FundsAtWork Umbrella Pension and Provident Funds

January 2021

Trustee member newsletter

Welcome to 2021!

Last year, we realised just how quickly our lives can change, how precious our time with loved ones is, and that we are more resilient than we thought.

We're kicking off this newsletter by reminding you how important it is to keep your death benefit beneficiary nominations up to date.

With market volatility a key feature of 2020, we also explain how this volatility has affected your retirement savings investment returns.

If we have your correct mobile number, you would have received your smart benefit statement during November or early December 2020. It gives you secure access to real-time information on your FundsAtWork group retirement and insurance benefits through any digital device, any time. If you haven't received yours, please make sure that you update your mobile number.

Read about how a business restructure could affect your employee benefits and find out why provident funds are becoming like pension and retirement annuity funds from March this year.

As we say hello to a new year, we hope you had a relaxing, rejuvenating festive season and that you're feeling refreshed and ready for 2021.

Regards

Regard Budler

Chairperson
FundsAtWork Umbrella Funds

Who will receive your retirement fund death benefits if you pass away?

Reading time: 2.5 minutes

Can you remember who you nominated as your death benefit beneficiaries? When last did you make sure the right people will receive your death benefits when you pass away? Life gets busy and while we all know how important it is, we forget or struggle to make time to make sure our affairs, such as our beneficiary nominations, are in order.

If 2020 taught us anything, it is that life as we know it can change overnight. Our circumstances change, whether it is through a pandemic, severe illness, marriage or divorce, the joyous birth of a beautiful new baby or the sad loss of a loved one.

To illustrate the importance of having the right people nominated to receive your death benefit if you were to pass away without an updated beneficiary nomination, **let's look at Julia's story. >>**

Julia is a member of a retirement fund in which her employer participates. Tragically, Julia's husband passes away when their two children are at university. After a while, Julia remarries. Julia and her new husband, John, update their affairs as a married couple and Julia includes John as a beneficiary to receive a portion of her death benefit in the fund.

Unfortunately, the marriage doesn't work out and after a few years, Julia divorces John. With the stress of a divorce, Julia forgets to change her death benefit beneficiary nomination form, which means John is still nominated to receive a portion of her benefits if she passes away.

Sadly, Julia passes away after a short, unexpected illness two years later. Her death benefits come to around R2 million. Julia's intention was always that this amount would be split equally between her two children and that John would no longer receive any part of it.

Julia's children challenge the beneficiary nomination as they know it was an oversight on their mom's part when she didn't remove John as a beneficiary when they got divorced. The fund's trustees face a challenging situation. Julia's children qualify as legal dependants, but neither was financially dependent on her when she passed away. John wasn't legally or financially dependent on her, but he was listed as a beneficiary on a valid nomination form. After a lengthy battle, the trustees divide the benefits between the three parties listed on Julia's last beneficiary nomination form – Julia's two children and John.

If Julia had updated her beneficiary nomination form when she divorced John, her benefits would have been distributed according to her real wishes and a very unpleasant, stressful situation would have been avoided.

Why not use this time before the pace picks up again to make sure your beneficiary nominations are up to date? You can update and submit your beneficiary nomination online at **momentum.co.za**. **Click here** for a step-by-step guide – it's really quick and easy!

What happened to your **retirement savings in 2020?**

Reading time: 3 minutes

If you have been checking your FundsAtWork benefit statements regularly, you may have seen that the value of your retirement savings went down in 2020. COVID-19 and the lockdown are the main reasons for this. The pandemic caused uncertainty in the world's investment markets, which made the markets perform poorly. This is called **'market volatility'.**

A big part of your retirement savings may be invested in growth assets because that is where your savings can grow at a level that is higher than inflation. We call this growth **'inflation-beating returns'.** Your retirement savings are a long-term investment. It is normal for markets to go up and down. A serious market drop, like we saw because of COVID-19, is usually temporary. The markets will go up again, which means you will still see your savings grow over the long term.

We get worried when our savings lose value, but should we react?

