Notes

- This chapter should be read in conjunction with the contract documents. If there is any conflict or inconsistency between the contents of the contract documents and this chapter, the provisions of the contract documents will prevail.
- Any reference to "you" or "your" refers to the life insured. Any reference to "we", "us", "our" or "ours" refers to Sanlam Life Insurance Limited (Sanlam Life)

Cumulus Echo Preserver

Why Cumulus Echo Preserver?

Any reference to "you" or "your" in this section refers to the life insured.

The Cumulus Echo Preserver is a cost-effective one-off investment solution that preserves your retirement savings. This solution gives you the opportunity to benefit from the potential growth in a range of quality investment funds, with or without investment guarantees.

We give you a reward by adding an additional amount in the form of an **Echo Bonus** to the benefit payable at termination or retirement. Generally, the longer you are invested in the product, the larger your Echo Bonus will be.

In addition to the **Echo Bonus**, the features of the product include the following:

- The charges are among the lowest in the market.
- You can choose from a range of investment funds which are all Regulation 28 compliant, thereby avoiding any further Regulation 28 compliance requirements. This option is called the Comprehensive R28 option. Or, alternatively, with the Comprehensive option, you can choose between a range of Regulation 28 compliant and non-compliant investment funds. Both these choices include the Sanlam Escalating Funds with investment guarantees.
- You can invest in one or more of the available investment funds at the same time.
- A Sanlam Escalating Fund offers protection against uncertain times with a built-in guarantee. This guarantee ensures that the unit price of this fund is always at least 80% of the highest unit price it has ever reached since its start date.
- A life time investment option is available on the Comprehensive R28 option, whereby we manage the risk of fluctuating markets on your behalf by gradually shifting the allocation of your investment to more conservative investment funds as you near retirement.
- You can do switches between any of the available investment funds at any time, with four free switches in a plan year.
- It is easy to establish the value of your investments, as the unit prices for all investment funds are updated on the Sanlam website daily.
- 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.
- No alteration charge, other than the transaction charge of R300, will be levied if you take a withdrawal benefit, or an early retirement benefit.

  However, if "smoothed marketing charge" was selected as the commission recovery method for a one-off payment, and the sales commission was therefore not deducted upfront from the one-off payment, and you take a withdrawal benefit, or an early retirement benefit before the commission recovery period of 60 months has expired, the outstanding amount of the smoothed marketing charge will be deducted from the fund value in addition to the transaction charge, if applicable.

What is a preservation fund?

A preservation fund is a fund in which employees, who leave the service of an employer owing to dismissal (including retrenchment) or resignation, or in the event of the dissolution of the employer's pension or provident fund, may invest their accrued fund benefits.

The Income Tax Act changed during 2008 to also allow membership to:

- persons to whom a pension interest from an ex-spouse's retirement fund was awarded;
- employees of an employer whose business was taken over by another employer in terms of Section 197 of the Labour Relations Act, 1995;
- members of one preservation fund who choose to transfer to another preservation fund;
- members or dependants who do not claim their fund benefits from a pension or provident fund within 24 months of becoming entitled to it.

Why choose a preservation fund?

Preservation funds have proved to be beneficial retirement vehicles for millions of people, because they enable people to preserve their existing retirement benefits until retirement. A person who wants to preserve retirement fund benefits in a preservation fund must be a member of the preservation fund. For many people, their disciplined preservation efforts pay off when they retire with an intact nest egg.

A preservation fund is an excellent investment instrument for tax-efficient savings as preservation fund members receive two tax breaks:

- Monies in the retirement fund receive favourable tax treatment. Tax is not payable on rental income and interest, and no tax is payable on either capital gains or dividends received.
- The cash lump sum at retirement also receives favourable tax treatment. On retirement a part of the lump sum could be tax-free, while the rest of the lump sum will be taxed at favourable rates. Refer to our *Tax* chapter for more information.

