



Trustee Member
Newsletter

FundsAtWork

Umbrella Pension and
Provident Funds

momentum

for your financial wellness

July 2018



Be warm and well
this winter

Welcome to the **July 2018** **FundsAtWork** trustee newsletter.

When life gives you winter...make hot chocolate! It's that time of year where we take out the warm blankets, wear fluffy slippers and spend more time inside. In this issue, we warm you up with a 'spicy' update on our recently-launched Smart Underwriting service – an innovative first for group insurance in South Africa, now available to FundsAtWork members with insurance benefits.

Healthy living can be a challenge, especially when the cold winter months tempt you to indulge in unhealthy winter munchies to warm up. But what is the cost of unhealthy living and how can healthy lifestyle choices help you save more for retirement?

As seasons change, we need to adapt to the new season. Similarly, we need to make important decisions that impact on our financial wellness as we move through various 'seasons' during our working lifetime and at retirement. Fortunately the FundsAtWork retirement benefit counselling and education services will help you make smart choices at key milestones in your financial wellness journey.

Regards

Freck Kruger

Chairperson
FundsAtWork Umbrella Funds



Look ahead

Take ownership of your financial destiny

The new retirement fund default regulations require every occupational retirement fund to offer at least one default investment portfolio (DIP). This means that the retirement savings of members who don't actively choose an investment portfolio of their choice will be automatically invested in the DIP.

For FundsAtWork Umbrella Fund members who do not actively choose another portfolio, the Momentum Enhanced Lifestages is the underlying building block for the DIP. This portfolio is a great choice for a default option as it is a well-constructed portfolio which offers the benefits of outcomes-based investing and lifestage progression.

Outcomes-based investing (OBI)

Outcome-based investing is about placing your goals at the centre of the investment process by:

- Building portfolios around your goals, not an arbitrary peer group.
- Maximising the probability of you achieving your unique goals.
- Ensuring portfolios remain flexible, adaptable and diversified.
- Ensuring an attractive risk-adjusted return that provides a more consistent investment experience over time.
- Limiting the risk and temptation of market timing.

Lifestage progression

The Momentum Enhanced Lifestages portfolio also offers 'lifestage progression'. This allows members to be automatically switched from a more aggressive investment portfolio, which is more suitable for longer time-frames to retirement, to more conservative and, ultimately, defensive portfolios as members near retirement.

It's good to know that the retirement savings of FundsAtWork members who do not actively choose an investment portfolio will be directed towards a well-constructed default portfolio.

However, it's important to remember that these are YOUR retirement savings. And once your personal situation and needs are taken into account, the DIP may not be the best investment portfolio for you. Get involved. Review the wide range of investment portfolios available on FundsAtWork. Talk to your scheme's financial adviser. Make sure you understand all the options available and then decide which portfolio is best for you.



What's best for you?

Make the right decision at **retirement**

We need to make very important decisions at certain key stages on our financial wellness journey. Choosing the right annuity as we near retirement is one of these critical decisions.

Annuity income is a regular payment you receive during your retirement years. You can purchase a monthly income during retirement with your retirement savings from an insurer like Momentum. These assets are then managed by the insurer in an appropriate manner to ensure that the required objectives are achieved. And they will pay you a regular monthly income during retirement. This is often referred to as a monthly pension.

Choosing the right annuity can be complicated and it's easy to make the wrong choice. There are many different annuities available. Some of the important factors to consider when choosing an annuity include:

- Will the initial monthly income cover your basic needs?
- Will the annuity you choose guarantee you a pension income for as long as you live?
- Will your annuity income increase in line with inflation?
- Will your loved ones be covered should you die?
- How can you make sure that you don't run out of money during retirement?

With-profit Annuities and Living Annuities are two popular types of annuities. This is how they differ.

With-profit Annuity

- Your monthly pension or income is guaranteed until you die.
- Annual pension increases are granted based on how well the portfolios in which your retirement savings is invested perform.
- These increases help to protect the purchasing power of your pension from inflation.
- Every time your pension increases, the new amount is guaranteed for life.

