Some analysts believe that the four large insurers are poised to manage more than 30% of South Africa’s institutional retirement fund assets by 2020 vs the current status of 10%.

In short, the current trend of stand-alone funds moving into umbrella funds, bolstered by these draft default regulations, does not bode well for investment managers, investment consultants and smaller Employee Benefit Administrators.

The above regulatory implications, which will accelerate the consolidation trend of stand-alone funds moving to umbrella funds, is just one factor that will drive increased economies of scale in the larger umbrella funds. Over and above this, continued development of better administration technologies and customer experience innovations will compound the scale efficiencies being achieved by the larger umbrella fund providers. And the benefits of these economies of scale will be passed onto the consumer through lower administration costs.
fees. Smaller EB Administrators will just not have the same amount of capital and financial muscle to invest in better technologies, efficiency projects and customer experience enhancements. To highlight the power of technology, I can point out other retirement fund administrators elsewhere in the globe, which already have the capability to administer retirement funds with twice as many members as a typical large insurer will have - with one tenth of the manpower!

Not only will continued investment in technology bode well for scale efficiencies of the larger umbrella funds, but it will also allow the development of additional member empowerment tools in the future. We have seen this in the banking world over the last few years, where customers more readily use a banking app or online banking service instead of going into bank branches or making use of call centres. In the same way retirement fund members will be able to help themselves and this will result in EB intermediaries having to work harder at showing the value they add to members.

Regulatory changes, such as those that result from RDR (which at this point is likely to affect not just retail intermediaries but also wholesale intermediaries), will likely put the spotlight on EB intermediaries. My prediction is that only the best EB intermediaries, who demonstrate solid benefits for members (charging commensurate fees), will survive into the future. The cost disclosure standards for retirement funds which are currently being formulated by ASISA will also put the spotlight on every player in the retirement fund value chain including intermediaries.

And let’s not forget the fierce competition in the retirement funding space. We have already seen two major asset managers creating their own umbrella offerings in the last 15 months, intent on disrupting the market and fuelling the already heated competition in our industry. We believe that the trend of stand-alone funds moving to umbrella funds will accelerate and will result in the major players fighting hard for their slice of the pie. There are hundreds of billions of Rands up for grabs. This intense competition will force umbrella fund providers to offer the lowest possible investment and administration fees, which they will be able to do, because of their economies scale advantage. The larger umbrella funds will also raise marketing awareness of their offerings - much more so than in the past. I predict this increased awareness will push the Employee Benefits industry to a point where members will have an influence over their employers’ decision of which product provider to choose - similar to what we’ve seen in the medical aid industry.

In closing, there may also be external factors that can upset the apple cart. For example, the proposal for a National Social Security Fund or the proposal for the enforcement of prescribed assets after the ANC’s policy conference in early July. While I may have the view that these are not likely to materialise any time soon, I will also humbly admit that I did not expect Brexit to happen. So anything is possible!

“I predict this increased awareness will push the Employee Benefits industry to a point where members will have an influence over their employers’ decision of which product provider to choose.”
An update on the Government’s Retirement Reform process

Finally, and after many years of inertia, the long-awaited paper on Comprehensive Social Security in South Africa was approved by Cabinet during June 2016 and published in late November 2016. The next phase is consultation within Nedlac including further research on how best to implement the proposals.

The core recommendation, if implemented, would have a very profound impact on South African retirement funds and probably spell the death knell for the vast majority of retirement funds and retirement fund administrators. A single centralised fund to optimise economies of scale benefits and promote broader risk pooling and social solidarity. All employed South Africans, except very low earners, will be compelled to contribute to this centralised National Social Security Fund.

David Gluckman, Strategist at Sanlam Employee Benefits, argues for another course – a debate at the Sanlam Umbrella Fund has been leading for the past decade. See his article “The Employee Benefits Industry in 2030 from the Benchmark Survey” for more detail, but essentially the core argument is that natural market forces have already successfully consolidated the industry since around 2009, and the track record so far in improving member outcomes is quite impressive on a number of hard measures. If we as an industry continue on this track, we can continue to significantly improve retirement outcomes for members whilst mitigating the transition risks and costs associated with implementing a National Social Security Fund.

A second draft default regulations was published during 2016, and it seems this new legislation could be implemented in the near future. This is a very positive development as it will further accelerate the industry consolidation trend, and ensure that all retirement funds put in place appropriate default investment, preservation and annuitisation strategies to protect vulnerable members both during and after employment.

ASISA is far down the track in implementing Effective Annual Cost measures for retirement funds in a similar manner to the equivalent retail standard that has been a mandatory costs disclosure for individual savings products since October 2015. National Treasury and the Financial Services Board have been very supportive of this process, and we believe that the Sanlam Umbrella Fund will be particularly well placed once these new disclosure standards become effective.

As regards the T-Day proposal to equalise the pay-outs from pension and provident funds (legislation that was previously delayed from 1 March 2016 to 1 March 2018), the progress to agree these changes within Nedlac has been slow and at this stage a further one year delay seems likely.
Annexures
and further information
Sanlam Umbrella Fund
Trustees and
Fund Officials

Derek Smorenburg
Sanlam-appointed trustee
(first appointed 1 July 2007)

Derek Smorenburg has been a Sanlam-appointed trustee since July 2007 and is the current elected chairman of the Board of Trustees of the Sanlam Umbrella Fund. He has more than 50 years’ experience in the financial services industry. In 1986 he registered the Reinforced Pension and Provident Funds as the first commercial multi-employer umbrella funds in South Africa. He later sold the associated administration business to Sanlam, and then headed Sanlam’s specialist umbrella fund business for many years. Derek is recognised as a pioneer in the retirement fund industry, and has been widely acclaimed in the press for some of the innovative ideas he has introduced over the years, with a particular focus on strong governance and client service delivery.

Marius Jönas
Sanlam-appointed trustee
(first appointed 1 August 2009)

Marius Jönas is the chief executive officer of Futura SA Administrators and is the current elected chairman of the Sanlam Unity Umbrella Fund. He has more than 20 years’ experience in the financial services industry (specifically as a financial adviser, fund trustee, principal officer and chairperson). Marius established the Futura Umbrella Retirement Fund in 1998. Under his management and leadership, and as a result of his keen understanding of this specific segment of the market, the fund membership has expanded drastically and continues to grow. Marius has served as an executive consultant within Sanlam Umbrella Solutions.

Marius Saayman was appointed as alternate Sanlam-appointed trustee to the Sanlam Umbrella Fund in July 2007. Marius completed a BCom Accounting (Honours) at the University of Stellenbosch and served his articles with Brink, Roos & Du Toit (now PriceWaterhouseCoopers), before qualifying as a CA (SA). He joined Sanlam in 1980 and fulfilled a number of roles in the group finance department, subsequently serving as chief financial officer of various business units - including Sanlam Employee Benefits. Marius previously represented Sanlam on the boards of various subsidiaries and currently serves on the board of trustees of 10 retirement funds. He completed an advanced management diploma at UNISA and received a BCom (Honours) in financial management from the University of Cape Town. Furthermore, he attended the executive development programme at the Manchester School of Business. Although Marius retired at the end of 2014, he is still very active in the retirement industry.
Jolly Mokorosi was elected as an independent trustee on 1 January 2016. A short while thereafter on 1 March 2016 she accepted an appointment as a Sanlam-appointed trustee on the Sanlam Umbrella Fund. Jolly moved to the role of independent trustee again after one of the independent trustees resigned on 20 June 2017. She is the chairman of the Board of Trustees of Moriting Retirement Fund and a trustee of the South African Dental Technicians Employees Umbrella Fund. She holds a BCom degree and has 14 years’ experience in retirement funds, with various trustee positions held, including that of the principal executive officer of the Municipal Councillors Pension Fund.

Joelene Moodley has been elected as an independent trustee. She has 7 years’ retirement fund experience in various positions at the Government Employees Pension Fund (GEPF) and served as the acting principal executive officer of the GEPF for 18 months. Joelene holds a Masters degree in Law, BProc and an LLB degree. She is a director in the corporate and commercial division of Rooth and Wessels Attorneys and has extensive employee benefits industry experience.

Alex Paterson was appointed as an independent trustee of the Sanlam Futura Umbrella Retirement Fund in 2004 and was elected as an independent trustee of the Sanlam Umbrella Fund since August 2009. He is the current chairman of the Sanlam Plus Preservation Fund. He holds a master’s degree in business administration with undergraduate degrees in Arts and Social Science, and runs his own management consultancy firm. He has over 30 years’ experience in Human Resource Management and is a Master Human Resource Practitioner with the SA Board of Personnel Practice. Alex is widely involved in consulting, training, education and development. He has also developed a range of training programmes in management and human resources.

Ian McDonald has been an elected independent trustee on the Sanlam Umbrella Fund since July 2007 and has been the chairperson on the death benefits allocation sub-committee for the Fund since being appointed. Ian has in excess of 57 years’ experience in retirement funding and is the founder member of the Pension Lawyers Association of South Africa. He held the position of assistant adjudicator with the Pension Funds Adjudicator from 1999 to 2004. Ian specialises in the legal and technical aspects of retirement funding and acts as an independent professional trustee to retirement funds. Ian resigned as trustee on 20 June 2017.
Freddy Muswede has been newly elected and became the alternate independent trustee on the Sanlam Umbrella Fund from 1 March 2016. Freddy has 17 years’ experience in actuarial, investments and employee benefits consulting. He holds an Advanced Post Graduate diploma majoring in investments and is also a Certified Financial Planner. Freddy is the owner of Muswede Financial Solutions which specialises in offering group retirement fund solutions to small and medium size companies.

