

# Sanlam Umbrella Fund

Create STRENGTH in numbers

# Sanlam Umbrella Fund

## THE FUND IN DETAIL

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### **Did you know?**

- *Efficiency: The hexagonal (six-sided) structure of the honeycomb uses the least material to create a lattice of cells with a given volume.*
- *Stability: Honeycomb structures are highly stable and have an extremely high strength-to-weight ratio*

# 1

## INTRODUCTION

This document summarises in some detail the terms and conditions of the Sanlam Umbrella Fund (“the Fund”) as applicable at the date of publication. These terms and conditions are applicable in respect of new participating employers commencing participation in the Fund on or after 1 January 2008.

The Fund is administered in terms of a set of general and special rules registered with the Registrar of Pension Funds, and insurance policies issued by registered South African insurance companies. In the event of a discrepancy between these registered rules and policy documents versus this document, then the provisions of the registered rules and policy documents shall prevail.

### The Fund in a nutshell

An umbrella fund is a retirement fund in which a group of employers and their members participate. It is a structure that enables employers to offer their employees packaged, flexible retirement saving and risk options.

Employers can choose whether to participate in either or both of a pension fund or a provident fund arrangement.

Further flexibility is offered via the choice at participating employer level of one of two benefit design options:

#### Standard option

<sup>TM</sup> simple, cost-effective and offering all the basic benefits.

#### Comprehensive option

<sup>TM</sup> offering a wide range of benefits as well as added flexibility and member directed investment choice.

**Look out for the following icons to distinguish between the benefits available under the Standard and Comprehensive options:**

**Standard**



**Comprehensive**



The Sanlam Umbrella Fund’s leading edge administration platform offers integrated member administration, financial reporting and investment administration to maximise flexibility while containing costs.

## Why choose the Sanlam Umbrella Fund?

We have a highly competitive administration offering with superior service and competitive rates.

- ™ Trusted partner:** You have a trusted financial services partner in Sanlam, a leading financial institution, to provide the best solutions to meet your needs.
- ™ Choice:** Within the Sanlam Umbrella Fund, you have choices, whether you need a basic solution or are looking for a more comprehensive range of benefits.
- ™ Cost-effectiveness:** Clients benefit directly from economies of scale by entrusting administration services to a major industry player such as Sanlam.
- ™ Ease of communication, prompt service:** The geographical spread of our operations in South Africa facilitates physical interaction with our clients to ensure prompt service.
- ™ Innovative and advanced systems and processes:** Key advantages of our administration platform are:
  - Daily pricing  
Because benefit payments are based on daily unit prices, the investment instructions can be effected according to the values of the specific day of the instruction.
  - Daily balancing  
By balancing assets, liabilities and ledger daily, there is complete accuracy in administering funds.
  - Workflow  
Any transaction can be traced so that enquiries can be handled quickly, accurately and efficiently. Our real-time reporting, which can be accessed via the Internet, means you can see the latest available information.

## Key benefits:

- ™ Well-structured product**
- ™ Highly competitive cost structure**
- ™ Leading edge administration platform**
- ™ Sound actuarial management of risk pool**
- ™ Excellent governance structures**
- ™ Investment menu allowing a wide selection of investment choices**
- ™ Transparency and integrity**

## Unique features:

- ™ Alignment of the interests of members, participating employers, intermediaries and Sanlam.**
- ™ Member representation**
- ™ Integrated administration fee discounts based on asset size to recognise each Sub-fund's contribution to enhancing the Fund's economies of scale.**
- ™ Integrated risk rebroking facility**
- ™ A sophisticated Lifestage Programme intended to assist members to improve their financial fitness over their working lifetimes.**
- ™ The backing of Sanlam's financial muscle**



<sup>TM</sup> An excellent track record

<sup>TM</sup> Sustainable offering in the light of environmental and Government pressures to reform the South African retirement fund industry.

## Members also have a say

Members are represented:

<sup>TM</sup> on the Joint Forum at participating employer level, where all benefit decisions are made for the participating employer and its members; and

<sup>TM</sup> in electing the independent trustees of the multi-employer umbrella fund.





# 2

## HOW THE FUND WORKS

### Contributions

Contributions are payable monthly in arrears and may either include or exclude costs and insurance premiums.

The minimum employer rate margin, i.e. employer contribution rate minus costs for risk and administration, for retirement benefits is 2%. The Board of Trustees is however prepared to exempt an employer if the employer undertakes to fund all (extraordinary and unforeseen) additional costs and charges that may arise before the next revision date that cannot be funded out of the (less than 2%) employer contribution margin.

Members may make additional voluntary contributions at any time to enhance their retirement benefit.

A lump sum, to which a member has become entitled on withdrawal from another approved pension or provident fund prior to joining Sanlam, may be transferred to the Fund.

### Normal Retirement Age

The Normal Retirement Age is as determined by the participating employer and reflected in the Special Rules of the Sub-fund.

### Death benefits

The member's individual account value is payable when he/she dies from the Fund.

A committee approves the payment of death benefits in terms of Section 37C of the Pension Funds Act. In addition, the trustees might use registered trusts to manage the benefits of minors and have approved the use of the Sanlam Trust and the Retained Benefit Trust as preferred providers, although the Death Benefits Sub-committee applies its best judgement in considering each death benefit disposition.

### Risk benefits

The Standard and Comprehensive Options permit each participating employer to structure appropriate levels of core group life assurance, income disability, capital disability and funeral cover to best meet its employees' insurance requirements.

In addition, flexible group life assurance, trauma assurance and spouses' group life assurance are available under the Comprehensive Option.

Group life assurance and capital disability cover can be structured for tax purposes on either an approved or unapproved basis.

## Housing loans

Standard



Comprehensive



Participating employers can make application for a housing loan facility for its members whereby a loan is granted to a member by a financial institution using the member's individual account value as collateral. The loan may only be used for housing purposes.

The trustees' preferred home loan provider available under both the Standard and Comprehensive Options is iKasa Loans, a registered credit provider that aims to offer the most competitive home loan solution at the lowest interest rate possible. The product is designed to protect the member from over-indebtedness, and to comply with both the letter and spirit of the Pension Funds Act and the National Credit Act. The interest rate applicable to members under the Sanlam Umbrella Fund is Prime less 2%.

The trustees have also approved housing loan facilities via ABSA Bank or Standard Bank under the Comprehensive Option.

## Lifestage Programme

Standard



Comprehensive



The trustees have approved a lifestage model as the Fund's default investment strategy. This strategy aims over the long term to maximize retiring members' post-retirement income within acceptable risk levels. Investments can be volatile over the short to medium term especially during the accumulation phase where history suggests that high equity content together with the associated volatility is an entirely appropriate strategy to meet the long term investment objective. Equity content is steadily reduced in the 5 years preceding retirement, in conjunction with an increase in suitably dated long bonds so as to provide some protection against interest rate risk leading up to the purchase of a suitable pension upon retirement. The lifestage methodology was chosen after significant modelling and scenario testing within Sanlam Investment's intellectual think-tank SIMLAB.

The Lifestage Programme comprises much more than just the pure lifestage model investment strategy, and aims to equip members to take control of their own financial destinies. The Lifestage Programme thus comprises additional features such as targeted member communication and financial advice, together with access to Sanlam's loyalty programme Reality which aims to enhance members' financial fitness.

Reality is a unique financial education and empowerment programme created by the Sanlam Group, its subsidiaries and associates, including Santam. Reality can help members define their financial future and can empower them to make financial decisions. A world-class programme, Reality has an added collection of services related to homes, holidays, cars and other key areas that will revolutionise your life and give you the opportunity for cash back on deals. Sanlam pays the cost of Standard Reality membership for Sanlam Umbrella Fund members who have more than R250 000 invested in the Lifestage Programme. Sanlam pays the cost of Reality+ membership for Sanlam Umbrella Fund members who have more than R1 000 000 invested in the Lifestage Programme. Visit [www.reality.co.za](http://www.reality.co.za) to find out more about this innovative loyalty programme.

## Investments

### Trustee-approved investment strategies

Standard



Comprehensive



The trustees have approved two default investment strategies, which are selected at participating employer level depending upon the investment objectives of the participating employer's members.

<sup>TM</sup> The Lifestage investment strategy, which is the Fund's default investment strategy. It aims over the long term to maximize retiring members' post-retirement income within acceptable risk levels.

<sup>TM</sup> The Volatility Protection investment strategy, which is the Fund's alternative default investment strategy. It is suitable for members who wish to achieve inflation-beating real returns over the



medium to long term, but who are particularly concerned about protecting against significant short term investment losses.

## Member Investment Choice

Comprehensive



Members in the Comprehensive Option are permitted to select alternative personal investment strategies subject to taking investment advice from a FAIS-accredited financial adviser.

The Fund offers a choice of:

- <sup>TM</sup> The Lifestage Programme in the case of members whose employer selected the Volatility Protection strategy as its default investment strategy.
- <sup>TM</sup> 15 Institutionally priced investment portfolios, including smoothed bonus, single manager and multi-manager investment options.
- <sup>TM</sup> An extensive range of more than 700 retail unit trust portfolios available on Sanlam's Glacier investment administration platform (subject to minimum product criteria). As part of this offering, members can also choose to invest the equity component of their Glacier investments to designing their own personalised share portfolio via Sanlam Private Investments.