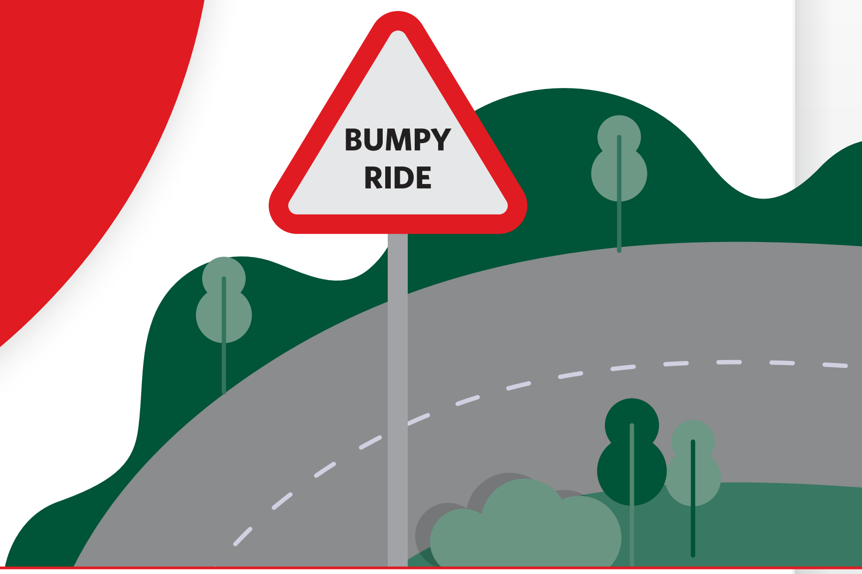
It's easy to panic when we suddenly see our savings lose value when the markets are down. We may even think that it would be better to take our investment out of the current portfolio and switch to a conservative portfolio where it is less likely to lose so much value.

But that is not a good idea, because switching to such a conservative portfolio also gives you lower returns over the long-term. This is when we say you 'lock in your losses', meaning that you will miss out on the opportunity for your investments to grow well enough when the markets recover.

We understand that you may be worried, but it is better to do nothing and leave your investment portfolio choices as they are while you wait patiently for the uncertain times to pass. History shows us that members who stay invested through these market ups and downs do get inflation-beating investment returns in the long-term.

What happened to your **retirement savings in 2020?**

continued



What can we expect going forward?

We will experience the effects of COVID-19 for some time to come, so uncertainty about the world's economy and market volatility will also be with us for a while.

But as lockdowns become less strict and the world starts to get back to normal, things will improve. We just don't know exactly when this will happen. Following the drop in value in March last year, markets started recovering again in April. We do not expect markets to move up in a straight line and they will likely drop again in the near future and recover again after that.

In short, when investing for retirement, remember the following:

Don't panic or overreact to short-term market ups and downs. Rather wait for the uncertainty to pass.

Talk to a qualified financial adviser to make sure your investments are right for your personal needs.

Take time to understand where your retirement savings are invested and how the markets affect your investments.

Your retirement savings have to last throughout your retirement years. Make sure that the way your savings are invested before retirement will help you save enough money to buy a pension to give you enough income when you retire and are no longer earning a salary.

As a member of the Funds, you can get support and guidance from our retirement benefit counsellors and financial coaches, your scheme's financial adviser or your personal financial adviser.

If you have any questions or for more information, you can call the Retirement Benefit Counselling call centre on 0860 44 43 40 or 011 505 1565 on weekdays between 08:00 and 17:00. You can also send an email to membersolutions@momentum.co.za.

Say hello to your smart benefit statement

Reading time: 2.5 minutes

At FundsAtWork, we are continuously developing engaging digital solutions to improve your experience and help you plan your journey to success. This is why we reinvented the member benefit statement.

Gone are the days of static benefit statements that are out of date by the time they reach you. Your new FundsAtWork smart digital benefit statement allows you to conveniently access a personalised summary of your retirement and group insurance benefits in real time through any digital device – your mobile phone, tablet or pc, it's your choice. Plus, complex terminology or concepts are quickly explained at the tap of a finger or click of a mouse.

Your smart benefit statement also includes useful tools like Educate Me and Smart Counsel to help you understand your benefits and guide your financial choices.

If we have your updated mobile number, you would have received your smart benefit statement during November or early December 2020. To see what the digital benefit statement looks like, you can **click here**.

You can still get your benefit statements through the member portal on momentum.co.za, by calling our client contact centre on 0860 65 75 85 or by emailing **momentumcorporateclient@momentum.co.za.**

The member portal is simply a website that offers access to important information from different sources. It's a really good idea to register for access to the member portal as it offers you important information about your FundsAtWork membership and benefits.

It's very important that you keep your contact details up to date so that you don't miss out on important information. You can update your personal information on the member portal or by calling our client contact centre.

