



Trustee Member  
Newsletter

FundsAtWork

Umbrella Pension and  
Provident Funds

momentum  
corporate

April/May 2019



## Welcome to the **April/May 2019** **FundsAtWork** trustee newsletter

It's often said that the only constant in this world is change. As seasons change and winter peeps around the corner, we are reminded that the road of change can be uncomfortable. Markets move up and down, impacting our investment returns, while load shedding and politics fuel our frustrations. Despite the 'bumps in the road', let's stay focused on the destination and enjoy the journey. And let's celebrate our country's incredible beauty and our South AfriCAN resilient, "can-do" spirit.

Everything we do at FundsAtWork focuses on helping you move forward on your journey to success. To achieve this, it's important to make sure you fully understand your benefits and options. This is why all members now have access to the new FundsAtWork retirement benefit counselling service. Read on for important information on this service and innovative smart solutions which can help you make more informed decisions at key stages and times of change throughout your working life and at retirement.

**Remember:** If you're unsure about any of your benefits or options, professional help is only a phone call away.

Regards

*Freck Kruger*

Chairperson  
FundsAtWork Umbrella Funds



Reading time: 3 minutes

# Make the right choices today for your financial success tomorrow

You need the right tools and knowledge to make informed decisions about your financial wellness – before and at retirement. Have you heard of the new retirement fund default regulations that have been put in place? These are designed to help you get the most value from your retirement fund savings and prepare for a comfortable retirement.

While FundsAtWork members have access to suitable and well-constructed default options which comply with the new regulations, it's still very important to evaluate your personal needs when making important decisions about your financial future. Fully understanding your benefits and the options available to you will help you make decisions that are best-suited to your unique needs.

## Are members ready?

Our research shows that many members do not have a good grasp of their employee benefits, their retirement funds and how their benefits are structured. Plus, at least two-thirds find investment-related terminology unfamiliar and confusing.

**FundsAtWork is fully committed to improving your financial literacy and knowledge of your benefits, as this lays a strong foundation for your financial success. This is why all members now have access to professional retirement benefit counselling.**

## Be informed, and make decisions that work for YOU!

The retirement benefit counselling service gives you easy access to education and information that will help you understand your retirement benefits more fully and develop a far more in-depth knowledge of FundsAtWork. It also helps to boost your understanding of confusing investment and financial terminology. More specifically, FundsAtWork's retirement benefit counselling will help you:

- Develop a solid understanding of the Default Investment Portfolio and all other investment options available to you, providing you with the skills to develop an investment strategy with the help of your financial adviser.
- Fully understand the default in-fund preservation option and the substantial financial benefits of preserving your retirement savings when changing jobs.
- Get a good grasp of the Funds' annuity strategy and empower you to make the right annuity choices when you retire and need to convert your retirement savings into a retirement income.

Retirement benefit counselling will also boost your understanding of all the benefits you have access to through FundsAtWork and help you select the most appropriate level of cover for your insured benefits. [Click here](#) for more information on your retirement benefit counselling services.





Reading time: 4.5 minutes

# Knee-jerk decisions won't get you to your destination

Markets go up and down. We call this volatility. Last year was particularly volatile and the performance of many investment portfolios was negatively affected.

The tables at the end of this article compare the returns for the Momentum Classic and Enhanced portfolio ranges (as at the end of March 2019) to the inflation plus objectives that these risk profiled portfolios target.

Although it is clear from the tables that these portfolios underperformed their inflation plus objectives over the short term (because of difficult market conditions), they have only slightly underperformed over the longer term. For example, you will see from the table that the Momentum Classic Factor 7 portfolio, that targets inflation +7% over rolling 7 year periods, delivered a return of 12.2% over the 7 year period, which was slightly lower than the inflation plus target of 12.3%.

## A very challenging time

These portfolios struggled to deliver their targeted objectives because 2018 was a very challenging year on a number of fronts.

Global trade tensions and political uncertainty affected local market sentiment and returns. South Africa fell into a recession during the earlier part of 2018, which further dented sentiment and foreign flows. The result was a painful correction in equity markets, following the bull market since the 2008 global financial crisis.

