From the desk of the chairperson

At the end of every year the media dedicates much time to the best of everything. The best dressed celebrity, the best new song, the best movie . . . . and so the list can go on and on.

What are the good things that had a significant impact on your world this year? What are those things that you would classify as ‘the best’? Is it that long awaited promotion that you’ve been working so hard for that finally came through? Your dream car? Your dream holiday? Perhaps you got married or you’ve started a family. But then there are also the “not so good things” that we face and have to deal with; the passing of a loved one or maybe a severe illness.

Every year presents its own fair share of ‘the best’ and ‘the worst’. That’s life. And life may have a serious impact on our ability to take care of ourselves and our loved ones when we are no longer able to earn an income. At FundsAtWork we take the responsibility of supporting you on your financial wellness journey seriously.

We have dedicated this last edition of the member newsletter for 2013 to help you understand your insurance gap and how you can close it. Although we all have the same goal – to take care of our loved ones – we are all unique individuals with different financial needs.

FundsAtWork’s income continuation solutions have been designed to suit your individual financial needs, helping you to make your world more secure and enhancing your financial wellness.

I want to encourage you to evaluate the insurance cover that you currently have and to make sure that it is sufficient to conquer life’s eventualities. Don’t make it a new year’s resolution; make it part of ‘your best’ for 2013.

Enjoy a blessed festive season, knowing that you and your family are well taken care of.

H. A. Lambrechts
Professor Hugo Lambrechts
How much insurance cover do you need?

Studies have repeatedly shown that South Africans are under-insured. The question is: how much insurance do you need and how big is your insurance gap? What steps should you take to close this gap? Put differently - what is your insurance replacement ratio?

The retirement replacement ratio is an estimated indication of what income you can expect to receive from your fund each month when you retire. For example, if you have saved enough to receive a pension of R4 000 per month at retirement and your last salary before retirement was R10 000 per month, your retirement replacement ratio is 40% (your pension of R4 000 being 40% of your final salary of R10 000). This is fairly easy to understand. But, can we use a similar measurement for insurance benefits?

* Retirement replacement ratios and the factors influencing your retirement goals have been explained in the June 2013 trustee newsletter.

Continues on page 3
Insurance needs
To answer this question, we need to understand what drives our insurance needs. Insurance needs can either be short term or long term needs. Short term insurance includes insurance on your car and household goods whereas long term insurance is insurance on your life in case of your disability or death. It is usually long term insurance that is offered to employees through employee benefits programmes.

You can determine your need for death and disability cover by considering how much cover you need to ensure that your loved ones are taken care of and that your standard of living is maintained after a life changing event such as disability or death. For example, when you become disabled and you can no longer work, you probably need at least the same income as or as close as possible to your last salary, if not more to cover extra expenses. To select the right income disability benefit is therefore very important and relatively easy: you simply pick an income disability benefit equal to for example 100% of your salary. For lump sum disability benefits, the question is: how much of a lump sum do you need so that when you invest the money, you will have enough money every month to replace 100% of your income. That is why it is important to calculate your insurance replacement ratio.

The insurance replacement ratio
Let’s define the insurance replacement ratio as the income that will be received or purchased with a lump sum, after your disability or death, as a percentage of the income you’ve received just before your disability or death. For example, if your income after your disability or death is R3 500 per month and your salary before your disability or death was R10 000, your insurance replacement ratio is 35% (R3 500 being 35% of R10 000).

Sadly, one’s income need after disability is usually more than their pre-disability salary. A shortfall will cause financial stress and anxiety. In the case of your death where you have to provide for your dependants, the number of dependants and their age will determine your insurance need.

When it comes to group insurance benefits, which you may have through your employer with FundsAtWork or through a different insurer, we can assume that the average employee gets married at age 24 and has 2.5 children who are dependent on you until they turn 25. With these and a few extra assumptions about investment returns earned on lump sums etc., the following graph shows the multiple of salary that you as an individual might need at different stages in your life. The graph shows that the disability lump sum you might need at age 30 is around 16 times your annual salary at that age and the group life cover needed is around 12 times your annual salary. The group life cover need increases dramatically from age 20 to age 35 because the number of dependants increases at these ages and thereafter it decreases as one approaches retirement. We have found that the average insurance replacement ratio of members belonging to FundsAtWork is currently around 35%. This leaves a huge insurance gap that needs urgent attention.