Living Annuity

- Your pension is not guaranteed until you die.
- You choose which portfolios you want to invest in and the amount of income you want to receive each month (within regulatory limits).
- You carry the risk of how well or poorly the portfolio where your money is invested performs.
- If the monthly income level you select is too high or the portfolios you choose perform poorly, there is a risk that you could run out of retirement savings before you die.
- If you die and have retirement savings left, that money will go to your heirs.

Sounds a bit daunting? The good news is that you are not alone!

As a FundsAtWork member, you now have access to benefit counselling. These services will help you make smart financial choices, during your working lifetime and at retirement. If you have any questions about your benefits or need greater clarity before making important decisions, please contact the FundsAtWork benefit counselling call centre on 0860 44 43 40 and talk to one of our professional retirement benefit counsellors.

REMEMBER: You also have access to easy-to-use digital platforms to help you make better informed financial decisions at key points in your financial wellness journey, such as when you retire. For example, you can tap into the **Smart Retirements service**, which will help you to understand the different annuity options available.



Default Regulations

The new retirement fund default regulations want to make sure you make the right choice at retirement. These regulations require retirement funds to have a default annuity strategy. This means that the FundsAtWork board of trustees must evaluate the various annuity options available and then select a suitable default option for FundsAtWork members. You will however not automatically be placed into the default annuity. You still need to “opt-in” to this product at retirement, or choose another annuity that might be more suitable for your own personal circumstances. The selection of a With-profit Annuity (the default annuity) means you are unable to change the type of annuity in the future. This means it's important to discuss your choice with a financial adviser before making a final selection.

FundsAtWork default annuity strategy

Following evaluation, the FundsAtWork board of trustees have developed an annuity strategy and have selected the Momentum Golden Income With-profit Annuity as the ‘default’ annuity. The features of this product are:

- A With-profit Annuity which targets annual pension increases of 70% of CPI (inflation).
- Members can choose between ‘single life’ or ‘joint life’. If you choose ‘single life’, it means that you will receive a higher monthly income than if you select ‘joint life’. However, if you pass away, your spouse or any financial dependants will no longer receive an income.
- Members will also be able to choose ‘spouses reversion’. Although selecting ‘spouses reversion’ means your initial monthly income will be higher, the monthly income will reduce by 25% should you or your spouse pass away.
- You decide how much of your retirement savings you take as a lump sum and how much should be used to buy a pension. If you are on the pension fund, the Income Tax Act says that at least two-thirds of your retirement savings must be used to buy a pension.

The trustees will review the default annuity options every year and will make adjustments to the strategy if required to ensure it meet the needs of FundsAtWork members.



Are you making the right choices?

Healthy choices today can boost your replacement ratio tomorrow

Most of us expect our pension (also called your annuity income during retirement) to be lower than our salary. During retirement, many expenses reduce or fall away so we don't necessarily need the same level of income we received during our working years. But if your pension is a lot lower than the salary earned just before retirement, you may find your retirement years rather rocky.

A replacement ratio is the percentage of your last paycheck before retirement that your pension will replace. So if someone's last monthly salary was R15 000 and their monthly pension is R10 500, it means they achieved a replacement ratio of 70%, calculated as follows: $\frac{R10\,500}{R15\,000} \times 100 = 70\%$. Most experts agree that a replacement ratio of 70% or more is a good target for maintaining one's standard of living during retirement. However, the sad reality is that only 6 in 100 South Africans manage to achieve this. Most South Africans face retirement ratios that are a lot lower than 70%.

Did you know that healthy lifestyle choices can help improve your replacement ratio?

The savings you make when you choose a cost-effective healthy home-made lunch over a greasy takeaway, quit smoking or choose water over expensive sugary drinks, can all be channeled towards retirement savings. When you add it all up, it can make a big difference over time. Consider this:

If you give up your daily pack of cigarettes, you could save around R13 870 a year. Invested at 10% return per year over the next 25 years, you will save almost R1.4 million!

Healthier choices will also help you to prevent lifestyle-related diseases such as hypertension, diabetes, cardio-vascular disease or cancer. The high medical costs for treating these diseases can eat into your salary, reducing your ability to save adequately for retirement.

Over and above the hard cash that you save through healthier choices, FundsAtWork and Multiply also help you channel more money towards retirement.

Multiply offers attractive discounts from a wide range of partners, which generates savings that can be allocated towards long-term savings goals such as retirement. Plus, there is MORE!

