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Trustee Member Newsletter

Issue 1: June 2012

Umbrella Pension and Provident Funds (the Funds)



FundsAtWork Umbrella and Preservation Funds get a “clean bill of health”

The Funds have been audited up to 30 June 2011 and received unqualified financials. The next audit is due for the period 1 July 2011 to 30 June 2012.

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Know your rules

'Know your rules' will be a regular trustee column to help you understand the Rules of the Funds including the benefits and investment options available.

Changes to the Rules of the Funds are registered by the Financial Services Board and approved by the South African Revenue Service. The rules of a fund are changed to accommodate changes to the product, processes or legislation.

The article on early and late retirement gives you practical examples of when you can go on early or late retirement and how it will affect your membership and benefits.

If you are thinking of changing your product option or investment portfolio or both please read the article on how to make sure your change instruction is valid.

Early retirement and late retirement from the Funds



The Rules of the FundsAtWork Umbrella Funds allow for both early retirement and late retirement.

Early retirement

You may choose to retire from the Funds before your normal retirement age. This is called early retirement. If you are a member of the FundsAtWork Umbrella **Pension** Fund, you may retire *at any time before* your normal retirement age, but as a member of the FundsAtWork Umbrella **Provident** Fund, you can only retire early *if you are 55 years or older*.

If you retire early because of illness or injury, you will be allowed to retire early *at any age* from both the FundsAtWork Umbrella Pension and Provident Funds.

These are legal requirements in terms of the Income Tax Act.

Examples

Mr. Smith (40 years old) works for employer A and is a member of the FundsAtWork Umbrella Pension Fund. His normal retirement age is 60 years. Can Mr. Smith go on early retirement? Yes, as Mr. Smith can retire at any age from the FundsAtWork Umbrella Pension Fund.

Mrs. Mashate (40 years old) works for employer B and is a member of the FundsAtWork Umbrella Provident Fund.



If you are a member of the FundsAtWork Umbrella Pension Fund, you may retire at any time before your normal retirement age, but as a member of the FundsAtWork Umbrella Provident Fund, you can only retire early if you are 55 years or older.

Her normal retirement age is 60 years. Can Mrs. Mashate go on early retirement? No, she must be at least 55 years old to retire early from the FundsAtWork Umbrella Provident Fund. If Mrs. Mashate was retiring early because of illness or injury, then she could go on early retirement even though she is younger than 55.

Late retirement

If your employer agrees, you may choose to carry on working after your normal retirement age and can retire from employment at *any time* afterwards. This is called late retirement.

If you decide to retire late, certain insurance benefits (such as the group life benefit and group disability benefit) may stop as the termination age for these benefits is usually your normal retirement age.

Example

Mr. Pillay has reached the normal retirement age of 65 years but would like to continue working until age 70. His employer agrees that he can work for the company until age 70, but not after 70. He is no longer covered for disability benefits because these benefits stop at 65 but he is covered for death benefits as the employer has an arrangement with Momentum FundsAtWork to extend death cover to 70.

Rule changes

With effect from 1 March 2012, the Rules of the FundsAtWork Umbrella Pension and Provident Funds were rewritten in plain language. Some of the changes to the Rules that affect members are summarised below.

Product option changes

- The Trader option has been cancelled.
- During March 2012, all members in the Trader option were automatically moved to the Entrepreneur option.
- During March 2012, members who were invested in the Passive Lifestages Portfolio under the Provider option were moved to the same Lifestages Portfolio under the Entrepreneur Option.

Opting out of product options

- A member can “opt out” of a product option or investment portfolio chosen by the Advisory Body or from the Trustee Choice Portfolio.
- Future investment instructions by the Advisory Body will not apply to a member who has opted out.
- A member may also switch back to a product option or investment portfolio chosen by the Advisory Body, whereafter future investment instructions by the Advisory Body will apply to that member.

Asset consulting service

- Momentum FundsAtWork will make an asset consulting service available to members.
- On the Entrepreneur product option a fee will be paid to FundsAtWork for these services. This will be debited against the specific member's retirement savings account.

Changing the product option and investment portfolio

- The Rules clearly set out the requirements for an investment instruction to be correct and valid.

Deduction from benefit

- The rules now set out the process that will be followed when a deduction is made.

For a complete set of the Revised General Rules go to our website at www.momentum.co.za/fundsatwork.

