



cumulus echo retirement plan for professionals

conversion

Insurance

Financial Planning

Retirement

Investments

Wealth

Working of the plan

In order to receive the retirement annuity benefits, you became a member of the Central Retirement Annuity Fund (the FUND). The FUND holds a plan with us, Sanlam Life Insurance Limited (Sanlam Life), on your life to provide the retirement annuity benefits. The FUND, and not you, is the planholder. When we convert an existing plan to a Cumulus Echo Retirement Plan, we allocate a new plan number for administration purposes. In this document we refer to you, the member, as the life insured.

The plan is an insurance policy as described under, and regulated by the Long-term Insurance Act, 1998. The plan will be administered by us.

Plan details

Product code	R39C
Product name	Cumulus Echo Retirement Plan for Professionals
Product option	Comprehensive (Regulation 28)

Start date

The converted plan starts on the assumed date stated in the quotation for a term until the option date. The actual start date will be the date on which the conversion is executed. After the option date, the term of the plan is open-ended.

Payment details

One-off payment

The assumed value indicated in the quotation will be transferred from the existing plan as a one-off payment. The actual value will be determined on the date on which the conversion is executed and will be confirmed in the policy statement.

Recurring payment

The recurring payment as indicated in the quotation is payable per month on the payment due date, and on the same day of every month, or, in the case of debit order payment methods, the first working day thereafter. The recurring payment will increase with the payment growth indicated in the quotation one year after the plan's start date, and on every plan anniversary thereafter.

Illustrative recurring payments

If you have automatic payment growth on the existing plan, the new Cumulus Echo Retirement Plan payments will be treated the same way.

If you do not have automatic payment growth, your 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. The current minimum is 3.5%.

To indicate the effect of payment growth, please refer to the following table. A monthly payment of R500 with yearly payment growth at Sanlam inflation is assumed for this illustration. Your actual monthly payment and the actual payment growth rate on the plan will be indicated in the contract documents.

Expired term	Recurring payment at different assumed growth rates	
	@ 3.5%	@ 6.0%
1	R517.50	R530.00
2	R535.61	R561.80
3	R554.36	R595.51
4	R573.76	R631.24
5	R593.84	R669.11
10	R705.30	R895.42
15	R837.67	R1 198.28
20	R994.89	R1 603.57
25	R1 181.62	R2 145.94
30	R1 403.40	R2 871.75

The actual payment growth rate each year will be determined by the future Sanlam inflation rate at the time of growth. Payment growth rates of 3.5% and 6.0% are used to illustrate what the possible future payments could be.

Investment details

Investment funds: Satrix Lifetime Investment Option	Fund number	Risk classification / asset class	Allocation %
SATRIX Dynamic Balanced Fund B	920	Moderately aggressive	100.0
Wealth Protector	695	Conservative	0.00
Total			100.0

Information about all the investment funds we offer is available on the Sanlam website at <http://www.sanlam.co.za>.

We invest a payment in the respective chosen investment funds by buying units in each of these investment funds.

Because the Satrix Lifetime Investment Option applies, we will actively manage your investment. We allocate the investment to the investment funds as indicated in the previous table. Closer to the chosen retirement date we will gradually shift the allocation of the investment by switching between the investment funds to ensure that the investment is fully invested in stable investment funds at the planned retirement date. No transaction charge will be levied for these switches.

For all investment funds the unit price is not guaranteed, and may increase or decrease over time.

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 the plan.

Investment fund descriptions

For non-linked policies, we may leverage 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 do not affect the benefits to which the life insured is entitled under this plan.

➤ SATRIX Dynamic Balanced Fund B

This fund is a passively managed investment fund that offers diversified exposure to all the major local and international asset classes at a competitive fee. The fund invests in a basket of indices and derivative contracts are used to obtain exposure to the relevant indices.

➤ Wealth Protector

The objective of the fund is to protect the prospective retiree's real income stream during retirement. This is done by investing largely in inflation-linked bonds issued by the South African government, which are expected to closely match the cost of securing an inflation-linked annuity at retirement. The value of the portfolio can be expected to decrease or increase from time to time in response to changes in real interest rates. The portfolio is managed to comply with Regulation 28 of the Pension Funds Act.