Some of the important features related to preservation funds, in addition to the tax incentives mentioned above, are the following:

- Money transferred from a provident fund to a preservation pension or provident fund, or from a pension fund to preservation pension fund, is currently tax-free. Refer to our *Tax* chapter for more information about tax-free transfers between funds.
- A preservation fund is protected against creditors, which provides protection in the event of insolvency.
- Any of the following compulsory annuities can be taken at retirement:
    - A conventional life annuity, with or without capital protection
    - A linked annuity, which is more risky as a client has to choose underlying investment funds and percentage income
    - A composite life annuity, which is a combination of a conventional life annuity and a linked annuity.
- The full benefit amount payable at death may be paid as a lump sum, or it can be used to provide regular income payments. The lump sum and income are subject to income tax, but exempt from estate duty.
- 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.

Products, benefits and investment funds

Products and product codes

The products and their product codes are indicated below.

Product	Product code
Cumulus Echo Pension Preserver	PP6
Cumulus Echo Provident Preserver	PF6

*The same product code applies for ABSA, but a separate application form is available.

Investment funds

The choices are the following:

- Comprehensive R28 option:
  - A life time investment option, or
  - A choice between only Regulation 28 compliant investment funds.
- Comprehensive option: a choice between any investment funds, including Regulation 28 compliant and non-compliant investment funds.

All these investment choices are indicated on the quotation system.

If a life time investment option is not selected, up to 10 investment funds may be selected, including Sanlam Escalating Funds with a built-in guarantee, as indicated on the quotation system. The Sanlam Escalating Funds are not available for ABSA brokers.

Apart from the built-in guarantee of the Sanlam 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.

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

Comparison between options

The Comprehensive product option offers a Comprehensive option and a Comprehensive R28 option. The main differences between the Comprehensive option and the Comprehensive R28 option are indicated in the table below. In this table, LTIO refers to the life time investment option.

Product feature	Comprehensive product option	
	Comprehensive option	Comprehensive R28 option
Investment funds	Choice between any investment funds, including Regulation 28 compliant and non-compliant investment funds	Choice between: • LTIO, or • Only Regulation 28 compliant investment funds
Sanlam Escalating Funds	Available	Sanlam Escalating Funds which are Regulation 28 compliant are available:
Switches between investment funds	Allowed	• Not allowed for LTIO • Allowed for Regulation 28 compliant investment funds.

Role players

Number of role players

The minimum and maximum number of role players is indicated below.

Number of role players*		
Role player	**Minimum**	**Maximum**
Life insured	1	1
Nominee	0	10

*The Sanlam Preservation Pension Fund (the FUND) is the planholder for a Cumulus Echo Pension Preserver, while the Sanlam Preservation Provident Fund (the FUND) is the planholder for a Cumulus Echo Provident Preserver.

Life insured

A life insured must be a natural person.

Nominee

The benefit amount payable at death is equal to the fund value on the date that we receive notice of the death of the life insured.

Section 37C of the Pension Funds Act requires the trustees of the FUND to determine who should receive any amount payable at the death of a life insured. Details of appointed nominees, as well as of all the dependants of the life insured must be provided, including spouse(s), children (including adopted and illegitimate children) of all ages and other persons who are financially dependent on the life insured.

The trustees have to consider all the dependants of the life insured, even if nominees were appointed.

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.

Conditions for appointment of nominees

We recommend that nominees are appointed, although doing so is not compulsory. If nominees are appointed, the following applies:

- the life insured may appoint one or more nominees, up to a maximum of 10;
- a nominee can be a natural person, trust, tax-paying institution or tax-exempt institution;
- the percentage, between 0% and 100%, allocated to each nominee, must be specified separately. However, the total percentage allocated to nominees may not be more than 100%;
- if the total percentage allocated to nominees for a benefit amount is less than 100%, the remaining part of that benefit amount will be paid to the life insured's estate.

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.

Payment option

Only one-off payment.

Payment limits

The payment limits are indicated below.

New business: one-off payment

- Minimum: R25 000
- Maximum: None

Additional one-off payment

- Minimum: R5 000
- Maximum: None

One-off payment

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 add interest to the payment to allow for the delay from the day following the payment date to the transaction date.

A one-off payment is the money which is transferred to us from a pension or provident fund.

Sometimes, after benefits have already been transferred to us from a pension or provident fund, surplus money or interest from this fund becomes available to the fund member. This surplus money or interest should be transferred as an additional one-off payment to an existing preservation fund plan, like our Cumulus Echo Pension Preserver or Cumulus Echo Provident Preserver. Refer to “Transfers” in this *Cumulus Echo Preserver* chapter for more information.

