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 "the Fund" refers to the Central Provident Fund.
- Take note that information contained in this technical guide is with regard to the latest versions of the applicable products/benefits. Refer to the contract documents for information about the existing products/benefits of a life insured.
- 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)

Endowment for Provident Funds

Why Endowment for Provident Funds?

With a provident fund, an employer can offer a more competitive and flexible remuneration package to employees by adding retirement benefits to remuneration packages. Our Endowment for Provident Funds is a product used by the Central Provident Fund (the Fund) to finance such retirement benefits for the employees of participating employers.

Some of the benefits of this product are the following:

- No group of employees is too small - even only one employee is acceptable.
- Contributions to the Fund are tax deductible for the employer, subject to certain tax limits.
- It is suitable for low-income employees, as they do not necessarily benefit from the tax concessions for retirement funds. They will have access to the money if they leave their employer, with no charges, or a new employer can take over the contributions to the Fund.
- Higher income employees who do benefit from the tax concessions for retirement annuities, can use this product as a means of additional retirement provision, while still enjoying the other benefits of the product when they leave their existing employer.
- Investment funds:
    - Our Endowment for Provident Funds offers a wide range of unit trust funds, managed by some of the leading asset managers in South Africa. It also offers life funds with similar mandates as the unit trust funds, but with lower asset management charges.
    - The employee can protect his or her investment with our investment guarantees.
    - The employee can switch between any of the available investment funds at any time, with four free switches in a policy year.
    - The employee can invest in up to ten of the available investment funds at the same time.
- It is easy to establish the value of an employee's investments, as the unit prices for all investment funds are updated daily on the Sanlam website.
- Section 54 of the Long-term Insurance Act does not apply while an employee is a member of the Fund. It will, for example, not apply if an employee changes employer and the new employer continues to make contributions to the Fund for the benefit of the member, providing the new employer is also a participating member of the Fund.

Products, benefits and investment funds

Products and product codes

Product	Product code
New business	
Stratus Endowment for Provident Funds	F01C
Stratus Premier Endowment for Provident Funds	F70C
Continuations	
Stratus Continuation for Provident Funds	FC1C
Stratus Premier Continuation for Provident Funds	FC7C

Conversions to these products are not available.

Waiver of premium benefits not available

Waiver of premium benefits (OGG and OPG) are not available.

Investment funds

Options available at quotation stage are limited.

Up to 10 investment funds may be selected, with or without investment guarantees, as indicated on the quotation. For more information about investment guarantees, refer to "Description of investment guarantee" in this *Endowment for Provident Funds* chapter.

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

Continuations

When a policy reaches the maturity date on an old administration system, it will be continued on the new system if the member is still employed by the employer. We refer to such a policy as a **continuation** and the date we transfer the policy to the new system as the continuation date. The maturity value, as at the time of the continuation, is referred to as the amount continued.

Any further reference to single premiums includes the transfer value and the amount continued, unless stated otherwise.

It is our approach in these cases to assign a new number to the policy.

From the conversion date or the continuation date only the provisions as set out below, read in conjunction with the member's statement, apply.

Role players

Number of role players

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

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

*The Central Provident Fund is the policyholder. Only when the fund membership of the member is terminated and the Fund should cede the policy to the ex-member, will such ex-member become the policyholder.

Life insured

The life insured is the member on whose life the policy is taken out.

Nominee

The fund value on the date on which we receive notice of the member's death, will be available as a death benefit.

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 member. Details of appointed nominees, as well as of all the dependants of the member must be provided, including spouse(s), children (including adopted and illegitimate children) of all ages and other persons who are financially dependent on the member.

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

Is it necessary to appoint nominees?

Yes. A nominee is someone the member appoints to receive the death benefit, or a part of it. We, and the trustees of the Fund, will then know what the wishes of the member are. A nominee may only accept or reject the appointment after the death of the member.

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 member 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 member'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 member, and must reach Sanlam Life's head office before the member's death.

Legislative restrictions

The regulations in terms of Section 54 of the Long-term Insurance Act deals with a policy restricted period. It does not apply while an employee is a member of the Fund. Section 54 does therefore not apply if the employer is changed and the new employer continues to make contributions to the Fund for the benefit of the employee, providing this new employer is also a participating employer of the Fund.

However, Section 54 will apply if the policy is ceded to the member, or if the employer is changed and the new employer does not continue to make contributions to the Fund for the benefit of the employee and the policy is ceded to a person or entity and not to another retirement fund. The paying of an additional single premium, the adding or increasing of recurring premiums, or the cashing in of a policy is then subject to the policy restrictions in terms of Section 54. If the additional single premium, the added recurring premium or the increase in recurring premium is more than the amount allowed by such legislation, it will cause a restricted period or extended restricted period of five years.