Kobus Hanekom is the executive principal officer of the Sanlam Umbrella Fund. Until 31 December 2016, Kobus held the position of Head of strategy, governance and compliance at Simeka Consultants & Actuaries. He studied Law, and completed B.Iur. and LLB degrees, and was admitted as an attorney, conveyancer and notary in 1983. Kobus is also a qualified Certified Financial Planner and was a founding member of the Pensions Lawyers Association of South Africa. He served as that organisation’s president for its first two years. Kobus authored volume 1 of The Manual on South African Retirement Funds (currently in its 22nd edition) and is a regular speaker at industry conferences and workshops.

Erina le Grange is the deputy principal officer of the Sanlam Umbrella Fund and heads the fund secretariat based in the Sanlam Head Office in Bellville. Erina has been active in the retirement fund industry since 1985, with a specific emphasis on managing administration service delivery for some of Sanlam’s largest retirement fund administration clients. She obtained her diploma in retirement fund management in 2004 and a certificate in business management in 2006.
## Sub-committees and their feedback reports

The following Sub-committees are active for the Funds

<table>
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<tr>
<th>SUB-COMMITTEE</th>
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<th>CHAIRMED BY</th>
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<td>Administration Sub-committee</td>
<td>All funds</td>
<td>Mike O’Donovan</td>
<td>Chief Executive Officer Sanlam Employee Benefits: Core</td>
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<td>Audit Sub-committee</td>
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<td>Marius Saayman</td>
<td>Consultant: Financial Management</td>
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<tr>
<td>Communications Sub-committee</td>
<td>All funds</td>
<td>Dalene Bennett</td>
<td>Head: Communications Sanlam Employee Benefits</td>
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<tr>
<td>Complaints Sub-committee</td>
<td>All funds</td>
<td>Kobus Hanekom</td>
<td>Independent Principal Officer, Sanlam Umbrella Fund</td>
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<tr>
<td>Death Benefits Allocation Sub-committee</td>
<td>Sanlam Umbrella Fund and Sanlam Plus Preservation Fund</td>
<td>Ian McDonald</td>
<td>Owner and Retirement Fund Counsellor IMREFCO</td>
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<td>Sanlam Unity Umbrella Fund</td>
<td>Erina Le Grange</td>
<td>Head: Fund Secretariat Sanlam Employee Benefits Umbrella Solutions</td>
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<tr>
<td>Governance &amp; Risks Sub-committee</td>
<td>All funds</td>
<td>Kobus Hanekom</td>
<td>Independent Principal Officer, Sanlam Umbrella Fund</td>
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<tr>
<td>Insured Benefits Management Sub-committee</td>
<td>All funds</td>
<td>Irlon Terblanche</td>
<td>Chief Executive Officer Sanlam Umbrella Solutions</td>
</tr>
<tr>
<td>Investments Sub-committee</td>
<td>All funds</td>
<td>David Gluckman</td>
<td>Head: Special Projects Sanlam Employee Benefits</td>
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The activities and responsibilities of the Administration Sub-committee are governed by the Fund’s terms of reference document. In addition to the general governance responsibilities, the Sub-committee monitors and reports on the performance of the Administrator against the formal service level agreement between the Fund and the Administrator and monitors the Fund’s expenses and budget.

The regulatory governance and compliance of the Fund is sound. This is evidenced not only by the measurement and monitoring of our service level agreements, but also from general feedback received from our participating employers and their consultants. The Administrator has also completed their ISAE Type II external audit for the year ended September 2016 which has provided the Board of Trustees with the comfort of sound administration processes and governance.

The Administrator has continued to make a considerable investment in technology to further improve service delivery, governance, reporting and client experience. This has been positively received by participating employers, consultants and members alike. Digital portals specific to the needs of each of these three groups has been rolled out over the past year allowing greater access to information, transparency, tools and functionality tailored to their needs, complementing the existing face-to-face and telephonic support provided.

During the past twelve months the Fund has grown by 28 000 members and an additional R4.5billion assets under management. This continued growth in the Fund’s membership has been capably absorbed by the Administrator.

**Governance and managing technology and information**

Sanlam is contracted to govern and manage the Fund’s information and the technology. Sanlam subscribes to an Information Governance charter aligned with King IV with monitoring and reporting functions conducted within the business and reporting to the financial and risk management committees appointed by the Board of Trustees.

Key areas of focus during the reporting period included disaster recovery, logical and physical access control. The key control objectives, changes as well as remedial actions are contained in the Administrator’s ISAE3402 type II report which is performed annually.

Independent external auditors are contracted by Sanlam to audit the information process controls as reported in the ISAE3402 type II report. These controls are also subject to continuous internal audit testing on a cyclical basis.

In addition to the continued focus on redundancy, disaster recovery, logical and physical access control, additional focus will in future be placed on data security as well as the protection of personal information.

**Audit Sub-committee feedback**

The Audit Sub-committee is responsible for the duties assigned to it by the Board of Trustees in addition to those duties and responsibilities that they may have as members of the Board of Trustees. The deliberations of the Sub-committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities and they continue to exercise due care and judgment in accordance with their legal obligations.

The key responsibility of this Sub-committee is to verify the accuracy of the Fund’s annual financial statements and other related financial reports. The Board of Trustees is pleased with this Sub-committee’s assurance that, in their opinion, the Administrator keeps proper books and records and has employed sufficient internal control procedures. Furthermore, the Financial Statements reflect all financial transactions undertaken by the Fund and the audited financial statements for the Funds are a fair reflection of the status and the activities of the five respective funds take make-up the Sanlam Umbrella Fund.

The Board of Trustees approved the following Financial Statements:

- Sanlam Umbrella Pension and Provident Funds – approved on 20 June 2017
- Sanlam Unity Umbrella Fund – approved on 21 November 2016
- Sanlam Plus Preservation Pension and Provident Funds – approved on 20 June 2017
The external auditors issued an unqualified audit report. The Sub-committee is satisfied that the external auditor is independent of the Fund and does not perform any significant non-audit services to the Fund.

**Communications Sub-committee feedback**

The Communication Sub-committee is a committee of the Board of Trustees and is responsible for delivering communication to all stakeholders of the Fund. It is this Sub-committee’s duty to research, recommend and implement solutions that would ensure that the Fund complies with its communication duties in terms of the principles laid down in King IV.

During the past twelve months, the committee has reviewed and updated the Fund’s Stakeholder Communication Strategy and Communication Protocol in consultation with the Board of Trustees to ensure that it not only comply with the Fund’s duties and responsibilities in terms of its rules, the Pension Funds Act, the Income Tax Act, the Treating Customers Fairly principles and King IV, but actively support and enhance the Fund’s broader business objectives.

The committee has spent considerable time and effort in supporting the delivery of a number of initiatives during the past year. These include:

- A new format member benefit statements
- An enhanced intermediary online portal
- Public retirement fund member web pages
- An enhanced member online portal
- Obtaining personal contact details for members of the Fund.

A number of member news items have been released in the past year. Members may view the items online, or request printed copies via their participating employer. The following topics are covered:

- South Africa has been downgraded to “junk status” - what does this mean?
- Retirement matters: What is your number?
- Dealing with debt
- 8 reasons why advice is necessary
- Nearly half SA’s middle class is in ‘junk’ status
- Só lyk die middelklas se geldsake
- Saving enough for retirement
- Pros and cons: Guaranteed life annuities
- Pros and cons: Living annuities
- Tips on how to save for retirement

During the next term the Fund will further develop and refine the way in which it monitors the effectiveness of its stakeholder management, how well the communication outcomes were achieved and the extent to which all the measures implemented, increases contribution rates and replacement rates of our members.

This Sub-committee regularly reviews and recommends changes to relevant processes and procedures to ensure greater operational efficiency, cost effectiveness and compliance with the Fund’s commitment to Treating Customers Fairly and ethically. But most importantly, the energies of this Sub-committee remains aligned with the common goal for the Fund - good retirement outcomes for our members.
Complaints Sub-committee feedback

The Fund has a formal complaints procedure in terms of which each administrative enquiry, formal complaint and each client relationship management exercise is logged and managed. It is the duty of this Sub-committee to investigate the nature of all these enquiries.

Many of the complaints attended to during the reporting period were first filed with the Pension Funds Adjudicator or the Financial Services Board (FSB). Almost all of these complaints, however, were in the nature of administrative enquiries which could have been explained and resolved by the administration enquiry desk or could have been dealt with much more efficiently in terms of the Fund’s internal complaints procedure. The single biggest area of concern remains members’ withdrawal claims. This trend aligns with the national statistics of the Pension Funds Adjudicator. It often relates to delays experienced in the processing of the claim on the part of employers.

The Fund’s Administrator has over the past year implemented sophisticated new IT programmes which tracks and processes withdrawal claims efficiently on a monthly basis. These measures significantly reduced enquiries but unfortunately a sizable number of our participating employers have not yet implemented all the electronic data capturing procedures. The committee will therefore continue to roll out information and training material to make sure that employers and members understand the process and that their expectations are properly managed.

In respect of the Sanlam Umbrella Pension and Provident Funds and the Sanlam Unity Umbrella Fund, no more than a handful of formal complaints were received during the review period, all of which were resolved with little to no impact on the Fund or its members.

No complaints were filed against the Sanlam Plus Preservation Fund during the review period.

Analysis of types of complaints received

The Sub-committee views all complaints and queries received as an opportunity to provide constructive feedback. The committee also observe trends and will seek to take early or preventative action in the context of the Treating Customers Fairly approach.

Death Benefits Allocation Sub-committee feedback

The payment of benefits to members (on their retirement) or to their dependants (in the event of their untimely death in service) is an important function of the Fund. The role of this Sub-committee is to ensure that members’ death benefits are distributed as quickly as possible, and in the fairest and most reasonable manner.