Taking on the challenge
The first step in taking on the challenge to close your insurance gap is to be aware of and understand your gap. For South Africans it is a social challenge that we need to take on since spouses, partners or children are significantly exposed and left vulnerable when the breadwinner becomes disabled or dies.

The second step is to get financial advice. Contact your human resources office for the contact details of the financial adviser on your scheme.

Finally, once you and your financial adviser have decided to increase your insurance cover, you have to complete form MEB 026 for changes to investment choice, product option and insurance benefits. The underwriting process will apply as described on p8 of this newsletter.

Take action now. Take these two steps now.
When you die, who will get the money?

The insurance benefits that you have with FundsAtWork are either self-standing and not provided by the Funds (unapproved) or provided by the Fund (approved), depending on the choice your employer made for your particular scheme.

**Self-standing insurance benefits**

Your employer may have decided to take out group life cover for you and your colleagues with an insurance company. The insurance policy is then issued in the name of the employer, for the benefit of its employees or their beneficiaries.

The payment and distribution of the death benefits under such a self-standing group life policy is determined by the policy conditions, the trustees of the FundsAtWork Umbrella Funds have no say on the distribution of the self-standing benefits. This means that the beneficiaries you nominate to receive the death benefit payable from the self-standing policy will receive the benefit.

If your employer has chosen an insurer other than Momentum (now called MMI Group Limited), the insurance benefits will not reflect on your FundsAtWork benefit statement. You need to get a copy of these benefits directly from your employer.

**Insurance benefits provided by the Funds**

Your employer may have decided to take out group life cover with the FundsAtWork Umbrella Funds. This benefit will then be provided by the Funds. This means that the Special Rules of your scheme will reflect your insurance benefits. This will be stated as, for example, 2 times annual insurance salary* GLA (group life cover) in the event of your death.

The contributions for the insurance benefits are paid to the Fund and the Fund reinsures the benefit with an insurer of their choice. When you die, the reinsurer pays the 2 times annual insurance salary GLA benefit to the Fund. This death benefit plus the money in your retirement savings account will then be divided and paid to your dependants and nominated beneficiaries as the trustees of the Fund decide. Your beneficiary and dependant nomination is seen as an expression of wish and is only a guideline to the trustees.

*Your annual insurance salary is a percentage of your annual salary that your employer has specified to apply to your insurance benefits
Trustees’ guidelines for distributing death benefits

The trustees of the FundsAtWork Umbrella Funds follow guidelines based on section 37C of the Pension Funds Act. The first step the trustees take in deciding who should receive your death benefit when you die, is to determine if the claimant is a dependant or not. The Pension Funds Act describes different categories of dependants which include legal dependants, factual dependants, spouse dependants, child dependants and future dependants.

1. Legal dependants
   This is someone to whom you are legally liable for maintenance. It is not necessary to prove that the legal dependant was actually receiving financial support from you; all that needs to exist is the dependant’s need and your ability to meet that need.

   A legal dependant could be your minor child, your major child who is still in school or attending tertiary education, your parents, your grandparents or your grandchildren.

2. Factual dependants
   This is someone, in the opinion of the trustees, for whom you are not legally liable for maintenance but who was in fact financially dependent on you and received some form of regular financial support from you at the time of your death.

   A factual dependant could be someone who was living with you at the time of your death but who cannot be categorised as a permanent life partner. Your former spouse to whom you were paying maintenance in terms of a maintenance order or your poor relative (brother, sister, uncle, aunt and the children or grandchildren of such relatives) can be categorised as factual dependants.

3. Spouse dependant
   Spouse is defined in the Pension Funds Act as your former spouse or your common-law partner. This category includes all your children, even your major children, as potential beneficiaries.