Thinking of **changing** your product option and / or investment portfolio?



How to make sure your change instruction is valid.

Momentum FundsAtWork offers four product options: Founder, Narrator, Provider and Entrepreneur. Initially your Advisory Body will choose a product option for you, called the default product option. You can then decide to stay in the default product option or move to a different product option **that suits you best.**

Your Advisory Body will also initially choose the investment portfolio for you, called the default investment portfolio. If you belong to the Provider or Entrepreneur product option you can also change your investment portfolio.

If you change the product option and investment portfolio selected by your Advisory Body, none of the future instructions by the Advisory Body regarding the product option or investment portfolio will apply to you. If you decide to change your product option and investment portfolio option back to the default selected by the Advisory Body, instructions by the Advisory Body will once again apply to you.

If you want to change your product option or investment portfolio or both,

you will have to submit your product option or investment portfolio option change to Momentum FundsAtWork before your contributions can be invested in the portfolios of your choice.

To make sure your change (switch) instruction is processed correctly, the Rules of the FundsAtWork Umbrella Funds require that your switch instruction must meet certain criteria to be valid. You can read the requirements for a valid instruction on the product option and investment portfolio change form available on www.momentum.co.za/fundsatwork.

If your switch instruction is not valid it will not be implemented. If we don't have your email address an email will be sent to the financial adviser of the scheme or your employer or service consultant to inform you of the invalid switch instruction. If it is valid, it will be implemented within 7 working days if you made a change to only your product option or your investment portfolio. If you made a change on both the product option and investment portfolio it will be implemented within 14 working days.

Rates and fees are reviewed annually and might change.



The rates and fees of the Funds are reviewed annually. The rate reviews are approved by the trustees. **Each scheme is unique** and the rates and fees are specific to a particular scheme

Important factors that influence rate and fee changes

- Size of employer
- Industry of employer
- Geographical location of employer
- Salaries earned by employees
- The claims experience on insurance products
- The number and type of employee benefits taken up with FundsAtWork
- The administration effort required for each scheme (e.g. amount of staff turnover and use of automated electronic processes)

If your scheme's membership profile has changed a lot, the benefits will be re-priced. The new rate will better reflect the long term cost of the benefits.

Changes in administration fee

The administration fee is charged to cover the cost of collecting, allocating and investing the contributions received every month. When the administration fee is reviewed, the amount of effort in administering each scheme, the effects of inflation and the increased costs of legislative compliance are taken into account.

Changes in Entrepreneur asset-based administration fee

The asset-based administration fee is only payable by members in the Entrepreneur product option invested in external investment portfolios (those portfolios that are neither Momentum nor Metropolitan branded).

Changes in fund expense fee

Fund expenses are charged over and above the administration and asset-based fees. The fund expenses include fidelity guarantee cover, external audit fees, external trustee remuneration, Financial Services Board levies and actuarial fees.

Changes in insurance benefit rates

The Momentum FundsAtWork income disability benefits have been improved. It now allows income replacement of up to 100%, a choice between 12 months or 24 months initial period as well as a choice between various disability definitions. A temporary income disability benefit is also now available. Due to this, your income disability rates might have changed. The claims pattern of each scheme was also considered when the rates were changed to make sure that the rates charged will support the benefits in the long term.

The table below illustrates the rate and fee reviews effective from 1 July 2012.

Rate / Fee	Umbrella Funds
Administration fee	Administration fee reviews differ from employer to employer. Ask your employer if you need more information
Asset-based administration fee (payable by members in the Entrepreneur product option invested in external investment portfolios)	Unchanged
Fund expenses	Pension Fund : R3.14 (per member per month) (was R3.33 per member per month) Provident Fund : R2.50 (per member per month) (was R3.10 per member per month)
Insurance benefit rates	Rate reviews differ from employer to employer. Ask your employer if you need more information

Your Advisory Body **takes care** of you



Each employer that participates in the FundsAtWork Umbrella Funds has to form an Advisory Body. The Advisory Body must have at least two members: one appointed by the employer and one chosen by the members. There may not be more employer representatives than member representatives on the Advisory Body. The Advisory Body makes recommendations to the trustees, taking your interests into account.

Investment portfolio choices and the role of the Advisory Body

When an employer joins the Funds, the Advisory Body chooses the default product option/s as well as the default investment portfolio/s within the product option/s. The Advisory Body is asked to make this choice because they know the employees best. It is wise that the Advisory Body, when making this choice, work with a financial adviser and that the financial adviser keeps a written record of the advice given to the Advisory Body.