The collection and assessment of the information gathered by the Fund Administrators, and the application of the complex provisions of section 37C of the Pension Funds Act which governs the allocation of benefits, is carried out by our dedicated team of specialists in this field, who interact directly with the deceased member’s employer and family in order to ensure that all potential beneficiaries are identified and that the most appropriate use is made of the benefits available for their welfare.
Sanlam Umbrella Pension and Provident Funds

On average, 50 death claims were received each month during the review period. The committee is assisted in the payment of members’ death benefits by the increasingly large number of members who complete beneficiary nomination forms and submitted them to their Human Resources departments.

Sanlam Unity Umbrella Fund

On average, 15 death claims were received each month. Getting completed nomination forms remains a challenge as only 40% of claims received by the Sub-committee included a nomination form.

To date the Sub-committee did not have any Pension Fund Adjudicator determinations against the allocations that the committee has made.

It cannot be over-emphasised how much the existence of beneficiary nomination forms with up-to-date information on those who depend on the member for maintenance, can speed up the payment of much-needed benefits to the families of deceased members.

Governance and Risk Sub-committee

feedback

The Integrated Governance Assurance Approach implemented by the Fund to govern and manage compliance consists of the following elements:

A Fund Governance and Risk Management plan (2005)

This plan identifies all the duties and responsibilities of the Board of Trustees, tracks the progress made and identifies any outstanding matters. It also identifies the risks and helps manage the measures introduced to deal with those risks. It not only ensures compliance with the Act but also the good governance principles set out in PF 130 and the King IV Code of Corporate Governance. In addition, the Fund adopted a range of protocols to formulate important procedures relating to matters such as the non-payment of contributions and the election of trustees. These processes are presided over by the Principal Officer supported by the Head of the Fund Secretariat and the Governance and Risk Sub-committee.

A governance assurance approach (2013)

In terms of King III and IV the Board of Trustees should receive assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards. In terms of this approach the Governance and Risk Sub-committee monitors a number of key indicators and controls, and prepares and presents the Board of Trustees with an assessment of the effectiveness of the Fund’s systems and processes of compliance and risk management.

Fund Delegation Framework (2017)

In the course of the last year, the Fund developed and implemented a new delegation framework. On studying the new King IV report and its recommendations on effective delegation, the Board of Trustees was comfortable that the affairs of the Fund received the priority attention of the specialist Sub-committees populated with industry professionals. The Board of Trustees had to find more effective ways to align the operational efficiency of the Sub-committees with the duties and responsibilities (and the potential personal liability) of each one of the trustees. The delegation framework implemented by the Fund over a period of just more than six months consists of the following important building blocks:

Authorisation Protocol

All the persons or committees who were authorised to take decisions on behalf of the Fund were identified. The terms and thresholds of each authorisation were reviewed to align with the operational needs of the Fund.
The Board of Trustees reviewed the terms of reference of each one of the eight Sub-committees. The first step was to empower each Sub-committee by expanding its terms of reference and by requiring them to take charge, manage the risks, and provide the Board of Trustees with an assurance that the relevant practices and procedures of the Fund are effective. The second step was to make sure that the information they provide to the Board of Trustees is of such a nature that the Board of Trustees is able to monitor and manage the outcomes efficiently in the context of the standard meeting procedures.

What the Fund gained in operational efficiency did not directly translate into reduced liability for individual board members. The Board of Trustees can never abdicate its responsibility. Every trustee is required to study and act on the reports provided by the Sub-committees. However, with appropriate reporting on the key issues (in various layers of complexity and depth), the biggest gain is the level of comfort with which the “green flagged items” in the dashboard report can be accepted as taken care of and the “yellow and orange flagged items” can be investigated in more detail. The new duties of each Sub-committee include the duty to:

- Identify any shift in the risks faced by the Fund and recommend ways in which these risks should be managed and mitigated.
- Prepare a dashboard report/an executive summary report as well as a detailed operational report for each Board of Trustees meeting. The objective is to provide trustees with the appropriate high-level information that will enable them to monitor and manage the outcomes and dig deeper where they have reason for concern.
- Assess the performance of the identified service providers.
- Prepare a governance assurance report in accordance with the Fund’s integrated governance assurance strategy.
- Regularly review and recommend changes to relevant processes and procedures to ensure greater operational efficiency, cost effectiveness and compliance with the Fund’s commitment to Treating Customers Fairly and ethically.

Dashboard report

When the Board of Trustees sit down to prepare for a trustee meeting, they will as a first order of business, consider the integrated dashboard report. This report contains the key management information as well as the governance assurances provided by each Sub-committee. This report is integrated and finalised by the Governance and Risk Sub-committee. The Board of Trustees considers the report a breakthrough in the level of reporting.

The Sub-committee is happy to report that the Fund is in compliance with its duties and responsibilities and have not received any penalties or fines during the reporting period. The Fund has not had any compliance inspections by environmental regulators.

External reports: Governance Assurance

In addition to the assurance reports provided to the Board of Trustees by each Sub-committee, integrated by the Principal Officer and the Governance and Risk Committee, the audit report by the independent external auditor, the annual audit report on the Administrator’s systems in terms of Section 13B, the pleasing results of the Treating Customers Fairly assessment, the following significant external reports were prepared:

ISAE 3402 Type II report: IT system: Access controls and Disaster recovery

Ernest and Young conducted an ISAE 3402 type II audit on the Administrator during the period October 2015 to September 2016. Included in this audit were the following information technology control objectives:

- Control Objective 11 - Physical access control
- Control Objective 12 - INTERLINK logical access
- Control Objective 13 - MIP logical access
- Control Objective 14 - Change Control
- Control Objective 15 - Backups

These control objectives cover 32 separate control checks and all of these received an unqualified audit for the last reporting period.
Governance Assessment Instrument – King IV

The Fund achieved a near perfect score in respect of compliance with King III in terms of this self-assessment tool. Because King IV is aspirational in nature the instrument does not prepare a score. It is important to note however that the Fund only reported a non-compliance in respect of five items. Three of these were in relation to the pace at which it is developing and adopting measures to ensure sustainable investment practices. Good progress is however being made and the Board of Trustees believe that the measures that will be rolled out in the next few months will become industry standards. The fourth is in relation to the independence of the chairperson of the audit Sub-committee. The current incumbent does not technically qualify as dependant as he retired from Sanlam two years ago. The Board of Trustees however asserted that he is the best person for the job and renewed his appointment. The fifth is in relation to the appointment of a lead independent trustee. The Board of Trustees, and especially the three independent trustees, were of the view that the appointment of a lead independent trustee has a greater likelihood of inhibiting rather than enhancing the active role they already play in the Board of Trustees.

Integrity of the Assurance

The governance assurances provided to the Board of Trustees on a regular basis are prepared by professionals who deal with the Fund data on an ongoing basis, or by independent professionals in terms of recognised disciplines. The Board of Trustees is satisfied that when all these indicators and controls are positive it provides them with a very high level of certainty and comfort that the systems and procedures deployed are effective.

Principal Executive Officer

The Fund appointed Kobus Hanekom as the Principal Executive Officer for a three-year term with effect 1 April 2017. He works for his own account but agreed to a transitional arrangement with Simeka Consultants and Actuaries. Given the rich resources of the Sanlam Group, the close working relationships between the deputy Principal Officer and the SEB legal team, the Board of Trustees has a number of succession options. The Principal Officer provides the Fund with professional corporate governance services. He has over a number of years developed, implemented and maintained a very effective governance framework that has proven to be very effective.

Risk management

The Fund governs and manages risks as follows. Each one of the eight Sub-committees are required to identify the risks faced by the Fund and rate them and prioritise them in terms of the Fund’s governance and risk management plan read with the risk schedule. The Board of Trustees review the top risks on a regular basis and ensures that appropriate action is taken to manage or contain these risks. The nature and extent of the risks and opportunities the Board of Trustees is willing to take is set out in the Fund’s risk schedule. Special care is taken to consider undue, unexpected or unusual risks and risks taken and to determine a risk tolerance level.

The Board of Trustees is satisfied that the authorisation protocol it adopted, provides role clarity, summarises and identifies all those individuals and Sub-committees who are authorised to act on behalf of the Fund.

During the past year all the top risks identified were comfortably within the tolerance levels and the Board of Trustees were satisfied that the measures taken to manage them were effective. The focus during the reporting period was to ensure that that the Sub-committees review the risks from their perspective as subject specialists and take ownership of the measures implemented by the Board of Trustees to reduce or avoid loses.

The Fund has a particular future focus on risks that has disaster potential in an uncertain socio-economic environment.

Ethical leadership

The Fund (in terms of its rules) offers membership of an umbrella retirement fund where -

The fund management, governance and compliance duties are undertaken by a professional representative Board of Trustees, comprising a balance of power as required by King IV
The benefit structures/offerings align with the needs of (various groups of) members and employers, are easy to understand, convenient to use, offer outstanding value, are transparent and cost effective.

All the offerings are reviewed on a regular basis to help ensure good retirement outcomes for its members.

The energies of the Board of Trustees, the Sponsor and its service providers are aligned behind one common goal or reason for doing business – good retirement outcomes for our members. This business objective is measured on the actual outcomes for members. The Fund has launched a number of on line calculators, tools and a counselling service to assist members in this regard.

The planned future focus is to measure progress and use these success stories to inspire to encourage the right behaviour.

**Insured Benefits Management Sub-committee** feedback

This Sub-committee is responsible for performing all functions as is necessary to provide participating employers with the most competitive insurance products as set out in the Fund in Detail.