During a restricted period, if the policyholder (who is no longer the Fund) wants to cash in the policy, we may not pay more at the cashing in than an amount determined according to legislative restrictions. The remaining part of the cash value may only be paid after the five years as mentioned above. Therefore, if the cash value is more than this restricted amount, we do not allow the policy to be cashed in, but an ad hoc withdrawal may be possible.

Only one ad hoc withdrawal may be made from the policy during a restricted period. The amount of such an ad hoc withdrawal is limited to the amount as determined above. If an ad hoc withdrawal was made during a restricted period, another ad hoc withdrawal will not be allowed before the restricted period end date.

Payments

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

Options available at quotation stage are limited.

Payment options

New business

Choice between the following:

- Only recurring premiums
- Combination of single and recurring premiums.

The payment option of a policy cannot be changed after the start date of the policy.

Continuations

Choice between the following:

- Only single premium (amount transferred from existing policy)
- Combination of single premium (amount transferred from existing policy) and recurring premiums.

The payment option of a continuation cannot be changed after the start date of the continuation.

Payment frequency for recurring premiums

Monthly or yearly.

Payment method for recurring premiums

Debit order or stop order.

Premium limits

No maximum applies.

We will accept employer contributions (premiums) only. Each employer selects from a range of contribution levels for recurring contributions for an employee. These contribution levels also apply to the recurring premium after an increase or reduction.

The contribution levels are described in the *Revised Rules of the Central Provident Fund*, which are available on the Sanlam website at http://www.sanlam.co.za.

Minimum amount allocated to investment fund

In addition to the minimum premiums indicated in this section, the following applies:

- The minimum amount allocated to an investment fund is R50.
- The minimum allocation of R50 will be tested separately for single and recurring premiums. Therefore, for a combination of single and recurring premiums, the allocations to investment funds will only be allowed if the allocations from both the single premium and recurring premiums comply separately.
- If the recurring premiums of an existing policy and a **continuation** are the same, and this recurring premium is less than R50 per month, no minimum allocation applies, but only one investment fund may be selected. However, iIf the recurring premiums of an existing policy and a **continuation** are not the same, the minimum allocation of R50 does apply.

Examples

Any reference to "Single premium" in this section refers to the amount transferred from the existing policy.

The following allocation **IS ALLOWED** for a **continuation**:

- Single premium = R10 000
- Recurring premium of continuation = recurring premium of existing policy = R49 per month
- Allocation allowed: Only one investment fund may be selected, with 100% allocated to this investment fund.

The following allocations **ARE ALLOWED**:

- Single premium = R10 000
- Recurring premium = R100 per month
- Allocations allowed:
  - One investment fund may be selected, with 100% allocated to this investment fund.
    OR
  - Two investment funds may be selected, but 50% must be allocated to each investment fund.

The following allocations **ARE NOT ALLOWED**:

- Single premium = R10 000
- Recurring premium = R100 per month
- Allocations NOT allowed:
  - Two investment funds selected with 25% allocated to one of these investment funds, and 75 % to the other one, because allocations from recurring premiums does not comply.
  - Four investment funds selected with 25% to each of these investment funds, because allocations from recurring premiums does not comply.

Minimum premiums

Subject to business rules. Refer to "Business rules for continuations" in this Endowment for Provident Funds chapter for more information.

The minimum premiums are indicated in the table below.

Product	Product code	Minimum premium (R)				
		On start date*			After start date*	
		Single premium**	Recurring premium		Additional single premium	Recurring premium increase
			Monthly	Yearly		
Stratus Endowment for Provident Funds *(new business)*	F01C	5 000 (no minimum applicable for approved funds)	150	1 800	5 000 (no minimum applicable for approved funds)	Flexi growth
Stratus Premier Endowment for Provident Funds *(new business)*	F70C	5 000 (no minimum applicable for approved funds)	255	3 060		Flexi growth
Stratus Continuation for Provident Funds	FC1C	• 10 000 (only single premium) • 5 000 (combination of single and recurring premiums)	150	1 800		Flexi growth
Stratus Premier Continuation for Provident Funds	FC7C		255	3 060		

*Refer to "Definition of start date" in this *Endowment for Provident Funds* chapter for more information.

**For a continuation the "Single premium" refers to the amount transferred from the existing policy.

The total recurring premium after the adding or increasing of recurring premiums must be according to the contribution levels as described in the *Revised Rules of the Central Provident Fund*, which are available on the Sanlam website at http://www.sanlam.co.za.

Additional single premiums are allowed only

- if required by the employer, or
- when money is transferred from one retirement fund to another, or
- if the member wants to purchase additional years of service.