# 3 GOVERNANCE

## Management of the Fund

The Sanlam Umbrella Fund is managed by a board of four trustees, two of whom are appointed by Sanlam and two of whom are elected by the member representatives from a panel of suitably qualified industry professionals - all independent of Sanlam.

A professional Principal Officer supported by a Fund Secretary manages the day-to-day operations of the Fund's governance and ensures compliance with all regulatory requirements.

The appointed administrator ("the Administrator") of the Fund is Sanlam Employee Benefits. The Fund is administered on the leading edge Coris Capital administration platform. The Administrator maintains the records of each member including individual account values, and processes and settles all exit benefits payable to members.

The following measures have been adopted by the Board of Trustees to ensure proper fund governance, compliance and the management of risks.

- ™ A trustee code of conduct (based on annexure A to PF 130)
- ™ An acceptance of trusteeship signed by each trustee (based on annexure A to PF 130)
- ™ A trustee training protocol
- ™ A declaration of interests signed by each trustee (based annexure C to annexure A to PF 130 and PF 129)
- ™ A protocol on the acceptance of gifts signed by each trustee (a departure from the narrow provisions of annexure B to annexure A to PF 130)
- ™ A system of appraisal to assist the board in assessing its efficiency as well as those of the trustees (based annexure B to PF130)
- ™ A fund governance and risk management plan, in terms of which the duties of the trustees over the next 3 years are identified and allocated to responsible persons, broken down into action items with due by days.
- ™ The preparation of a fund register that contains all the legal and contractual documentation of the Fund
- ™ A year planner in which meeting dates and action items are identified
- ™ A master process and format for the agenda and minutes at each trustee meeting to ensure that matters are prioritised and are receiving the trustees' attention and that all actions and decisions are recorded
- ™ A range of protocols to clarify processes, procedures and the persons responsible to oversee and ensure compliance

The trustees have delegated certain duties to sub-committees each comprising the relevant specialist skills. In doing so, the trustees remain responsible for the entire operations of the Fund, and the sub-committees report to the trustees via the Principal Officer and Fund Secretary. The appointed sub-committees are as follows:

- ™ An Administration Sub-committee
- ™ An Audit Sub-committee
- ™ A Communication Sub-committee
- ™ A Complaints Sub-committee
- ™ A Death Benefits Allocation Sub-committee
- ™ An Investments Sub-committee
- ™ A Risk Benefits Management Sub-committee

## Joint Forums

All participating employers must establish a Joint Forum comprising employer and member representatives for each Sub-fund. Member representatives from every Joint Forum are invited to attend the Annual General Meeting where they will be given opportunity to elect the independent trustees of the Sanlam Umbrella Fund.

Joint Forums are designed to facilitate the process of consultation and decision making between the participating employer and its members in respect of their group retirement benefits in accordance within the spirit of the Labour Relations Act.

The Joint Forum is not responsible for the operation and management (fund governance) of the Sanlam Umbrella Fund. This remains the duty of the board of trustees.

Each Joint Forum appoints a Contracted Benefit Consultant who is a specialist adviser accredited by the Financial Services Board to guide the Joint Forum in the selection of aspects pertaining to the benefit structure of the fund as well as the ongoing monitoring of participation and service provision.

The Employer has the right to consider, approve or disapprove any decision made by the Joint Forum that might have an effect on the company's finances or its labour relations. The employer remains the contracting party in its communication with the Fund and other relevant service providers to the Fund.

## Sanlam's Corporate Governance Policy and Practice

The Sanlam board of directors is committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance (King II), and to the highest level of corporate governance and best practice. Sanlam sees value in subscribing to a system whereby ethics, personal and corporate integrity and governance practices set the standards for compliance.

The directors of Sanlam are of the opinion that Sanlam complies with and has applied the requirements of King II in all material respects.

More information regarding corporate governance is available on request or you can visit us at [www.sanlam.co.za](http://www.sanlam.co.za).





# 4 RISK BENEFITS

The risk benefits mentioned below are a summary of all the benefits available in the Fund and may not necessary apply in respect of a specific Sub-fund.

## Risk benefit insurers

The trustees have approved two insurance companies being Sanlam and Capital Alliance (“the Insurers”) to underwrite the Sanlam Umbrella Fund’s risk pool.

The quotation system has been designed such that participating employers and members enjoy the benefit of having each risk benefit component automatically placed with the Insurer that in the opinion of the sponsor offers the most competitive premium rates for similar terms and conditions. The placement of risk benefits between the Insurers is reviewed on an annual basis to protect the interests of members.

The trustees have appointed a Risk Benefits Management Sub-committee, including an actuary and other suitably qualified professionals, to continually review the management of the risk pool so that members’ interests are protected via sound actuarial risk management practices. To the extent that these aims are achieved, members will benefit by way of competitive risk premium rates which are determined taking into account actual claims experience.

## Death benefits

Each participating employer can select from the following options:

### Conventional group life assurance benefits

Standard



Comprehensive



Cover is expressed as a multiple of salary for all members in a particular category. The participating employer selects the appropriate multiple per category of membership.

Cover ceases at attainment of age 65.

### Flexible risk benefits (core plus flex)

Comprehensive



This option offers a selected level of “core” cover for all members. Individual members may elect additional levels of cover, over and above the core death benefit. The additional premiums will be deducted from the employer contribution allocated for this purpose (any balance will be allocated to retirement provision for the member). Members who choose this option will not be charged an additional administration fee or selection charges.

The ratio core: flex may not exceed 1:3. The cost for the flexible cover is determined by applying a quoted premium rate per age band and gender per thousand rand cover to the selected flex cover.

The core part of the death benefit is compulsory.

Along with this core cover, a member chooses flexible life cover in multiples of 0,5 x annual salary to the applicable maximum according to his or her own choice, within three months of each of the following events:

- ™ Inception date
- ™ Marriage
- ™ Birth or legal adoption of a child

Thereafter, members have the choice to reduce their optional cover each year on the revision date of the fund.

After cover has been reduced, it can be increased only if the choice is made within three months of the following events:

- ™ Marriage, in which case the maximum (per age band if applicable) can be chosen; or
- ™ Birth or legal adoption of a child, in which case an increase of 0,5 x annual salary or 1 x annual salary may be chosen subject to the maximum flex cover.

Members who are 55 years and older, who wishes to choose flex cover, must provide satisfactory proof of insurability. Cover ceases at attainment of age 65.

## Capital disability

Standard



Comprehensive



An accelerated payment of the death benefit, as a lump sum, is payable after a waiting period of six months if the member is totally, permanently and continuously prevented, even with further in-service training:

- ™ from following the regular occupation which he/she practised immediately before; and
- ™ from following the occupations which he/she, in view of his/her training and experience, may reasonably be expected to follow;

and experiences loss of income. (The lump sum will be reduced pro rata over the last five years before the normal retirement age.)

The maximum benefit available is the lesser of 8 x annual salary or R5 000 000. Cover ceases at the earlier of normal retirement age or attainment of age 65.

## Disability income benefit

Standard



Comprehensive



Disability is defined as when the member:

- ™ is continuously and totally prevented from following his/her regular occupation in the first 24 months of disablement, and thereafter
- ™ is also continuously and totally prevented, with or without further in-service training, from following the occupations for which he/she is reasonably eligible by virtue of his/her training and experience.

Participating employers can select from the following alternatives:

| Alternative 1:   | Alternative 2:   |
|--|--|
| <p>The maximum insured income will be equal to:</p> <p>75% of the first R12 000 monthly salary (100% during the first two years of disability including the waiting period); plus</p> <p>50% of the monthly salary in excess of R12 000.</p> <p>The monthly benefit is subject to a total maximum of R15 000, excluding the Employer Premium Waiver benefit, for which an additional amount of up to R2 200 per month, is insured.</p> | <p>The maximum insured income will be equal to:</p> <p>75% of the monthly salary.</p> <p>The monthly benefit is subject to a total maximum of R80 000, excluding the Employer Premium Waiver benefit, for which an additional amount of up to R19 000 per month, is insured.</p> |

™ The waiting period may be three, six or twelve months.

™ Growth is available to the smaller of the indicated percentage and the increase in the consumer price index is payable, to a maximum of 10%.

™ Waiver of employer's contributions for retirement benefits can also be covered.

Cover ceases at earlier of normal retirement age or attainment of age 65 in the case of late retirees.

## Funeral benefit

Standard



Comprehensive



The maximum age at entry for the principal member or spouse is before the age of 65 years.

The coverage amount can be selected as a multiple of R1 000 up to R30 000. Benefits are paid in respect of the death of the principal member, qualifying spouse or qualifying children according to the following scale:

™ Principal member, qualifying spouse or qualifying children aged 14 and over are covered for 100% of the selected coverage amount.

™ Qualifying children aged 6 and over but younger than 14 are covered for 50% of the selected coverage amount.

™ Qualifying children younger than 6 and still-born children are covered for 25% of the selected coverage amount.

Benefits and premiums are payable up to the normal retirement age of the principal member. When the principal member dies, cover for the member's qualifying spouse and qualifying children ceases.

All cover ceases:

™ When the principal member dies; or

™ When the principal member ceases to be an employee; or

™ When the principal member reaches the normal retirement age; or

™ When a premium is not paid continuously; or

™ If the scheme is dissolved;

whichever occurs first.