A market correction is a sharp decline in the prices of shares. The drop often "corrects" an overshoot in share prices and return prices to their longer-term trend.

A bull market is a market that is strong and moving upwards on a regular basis, resulting in the prices of assets such as equities increasing.



## Following the poor returns from equity investments in 2018, many South African investors may be asking: WHAT NOW?

Firstly, it's important to remember that portfolios in the Momentum Classic and Enhanced portfolio ranges target returns greater than inflation. The higher the "inflation plus" objective, the more aggressive the portfolio. You may have heard the saying: the higher the risk, the greater the return. This is certainly true for equity and property investments, which are risky by nature. Portfolios targeting higher returns need a greater proportion of growth asset classes such as local and global equity and property.

However, these asset classes also tend to be more volatile, which means the more you invest in growth asset classes, the greater the risk of getting negative or poor returns over the short term. Despite the risk of low or negative returns in the short term, history has shown that these asset classes tend to deliver high returns over the long term. Emotion or panic can take over when returns are poor and investors may be tempted to move their money to less risky portfolios or asset classes.

**It's very important not to over-react to short-term market conditions. Knee-jerk decisions and unnecessary portfolio changes may lose you money in the long run.**

We may sometimes feel like we made the wrong decision. However, we should allow the market cycle to play out to see the real benefit over the longer term. More often than not, staying invested in your original portfolios leads to a quicker recovery. If you disinvest and move your money to a lower risk portfolio or asset class, you risk missing out on the higher returns that will be generated when the market recovers.

### Momentum's Outcome-based Investment approach

This philosophy focuses on increasing the likelihood of achieving specified goals given the market outlook over the relevant investment time horizon. A robust portfolio construction process ensures that portfolios are very well diversified. This reinforces investment rule number one, which is to never put all your eggs in one basket. Such an approach is important for delivering on the targeted objectives over the long term.

Smart portfolio construction and sound portfolio management will not get you to your investment destination if you don't stay focused on the long-term objectives, remain invested and ride the inevitable market ups and downs.

### It's time that matters, not timing

Instead of investing in a portfolio with a goal of outperforming a particular benchmark or peer, the focus should remain on achieving your investment objective within the predefined risk parameters. This is achieved with a suitable outcome-based investment portfolio. Time in the market is what's important, not timing the market.

**ALWAYS REMEMBER:** If you are really disappointed with the performance of your portfolio and considering a change, first talk to a well-qualified financial adviser before making a decision.

The table below shows the returns of the Momentum Classic portfolio range:

Portfolios	1 year	3 years	4 years	5 years	6 years	7 years
Momentum Classic Factor 7	6.64%	5.30%	5.71%	8.06%	10.27%	12.15%
Inflation +7%	11.07%	11.80%	12.35%	12.06%	12.21%	12.29%
Momentum Classic Factor 6	7.55%	5.54%	5.91%	8.04%	9.82%	11.60%
Inflation +6%	10.07%	10.80%	11.35%	11.06%	11.20%	11.29%
Momentum Classic Factor 5	6.48%	5.52%	5.94%	7.82%	8.70%	10.07%
Inflation +5%	9.07%	9.80%	10.35%	10.06%	10.20%	10.29%
Momentum Classic Factor 4	6.32%	5.77%	6.16%	7.58%	8.08%	9.19%
Inflation +4%	8.07%	8.80%	9.34%	9.06%	9.20%	9.29%
Momentum Classic Factor 3	6.42%	5.54%	6.03%	7.13%	7.41%	8.40%
Inflation +3%	7.07%	7.80%	8.34%	8.06%	8.20%	8.29%

The table below shows the returns of the Momentum Enhanced portfolio range:

Portfolios	1 year	3 years	4 years	5 years	6 years	7 years
Momentum Enhanced Factor 7	7.44%	5.04%	5.49%	7.81%	10.04%	11.87%
Inflation +7%	11.07%	11.80%	12.35%	12.06%	12.21%	12.29%
Momentum Enhanced Factor 6	7.85%	5.29%	5.77%	7.85%	9.64%	11.31%
Inflation +6%	10.07%	10.80%	11.35%	11.06%	11.20%	11.29%
Momentum Enhanced Factor 5	6.98%	5.22%	5.83%	7.69%	8.62%	9.91%
Inflation +5%	9.07%	9.80%	10.35%	10.06%	10.20%	10.29%
Momentum Enhanced Factor 4	6.65%	5.56%	5.98%	7.42%	7.99%	9.07%
Inflation +4%	8.07%	8.80%	9.34%	9.06%	9.20%	9.29%
Momentum Enhanced Factor 3	6.21%	5.29%	5.79%	6.93%	7.28%	8.23%
Inflation +3%	7.07%	7.80%	8.34%	8.06%	8.20%	8.29%



Reading time: 1.5 minutes

## Portfolio changes you should know about

The investment portfolios available on the FundsAtWork Umbrella Funds are regularly reviewed and changes are made where necessary. These reviews are important to ensure that portfolios are evaluated and continue to meet members' changing needs. These changes may affect you. Please check your benefit statement to see if you are invested in any of these portfolios. Members who were affected have been notified via email, 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](http://www.momentum.co.za)

Email: [momentumcorporateclient@momentum.co.za](mailto:momentumcorporateclient@momentum.co.za)

Call: 0860 65 75 85

Portfolio	Change	Effective date
Momentum Smooth Bonus and Smooth Growth Fund (Global)	Reduction of capital charges	1 October 2018
Default Investment Portfolio change	Default Investment Portfolio change from Momentum Enhanced Lifestage to the Momentum Classic Lifestage	During March 2019
Default Lifestage Defender: Inflation target change	Inflation plus objective of Default Lifestage Defender – change to target CPI + 4% over rolling 4 year periods.	During March 2019



Reading time: 6 minutes

# Using **technology** to enable **smart choices**

Technology is transforming our lives. When last did you use your PC, tablet or mobile phone to touch base with friends, book a taxi, swipe left or right in search of a partner, get the latest news, do online banking, book a flight, check reviews or order dinner? These are just a few of the many areas where technology is making our lives easier. Why should your journey to financial success be any different?

**At FundsAtWork, we are constantly searching for new ways to develop technology which makes our members' lives easier and facilitates financially savvy decisions.**

Read on for some of the industry-leading smart services our members can already access.

## **Smart Exits**

We are living longer. New research shows the lifespan of the average South African will increase from 62 years now to 69 years by 2040. If we are living longer, we need to save more for retirement so that we don't outlive our retirement savings.

One of the best and easiest ways to save enough for a longer retirement is by preserving your retirement savings and staying invested when changing jobs. This is why FundsAtWork members have access to Smart Exits.

Smart Exits is an innovative award-winning solution from FundsAtWork that guides you through the choices available when leaving your employer. Most employees are not aware of the impact that the decisions they make today will have on their income at retirement. The Smart Exits process shows members, clearly and simply, the impact that different choices have on their retirement savings.

To learn more about our easy-to-use Smart Exits process, [click here](#) or speak to your financial adviser.



## **Smart Underwriting**

One of the reasons most South Africans remain underinsured is an inadequate understanding of the underwriting process. The highly technical terms used when explaining underwriting make the process even more of a mystery. Research shows that although 65% of members are familiar with the term 'underwriting', they cannot explain what it is and why it exists. And only 21% of members are familiar with the term free cover limit (FCL).

Become more familiar with these terms and avoid any unpleasant surprises for you or your loved ones when it's time to claim.

#### Underwriting in a nutshell

Underwriting is the process insurers use before they agree to provide cover for an insured benefit, such as a death, disability or critical illness benefit. In order to assess the degree of risk i.e. how likely it is that the person they are insuring will claim the benefit, they request certain medical information about the person being insured. This helps the insurer to decide whether they will accept the risk and/or how much they will charge for accepting it.

The Free Cover Limit (FCL) is the amount of cover someone qualifies for without providing medical evidence.

Unlike with an individual insurance policy that you take out and pay for directly, when your employer provides insured benefits under what is called 'a group scheme arrangement', the insurer determines a Free Cover Limit (FCL) for each group scheme. You only have to provide medical evidence if you apply for cover that is greater than your scheme's FCL. If this occurs, or if your salary increase results in your insurance cover exceeding the FCL, you will need to submit certain medical information based on the policy terms and conditions. The extra cover may or may not be granted, or may be offered at a higher price, depending on the medical evidence provided.