Business rules for continuations

- An additional single premium and the adding and increasing of recurring premiums may be subject to legislation under certain conditions (Section 54 of the Long-term Insurance Act). See "Legislative restrictions" in this *Endowment for Provident Funds* chapter for more information.
- A restricted period is not allowed for a continuation. If legislative restrictions (Section 54 of the Long-term Insurance Act) is applicable for a policy, the following applies: If an additional single premium, added recurring premium, or increase in recurring premium is more than the amount allowed by Section 54, and therefore requires a restricted period, the change is **NOT** allowed. Refer to "Legislative restrictions" in this *Endowment for Provident Funds* chapter to determine if a restricted period is applicable to a policy.

On start date of continuation

Existing policy: only single premium or paid up

Any reference to "single premium" in this section refers to the amount transferred from the existing policy.

- Single premium < R10 000 for only single premium, or < R5 000 for combination of single and recurring premiums: Continuation not allowed.
- Single premium ≥ R10 000 for only single premium, or ≥ R5 000 for combination of single and recurring premiums:
  - Continuation can be done with or without recurring premiums, except if Section 54 applies. If Section 54 applies, recurring premiums may not be added.
  - If a continuation is done with recurring premiums, a recurring premium of at least R150 per month must be added for FC1C and R255 per month for FC7C.
- An additional single premium may not be paid.

Existing policy: not paid up (with recurring premiums)

Any reference to "single premium" in this section refers to the amount transferred from the existing policy.

- Single premium < R10 000 for only single premium, or < R5 000 for combination of single and recurring premiums: Continuation not allowed.
- Single premium ≥ R10 000 for only single premium, or ≥ R5 000 for combination of single and recurring premiums:
  - Continuation can be done with the same recurring premium (no minimum applies), or the premium can be increased by at least R150 per month. See "Business rules for continuations" above for restrictions which may apply to premium increases if Section 54 is applicable to a policy.
  - If a continuation is done with a recurring premium increase, the total recurring premium after the increase must be ≥ R150 per month for FC1C, and ≥ R255 per month for FC7C.
- An additional single premium may not be paid.
- Recurring premium reductions are not allowed.

After start date of continuation

Additional single premiums

- Additional single premiums can be made after the start date of a continuation. See "Business rules for continuations" above for restrictions which may apply increases if Section 54 is applicable to a policy.
- A minimum additional single premium of R5 000 (no minimum applicable for approved funds) applies.

Increase, decrease or stop recurring premiums of recurring premium policies

- Recurring premiums can be increased with flexi growth, reduced or stopped after the start date of a continuation. See "Business rules for continuations" above for restrictions which may apply to premium increases if Section 54 is applicable to a policy.
- The minimum increase or reduction for this product at that stage applies.

Monitoring of payments

The Pension Funds Act requires Sanlam Personal Finance: Fund Administration to appoint a monitoring person, who is responsible for the following:

- Monitoring that premiums have been paid within the correct period
- Monitoring that Sanlam Personal Finance : Fund Administration received the premium statements
- Reporting on a regular basis all late/unpaid contributions to the specific role players, as stipulated in the Regulations, namely:
  - The Trustees of the Fund
  - The Financial Services Board
  - The South African Police Service.
- Reporting interest that is due for late or unpaid contributions by the employer.

Single premiums

Single premiums can be invested, provided that they are not less than our minimum single premium allowed.

Recurring premiums

Recurring premiums are allowed, but then they should apply from the start date. They cannot be added later.

A recurring premium is payable by the 1st day of each month. If the collection day falls on a weekend or public holiday, it will be collected on the following working day.

The recurring premium will be increased according to flexi growth. For flexi growth, the employer requests on behalf of the Fund the amount to which the premium must increase, as well as the premium increase month. The increase will then take place on the 1st day of the requested month.

In special circumstances, we may allow the premium to be paid yearly. Flexi growth can then only take place on a policy anniversary.

We refer to the recurring premium as the savings premium.

Flexi growth

The following applies to flexi growth:

- Flexi growth is compulsory and may not be cancelled
- Only one increase is allowed per year
- An increase must be on the 1st day of a month
- The increased premium will also on a contribution level, as described in the *Revised Rules of the Central Provident Fund*.

General information

Start date

Definition of start date

The start date is as follows:

- For new business it is the date that the policy begins
- For a continuation it is the continuation date.

New business

Start date for only recurring premiums

The date of a payment and the start date may differ, e.g. a debit order may be paid on 15 May, while the start date may then be 1 June of the same year. The start date will be the 1st of the month following the first payment.

Start date for combination of single and recurring premiums

The start date depends on the payment date of the recurring premium of the combination, while the payment date of the single premium has no influence on the start date.

To determine the start date, refer to "Start date for only recurring premiums" above.

Continuations

The start date is the date on which the existing policy reaches its maturity date. The start date will be the 1st of the month.

