

OUR
WORLD IS
BEING TESTED



AGENDA

- ④ Context
 - ④ Sanlam Umbrella Fund
 - ④ Sanlam Retirement Fund Administration
 - ④ Sanlam Group Risk
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CONTEXT

Section 13A of the Pensions Funds Act



- ④ Payment of any contributions deducted from employees' remuneration
 - ④ Any contribution for which the employer is liable
 - ④ According to the Fund Rules
 - ④ Payment must be made within 7 days of month end
 - ④ Non-compliance is a criminal offence
 - ④ Certain directors can be held personally liable
 - ④ Sanctions include a fine up to R10m or up to 10 years in jail or both
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CONTEXT

FSCA Communication 11 of 2020



- ④ Acknowledge financial impact of COVID-19 on employers and employees
 - ④ No relaxation of S13A
 - ④ Rules need to allow for temporary suspension or postponement
 - ④ Employers in financial distress & unable to pay retirement fund contributions must formally apply for a temporary reprieve
 - ④ Attempt to ensure that full risk benefits coverage maintained by paying full risk premiums
 - ④ Communicate to Employees
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CONTEXT



Options

- ④ Temporary absence from work (with or without pay)
- ④ Break in service
- ④ Postponement of contributions payments
- ④ Reduction in pensionable service

Funds to inform members of employer's request to reduce or suspend contributions and any rule amendments to this effect within 30 days of the receipt of such a request



SANLAM UMBRELLA FUND



SANLAM UMBRELLA FUND



④ Communication issued 30/03/2020

The Sanlam Umbrella Fund is very aware of the fact that many employers may face cash flow or business survival challenges as a result of the COVID-19 National State of Disaster.

The scenarios can range from:

- ④ Reduction in remuneration (general or targeted)
 - ④ Shortened hours
 - ④ Reduction in benefits
 - ④ Temporary closures and layoffs
 - ④ Downsizing with the retrenchment of some staff
 - ④ Closure of business
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Distress scenario 1: Reduction in remuneration, shortened hours

Admin requirements	Future contributions	Admin requires member's signature / proof of communication
Reduced "percentage based" payment (as long as risk premiums are covered).	Reduced "percentage based" payment.	Normal admin procedures. (FSCA communication 11/20 requires communication to members of rule changes).

Distress scenario 2: Temporary closures and layoffs

Absence with consent

Admin requirements	Future contributions	Admin requires member's signature / proof of communication
Adjust contributions on the employer portal and use AVC for savings.	Only risk premium and admin costs payable.	Proof of communication to members.

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Temporary suspension (with maintenance of insured benefits)

Admin requirements	Future contributions	Admin requires member's signature / proof of communication
Apply for temporary suspension of contributions	Only risk premium and admin and consulting fees payable.	Proof of communication to members.

Temporary suspension (no insured benefits)

Admin requirements	Future contributions	Admin requires member's signature / proof of communication
Apply for temporary suspension of contributions.	Zero contributions payable.	Proof of communication to members.

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Distress scenario 3: Downsizing with the retrenchment of some staff

Admin requirements	Future contributions	Admin requires member's signature / proof of communication
Payment of retrenchment benefits.	Contributions in respect of remaining staff.	Normal benefit payment procedures.

Distress scenario 4: Closure of business (notice of termination of participation)

Admin requirements	Future contributions	Admin requires member's signature / proof of communication
Liquidation of sub fund (6 to 12 months).	Zero, but all outstanding contributions plus penalty interest to be recovered from the employer and/or directors.	Normal liquidation procedures.

SANLAM UMBRELLA FUND



- ④ Client Relations Managers
- ④ Engage urgently
- ④ Member communication templates
- ④ SMS's to members
- ④ Web series
- ④ Individual Member Support



Sanlam | Umbrella Fund's Response to COVID-19 | 18 March.

4,213 views · 23 Mar 2020

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The Board of Trustees of Sanlam Umbrella Fund issued a communication to its members to provide reassurance around the safety of their retirement fund money.