## Burial repatriation benefit

Standard



Comprehensive



This benefit is offered free of charge, on the death of the principal member or family members covered by our Group Life Assurance or Group Funeral Aid Schemes.

The benefit provides for transport of the deceased via road or air:

- <sup>TM</sup> From anywhere in South Africa, Lesotho, Swaziland, Zimbabwe, Botswana, Namibia or Mozambique (south of the 22<sup>o</sup> latitude),
- <sup>TM</sup> To the funeral home closest to the place of burial in South Africa.

## Trauma benefit

Comprehensive



Group Trauma Insurance pays a benefit only once, on the diagnosis of a traumatic illness.

A waiting period of seven days will apply immediately after the date on which the traumatic illness was diagnosed. Should the member contract a traumatic illness and dies before the end of the waiting period, no trauma benefit will be payable.

The maximum cover available is the lesser of 3 x annual salary or R800 000.

The Fund covers the following traumatic events:

- <sup>TM</sup> Chronic renal failure
- <sup>TM</sup> Paraplegia
- <sup>TM</sup> Myocardial infarction
- <sup>TM</sup> Blindness (two eyes)
- <sup>TM</sup> Organ transplant
- <sup>TM</sup> Major burns
- <sup>TM</sup> Stroke (excluding a stroke resulting from external injuries)
- <sup>TM</sup> Coronary artery bypass surgery (excluding other procedures on the coronary vessels like percutaneous transluminal angioplasty or laser therapy)
- <sup>TM</sup> Deep coma (excluding a coma which is artificially induced for purposes of ventilation)
- <sup>TM</sup> Cancer, excluding:
  - Carcinoma in situ, like carcinoma in situ of the cervix;
  - All skin cancers (except malignant melanomas with Clark level 2 or more depth invasion);
  - Early prostatic cancers, medically classified as TNM class T1(a) or T1(b) or equivalent; and
  - Kaposi sarcoma.

Cover ceases at earlier of normal retirement age or attainment of age 65.

## Spouse's life cover

Comprehensive



Spouse's life cover is a lump sum equal to 1 x or 2 x annual salary (but not more than the member's group life cover) that becomes payable to the member on the death of his/her spouse. Cover ceases at attainment of age 65.



## Cover during disability

Standard



Comprehensive



While a member receives a disability income, the death benefit, spouse's cover and funeral benefits that applied before disability, will remain applicable. The trauma cover will be continued during disability as a result of an event other than a defined traumatic disease. Premiums have to be continued.

Life cover during disability, for future and current disability claimants, will increase each year at a rate equal to 100% of the inflation rate with a maximum of 15% per year.

## Conversion options

Standard



Comprehensive



- <sup>TM</sup> When a member retires or withdraws from the Fund, he/she has the option to take out a similar individual policy (life assurance, lump sum disability or disability income benefit) with Sanlam, without providing evidence of good health. This policy must be affected within 2 months after the member's last working day. The option for lump sum disability insurance and the disability income benefit is available only before age 55 years and for the life assurance as specified in the quotation.
- <sup>TM</sup> The spouse has the option at divorce, death, withdrawal, retirement or benefit cessation age of the member, whichever event may occur first, to affect a similar individual policy (life assurance) with Sanlam without providing evidence of good health.
- <sup>TM</sup> The maximum benefit in terms of these options may not exceed the maximum benefit that applies to similar individual policies. It may therefore be less than the maximum that applies immediately before the date of withdrawal or retirement.
- <sup>TM</sup> This individual policy is subject to the requirements, limitations and conditions that apply to HIV/Aids normally imposed by Sanlam when taking out a similar new individual assurance.
- <sup>TM</sup> When flexible risk cover is introduced by a participating employer and, as a result, a member forfeits cover due to capping, a conversion option will be granted. This is subject to the terms and conditions of Sanlam when granting conversion options, at a price to be paid by the Fund, scheme, employer or the employee. This option will be available only at date of inception of flexible risk cover and not later as a result of capping.





# 5

## UNDERWRITING CONDITIONS FOR RISK BENEFITS

### General

#### Membership

Quotations are only for eligible employees under the normal retirement age and who are actively employed by the participating employer. In the opinion of the Insurers, an actively employed member should be capable of performing his/her normal duties with the employer.

Cover will take effect from the date on which membership commences and applies 24 hours a day.

A member who qualifies for membership and whose service terminated at any time in the past as a result of ill-health, whether at the employer or anybody else, will not be covered for any claim. This applies if the claim can be traced or is related to the reason for the initial claim, unless the member submits satisfactory proof of insurability at his / her own costs.

#### Absence from work

The insured benefits of a member who is absent from work (because of sickness or an accident) on the date on which his membership commences, will take effect only on the date on which he/she resumes his/her normal duties with the employer.

The member will not be covered if he/she dies before he/she is capable of resuming his/her normal duties. The Insurers will decide whether the employee is fit to do his/her normal duties, and may obtain relevant proof and information in this regard.

#### Take-over of existing benefits

The Insurers will take over the present insured benefits of all existing members of the participating employer, except the benefits of existing and pending disability claimants.

Should any benefits change as a result of the take-over, the lesser of the previous or the new benefits will apply to members, other than existing or pending disability claimants, who are not "actively in service" on the take-over date.

The commencement date with regard to the participating employer will be a date (first day of a month) following the notice of acceptance.

#### Members who work outside the borders of the RSA

The Insurers can provide cover for members who work temporarily outside the borders of RSA, based on the following conditions:

<sup>TM</sup> Only a maximum of 10% of the members should be working outside the RSA.

<sup>TM</sup> The members must be South African citizens.

- ™ All payments to and from the Insurers will be in RSA currency.
- ™ Cover and premiums will continue for a period of 12 months, at the same level as before these members started working outside the RSA. If the cover needs to be extended, after 12 months, the employer needs to advise the Insurers and new conditions, if any, will be confirmed.
- ™ The cover will automatically cease after 24 months. If necessary, new arrangements will have to be negotiated at that stage.
- ™ The Insurers require a schedule of these members indicating the following, in addition to the general member information:
  - The country
  - Nature of work responsibilities
  - The expected period of stay
- ™ These members should remain on the local payroll.

The Insurers reserve the right to have the final assessment of disability claims done locally.

The normal territorial limitations with regard to claims in payment will apply.

## Definitions

### Qualifying spouse

A qualifying spouse in the case of an employee means the person with whom he/she is joined in marriage. If an employee is joined in marriage with two or more persons, qualifying spouse means only that one of them whom the employee nominated in a written document submitted to the employer during the person's life. Once a nomination has been made, it remains in force as long as the employee is joined in marriage with the nominated person.

Marriage means:

- ™ a marriage contracted in terms of the South African Marriage Act, 1961;
- ™ a customary union according to Black law and custom or a union recognised as a marriage under the tenets of any Asiatic religion; or
- ™ a union where two persons are living together as if married, with the commitment of continuing to do so permanently provided that:
  - they have been doing so for at least six months; and
  - in the format prescribed by the employer, they applied in writing to the employer, before the death of any one of them, for their union to be registered by the employer.

### Qualifying child

A qualifying child in the case of an employee (principal member) means his/her qualifying child or his/her qualifying spouse's child. This includes a legally adopted child, a stepchild, a foster-child and a posthumous child, who is dependant on the principal member, provided that the child:

- ™ is unmarried and has not reached the age of 21 years; or
- ™ is unmarried, has not reached the age of 26 years and is a full-time student at an educational institution of a public nature; or
- ™ is incapacitated by a physical or mental infirmity from maintaining him-/herself; and
- ™ is nominated in the required format before the risk is accepted.

## Still-born child

A still-born child means a child that has had at least 26 weeks of intra-uterine existence, but showed no sign of life after complete birth.

## Funeral aid benefit

On the date of commencement, the employer must provide a membership list indicating the names and dates of birth of the principal members. Full statistics of principal members under the scheme must be sent to the Administrator once a year.

## Pre-existing health conditions

### Disability benefits

The benefit does not apply if the date on which the disability started occurs within 12 months (60 months for municipalities) of the entry date and the disability arises directly or indirectly from/or is traceable to:

- ™ A bodily injury which occurred; or
- ™ A diseased condition of which the member was aware or experienced symptoms or for which the member received medical treatment;

during the six months (twelve months for municipalities) immediately before the entry date.

The disability definition for drivers is as follows:

- ™ **Lump sum benefit** – The member must be unable to follow any occupation and the benefit is only available up to age 60.
- ™ **Income benefit** – The member must be unable to follow any occupation. The benefit is only available up to age 60.

The disability definition for sales representatives is as follows:

- ™ **Lump sum benefit** – The benefit is only available up to age 60.
- ™ **Income benefit** – The member must be unable to follow his/her regular occupation in the first two years, and a suitable occupation thereafter. The benefit is only available up to age 60.

### Trauma benefits

If a member has suffered from a specific traumatic disease before the commencement date, no claim will be paid for that disease. In addition, a claim for a specific traumatic disease from which the member suffers within two years from the date on which the trauma benefits commence, will also not be admitted. This applies if that traumatic disease had been directly or indirectly caused by or can be traced to a disease condition of which the member had been aware or had experienced symptoms or for which he/she received medical treatment before the commencement date.