Make sure you go through your benefit statement carefully. If you have questions, contact your scheme's financial adviser, the FundsAtWork benefit counsellors or financial coaches on 0860 44 43 40 or email membersolutions@momentum.co.za.

Reading time: 1.5 minutes

The investment portfolios available to you are reviewed regularly to make sure we continue to help you achieve your retirement goals. Changes are made where necessary and these may affect you. Please check your benefit statement to see if you are invested in any of these portfolios. Affected members have been informed via email, but if we don't have your correct contact details, you might have missed this important information. You can update your preferred contact details on the member portal on www.momentum.co.za.

To get a copy of your benefit statement:

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

Some of the most important portfolio changes

Portfolio	Change	Effective date
Momentum Corporate Smooth Bonus portfolios	• The Momentum smooth bonus portfolios were closed to new business. • The Momentum Universal smooth bonus range was launched as an alternative investment solution.	During September 2020
Coronation A class portfolios	• The Coronation A class portfolios have been switched to the Coronation P class (lower fee class) portfolios on the Entrepreneur product option.	During October 2020
Default Investment portfolio change	• The implementation of the employer default investment portfolios under Regulation 37 was completed and some members have been switched to the Momentum Default Lifestages.	During October 2020

What does the annuitisation of provident funds mean for you?

Reading time: 3.5 minutes

Government is trying to help members receive a higher income during retirement. One of the ways they hope to achieve this is to treat provident funds the same way as pension and retirement annuity funds with regard to the annuitisation of members' retirement benefits.

Unlike members of pension and retirement annuity funds who have to use two-thirds of their retirement savings to buy a retirement income, provident fund members have been allowed to take their total retirement savings as a once-off, lump-sum cash benefit. Unfortunately, many provident fund members use up this lump sum too quickly and risk outliving their retirement savings.

From 1 March 2021, provident fund members will now need to use part of their retirement savings to buy a retirement income, also called an annuity. This requirement is referred to as the annuitisation of provident funds.

What this change means for provident fund members

- From 1 March 2021, if you are a member of **a provident fund**, just like members of pension and retirement annuity funds, you will only be able to take one-third of your total retirement savings as a lump sum at retirement. The balance (two-thirds) will have to be used to buy a retirement income (annuity).
- But, if your total retirement savings are less than R247 500, you can still take the full amount as a cash lump sum.
- There are different rules for retirement savings that were accumulated **up to 1 March 2021**, and retirement savings accumulated **after this date**. The new annuitisation rule only applies to the retirement savings you have accumulated in the provident fund **AFTER** 1 March 2021. The money you have saved in the provident fund before 1 March 2021 can still be taken as a cash lump sum when you retire.
- Those close to retirement are also exempt from the new rules. Provident fund members who are **55 years or older on 1 March 2021** will be able to take their total retirement benefits on this date, **PLUS** any contributions they make to the fund after this date (and the returns earned), **as a cash lump sum**. This will apply as long as you remain with the same provident fund until retirement.

Read Paul and Tumi's conversation *here* for a better understanding of how these changes will impact you.

What happens to your employee benefits in a merger or acquisition, business restructure or sell-off?

Reading time: 3 minutes

As we continue to see the negative impact of COVID-19 and lockdown on the economy and on businesses, more companies, big and small, may have to open themselves up to merging with other companies to help them survive and save jobs.

But what does this mean for your retirement and group insurance benefits?

The law protects you as an employee

When a merger or acquisition takes place, or your company restructures, it affects the employee benefits that form part of your employment contract.

Legally, there are clear processes that must be followed with regard to employee benefits during a merger or acquisition. Section 197 of the Labour Relations Act protects you from being treated unfairly and it protects your continued employment. This includes your employer-provided retirement and insurance benefits. If you are transferred to a new employer, the Act says that your overall employment terms and conditions with the new employer may not be less favourable than those you had with the old employer.

During a merger, the new employer can decide if your current retirement fund membership will continue.

If you are transferred to a new employer, the new employer may allow you to stay on and keep contributing to your existing retirement fund or they may require you to belong to a new fund.

If you are transferred to a new fund, the transfer must comply with Section 14 of the Pension Funds Act, which ensures that the transfer of retirement benefits is reasonable and fair. The transfer must also comply with the rules of the funds.