Your Advisory Body representatives are not allowed, by law, to give you financial or



The Advisory Body makes recommendations to the trustees, **taking your interests into account.**

investment advice. You should contact your financial adviser for this.

Duties and responsibilities of the Advisory Body

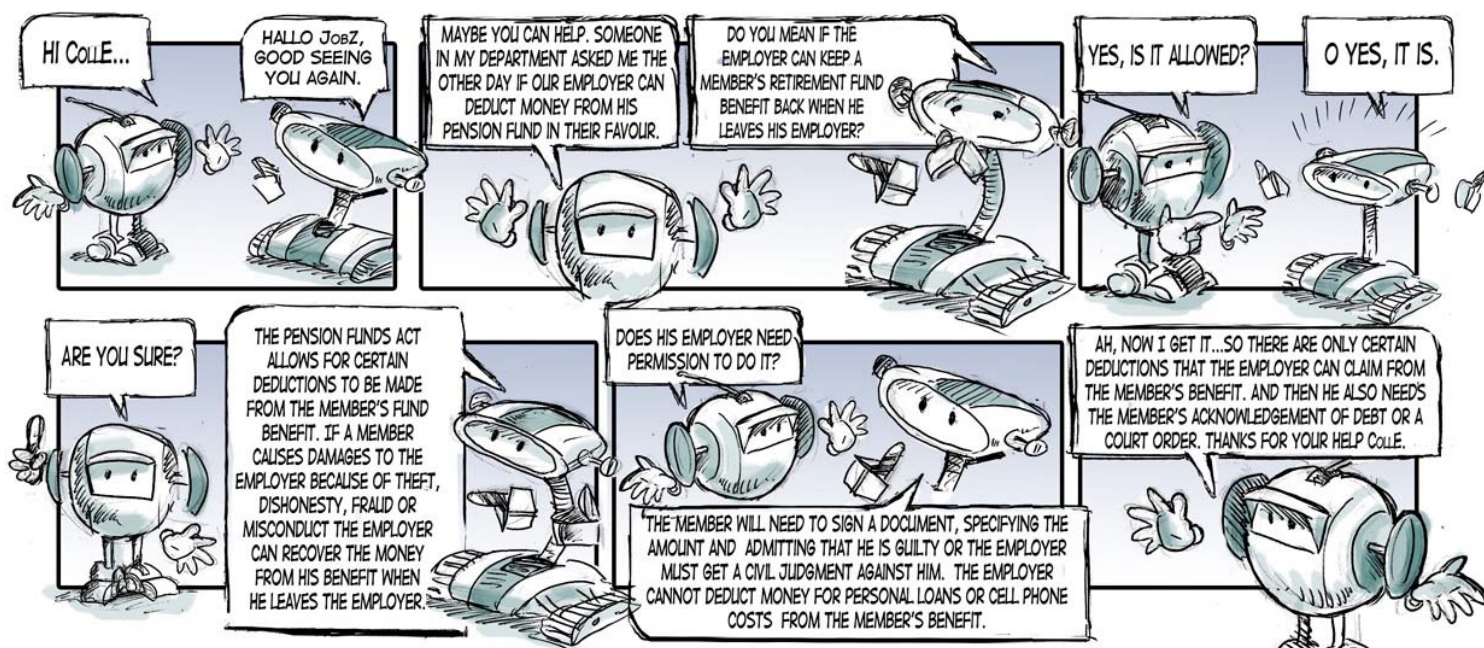
The Advisory Body has specific duties. They should:

- Make sure that the interests of members are protected at all times.
- Act with care, diligence and good faith.
- Avoid conflicts of interest, in other words they should make sure that both the employer and employee's best interest is taken into account with regards to the benefits the employer offers the employees.
- Act with neutrality in respect of all members and beneficiaries, in other words be objective.

Amongst other responsibilities the Advisory Body should provide the trustees and FundsAtWork, as the administrator, with any information needed to make sure your scheme is managed efficiently. Ask your employer who the members of your Advisory Body are and meet the people taking care of your benefit.

JobZ & Colle

Can my employer hold back my retirement savings account money when I resign?



Will you retire comfortably or find yourself in stormy waters?