If existing underwritten business is taken over, the commencement date for the initial members is the date on which membership with the Insurers or with the previous insurer commenced. Should any benefits change because of the take-over, the smaller of the previous or the new benefit will apply.

## Maximum income after disablement

The maximum average monthly income that a member will receive from all sources after disablement will not exceed 75% of his/her monthly salary before disablement. For these purposes, a lump sum disability benefit divided by 120 will be regarded as a regular monthly income.

The Fund will exclude the following receipts when determining a member's average monthly income after disablement:

- ™ Lump sum receipts (including any receipt expressed as a capital amount payable in instalments over a period of ten years or less), of which the aggregate does not exceed the larger of R280 000 or 2.5 x the member's annual salary as on the commencement of the total and/or permanent disability.
- ™ During the period of two years, on the commencement of total and/or permanent disability, regular receipts, which in total are not more than a monthly receipt of 25% of the member's average monthly earnings before disability.

## Claim conditions

The participating employer must submit claims in writing to the Administrator, using the claim forms provided, within the timeframes set out in the policy.

The Insurer may from time to time insist on further requirements before considering a claim. If applicable, this information will be requested in a separate letter.

No benefit will be paid if the Insurers are not notified of the claim for the benefit within six months of the event and all necessary documentation is received within 12 months.

At termination of the Sub-fund, a period of six months will be allowed in which notice can be given of claims that occurred before the termination date.

### Trauma benefits:

- ™ The benefit payable is limited so that the aggregate amount which is paid in terms of similar benefits from all sources does not exceed R1 600 000.
- ™ All costs related to submitting the claim for traumatic illness must be covered by the member and/or the employer.

### Funeral aid benefits:

- ™ A claim form and the original official death certificate or an original certified copy of the official death certificate must be sent to the Insurers.

## Exclusion for war and terrorism

Notwithstanding any other provision to the contrary in the policy, no benefit will be payable in the event of:

- ™ Death or disability that occurs as a direct or indirect consequence of active participation in war, invasion, acts of foreign enemies, hostilities, warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power;
- ™ Death or disability as a direct or indirect consequence of:
  - the use of nuclear, biological or chemical weapons, or any radioactive contamination; or
  - attacks on or sabotage of facilities (including, but not limited to, nuclear power plants, reprocessing plants, final repository sites and research reactors) and storage depots, which lead to the release of radioactivity or nuclear, biological or chemical warfare agents,

irrespective of whether any of the above has been performed with the specific use of information technology.

## Cover free of medical evidence (Free Cover Limit)

When determining a Free Cover Limit, the benefits chosen as well as the data that applies at that stage is considered. No evidence of health and insurability will be required for an amount of cover less than or equal to the Free Cover Limit.

The Insurers will only give a member cover in excess of the Free Cover Limit, after the member has provided evidence of good health and insurability. If the evidence is not acceptable, the excess cover may be given subject to special terms and conditions and/or extra premiums agreed to by the Insurers and the policyholder, or may be declined.

The Free Cover Limit assumes that at least 80% of all qualifying employees will join the Fund on the inception date. Membership to the Fund is compulsory for all new qualifying employees.

### Takeover of existing business

The Insurers will take over the cover of members who have already provided proof of insurability to the previous insurer. Future increases are, however, subject to the Insurers' underwriting conditions (20% rule). Existing loadings and/or limitations will also be taken into account by the Insurers and must be disclosed at the date of take-over.

Existing cover, for which no proof of insurability was provided, i.e. cover under the previous insurer's proof-free limit, will also be taken over. However, for any future increase in the existing cover, satisfactory proof of insurability will be required.

### Municipalities

All existing members will qualify. For new members, members aged 55 years and older must provide abbreviated details for proof of insurability.

### Core and flex cover

- <sup>TM</sup> The Free Cover Limit is first calculated on the compulsory cover and then applied pro rata to the optional cover. Should a member's compulsory cover exceed the Free Cover Limit, pro rata proof of insurability will be needed on any optional cover of the member's choice. In other words, if no proof of insurability is needed for the core cover, then no proof is needed for the optional cover (irrespective of the optional cover chosen – please keep in mind that there is a maximum optional cover that may be chosen).
- <sup>TM</sup> Increases in cover for marriage and births will be proof-free, but subject to any requirements that apply to the compulsory cover, except for members age 55 and older, who will need to submit satisfactory proof of insurability.

**Example: These are for illustration purposes only:**

Example 1: No proof of insurability is required

Free Cover Limit = R1 200 000 (based on compulsory core cover of 2 x annual salary)

Compulsory cover = 2 x annual salary: 2 x R500 000  
= R1 000 000

Thus, no proof of insurability is needed for the core cover because the core cover is less than the Free Cover Limit of R1 200 000 and therefore no proof is needed for the optional cover (irrespective of the optional cover chosen). Please keep in mind that there is a maximum optional cover that may be chosen.

Example 2: Proof of insurability is required

Free Cover Limit = R1 200 000 (based on compulsory core cover of 2 x annual salary)

Compulsory cover = 2 x annual salary: 2 x R700 000  
= R1 400 000

Optional cover chosen = 3 x annual salary: 3 x R700 000  
= R2 100 000

Total cover = 5 x annual salary: 5 x R700 000  
= R3 500 000

The core cover exceeds the Free Cover Limit of R1 200 000, therefore proof of insurability is required:

The Free Cover Limit based on the core cover plus the optional cover will be equal to  $R1\ 200\ 000 \div 2 \times 5 = R3\ 000\ 000$ .

Therefore proof of insurability is required on R3 500 000 (cover required) minus R3 000 000 (Free Cover Limit) = R500 000.

For groups with less than 100 members, proof of insurability is required for any flex cover. If more than 80% of the members choose flex cover, the Insurers will consider providing a quotation for a proof-free limit.

### Waiving of free cover requirements in the first three months

The Free Cover Limit in the first three months is waived. This means that a member will be covered for his or her full entitlement during the first three months. The waiving of the free cover requirements in the first three months includes the following:

™ A member must be actively employed by the employer.

™ It is applicable in the following situations:

- In respect of new entries, i.e. new staff join the employer.
- In case of salary increases to members and their cover is not already limited.
- In case of a change in the benefit structure to members and their cover is not already limited.



- When a new Sub-fund is established and certain members' cover exceeds the Free Cover Limit on the inception date.
- The waiving of the free cover requirements is not applicable in the case where there is a take-over of cover from another insurer for those members whose cover exceeds the Free Cover Limit on the inception date.

<sup>TM</sup> The premium must be paid on the full cover for the first three months.

<sup>TM</sup> The salary on which a claim is based will be less than or equal to the actual salary paid.

<sup>TM</sup> Any claim, which may be lodged within three months from the inception of the Sub-fund / amendment date, will be limited to the Free Cover Limit, if the claim is related to an illness or injury which occurred within six months before the inception date.

When satisfactory proof of insurability has been provided within the three-month period, the cover applies as determined by the Insurers.

# 6 TAXATION AT A GLANCE

The Sanlam Umbrella Fund offers a number of tax savings, both for employers and employees.

Taxation legislation is complex and subject to change. It is therefore vital for participating employers and members to be advised on the appropriate tax structuring of contributions and insured benefits from a FAIS-accredited adviser.

|   |  |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
|---|--|-----|-------------|---|-------------|-----------|-------------|---|-----|-----------|-------------|---|-----|-----------|---|---|-----|
| <b>Employer contributions</b>   | Tax-deductible up to 20% of remuneration   |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Employee contributions</b>   | Tax-deductible up to 7.5% of remuneration for pension funds (nil for provident funds)  |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Past service contributions by employees</b>  | Tax-deductible up to R1 800 per year for pension funds (nil for provident funds)   |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Interest and net rental income earned within the Fund</b>                          | No tax is payable  |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Realised and unrealized capital gains earned within the Fund</b>                   | No tax is payable  |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Pensions purchased upon retirement</b>   | Pensions are taxable at marginal rates of tax in the year of receipt   |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Lump sum on retirement including approved capital disability assurance payouts</b> | <table> <tr> <td>R 0</td> <td>– R 300 000</td> <td>:</td> <td>Not taxable</td> </tr> <tr> <td>R 300 000</td> <td>– R 600 000</td> <td>:</td> <td>18%</td> </tr> <tr> <td>R 600 000</td> <td>– R 900 000</td> <td>:</td> <td>27%</td> </tr> <tr> <td>R 900 000</td> <td>+</td> <td>:</td> <td>36%</td> </tr> </table> | R 0 | – R 300 000 | : | Not taxable | R 300 000 | – R 600 000 | : | 18% | R 600 000 | – R 900 000 | : | 27% | R 900 000 | + | : | 36% |
| R 0   | – R 300 000  | :   | Not taxable |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| R 300 000   | – R 600 000  | :   | 18%         |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| R 600 000   | – R 900 000  | :   | 27%         |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| R 900 000   | +  | :   | 36%         |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Lump sum on death including approved group life assurance payouts</b>              | <table> <tr> <td>R 0</td> <td>– R 300 000</td> <td>:</td> <td>Not taxable</td> </tr> <tr> <td>R 300 000</td> <td>– R 600 000</td> <td>:</td> <td>18%</td> </tr> <tr> <td>R 600 000</td> <td>– R 900 000</td> <td>:</td> <td>27%</td> </tr> <tr> <td>R 900 000</td> <td>+</td> <td>:</td> <td>36%</td> </tr> </table> | R 0 | – R 300 000 | : | Not taxable | R 300 000 | – R 600 000 | : | 18% | R 600 000 | – R 900 000 | : | 27% | R 900 000 | + | : | 36% |
| R 0   | – R 300 000  | :   | Not taxable |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| R 300 000   | – R 600 000  | :   | 18%         |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| R 600 000   | – R 900 000  | :   | 27%         |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| R 900 000   | +  | :   | 36%         |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Lump sum on withdrawal</b>   | <p>R1 800 is available tax-free in respect of cash payouts with the balance taxed at average rates of tax in the year of receipt</p> <p>Amounts transferred to preservation funds or other approved pension, provident or retirement annuity funds will in general not be taxed on transfer.</p>                     |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |
| <b>Unapproved insured benefits</b>  | Premiums are not tax-deductible by employees, and fringe benefit tax is payable if the employer pays these premiums on behalf of employees. The employer may claim a deduction as an operational expense. Benefits are not subject to income tax on payout.  |     |             |   |             |           |             |   |     |           |             |   |     |           |   |   |     |

# 7 INVESTMENT MENU

The trustees have approved two default investment strategies that can be chosen as a default investment strategy at participating employer level depending on the expressed investment objectives.