If a withdrawal has already been made, no withdrawal is allowed on the additional one-off payment.

Sanlam Life requires the following before such an additional one-off payment will be accepted:

- The additional one-off payment must be from the same pension or provident fund as the new business one-off payment.
- To prove that the money comes from the same pension or provident fund, the following is required:
    - the *Recognition of transfer between approved funds* (form AE1591) must be completed, or
    - the pension or provident must give confirmation by e-mail, or other written confirmation that the money is going to be transferred to us. This confirmation must contain the same information as form AE1591.

General information

Start date of plan

The start date of a plan will be determined by the date the one-off payment is received by us, and the date all information regarding the plan is captured in Sanlam Life's system. The start date of a plan can be any day of the month.

The start date of a plan will be the later of the payment date of the one-off payment and the date all the applicable information, including any additional information requested by us, is captured in our system.

Backdating

No backdating allowed.

Limits for inception age

Minimum: 15 next birthday

Maximum: None.

Chosen term

For a quotation the chosen term is determined by the planned retirement date or age that is provided for the plan. Incomplete years are allowed, for example, the planned retirement date can be 10 years, 2 months and 4 days after the start date of the plan.

The minimum and maximum chosen terms are indicated below.

Minimum

The planned retirement date must be on or after the life insured's 55th birthday. In addition to this, the minimum chosen term is

- 5 years, if the investment portfolio **includes** the Vesting Bonus Fund.
- 1 year, if the investment portfolio **does not** include the Vesting Bonus Fund.

Maximum

The maximum chosen term is

- the term from the start date of the plan up to 65 actual age, for actual age on start date of plan < 55
- 10 years after actual age on start date of plan, for actual age on start date of plan ≥ 55.

After the chosen term has expired, the term of the plan is considered as open-ended, and then no maximum applies. Refer to "Open-ended term" in this *Cumulus Echo Preserver* chapter for more information.

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.

Working day

Any reference to "working day" in this *Cumulus Echo Preserver* chapter refers to any day of the week from Monday to Friday, excluding public holidays.

Definition of spouse

The following applies to a spouse:

- a spouse is a person to whom the life insured is legally married, or
- a spouse is a person with whom the life insured has a relationship regarded as a marriage in terms of any law or custom, provided the life insured can satisfactorily convince us that he or she is living with the other party as if they were legally married;
- the life insured and spouse may be of the same gender.

Cooling-off period

If the plan really does not meet the life insured's requirements, and if the life insured has not made any changes to it, he or she may cancel it by notifying us in writing within 30 days (the cooling-off period) of receiving the contract documents. Any payments already made will then be refunded to the fund from which the money has been transferred. If the assets in which the payments were invested have decreased in value, or if the life insured has already received benefits from the plan, Sanlam Life will reduce the amount to be refunded accordingly.

The life insured will not be able to cancel the plan if the fund from which the money has been transferred is not prepared to reverse the situation.

The cooling-off period is not applicable to a re-issue.

Changes to a plan

Changes between options

Change from the Comprehensive option to the Comprehensive R28 option, or vice versa.

Other changes

The following changes to a plan are allowed, provided that our conditions at the time are met:

- Make additional one-off payments
- Add, cancel or change nominees
- Take an early retirement benefit
- Terminate a plan, subject to legislation
- Make a withdrawal from a plan.

Continuations and conversions

- A continuation from a Sanlam Preservation Fund plan in the Legacy product range to a Cumulus Echo Preserver is not allowed.
- A conversion from a Sanlam Preservation Fund plan in the Legacy product range to a Cumulus Echo Preserver is allowed. See our Cumulus Echo *Preserver Conversion* chapter for more information.

Loans not allowed

Loans are not allowed against a plan.

Description of Cumulus Echo Preserver

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 this *Cumulus Echo Preserver* chapter and the contract documents, is a member of the Sanlam Preservation Pension Fund (the FUND) or the Sanlam Preservation Provident Fund (the FUND), for the Cumulus Echo Pension Preserver and Cumulus Echo Provident Preserver respectively. 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;
- the plan description, 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.

Investment

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

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, 25% 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.