**Sanlam Umbrella Pension and Provident Funds**

Insurance premium rates were reviewed as part of the 1 March 2017 annual revision exercise. The Sub-committee reported that the overall claims experience of the Sanlam Umbrella Fund continues to be managed well, and this has served to protect our members against insurance premium increases.

**Sanlam Unity Umbrella Fund**

The insured benefits claims experience of the Fund’s approved benefits has steadily improved. The interventions implemented by the Sub-committee are having the desired effect and has enabled the risk insurer to either maintain or reduce their risk rates for 2017. The Sub-committee continues to look at ways to further improve this experience, through prudent management of pricing and risks so as to protect against anti-selection. This is positive for our members as a good claims experience mitigates the risk of future premium rate increases.

**Investments Sub-committee** feedback

This Sub-committee is responsible for the ongoing review and evaluation on the Fund’s investment offering as set out in the Fund in Detail and Product Guide documents.

Against the background of current economic conditions and political uncertainty across the globe, investment returns over the last 12 months (period ending 30 June 2017), have not been what members have become accustomed to in recent years. Portfolios with a higher allocation to risky assets such as equities, struggled over this period to outperform the traditionally conservative asset classes such as bonds and cash. The tables on the next page illustrate the investment returns experienced for the range of investment portfolios available to members.
Investment returns for Trustee-approved portfolios

1 Year Returns

3 Year Returns

5 Year Returns

CPI Rate
Although investment returns in the short term have not lived up to expectation, retirement savings is a long term game and over the last five years the investment returns have still been very pleasing. Inflation, as measured by the increase in the Consumer Price Index, measured 5.6% per annum over the last five years. All trustee-approved portfolios have comfortably outperformed inflation over the review period.

During the past 12 months there have been some significant enhancements made to two of the five trustee-approved default investment strategies.

Volatility Protection Strategy

In July 2016, the Board of Trustees communicated their intention of amending the underlying investment set-up of the Volatility Protection Strategy (VPS). The Board of Trustees' objectives for the VPS are as follows:

1. An investment return of CPI + 3% net of fees over any three year rolling period i.e. long term, inflation-beating returns
2. Prevention of capital loss not greater than 10% in any 12 month rolling period or 5% in any one month period, i.e. protection against significant short term losses
3. Although “Volatility protection” does not necessarily imply a 100% capital guarantee, it structure should still provide protection against significant losses.

In order to stay true to the above stated objective, the Board of Trustees resolved to change the underlying investments of the Volatility Protection Strategy from a 100% allocation to the Sanlam Monthly Bonus Fund to:

- 75% allocation to the Sanlam Monthly Bonus Fund, and
- 25% allocation to the Satrix (SWIX) Balanced Tracker Fund.

The transition process for the above change started in February 2017 via management of cash flows, i.e. new contributions being invested in the Satrix (SWIX) Balanced Tracker Fund and all disinvestments made from the Sanlam Monthly Bonus Fund. At the end of May 2017 the allocation of the VPS was 98% to the Sanlam Monthly Bonus and 2% to the Satrix (SWIX) Balanced Tracker Fund.

Sanlam Lifestage

Sanlam Lifestage is the trustee-default investment strategy for the Sanlam Umbrella Pension and Provident funds and one of the key tasks of this Sub-committee is the ongoing monitoring and evaluation of this strategy.

Sanlam Lifestage aims over the long term to maximize members’ post-retirement income within acceptable risk levels as they approach retirement. The Sanlam Lifestage Accumulation Portfolio is a multi-managed strategy, combining the best of both passive and active management styles. Unique to Sanlam Lifestage is its ability to match members’ pre-retirement strategy to their post-retirement plans.

The short-term underperformance of the Sanlam Lifestage Accumulation Portfolio relative to its benchmark in 2015 was of concern to the Board of Trustees. As a result, Independent Actuarial Consultants (IAC) was assigned to perform an independent review of the appointed Multi-Manager and its process and philosophy in selecting investment managers. IAC was also tasked to comment on the underlying manager line up of the equity component for the Sanlam Lifestage Accumulation Portfolio at the time. Following this investigation and the findings of IAC, the Board of Trustees engaged with the Multi-Manager and the following enhancements were implemented to the Sanlam Lifestage Accumulation Portfolio during the review period:

- **Local equity blend (active portion):** A new equity blend was implemented during September 2016. The aim of the new blend is to prevent unexpected out/under performance as a result of bias to a specific style/sector. The Multi-Manager wants the underlying manager’s skill to incrementally add value over time.
In summary, this Sub-committee has been very active over the review period to ensure continued enhancement of the entire investment offering to our members. Work will continue to refine the investment offering taking into account the Board of Trustees’ fiduciary.
Annual rate revision

Annual Revision process for **Sanlam Umbrella Pension Fund** and **Sanlam Umbrella Provident Fund**

Administration fee changes have on average been kept well below the official inflation rate. Although this average experience is very encouraging, it is important to note that each participating employer will experience either increases or decreases depending on their own unique circumstances.

The underlying principle is that we apply consistent formulae across the Sanlam Umbrella Pension and Provident Funds regarding every fee and every insurance premium i.e. we try as best as possible to be fair to all our members and participating employers, and to charge fees that reflect the actual workload and the actual underlying insurance risks. As part of the revision process, we also obtained quotations for every insured benefit from the two Trustee-approved insurers being Sanlam and Capital Alliance. In cases where savings can be achieved by changing insurers, and where such a change is in the best interests of the members, we have made arrangements to change the insurers.

Consulting fees are not subject to an automatic review as part of the annual revision process. Consulting fees can be reviewed at any time by negotiation and agreement between the Contracted Benefit Consultant/Contracted Financial Adviser and the participating employer. A change in consulting fees is implemented via the Fund’s formal amendment process.

The contingency reserve account levy as from 1 March 2017 was kept unchanged at R3.80 per member per month (including VAT).

Annual Revision process for **Sanlam Unity** (previously known as Futura) **Umbrella Fund**

Cost increases to this membership have been kept to the absolute minimum. The monthly administration fee remained unchanged. The administration fee is subject to participating employers utilising the Retirement Fund Web facility and failure to adhere to this will result in an additional administration fee being levied.

There have been no changes to Group Life and Disability insurance premiums or to investment management fees. However, Funeral Aid insurance premiums were decreased.

There have been no changes to consulting fees. These fees are not revised as part of the annual revision process.

The annual contingency reserve account levy remains unchanged at 0.25% of assets per annum including VAT, levied monthly.
The following amendments to the Rules of the Sanlam Umbrella Pension Fund and the Sanlam Umbrella Provident were made during the review period and registered by Registrar of Pension Funds.

Amendment 6 was registered on 4 October 2016 and provides for:

1. To retrospectively rectify the Rules as the definition of “Effective Date” should have included the Dependents and/or Nominees of deceased Members.
2. To state the aspiration that the Fund seeks to provide good retirement outcomes for its Members and to clarify the role and responsibilities of the Board and the Sponsor in this regard.
3. To incorporate an Employer Reserve Account to be established for large participating Employers in order to cater for the costs of the operation of its Joint Forum. The Special Rules for a particular Employer have to include a reference to such an account.
4. To provide the option to be paid Living Annuities from the Fund for the Dependents and Nominees of deceased Members.
5. To provide the Fund with more powers in the event that an Employer or the persons acting on its behalf do not comply with the Fund’s requirements and/or create additional work and operational risk for the Fund and its service providers.
6. The reference to termination fees is deleted as the Fund no longer applies these fees in the event of the voluntary termination of an Employer’s participation in the Fund.
7. Some smaller employers do not have the means to make contributions to the Fund on behalf of the Members in its employment. In such cases the Employers consent to commence participation in the Fund on behalf of the Members, but all contributions, expenses and premiums have to be paid by the Members.
8. To allow the mandatory transfer of the benefit of a Member who terminates service with an Employer participating in the Fund which forms part of a specific Employer group, and who takes up employment with another Employer in the same Employer group, who also participates in the Fund. This is to facilitate preservation of such a benefit. In such a case the Special Rules must provide for the mandatory transfer.
9. To enable the Fund to allow Employers with Employees in other African countries to join the Fund.
Amendment 7 was registered on 2 March 2017 and provides for:

A provision is introduced into the Rules to assist the Fund and Administrator to mitigate the administration prior to the registration risk related to amendments to Special Rules. The process is problematic as often Employers are under pressure to increase contributions or make benefit changes, or it could happen that an Employer’s intention in this regard reaches the administrator very late in the process. As administrator Sanlam is concerned about the administration prior to registration risk.

As a result of the nature of a large umbrella fund it is very problematic to wait for implementation until an amendment has been registered due to the number of amendments received each month, and added to this is the fact that it could be to the detriment of members to bring administration to a virtual stop due to a pending amendment. By changing our process in this way and providing for it in the Rules, we aim to mitigate the risk by ensuring:

- that an amended set of rules is already being considered for registration by the time the effective date of the amendment to the Special Rules arrives.

The following amendments to the Rules of the Sanlam Unity Umbrella Fund were made during the review period and registered by Registrar of Pension Funds.

The Board resolved to revise the Rules of the Sanlam Unity Umbrella Fund. By doing so it made provision for legislative amendments and incorporated all previous registered amendments. The revised Rules were registered by the Registrar of Pension Funds on 11 April 2016.

Amendment 2 was registered on 30 September 2016 and provides for:

- the name change from Sanlam Futura Umbrella Retirement Fund to Sanlam Unity Umbrella Fund.