## Lifestage Programme

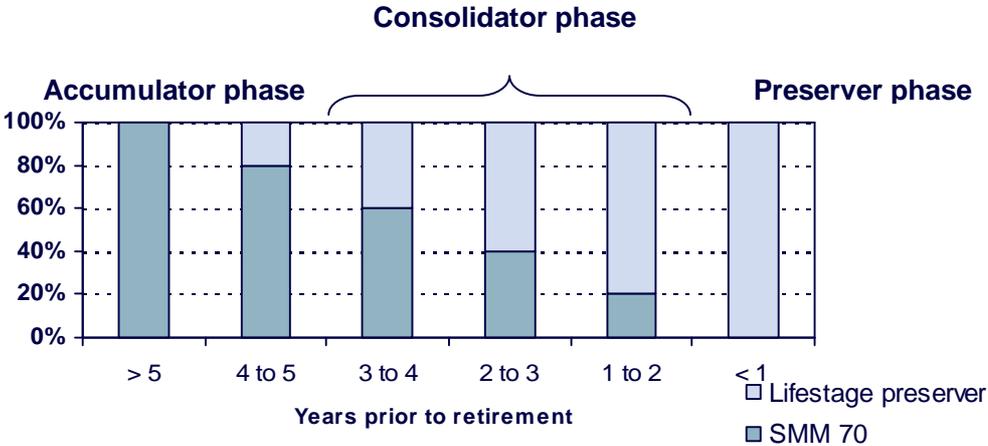
A lifestage model is the Fund’s trustee-approved default investment strategy. The lifestage model is intended to be a suitable strategy for members whose aim is to maximise post-retirement income subject to acceptable risk. The trustees select the investment portfolios underlying the lifestage model investment strategy, and also the switching rules in the period leading up to retirement, and review these from time to time working together with investment experts including Sanlam Investments’ intellectual think-tank SIMLAB.

This lifestage model investment strategy thus comprises of the investment component of the Fund’s Lifestage Programme.

The Lifestage Programme comprises two underlying risk-profiled portfolios. These portfolios utilise a specialist manager approach whereby a range of best-of-breed underlying managers are selected to manage within specific assets classes and investment mandates in a risk-controlled environment. Members invested in the lifestage model will be automatically switched between the two underlying portfolios as per phasing rules in the pre-retirement phase as approved by the trustees.

There are three underlying phases, and members invested in the Lifestage Programme will be switched automatically between the three phases as they near retirement:

- ™ Accumulator phase
- ™ Consolidator phase
- ™ Preserver phase



| Lifestage Programme | Years to normal retirement age | Underlying portfolios |                     |
|---------------------|--------------------------------|-----------------------|---------------------|
|                     |                                | SMM 70                | Lifestage Preserver |
| Accumulator phase   | > 5                            | 100%                  | -                   |
|                     | 4 – 5                          | 80%                   | 20%                 |
| Consolidator phase  | 3 – 4                          | 60%                   | 40%                 |
|                     | 2 – 3                          | 40%                   | 60%                 |
|                     | 1 – 2                          | 20%                   | 80%                 |
| Preserver phase     | < 1                            | -                     | 100%                |

## Volatility protection strategy

The trustees have approved an alternative default investment strategy suitable for members who wish to achieve inflation-beating real returns over the medium to long term, but who are particularly concerned about protecting against significant short term investment losses. The strategy will most likely result in lower returns than the Lifestage Programme over the long term as a consequence of the implicit cost of the underlying guarantees and lower effective equity exposure. Nonetheless the trustees recognise that such a strategy is suitable for many members – particularly those members who are not financially sophisticated and might not appreciate that a high equity exposure inevitably implies some risk of capital loss over the short term.

The trustees review the investment strategy of the Volatility Protection Strategy continually, and will make periodic changes to the underlying investments in line with the objectives of the strategy.

The Volatility Protection Strategy currently invests all moneys in the Sanlam Monthly Bonus Fund.

## Standard Option Investment Menu

Members on the Standard Option do not have investment choice, and all their investments in the Sub-fund are invested in the Lifestage Programme, or alternatively in the Volatility Protection Strategy for participating employers who prefer the latter as default strategy for their members.

## Comprehensive Option Investment Menu

Members of participating employers on the Comprehensive Option have the following choices:

- ™ To remain invested in the default investment strategy (i.e. either Lifestage Programme or Volatility Protection) as selected by their participating employer.
- ™ To make application to instead invest in the Lifestage Programme in the case of members whose employer selected the Volatility Protection strategy as its default investment strategy.
- ™ To make application to instead allocate their investments between a trustee-approved range of 15 institutionally-priced investment portfolios covering the full risk-return spectrum. At inception, or on becoming a member of the Fund, there is no charge for the member's initial choice of portfolio/s. Thereafter, if a member decides to make a change to his/her current assets and future contributions the first switch per calendar year is free and subsequent switches will be charged a switching fee of R450 (VAT inclusive) deductible from the relevant member's individual account value. However, should a member decide to make a change regarding only his future contributions, there would be no charge.



- ™ To make application to instead allocate all or some of their investments to a very extensive range of more than 700 retail unit trust portfolios available on Sanlam's Glacier investment administration platform subject to satisfying the minimum product criteria of Glacier.
- ™ At present the minimum amount for investing with Glacier is either a lump sum of R100 000 or a monthly recurring amount of R2 500. Members also have to take financial advice from a FAIS-accredited financial adviser before being allowed to invest with Glacier.
- ™ As part of this offering, members can also choose to invest the equity component of their Glacier investments to designing their own personalised share portfolio via Sanlam Private Investments subject to a minimum of R500 000 being allocated to the equity component. More information is available at [www.glacier.co.za](http://www.glacier.co.za).

It is strongly recommended that members making their own investment choices, particularly members choosing investment options via Glacier, make use of a FAIS-accredited financial adviser to advise them on the basis of a written retirement investment plan. Members may either consult their participating employer's Contracted Financial Adviser, or alternatively any FAIS-accredited financial adviser of their choice.

The trustees have resolved that members choosing to make their own investment choices can spread their Fund investments between a maximum of 4 investment portfolios. All investments on the Glacier platform count as a single investment portfolio choice for the purposes of this rule.

The range of 15 institutionally-priced investment portfolios is as follows:

### **Multi-manager Range**

- ™ SMM 70
- ™ SMM 60
- ™ SMM 50
- ™ SMM Absolute Return

### **Sanlam Investment Management Single Manager Range**

- ™ Sanlam High Equity
- ™ Sanlam Moderate
- ™ Sanlam Diversified
- ™ Sanlam Absolute Return
- ™ Sanlam Cash

### **External Single Manager Range**

- ™ Sanlam Allan Gray Domestic Balanced
- ™ Sanlam Coronation Houseview
- ™ Sanlam Coronation Managed II
- ™ Sanlam Oasis Global Balanced
- ™ Sanlam Oasis Crescent

### **Smoothed Bonus Range**

- ™ Sanlam Monthly Bonus Fund

The objectives of each of these 15 investment portfolios are as follows:



## Multi-manager Range

### <sup>TM</sup> **SMM 50, 60 and 70 portfolios**

The SMM 50, 60 and 70 portfolios are multi-managed by SMMI. The objective of the SMM 50, 60 and 70 portfolios is to optimally blend an array of specialist managers into a global multi-manager solution.

SMM 50 has the lowest equity component (50%), followed by SMM 60 (60%) and SMM 70 (70%).

As equities are usually more volatile over the shorter term, SMM 50 is expected to provide the lowest volatility in returns, but should be outperformed by the SMM 60 and SMM 70 portfolios over the long term. Similarly, the SMM 60 is expected to provide steadier, but somewhat lower, returns than SMM 70 over the long term.

### <sup>TM</sup> **SMM Absolute Return**

The SMM Absolute Return portfolio is a multi-managed portfolio, which aims to provide real returns to investors.