Possible values

Illustrative values on chosen retirement date

The illustrative values in the quotation are not guaranteed and are determined assuming a gross investment return of respectively 6.5% per year for a low inflation scenario and 13% per year for a high inflation scenario. Those illustrative values should be used only as a tool in financial planning and should not be seen as an accurate forecast in any sense. The actual investment return earned on the plan will depend on the gross investment return of the chosen investment funds and the extent to which this return is reduced by the plan charges.

Those values assume the investment funds indicated in the quotation (which may be cheaper or more expensive than the investment funds invested in before the conversion) and allow for future payment growth at the rate indicated in the quotation (which may differ from the rate applicable to the existing plan). Those values include the Echo Bonus added at retirement.

Factors affecting the return on the plan

Investment return on chosen investment funds

The gross investment return is the rate of return earned on the investment funds chosen by the life insured, before deductions for life office tax and charges. This rate will depend on financial market conditions and the rate of inflation during the plan term.

Effect of inflation

Inflation has a major impact on investment returns, and in general higher inflation leads to higher investment returns and lower inflation leads to lower investment returns. Real rates of return (the excess of the investment return over the inflation rate) give a meaningful indication of how the investment has performed.

Effect of life office taxation

Currently no tax is levied in the policyholders' fund for retirement funds.

Echo Bonus

Description

The Echo Bonus is an additional amount which is added to the benefit payable at termination or retirement. Generally, the longer the life insured has made payments and the higher the amount of the payments over the term of the plan, the larger the Echo Bonus will be.

For the purpose of calculating the Echo Bonus, the payments are split into parts called payment layers. On the start date of the conversion, a separate payment layer is formed by the one-off payment and by the recurring payment, if applicable. Thereafter, for each recurring payment increase, whether at the life insured's request or due to payment growth on the plan, as well as for each additional one-off payment, a new payment layer is added. The new payment layer is formed by the increased part of the recurring payment or by the additional one-off payment. The Echo Bonus for the plan is the sum of the Echo Bonuses for all the payment layers.

For each payment layer, a separate Echo Bonus is calculated. The Echo Bonus is a **percentage** of the sum of the life insured's invested payments for each payment layer and the **investment return** up to the time of calculating the Echo Bonus, multiplied by a **factor**. The multiplying by a factor only applies to a plan with recurring payments.

The **percentage** referred to here is called the Echo Bonus percentage, and depends on the term for which the payment layer has been in force at the time of the calculation. The longer this term, the higher the Echo Bonus percentage will be.

The estimated Echo Bonus percentages for different terms are indicated in the quotation. The actual Echo Bonus percentages will be determined on the date on which the conversion is executed and will be confirmed in the statement.

Reduced commission is payable because the commission has been negotiated to be less than the maximum allowed, or the amount of commission to be paid has been restricted due to legislation. Therefore, the Echo Bonus percentages in the table in the quotation will be increased for the recurring payment layer on the start date of the conversion. For terms 0 to 5 years, the Echo Bonus percentage will increase linearly from 0% to a maximum of 5%. For terms longer than 5 years, the additional Echo Bonus percentage will remain constant until the option date. If the payment-based commission is renegotiated at some point in the future, the additional Echo Bonus percentage will be adjusted accordingly.

Herewith the Echo Bonus percentages for any recurring payment increase due to payment growth on the converted plan:

Term in years	Echo Bonus %
0	0
5	3
10	11
15	22
20	32
25	52
30	72
35	92
40	112

For terms longer than those indicated in the table, the Echo Bonus percentage will increase with 20% every 5 years after the last term in the table.

For a term in-between those shown in the tables, we first determine the percentages that apply to the terms before and after the required term. Then we determine the percentage to be used for the required term as an interpolation between the two percentages. For example, if the percentages for 2 consecutive terms, 5 years apart, are 10% and 20%, and the required term is 2 years after the first term, then the percentage will be 14%.

Since the commission is negotiated to be less than the maximum allowed, the recurring payment Echo Bonus percentages in the previous table will be increased. For terms 0 to 5 years, the additional Echo Bonus percentage will increase linearly from 0% to 2.5%. For terms longer than 5 years, the additional Echo Bonus percentage will remain 2.5% until the option date. If the payment-based commission is renegotiated at some point in the future, the additional Echo Bonus percentage will be adjusted accordingly.

The **investment return** reflects the performance of the underlying investment funds of the plan. The investment return also allows for any charges or fees deducted from the fund value of the plan, as well as any discounts added to the fund value of the plan. The sum of the life insured's invested payments for all payment layers and the investment return is equal to the fund value of the plan.