South Africans do not save enough for their retirement. We also have a culture of not keeping our retirement fund benefits when we change employers. This means that people effectively start saving from scratch for their retirement, each time they start a new job, which could be as often as every two or three years. Government is in the process of making it compulsory for employees to preserve their retirement benefits when changing jobs.

One of the biggest risks these days is longevity. This is where someone lives longer than expected. People are living longer and run the risk of outliving their retirement savings. Many people also don't bear in mind that they will need more money in the second half of their retirement due to increased medical care.

The primary purpose of a preservation fund is to give members the option to keep their retirement benefits when they leave their employer, and at the same time allowing them access to cash before retirement if an emergency arises. Another major advantage of a preservation fund is that when the member transfers the withdrawal benefit, it is transferred without having to pay tax then.

Preserving your retirement savings in the FundsAtWork Preservation Funds is more affordable than other options because you



Retiring comfortably is not about the quality of your living room couch. It is about whether you will have enough money to take care of yourself when you are too old to work.

don't pay any administration or financial adviser fees. You only pay an asset-based administration fee under the Entrepreneur product option if you choose an investment portfolio using external asset managers.

You can automatically preserve your retirement savings in the FundsAtWork Preservation Funds, in the same product option and investment portfolio without any additional costs or administrative hassles. You will also not lose out on any market performance because your money will be fully invested in the market at all times. In addition, you will enjoy the advantage of continuing with your Family Protector benefits at no extra cost. This value added benefit offers the member and spouse(s) R10 000 funeral cover and R5 000 funeral cover for up to five children.

People who are not members of the FundsAtWork Umbrella Funds can also join the FundsAtWork Preservation Funds. These members will have the same flexibility and investment portfolio options as all the other members.

Preserving your retirement savings in the FundsAtWork Preservation Funds when changing employers is one of the best things you can do. You will be one step closer to retiring comfortably.

FundsAtWork In-your-Pocket: your quick reference guide



Have you read your member guide? Do you even know where it is?

FundsAtWork is known for innovation and good ideas. To make it easier for you we have created the FundsAtWork In-Your-Pocket guide. That's right, this quick reference guide is so compact it fits into your pocket or wallet. It gives you all the important information you might need on a day-to-day basis, such as:

- How to stay in contact with the Fund.
- What your family must do in the event of your death.
- What to do in the event of a funeral claim for a family member.
- What to do when you have resigned from your employer or if you are retrenched.

All new members receive a member guide when they join the FundsAtWork Umbrella Funds. The member guide gives you detailed information on the product options, investment portfolios and your insurance benefits. It also gives you information on what to do in certain situations, for example, when a family member dies.

The In-Your-Pocket guide is available, free of charge, to all members. You can download the Pdf version from our website at www.momentum.co.za/fundsatwork or you can call our client contact centre on 0860 65 75 85 for a printed copy.

At your service

Q: Do I always have to phone the call centre to update my beneficiary details and personal information?

A: No. All members of the FundsAtWork Umbrella Funds are automatically registered to access the Funds' website. With your login details, provided in the Welcome to FundsAtWork letter, you can access the website to update your information.

Q: How can I keep track of my retirement savings account balance without having to phone the call centre or log onto the website?

A: You can subscribe to our SMS and email messaging service to receive a monthly notification of your retirement savings account balance and changes to your personal details (if any).

Q: How can I be sure that my employer has paid over my monthly contributions to FundsAtWork?

A: If you have subscribed to our SMS service you will get a monthly notification on your retirement savings account balance as soon as your contributions have been received from your employer and have been invested. If we don't receive your contributions from your employer, you will receive a non-payment of contributions SMS.

Q: Who are my dependants?

A: A dependant is a person for whom you are legally liable for maintenance or a person in respect of whom you are not legally liable for maintenance, but who is financially dependent on you e.g. children, spouse and parents.

Q: I did not receive a welcome to FundsAtWork SMS but my colleagues did. Does this mean I am not a member?

A: This may be because we don't have your cell phone number. You can update your personal details by phoning our client contact centre on 0860 65 75 85 or you can log onto our website at www.momentum.co.za/fundsatwork to update your details online. You can also ask your payroll officer to update your details. This will ensure that we can always keep in touch with you.

Q: If my employer's business is liquidated, will the balance in my retirement savings account be lost as well?