Amendment 3 was registered on 2 March 2017 and provides for:

- A provision is introduced into the Rules to assist the Fund and Administrator to mitigate the administration prior to the registration risk related to amendments to Special Rules. The process is problematic as often Employers are under pressure to increase contributions or make benefit changes, or it could happen that an Employer’s intention in this regard reaches the Administrator very late in the process. As Administrator, Sanlam is concerned about the administration prior to registration risk.
Regulatory Information for Sanlam Umbrella Pension Fund and Sanlam Umbrella Provident Fund

<table>
<thead>
<tr>
<th>STATUTORY ALTERNATIVES</th>
<th>FUND STATUS</th>
</tr>
</thead>
</table>
| Registered name                 | Sanlam Umbrella Pension Fund  
Sanlam Umbrella Provident Fund   |
| Registered as an                | Umbrella Pension Fund and Umbrella Provident Fund  
(identical benefit and management structures) |
| Umbrella Sponsor                | Sanlam Life Insurance Ltd                                                   |
| Pension Fund:                   | Provident Fund:                                                             |
| Registration date               | 19/09/2001  
19/09/2001 | 06/02/2002  
06/02/2002 |
| Approval date                   | 12/8/36828  
12/8/36813 | 18/20/4/41146  
18/20/4/41147 |
| Registration number             | Defined Contribution Funds                                                  |
| Approval number                 | From 1 January to 31 December                                               |
| Fund exemptions                 | Valuation exempt, not audit exempt. Received valuation exemption up to 31 December 2018. |
| The Fund's registered postal    | PO Box 1, Sanlamhof, 7532                                                   |
| address                         | 2 Strand Road, Bellville, Cape Town, 7535                                  |
| Separate bank accounts are      | Pension Fund:  
ABSA, Centurion  
Acc no: 4067972456 | Provident Fund:  
ABSA, Centurion  
Acc no: 4067972383 |
| maintained for each fund        |                                                            |
## Regulatory Information for Sanlam Unity Umbrella Fund

<table>
<thead>
<tr>
<th>STATUTORY ALTERNATIVES</th>
<th>FUND STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered name</td>
<td>Sanlam Unity Umbrella Fund</td>
</tr>
<tr>
<td>Registered as an</td>
<td>Umbrella Provident Fund</td>
</tr>
<tr>
<td>Umbrella Sponsor</td>
<td>Sanlam Life Insurance Ltd</td>
</tr>
<tr>
<td>Registration date</td>
<td>27/07/2010</td>
</tr>
<tr>
<td>Approval date</td>
<td>02/08/2010</td>
</tr>
<tr>
<td>Registration number</td>
<td>12/8/36634</td>
</tr>
<tr>
<td>Approval number</td>
<td>18/20/4/41148</td>
</tr>
<tr>
<td>Funding model</td>
<td>Defined Contribution Funds</td>
</tr>
<tr>
<td>The Fund's financial reporting period</td>
<td>1 June to 31 May</td>
</tr>
<tr>
<td>Fund exemptions</td>
<td>Valuation exempt, not audit exempt. Received valuation exemption until 31 May 2019.</td>
</tr>
<tr>
<td>The Fund's registered postal address</td>
<td>PO Box 1, Sanlamhof, 7532</td>
</tr>
<tr>
<td>The Fund's registered physical address</td>
<td>2 Strand Road, Bellville, Cape Town, 7535</td>
</tr>
<tr>
<td>Bank account detail</td>
<td>ABSA, Sanbel&lt;br&gt;Acc no: 4074118518</td>
</tr>
</tbody>
</table>
### Regulatory Information for Sanlam Plus Pension Preservation Fund and Sanlam Plus Provident Preservation Fund

<table>
<thead>
<tr>
<th>STATUTORY ALTERNATIVES</th>
<th>FUND STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered name</td>
<td>Sanlam Plus Pension Preservation Fund</td>
</tr>
<tr>
<td></td>
<td>Sanlam Plus Provident Preservation Fund</td>
</tr>
<tr>
<td>Registered as an</td>
<td>Pension Preservation Fund and a Provident Preservation Fund</td>
</tr>
<tr>
<td></td>
<td>(identical benefit and management structures)</td>
</tr>
<tr>
<td>Umbrella Sponsor</td>
<td>Sanlam Life Insurance Ltd</td>
</tr>
</tbody>
</table>
| Registration date                       | Pension Fund: 15/01/2012  
|                                         | Provident Fund: 28/01/2012                                                   |
| Approval date                           | Pension Fund: 22/02/2012  
|                                         | Provident Fund: 21/02/2012                                                   |
| Registration number                     | Pension Fund: 12/8/30343  
|                                         | Provident Fund: 12/8/30342                                                  |
| Approval number                         | Pension Fund: 18/20/4/35399  
|                                         | Provident Fund: 18/20/4/35399                                               |
| Funding model                           | Defined Contribution Funds                                                  |
| The Fund’s financial reporting period   | 1 January to 31 December                                                   |
| Fund exemptions                         | Valuation exempt, not audit exempt. Received valuation exemption until 31 December 2019. |
| The Fund’s registered postal address    | PO Box 1, Sanlamhof, 7532                                                   |
| The Fund’s registered physical address  | 2 Strand Road, Bellville, Cape Town, 7535                                   |
| Separate bank accounts are being       | Pension Fund: ABSA, Sanbel  
| maintained for each fund                | Acc no: 4075042057  
|                                         | Provident Fund: ABSA, Sanbel  
|                                         | Acc no: 4075042031                                                          |

<table>
<thead>
<tr>
<th>PRINCIPAL OFFICER</th>
<th>RESPONSIBLE PERSON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full name</td>
<td>Kobus Hanekom</td>
</tr>
<tr>
<td></td>
<td>Erina le Grange</td>
</tr>
<tr>
<td>Company</td>
<td>Independent</td>
</tr>
<tr>
<td></td>
<td>Sanlam Umbrella Solutions</td>
</tr>
<tr>
<td>Postal address</td>
<td>PO Box 350, Sanlamhof, 7532</td>
</tr>
<tr>
<td></td>
<td>PO Box 1, Sanlamhof, 7532</td>
</tr>
<tr>
<td>Physical address</td>
<td>2 Strand Road, Bellville, Cape Town, 7535</td>
</tr>
<tr>
<td></td>
<td>2 Strand Road, Bellville, Cape Town, 7535</td>
</tr>
<tr>
<td>Telephone number</td>
<td>(021) 912-3311</td>
</tr>
<tr>
<td></td>
<td>(021) 947-6504</td>
</tr>
<tr>
<td>Email address</td>
<td><a href="mailto:kobus@simekaconsult.co.za">kobus@simekaconsult.co.za</a></td>
</tr>
<tr>
<td></td>
<td><a href="mailto:erina.legrange@sanlam.co.za">erina.legrange@sanlam.co.za</a></td>
</tr>
</tbody>
</table>

Professional service providers

<table>
<thead>
<tr>
<th>INDEPENDENT EXTERNAL AUDITOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Company</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Postal address</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Physical address</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Telephone number</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADMINISTRATOR</th>
<th>SPONSOR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company</strong></td>
<td>Sanlam Life Insurance Ltd (Business unit: Sanlam Umbrella Solutions)</td>
</tr>
<tr>
<td><strong>Postal address</strong></td>
<td>PO Box 1, Sanlamhof, 7532</td>
</tr>
<tr>
<td><strong>Physical address</strong></td>
<td>2 Strand Road, Bellville, Cape Town</td>
</tr>
<tr>
<td><strong>Telephone number</strong></td>
<td>(021) 947-9111</td>
</tr>
<tr>
<td><strong>Reg number S13B / FAIS</strong></td>
<td>24/85</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEPUTY PRINCIPAL OFFICER</th>
<th>CONSULTANT: GOVERNANCE &amp; COMPLIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsible person</strong></td>
<td>Erina le Grange</td>
</tr>
<tr>
<td><strong>Company</strong></td>
<td>Sanlam Umbrella Solutions</td>
</tr>
<tr>
<td><strong>Postal address</strong></td>
<td>PO Box 1, Sanlamhof, 7532</td>
</tr>
<tr>
<td><strong>Physical address</strong></td>
<td>2 Strand Road, Bellville, Cape Town</td>
</tr>
<tr>
<td><strong>Telephone number</strong></td>
<td>(021) 947-6504</td>
</tr>
<tr>
<td><strong>Email address</strong></td>
<td><a href="mailto:erina.legrange@sanlam.co.za">erina.legrange@sanlam.co.za</a></td>
</tr>
<tr>
<td><strong>Reg number S13B / FAIS</strong></td>
<td>n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsible person</th>
<th>Willem Le Roux</th>
<th>Victor Faria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Simeka Consultants &amp; Actuaries</td>
<td>Independent Actuarial Consultants</td>
</tr>
<tr>
<td>Postal address</td>
<td>PO Box 350, Sanlamhof, 7532</td>
<td>PO Box 1172, Cape Town, 8000</td>
</tr>
<tr>
<td>Physical address</td>
<td>Simeka House, Farm 2, Vineyards Office Estate, 99 Jip de Jager, Bellville, 7535</td>
<td>6th Floor, Wale Street Chambers, 38 Wale Street, Cape Town, 8000</td>
</tr>
<tr>
<td>Telephone number</td>
<td>(021) 912-3324</td>
<td>(021) 422 4373</td>
</tr>
<tr>
<td>Email address</td>
<td><a href="mailto:willem@simekaconsult.co.za">willem@simekaconsult.co.za</a></td>
<td><a href="mailto:victor@iac.co.za">victor@iac.co.za</a></td>
</tr>
<tr>
<td>Reg number FAIS</td>
<td>Simeka FAIS Licence No. 13900</td>
<td>IAC FAIS Licence No. FSP: 6832</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RISK INSURER</th>
<th>SANLAM UMBRELLA PENSION AND PROVIDENT FUNDS</th>
<th>SANLAM UNITY UMBRELLA FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Sanlam Life Insurance Ltd</td>
<td>Capital Alliance Life Ltd</td>
</tr>
<tr>
<td>Postal address</td>
<td>PO Box 1, Sanlamhof, 7532</td>
<td>PO Box 10499, Johannesburg, 2000</td>
</tr>
<tr>
<td>Physical address</td>
<td>2 Strand Road, Bellville, 7530</td>
<td>3rd Floor, Libridge Building, 25 Ameshoff Street, Braamfontein, Johannesburg, 2017</td>
</tr>
<tr>
<td>Telephone number</td>
<td>(021) 947-9111</td>
<td>(021) 526-1395</td>
</tr>
<tr>
<td>FSB approval number</td>
<td>24/185</td>
<td>17404</td>
</tr>
<tr>
<td>Type of risk</td>
<td>Group Life, Disability, Funeral, Accident, Spouses and Trauma Assurance</td>
<td>Group Life, Disability, Funeral, Spouses and Trauma Assurance</td>
</tr>
</tbody>
</table>
### Board of Trustees for Sanlam Umbrella Pension Fund / Sanlam Umbrella Provident Fund / Sanlam Unity Umbrella Fund / Sanlam Plus Pension Preservation Fund / Sanlam Plus Provident Preservation Fund