For the recurring payment layer on the start date of the conversion the **factor** used in the Echo Bonus calculation is equal to one. For each subsequent recurring payment layer up to the option date the factor is equal to the sum of the recurring payments made up to the time of calculation, divided by the sum of the recurring payments that we expected would be made over the term from the start date of each payment layer to the option date. For as long as the life insured continues to make recurring payments, the factor for each subsequent recurring payment layer will increase. If the life insured reduces or stops recurring payments, the factor for each subsequent recurring payment layer will increase at a slower rate or stop increasing. The factor is limited to a maximum of one.

For the calculation of the Echo Bonus at the death of the life insured, when the life insured qualifies for disability benefits as defined in the rules of the FUND before his or her 55th birthday, and for recurring payment layers starting after the option date, the factor is regarded as equal to one.

Example 1: Emma is 40 years old. She decides to contribute R1 000 per month to a Cumulus Echo Retirement Plan with a chosen retirement age of 65 – so the contractual term of the plan is 25 years. Therefore, if you look at the table, it shows that an Echo Bonus of 50% will be added to Emma's total retirement savings when she retires at 65. If Emma **makes all her payments** up to age 65 and a 10% rate of return is assumed, Emma's fund value would be approximately R600 000, and an Echo Bonus of R300 000 (i.e. 50% of R600 000) will therefore be added to her total fund value. Her retirement benefit therefore equals R900 000.

Example 2: Alternatively after 15 years at age 55, Emma decides to reduce her payment by 50%, making it R500 per month. After 5 years of paying R500 per month, she increases her payment to R1 500 per month and takes the retirement benefit on her chosen retirement age of 65.

The original payment of R1 000 per month, which was later reduced to R500 per month, constitutes the first layer. Emma's fund value for this layer at age 65, when she retires, is approximately R530 000.

The increased payment of R1 000 per month payable from year 20 constitutes the second layer. Emma's fund value for this layer at age 65, when she retires, is approximately R70 000.

The Echo Bonus for each layer is then calculated as follows:

Layer 1 has an Echo Bonus term of 25 years, which means an Echo Bonus % of 50% applies (see Echo Bonus table on previous page).

The Echo Bonus is then determined as follows:

$$\text{Echo Bonus} = \text{Echo Bonus \%} \times \text{fund value} \times \text{factor (f)}$$

Where:

$$\begin{aligned} f &= \text{Payments received for layer 1} / \text{payments expected for layer 1} \\ &= [(1\,000 \times 12 \times 15) + (500 \times 12 \times 10)] / (1\,000 \times 12 \times 25) \\ &= 0.80 \end{aligned}$$

Therefore:

$$\begin{aligned} \text{Echo Bonus} &= (50/100) \times \text{R}530\,000 \times 0.80 \\ &= \text{R}212\,000 \end{aligned}$$

Layer 2 has an Echo Bonus term of 5 years, which means an Echo Bonus % of 2% applies (see Echo Bonus table on previous page).

The Echo Bonus is then determined as follows:

$$\text{Echo Bonus} = \text{Echo Bonus \%} \times \text{fund value} \times \text{factor (f)}$$

Where:

$$\begin{aligned} f &= \text{Payments received for layer 2} / \text{payments expected for layer 2} \\ &= (1\,000 \times 12 \times 5) / (1\,000 \times 12 \times 5) \\ &= 1 \end{aligned}$$

Therefore:

$$\begin{aligned} \text{Echo Bonus} &= (2/100) \times \text{R}70\,000 \times 1 \\ &= \text{R}1\,400 \end{aligned}$$

Benefit details

The Echo Bonus percentages used in the calculation of the Echo Bonus are indicated in the quotation.

Charges

This information is given as on the date mentioned in the quotation, and any reference to “current” or “currently” refers to that date. This means that the charges may change from time to time.

Charges for the plan

The current charges are as follows:

Payment charge

The payment charge for recurring payments is currently 3.50% of each payment, for payments made by stop order.

Marketing and administration charge

The marketing and administration charge 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. However, this charge is subject to a minimum rand amount that will be increased gradually over 24 months from R0 per month on the start date of the plan to R50.50 per month. This current minimum rand amount will be increased from time to time to allow for inflation, as determined by us.

The marketing and administration charge changes as the fund value of the plan increases to higher fund value bands, as indicated in the following table.