A: The Pension Funds Act states that a retirement fund is a separate legal entity and doesn't form part of the assets of the employer. This means that in case of the employer being liquidated, the creditors cannot take your retirement savings account to pay off your employer's debt. Your benefit is therefore protected.



Who won the Apple iPad2 competition?

In our previous newsletter as part of the annual trustee communication we announced a competition with the aim to get members to give us their updated personal details. **3070 members qualified for the trustees' 'Win an iPad2' competition.** This represents only 1.6% of Momentum FundsAtWork's total membership. The rules of the competition allow Momentum to reduce the number of prizes if the minimum of 10% required entries not be achieved. As a result of the low participation rate, we have decided to reduce the number of iPads to one.

Congratulations to:



Thelingaone Tsoaru
from E-MBD technologies

Thank you to everyone who sent us their personal information forms. If you have missed out on the competition look out for the next opportunity to take part in one of our competitions.

If you want to know what your monthly balance is in your retirement savings account or want to stay informed on a regular basis, then send us your updated personal details by completing the form available on the Funds' website, www.momentum.co.za/fundsatwork.

Women need to **save more**



Research recently released by Statistics South Africa shows that women are expected to live on average four years longer than men. What impact does this have on women's retirement savings?

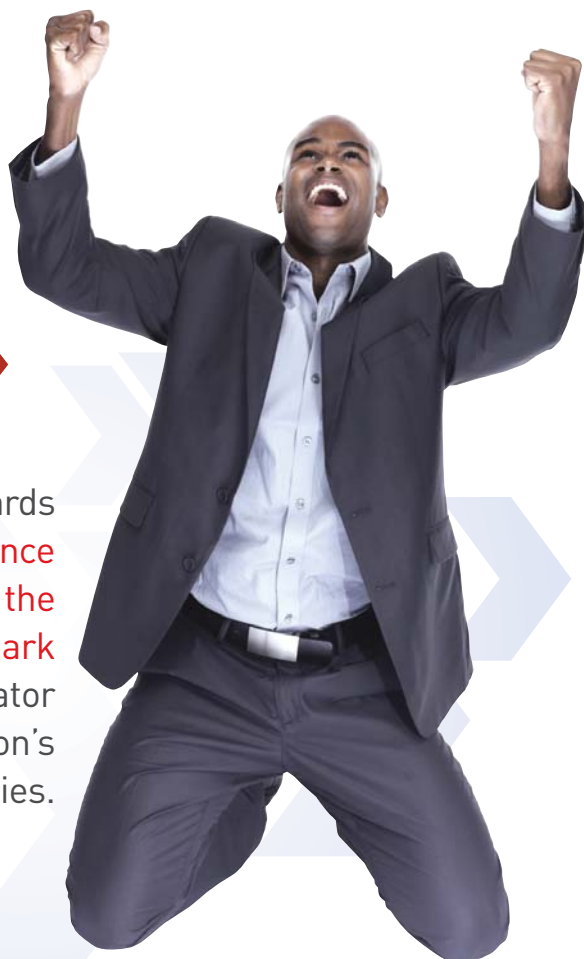
Women need to take retirement savings more seriously.

Over the past 60 years, women have entered the education system and the workforce in greater numbers than ever before, and it would seem they would be on equal footing with men when it comes to retirement savings provisions. But it is not the case.

Most women take time out to raise children and take care of their families, which reduces all the benefits and also impacts on their career development.

While four years may not seem like a long time it can have a major effect on their ability to retire comfortably. The extra savings that are needed to provide for these additional years make saving enough for retirement exceptionally challenging.

Keeping all of this in mind, women almost certainly need to save more than their male counterparts to ensure that they don't have to depend on Government, friends or family for support.



The PMR Awards do **not only enhance excellence, but sets the industry benchmark** and is an indicator of an organisation's competencies.

Momentum FundsAtWork receives the top accolade at the 2012 PMR Awards

The PMR awards are the end result of a research process whereby companies, departments, institutions and individuals are nominated and rated by respondents against specific attributes or criteria. Customer service and customer satisfaction are strong focus points when nominees are evaluated and measured.

Momentum has received PMR awards consistently since 2005 and has again received top awards in 2012 in the following categories:

silver arrow for group life / risk products
diamond arrow for group pension and provident fund
bronze arrow for investment products

FundsAtWork also won the Diamond Arrow Award for the highest score across all three categories.