Backdating

No backdating allowed.

Limits for inception age

The minimum and maximum inception ages of a member are as follows:

- Minimum: 15 next birthday.
- Maximum: None.

Policy term

The policy term is the period from the start date up to the option date (planned retirement date). For a continuation no fixed term is applicable. See “Definition of start date” in this *Endowment for Provident Funds* chapter for information about the start date.

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 policy.

The retirement date is:

- the date on which the member retires at the employer, or
- for a member who has a paid-up policy and has left the services of an employer who participated in the Fund and who has then started service again at another employer and became a member of that employer’s registered retirement fund, the date on which the member retires from that fund, or
- in all other cases a date on which the member decides, which must be on or after the member’s 55th birthday, or the date on which we pay disability benefits to the member.

The minimum and maximum policy 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 below applies:

- If the investment portfolio includes an investment fund with an investment guarantee:
  - Only single premium: 5 years
  - Only recurring premiums: 10 years
  - Combination of single and recurring premiums: 10 years
- Otherwise: 5 years.

Maximum

The maximum chosen term is

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

*Refer to Definition of start date" in this *Endowment for Provident Funds* chapter.

After the policy term has expired, the term of the policy is considered as open-ended, and then no maximum applies. Refer to "Option date" below for more information.

Option date

The option date is determined for each policy individually, and is the date which indicates the end of the policy term. For a continuation it is the same date the policy begins. The option date is indicated in the statement.

After the policy term has expired, the term of the policy is considered as open-ended. This means that the fund value will not be paid out automatically after the policy term has expired, but that the policy will continue with or without further premiums until the employer or member terminates the policy.

Definition of employer

An employer is any employer that participates in the Central Provident Fund (the Fund) and includes a partnership.

Definition of employee

An employee is a person who is in full-time employ of an employer and includes a partner of a partnership, a director of a company and a member of a close corporation.

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

No cooling-off period applies.

Changes to a policy after start date

See "Definition of start date" in this Endowment for Provident Funds chapter.

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

- Pay additional single premiums after the start date*.
- Increase*, reduce or stop recurring premiums, where increases are done with flexi growth
- Add, cancel or change nominees
- Take an early retirement benefit
- Terminate a policy*.

*May be subject to legislation (Section 54 of the Long-term Insurance Act) under certain conditions. See "Legislative restrictions" in this *Endowment for Provident Funds* chapter for more information.

Continuations allowed

Continuations from Sanlam Provident Fund policies in the Legacy product range are allowed.

Loans not allowed

Loans are not allowed against a policy.

Description of Endowment for Provident Funds

Employees of an employer that participates in the Central Provident Fund (the Fund) become, under their employment conditions, members of the Fund.

An employer of a member of the Fund makes contributions to the Fund, in return for retirement benefits for the member. To provide for these retirement benefits, the Fund holds a policy with us, Sanlam Life Insurance Limited (Sanlam Life) on the life of the member. The Fund is the owner of the policy. The Fund invests single contributions made by an employer as new single premiums and it uses recurring contributions to pay the recurring premiums of the policy.

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 premiums of the policy.

The policy, which is a contract between the Fund and us consists of the following:

- the quotation;
- the application for the policy;
- the statement, as updated from time to time;
- the policy description, as updated from time to time, and available from the employer or the Fund;
- other documents, correspondence and information, if any, that by implication form part of the contract.

Policy investment

What investment is made?

We first determine the net investment amount of a single premium or a recurring premium received. The net investment amount is the premium, plus an additional allocation, less a premium charge. The additional allocation depends on the size of the premium and the level of commission negotiated.

We invest the net investment amount in the respective investment funds, as chosen by the member.

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 policies. Currently the maximum limits are, amongst others, 75% in equities, 25% in property assets and 10% in hedge funds. It is essential for retirement fund policies 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% 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. If a retirement fund policy has only Regulation 28 compliant investment funds, the policy will always be Regulation 28 compliant.

If a retirement fund policy has one or more investment funds which are not Regulation 28 compliant, market movements could result in the asset allocations of the policy exceeding the limits stipulated by Regulation 28. For this reason we are obliged to monitor the policy on a regular basis to determine whether it is still Regulation 28 compliant. If the policy 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.

How do we invest the amount allocated to a specific investment fund?

We use the amount to buy units in the investment fund at the buying price of the units on the date the amount is invested. These units in the respective investment funds are referred to as the policy investment.

Can there be a difference between the buying and selling price on the same date?

Yes. The buying price can exceed the selling price. When selling units, the selling price is used. The current difference between the buying and selling price for a specific investment fund is available on the Sanlam website. We may change this from time to time.

How is the unit price calculated?

