

SANLAM UMBRELLA FUND

FREQUENTLY ASKED QUESTIONS

The board of trustees of the Sanlam Umbrella Pension and Provident Funds (the Fund) require the Contracted Benefit Consultant (CBC) appointed by each participating Employer, (licensed in terms of the FAIS Act), to convene, facilitate and chair an annual Joint Forum meeting and to ensure that the members of the joint forum are familiar with all the issues raised on the Frequently Asked Questions on umbrella fund participation. Biennial meetings may by agreement be appropriate and cost effective for smaller employers once participation has been bedded down properly.

These questions and answers have been designed to facilitate a better understanding of the operation and benefits of the umbrella fund. By highlighting some of the more important aspects, we aim to improve efficiencies by enhancing the knowledge of the Representatives on the Joint Forum. The questions and answers are not intended to substitute or detract from the official fund information contained in the "Fund in Detail" document, the administration manual or the member booklet. In the event of any discrepancy the content of the aforementioned documents will prevail.

GENERAL FUND INFORMATION

1. Umbrella Funds

1.1	What is an umbrella pension or provident fund?
	An umbrella fund is a registered Pension or Provident Fund established to host the participation of employers who would like to join the Fund. They offer packaged retirement fund solutions to employers (who are not necessarily financially or otherwise related to each other) and their employees.
1.2	What are the advantages of joining an umbrella fund?
	<p>An umbrella fund offers value to employers and members who desire membership of a retirement fund -</p> <ul style="list-style-type: none">• where the fund management, governance and compliance duties are undertaken by a board consisting of industry professionals; and• that offers cost-effective solutions that meet the needs of the majority of members with more flexible benefits for those members who request and are prepared to pay for greater flexibility and choice. <p>From the Employer's perspective, an umbrella fund allows management to focus on its businesses. To run an own fund requires a great deal of management time. Leaving this job to industry professionals also removes the risk of loss and personal liability of a member of management in the increasingly complex and litigious environment.</p> <p>From an Employee perspective, the aforementioned benefits are achieved without losing equal member representation</p> <ul style="list-style-type: none">• on the Joint Forum, where benefit decisions are taken, and• on the board of trustees, where the Fund is managed and controlled.
1.3	What are the General rules and Special rules of the Fund?
	<p>The General rules govern the entire umbrella fund and all its members. These rules tend to be of a more general and enabling nature.</p> <p>Each Employer can select the benefit structure that applies to its members. These are contained in the Special Rules which applies only to the members of that participating Employer.</p>

1.4	Where the General rules and Special rules kept and what is a member's right of access?
	By law, the members of a fund have access to the rules and should be allowed to view them and make copies thereof. A copy of the General and Special Rules of the Fund is required to be kept at the HR office of all Participating Employers. They can also be obtained from the Fund at its registered address at 1 Strand Road, Bellville.

2. Board of Trustees

2.1	Must the board of trustees be representative of the members?
	In terms of the Pension Funds Act, normal "stand-alone" funds must have a board of trustees consisting of at least four (4) trustees, 50% of whom members are entitled to elect (Member Representative Trustees). Umbrella funds can be exempted and are only required to have one (1) independent trustee. In the Sanlam Umbrella Funds, 50% of the trustees are professional independent trustees elected by the Member Representatives serving on the Joint Forums.
2.2	How are Member Representatives elected on the board of trustees?
	The 2 (two) professional independent trustees and 1 (one) alternate are elected by members from a panel of independent trustees. Elections coincide with an annual general meeting, but voting can also be done by proxy.
2.3	What are the duties of the board of trustees?
	The trustees are responsible for the management of the Fund. It is the decision-making body of the Fund. The trustees appoint the administrators, decide on investment choice options that members can select from, ensures that the Fund is properly managed and complies with all fund governance and compliance requirements and importantly, allocates death benefits to dependants in terms of section 37C of the Pension Funds Act.

3. The Joint Forum

3.1	What is a Joint Forum?
	It can be referred to the "Local Board of Trustees" of an Employer participating in an umbrella fund. The objective of a Joint Forum is to facilitate consultation and decision-making between the participating Employer and its employees regarding group retirement benefits within the spirit of the Labour Relations Act. The Joint Forum is not responsible for the operation and management (governance) of the Sanlam Umbrella Fund. This is the duty of the trustees of the umbrella fund. The Employer has the right to consider, approve or disapprove any decision made by the Joint Forum that could affect the company's finances or its labour relations. The Employer remains the contracting party in its communication with the Fund and other service providers to the Fund.
3.2	Must the Joint Forum be representative of the members?
	It is not a legal requirement, but the trustees require that each Employer establishes a Joint Forum on which members can elect 50% of the representatives.
3.3	How are Member Representatives elected on the Joint Forum?

