

# Retirement Annuity Plan

## Plan description

A person who wants to receive retirement annuity benefits, must be a member of a retirement annuity fund. To provide the benefits to the member, the retirement annuity fund holds a plan for the member. The retirement annuity fund, and not the member, is the planholder.

The person referred to as the life insured in the contract documents, is a member of the Professional Provident Society Retirement Annuity Fund (the FUND). The FUND holds a plan with us, Sanlam Life Insurance Limited (Sanlam Life), on the life of the member, to provide the retirement annuity benefits.

As required by the Pension Funds Act, contributions must be paid directly to us, and not to the FUND. We receive the contributions as the payments of the plan.

The plan is an insurance policy as described under, and regulated by the Long-term Insurance Act, 1998 and the Insurance Act, 2017. The plan is a contract between the planholder and us.

The contract consists of the following:

- the quotation for the original migrated plan;
- the application for the original migrated plan;
- this plan description, PLR-A13-01, as updated from time to time. The latest plan description is available on request from the PPS Investments Client Service Centre. Please refer to "PPS Investments Client Service Centre details" at the end of the statement;
- the statement, as updated from time to time;
- other documents, correspondence and information, if any, that by implication form part of the contract.

We will update the plan description and statement to reflect changes

- in administration procedures, for example how unit prices are determined and where information about investment funds can be found;
- in charges, including the fees charged by the asset managers;
- necessitated by external factors, for example legislation, or the interpretation thereof.

This plan description should be read in conjunction with the statement that the life insured receives. All information applicable to a specific plan is set out in the statement for that plan. If there is any conflict or inconsistency between the contents of this plan description, a statement for a plan and the rules of the FUND, the provisions of the latter two will prevail.

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### Migration

When we migrate an existing plan to this type of plan, we refer to it as a migration. For administration purposes we allocate a new plan number. The amount that is transferred from the existing plan is equal to the one-off payment on the start date of the migration.

The provisions as set out in the contract documents will only apply from the start date of the migration.

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## Explanations

### Option date

It is the date which indicates the end of the term, and is indicated in the statement.

### Open-ended term

After the chosen term has expired, the term of the plan is considered as open-ended. This means that the fund value will not be paid out automatically after the chosen term has expired, but that the plan will continue until the planholder terminates the plan.

### Fund value

The fund value is built up by the one-off payment on the start date of the migration and by the savings part of recurring payments.

### Working day

It is any day of the week from Monday to Friday, excluding public holidays.

### Payment holiday

A period during which the recurring payments are temporarily stopped on request.

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## Payments

### Recurring payments

Recurring payments are allowed, but then they should apply from the start date of the migration. They cannot be added later. A recurring payment, if applicable, is due on the same day of each month or year, as indicated in the statement.

A recurring payment consists of a savings part and a risk part. If there are no waiver of payment benefits on the plan, the risk part of the recurring payment is not applicable.

If recurring payments are made by debit order, and the requested day on which we have to collect the payment does not fall on a working day, or a month does not have the particular day, we will collect it on the following working day.

The transaction date for a recurring payment is the later of the payment due date and the actual payment date. If this is not a working day, the transaction date will be the first working day thereafter. We will not adjust a recurring payment to allow for early payment if it is made before the transaction date.

If a recurring payment is not made in full within a 30 day period of grace, we may consider the recurring payment stopped. Also, if waiver of payment benefits are applicable, and a recurring payment is not made in full within a 30 day period of grace, these benefits will no longer provide cover.

### Payment growth

If the plan has payment growth, the recurring payment will be increased according to the conditions of the type of payment growth, as chosen.

We offer the following type(s) of payment growth:

- **Fixed growth**

The recurring payment will be increased each year by the chosen fixed percentage.