The total marketing and administration charge for the life insured is calculated on the sum of the fund values of all the plans that exist for the life insured for the Cumulus Echo retirement annuity product as well as the Cumulus Echo investment linked life annuity product. The marketing and administration charge for this plan is calculated as the proportion the fund value of this plan has to the total fund value of all the plans, multiplied by the total marketing and administration charge. The minimum monthly rand amount per plan will still apply.

Fund value band	Yearly marketing and administration charge % of fund value
First R500 000	4.20
Next R500 000	3.75
Next R1 000 000	3.50
Excess above R2 000 000	3.50

The marketing and administration charge is currently 4.20% per year of the fund value, not taking into account the minimum monthly charge and Echo Bonus. The effective charge will be lower after taking into account Echo Bonuses. The charge is for the specific plan but excludes any potential discounts as a result of multiple Cumulus Echo plans.

Deductions made by the asset managers

An asset manager charges fees for investment research and selecting the underlying assets for a specific investment fund. These fees are taken into account in the calculation of the daily unit price of the investment fund. The published performance figures of the investment fund are therefore net of these fees.

These fees are fixed or performance-based as indicated in the **Fee type** column in the following table. Performance-based fees (PBF) are dependent on the performance of an investment fund in relation to its benchmark. The current minimum and maximum fees for an investment fund are indicated in the **Fee range** column. Only one value is indicated for an investment with a fixed fee.

The **Fee at benchmark** indicates the fee that will be charged if the investment return on an investment fund is the same as its benchmark. Except for an investment fund with a fixed fee, the actual fee can be higher or lower depending on the performance of the investment fund. Detail on the benchmark and how the fee is calculated, is available from the asset manager or the relevant fund fact sheet on the Sanlam website.

The Total Investment Cost (**TIC**) is not a separate fee, but a measure of the actual costs incurred in managing the investment funds over the past three years up to the date indicated in the following table. The TIC is expressed as a percentage of the investment fund assets.

Investment fund	Fee type	Fee range %	Fee at benchmark ³ %	TIC as on 2018/12/31 ^{1,2} %
SATRIX Dynamic Balanced Fund B	Fixed	0.30	0.30	0.30
Wealth Protector	Fixed	0.25	0.25	0.28

All values in the table are expressed as a yearly percentage of the market value of each investment fund and include VAT where applicable.

1. The TIC equals the sum of the total expense ratio (TER) and the total cost ratio (TCR). The TER includes the yearly fees that an asset manager charges, which is the fee at benchmark and any performance component, as well as any custodian fees. The TCR includes the more direct investment costs which mainly consist of trading costs for example brokerage, and taxes, for example VAT, STT, STRATE and FSB Investor Protection Levy.
2. The TIC is used for the purpose of calculating Investment Management in the EAC table (see previously under "Effect of charges and Echo Bonus").
3. If you are a member of Reality, and depending on the Reality option and tier that you are on at the time, we may give a discount on the fee at benchmark for certain investment funds. This discount is not guaranteed. The discount will be added monthly to the fund value of the plan by adding additional units to the value of the discount.

Termination charge

We may levy a termination charge for taking an early retirement benefit or termination of the plan before the option date. Please refer to the quotation for detail on this charge.

Payment reduction charge

We may levy a payment reduction charge for reduction or stopping of a recurring payment. Please refer to the quotation for detail on this charge.

Transaction charge

The transaction charge for each of the following alterations is calculated as the smaller of R300 and 1% of the fund value. This current rand amount is determined by means of regulatory measures and it will change in future if such regulatory measures or legislation changes. This charge will be levied in addition to the alteration charge.

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

We will not levy this transaction charge on or after the chosen retirement date (option date). The transaction charge will be taken from the fund value by selling the required number of units.

Reducing or stopping the recurring payment

The recurring payment may be reduced or stopped on request. The recurring payment may only be stopped if the fund value is at least R100, after deducting the payment reduction charge, if applicable, and the transaction charge. If recurring payments are stopped despite this condition not being met, the plan will lapse.

Commission

The commission, if applicable, is not levied in addition to the “Charges”. A part of these charges pays for the commission.

No commission is payable in respect of the one-off payment.

Initial commission

We will pay initial commission to a maximum of 2.5% for each future payment increase discounted over the outstanding term. The commission is payable on the date of the payment increase. It is based on the increased payments over the outstanding term, limited to a maximum of 25 years. Example: Consider a plan with a 10-year term, an initial payment of R500 per month, a 10% payment increase per year and 2.5% initial commission. The increase at the end of year 1 will be R50. The commission payable will be $2.5\% \times R50 \times 84.2494 = R105.31$. Each subsequent increase in payment will work the same way.