**NEWSFLASH!** Full disclosure is key. Whenever you supply medical information for additional cover, it's very important that you are completely truthful. Otherwise your claim for extra cover may be rejected in the event of death or disability and only the cover up to the FCL will be paid.

If you were granted extra cover and weren't aware of a medical condition at the time the extra cover was granted, it is not seen as non-disclosure; you will still be covered up to the amount of extra cover granted. This also applies if you contract a condition after being granted the extra cover.

#### FundsAtWork has taken the mystery and hassle out of underwriting

FundsAtWork offers Smart Underwriting to all members with insurance benefits. This is a simple, quick digital process, with easy-to-understand terminology, that can be completed on your PC, mobile phone or tablet from the comfort and privacy of your home or office. [Click here](#) to see how easy changing your cover can be.

There is more! Increasing your cover through Smart Underwriting is not just quick, easy and hassle-free but as a FundsAtWork member, you get access to Multiply Premier at no additional cost once you've successfully completed the process. Multiply Premier offers many attractive benefits, including EmployeeReturns. Here's how it works:

- You can receive up to 60% of your insurance premium allocated to your retirement savings account monthly.
- Your approved lump sum death benefits can be used to boost your retirement savings account and your unapproved lump sum death and/or critical illness benefits will be allocated to your Momentum HealthSaver account.
- If you don't have a Momentum HealthSaver account, the EmployeeReturns will be paid into your \*Multiply Money savings wallet.

\*Multiply Money savings wallet: Multiply Money is an added benefit for Multiply members, giving you access to a Multiply Money savings wallet and payment wallet so that you can save the cashbacks you have earned, send money to other people who have Multiply Money, or use Multiply Money to pay for the things that matter to you.

#### Smart Retirements

While we face many critical financial decisions throughout our working lives, choosing an annuity is one of the key decisions you have to make when you reach retirement age. Smart Retirements offers a 'try-before-you-buy' digital platform which allows you to evaluate the impact of different annuity choices on your retirement. Jargon-free, simple explanations of the different annuity products allow you to work with your financial adviser to choose the best annuity product for your needs. Watch the Smart Retirements [video here](#).

FundsAtWork. Unlocking the value of technology to pave your journey to financial success.





Reading time: 3.5 minutes

# Unpacking the benefits of being on an umbrella fund

You've heard the term 'umbrella fund' and know that you are a member of one of the country's leading umbrella funds: FundsAtWork. But how is an umbrella fund different from other retirement funds and how do you benefit from being on an umbrella fund?

## Umbrella retirement funds versus stand-alone retirement funds

Not too long ago, stand-alone retirement funds were the preferred vehicle for employer-sponsored retirement funding. These are traditional funds which are typically dedicated to providing retirement benefits to the employees of a particular employer. These funds still exist. However, regulatory change and a growing focus on cost-efficiencies, good governance and greater transparency have made umbrella funds the preferred choice for many employers.

Unlike stand-alone funds, umbrella funds are multi-employer retirement funds. An umbrella fund consists of a number of different, unrelated participating employers and their employees. Participating employers, whether large or small, and their employees, have access to retirement benefits without the hassle of setting up and managing their own stand-alone fund.

One of the biggest benefits is that the economies of scale (which come with the larger size) and operational efficiencies of umbrella funds mean the costs for running an umbrella fund are a generally lower than smaller stand-alone funds. Lower costs mean more money goes straight to members' retirement savings.

## The FundsAtWork Umbrella Funds

The FundsAtWork Umbrella Pension and Provident Funds (the Funds) are managed by a board of trustees. There is no need for each employer to have its own board of trustees. This allows your employer to focus on their core business and run a successful business. Leading umbrella funds like FundsAtWork also encourage participating employers to establish a management committee called the advisory body. The advisory body usually consists of at least 50% employee representatives and 50% employer representatives. It allows employers and employees to continue to exercise control around the benefit options available to their employees, and ensure that it meets their employees' specific needs. Here is a picture of how it works.