- **Sanlam inflation**  
The recurring payment will be increased each year by the inflation rate, as determined by us. In setting the rate, we will take into account the change in the consumer price index, or any other commonly accepted method of measuring inflation that may apply at the time. The Sanlam inflation rate may differ from official rates, due to differences in calculation methods. A minimum increase applies, which may change from time to time.
- **Flexi growth for scheme**  
Flexi growth is only available for a plan that forms part of a scheme. The recurring payment will be increased on request. Any number of increases per year may be requested. Any amount or percentage may be requested for an increase, subject to a minimum which may change from time to time.

The payment growth type that applies for a plan is indicated in the statement.

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## **Investment**

We invest a one-off payment and the savings part of a recurring payment plus their additional allocations, if applicable, less charges, if applicable, in the respective chosen investment funds.

Information about the full range of available investment funds may be requested from the PPS Investments Client Service Centre. Please refer to "PPS Investments Client Service Centre details" at the end of the statement.

## **How and when is the amount allocated to a specific investment fund, invested?**

We use the amount allocated to a specific investment fund to buy units in that investment fund on the transaction date.

## **Unit price**

A unit price is calculated daily in South African currency, on the basis of the market value of the assets in the investment fund.

The following are taken into account when the unit price is calculated for a specific investment fund:

- tax, as levied in the applicable policyholders' fund. Currently no tax is levied in the policyholders' fund for retirement funds;
- the smoothing charge for the stabilised funds, if applicable;
- the fees charged by the asset managers.

The unit price of an investment fund is not guaranteed, and may increase or decrease over time, unless it is specifically stated otherwise in the contract.

For stabilised investment funds, the unit price is linked to bonus declarations that aim to smooth growth over time, instead of using the market value directly. The working of these stabilised investment funds is explained in the attached "Principles and Practices of Financial Management" document. This document is also available on the Sanlam website at [http://www.sanlam.co.za/Legal/Principles and Practices of Financial Management \(PPFM\)/Sanlam Personal Finance Individual Smoothed Bonus Products](http://www.sanlam.co.za/Legal/Principles and Practices of Financial Management (PPFM)/Sanlam Personal Finance Individual Smoothed Bonus Products).

### **May an investment fund be closed?**

Yes. This may occur if, for example, legislation changes or certain classes of assets become unavailable or it is in our opinion no longer prudent to invest in the specific investment fund. If the plan is affected, we will request the life insured to choose another investment fund allowed at that stage for this type of plan, and to inform us of the choice made. If we receive no response to such a request, we will decide in which investment fund to invest the affected part of the plan.

### **Switching of investment funds**

Switching of investment funds allowed at the time for this type of plan may be done on request. We will sell units of the investment funds out of which a switch is done, and buy units of the investment funds into which a switch is done. We do this on the first working day after receiving the switch request.

Future payments may be allocated to any investment fund allowed for this type of plan. The payments already allocated to the current investment funds, will then remain in these investment funds.

### **Cost to switch investment funds**

Currently there is no transaction charge for the first four switches in a plan year. For each subsequent switch in a plan year, we will levy a transaction charge, which will be determined at the time. The current transaction charge is indicated in the statement. We may change the number of free switches from time to time.

### **Trading of assets**

We may use the assets in the investment funds for transactions such as scrip lending. Any income or loss arising from these transactions will be for our own account, and therefore will not affect the plan benefits.

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## **Fund value**

The fund value of a specific investment fund is the number of units multiplied by the unit price for that investment fund.

The fund value of the plan is the total fund value of all the investment funds for that plan.

### **Stabilised investment funds**

For stabilised investment funds, the fund value will be equal to the number of units in the stabilised investment fund multiplied by its unit price, only on the dates or only on the occurrence of the events indicated in the statement.

On any other date or event, the fund value is the lower of the market value of the underlying assets and the number of units multiplied by its unit price. The market value may increase or decrease over time. If a benefit is paid, or if a charge is levied for reducing or for stopping the recurring payment, at a time when the market value of the underlying assets is the lower of the two values, a market value adjustment will be applied. This will be done by selling a number of units equal in value to the difference between the number of units multiplied by the unit price, and the market value of the underlying assets. The remaining units, if any, will therefore be less than they would have been if a benefit had been paid at a time when the number of units multiplied by the unit price was lower than or equal to the market value of the underlying assets.