## Sanlam Investment Management Single Manager Range

### <sup>TM</sup> **Sanlam High Equity**

The objective of the Sanlam High Equity Portfolio is to provide investment income and capital growth in the long term, through primarily investing in equity, fixed interest and cash assets. The high equity benchmark should result in relatively more volatile returns but also higher capital growth.

### <sup>TM</sup> **Sanlam Moderate**

The Sanlam Moderate Portfolio provides market-related investment returns by investing primarily in equity, fixed interest investments, cash and foreign assets. The portfolio is managed by Sanlam Investment Management (SIM) and has a moderate risk profile.

### <sup>TM</sup> **Sanlam Diversified Portfolio**

The Sanlam Diversified Portfolio provides market-related investment returns by investing primarily in equity, fixed interest investments, cash and foreign assets. The portfolio is managed by Sanlam Investment Management (SIM) and has a conservative risk profile.

### <sup>TM</sup> **Sanlam Absolute return**

The Sanlam absolute return portfolio aims to provide real returns to investors. The portfolio is managed by Sanlam investment Management (SIM) and has a low risk profile compared to typical balanced portfolios.

### <sup>TM</sup> **Sanlam Cash**

The Sanlam Cash Portfolio provides capital stability by investing primarily in cash and money market instruments. The portfolio is managed by Sanlam Investment Management (SIM) and has a low risk profile.

## External Single Manager Range

### <sup>TM</sup> **Sanlam Allan Gray Domestic Balanced**

The Sanlam Allan Gray Domestic Balanced portfolio is an actively managed pool portfolio and is aimed at members with an average risk tolerance. Investments are selected from all available asset classes, but the portfolio will reflect Allan Gray's house view for an optimal balanced

mandate retirement fund. The fund is aimed at delivering superior long-term investment returns but at a lower risk of capital loss.

**™ Sanlam Coronation House View**

The Coronation House View Portfolio is a pooled medium-risk balanced portfolio managed on a market-linked basis, focusing on delivering strong consistent returns over the medium to longer term. The investment strategy underlying the Coronation House View Portfolio reflects Coronation's "best house view". The strong, bottom-up stock selection process – using fundamental analysis and a focus of valuing companies on a mid-cycle basis using free cash flow as the key determinant - should produce above-average performance over time.

**™ Sanlam Coronation Managed II**

The Sanlam Coronation Managed II portfolio is a pooled unitised portfolio managed under a fully discretionary mandate. The portfolio follows a higher risk balanced approach, and aims at significant out-performance over the medium term. The medium-term performance objectives are to consistently remain in the upper quartile of all investment surveys. The portfolio was launched on 1 April 2000 and follows in the footsteps of the Coronation Managed Portfolio that closed for acceptance of new clients on 31 March 2000.

**™ Sanlam Oasis Balanced Global**

The Sanlam Oasis Balanced Global portfolio embraces an active fund management style that exposes members to the upside potential of capital markets, while seeking to limit downside risk. The portfolio seeks to provide investors with moderate capital appreciation and a sustainable level of income over the medium to longer term.

**™ Sanlam Oasis Crescent**

The Sanlam Oasis Crescent portfolio is managed according to the Oasis investment philosophy of low volatility fund management that seeks to provide superior returns at lower than market risk. It has a high equity exposure and provides investors with a diversified portfolio of listed local equities, international equities, listed property securities, and limited cash holdings. The portfolio is characterised by socially responsible investment features in its underlying assets. In addition, the portfolio conforms to the ethical requirements of Shari'ah Law.

## **Smoothed Bonus Range**

**™ Monthly Bonus Fund**

The objective of the Monthly Bonus Fund is to provide investors with exposure to the financial markets, while protecting them against adverse movements in the markets. This is achieved through smoothing the returns over time, and guaranteeing (for resignation, retirement, death, retrenchment and disability events) the net contributions invested together with the net bonuses declared on a monthly basis.





# 8 OPERATING EXPENSES

The Fund's operating expenses comprise the following:

## Administration Fees

Administration Fees are levied by Sanlam to cover the cost of administering the scheme. These fees are calculated and quoted per Sub-fund as a flat Rand per member and deducted monthly. The administration fee is quoted inclusive of a discount based on asset size that recognizes each Sub-fund's contribution to enhancing the Fund's economies of scale. Administration Fees do not include the Investment Management Fees charged for the management of investments. Sanlam does not levy asset based administration fees. At inception the Administration Fee is guaranteed for 12 months, and thereafter is subject to review at 1 month's notice. Sanlam reserves the right to adjust the Administration Fee at any time should a participating employer's actual membership and / or asset base data materially differ from that employed for purposes of determining the quoted fees.

## Consulting Fees

A standard Consulting Fee is payable monthly to each participating employer's FAIS-accredited financial adviser for providing the Contracted Benefit Consulting and Contracted Financial Advisory services.

The trustees have approved the following standard intermediary remuneration scale per participating employer for the full range of contracted services:

- ™ Calculated using total retirement contributions plus risk premiums (excluding risk premiums in respect of insurance policies falling outside the Fund's risk pool underwritten by the Insurers)
- ™ Annualised amount determined on commencement and upon annual revision based on the following scale: 7,5% of the first R142 000 contributions per year; plus 5,0% of the next R103 000 contributions per year; plus 3,0% of the next R284 000 contributions per year; plus 2,0% of the next R1 021 000 contributions per year; plus 1,0% of the remainder of contributions.
- ™ This annualised amount is expressed and charged as a percentage of salaries that is reviewed annually and is payable each month upon receipt of the participating employer's contributions.

It is permissible for the Contracted Benefit Consulting and Contracted Financial Advisory service to be provided by different FAIS-accredited advisers, in which case 50% of the standard Consulting Fee is payable to each contracted adviser. Alternatively an employer can opt to have Sanlam provide the Contracted Benefit Consulting services, in which case Sanlam will retain 50% of the standard Consulting Fee for providing such services.

In the case of larger participating employers on the Comprehensive Option, it is recognised that a tailored consultancy service might be preferable. In such cases the trustees are prepared to allow the option of a negotiated Consulting Fee in lieu of the standard Consulting Fee scale, provided that a

contract is signed by both the participating employer and financial adviser, and that it includes all the trustees' requirements for Contracted Benefit Consulting and Contracted Financial Advisory services. This negotiated Consulting Fee is also payable monthly, and can be expressed as a flat Rand amount per participating employer per month split equally between members, or a flat Rand amount per member per month or a flat percentage of salaries. This option is only available to participating employers satisfying minimum qualification criteria of 300 members, or R1 000 000 annual contributions per annum or R10 000 000 assets.

For members on the Comprehensive Option who choose to invest some or all of their moneys via Glacier, the member can authorize payment of additional advisory fees which will be paid separately by Glacier on behalf of the member.

## **Risk Management Fees**

Sanlam levies a Risk Management Fee by way of a 5% loading to the Insurers' net risk premiums for providing risk management services required to ensure the ongoing sound actuarial management of the Fund's risk pool. The Risk Management Fee is included in the quoted risk premiums.

## **Contingency Reserve Account Levy**

The administration fees do not include the normal costs and disbursement incurred by the Fund, e.g. the FSB levies and fees, fidelity insurance premiums, actuarial services, audit services, independent trustee expenses, member communication, and other fees and disbursements. These fees are recovered by way of a monthly Contingency Reserve Account Levy which is determined by the trustees in terms of a budgeting process and currently amounts to R4.50 per member per month.



## INVESTMENT MANAGEMENT FEES

Investment management fees are calculated and levied on a monthly basis by applying specified fee scales per portfolio based on each participating employers' actual investment values.

| Multi-manager Range   |   |   |
|---|---|---|
| Portfolios  | Fees  |   |
| SMM 50*, 60*, 70*   | <p>On South African assets:</p> $\frac{1.00\%}{12}$ per month on assets between R0 - R10m<br>$\frac{0.75\%}{12}$ per month on assets between R10m – R30m<br>$\frac{0.65\%}{12}$ per month on assets between R30m – R150m<br>$\frac{0.55\%}{12}$ per month on assets above R150m | <p>On international assets:</p> $\frac{1.10\%}{12}$ per month |
| Lifestage Preserver*  | <p>On South African assets:</p> $\frac{1.00\%}{12}$ per month on assets between R0 - R10m<br>$\frac{0.75\%}{12}$ per month on assets between R10m – R30m<br>$\frac{0.65\%}{12}$ per month on assets between R30m – R150m<br>$\frac{0.55\%}{12}$ per month on assets above R150m | <p>On international assets:</p> $\frac{1.10\%}{12}$ per month |
| SMM Absolute Return*  | $\frac{0.75\%}{12}$ of the assets under management is recovered monthly.  |   |
| <p>*SMM may mandate any asset manager that manages assets in the Portfolio, on a performance fee basis. This may result in higher overall fees, but only when performance targets agreed between SMM and the asset manager have been exceeded. The quantum of performance fees charged over a previous calendar year is available on request.</p> |   |   |



| Sanlam Investment Management Single Manager Range |   |   |
|---|---|---|
| Portfolios  | Fees  |   |
|   | Per year on South African assets  | Per year on international assets        |
| Sanlam Moderate                                   | One-twelfth of 0.60%, recovered monthly   | One-twelfth of 0.85%, recovered monthly |
| Sanlam Absolute Return                            | One-twelfth of 0.70%, recovered monthly   | One-twelfth of 0.85%, recovered monthly |
| Sanlam Diversified                                | One-twelfth of 0.50%, recovered monthly   | One-twelfth of 0.85%, recovered monthly |
| Sanlam High Equity                                | One-twelfth of 0.70%, recovered monthly   | One-twelfth of 0.85%, recovered monthly |
| Sanlam Cash                                       | One-twelfth of 0.30% per annum, recovered monthly, on all assets under management |   |