Each participating employer is encouraged to have its own advisory body

Employer E

Employer F

Employer G

Employer H

Employer I

Employer J

Employer K

And many more participating employers...

Employer A

Employer B

Employer C

Employer D

# FundsAtWork Board of Trustees

Did you know **almost 6000 employers** have selected FundsAtWork as their preferred retirement funding vehicle for their employees?

## How you benefit from being a part of a top umbrella fund like FundsAtWork

- Reduced costs which free up more money for allocation to your retirement savings account.
- Enhanced service delivery through improved use of technology.
- Better value for money, by reducing costs per member while improving governance and greater access to innovative products.
- Professional expertise from the highly competent and knowledgeable board of trustees who manage the Funds.

## PLUS FundsAtWork offers so much more than the average umbrella fund. Some of the unique benefits FundsAtWork members have access to include:

- A flexible range of insured benefits to cover you and your family's needs in the event of disability, critical illness and death if your employer has selected these benefits. Look at your benefit statement to see your specific benefits.
- Multiply Starter, a leading wellness and rewards programme.
- Hello Doctor, which means you have a doctor on call 24/7.
- Financial rewards from EmployeeReturns which can be used to boost retirement savings, cover out-of-pocket health expenses or build up in your Multiply wallet.
- Family Assistance Benefit, a service which is available to you 24 hours/365 days a year to support you and your family during certain traumatic life events.
- Family Protector, which offers funeral, education and medical scheme premium waiver benefits to members with death and disability benefits for less than the cost of a loaf of bread.
- Momentum's Outcomes-based investing (OBI) approach which smooths the investment ride and increases the likelihood that you will reach your long-term savings goals.
- A pension-backed home loan facility at competitive rates, if your employer has selected this benefit.

**FundsAtWork. Your path to a financially-secure retirement, and so much more!**



Reading time: 2 minutes

# Fund rule changes you should know about

The FundsAtWork Umbrella Funds have a set of General Rules that apply to all members. These rules provide the framework for managing the Funds. From time to time these rules can change. All rule changes have to be approved by the Financial Sector Conduct Authority. Here are some of the changes registered in the last year that apply to you.

## Default regulations

In accordance with the changes to the Pension Funds Act, from 1 March 2019 the FundsAtWork Umbrella Funds now offer the following to all members:

- A Default Investment Portfolio which is not too complex or unreasonably expensive.
- A default in-fund preservation option for members who change jobs before retirement.
- An annuity strategy to ensure that members are able to convert their retirement savings into a retirement income.

## Liquidations

On the liquidation of an employer's participation in the Fund, members can now request the liquidator to transfer their retirement savings to another fund.

## Existing employees

If you were employed on the day before your employer started to participate in FundsAtWork, you can choose at any time after this point to become a member of the Fund. However, if you chose not to become a member at the time when your employer's participation in the Fund started, but only do so at a later stage, you will not be entitled to any insured benefit, unless the insurer decides otherwise.

## Transfer on retirement

In line with recent changes to the Income Tax Act, you can now transfer your retirement benefits to a

retirement annuity fund and a preservation fund after retirement. Previously you could not transfer your retirement benefit to any other fund after retirement.

## Conversion option

Did you know that if your employer has chosen the conversion option, you can convert your group insured benefits with FundsAtWork to an individual Momentum policy should you leave your employer? However, to do this, you must have been under the age of 55 on the date that your insurance cover started.

## Retrenchment and disability

The rules have been changed to make it clear that once you pass normal retirement date, you are only entitled to a retirement benefit in terms of the General rules of the Fund. You will not be entitled to a retrenchment or disability benefit as these benefits only apply BEFORE normal retirement date.

## Investment adviser fees and instructions

If you resign and decide to preserve your benefit in the Fund, you will no longer be linked to your former employer and the financial adviser on the scheme. However, if you choose to receive investment advice from the scheme's financial adviser, the Fund will continue to pay the investment adviser fees, and will implement any requests by the investment adviser or the advisory body to change your investment portfolios.



# UPDATE

Reading time: 2 minutes

## Make sure we have **your up-to-date contact information**

FundsAtWork strives to keep all members up to date on their benefits and important industry developments that may impact on their financial wellness journey. It's very important for you to be well-informed so you can get maximum value from your benefits and receive the member communication required by legislation.