4. Child dependant
   A child dependant includes your biological children, whether born from outside your marriage or after your death, as well as adopted children.

   A minor child usually falls into the category of ‘legal dependant’. Once a child reaches the age of majority, there is no longer an automatic legal duty on you to support that child. Even if you have no legal duty to support your major children, this category includes all your children, even your major children, as potential beneficiaries.

5. Future dependant
   This is someone for whom you would have become legally liable for maintenance in the future if you had not died. The person to whom you are engaged to be married to, your unborn child, your elderly and increasingly impoverished parents and someone who has applied for a maintenance order against you can qualify as a future dependant.

Once the trustees have determined who qualifies as a dependant, the second step is to determine the level of dependency. In doing that, they have to take the following factors into account:

i) The ages of the beneficiaries to determine the likely periods during which they will need financial support before they become self-sufficient;

ii) Their relationship with you;

iii) The nature and extent of the material support that you had been providing to the beneficiary at the time of your death;

iv) The financial affairs of the dependants, including other sources of income and other financial support they might already be receiving and their future earnings capacity;

v) The amount available for distribution; and

vi) Your wishes.

It is very important that you understand the difference between self-standing insurance benefits and insurance benefits provided by the Fund and which is applicable to you. If you are unsure please ask your employer or contact the financial adviser on your scheme. You can also call our client contact centre on 0860 65 75 85. Making sure that your dependant and beneficiary nominations are up to date and that your will is revised regularly will give you peace of mind that all your affairs are in order as we don’t know what tomorrow might hold.

If you need assistance with drafting or updating your will, you are welcome to contact Momentum’s fiduciary services at momentumtrust@momentum.co.za.

Ways to update your beneficiary and dependant details:

- Download the Beneficiary Nomination form complete it and send it back to us together with all the relevant supporting documents.
- Call the Client Contact Centre on 0860 65 75 85 to assist you.
- Log onto www.momentum.co.za and make your changes online.

Even if your details have not changed since you joined the Fund, we suggest that you double check it anyway to make sure it is correct, and update your nominated beneficiaries at least once a year.

In the December 2012 trustee newsletter we reported that because of missing or inaccurate member and beneficiary details on our records, FundsAtWork had to transfer many members’ benefits to an unclaimed beneficiaries fund. During the past financial year the picture is much worse. This means that those members or beneficiaries did not receive their benefits because the members were either not aware that they are entitled to a benefit or they might have died and their family members were not aware of the benefits.

Don’t let this happen to your loved ones. Secure their world.
Will your death or disability put your family in financial danger - or will they be safe?

In this issue of the newsletter, we continue our series of explaining your benefits to you. We believe that sharing knowledge means sharing power, and with the power in your hands, you can take action to ensure that your future and that of your family is financially secure. FundsAtWork offers many different insurance benefits and you may enjoy some of the benefits if your employer has chosen it for your scheme. Even if your employer has not chosen any death or disability benefits for your scheme, you are still covered by the Family Protector BASE benefit.

Take a look at your benefit statement and specifically the section showing your insurance benefits. We will explain each section to you. You can get a copy of your benefit statement by logging onto www.momentum.co.za, click on the login tab in the top right corner. You can also call us on 0860 65 75 85 or email us at clientcontactcentre@momentum.co.za.

When you die, who will get the money?

How much insurance cover do you need?
Your family will be protected for free

You and your family will be enjoying the FundsAtWork Family Protector BASE benefits free of charge when you leave your current employer and transfer your retirement savings to the FundsAtWork Preservation Funds.

