

# 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. 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-A06-01, 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.

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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 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 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**

### **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**

Recurring payments are allowed, but then they should apply from the start date of the plan. 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 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.
- **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 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. We will manage the allocation of the investment on a continuous basis. The working of the chosen 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 guarantee charge for Escalating 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 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 stabilised investment funds are guaranteed not to decrease over time.

The stabilised investment funds include the following investment funds:

- SATRIX Smooth Growth Fund
- Vesting Bonus Fund

### **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.

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

### **Stabilised investment funds**

For the Vesting Bonus Fund, the fund value will be equal to the number of units in this investment 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.

For the SATRIX Smooth Growth Fund, the fund value will be equal to the number of units in this investment fund multiplied by its unit price on any of the following events only:

- the death of the life insured, or
- at retirement, or
- at ill-health retirement.

On any other date 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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### **Escalating Funds with guarantees**

For a number of investment funds there is a corresponding Escalating Fund with a built-in guarantee available. These Escalating Funds are separate investment funds and therefore their unit prices differ from that of the corresponding investment funds. The built-in guarantee will ensure that the unit price of an Escalating Fund is always at least 80% of the highest unit price ever reached on that Escalating Fund since its inception date, despite what happens to the underlying investments.

An Escalating Fund invests in a combination of the corresponding investment fund and cash. Accordingly, the investment return on an Escalating Fund is a combination of the investment returns on the corresponding investment fund and cash, and can thus differ substantially from that of the corresponding investment fund. For an Escalating Fund the allocation between the corresponding investment fund and cash is not fixed, but varies according to market conditions. When the market value of the corresponding investment fund decreases, the percentage allocated to cash will be increased to protect the capital value. Similarly, when the market value of the corresponding investment fund increases, the percentage allocated to the corresponding investment fund will be increased, allowing the Escalating Fund to benefit from a rising market.

An Escalating Fund reduces the volatility of returns, compared to the corresponding investment fund, and aims to limit capital losses in a declining market, while also benefiting from rising markets. In market downturns the cash component of an Escalating Fund may increase substantially and an Escalating Fund may invest the bulk of its assets in cash. Therefore it is not unlikely that the cash component of an Escalating Fund may exceed 50% from time to time. In extreme downturns, an Escalating Fund could become 100% invested in cash. However, interest earned on the cash coupled with a recovery in the market will result in an Escalating Fund gradually switching out of cash and into the corresponding investment fund again.

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## 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, 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 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.

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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 **payment charge**, deducted from the savings part of recurring payments, if payments are made by stop order. The charge is calculated as a percentage of the savings part of the recurring payment.
- 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. 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.

- A yearly **guarantee charge** for Escalating Funds, which is a percentage of the fund value and may differ for different investment funds. It is taken into account when we calculate the daily price of the units.

### **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.

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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 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 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.

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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 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.

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

If the Comprehensive R28 option was chosen, 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.

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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 registered as a long-term insurer under the Long-term Insurance Act, 1998.

### **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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### **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.
  - Apart from the built-in guarantee of the Escalating Funds, 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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