Six years before the planned retirement date we will start to gradually switch the investment from the Diversified Wealth Builder Portfolio to the Wealth Protector Portfolio. We will sell units in the Diversified Wealth Builder Portfolio, and buy units in the Wealth Protector Portfolio. No transaction charge will be levied for these switches. The switches will be done on a quarterly basis until 100% of the investment is invested in the Wealth Protector Portfolio one year before the planned retirement date. This is to ensure that the plan is fully invested in stable investment funds at the planned 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 charges are taken into account when the price is calculated for a specific 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 Sanlam Escalating Funds;
- the asset management charge;
- a performance charge for the fund manager, if applicable to the investment fund;
- direct investment expenses, for example collective investment initial fees, brokerage, audit fees, bank charges and trustee fees.

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.

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.

Sanlam Escalating Funds with guarantees

Not applicable for ABSA brokers.

For a number of investment funds there is a corresponding Sanlam Escalating Fund with a built-in guarantee available. This guarantee will ensure that the unit price of a Sanlam Escalating Fund is always at least 80% of the highest unit price it has ever reached since the inception date of that Sanlam Escalating Fund, despite what happens to the underlying investments.

A Sanlam Escalating Fund invests in a combination of the corresponding investment fund and cash. Accordingly, the investment return on a Sanlam 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. 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 Sanlam Escalating Fund to benefit from a rising market.

A Sanlam 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 a Sanlam Escalating Fund may increase substantially and a Sanlam Escalating Fund may invest the bulk of its assets in cash. Therefore it is not unlikely that the cash component of a Sanlam Escalating Fund may exceed 50% from time to time. In extreme downturns, a Sanlam Escalating Fund could become 100% invested in cash. However, interest earned on the cash coupled with a recovery in the market will result in a Sanlam Escalating Fund gradually switching out of cash and into the corresponding investment fund again.

Echo Bonus

Any reference to "fund value" in this Cumulus Echo Preserver chapter excludes the 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 below.

Term in years	Echo Bonus percentage
0	0
5	3
10	10
15	20
20	30
25	40
30	50
35	60
40	70

For terms longer than those indicated in the table above, the Echo Bonus percentage will increase with 10% every 5 years after the last term in the table. For example, the Echo Bonus percentage at 45 years will be 80%.

For a term in-between those indicated in a table, 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%.

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.

Charges

Tax included in charges

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 (60 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.
  If the life insured takes a withdrawal benefit, retires early or terminates the plan before the 60 months have expired, the outstanding amount will be deducted from the fund value in addition to the transaction charge, if applicable. This outstanding amount will be equal to the fixed monthly amount multiplied by the outstanding number of months.
- If the investment in the Vesting Bonus Fund is increased, other than through normal savings payments, within 5 years before the option date, we may levy a **participation charge** on the increased part. This charge is deducted 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 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.

  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.
- A yearly **guarantee charge** for Sanlam 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 may levy one or more of the following for an investment fund. These are taken into account when we calculate the daily price of the units.

- A yearly **asset management charge**, which is a percentage of the plan's part of the market value of the assets in an investment fund. This charge is calculated on a daily basis, which means the percentage is divided by 365 to calculate the daily amount. The current charge for an investment fund is indicated in the statement.

  Some investment funds may invest in one or more of the managed asset classes in order to improve the diversification of an investment fund. Managed asset classes include, among other, hedge funds, exchange traded funds, property investments, private equity investments, derivatives and credit conduits. The managers of these managed asset classes, which may include companies within the Sanlam Group, deduct their management fees, performance fees and expenses directly from the investment returns. Some investment funds invest in other funds. The fund managers of these other funds will deduct their management fees, performance fees and expenses directly from the investment returns. These deductions are therefore not included in the indicated percentage for the asset management charge in the statement.

  If the life insured is a member of Reality, and depending on the Reality option and tier that the life insured is on at the time, we may give a discount on the asset management charge 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.
- A **performance charge**, which is levied if the investment fund outperforms its benchmark. The performance charge depends on the investment performance of the fund and is not included in the asset management charge. The current minimum and maximum charges as well as the current benchmark for an investment fund are indicated in the statement, if a performance charge is applicable to an investment fund. Detail on the benchmark, and how the charge is calculated, is available from the asset manager.
- **Direct investment expenses**, for example collective investment initial fees, brokerage, audit fees, bank charges and trustee fees.