| External Single Manager Range |   |
|-------------------------------|---|
| Portfolios                    | Fees  |
| Allan Gray Domestic Balanced  | 1.00% per year on assets under management up to R25m<br>0.85% per year on the portion above R25 million to R50m<br>0.70% per year on the portion above R50 million to R100m<br>0.60% per year on the portion above R100m to R500m<br>0.50% per year on the portion above R500m<br>VAT not applicable  |
| Coronation House View         | One-twelfth of 0.60% per year on all SA assets under management, and One-twelfth of 1.00% per year on international assets plus 10% performance fee on out-performance of the MSCI World Index benchmark, levied monthly. High watermark applies. Fees are calculated and recovered monthly.  |
| Coronation Managed II         | Basic fee – one-twelfth of 0.499% per year on all SA assets and one-twelfth of 1.10% per year on all international assets under management, recovered monthly.<br>A performance-related fee, in addition to the basic fee, applies to the Coronation Managed Portfolio II:<br>Performance fee – 22.8% of the total portfolio targeted out-performance above the benchmark, levied on 30 June and 31 December. |
| Oasis Balanced Global         | One-twelfth of 0.95% per year on all assets under management, recovered monthly.  |
| Oasis Crescent                | One-twelfth of 0.95% per year on all assets under management, recovered monthly.  |

## Smooth Bonus Range

| Portfolios                | Fees  |
|---------------------------|---|
| Sanlam Monthly Bonus Fund | <p>Investment Administration Fees:</p> <p>Sanlam's cost in relation to the investment plan is recouped by recovering the following fees:</p> <p><math>\frac{0.35\%}{12}</math> per month on South African assets</p> <p><math>\frac{0.85\%}{12}</math> per month on foreign investments</p> <p>For purposes of calculating this fee, 15% of the balance of the account is deemed to represent foreign investments. All fees include VAT.</p> <p>Guarantee Premium:</p> <p><math>\frac{1.25\%}{12}</math></p> <p>A guarantee premium of <math>\frac{1.25\%}{12}</math> per month is recovered from the assets in the investment plan.</p> <p>Annual Performance Linked Fee:</p> <p>An annual performance linked fee, for this investment plan, is calculated by Sanlam by comparing the average performance of this investment plan with the average benchmark performance determined by Sanlam from time to time. This fee is recovered annually from assets in the investment plan.</p> <p>The investment manager may be incentivised with performance fees. Details of the performance fees actually paid over the past calendar year are available on request.</p> |





# 10 COMMUNICATION

## Member communication

The trustees recognise that appropriate communication to all stakeholders is the key to assisting members to take control over their own financial destinies. The trustees thus place a premium on ensuring that communication is delivered to members, and have put in place processes to try to ensure such delivery.

The backbone of the member communication service delivery is the leading edge Coris Capital administration platform that balances assets, liabilities and financial accounts on a daily basis. By allowing members to access accurate and daily-updated personal financial information, the foundations have been laid for accurate and timeous delivery of information to members and participating employers.

Upon entry into the Fund, every member receives a letter of welcome and member certificate issued by the administrators. Thereafter every member receives an annual benefit statement compliant with PF 86 as issued by the Registrar.

Members can enrol to view their personal information online via the Internet using the *Retirement Funds Web* facility. The information is updated on a daily basis, and reflects updated information as contained on the Fund's administration platform. Members can access daily-updated statements reflecting their values in the Fund so as to facilitate personal financial planning.

Members also have access to a call centre where they can ask questions relating to their benefits under the Fund, and enquire as to progress on benefit payments. The call centre agents have enquiry access to the Coris Capital workflow system so that they can appropriately respond to member queries. The call centre agents are not FAIS-accredited, and cannot provide financial advice to members.

The mandatory appointment of a FAIS-accredited Contracted Financial Adviser is intended to ensure that members have access to much needed face-to-face financial advisory services. This can be particularly important at the time benefits are due to be paid, when members are required to make significant financial decision pertaining to their own retirement funding and insurance needs.

The Sanlam Employee Benefits website also serves as a useful communication mechanism. Self-help tools such as the *Retirement Calculator* play a role to place members in a position where they can take control over the own financial destinies.

## Participating employer communication

The participating employer, Contracted Benefit Consultant and Contracted Financial Adviser can extract reports on-line, using the Retirement Funds Web facility that contains daily-updated information on the participating employer's members for purposes of fulfilling their duties and obligations in respect of the Fund.

The mandatory appointment of a FAIS-accredited Contracted Benefit Consultant is intended to ensure that participating employers and Joint Forums are kept abreast of legislative and product updates, and also that the appropriateness of the chosen benefit structure is regularly reviewed. The mandatory Joint Forum process ensures that members are also consulted on such developments via their member representatives, and is a valuable additional communication channel.

## Other communication

The trustees have also put in place various other mechanisms to communicate Fund developments. An annual trustee report is issued summarising the main developments on the Fund, and the trustees' plans for the future. *The Fund in Detail* document is regularly updated to ensure members and participating employers have access to updated information on the product offering. An Annual General Meeting is held in both Cape Town and Johannesburg each year to which all Joint Forum representatives (comprising participating employer and member representatives) and all Contracted Benefit Consultants are invited. The trustees and sponsor are personally present at these sessions, and face-to-face communication follows including summarising key achievements to date and plans going forward. Clients have the opportunity to question the trustees and the sponsor on all aspects of the Fund.



## RETIREMENT FUND WEB

The Retirement Fund Web provides our employers and members with state-of-the-art retirement fund administration processes and member communication tools via the Internet.

### How does it work?

The web facility allows participating employers and members access to information regarding their retirement fund benefits. This facility enables employers to streamline the administration of their retirement fund considerably, eliminating tedious volumes of paperwork and assisting them with providing updated information to the Administrator.

A pin-code for each user will ensure the confidentiality and security of member information.

The following levels of access are available:

|                       |  |
|-----------------------|--|
| <b>Administrator:</b> | Full access to all member records of a specific Sub-fund or branch, with the ability to do transactions to all or limited members      |
| <b>Viewer:</b>        | Limited access to all or limited members of a specific Sub-fund without transaction capabilities                                       |
| <b>Member access:</b> | Access for each member is available to view personal information, and to request specific personal data changes or investment switches |

### Functionalities available

The following functionalities are currently available to users:

- ™ View up-to-date, abbreviated, member benefit statements
- ™ View member information
- ™ Enter new members on the Fund
- ™ Exit members from the Fund on withdrawal or retirement
- ™ Submit death claim information
- ™ Execute individual investment choices
- ™ Change member information
- ™ Enter details related to temporary absence
- ™ View all payments made for members
- ™ Trace all transactions on a history log/audit trail
- ™ View monthly reports relating to member data

- ™ View documentation relating to the Fund, i.e. Rules and Policies
- ™ Electronic communication
- ™ Upload monthly member data
- ™ A retirement benefit calculator demonstrating expected benefits at normal retirement date in nominal and real terms, as well as an expected shortfall at this date. It also demonstrates the effects on these values if a member wishes to retire earlier or invest additional money in the Fund
- ™ Information on investment portfolios
- ™ Useful links to investment sites, SARS and the FSB

## Communication via the Internet

The trustees and sponsor make use of the Retirement Fund Web facility as a communication tool between the Fund and members, participating employers and their consultants. Electronic communication via the web, together with state-of-the-art data management and report-writing tools, is a very useful mechanism to enhance communication and the flow of information between the various stakeholders in the Fund.



# 12

## ROLES OF THE VARIOUS PARTIES

### Board of Trustees

The Board of Trustees is the body responsible for the management of the Fund and oversees the interests of the members. The Board appoints the administrators, decides where investments will be placed and has the ultimate decision on allocation of death claims in terms of section 37C of the pensions fund act. The Board is assisted in fulfilling its duties by a Principal Officer and Fund Secretary.

### Administrators

The Administrator is responsible for providing a comprehensive administration service in terms of the requirements of the Registrar of Pension Funds and legislation. The full range of duties of the Administrator, as well as the associated service level agreements, are set out in a formal administration contract that has been signed between the Sanlam Umbrella Fund and the Administrator.

### Sponsor

The sponsor is Sanlam, and is responsible for providing the necessary professional and technical resources such that an appropriate product offering can be delivered to the marketplace. The sponsor also provides the necessary capital to grow the membership of the Fund in order to deliver economies of scale for the ultimate benefit of members. The sponsor aims to make a profit by delivering these services to the Fund, and adheres to the governance requirements of the Fund as laid down by the trustees.

### Participating Employer

Each participating employer undertakes to comply with all requirements and duties imposed on employers in terms of the rules of the Fund, any service level agreement and protocol adopted by the trustees. In particular the employer undertakes:

- ™ To deduct the employee and employer contributions stipulated in the special rules and ensure that they are transferred to the administrator by the end of each month.
- ™ To update and maintain member records on a monthly basis and to transfer the information to the administrator in the prescribed format by the end of each month.
- ™ To ensure that each member signs a nomination form with regard to death benefits.
- ™ To provide the trustees with the necessary documentation and information of beneficiaries in the event of death of a member.