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## Charges

### Tax

Tax is levied according to the applicable policyholders' fund. Currently no tax is levied in the policyholders' fund for retirement funds.

### Charges for the plan

The current charges are indicated in the statement and can be one or more of the following:

- An **initial marketing charge**, deducted from the savings part of each recurring payment. Sanlam Life will determine the charge before the option date. After the option date the initial marketing charge will depend on the level of the commission negotiated.
- A monthly **plan charge**, which will be increased from time to time to allow for inflation, as determined by us. The charge is deducted monthly from the fund value by selling units to the value of the charge.
- A yearly **marketing and administration charge**, which is calculated as a percentage of the fund value. The charge is calculated on a monthly basis, which means the percentage is divided by 12 to calculate the monthly amount. The charge is deducted monthly from the fund value by selling units to the value of the charge. From the option date, the marketing and administration charge will reduce, depending on the fund value of the plan, as indicated in the statement.

For a stabilised investment fund the marketing and administration charge will always be calculated on a fund value equal to the number of units in the stabilised investment fund multiplied by its unit price.

### Deductions made by the asset managers

An asset manager charges fees for investment research and for selecting the underlying assets of an investment fund. These fees are taken into account in the calculation of the daily unit price of an investment fund. The published performance figures of an investment fund are therefore net of these fees. More information on these fees and their current values are available in the statement.

### Transaction charge

We will levy a transaction charge for each of the following alterations before the option date:

- Reduction or stopping of the recurring payment;
- Taking an early retirement benefit;
- Termination of the plan.

The amount of this transaction charge is determined by means of regulatory measures and it will change in future if such regulatory measures or legislation change.

We will also levy a transaction charge for switching of investment funds. This transaction charge will be increased from time to time to allow for inflation, as determined by us. We will continue to levy the transaction charge for switching of investment funds after the option date.

Plan specific rules are applied to determine the maximum payment holiday period over the term of the plan. The payment holiday period can be used in full or partially at different times during the term of the plan. Some of these periods will be free of charge. Once all these free periods have been used, the plan may qualify for an additional number of payment holiday periods for which we will levy a transaction charge. This transaction charge will be increased from time to time to allow for inflation, as determined by us. The current transaction charge is indicated in the statement.

Every transaction charge will be taken from the fund value by selling the required number of units.

### **Termination charge**

We may levy a **termination charge** for taking an early retirement benefit or termination of the plan before the option date, except if the plan is terminated due to ill-health retirement or the death of the life insured. This charge is determined on the start date of the migration and will decrease to zero over time. The termination charge, if applicable, is indicated in the statement.

The termination charge indicated in the statement is not tested against any applicable legal limit, but it will be done when a termination charge is levied.

The termination charge will be deducted from the fund value by selling units. The value of the sold units will be equal to the value of the charge.

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### **Investment advice agreement between the life insured and the FUND**

The life insured, as a member of the FUND, may request the FUND to pay a fund-based fee, including VAT if applicable, for ongoing investment advice for his or her retirement investment. We, as the administrator of the FUND and on instruction of the FUND, will pay this fee monthly on behalf of the FUND to the intermediary who provides this advice.

This investment advice is a discretionary service that is provided by an intermediary nominated by the life insured. It is not part of the intermediary services for which we pay commission.

The fund-based fee for the investment advice is specified as a percentage per year of the fund value. The life insured must specify the percentage. The fund-based fee is calculated on a monthly basis, which means that the specified percentage is divided by 12. It is deducted monthly from the fund value by means of a withdrawal. Because the fund-based fee is based on the fund value, the rand value of the fee will fluctuate. For example, a fund-based fee of 0.50% implies R41.67 per month if the fund value equals R100 000.00.

For a stabilised investment fund the fund-based fee will always be calculated on a fund value equal to the number of units in the stabilised investment fund multiplied by its unit price.

The current fund-based fee, if applicable, is indicated in the statement.

