



You will recall that following the enactment of the default regulations on 25 August 2017 (that will become effective for all existing South African retirement funds on 1 March 2019), Dawie de Villiers (CEO: Sanlam Employee Benefits) issued a [communication](#) to all our clients dated 1 September 2017 announcing:

*“In my view, it is essential that our many retirement fund clients **work in harmony** towards implementing the new requirements in the most cost effective manner possible. A disparate approach (requiring different processes) from every retirement fund will be sub-optimal and will result in unnecessary extra costs to be borne by members which works against the objectives of the new legislation and the associated policy direction.*

*Whilst an 18 months’ time line to implementation might seem a long time, in our experience this is a **very short timeframe to implement** all the new requirements. Time is thus of the essence.*

*Accordingly I have decided to appoint David Gluckman, as the executive within Sanlam Employee Benefits responsible for ensuring a **coordinated and harmonized approach to the implementation of default regulations** across the entire Sanlam Employee Benefits client base. This appointment is effective 1 October 2017. David will, over time, relinquish some of his other responsibilities for the period of this project.*

*Whilst Sanlam Employee Benefits fully respects each retirement fund’s right to put in place any default strategies that are compliant with the regulations and best suited for its specific membership base, we also believe that the significance of the new policy considered together with the very short time frame to implementation means that we must take additional extraordinary steps to support your Fund’s efforts in this regard.*

*This is about establishing open communication at a high level, and an open exchange of ideas, so that an optimal implementation of the new requirements can be achieved for every retirement fund administered by Sanlam Employee Benefits. This will require close co-operation and a good working relationship between all the important stakeholders on this project including boards of trustees, principal officers, sponsoring employers, consultants and your administrator amongst others.”*

The purpose of this follow up communication is to briefly update all Sanlam Employee Benefits’ clients on progress to date on this project.

I should perhaps state at the outset that whilst I am somewhat humbled as regards Dawie’s confidence in me to coordinate this project, I also approach the project with some trepidation as I fear this will be a much more complex exercise than at first meets the eye!

But in any event, the project is underway and I commit to try supporting all our clients’ efforts as best I can!

Please do appreciate that **the final accountability to implement all that is required as regards the default regulations rests with the board of trustees of each retirement fund** (perhaps supported by their appointed consultants). Sanlam Employee Benefits will have to make some changes to administration systems and processes to comply with the regulations. My role is not to interfere in these processes, but rather (as Dawie stated) to try establish open communication and an exchange of ideas – this will also help us make the appropriate prioritisation decisions when it comes to system development, etc.

As regards progress to date:

- I have started to hand over some of my accountabilities in order that I have more capacity to run with this project in 2018. So far I have successfully handed over accountabilities as regards

representing Sanlam Employee Benefits within the industry body ASISA, chairing the Product Committee for the Sanlam Unity Umbrella Fund, and I have stepped down as a member of the Sanlam Umbrella Fund's Communication Sub-committee. Capacity remains a big challenge for me given the size of the Sanlam Employee Benefits' client base (but fortunately my role is not to assume the duties of each board of trustees as regards this implementation but rather to establish open communication at a high level).

- We have established a specialist workgroup within our Administration Division to analyse and investigate the implications of the default regulations for our administration systems and processes, to identify new administrative risks pertaining to the regulations, and to help us make decisions as regards any required system developments (which will also be informed by any client feedback we receive). This workgroup has met multiple times over the past few months, and has made quite significant progress on these investigations.
- We are fully aware that there remain many uncertainties pertaining to the default regulations. We also await details from the Registrar on further conditions that we anticipate will still be prescribed (such intentions are mentioned in the regulations). We participate in various industry committees that are busy collating issues to be taken up with the regulators in order that all retirement funds have more clarity on many details pertaining to the regulations. I regard part of my role is to keep our clients in the loop on these developments as best I can.
- I have started to engage with some boards of trustees, principal officers and consultants. My approach so far (because of capacity constraints) has been to reactively respond to client requests to meet, but I am also starting to proactively contact clients via the appropriate channels to engage on the regulations. I have even been invited to attend deliberations on the default regulations within a few board of trustee meetings, which I have found most enlightening and I do think it places me in a better position in 2018 to share ideas with other clients (without ever revealing any confidential client-specific information that I might learn in such engagements). Thank you to these boards of trustees for their proactivity! These engagements have also highlighted to me that every retirement fund is different and faces its own unique challenges, and there cannot be one solution for all retirement funds as regards the default regulations. It has also been a privilege to have had the opportunity to engage on the regulations with a diverse range of consultants each with their own views on how best to implement the default regulations.
- Some of the key themes that I have so far found to be recurring in many client engagements include issues such as:
  - What, if anything, needs to change as regards our default investment strategy?
  - How will we deal with paid-up members?
  - In-Fund versus Ex-Fund annuity strategies?
  - What is the most appropriate way to satisfy the retirement benefits counselling requirements?
  - Is this the time to revisit the standalone fund versus umbrella fund debate?
  - How do we interpret some aspects of the regulations?

This is a non-exhaustive list of themes, and certainly the discussions and emphasis varies greatly between different retirement funds, but in my experience so far these are typical issues being debated.

- The default regulations will be further researched in some detail as part of the Sanlam Benchmark Survey 2018. This research will once again include a leading market research agency surveying 100 principal officers and trustees of standalone funds representative of the entire market. We are considering also conducting a separate survey amongst the retirement funds administered by Sanlam Employee Benefits. I intend to share the results of such research with our clients as part of this project.

In summary, it is very early days on this project. We have made some headway working towards 1 March 2019 implementation deadline, but there remains a lot of work to do in 2018.

I am available to assist our clients on this journey as best I can. **Any Sanlam Employee Benefit client that wishes to engage with me is welcome to contact me directly at [david.gluckman@sanlam.co.za](mailto:david.gluckman@sanlam.co.za) or cellphone 082-885-7650.**

May I take this opportunity to wish all our clients a relaxing festive season and a happy and healthy 2018!

Best regards,

**David Gluckman**

Head : Special Projects

Sanlam Employee Benefits