If you are a Multiply Premier member, you can get a percentage of your approved life cover and dread disease premiums back simply for having a good Healthy Heart Score. Each month the money will be paid into your FundsAtWork retirement savings account. Over time, this additional amount will grow handsomely thanks to compound interest, and help improve your replacement ratio.



Increase your cover, from the comfort of your couch.

A **smart** process enabling **smart** decisions

Have you ever wondered whether you have enough insurance cover in place? One of the key sources of cover you may have is your employer's group insurance policy through FundsAtWork. These very important benefits will be there for you or your family in the event of disability or death. Check your benefit statement to see if you have insurance benefits with FundsAtWork.

Sadly, many families in South Africa are seriously underinsured. In fact, a 2016 study by ASISA, the Association for Savings and Investments South Africa, shows that the families of South Africa's 14 million income earners face a combined insurance shortfall of R28.8 trillion. This shocking insurance gap means most South African households would be unable to maintain their current standards of living in the event of death or disability.

One of the reasons for this gap is the traditional medical underwriting process. While completing the process is a 'must' for anyone who wishes to increase their level of cover above the 'free cover limit', the traditional industry-wide underwriting process tends to be complex, involving long tedious telephone interviews, frustrating documentation and long waiting times for answers.

Watch the video that explains the new Smart Underwriting process.



The good news for FundsAtWork members is that from May 2018, this has all changed!

Following comprehensive research to understand customers' 'pain points', Momentum has reinvented the underwriting process. What does this mean for FundsAtWork members who need to complete the process?

- No more long telephone interviews or tedious paperwork. You can now complete the process privately, in your own time, by accessing a secure website via your computer, tablet or smart-phone.
- You only need to answer a few short, easy-to-understand questions about your health and lifestyle.
- If you're not sure what a difficult word or term means, simply click on it for a quick explanation.
- Feedback is immediate, so at the end of the process you will know that you (and your family) are covered, or if you need to do additional medical checks.
- You will also receive personalised health tips and guidance, based on your health profile, which will help you improve your health now and in the future.
- The old tedious process that previously could take **up to 3 weeks**, on average, **now takes 10 minutes!**

'Smart Underwriting' from Momentum Corporate - an innovative first for group insurance in South Africa, now available through FundsAtWork.



What is the free cover limit?

The free cover limit is the maximum amount of insurance cover an insurer gives a member without the member having to undergo underwriting. Salary increases can cause an employee's insurance cover to exceed the free cover limit.

What is underwriting?

Insurers use underwriting to gather medical information which is used to assess an individual's risk. This level of risk then determines whether the insurance company will offer or increase your insurance cover and the price of this cover.

To get a copy of your benefit statement:

Log in on www.momentum.co.za
Email: momentumcorporateclient@momentum.co.za
Call: 0860 65 75 85



Portfolio changes

you should know about

To support your financial wellness, the investment portfolios available on the FundsAtWork Umbrella Funds are reviewed regularly and changes are made when necessary. These changes may affect you. Please check your benefit statement to see if you are invested in any of the portfolios which were recently changed. Members who were affected have been notified via email and SMS, but if we don't have your correct contact details, you might have missed out on this important information.

To get a copy of your benefit statement:

Log in on www.momentum.co.za

Email: momentumcorporateclient@momentum.co.za

Call: 0860 65 75 85

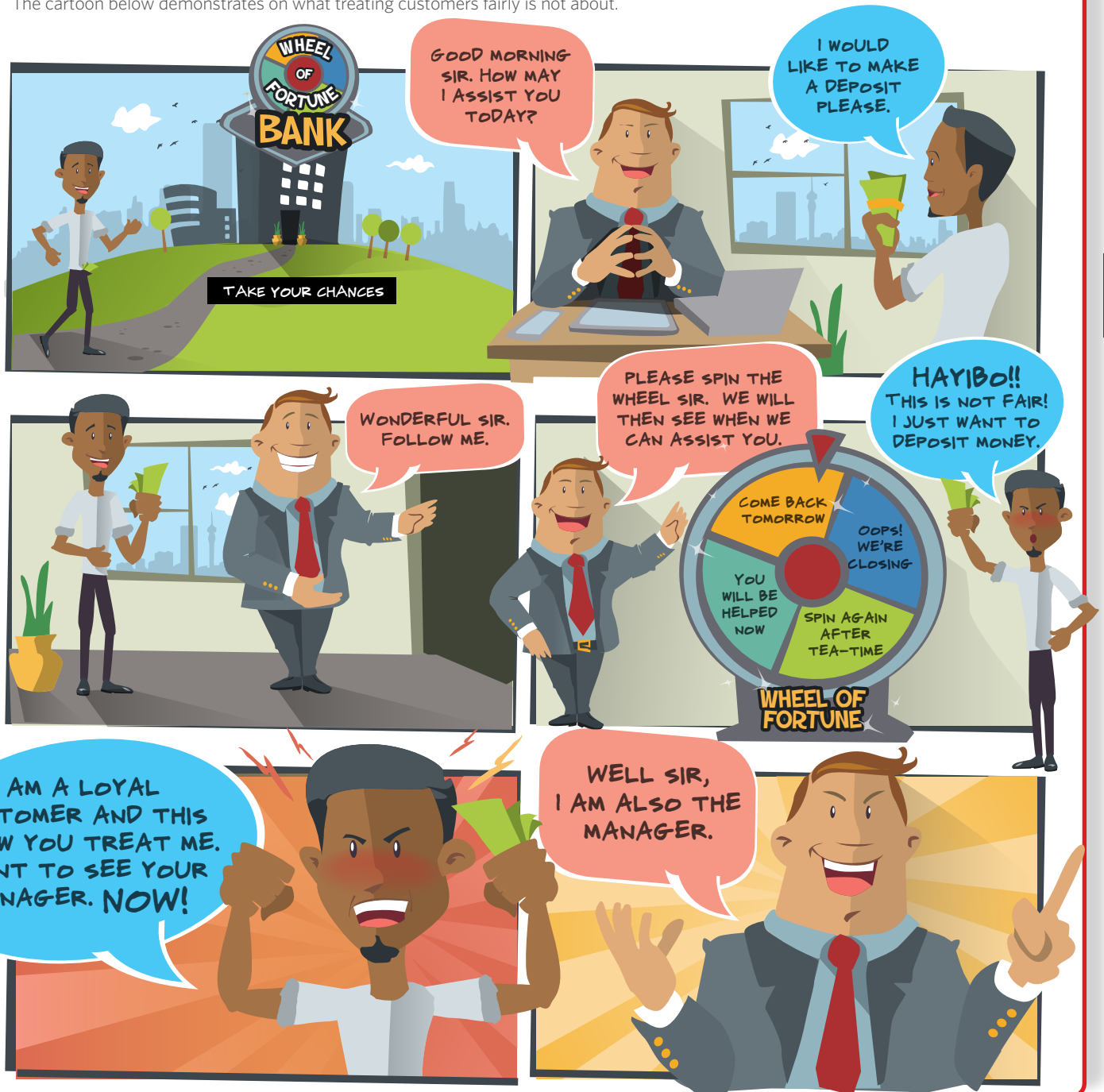
Portfolio	Change	Effective date
Momentum Passive portfolios	The local equity building block of the Momentum Passive portfolio range was changed to the Capped SWIX Top 40.	1 December 2017
Momentum Capital Enhancer Fund	Amalgamation of Momentum Capital Enhancer Fund with the Momentum Enhanced Diversified Growth Fund of Funds.	7 May 2018
Momentum Flexible Fund	Amalgamation of the Momentum Flexible Fund with the Momentum Enhanced Growth Plus Fund of Funds.	7 May 2018
Momentum Best Blend Multifocus Fund of Funds	Amalgamation of the Momentum Best Blend Multifocus Fund of Funds with the Momentum Real Growth Equity Fund.	7 May 2018
Trustee choice portfolio	<ul style="list-style-type: none"> - The Trustee Choice portfolio will become the Default Investment Portfolio. - The underlying building block of the Default investment Portfolio will be the Momentum Enhanced Lifestages portfolio. - The Default Investment Portfolio will only be available on the Provider product option. 	During July 2018
Regulation 28	All non-Regulation 28 compliant portfolios will be closed and assets moved to Regulation 28 compliant portfolios.	During July 2018

What is TCF?