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## **Reduction or stopping of the recurring payment**

The recurring payment may be reduced or stopped on request, provided that our conditions at the time are met.

One of the conditions for stopping the recurring payment is a minimum fund value, after the transaction charge, if applicable, has been deducted. If recurring payments are stopped despite this condition not being met, the plan will lapse. The minimum fund value is indicated in the statement.

If recurring payments are stopped due to meeting certain non-residence tax requirements, the plan's termination value may be taken as a lump sum provided that those requirements have been met. The termination value is equal to the fund value less the transaction and termination charges, if applicable.

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## **Retirement benefit**

The retirement benefit may be taken at any time from the life insured's 55th birthday, except if the life insured qualifies for disability benefits as defined in the rules of the FUND, when it may be taken earlier. The retirement benefit amount is equal to the plan's termination value, which is the fund value less the transaction and termination charges, if applicable.

### **How will the retirement benefit be provided?**

Depending on legislation the life insured may take a part of the retirement benefit amount as a lump sum. The balance must be used to provide regular pension payments. Or, the life insured can choose that the full benefit amount be used to provide regular pension payments.

Whichever way the benefit amount is taken, the plan will then end. An annuity plan will be taken out to provide the regular pension payments. This plan must be taken out with an insurer who is licensed as a life insurer under the Insurance Act, 2017.

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## **Tax on retirement benefit**

According to current tax legislation, and depending on the life insured's tax situation,

- the lump sum benefit could be tax-free within certain limits, and
  - regular pension payments will be fully taxable as income.
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## **Benefit payable at death**

The benefit amount is equal to the fund value on the date that we receive notice of the death of the life insured.

The full benefit amount may be paid as a lump sum, or it can be used to provide regular pension payments. An annuity plan will be taken out to provide the regular pension payments. This plan must be taken out with an insurer who is licensed as a life insurer under the Insurance Act, 2017.

### **Who will receive the benefit payable at death?**

As required by the Pension Funds Act, any amount payable as a result of death must be paid

- to any or all of the dependants of the life insured, or
- if the life insured has appointed nominees who are not dependants, then to any one or more of the dependants and nominees.

### **How much will be paid to each dependant or nominee?**

The trustees of the FUND will decide whether the needs of dependants have been adequately provided for. They will therefore decide each dependant's share, if any, of an amount payable. If a nominee is not a dependant, the trustees will also decide whether the nominee qualifies for any benefits and if so to what extent the nominee will share with the dependants in an amount payable.

### **Who is a dependant?**

- The spouse of the life insured.
- A child of the life insured, including an adopted or illegitimate child.
- A person who, in law or in fact, depends on the life insured for financial support.
- A person who, in law or in fact, would have depended on the life insured for financial support had the life insured not died. For example, a child of the life insured who is born after the life insured's death.

### **Is it necessary to appoint nominees?**

Yes. A nominee is someone the life insured appoints to receive the benefit available at death, or a part of it. We, and the trustees of the FUND, will then know what the wishes of the life insured are. A nominee may only accept or reject the appointment after the death of the life insured.

### **May the appointment of a nominee be changed?**

An appointment may be added, cancelled or changed at any time. It must be in writing and signed by the life insured, and must reach the FUND's head office before the life insured's death.

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## **Payments**

All payments must be made in South Africa in South African currency.

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### **Please note**

- The plan is subject to legislation and our requirements from time to time.
  - We determine the values, benefits and charges of this plan, and administer the plan, according to the actuarial basis that has been approved for it as required by the Long-term Insurance Act, 1998.
  - If waiver of payment benefits were chosen, refer to the applicable attached "Addition to plan description" for an explanation.
  - The level of recurring payments may be changed, subject to our requirements at the time.
  - We do not guarantee the performance of the investment funds. The value of units may increase or decrease, and past performance is no guarantee of future performance. For example, the value of assets in foreign currencies may increase or decrease materially due to changes in exchange rates.
  - We will consider a claim for payment of a benefit only after we have received the information we may require for this purpose.
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