	Members are required to nominate at least three (3) candidates. If more than two (2) are nominated, an election is held to determine at least two (2) representatives and one (1) alternate.
3.4	What are the duties of the Member Representative?
	Member and Employer Representatives are required to monitor their participation in, and the proper service delivery to, the Fund. This includes compliance by the Employer of all its duties such as the submission of monthly data and the payment of contributions. Member Representatives are specifically required to assist with aspects of member communication.
3.5	How many Joint Forum meetings will be held per annum?
	We recommend at least one (1) meeting per annum. Biennial meetings may by agreement be appropriate and cost effective for smaller employers once participation has been bedded down properly. Some Employers may require an electronic report in between meetings.
3.6	Who arranges the Joint Forum meetings and prepares all the documentation?
	Benefit Consultants arrange meetings and prepare a Joint Forum pack for JF meetings which contains: <ul style="list-style-type: none"> • the agenda • the admin report/s • the investment report/s • the cash flow report/s • Umbrella participation checklist • Frequently Asked Questions • the annual Trustee report • the Joint Forum review/s • the Member newsletter/s
3.7	Are minutes of the meetings kept?
	The Meeting Record is designed to be completed in writing and signed at the meeting. Each participant will be required to sign the Meeting Record, the Umbrella Participation Checklist as well as the Frequently Asked Questions documents.
3.8	What are electronic reports?
	Electronic reports can be likened to a virtual meeting – all the reports are considered in the representatives' own time <ul style="list-style-type: none"> • One or more electronic reports can be prepared by the Benefit Consultant in between Joint Forum meetings as required by the Employer • The benefit consultant will compile an e-mail to which the following reports are attached: <ul style="list-style-type: none"> ○ the admin report/s; ○ the investment report/s; ○ the cash flow report/s; ○ the Joint Forum review/s and ○ the Umbrella Participation Checklist. <p>JF members who have questions and concerns will be required to send them by e-mail within a certain period of time. If no issues are raised, the reports will be regarded as noted.</p>
3.9	Who undertakes the day-to-day management and monitoring?
	The Benefit Consultant and the HR and / or Finance Officer (as directed by the Employer) will form an informal Operations Committee. They will consider and resolve all aspects relating to the

	Employer’s participation in the Fund on an ongoing basis. The Joint Forum is not intended or required to deal with admin-related matters. Any concerns should be dealt with by the Operations Committee as and when it happens, with reports being sent to the members of the Joint Forum where necessary. Only in those instances where the Operations Committee is unable to resolve matters should it be escalated to the Joint Forum agenda.
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4. Principal Officer

4.1	Must an umbrella fund have a Principal Officer?
	Yes, by Law each Fund must have a Principal Officer.
4.2	What are the duties of the Principal Officer?
	The Principal Officer is the person responsible for ensuring that all reports required in terms of legislation are correct and are timeously submitted to the Registrar of Pension Funds and for certifying documents and answers to the Registrar of Pension Funds. As such, the Principal Officer has a special focus on fund governance and compliance matters.
4.3	Who is the Principal Officer of the Fund?
	The current Principal Officer for the Sanlam Umbrella Fund is Kobus Hanekom.

5. Administration

5.1	Who appoints the administrators to the Fund?
	The trustees appoint the administrator.
5.2	Who are the administrators to the Fund?
	Sanlam Employee Benefits.
5.3	Is there an administration agreement between the trustees and Sanlam?
	Yes. This agreement sets out what duties Sanlam will perform.