What happens to your employee benefits in a merger or acquisition, business restructure or sell-off?

continued

Access to your retirement savings

It is important to understand that you cannot withdraw your retirement savings during a transfer. If the new employer chooses to participate in the same fund as the old employer, your retirement savings will stay invested in the portfolio you were in before the transfer. If the new employer chooses not to participate in the existing funds, you will be transferred (according to Section 14, as mentioned above) to the other approved fund chosen by the new employer.

If your employer liquidates the company, then you will have access to your retirement savings, but only after your group scheme has been liquidated from the fund. At this point you have a few options. You can preserve all your retirement savings, which can be done within your existing fund or by moving your savings to any other registered preservation or retirement annuity fund. You can also choose to withdraw some retirement savings and preserve the rest until your normal retirement date. When considering the different options, it is particularly important that you talk to our benefit counsellors or a qualified financial adviser, especially to understand how tax will affect you.

Your group insurance benefits may change

If the company you work for undergoes major restructuring, the company may revise the way its group insurance benefits are structured, so that they can balance the levels and value of benefits with the cost of the benefits.

When your employer adjusts the business's group insurance benefits to lower levels, you might find yourself in a situation where your group cover is no longer sufficient for what your family will need if you were to pass away or become disabled. That is why FundsAtWork allows you to flex up your group insurance cover according to your individual circumstances.

***Remember*, it is important to review your cover at least once a year anyway, so that you can make sure it still meets you and your family's needs.**

Update on **Prescribed Assets for Retirement Funds**

Reading time: 4.5 minutes

Following the release of the ANC policy paper ***"Reconstruction, Growth and Transformation: Building a New, Inclusive Economy"*** on 10 July 2020 in which there is the suggestion that an amendment to Regulation 28 could lead to greater investment in infrastructure, there has been speculation about the real intention of the amendment. REMEMBER: Regulation 28 of the Pension Funds Act places limits on the various asset classes that retirement funds may invest in and also sets out what funds could be required to invest in.

The ANC has responded to questions from the market as follows:

- At a webinar arranged by the ANC aligned Progressive Business Forum on 17 August, the ANC's economic policy chief, Enoch Godongwana, stated that the ANC was moving to create an environment where trustees could invest in infrastructure projects as long as these projects were profitable. He dismissed the claim that pension fund assets would be used to bail out SOEs or fund a state bank.
- Responding to questions in the National Assembly on 26 August 2020, Deputy Finance Minister, David Masondo said that there was no intention from Government to require retirement funds to invest in certain assets and that amendments to Regulation 28 were purely to broaden the scope of investments that fund trustees could consider. He also stated that trustees had a fiduciary duty to their members.

What is the problem that needs to be solved?

The economic consequences of the COVID-19 lockdown have been dire for South Africa. It is essential that projects that ensure job creation are found to restart our economy. Investment in our ailing infrastructure creates jobs and the ongoing utilisation of the development creates a revenue stream that can deliver a reasonable return for the risk taken.

The investment industry has maintained that there has never been a lack of demand for these projects, but rather a serious lack of investment-attractive projects that are delivered on time and within budget. Over the last few years, much has been done to find solutions and achieve a better understanding between investors and Government. One of the stumbling blocks to greater investment in these infrastructure projects has been the maximum limits set in Regulation 28, which resulted in them receiving less focus. The Association of Savings and Investment in South Africa (ASISA) has proposed amendments to alleviate this.

As a result, in the second half of July 2020, National Treasury, through the Institute of Retirement Funds Africa (IRFA), requested feedback on how Regulation 28 could be amended to better accommodate infrastructure investments. At present, Regulation 28

Update on Prescribed Assets for Retirement Funds

continued

has an in aggregate restriction of 15% to hedge funds, private equity funds and any other asset not specifically referred to elsewhere in the schedule. National Treasury stated that no policy decisions had been made and that once the scoping paper had been published, there would be a formal request for comment from the industry. It is important to note that the discussion makes no mention of a minimum allocation to any investment class, which would imply prescription, and which would force funds to invest in certain prescribed asset classes.

What role is Momentum playing in representing the FundsAtWork Umbrella Funds in this matter?

Momentum remains integrally involved in these discussions and representing the views that protect the interests of our clients while also fulfilling the role of an active and responsible citizen.