<table>
<thead>
<tr>
<th>Trustee Member</th>
<th>Derek Smorenburg</th>
<th>Marius Saayman</th>
<th>Marius Jonas</th>
<th>Jolly Mokorosi</th>
<th>Ian McDonald</th>
<th>Joelleen Moodley</th>
<th>Alex Paterson</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date appointed</strong></td>
<td>1 July 2007 / 1 August 2009 / 1 January 2013 / 1 January 2016</td>
<td>1 July 2007 / 1 August 2009 / 1 January 2013 / 1 January 2016</td>
<td>1 August 2009 / 1 January 2013 / 1 January 2016</td>
<td>1 January 2016</td>
<td>1 July 2007 / 1 August 2009 / 1 January 2013 / 1 January 2016</td>
<td>1 January 2016</td>
<td>1 August 2009 / 1 January 2013 / 1 January 2016</td>
</tr>
<tr>
<td><strong>End of term</strong></td>
<td>31 December 2018</td>
<td>31 December 2018</td>
<td>31 December 2018</td>
<td>31 December 2018</td>
<td>Resigned 20 June 2017</td>
<td>31 December 2018</td>
<td>31 December 2018</td>
</tr>
<tr>
<td><strong>Compliance with Trustee Training Protocol</strong></td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
</tr>
<tr>
<td><strong>Compliant with Governance Procedures (PF130)</strong></td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
<td>Fully compliant</td>
</tr>
<tr>
<td><strong>Sponsor appointed</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes. From 21 June 2017 Independent.</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Member elected</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Status relative to the Sponsor</strong></td>
<td>Non-Executive Entrepreneur with extensive experience in the administration of an umbrella fund.</td>
<td>Non-Executive Entrepreneur with extensive experience in financial services.</td>
<td>Non-Executive Entrepreneur with extensive experience in the administration of an umbrella fund.</td>
<td>Independent</td>
<td>Independent</td>
<td>Independent</td>
<td>Independent</td>
</tr>
<tr>
<td><strong>Trustee Fee</strong></td>
<td>Contracted and remunerated by the Sponsor</td>
<td>Agreed trustee fee</td>
<td>Contracted by the Sponsor. Agreed trustee fee</td>
<td>Agreed trustee fee</td>
<td>Agreed trustee fee</td>
<td>Agreed trustee fee</td>
<td>Agreed trustee fee</td>
</tr>
<tr>
<td><strong>Performance Assessment</strong></td>
<td>Exceeds job requirements</td>
<td>Exceeds job requirements</td>
<td>Exceeds job requirements</td>
<td>Exceeds job requirements</td>
<td>Exceeds job requirements</td>
<td>Exceeds job requirements</td>
<td>Exceeds job requirements</td>
</tr>
<tr>
<td><strong>Attendance at Trustee meeting: 31 Oct 2016</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>n/a</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td><strong>21 November 2016</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>9 February 2017</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Attendance of 2016 AGM</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Agreed Trustee Fee:** The standard trustee fee payable in respect of the meetings of the 5 related funds (8:30 to 17:00) is R25 956 plus VAT. The fee consists of an attendance fee of 50% and a preparation fee of 50% of the agreed fee. Fees for the attendance of the AGM are R9 367 plus VAT and travel costs. Sub-committees’ participation and additional research is remunerated at an hourly fee of R1 465. This is a very small percentage of the fees paid to independent trustees.

The Fund has taken active steps in its election protocol to try and ensure that the Board of Trustees is representative of its membership. In the selection persons available for election, we preferred industry professionals, who are independent of the Sponsor and who are black South Africans. None of the independent trustees have served for a period of longer than 9 years.
Umbrella funds
research overview

by
Irion Terblanche
Chief Executive Officer
Sanlam Umbrella Solutions

and
Shakeel Singh
Chief Marketing Officer
Sanlam Umbrella Solutions

This is the ninth consecutive year that we have undertaken a separate study on umbrella funds. As a result, sufficient history has been accumulated to meaningfully analyse the emerging trends. Once again, we surveyed 100 employers that participated in umbrella fund. In addition, this year qualitative interviews with 16 independent brokers were held to obtain their views.

The survey is easily representative of the commercial umbrella fund market, as an overwhelming 92% (2016: 88%) of employers (in line with overall industry trends) participate in one of the “Big 5” commercial umbrella funds sponsored by Alexander Forbes, Liberty, Momentum, Old Mutual and Sanlam.

Notable trends

Some of the key emerging trends that were picked up during this year’s survey included the need for transparency of fees and what we call the “retailisation” of the institutional market.

It was pleasing to note that both employer and employee contribution rates have again increased compared to the previous year. More employers are also allowing their members to select their own contribution levels.

The trend by employers to move into an inclusively costed arrangement is worth noting. Although this allows the employer to contain costs, any upward pressure on costs can impact a member’s NRR (Net Replacement Ratio).

With the recent trend of administrators including their administration costs in the asset management fees, participating employers are now placing a much greater weighting on the transparency of costs.

In a world where freedom of choice is becoming ever more important, it is interesting to see that over the last three years, fewer participating employers now offer member investment choice to their membership base.

When it comes to active versus passive investing, employers prefer to invest in a combination of both, ie, to have the best of both worlds instead of trying to choose between the two. The majority of employers do, however, feel that their younger members are investing too conservatively, and this could mean that the default investment strategies are not aggressive enough (perhaps Regulation 28 needs a re-think?).

In line with what is happening abroad, more consultants/brokers are moving away from the traditional statutory commission model and onto a fee for service model.

With Net Replacement Ratio (NRR) calculators becoming more accessible to members, we have seen a significant increase in the use of these calculators. The use of the NRR calculator is key to helping members improve their retirement outcomes.
When it comes to selecting an umbrella fund, the majority of participating employers believe that costs are most important. Costs are important but to what end? Your costs should be commensurate with the services rendered.

The vast majority of participating employers have also never considered moving between umbrella funds. There is definitely a need to review providers on a regular basis, as the umbrella fund industry is continuously evolving with better fees and differentiated service offerings.

**Contributions**

In 2017, 57% of respondents (2016: 64%) stated that remuneration packages were based on total cost to company, ie, the contribution rate to a retirement fund would not affect the employer’s cost but rather affect an employee’s take-home pay. This is becoming an ever increasing trend as it allows the employer to have greater control over their expenses. The alternative would be to have the package structured as “cost plus benefits” where an employee’s contribution rate (benefit) affects the employer’s overall costs but not an employee’s take-home pay. Put another way, 57% of the employers’ remuneration packages are currently structured in a way that the contribution to a retirement fund is included in the salary as opposed to an add-on benefit.

Pensionable earnings (PEAR) is that portion of total remuneration which is pensionable. This is typically expressed as a ratio. 18% of participating employers (2016: 24%) indicated that their PEAR percentage was less than 70%, with 57% of the respondents (2016: 50%) saying their fund’s PEAR was more than 80%.

50% of the employers have a total monthly pensionable salary bill of between 1 and 10 million rand and 49% of the employers have a total membership ranging from 40 to 300 members.

- The average employee contribution, as a percentage of PEAR, is 7.3% (2016: 7.1%).
- The average employer contribution, as a percentage of PEAR, is 10% (2016: 9.5%).

41% of the participating employers (2016: 28%) allowed members to select their own level of contribution, whereas only 22% (2016: 25%) permitted members to elect their employers’ level of contribution.

46% of respondents indicated that the employer pays a fixed contribution only (ie, total cost to company and no additional costs) and 39% indicated that the employer pays a fixed contribution plus the cost of administration and the cost of risk benefits.

<table>
<thead>
<tr>
<th>Cost of administration</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed contribution only (ie, total cost to company - no additional costs)</td>
<td>46%</td>
<td>40%</td>
<td>33%</td>
</tr>
<tr>
<td>Fixed contribution plus the cost of administration and the cost of risk benefits</td>
<td>39%</td>
<td>50%</td>
<td>60%</td>
</tr>
</tbody>
</table>

From the table above it can be observed that expenses are having a bigger and bigger impact on provisions for retirement, as more employers move toward fixed contribution only (no additional costs).

**Cost of administration**

The average cost of administration, expressed as a percentage of salary, remained at 0.7% for the second year in a row. However, with increased competition, improved technologies and economies of scale in the bigger commercial umbrella funds, this figure is expected to be slightly lower. There is significant downward pressure in this segment of the market, especially when new business is tendered.