5.4	Is there a SLA between the Participating Employer, trustees and administrators?
	Yes, the Service Level Agreement sets out the duties of the administrator in exchange for the payment of the standard administration fee, as well as duties performed at the cost of an additional administration fee. The Participating Employer agrees to perform certain duties in the confirmation of acceptance agreement (this document also informs the special rules prepared for the employees of the participating Employer).
5.5	What are the basic duties of the administrators?
	The basic duties of the administrator are to open a database of members, keep it up to date, receive monthly premiums and keep updated schedules of all active members. Receive, by the seventh (7 th) of each month, new member and withdrawing member forms from Participating Employers (PEs). Allocate benefits to members accordingly and pay benefit claims.
5.6	Who can members call with questions and enquiries?
	Members should call their HR offices first. If the HR officer is not in a position to assist, the Administrator's call centre can be contacted at 0861 223 646 or SEBclientcare@sanlam.co.za

6. General

6.1	Where are the respective roles and duties of the various parties set out?
	Chapter 12 of the "Fund in Detail" document.
6.2	What are the duties of the contracted benefit consultant?
	<ul style="list-style-type: none"> • To assist the participating employer with completion of all documents required for fund installation. • To assist the participating employer in complying with all administrative duties and requirements set out by Sanlam and in accordance with the rules of the Fund, including: <ul style="list-style-type: none"> • assisting with ensuring adherence by members to all medical underwriting requirements; • assisting with ensuring an adequate process for members to complete forms as required (e.g. beneficiary nominations forms), and • assisting to field product related and general member queries. • To prepare a member booklet in electronic format for the Sub-fund working from templates approved by the Trustees for distribution to members via the Joint Forum. • To provide Sanlam with electronic versions of any tailored Sub-fund member communication material that the Joint Forum requires to be posted on Retirement Fund Web subject to Sanlam's final approval. • To assist the employer with election of member representatives to the Joint Forum. • To arrange, convene and chair an annual Joint Forum meeting with the participating employer conforming to the agenda guidelines prepared by the Trustees and to complete and email a joint forum meeting declaration to the fund secretariat. • To prepare and maintain an umbrella participation checklist and email amendments to the fund secretariat • To provide the services of Contracted Financial Adviser to members (as detailed below) or refer members to a qualified third party to fulfil this service. <p>The Contracted Benefit Consultant must be compliant in terms of the FAIS Act (Pension Fund Benefits) (No 37 of 2000) to render the above services.</p>

6.3	What are the duties of the contracted financial adviser?
	<p>The Contracted Financial Adviser is responsible for the provision of the following services as required:</p> <ul style="list-style-type: none"> • To provide individual members with financial advice and a retirement needs analysis. • To advise members on their options in case of retirement, withdrawal or disability. • Be available to advise beneficiaries of deceased members on their options. • To advise members on investment choices and providing them with financial advice when selecting individual investment portfolios for their assets.
6.4	What are the roles of the Financial Services Board and SARS in relation to your fund?
	<p>There are two important role players, or external bodies that play an important role in your fund:</p> <ol style="list-style-type: none"> 1) Financial Services Board (FSB) The FSB is the regulatory authority that oversees the financial services sector (excluding banks) in South Africa. The board reports to the Minister of Finance. All Retirement Funds must be registered by the FSB. 2) South African Revenue Services (SARS) The Commissioner is the appointed head of the South African Revenue Services. All Retirement Funds must be approved by SARS. Most benefit payments are subject to a tax directive to ensure that the correct taxes are deducted before payment can be made.

PARTICIPATING EMPLOYER (PE) DUTIES & RESPONSIBILITIES

7. Contributions

7.1	It is a legislative requirement that PE and member contributions are made by the first (1 st) day of each month (Section 13A read with Regulation 33 of the Pension Funds Act of 1956).
7.2	Failure to pay by the seventh (7 th) will result in the payment of penalty <u>interest</u> .
7.3	All Group Risk Cover (Group Life, Disability and Dread Disease) <u>will automatically cease should contributions not be paid by the fifteenth (15th) of each month</u> .
7.4	Sanlam is obliged by law to report non-payment or under-payment of contributions to the members, the Attorney General and Financial Services Board after ninety (90) days-
7.5	Non-payment of contributions for three (3) months will result in the automatic liquidation of the part of the Fund relating to the PE concerned.

8. Who takes care of the operational requirements at the employer?

8.1	Who is responsible for all the operational requirements?
	Each Employer must appoint an employer contact person to deal with all operational aspects of umbrella participation. Two persons can be appointed where appropriate. A Payroll and an HR Officer.
8.2	Who is responsible for the provision of member data and payment of the contributions?
	The Payroll Officer will be responsible to provide monthly electronic member data in the agreed format and make payment by the first (1 st) business day of each month.
8.3	Who is responsible for the investigation and the preparation of death claim documentation?
	The HR Officer will be responsible for the investigation and the preparation of death claim documentation. This may include the tracing of family and financial dependants.
8.3	When will the administrator communicate via the contracted benefit consultant or financial adviser?
	All enquiries made to ensure compliance with the fund's operational requirements may take place directly between the fund (the fund secretariat) or the administrator and the employer contact person/s. Any significant corrective actions will be communicated and executed in consultation with the benefit consultant. Examples include the non payment of contributions, repeated non compliances and major breakdowns in the fund participation requirements. In respect of all other matters the fund and the administrator will endeavour to communicate via the benefit consultant.