- ™ To inform the Administrators as soon as possible, but no later than one month of joining, of details of any new employees who are eligible to participate in the Fund.
- ™ To submit benefit claim forms in respect of exiting members.
- ™ To support members in the establishment of a Joint Forum on which they enjoy representation and where they can discuss and participate in reviewing the benefit structure of their Sub-fund. The employer will remain the contracting party for the Sub-fund, and will act on behalf of the Joint Forum.
- ™ To distribute and communicate to employees all information intended for members.
- ™ To identify and assist with the training of personnel to perform the various tasks identified such as ensuring that records are maintained, payments are made, information in respect of deceased members are gathered, members are assisted to gain access to fund data on the intranet via the Retirement Fund Web facility.
- ™ To ensure that the administrator receives all information that is reasonably necessary for the performance of administration services.

## Contracted Financial Adviser

The trustees of the Sanlam Umbrella Fund require that every participating employer appoints a FAIS-accredited Contracted Financial Adviser to provide individual members with financial advice and a retirement needs analysis as and when required. It is the financial advisor's duty to advise members on their options in case of retirement, withdrawal or disability. The financial advisor will also be available to advise beneficiaries of deceased members on their options.

The Contracted Financial Adviser is responsible for advising members on investment choices and providing them with a financial needs analysis prior to them selecting individual investment portfolios for their assets.

The Contracted Financial Adviser must be compliant in terms of the FAIS Act, (No 37 of 2000) to render the above services to members.

## Contracted Benefit Consultant

The Contracted Benefit Consultant is responsible for the following services:

- ™ 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 assisting the administrator with ensuring adherence to all medical underwriting requirements.
- ™ To arrange, convene and chair an annual Joint Forum meeting with the participating employer and assist the employer with election of member representatives to the Joint Forum.
- ™ To provide advice on benefit and fund structure and planning to the participating employer on an annual basis.

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.



# 13

## NEW BUSINESS TERMS AND CONDITIONS

### Validity

Quotations are valid for 90 days from the date of issue and are subject to Sanlam Employee Benefits' standard terms, conditions and assumptions.

### Membership data and details

The quotation is based on the details and data provided by the employer. The fees are subject to change, if the details and data that were supplied were incomplete or differ at inception stage.

In addition, the quotation excludes members (unless otherwise stipulated in the quotation):

- <sup>TM</sup> who are contract workers;
- <sup>TM</sup> who are past the cover cease age;
- <sup>TM</sup> in respect of whom no salary was provided at quotation stage;
- <sup>TM</sup> in respect of whom no date of birth was provided at quotation stage;
- <sup>TM</sup> who work outside the borders of South Africa; and
- <sup>TM</sup> who currently receive disability income benefits.

### Quotation conditions

A suspensive condition of the quotation is that the administrator will conduct a reconciliation of data to ensure that it is compatible so as to ensure a smooth take-on. The take-on date will only be confirmed after this reconciliation has been completed and once the administrator is satisfied with the status of the information.

Quotation requests for Sub-funds that have previously been underwritten, and comprising more than 300 members, must be accompanied by claims experience from the previous administrators.

When a new claim is received during the transitional period before all assets are transferred:

- <sup>TM</sup> The Administrator will calculate the part of the benefit that accrues to the member for the period since the take-on date, arrange for a tax directive and pay the claimant;
- <sup>TM</sup> The previous administrator remains responsible for the payment of the benefit that accrues to the member for the period before the take-on date.

## Administration conditions

### Membership Data:

- <sup>TM</sup> The correct membership data must reach the Administrator before or on the inception date. Thereafter, it must be submitted two working days before the end of the month.
- <sup>TM</sup> To ensure a smooth take-over, there will be a full reconciliation between the number of members and member credits received by the Administrator and the number of members and member credits transferred by the previous administrator. Any differences will need to be explained by the previous administrator.
- <sup>TM</sup> It is a legislative requirement that all eligible, permanent employees be given the opportunity to join the Fund on commencement date. This option must be exercised within 12 months of such date. All new eligible employees who enter service must be registered as members of the Fund with the administrator.

### Contributions:

- <sup>TM</sup> Employer and employee contributions must be paid over to the Fund within seven days of the end of the period for which the contributions are due. Interest is payable according to legislation on late payment of premiums.
- <sup>TM</sup> Contributions will be allocated to individual member accounts on a monthly basis.
- <sup>TM</sup> The contribution payment received must reconcile fully with the final contribution data.
- <sup>TM</sup> In the case of temporary absence, e.g. maternity leave, the employer must continue to pay the contributions for risk benefits and administration fees for these members.

### Claims:

All documentation in respect of new claims must be submitted to the Administrator before the end of each month. The assets of members who exit the Fund and for whom claim documentation has been received will be disinvested and transferred to an interest-bearing investment at the end of each month.

### General and Special Rules:

The Sanlam Umbrella Fund is governed by a set of General Rules as compiled and maintained by its trustees. A set of Special Rules for each Sub-fund will be drafted and signed by the trustees within one month of the commencement date, and thereafter submitted to both the Registrar of Pension Funds and the Commissioner for the South African Revenue Services. The trustees will ensure that both the General Rules and all Special Rules comply with the requirements of both these parties.

### Guarantees:

At inception the Administration Fee and risk premium rates are guaranteed for 12 months, and thereafter are subject to review at 1 month's notice. This guarantee will cease to apply in the event that there is, in the sponsor's opinion, a material change in the membership profile or Sub-fund data from that employed for purposes of determining the quoted fees.

## Installation:

The confirmation of acceptance must be signed prior to the inception date. It is a prerequisite that the Administrator thereafter receives completed and signed documentation for installation by the 5<sup>th</sup> of the month of intended participation. In the event of documentation being received after this date, the Administrator can choose to move the effective participation date to the following month and any contributions received will only be invested in the new participation month.

All contributions received in the first month of participation will be invested as per the Sub-fund's selected default investment strategy. Investments of members who elect to make use of the alternative investment choice options will be moved to their chosen portfolios in the second month of participation (and only on receipt of signed investment instruction forms).

The Administrator is not permitted to process benefits until the Special Rules applicable to the new Sub-fund have been registered by the Financial Services Board.

## Additional/non-standard services:

- ™ Certain prescribed fees are payable by the Fund to the statutory authorities. These fees are debited against the Central Contingency Reserve Account.
- ™ The standard administration fees make provision for English correspondence. The Sanlam Umbrella Fund can accommodate correspondence in a second language or any other language, and this will be quoted separately on request.
- ™ Special fees can be negotiated for additional services. These fees will depend on the nature of the requested additional services, and the associated additional resource requirements and costs.

## Termination conditions

- ™ The cost involved in establishing a new Sub-fund is recovered over a period of 36 months. If a participating employer terminate its participation in the Fund within the first three years, a take-on fee will be payable. This is an amount equal to 30% of the monthly administration fee, payable on the date of termination, for the remaining months of the 36-month period. This applies if the termination does not arise from breach of contract by the sponsor, the Administrator or the Fund.
- ™ A dissolution fee equal to three months' administration fee will be payable on the date of termination. If the dissolution is not finalised within three months for reasons that cannot be attributed to "delays" on the part of the sponsor, the Administrator or the Fund, any additional costs incurred may be recovered. These costs will be based on a reasonable fee per hour. The dissolution fee is in addition to any charges that may be levied by the liquidator or any statutory charges payable.
- ™ In the event of a partial termination of a Sub-fund, or where the Sub-fund's benefit structure changes materially, a pro rata fee based on the take-on and/or dissolution fee will be payable.

# Disclosure

## Enquiries

On acceptance of a quotation, the employer enters into a contract / agreement with Sanlam Employee Benefits. Any queries about the administration of the Sub-fund should be addressed to the broker / consultant or local Sanlam Employee Benefits office.

After the acceptance of a quotation, any complaint in respect of the Fund or the introducing intermediary may be sent to The Compliance Officer, Sanlam Employee Benefits: Compliance, PO Box 1, Sanlamhof 7532.

## Claims notification

Prescribed claim forms must be completed and sent to the Administrator. The Administrator and / or Insurers may, from time to time, insist on further requirements before considering a claim. This information will be requested in writing.

No disability or death benefit will be payable if the Administrator is not notified of the claim for the benefit within six months of the insured's death or disability.

## Cooling-off period

Should a quotation be accepted, there is no cooling-off period during which membership of the Fund can be reconsidered, and cancellation at a later stage could result in potential financial loss.

## Replacement

Replacing an existing fund could be potentially detrimental to members. Detail of the actual and potential financial implications, costs and consequences of the replacement product should be disclosed in full by the intermediary and should cover:

- ™ payment of new charges
- ™ loss of cover
- ™ change in investment risk
- ™ recoupment of unrecovered expenses under the replaced policy
- ™ loss of tax advantages (if any)

In terms of The Financial Advisory & Intermediary Services Act, 37 of 2002 (FAIS) Sanlam is a duly licensed financial services provider in terms of S7(1) and all its representatives must adhere to the following requirements:

- Give advice appropriate to the client's needs and financial situation
- Keep proper record of the advice and request the client's signature to this.

*Version: 9 January 2008*