Overall, as the umbrella fund industry achieves economies of scale, the model seems to be working well for consumers. Similar to the BENCHMARK Surveys conducted in 2016, 2015, 2014 and 2013, this figure is lower than the comparable cost for standalone funds.
Contributions

An increase in total contributions of 0.7% (2016: 1.4%) from last year resulted in an increase of 0.7% (2016: 1.6%) in the total provisioning for retirement.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee contributions</td>
<td>7.3%</td>
<td>7.1%</td>
<td>6.4%</td>
<td>5.6%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>10%</td>
<td>9.5%</td>
<td>8.8%</td>
<td>8.5%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Total Contributions</td>
<td>17.30%</td>
<td>16.60%</td>
<td>15.20%</td>
<td>14.10%</td>
<td>13.70%</td>
</tr>
<tr>
<td>Death benefit premiums</td>
<td>(1.3%)</td>
<td>(1.3%)</td>
<td>(1.3%)</td>
<td>(1.6%)</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>Disability benefit premiums</td>
<td>(1.1%)</td>
<td>(1.1%)</td>
<td>(1.2%)</td>
<td>(1.2%)</td>
<td>(0.9%)</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(0.7%)</td>
<td>(0.7%)</td>
<td>(0.8%)</td>
<td>(0.8%)</td>
<td>(0.8%)</td>
</tr>
<tr>
<td>Total provision for retirement</td>
<td>14.2%</td>
<td>13.5%</td>
<td>11.9%</td>
<td>10.5%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

Transparency of costs

A new trend has started to emerge where some product providers claim not to charge an administration fee, but all costs are included in the investment fees. When employers were asked if they were comfortable with this pricing model, 59% indicated that they were not and only 34% said they were comfortable with this model, with a further 7% still unsure.

When consultants/brokers were presented with the same question, some saw it as a means to hide costs and reduce transparency. Other consultants were comfortable with the pricing model, as long as it was transparent enough to allow for comparison purposes.

All in all, consultants/brokers as well as employers consider the transparency of costs imperative. When employers were asked about all the aspects of retirement fund administration, the second highest ranked aspect, based on importance, was identified as the transparency of costs at 83% (2016: 59%). This was second to paying claims timeously at 95% (2016: 89%).

Investment choice

An average of six investment options (2016: 7) were offered to members, which is slightly less than what was observed in the previous years.

On average, 76% (2016: 84%) of the respondent claim their members were invested in the trustee choice or default investment option.

The trustee choice / default portfolio was classified as follows:

<table>
<thead>
<tr>
<th>TRUSTEE CHOICE</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifestage</td>
<td>60%</td>
<td>52%</td>
<td>59%</td>
</tr>
<tr>
<td>Guaranteed / Smoothed bonus</td>
<td>22%</td>
<td>26%</td>
<td>23%</td>
</tr>
<tr>
<td>Balanced active</td>
<td>10%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Cash/Money market</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Responsible investing

There was an increase to 59% (2016: 53%) in the respondents that indicated they had a responsible investing policy in place, which incorporated ESG (environmental, social & corporate governance factors). This seems to indicate that the awareness of responsible investing is rising.

Investments

The majority of employers surveyed (64%), offered member investment choice. However, this figure seems to have decreased over the last three years, from 80% in 2015 to 76% in 2016, to the current figure of 64% in 2017. Consultants/brokers don’t believe that this is a necessity for the majority of members and should be paid for by the members who use it.
Active versus passive investing

77% of respondents (2016: 75%) indicated they preferred a combination of both passive and active investments. Of these respondents, 28% preferred the majority to be invested in passive investment instruments, while 30% preferred the majority to be invested in active investment instruments.

When asked about the measures or criteria of a successful asset management/investment company, 56% (2016: 62%) indicated consistent delivery on the benchmark (over 5-10 years) and 42% (2016: 33%) indicated consistent inflation-beating returns.

61% of the respondents were concerned that young fund members were investing too conservatively.

The majority of consultants/brokers interviewed believed that achieving the long-term investment objectives was the number one priority.

Transparency of fees was also considered important to allow the comparison of investment products.

Lifestage investing

The majority (60%) of the default investment portfolios (2016: 52%) can be described as a lifestage vehicle and, on average, 78% (2016: 80%) of a participating employer’s assets are invested in the default investment option. In a lifestage vehicle members are switched to a less volatile portfolio during the period just prior to normal retirement age (pre-retirement phase). The most common pre-retirement phase is five years (for 50% of respondents in 2017 and 2016) and less than five years for 28% (2016: 25%) of respondents.

There has been a significant increase from 46% (2016) to 60% (2017) in respondents who reported that their lifestage investment strategy was explicitly aligned to their post-retirement annuity strategy.

<table>
<thead>
<tr>
<th>MOST POPULAR ANNUITIES ALLOWED FOR IN THE PRE-RETIREMENT PHASE</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living annuity (ILLA)</td>
<td>43%</td>
<td>29%</td>
<td>36%</td>
</tr>
<tr>
<td>Guaranteed annuity (level or increasing)</td>
<td>33%</td>
<td>25%</td>
<td>39%</td>
</tr>
<tr>
<td>Inflation-linked annuity</td>
<td>27%</td>
<td>35%</td>
<td>45%</td>
</tr>
</tbody>
</table>

87% of participating employers (2016: 83%) provide members with advice when they enter the pre-retirement phase of the lifestage model.

Insured Benefits

Most participating employers (67%) provide risk benefits as part of the umbrella fund package only (2016: 55%), and 17% (2016: 24%) provide risk benefits by way of a separate scheme only. Some, 16% (2016: 21%) provide risk benefits both as part of the umbrella fund package and as a separate scheme.

In general, most respondents (95%) were satisfied with the benefits currently offered by risk providers and 94% were satisfied with the current level of service received.

Risk Benefits – Umbrella Funds

The most popular risk benefits provided as part of the umbrella fund package are death benefits at 96% (2016: 97%), disability benefits at 93% (2016: 86%) and funeral benefits at 45% (2016: 62%). Over the past five years there has been a trend towards income replacement cover as an alternative to capital disability benefits.

○ The average lump sum death benefit is 3.1 times (2016: 3.1 times) annual salary.

○ The average lump sum disability benefit is 2.4 times (2016: 2.5 times) annual salary.

These benefits remained fairly constant with last year’s figures.
Risk Benefits – Separate Schemes

The average lump sum death benefit is 2.9 times (2016: 3.3 times) annual salary.

The average lump sum disability benefit is 1.9 times (2016: 2.2 times) annual salary. There is a slight decrease in the cover provided via a separate scheme since last year.

There is a slight decrease in the cover provided via a separate scheme since last year.

Other trends

The majority of consultants/brokers now encourage participating employers to offer critical illness (trauma) benefits due to the increased prevalence of illnesses that are typically covered by these products.

Consultants/brokers in general encourage flexible risk benefits and believe that these benefits will be the norm in the future. These benefits allow the member to control the balance between insured benefits and retirement savings, ensuring that a member is able to tailor their needs to their specific circumstances.

Taking care of Beneficiaries

53% of respondents confirmed that the typical turnaround time for a death claim, from the date that the death benefit was approved by the fund, was less than 3 months (2016: 56%). When asked to rank the three main causes for delays in order of prevalence, the feedback was as follows:

1. Lack of identification of dependants as defined, 81% (2016: 91%)
2. Family disputes, 78% (2016: 69%)
3. Lack of a valid will, 48% (2016: 46%)

An overwhelming number of respondents (79%) indicated that they believed it was better to pay the minor’s benefit to the beneficiary fund as opposed to the guardian. Only 12% believed that the guardian would be the better option.

44% of the respondents were of the view that Section 37C should be amended because it did not provide sufficient guidance to the trustees as to what was required of them in order to decide on the allocation of the benefit.

Advice

The participating employer’s strategy for rendering financial advice to active members, 42% (2016: 52%) indicated that the umbrella fund administrator provided factual information about available options and only then, if members required further advice, were they referred to the fund’s financial advisor. A further 26% (2016: 17%) indicated that the participating employer offered advice services to members by way of an advisor paid for or subsidised by the participating employer, and 21% (2016: 28%) indicated that they referred members to preferred financial advisors.

When benefit counselling, usually provided by product providers, crossed into the advice domain, it became a point of concern. Brokers noted that clear lines should be drawn between benefit counselling and advice.

Consultants/brokers believe that the role of the product provider is to provide factual information about their products and administrative capabilities. It is then the role of the consultant to provide independent advice to the employers.

Robo Advice

Still only 9% (2016: 9%) of participating employers believe that robo-advice could be a suitable and cheaper advice channel for members. More participating employers, 30% (2016: 28%), believe that robo-advice – in conjunction with human support – could represent appropriate advice for their members. The vast majority of respondents, 61% (2016: 63%) were of the view that robo-advice would not be suitable for their members.

Employers’ perceptions about the role of robo-advice have not changed significantly over the last year.

Consultants/brokers believe that they are well placed to bridge the advice/counselling gap, but typically lack the capacity to offer individual tailoring on a large scale. They believe that robo-advice is potentially a cost-effective solution, especially for the bottom end of the market where most members find themselves.
Retirement

Respondents estimated that, on average, only 18% of their retirees (2016: 14%) would be able to maintain their current standard of living in retirement.

The use of NRR (Net Replacement Ratio) as a suitable measure for determining whether a member was on track for retirement, seems to have gained some traction with respondents, up from 51% in 2016 to 62% in 2017.

Fewer respondents, 19% (2016: 29%) believed that members did not understand this measure.

36% of participating employers (2016: 29%) had a target NRR that the trustees were actively working towards. Of these participating employers, 83% (2016: 62%), indicated a default employer and employee contribution rate that was aligned with the stated target NRR. These participating employers had an average replacement ratio target of 74% (2016: 67%).

