

# Preservation Fund Plan

## Plan description

A person who wants to preserve retirement fund benefits in a preservation fund must be a member of the preservation fund. The preservation fund invests the benefits received, on behalf of the member, in a plan on the life of the member. The preservation 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 Sanlam Preservation Pension Fund (the FUND). The FUND holds a plan with us, Sanlam Life Insurance Limited (Sanlam Life), on the life of the member, to preserve the benefits until the member retires.

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

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

The contract consists of the following:

- the quotation;
- the application for the plan;
- this plan description, PLP-A08-01-X, as updated from time to time, and available on the Sanlam website at <http://www.sanlam.co.za>;
- 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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## 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.

### **One-off payment**

It is the benefits which have been transferred to us.

### **Working day**

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

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### **Payments**

One-off payments may be made, provided that they are not less than our minimum allowed. If the transaction date for a payment, as indicated in the statement, is more than one day later than the payment date, we will adjust the payment to allow for the delay from the day following the payment date to the transaction date.

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### **Investment**

We invest a one-off payment less charges, if applicable, in the respective chosen investment funds.

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

### **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 life time 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.

### **Life time investment option**

If the Comprehensive R28 option with a life time investment option was chosen, we allocate the investment to the investment funds indicated in the statement. As the life insured gets closer to the chosen retirement date, we will gradually shift the allocation of the investment by switching the investment funds to ensure that it is fully invested in stable investment funds at the chosen retirement date.

### **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 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 the Vesting Bonus Fund the following applies, instead of using the market value directly:

- Regular fully vesting bonuses are declared to give the fund a smooth growth.
- A bonus rate is declared monthly and added to the fund by increasing the unit price with the daily equivalent of the bonus rate.
- The bonus rate is calculated according to the expected long-term return of the fund, while taking into account the monthly market value change.

The unit price of the units of the Vesting Bonus Fund is guaranteed not to decrease over time.

### **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.

If a life time investment option is active when any requested switch is done, or payments are allocated differently on request, the option will be cancelled.

### **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.

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

### **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.

For the Vesting Bonus Fund the fund value will be equal to the number of units in the Vesting Bonus Fund multiplied by its unit price on any of the following dates only:

- the date on which we receive notice of the death of the life insured, or
- the option date, or
- a date every five years after the option date.

On any other date the fund value will be equal to the lower of the number of units in the Vesting Bonus Fund multiplied by its unit price and the market value of the underlying assets, which may increase or decrease over time. If a benefit is paid 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 to the number of units in the Vesting Bonus Fund. 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 in the Vesting Bonus Fund, 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.

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

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### **Echo Bonus**

The Echo Bonus is an additional amount which is added to the benefit payable at termination or retirement. Generally, the longer the duration 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. The first payment layer is formed by the one-off payment on the start date of the plan. Thereafter, for each additional one-off payment a new payment layer is added. 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.

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 Echo Bonus percentages for different terms are indicated in the statement.

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.

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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 a one-off payment.
- A **smoothed marketing charge**, which is a fixed monthly amount levied for a number of months, indicated in the statement, to recover the cost of the sales commission on the one-off payment if the sales commission was not deducted from the one-off payment. This charge is deducted monthly from the fund value by selling units to the value of the charge.
- A monthly **Regulation 28 administration charge** for monitoring the plan and, if necessary, ensuring that the plan is adjusted to be Regulation 28 compliant. This charge will be increased from time to time to allow for inflation, as determined by us. It is deducted monthly from the fund value by selling units to the value of the charge.

If the Comprehensive R28 option is chosen, the plan will always be Regulation 28 compliant as all the investment funds available for the Comprehensive R28 option are Regulation 28 compliant. Therefore, the Regulation 28 administration charge will not apply to the Comprehensive R28 option.

- A yearly **marketing and administration charge**, which is calculated as a percentage of the fund value. However, this charge is subject to a minimum monthly amount which will be increased from time to time to allow for inflation, as determined by us. 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.

For the Vesting Bonus Fund the marketing and administration charge will always be calculated on a fund value equal to the number of units in the Vesting Bonus 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:

- Taking an early retirement benefit;
- Taking a withdrawal benefit.

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.

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

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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 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 an optional service that the life insured may request, and is provided by an intermediary nominated by the life insured. It is a specialised service which is in addition to and not part of the intermediary services for which we pay commission.

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

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

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

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### **Withdrawal benefit**

Depending on the transfer conditions the full withdrawal benefit amount, or part of it, may be withdrawn as a lump sum from the FUND once. These transfer conditions may also determine that no benefit amount may be withdrawn. The percentage available to be withdrawn is indicated in the statement. The withdrawal benefit amount is equal to the plan's termination value, which is the fund value less the transaction charge and the outstanding amount of the smoothed marketing charge, if applicable.

If the full withdrawal benefit amount is taken, the plan will end.

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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 charge and the outstanding amount of the smoothed marketing charge, 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.

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## **Tax on withdrawal and retirement benefits**

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.

### **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 Sanlam Life's head office before the life insured's death.

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### **How will the regular pension payments be provided?**

An annuity plan will be taken out to provide the regular pension payments. This plan must be taken out with an insurer who is registered as a long-term insurer under the Long-term Insurance Act, 1998.

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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.
  - 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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