SANLAM RETIREMENT FUND ADMINISTRATION



SANLAM RETIREMENT FUND ADMINISTRATION



- ④ Communication issued 02/04/2020
 - ④ Funds need to study their respective rules
 - ④ Understand available options
 - ④ Including how 'pensionable salary' is defined
 - ④ If a gap exists, then rules need to be amended
 - ④ Submit without delay to the FSCA
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SANLAM RETIREMENT FUND ADMINISTRATION



- ④ Members must be informed (proof must be provided)
 - ④ No retrospective amendments
 - ④ Consulting, Administration fees & Risk premiums still to be paid
 - ④ Amendment must indicate a fixed period for the reduction or suspension
 - ④ No full employee contribution deductions while the employer suspends or lowers contributions
 - ④ Past arrear contributions must be paid for the months prior to the effective date of the suspension or reduction of contributions
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SANLAM RETIREMENT FUND ADMINISTRATION



Temporary Absence or Break in Service

- ④ Employees are not working with unpaid, partially paid or paid leave
 - ④ Status must be indicated on contribution schedules
 - ④ Consulting, Administration fee and Risk premiums still payable
 - ④ Specific mechanisms re risk to be explored with Insurers
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SANLAM RETIREMENT FUND ADMINISTRATION



Temporary suspension of contributions for a fixed period

- ④ Formal documented agreement with employer preferred
 - ④ Clients may have to consult labor lawyers
 - ④ Funds must properly evaluate the financial distress faced by employers
 - ④ Consulting, Administration fee and Risk premiums still payable
 - ④ Specific mechanisms re risk to be explored with Insurers
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SANLAM RETIREMENT FUND ADMINISTRATION



Reduction of Pensionable or Risk Salaries

- ④ Any reductions must be noted on the contribution schedule
 - ④ Clients to check whether members' Risk Salaries do not change as a result of any changes to their Pensionable Salaries (unless intended)
 - ④ Risk benefit coverage may be affected as an unanticipated consequence
 - ④ Clients to confirm set-up of Pensionable and Risk salaries prior to any changes
 - ④ Set-up changes timelines would need to be managed
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SANLAM RETIREMENT FUND ADMINISTRATION



Reduction in Contribution Rates

- ④ Large volumes of such amendments will impact delivery timelines
 - ④ Quicker to implement alternate mechanisms
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SANLAM GROUP RISK



SANLAM GROUP RISK



Maintain full risk benefits coverage whilst reducing retirement fund contributions through various mechanisms

- ④ Rules of the Fund need to allow for this mechanism
 - ④ Relates to Approved Cover
 - ④ Unapproved Cover ideally maintained throughout
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SANLAM GROUP RISK



Reduce Risk Salaries for a limited period

- ④ Risk benefit coverage and Risk premiums reduced accordingly
 - ④ Risk benefit coverage based on most recent Risk Salary and Premium received
 - ④ If Risk Salaries are reduced to Zero, then no risk benefit coverage is applicable
 - ④ Must be carefully considered in conjunction with Benefit Consultant
 - ④ Avoids 'break in cover' limitations
 - ④ Full coverage can be reinstated with minimal disruption
 - ④ Period for reinstatement limited & risk profile dependent
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SANLAM GROUP RISK



Terminate Coverage & Reinstate when Situation Normalises

- ④ No risk premiums payable
 - ④ No risk benefits coverage provided
 - ④ Reinstatement introduces friction (quotes, pre-ex conditions, contracts, etc.)
 - ④ Strongly recommend caution if considering such a route
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SANLAM GROUP RISK



- ④ Any changes to risk benefits coverage or premiums must be communicated to affected members according to PPR's
 - ④ Reduction or termination of cover likely to be misunderstood and result in negative reactions
 - ④ Any Fund/Employer considering reductions in risk benefits coverage may be exposed to liability should a claim arise
 - ④ Employment contracts and Fund rules must be considered
 - ④ Sanlam not liable for any benefits for which requisite premiums have not been received
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