The 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:

- a service fee;
- a fund management fee;
- statutory charges, for example tax, and stockbroker fees;
- a performance fee for the fund manager, if applicable to the investment fund;
- initial fees, charged by some fund managers.

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 calculation of the bonus rate is based on the expected long-term return of the fund, while taking into account the monthly market value change.

The selling price of the units of the following investment funds is guaranteed not to decrease over time. For all other investment funds the selling price is not guaranteed, and may increase or decrease over time.

- Vesting Bonus Fund
- Guaranteed Capital 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 policy is affected, we will request the life insured to choose another investment fund allowed at that stage for this type of policy, 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 policy.

May switches be made between investment funds?

Yes. Switches may be made between all the investment funds allowed at that stage for this type of policy. A switch will be made at the selling price of the units in the investment funds from which and to which a switch is made. We may change this from time to time.

The member may also apply to have future premiums allocated to any investment fund allowed for this type of policy. The premiums already allocated to the current investment funds, will then remain in these investment funds.

How much does it cost to switch from one investment fund to another?

Currently we do not charge an administration fee for the first 4 switches in a policy year. For each subsequent switch in a policy year, we will charge an administration fee. We may change the number of free switches from time to time.

Depending on the investment fund from which or to which a switch is made, we may also charge a switching fee for each switch in a policy year.

We will inform the Fund and the member of these fees, when the member applies to switch from one investment fund to another.

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 policy benefits.

Fund value

The fund value of a specific investment fund is the number of units multiplied by the selling 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 selling price on any of the following dates only:

- the date on which we receive notice of the member's death, or
- the option date, or
- a date every 5 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 selling price and the market value of the underlying assets, which may increase or decrease over time. If a benefit is paid, or if an alteration fee is charged for reducing or stopping the recurring premium, 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 selling 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 selling price was lower than or equal to the market value of the underlying assets.

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

Policy charges

Policy charges are used to, among others, pay for policy expenses, which may change from time to time. Therefore, we may, from time to time, in addition to the increase with the inflation rate, change any of the policy charges below, and also change the way we recover any of these policy charges.

Currently the policy charges are the following:

- We will deduct a **premium charge** from each single premium or recurring premium, before we invest the balance.
- Each month we will recover a **policy fee** by cancelling units to the value of this fee. Each year we may increase the policy fee with the inflation rate. We will determine this inflation rate.
- Each month we will recover a **marketing fee**, calculated as a percentage of the fund value, by cancelling units to the value of this fee. This fee is currently a percentage of:
  - the part of the fund value built up by single premiums, but excluding the transfer value, if any;
  - the part of the fund value built up by savings premiums and the transfer value, if any.
- **Guarantee charge:** Each month we will recover a charge to pay for the cost of the investment guarantee of every investment fund that offers an investment guarantee. The percentage charged for a specific investment fund is available on the Sanlam website. Currently we charge one-twelfth of this percentage of the fund value of each respective investment fund. We recover this charge by cancelling units to the value of the charge.
- We will recover a yearly **service fee** and **fund management fee***, which is a percentage of the market value of the assets in the chosen investment funds. These fees are calculated on a daily basis, which means it is divided by 365, and this is taken into account when we calculate the daily price of the units. The fees for a specific investment fund are available on the Sanlam website.

  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 of the fund management fee.

  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, which is included in the fund management fee above, for certain investment funds. This discount is not guaranteed. The discount will be added monthly to the fund value of the policy by adding additional units to the value of the discount.

  *Some asset managers gives a rebate on the asset management charge, which is included in the yearly fund management fee above, for their investment funds. Such a rebate is taken into account when the fund management fee is calculated. The impact of this is that the fund management fee is lower than what it would have been without a rebate. The size of the rebate as a percentage of the market value for each investment fund is indicated in the statement.
- Before we calculate the daily price of the units, we recover **initial fees** charged by some fund managers, statutory charges, for example tax, and stockbroker fees, as applicable in each country in which investments are made, from the market value of the assets in each investment fund.

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.

Alteration fee

When will it be recovered?

We recover an alteration fee from the fund value by cancelling units to the value of this fee when any of the following alterations is done before the option date:

- Taking the retirement benefit.
- Terminating the policy.
- Reducing the recurring premium.
- Stopping payment of the recurring premium.

Why will it be recovered?

The purpose of the alteration fee is to

- pay for the expense of doing the alteration;
- partly recover the loss, resulting from the alteration, of future policy charges which are required to pay for the initial expenses incurred on the policy.

What does it consist of?

Currently the alteration fee consists of the following components. Not all of the components necessarily apply to a specific policy. Each policy's statement indicates which components apply, and to what extent.