In spite of the above, consultants/brokers indicated that they considered 50% - 60% a more realistic target NRR. In reality, the majority of members are destined to retire on an NRR of less than 40%.

Only 29% (2016: 27%) of respondents believed that the trustees of their umbrella funds had implemented an appropriate default annuity strategy for members. Of these, the most popular default annuity products selected were as follows:

<table>
<thead>
<tr>
<th>ANNUITY PRODUCT</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living annuity</td>
<td>45%</td>
<td>26%</td>
<td>8%</td>
<td>47%</td>
</tr>
<tr>
<td>Guaranteed annuity (level or increasing)</td>
<td>17%</td>
<td>22%</td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>Inflation linked annuity</td>
<td>17%</td>
<td>22%</td>
<td>8%</td>
<td>-</td>
</tr>
<tr>
<td>Living annuity converting to a guaranteed annuity at predetermined ages</td>
<td>6.9%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

A further 13% (2016: 12%) of participating employers stated that the trustees of the umbrella fund were in the process of putting a default annuity strategy in place within the next 24 months. Nearly half, 49% (2016: 47%) believed that this was not being done.

The most important factors in selecting a default annuity provider were identified as security of the product (45%), cost of the product (24%) and smooth transition from pre- to post-retirement (21%). Consultants/brokers considered costs and investment fees as the most important factors.

Special topics

Evolution of Employee Benefits

The most popular suite of benefits and services that should be included for all employees were identified by the respondents as a retirement fund (100%), medical aid (82%) and group risk (76%). Virtually all the consultants/brokers interviewed placed a retirement fund at the top of the list of the optimal suite of benefits whereas medical aid was considered a draw card in attracting new employees.

If employees did want access to a broader range of financial services via the employer, they would include education loans for children or study loans (38%), personal loans (35%), mortgage bond (29%) and tax advice (28%). This was similar to what consultants/brokers were experiencing. When they were asked about the key questions that members raised, it was clear that members wanted to know how they could gain access to their retirement savings, with questions like “Can I borrow against my fund?” and “How can I access my money?”

73% of the respondents believed that employees would value having access to an integrated “one-stop-shop” financial solution via their employer. Consultants/brokers had mixed views on this. Some believed employees would welcome it, provided the offering was controlled by the employer and not the product provider.

Thus, from the employer/employees’ perspective, there seems to be a real need for access to an integrated “one-stop-shop” financial solution, but more specifically to retirement provision, medical aid, group risk and access to some form of a loan. Benefits like short-term insurance and rewards programmes were not amongst the most popular benefits.
Competition within the Umbrella Fund Market

The main reasons participating employers opted for an umbrella fund remain similar to last year, although there are some changes worth noting:

1. The number one reason for joining an umbrella fund was cost savings at 68% (2016: 55%). This displaced ease of administration at 53% (2016: 59%). The third most popular reason remained less fiduciary responsibility at 35% (2016: 27%).

2. 16% of participating employers (29% in 2016) reported that they sought comparable umbrella fund quotations in the market on an annual basis. The most popular cycle for getting comparable quotations were observed to be 3 years.

3. 21% of participating employers (22% in 2016) reported that they had considered moving between umbrella funds and 76% (78% in 2016) had not.

4. Cost savings at 52% (55% in 2016), investment performance at 38% (41% in 2016) and ease of administration at 33% (27% in 2016) were the top three reasons for employers considering moving between umbrella funds. The need for better expertise from the umbrella fund provider increased significantly from 14% in 2016 to 29%.

Consultants/brokers agreed that a barrier to competition in the umbrella fund market was the Section 14 transfer process and, more specifically, the time it took to effect these transfers. They also indicated that employers required a compelling reason before considering a change. For example, significant cost savings, poor service delivery, change in member needs, etc.

On balance, these measures show encouraging signs that the umbrella fund market is steadily becoming more competitive. It is worth noting that employers may be making decisions with too much emphasis placed on the cost of the umbrella provider; the cost should be commensurate with the service offering.

Emerging Trends

With the proposed default regulations, umbrella funds and administrators have already implemented solutions to maintain members after their employment has ceased with the participating employer. This is one example where the member, as opposed to the employer, is now becoming the client. This “retailisation” of the institutional market is a trend that is expected to increase in the future.

There is significant interest in the standardisation of risk benefits and administration structures to reduce complexity for employers and members in an effort to make it easier to understand benefits and compare service providers.

Product providers are making use of improved technologies to improve service delivery through automation. This is particularly prevalent with the larger umbrella fund providers.

This year the demand for greater transparency in investment fees from consultants/brokers and employers was quite prominent and is expected to continue going forward.

As umbrella funds evolve and become more flexible, we are seeing an increase in large employers joining umbrella funds as opposed to having their own stand-alone retirement funds.
More to choosing an umbrella fund than costs

This was the headline of a 2016 Personal Finance editorial by the acclaimed (but now retired) financial journalist and consumer champion Bruce Cameron.

The editorial highlighted that employers should consider a long list of issues when selecting an umbrella fund provider and specifically highlighted costs, administration and governance as key factors in the decision-making process.

The 2016 Sanlam Benchmark Survey took this recommendation one step further, listing no fewer than 16 important considerations to take into account when selecting an umbrella fund.

But listing these 16 factors is surely only the start. What specific weighting should be given to each of these factors is possibly an even more interesting question.

The Umbrella Fund Study of 100 participating employers within commercial umbrella funds has for some years asked two questions that are directly relevant to this topic:

1. What were the three main reasons for joining an umbrella fund?
   a. More cost effective/cost savings
   b. Ease of administration/less time consuming
   c. Less responsibility/less fiduciary responsibility

2. In cases where employers had considered moving to another umbrella fund, what were the three main reasons for doing so?
   a. Cost savings
   b. Better investment returns
   c. Better/easier administration

Research commissioned by Investec during 2016 reported that in deciding which umbrella fund to use “the decision is heavily influenced by an employee benefits consultant”. This research also found that “in the large majority of cases, there is a strong correlation between the consultant and the umbrella fund which trustees ultimately choose”.

1 Who is picking your umbrella fund?, Moneyweb article by Patrick Cairns, 13 December 2016.
Interestingly, participating employers themselves do not rank the influence of the consultant as a key factor in their decision to join an umbrella fund, according to the Benchmark Survey responses. But I suspect that is simply because this is never a factor formally rated in the decision-making process, and my own experience aligns with the Investec findings — the consultant’s recommendations are very often the key determinant of what unfolds.

This year we decided to survey 16 employee benefits consultants on how they weighted the 16 identified key considerations in choosing an umbrella fund. Note that these consultants are independent of any commercial umbrella fund or sponsoring company. By restricting the survey to truly independent consultants, we were hoping that the answers would not be biased by what might suit any specific provider’s own umbrella fund.

**Good consultants vital to a competitive industry**

1. Initial choice of umbrella fund
2. Regular review of umbrella fund choice
3. Advice on benefit structures
4. Advice on regulation & taxation
5. Advice on investment strategies & outcomes
6. Member financial planning
7. Market feedback helps improve product offerings
8. Healthy pressure on service providers
We not only asked these consultants to rank the 16 attributes, but also to assign percentage weightings to each factor, totaling 100%. This added a degree of rigour to the process, and ensured each respondent had to think very carefully about each weighting.

The overall results are shown as Figure 2 below:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Number of Mentions</th>
<th>Umbrella Fund Benchmark Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration delivery</td>
<td>15</td>
<td>22%</td>
</tr>
<tr>
<td>Charges and costs</td>
<td>16</td>
<td>20%</td>
</tr>
<tr>
<td>Investments</td>
<td>12</td>
<td>11%</td>
</tr>
<tr>
<td>Transparency</td>
<td>14</td>
<td>10%</td>
</tr>
<tr>
<td>Flexibility</td>
<td>12</td>
<td>7%</td>
</tr>
<tr>
<td>Communication delivery</td>
<td>12</td>
<td>6%</td>
</tr>
<tr>
<td>Track record</td>
<td>11</td>
<td>4%</td>
</tr>
<tr>
<td>Governance infrastructure</td>
<td>10</td>
<td>4%</td>
</tr>
<tr>
<td>Insured benefits</td>
<td>8</td>
<td>4%</td>
</tr>
<tr>
<td>Client satisfaction / retention</td>
<td>9</td>
<td>3%</td>
</tr>
<tr>
<td>Quality of advice</td>
<td>6</td>
<td>2%</td>
</tr>
<tr>
<td>Preservation and annuitisation</td>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>Experience</td>
<td>6</td>
<td>2%</td>
</tr>
<tr>
<td>Sponsor covenant</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Black economic empowerment</td>
<td>3</td>
<td>1%</td>
</tr>
<tr>
<td>National footprint</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

One can quite rightly argue that other factors might also be important, or that the weightings should vary between different employers, or that there is an overlap between some of the factors. I agree – but nonetheless for the first time this survey enables industry players to start debating these important considerations with our clients and to move us closer to a situation where rational factors take precedence in the umbrella fund decision-making process.

It’s certainly interesting that the independent consultants differed slightly from participating employers by placing a slightly higher weighting on administration delivery than on costs. Could these be insights from practical experience?

I’d like to propose that these 2017 results be used as base Umbrella Fund Benchmark Weightings for employee benefit consultants to use when debating the choice of umbrella fund provider with their clients. The Benchmark Weightings should be up-weighted or down-weighted as appropriate in each case, but at least these can be used as a basis for discussion with clients.

Bruce Cameron ended his editorial by stating “The question that must be answered is which fund will best suit the needs of the employers and employees”. Hopefully this research takes the industry one step closer to answering that question.
Thank you for sharing the past decade with us. We look forward to the next part of the journey.