9. Membership conditions

9.1	Must all eligible employees join the Fund?
	It is a legislative requirement that all eligible staff of the PE must join the Group Retirement Fund.

9.2	What are the implications on the tax-approved status of the Fund in case of all eligible employees not joining the Fund or else exiting the Fund while still in employment?
	<p>Failure to ensure that all permanent members of staff (or as per special rules) join the Fund, could result in the Receiver revoking the tax status of the Fund meaning that the Employer and employees would no longer qualify for any tax deductions on contributions.</p> <p>Employers who fail to include an eligible employee on the Member Data Schedules may be liable for damages claims in respect of any losses that such a member may suffer. Even if a member consented, his or her dependants may still rely on the rules of the Fund and sue the Employer for the death benefits payable.</p>

10. Group Risk Claims (*Death, Disability and/or Dread Disease*)

10.1	What will happen if the Employer neglects to notify the insurer immediately of a new entrant?
	<p>As set out above, employers who fail to include an eligible employee on the Member Data Schedules may be liable for damages claims in respect of any losses that such a member may suffer. Even if a member consented, his or her dependants may still rely on the rules of the Fund and sue the Employer for the death benefits payable.</p> <p>Late notification of new members (later than three (3) months), will result in members only being granted cover upon submission of satisfactory medical evidence to the Insurer and in some instances only within three (3) months of a subsequent life event. The PE or member will be liable for medical costs (if applicable) in the event of late entry to the Fund.</p>
10.2	What are the notification and waiting periods in respect of Group Risk and Disability Benefits?
	<p>Notification periods are as follows:</p> <ul style="list-style-type: none"> • Deaths should be made known to the Assurer within six (6) months. • Disabilities should be made known to the Assurer within six (6) months. • Trauma claims should be made known to the Assurer within three (3) months. <p>Failure to notify Sanlam within the period specified in the policy will result in the claim being repudiated by Capital Alliance or Sanlam.</p>
	<p>Waiting periods are as follows:</p> <ul style="list-style-type: none"> • Income Replacement Benefits may have a three (3) or six (6) month waiting period as specified in the special rules of the Fund • Capital Disability has a six (6) month waiting period. • Trauma has a seven (7) day waiting period
10.3	What will happen if the Employer neglects to notify the insurer within the notification period of a death or potential disability and dread disease claims and the implications of non-compliance?
	The claim will be repudiated and the employer can be held liable for any damages

11. Retirement Fund Web

11.1	The following functionalities are currently available to users :
	<ul style="list-style-type: none"> • viewing up-to-date, abbreviated, Member Benefit Statements

	<ul style="list-style-type: none"> • viewing member information • entering new members on the Fund • exiting members from the Fund on withdrawal or retirement • submitting death claim information • executing individual investment choices • changing member information • entering details related to temporary absence • viewing all payments made for members • tracing all transactions on a history log/audit trail, and • viewing monthly reports relating to member data.
11.2	<p>The following levels of access are available:</p>
	<ul style="list-style-type: none"> • Administrator: Full access to all member records of a specific PE or branch, with the ability to do transactions to all or limited members • Viewer: Limited access to all or limited members of a specific PE without transaction capabilities • Member access: Access for each member is available to view personal information, and to request specific personal data changes or investment switches

INVESTMENTS AND ALTERNATIVE INVESTMENT OPTIONS

12. Default Investment Portfolios

12.1	The Trustees require a minimum of a 2% Employer retirement investment contribution on behalf of all members.
12.2	What are the default investment strategies that have been approved by the trustees?
	The trustees have approved 2 (two) default investment strategies that can be chosen at Participating Employer level depending on the needs of the membership. These are: <ul style="list-style-type: none"> • Lifestage Programme • Volatility Protection Strategy
12.3	When would the Volatility Protection Strategy be preferred?
	Where a significant number of the members perceive their investment horizon to be a shorter than normal retirement age. This could be due to factors within the industry or their Employer. Members that are not financially literate and rely on their benefits to survive in the event of loss of employment often do not have the capacity to absorb any reductions in their accumulated benefits due to market movements and require a more stable investment.