Payment-based commission

No payment-based commission is payable.

Investment fund considerations

Compliance with Regulation 28

Regulation 28 of the Pension Funds Act, 1956 requires that savings towards retirement must be protected. For this reason, the regulation limits the exposure to different asset classes for retirement fund plans. Currently the maximum limits are, amongst others, 75% in equities, 30% in offshore assets, 25% in property assets and 10% in hedge funds. It is essential for retirement fund plans to comply with the limits of Regulation 28.

Some investment funds are Regulation 28 compliant which means that the asset managers of those funds ensure that the funds always comply with the limits of Regulation 28. If a retirement fund plan has only Regulation 28 compliant investment funds or a lifetime investment option, the plan will always be Regulation 28 compliant.

If a retirement fund plan has one or more investment funds which are not Regulation 28 compliant, market movements could result in the asset allocations of the plan exceeding the limits stipulated by Regulation 28. For this reason, we are obliged to monitor the plan on a regular basis to determine whether it is still Regulation 28 compliant. If the plan is no longer compliant, we will inform the life insured about the required actions to rebalance the asset allocation as well as the implications if this is not done.

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.

Switches and revised payment allocations

Any switch of investment funds that we do according to the applicable lifetime investment option, will be free of charge. No transaction charge will be levied.

Benefit descriptions

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.

How will the regular pension payments be provided?

Since this conversion involves the Comprehensive R28 product option, the retirement benefit amount may remain invested in the plan, while regular pension payments are provided. No payments may be made at the same time.

Alternatively, this plan will end and an annuity plan may be taken out to provide the regular pension payments. The annuity must be taken out with an insurer who is registered as a long-term insurer under the Long-term Insurance Act, 1998.

Whichever way the benefit amount is taken, the plan will then end.

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.

If the total retirement benefit of all the plans held by the FUND on the life insured's life does not exceed R247 500, it may be paid as a lump sum.

Tax saving

According to current tax legislation your payments to a retirement annuity fund qualify for tax relief up to your personal limit.

Benefit payable at death

The fund value at the date on which we received notice of the death of the life insured will be payable.

The full benefit amount may be paid as a lump sum, or it can be used to provide regular pension payments.

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.

Replacement

It is not in your interest to, wholly or partially, cancel an existing financial product or reduce payments on it, in order to take out this plan. It is important that you understand the effects that this might have on your financial planning. Among the potential implications, cost and consequences of such a replacement, where applicable, are:

- payment of new charges;
- the influence of increased age on payments;
- future uninsurability;
- loss of cover;
- recoupment of unrecovered expenses under the existing product;
- loss of tax advantages (if any).

Claim procedure

In the event of a claim, please inform us as soon as possible. To obtain the necessary claim forms and to ensure that all the required information is supplied, contact the Sanlam Life Claims Call Centre at (021) 916-1710. Depending on the nature of the claim, documentary proof (e.g. a death certificate or medical report) will be required.

Applying for the conversion to the Cumulus Echo Retirement Plan is easy

You can either:

- Contact us on 0860 22 33 90 from Mondays to Thursdays between 08:30 and 17:00, and Fridays between 08:30 and 16:00.
- Or contact your adviser or broker. (Call 0860 22 33 90 if you do not have one.)

Cooling-off period

If you accept this invitation, and apply for the conversion based on it, you will have a period of 31 days in which to examine the contract documents, and decide whether you wish to continue with the conversion. If the conversion really does not meet your requirements, and if you have not made any changes to it, you may cancel it by notifying us in writing during this period.

Any increase in the recurring payments already made since the start date of the conversion will then be refunded to you. If the assets in which the increase in recurring payments was invested have decreased in value, we will reduce the amount to be refunded accordingly.

Professional and indemnity insurance

Sanlam Life holds professional and indemnity insurance.

Enquiries

If you require any further information, or if you have received unsatisfactory service or inappropriate advice, please phone our Client Care Centre on 0860SANLAM (0860 726 526), or send us an e-mail message at life@sanlam.co.za. Our compliance department can be contacted at the same number.

Notes:

If you proceed on your own with this transaction, we accept that it is not based on the advice of an adviser or broker.

All references to Sanlam Life mean Sanlam Life Insurance Limited. Sanlam Life is a Licensed Financial Services and Registered Credit Provider.