Good service - a matter of luck or being treated fairly?

Treating customers fairly (TCF) is a framework which is being implemented in the financial services industry to regulate market conduct. We at Momentum strive to put our clients' interests first and to treat them fairly under all circumstances.

The cartoon below demonstrates on what treating customers fairly is not about.



What is TCF?

Treating Customers Fairly (TCF) is a framework which was implemented in the financial services industry in order to regulate market conduct.

TCF Principles

The TCF principles require firms to look at their existing culture and how customers are treated. The main objective of the TCF principles is to ensure that customers' interests come first and that the customer is treated fairly under all circumstances.

TCF is not the same as being polite to customers nor does it necessarily mean that all customers will be satisfied. For example, a customer with a low level of understanding may be satisfied with a complex product but may not realise that they are being unfairly treated.

Outcomes of the TCF policy

There are six outcomes of the TCF principles:

Outcome 1 Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the firm's culture.

Outcome 2 Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are marketed accordingly.

Outcome 3 Consumers are provided with clear information and are kept appropriately informed before, during and after the point of contracting.

Outcome 4 Where consumers receive advice, the advice is suitable and takes account of their circumstances.

Outcome 5 Consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.

Outcome 6 Consumers do not face unreasonable post-sale barriers to change products, switch providers, submit claims or make a complaint.

There are three final desired outcomes:

- Improved customer confidence;
- The supply of appropriate products and services; and
- Enhanced transparency and discipline in the industry.



Notice board

Who's who?

There are a number of parties who ensure that the FundsAtWork Umbrella Funds operate effectively and efficiently. Here's a quick breakdown of some of the key players.

- Administrator.** By law (the Pension's Funds Act), a retirement fund must appoint an administrator that is registered with the Financial Service Conduct Authority (FSCA). A fund's administrator handles all the day-to-day administrative duties of the fund. For example, they ensure that new members are registered, contributions are received on time and benefits are paid. MMI Group Limited, Momentum's parent company, is the registered administrator for the FundsAtWork Umbrella Funds.
- Auditors.** The law also requires a retirement fund to appoint an auditor that is registered in terms of the Auditing Profession Act. The auditors conduct an annual examination of a fund's financial statements to ensure the information reported in the financial statements is correct and accurate. PriceWaterhouseCoopers (PwC) is the appointed auditor of the FundsAtWork Umbrella Funds.
- Valuator:** A retirement fund is also required by law to appoint a valuator whose role is to investigate the financial condition of the fund on an on-going basis. Argen Actuarial Solutions is the current appointed valuator of the FundsAtWork Umbrella Funds.
- Tracing agents:** Retirement funds use tracing agencies to find beneficiaries eligible to receive unclaimed benefits. FundsAtWork only appoints legitimate tracing agents. Beneficiaries sometimes also appoint these agencies to locate retirement fund benefits they may be entitled to. Where beneficiaries do this, it's very important to ensure the appointed agent is legitimate.

You can check the agent's legitimacy with the FSCA, which replaced the FSB from 1 April 2018. For more information, visit their website: www.fsca.co.za. The FundsAtWork Umbrella Funds currently make use of ICTS as their tracing agent.

Annual review of rates and fees

The rates and fees of the Funds are reviewed annually and are approved by the FundsAtWork board of trustees. The administration fees and insurance benefit fees applied to each participating employer are unique, so rates and fees are specific to a particular scheme. The table below illustrates the rate and fee reviews effective from 1 July 2018. Please talk to your advisory committee, your schemes financial adviser or check your benefit statement for more detail.

Rate/ Fee	Umbrella Funds	
Administration fee	The administration fee differs from employer to employer. Ask your employer if you need more information.	
Asset- based fee (payable by members in the Entrepreneur product option invested in non-Momentum external investment portfolios)	Assets	Annual fee (excl. VAT)
	First R1,000,000	0.50%
	Next R1,000,000	0.25%
Fund expenses	Assets above R2,000,000	0.00%
	Pension Fund: R 2.29 per member per month.	
Insurance benefit rates	Provident Fund: R 1.99 per member per month.	
	Rates differ from employer to employer. Ask your employer if you need more information.	

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