13. Section 14 (if applicable)

13.1	What is a Section 14 transfer?
	When all or a group of members of a fund join the Sanlam Umbrella Fund or when a Participating Employer is terminating his membership under the Sanlam Umbrella Fund and joins another fund, the transfer of the members as well as their accumulated benefits to another fund is referred to as a Section 14.
13.2	What are the requirements that must be followed?
	In terms of PF120, members should be given at least twelve (12) weeks' notice of the transfer thus allowing them to raise objections. Any objections must be dealt with by the board. Once an S14 has been granted, assets must be transferred to the new Fund within 60 days after date of approval by the FSB.
13.3	What is a section 14 (8) transfer?
	Substantially the same documents are used and procedures are followed, but the funds are allowed to manage compliance requirements themselves without submitting any documentation to the FSB. This option allows funds to manage the process more effectively and the transfer can therefore be done in a shorter time.
13.4	How long does a section 14(8) take?
	If there are no complications, the assets can be transferred on the effective date. If we have to wait for the release of assets or data by the previous asset manager or administrator, the process will take longer.
13.4	What are the Section 14(8) procedures and requirements in respect of new clients?
	These are set out in the Section 14(8) protocol adopted by the trustees

MEMBER REPRESENTATIVE INFORMATION AND MEMBER DUTIES

14. Fund benefits

14.1	Which document spells out what members' benefits are?
	The Special Rules of your Participating Employer.
14.2	Explain the importance of going for medicals, if required, and the medical free-cover limits, where applicable.
	<p>Sanlam will notify members, on behalf of the Assurer, should they be required to provide proof of medical insurability. Should a member's cover exceed the free cover limit, they will be required to produce satisfactory medical evidence before the additional cover becomes applicable.</p> <p>Should the member fail to go for a medical, his or her cover will be limited to the limited free cover despite the level of cover set out in the rules.</p>
14.3	What effect will membership changes have on free cover limits?
	Decreases in membership are likely to decrease the Fund's free cover limits and vice versa.
14.4	How does the availability of the continuous assurance options for death benefits on withdrawal before retirement age, benefit a member?
	It allows members who are no longer insurable / insurable without a loading, to convert the existing group life cover to a life assurance policy without providing further medical evidence (other than an HIV test). This option is only available within sixty (60) days after withdrawal or retirement.

15. Contributions

15.1	How are the Employer's contributions applied?
	The quotation document provides a breakdown of all the costs. The first part of the Employer's contributions goes towards covering administration costs, and the premiums in respect of group life cover costs and disability benefits. Any remaining balance of the Employer contributions are invested for retirement provision.
15.2	How are the Employee contributions applied?
	The Employee contributions are invested for retirement provision. In some instances, certain costs such as transaction costs (such as an investment switch), may be deducted from member contributions.

16. Claims

16.1	How quickly are benefit payments made?
	Withdrawals are generally paid within 10 working days after receipt of correct documentation and the last contribution. Possible reasons for delays include tax affairs not in order or payments that are in arrears. The relevant Contracted Financial Advisor or Contracted Benefit Consultant is advised of all member withdrawals.

17. Death Claims

17.1	How important is it for members to make beneficiary nominations?
	It is very important for members to complete Beneficiary Nomination and Potential Dependant Data forms. That is the only way they can guide the trustees in the allocation of the payments. Where forms are not completed, it requires a great deal of work on the part of the company to trace all the dependants. In some instances the costs can be recovered from the beneficiaries.
17.2	What is the reason for the lengthy delays before payment of death benefits to beneficiaries are made?
	The Act provides the trustees a period of twelve (12) months to trace dependants. Trustees often allow at least six (6) months before payment is made. This allows time for those who may not immediately have had notice of the death to contact the trustees and bring it to their attention.
17.3	Who will make the allocation of death benefits?
	The Employer's HR officer who is responsible for the gathering of all the relevant information related to the deceased's dependants submits prescribed forms and recommendations to the Board of Trustees. The Death Benefits Allocation Committee of the board of trustees makes the allocations which are then ratified by the board.
17.4	On what basis / criteria are allocations made?
	The trustees adopt a death benefit allocation protocol in terms of which the needs of the dependants are assessed. Allocations are made accordingly.
17.5	How are death benefits paid?
	Dependants can purchase an annuity with the death benefits or can commute the entire amount in cash. An annuity may have tax or estate duty benefits. A Financial Adviser can assist them with the annuity.