### What the law says

According to the Pension Funds Act, trustees have a duty to ensure that relevant and appropriate information which informs members of their rights, benefits and obligations in terms of the rules of the fund is supplied to fund members

**In order to communicate effectively with all members, we are constantly expanding our communication methods. The current focus is digital communication platforms such as email.**

Pension Fund (PF) circulars 86 and 130 indicate that each member should receive an annual benefit statement. PF130 also says that every fund should have a communication policy and should give preference to cost-effective communication.

Under the Policyholder Protection Rules, which incorporate the Treating Customers Fairly outcomes, fund members are beneficiaries under an employer or fund policy, and therefore have the right to receive information about their benefits.

### Our challenge

While the law clearly spells out the duties of trustees when it comes to member communication, one of the big challenges we face when communicating with members is up-to-date member data.

Despite various requests for members' current contact details, we still do not have all our members' contact information. This makes it very difficult for FundsAtWork to communicate with our members.

We often need to find alternative channels to obtain members' contact details. When this occurs, we have to adhere to strict rules to protect members' personal information. These include:

- The Fund and the administrator never disclose any member-specific information unless permitted by the member or allowed for by legislation.
- Marketing of products to members is not allowed, unless the member specifically asks for it.
- Where the distribution of communication requires the use of external suppliers, these suppliers are required to sign a confidentiality agreement.

### Reach out to us

Given that there is always a possibility that incorrect or outdated contact information can be obtained when we have to use other channels, we strongly encourage all members to update their personal information directly with us by simply calling us on 0860 65 75 85 or logging on to the FundsAtWork member portal on the Momentum website. If you have any issues with accessing your information on the member portal, please contact our General contact centre on 0800 276 537.





Reading time: 1.5 minutes

## Notice board

### TaxTim

All Multiply Starter members have free access to the TaxTim Lite, Smart or Ultra packages. TaxTim's digital interactive tax return allows you to file your tax return correctly, quickly and easily. This system is integrated with SARS eFiling, which means that your tax return can be submitted to SARS on your behalf. This benefit can be used by commission earners, salary earners, entrepreneurs, sole proprietors and freelancers. [Click here](#) to find out how the benefit works.

### Principles for Responsible Investment (PRI)

Have you noticed the PRI logo on your factsheets? We have been a signatory to the United Nations endorsed Principles for Responsible Investment (PRI) for over a decade! We take our fiduciary duties very seriously and encourage you to [learn more](#).

### Home loan facility FNB fee increase:

From 1 November 2018, the FNB administration fee on the FundsAtWork housing loan guarantee facility increased to R23.00 (incl. VAT) per month. [Click here](#) for the brochure.

### Improve your kids' grades with Studymaster

We have added a new service to the Family Protector education benefit! From 1 February 2019, if you have both retirement and death benefits with FundsAtWork, you can access the Studymaster website where learners from grade 1 to 12 can receive educational support and assistance, at no additional cost.

This benefit includes:

- Online access to educational material;
- Text book summaries of all subjects;
- A large database with thousands of downloadable educational material, that expands daily;
- Interactive slides with audio videos;
- School specific information; and
- Extensive material for languages and mathematics, including explanations, practice test papers and memos, so parents can assess their children's understanding of these subjects before exams.

Simply log on to [www.studymaster.co.za](http://www.studymaster.co.za) and select Momentum FundsAtWork Family Protector as your payment option to access the benefit at no additional cost to you.

### Disclaimer

Copyright reserved © MMI 2019 - The document is for illustrative purposes only and does not constitute tax, legal, accounting or financial advice. The user relies on the contents at his sole discretion. A person should not act in terms of the information in this document without discussing it with an authorised financial adviser and should seek personal, legal and tax advice. MMI Group Limited, shall not be liable for any loss, damage (whether direct or consequential) or expenses of any nature which may be suffered as a result of or which may be attributable, directly or indirectly, to the use or reliance upon this publication. Terms & Conditions apply.

Momentum is a part of MMI Group Limited, an authorised financial services (FSP6406) and registered credit (NCRCP173) provider. MMI Holdings Limited is a level 1 B-BBEE insurer.