- **Fixed Component**

  This is a fixed amount, which we may increase each year with the inflation rate. We will determine this inflation rate.
- **General component**

  It reduces over time in equal proportions on a daily basis. The period during which it applies is set per individual policy. It consists of two sub-components:
  - a fixed amount: if the policy continues after the alteration, the amount charged is adjusted by the proportion that the amount taken has to the fund value before the alteration;
  - a percentage of the amount taken with the alteration.
- **Premium reduction component**

  This component only applies to the extent that the premium is reduced with the alteration. It is calculated as a percentage of the reduction in the monthly equivalent of the savings premium payable at the time of the reduction, multiplied by the number of months from the alteration date up to the option date. We will reduce this component of the fee during the early part of the policy term by restricting the number of months. We will treat this component of the fee as an amount taken from the fund value when we calculate the other components of the fee.
- **Fund reduction component**

  This may consist of the following sub-components:
  - A percentage of the amount taken from the part of the fund value built up by single premiums, but excluding the transfer value, if any. This percentage applies up to the option date.
  - A percentage of the amount taken from the part of the fund value built up by single premiums, but excluding the transfer value, if any. This percentage may reduce gradually over time.
  - A percentage of the amount taken from the part of the fund value built up by savings premiums and the transfer value, if any. This percentage applies up to the option date.
  - A percentage of the amount taken from the part of the fund value built up by savings premiums, if any, multiplied by the number of years from the alteration date up to the option date. We will reduce this sub-component of the fee during the early part of the policy term by restricting the number of years.

When an amount is taken from the fund value, we first determine the proportion that the amount taken has to the total fund value. This proportion is then taken from both:

- the part of the fund value built up by single premiums, but excluding the transfer value, if any;
- the part of the fund value built up by savings premiums and the transfer value, if any.

We may, from time to time, in addition to the increase with the inflation rate, change the alteration fee, and also change the way we recover the alteration fee.

Reduction of the recurring payment

The recurring premium may be reduced on request. If it is reduced before the option date, we will charge an alteration fee.

Currently we will not charge an alteration fee when the recurring premium is reduced on or after the option date. We may, at any time, decide to charge a fee on or after the option date.

Stopping payment of the recurring premium

Payment of the recurring premium may be stopped on request. If the fund value of the policy at the time, less the alteration fee, exceeds a certain minimum, the policy will be maintained without further premiums. If it is below the minimum, the policy will lapse. This minimum will increase from time to time.

Currently we will not charge an alteration fee when payment of recurring premiums is stopped on or after the option date. We may, at any time, decide to charge a fee on or after the option date.

Investment advice agreement between the member and the Fund

A member of the Fund may request the Fund to pay an investment review 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 investment review fee monthly on behalf of the Fund to the intermediary who provides this advice.

This investment advice is a discretionary service that is provided by an intermediary nominated by the member. It is not part of the intermediary services for which we pay commission.

The investment review fee for the investment advice is specified as a percentage per year of the fund value. The member must specify the percentage. The investment review fee is calculated on a monthly basis, which means that the specified percentage is divided by 12. It is deducted monthly from the fund value by means of a withdrawal. Because the investment review fee is based on the fund value, the rand value of the fee will fluctuate. For example, an investment review fee of 0.50% implies R41.67 per month if the fund value equals R100 000.00.

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

The current investment review fee, if applicable, is indicated in the statement.

Policy benefits

The fund value is used as the starting point to calculate the various benefit values.

Cash value

The Fund can apply to cash in the policy. Before the option date, the total cash value of the policy is equal to the fund value at the time, less the alteration fee.

Currently we will not charge the alteration fee when the policy is cashed in on or after the option date. We may, at any time, decide to charge a fee on or after the option date.

Resignation benefit

The resignation benefit is available when the member resigns from employment. It is equal to the cash value.

Retirement benefit

The retirement benefit is payable when the member retires from employment. This includes retiring when the member qualifies for disability benefits as defined in the rules of the Fund. The retirement benefit is equal to the fund value, less the alteration fee.

How will the retirement benefit be provided?

Depending on legislation, the member may take a part of the benefit amount as a lump sum. The balance must be used to provide regular pension payments. Or, the member can choose that the full benefit amount be used to provide regular pension payments.

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

Policy ceded to member

Instead of taking the above benefits, the Fund may apply to have the policy ceded to the member on terms we will determine. After the policy has been ceded to the member, the member (now policyholder) can continue with premiums, which are no longer tax deductible, or stop premiums and have the policy made fully paid-up. The member does not pay tax again when the benefit amount is paid out to him or her.

Death benefit

The fund value on the date on which we receive notice of the member’s death, will be available as a death benefit. It will be paid to the dependants and/or nominees of the member.

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 the *Tax* chapter for more information.

Who will receive the death benefit?

