

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 Central 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;
- the application for the plan;
- this plan description, PLR-A05-01, 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.

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 fund

It is the part of the fund value built up by one-off payments.

Recurring fund

It is the part of the fund value built up by 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.

Payments**One-off 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.

Recurring payments

A recurring payment is due on the same day of each month or year, as indicated in the statement.

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.

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 goal**
As long as the plan is linked to a goal, the recurring payment will be increased each year to ensure that the plan stays on track to meet the goal.

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

Investment

We invest a one-off payment and a recurring payment less charges, if applicable, in the respective 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, 75.00% in equities, 25.00% in property assets and 10.00% in hedge funds. It is essential for retirement fund plans to comply with the limits of Regulation 28. The regulation also limits the exposure to offshore assets at a retirement fund level, currently to 45.00% as prescribed by the South African Reserve Bank. To ensure compliance at a retirement fund level, this limit is also applied at an individual plan level, except in cases where the mandate of the underlying investment fund is within Sanlam Life's control and the offshore exposure can be reduced should the retirement fund run out of offshore capacity.

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. Since the life time investment option has only Regulation 28 compliant investment funds, this plan will always be Regulation 28 compliant.

Life time investment option

We allocate the investment to the investment funds indicated in the statement. We will manage the allocation of the investment on a continuous basis. The working of the life time investment option is described in 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 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).

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.

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.

Wealth Bonus

The Wealth 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 Wealth Bonus will be.

For the purpose of calculating the Wealth Bonus, the payments are split into parts called payment layers. On the start date of the plan, a separate payment layer is formed by the recurring payment and/or by the one-off payment. 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 Wealth Bonus for the plan is the sum of the Wealth Bonuses for all the payment layers.

For each payment layer, a separate Wealth Bonus is calculated. The Wealth 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 Wealth 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 Wealth 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 Wealth Bonus percentage will be. The Wealth 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. 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 each recurring payment layer the **factor** used in the Wealth Bonus calculation 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 will increase. If the life insured reduces or stops recurring payments, the factor will increase at a slower rate or stop increasing. The factor is limited to a maximum of one.

For the calculation of the Wealth 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.

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 **payment charge**, deducted from recurring payments, if payments are made by stop order. The charge is calculated as a percentage of the recurring payment.
- A monthly **goal administration charge** to administer the goal for as long as the plan is linked to a goal. This charge 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. Separate percentages apply to the one-off and recurring funds. However, this charge is subject to a minimum monthly rand 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.

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.

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.

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.

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 emigration, the plan's termination value may be taken as a lump sum provided that the emigration has been confirmed in writing by an authorised Reserve Bank dealer. The termination value is equal to the fund value less the transaction charge and the outstanding amount of the smooth marketing charge, if applicable.

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 smooth 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. 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.

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.
-

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

Payments

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

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.
 - 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.
-