- We believe that properly managed infrastructure projects deliver both an improved society and a reasonable market return to investors.
- We remain concerned that prescription could discourage the appropriate governance surrounding projects and deliver sub-optimal returns.
- We choose to lobby as a collective, in industry bodies such as ASISA and the IRFA where we are engaging with the policymaker and regulator, expressing our opinions according to what we believe to be in the best interests of our clients and broader society.
- Our Group's asset manager, Momentum Investments, continues to invest in real assets, and in a responsible manner. As a signatory to the United Nations Principle for Responsible Investment (UNPRI), a supporter of the Code for Responsible Investing in South Africa (CRISA), they ensure sound governance within all their investments, and play an active role in ensuring the sustainability of the environment.

What is the role of the Funds' Board of Trustees in this matter?

The Board of Trustees is responsible for ensuring that the Funds' assets are managed in a sound and responsible manner and that the assets are appropriate for the liabilities. Although the Board of Trustees supports a review of Regulation 28 to allow for increased investment in infrastructure, it also supports the investment of the Funds' assets under circumstances that achieve the right outcomes for members of the Funds. This is in line with their fiduciary obligations to the members. The Trustees, through their consultants and asset managers, are monitoring this development closely and are comfortable that members' interests are being represented in the various industry forums. They will continue to monitor developments closely and provide further feedback as and when necessary.

What must you as a member of the Funds do?

Importantly, remain invested. A knee-jerk reaction may well be to your detriment. In addition, keep making your contributions to your fund. Retirement funds are generally the most cost-effective vehicle for saving for your retirement and it is often difficult to remain disciplined in saving for retirement outside of a formal savings vehicle.

We will keep you updated of any developments in the retirement funding industry, but if you have any questions, please contact your financial adviser.

Notice board

Reading time: 3.5 minutes

- **Deductions from your retirement savings because of theft, dishonesty, fraud, or misconduct**
According to the Pension Funds Act, your employer can make certain deductions from your retirement benefit when you leave your employer and exit the fund. Previously, your employer had to inform the fund within 30 days of a claim against your retirement benefit due to theft, dishonesty, fraud, or misconduct. From 1 May 2020, the 30-day requirement no longer applies. The new requirement is for employers to inform the fund within a reasonable period, as determined by the Trustees, based on the specific circumstances of each case.

- **Boost your retirement savings with AVCs**
Due to the financial impact of COVID-19 on your employer's business, your employer may have applied for retirement fund contribution relief. This means contributions to your retirement savings may have been stopped or reduced for a while this year. To make sure that you stay on track with your retirement goals, we encourage you to make additional voluntary contributions (AVCs) to your retirement savings whenever possible to catch up on your savings. You can arrange to make AVCs through your employer's payroll, and not directly with the fund.

- **Annual review of rates**
The rates of the FundsAtWork Umbrella Funds are reviewed annually and are approved by their board of trustees. The table below shows the fund expenses effective from 1 September 2020. Because of the COVID-19 pandemic and to benefit our members, the board of trustees agreed to postpone the effective date of the fund expenses increase to 1 September 2020, instead of 1 July as usual. They also decided that there will be no increase in administration fees. You can check your benefit statement or talk to your employer's advisory committee or your scheme's financial adviser for more information.

Fund expenses effective 1 September 2020

Pension Fund:
R4,49 per member per month.

Provident Fund:
R4,75 per member per month

- **FundsAtWork housing loan guarantee**
If your employer chose to make the FundsAtWork housing loan guarantee available to you, you can use it to get the finance you need to buy a house or land, make improvements to your existing house or pay off another housing loan. The portion of the housing loan guarantee amount (adjusted for tax) will be invested in the Momentum Classic Factor 3 investment portfolio for the term of the loan and can be moved to other portfolios if and when it is applicable. Please note that an investment fee of 1,25% per year will apply.

For more information about the housing loan guarantee, you can **click here.**

Notice board

continued

- **Changes to the Family Assistance Benefit from 1 January 2021**
  We have partnered with Momentum Wellness to offer you enhanced wellbeing services at no additional cost. We have restructured the Family Assistance Benefit into two new components – the **Funeral Assistance Service** and the **Momentum Corporate Employee Assistance Programme.**

These are some of the services you have access to through the Funeral Assistance Service and the Employee Assistance Programme:

- Repatriation of mortal remains
- Funeral assistance
- Telephonic bereavement and trauma counselling
- Legal services
- Financial wellbeing services
- Debt assistance and consolidation services
- Wellness Café content and resources to support your emotional and mental health

momentum.co.za

Momentum Corporate