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 member. Details of appointed nominees, as well as of all the dependants of the member must be provided, including spouse(s), children (including adopted and illegitimate children) of all ages and other persons who are financially dependent on the member.

The trustees have to consider all the dependants of the member, 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 member.
- A child of the member, including an adopted or illegitimate child.
- A person who, in law or in fact, depends on the member for financial support.
- A person who, in law or in fact, would have depended on the member for financial support had the member not died. For example, a child of the member who is born after the member's death.

Appointment of nominees

Refer to "Nominee" under "Role players" in this *Endowment for Provident Funds* chapter for more information.

Tax on withdrawal and retirement benefits

According to current tax legislation, and depending on the member's tax situation,

- the lump sum benefit could be tax-free within certain limits, and
- regular pension payments will be fully taxable as income.

The policy may be ceded to the employee. The underlying reason for the cession will determine the tax implications.

Refer to the *Tax* chapter for more information.

How will the regular pension payments be provided?

An annuity policy will be taken out to provide the regular pension payments. This policy must be taken out with an insurer who is registered as a long-term insurer under the Long-term Insurance Act, 1998 and the Insurance Act, 2017.

Description of investment guarantee

We do not guarantee the performance of the chosen investment funds, apart from investment funds where we specifically provide the option of an investment guarantee. 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.

An investment guarantee date only applies if an investment guarantee was chosen for at least one of the investment funds. For a continuation the investment guarantee date is 5 years after the start date. For other policies the following applies:

- if the option date is less than 15 years after the start date, the investment guarantee date will be equal to the option date.
- if the option date is 15 years or more after the start date, then the investment guarantee date will be 10 years after the start date.

How does the investment guarantee work?

For an investment fund that offers an investment guarantee, the fund value is guaranteed not to be less than the guaranteed amount of that investment fund. The guaranteed amount of an investment fund is equal to the amounts allocated to that investment fund, less the difference between the buying and selling price, accumulated each year by the guaranteed rate.

The investment guarantee only applies on the investment guarantee date, or on the date on which we receive notice of the member's death, if earlier. If the fund value of an investment fund is then less than the guaranteed amount of that investment fund, we will add more units to that investment fund, to give the value required.

If the fund value is reduced because of an alteration, the guaranteed amount of an investment fund will be reduced accordingly. However, the guaranteed amount will not be reduced for withdrawals made to pay an intermediary for investment advice, if applicable.

Will there be further investment guarantees beyond the investment guarantee date?

For a continuation the investment guarantee will stop on the investment guarantee date.

For other policies, if the investment guarantee date is before the option date and we still offer this investment guarantee for new policies at that time, the investment guarantee will continue beyond the investment guarantee date. We will then determine the new investment guarantee date.

If the option date is less than 15 years after the investment guarantee date, the new investment guarantee date will be equal to the option date. However, if the option date is 15 years or more after the investment guarantee date, the new investment guarantee date will be 10 years after the current investment guarantee date.

When will the investment guarantee be cancelled?

If ever the policy investment in an investment fund for which an investment guarantee was chosen is switched or withdrawn, the guaranteed amount of that investment fund will be reduced to zero. The investment guarantee of that investment fund will be cancelled, unless the savings premiums continue to be allocated to that investment fund at that stage.

Information about the Fund

The Fund was established as an umbrella fund in which employers can participate. Sanlam Personal Finance: Fund Administration administers the Fund.

Availability of Rules of the Central Provident Fund

The *Revised Rules of the Central Provident Fund* (the CPF Rules) are available on the Sanlam website at http://www.sanlam.co.za. We assume that the participating employer who signed *Stratus Provident Fund – Proposal by employer* (form AEB2037), knows these rules.

Registration of employer and retirement scheme

For a company or close corporation, it is essential that a decision to participate in the Fund has been made by the Board of Trustees, before applying to participate.

Before an employee may become a member of the Fund, or a retirement scheme may be registered, the employer must be registered with Sanlam Personal Finance: Fund Administration as a participating employer of the Fund.

Every participating employer must appoint an authorised person to negotiate with the Fund on behalf of the employer.

The CPF Rules stipulate that an employer must determine categories of employees. A minimum of one and a maximum of five categories apply. All employees in the applicable categories must participate in the Fund.

In the application to become a participating employer and to register a retirement scheme, an employer undertakes to:

- notify the Fund of employees for whom contributions have to be made
- transfer contributions for each employee within seven days of the date on which they become due to Sanlam Life
- comply with CPF Rules.

Sanlam Personal Finance: Fund Administration will register a participating employer and a retirement scheme and allocate a registration number for the scheme.

The authorised person at the employer will be informed in writing when the retirement scheme has been registered.

