

Paid-up Member Administration Process

The Pension Funds Act Default Regulation 38 requires that members who leave the service of their employer before retirement must be made Paid-up members of the fund until the fund has received an instruction in writing to pay out or transfer the benefit due to the member.

Members are able to submit their instruction through one of the various channels available to members of the Fund. Members have the option to provide the fund with their official instruction by: completing and signing a withdrawal claim form or a consent form when leaving the service of their employer, or, provide confirmation via SMS, email, the Member Portal or the Sanlam My Retirement App.

There are two types of paid-up members:

1. Elected paid-up member
2. Defaulted paid-up member

1. Elected paid-up member

These are members who have left employment prior to retirement, and elected to preserve their entire member share in the Fund.

Administration: When a member elects to become paid-up, they will be administered as part of a central paid-up member group rather than as part of their former participating employer's Sub-fund. Since there will no longer be a relationship between the participating employer and the member, the member will no longer appear on the Employer's data.

Investments: Paid-up members can remain invested in the investment strategies or portfolios that they were invested in upon exit from employment, provided such strategies or portfolios are available within the trustee-approved investment menu applicable to the paid-up members. Members may also make a new selection from the investment strategies or portfolios that are available within the trustee-approved investment menu applicable to the paid-up members (*subject to a maximum of 4 investment portfolios per member*). Members can review investment choices at any time and no investment switch fees are charged.

Communication: Members will receive a paid-up member certificate within 6-8 weeks of becoming paid-up. Since there will no longer be an employee-employer relationship, the Fund must be able to communicate directly with members, which is why providing contact information is compulsory at the implementation stage for all new paid-up members. Members are encouraged to register on the member portal and/or the Sanlam My Retirement app, as a large part of the Fund's communication takes place via these tools. The member can confirm their preferred method of communication with the Fund, and how they would like to receive their benefit statements going forward. Members will also continue to have access to free retirement benefits counselling services provided by the Fund to all its members.

2. Defaulted paid-up member

These are members that have left employment prior to retirement, and have not provided the Fund with a written instruction for the payment of their benefit.

Administration: These defaulted paid-up members will reflect on the employer's membership data as "pending exits" for 6 months. In the 7th month, if still no instruction has been received by the Fund, the members benefit will be transferred to the central defaulted paid-up member group, and no longer appear on the employer's data. At this stage, the member's investment strategy will be defaulted into the Sanlam Lifestage strategy. Members can review investment choices at any time and no investment switch fee is charged.

For the first 2 months, members will not be charged an administration fee, providing them sufficient time to make a payment election. Thereafter, from the 3rd month, the member will be charged an administration fee of R26.50 per member per month (excluding VAT).

The table below depicts the process that is followed for defaulted paid-up members in the months following resignation.

Month	1	2	3	4	5	6	7	8+
Fee charged	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Investment Portfolio	Unchanged	Unchanged	Unchanged	Unchanged	Unchanged	Unchanged	SUF> Sanlam Lifestage	SUF> Sanlam Lifestage
							Unity>> Default Strategy	Unity>> Default Strategy
Member Group	Employer Member Group	Employer Member Group	Employer Member Group	Employer Member Group	Employer Member Group	Employer Member Group	Paid-up Member Group	Paid-up Member Group
Paid-up member certificate	No	Yes. Within 6-8 weeks	-	-	-	-	-	-
Home loans, 37D, etc	No	No	Deduct	-	-	-	-	-

Communication: Defaulted paid-up members will receive a paid-up member certificate within 6-8 weeks of becoming paid-up. The dispatch will follow the following process:

- ① Where the Fund is in possession of the member's email address, the certificate will be emailed directly to the member.
- ② Where no email exists on records, but a mobile number exists, the member will be sent an SMS advising them that they may contact the Sanlam Corporate member call centre to provide an email address to receive their certificate.
- ③ Where neither an email nor a mobile number exists, the certificate will be emailed to the employer.

Housing Loans or Section 37D deductions

Members who have housing loan guarantees or any amount owing to their employer at date of exiting employment, are permitted to become paid-up members. Defaulted paid-up members' home loans or 37D deductions will be paid in the 3rd month of leaving the employer. Sanlam Corporate will settle this amount directly from the member's benefit before becoming a paid-up member.

Effectively, the Income Tax Act provides that, as soon as a deduction under section 37D is made from a member's lump-sum benefit, the full benefit will be deemed to have accrued for tax purposes and a tax directive must be obtained for the full value of the benefit. This means that the outstanding amount of the housing loan, as well as the tax payable on the full lump sum is disinvested and paid to the relevant parties. The remainder of the benefit will be made paid-up until the Fund is instructed by the member to pay or transfer the remaining benefit.

Withdrawal Options for Paid-up members

A paid-up member can claim their benefit at any time, and can have the benefit transferred to another retirement fund, or have the benefit paid to them directly. The benefit accrues to members from a tax perspective when they instruct the Fund to make payment of the benefit, with the exception of housing loan repayments and Section 37D deduction payments. The member may also choose to purchase a Sanlam Umbrella Fund In-fund living annuity, or an annuity with any other annuity service provider.

Paid-up members on Section 14 transfer

Paid-up members may be transferred to another fund in terms of Section 14 of the Pension Funds Act, and will become paid-up members of the transferee fund (until such time as the member elects to be paid his/her benefit). The rules of the transferee fund will then apply to these members.

The paid-up members must be clearly identified on the member transfer data, and must be included on the trustee resolution, taken by the board of trustee of the transferor fund to be included in the section 14 transfer.

It is important to note that the following apply to paid-up members:

- ① No further fund contributions are payable by the member or the employer.
- ② The member does not qualify for any group insurance cover that they may have enjoyed whilst in the participating employer group.
- ③ The Fund rules still apply to the member.

Should you have any further queries, please contact your Sanlam Client Relations Manager.