Asset management discount

Some asset managers provide a discount on the asset management charge because we offer their investment funds for this type of plan and meet their conditions. The size of the discount may differ between investment funds and can change over time.

One way an asset manager may provide the discount is to reduce the asset management charge of an investment fund with the discount. The value of the discount is therefore passed on to the fund value of the plan. In this case the asset management charge indicated in the statement for the specific investment fund is already reduced by the discount.

Alternatively, an asset manager may pay the rand value of the discount to us at the end of each month. In this case we pass the discount on to the fund value of the plan by adding additional units on a monthly basis. This means that the yearly discount percentage indicated in the statement, if applicable, is divided by 12 to calculate the monthly amount.

Alteration charge

We will not levy an alteration charge if an early retirement benefit is taken.

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.

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.

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.

If only a part of the withdrawal benefit amount is withdrawn, the following applies:

- Minimum withdrawal amount: R2 500
- Maximum withdrawal amount: The full withdrawal benefit amount less R3 500.

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.

However, if the life insured does not take the retirement benefit, the plan will continue until the planholder terminates the plan. And, except where the life insured or the FUND informs us otherwise, we will continue the fund value in the investment funds in which it is invested at that stage, for further growth.

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?

Cumulus Echo Pension Preserver

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.

However, if the total interest of the life insured in the FUND, which includes the benefit amount, does not exceed the amount prescribed by legislation from time to time, the life insured may take the full benefit amount as a lump sum. Refer to our Tax chapter for more information.

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

Cumulus Echo Provident Preserver

According to current legislation, the life insured may take the full benefit amount as a lump sum, or it can be used to provide regular pension payments.

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

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.

Refer to our *Tax* chapter for more information.

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. The lump sum and pension are subject to income tax, but exempt from estate duty. Refer to our *Tax* chapter for more information.

Who will receive the benefit payable at death?

Section 37C of the Pension Funds Act requires the trustees of the FUND to determine who should receive any amount payable at the death of a life insured. Details of appointed nominees, as well as of all the dependants of the life insured must be provided, including spouse(s), children (including adopted and illegitimate children) of all ages and other persons who are financially dependent on the life insured.

The trustees have to consider all the dependants of the life insured, even if nominees were appointed.

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?

Dependants are:

- 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.

Appointment of nominees

Refer to "Nominee" under "Role players" in this *Cumulus Echo Preserver* chapter for more information.

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.

Transfers

Benefits may be transferred from a Pension or Provident fund to a Preservation fund or a Retirement Annuity fund when the following events have occurred:

- when an employee leaves the service of an employer owing to resignation, dismissal or retrenchment
- when the pension or provident fund is dissolved completely or partially
- when pension interest from an ex-spouse's retirement fund was awarded to a person
- for an employee of an employer whose business was taken over by another employer in terms of section 197 of the Labour Relations Act, 1995.

Subject to the rules of the pension or provident fund the benefit may be transferred as follows:

- Pension fund to Preservation Pension fund
- Pension fund to Retirement Annuity fund
- Provident fund to Preservation Provident fund
- Provident fund to Preservation Pension fund
- Provident fund to Retirement Annuity fund.

Subject to the rules of the transferor preservation fund the benefits may be transferred as follows (part transfers are also subject to minimum payment):

- Preservation Pension fund
  - to Preservation Pension fund.
  - to Retirement Annuity fund
  - part to a Retirement Annuity and part to a Preservation Pension fund.
- Preservation Provident fund
  - to Preservation Provident fund
  - to Preservation Pension fund
  - to Retirement Annuity fund
  - part to a Retirement Annuity and part to a Preservation Provident fund.

A transfer from a retirement annuity fund to a preservation fund is not allowed according to provisions in the Income Tax Act. Transfers to the preservation fund are only allowed from any approved fund (fund approved by SARS) or fund established by Law. This disqualifies transfers to a preservation fund from a foreign retirement fund as it is not defined as any of the above.

Until 29 February 2012, the following applied:

For a transfer from a preservation fund to a retirement annuity fund, the amount that was transferred was taxed as a lump sum withdrawal benefit and only the remaining after taxed portion was carried over to the retirement annuity fund. From 1 March 2012 the transfer is, however, tax free.