Qualifying employees

- To become a member of the Fund an employee must
  - be in the full-time service of a participating employer, and
  - fall within one of the five categories, as specified by the employer.
- An employee in the full-time service of an employer during the first year from the date on which the employer starts participating in the Fund, and who qualifies for membership, has the option to become a member of the Fund. After this date such an employee is no longer allowed to become a member.
- An employee entering the full-time service of an employer after the date on which the employer started participating in the Fund, and who qualifies for membership, must become a member of the Fund. Under his or her employment conditions, membership of the Fund is also compulsory while he or she is still employed by the same employer. The employer must continue with payments until the member’s actual retirement date, unless the employer terminates its participation in the Fund, or the member resigns.
- Employers may specify more than one category of qualifying employees; for example, according to income groups. A maximum of five categories are allowed. An employee who initially did not qualify for membership of the Fund because he or she did not fall into one of the categories, must become a member of the Fund if, at a later stage, he or she does fall within one of these categories owing to a promotion, salary increase, etc.
- The employer must make contributions to the Fund for the benefit of the member. These contributions are then recovered from the employee’s remuneration. An employer must at least pay the minimum according to the contribution levels as determined by the Fund.

Sole shareholder of one-man company

The Fund can be established as benefit for the sole shareholder, as well as all qualifying employees of such company. However, the shareholder can only receive a retirement benefit if he or she retires, and it often happens that such persons never really retire.

Sole ownership of one-man business

A one-man business is a business with sole ownership, i.e. where the business is part of the personal estate of such an owner.

The Fund can be used for a one-man business, but only for employees who are in the service of the owner, and not for the owner.

Spouse

Only employees of an employer will qualify as members of the Fund. Therefore both spouses can only participate if they are both employed by the same employer.

Insolvency

- For as long as an insolvent **employee** remains in the service of the employer, or an insolvent employee is rehabilitated prior to receiving the provident fund benefits, the insolvency of the employee will have no effect on the provident fund, since the policy belongs to the Fund.
- The insolvency of the **employer** will have no direct influence on the provident fund policy because the employer is not the owner of the policy. However, those concerned must decide on the future of the policy. For example, contributions by a new employer or a cession to the member can be considered.

Buying back of years of service

The employer can make retroactive contributions to the Fund in respect of the member for any period prior to the commencement of the member's membership. Because the number of years of membership no longer determines the tax-free lump sum, the purpose of the buying back of years of service is solely to increase the retirement fund benefit.

Selling of a business

Membership of the Fund can continue as in the past, provided that the new employer has been registered or will be registered with the Fund as participating employer.

Continuations within the Fund

If the actual retirement date of an employee is after the option date of the policy, the Fund must continue with the policy until this actual retirement date.

Options at resignation or retirement

The following options are available at resignation or retirement of an employee:

- For as long as the policy is an asset of the Fund, the Fund may cash in the policy at the request of the employer. The cash value will be paid directly to the former employee. The policy does not have to be ceded to the employee first.
- The policy may be ceded to the employee, and the employee may then cash it in.
- A new employer can continue to make payments to the benefit of the employee (member), provided that this employer is also participating in the Fund. (Tax implications: none for the original employer or the employee). A completed *Notice of change of employer* (form AE1356) must be sent to Sanlam Head Office: Fund Administration at:

  Address: PO Box 1, Sanlamhof 7532

  e-mail: fundadministrationSL@sanlam.co.za
- The cash value of the policy can be transferred to another approved retirement fund.
- The policy can be made fully paid-up and left in the Fund until the member's actual retirement date.

Legislative restrictions may apply, as indicated under "Legislative restrictions" in this *Endowment for Provident Funds* chapter.

Refer to the *Tax* chapter for more information about tax.

Enquiries

Technical enquiries

Enquiries can be directed to a legal adviser or to Sanlam Personal Finance: Fund Administration at (021) 916-3805 or email: fundadministrationSL@sanlam.co.za.

Registration of employer

Contact Sanlam Personal Finance: Fund Administration for the following:

- Procedure of registration
- To determine whether a specific employer is registered.

Death benefits

The contact details for enquiries about death benefits are indicated below.

Type of enquiry for death benefit	Contact details
If the member is still alive	Sanlam Life Client Care Centre: • Telephone: 0860 726 526 or (021) 916-5000 • e-mail: life@sanlam.co.za
If the member is deceased	Policy Claims: Policy Death Claims (Head office): • Telephone: (021) 916 3456 • e-mail: deathclaims@sanlam.co.za • Web: www.sanlam.co.za/individuals/claims

Submitting a claim

In the event of a claim please inform us as soon as possible. To obtain the necessary claim forms and to ensure that all the required information is supplied, contact the Sanlam Life Claims Call Centre at (021) 916-1710. Depending on the nature of the claim, documentary proof, for example a death certificate or medical report, will be required.