If you... You will get...

| Joined the FundsAtWork Preservation Fund from the FundsAtWork Umbrella Fund or any other Momentum Fund | the Family Protector funeral benefit BASE. |
| Joined the FundsAtWork Preservation Fund from the FundsAtWork Umbrella Fund or any other Momentum Fund AND have also taken out a life policy with Momentum. | the Family Protector funeral benefit BASE and the Family Protector education benefit BASE and the Family Protector health premium waiver BASE on death as long as you are a member of Momentum Health. |
| Joined the FundsAtWork Preservation Fund from the FundsAtWork Umbrella Fund or any other Momentum Fund and you took out a disability policy with Momentum. | the Family Protector funeral benefit BASE and the Family Protector health premium waiver BASE on disability as long as you are a member of Momentum Health. |

For more information, contact our client contact centre on 0860 65 75 85 or via email at clientcontactcentre@momentum.co.za
The importance of keeping your dependant and beneficiary nominations updated

Hello JobZ. Are those oil drops running down your cheek?

I'm just so sad. OilY died. He's been working down in the factory for many years. Everybody knew him.

Yes, he was such a good old mechanic and loved his family very much. He also took care of them in a financial way by making sure that he had enough insurance cover to support them if he died.

Typical OilY. Always thinking of others. The only problem is that he never updated his dependant and beneficiary nominations. I wonder what will happen to his children now?

What do you mean?

Hello CollE...

The trustees have a duty to trace all dependants and nominated beneficiaries. Without a completed beneficiary form it would be very difficult and delay the payment of the benefit. OilY's family could be without money for a long time.

Pin Board

If only the Fund could get hold of them?

Poor family.

That makes me think, I must call the financial adviser on our scheme right now to find out if I have enough insurance cover and to update my dependants and beneficiaries. Do you have his number?

I do. I was so shocked when I heard about OilY that I called the financial adviser immediately and we are meeting this afternoon to discuss my situation.
Pin board

- Reduced fees on Momentum Enhanced Factor 3
- Summary of investment portfolio changes for 2013
- Payment of withdrawal benefits
- Rates and fees are reviewed annually and might change
- FundsAtWork's new tele-underwriting process
- Service providers of the Funds
The trustees of the Funds have to ensure that the investment portfolios are relevant to members and have decided to implement some portfolio changes to enhance your retirement benefits over the long term to ensure a comfortable retirement and sustainable financial wellness. Some portfolios have been discontinued, some were merged and a new portfolio was added. The Trustee Choice Portfolio has also been changed. Previously there were three Trustee Choice Portfolios, i.e. Momentum Secure Bonus (MSB) for members who joined the Fund before 1 March 2012, Momentum Multi-Manager Smooth Growth Fund Global (MMSGFG) for members who joined after 1 March 2012 and Momentum Enhanced Factor 3, for housing loans offered under the Funds.

The trustees have made a decision to only have one Trustee Choice Portfolio from 1 October 2013 that invests in Momentum Enhanced Factor 3, which became available on the Founder, Provider and Entrepreneur product options from 1 October 2013.

Communication was sent to all affected members. However, please call our Client Contact Centre on 0860 65 75 85 or the financial adviser on your scheme for more information.

The investment management fee on Momentum Enhanced Factor 3 has been reduced from 1.5% to 1.3% for all members who have selected this portfolio. This also applies to members with home loan guarantees as these members are also invested in the Trustee Choice Portfolio. The reduction in fee for these members is effective from November 2013.

The investment management fee for members who have selected the Trustee Choice Portfolio that currently invests in Momentum Enhanced Factor 3, has also been reduced from 1.5% to 1.3% effective from October 2013.

The reduction in the investment management fee does not apply to members who invest in lifestage portfolios where Momentum Enhanced Factor 3 is being used as one of the underlying lifestage portfolios.

<table>
<thead>
<tr>
<th>Portfolios closed.</th>
<th>Founder</th>
<th>Narrator</th>
<th>Provider</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>The investments of all affected members were moved to Momentum Enhanced Factor 3 except for those members who have opted to change to a different portfolio of their choice.</td>
<td></td>
<td></td>
<td>Momentum InflationGro (June 2013)</td>
<td>Momentum Secure Bonus (Sept 2013)</td>
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<td></td>
<td>Momentum Secure Bonus (Sept 2013)</td>
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<thead>
<tr>
<th>Portfolios merged.</th>
<th>Founder</th>
<th>Narrator</th>
<th>Provider</th>
<th>Entrepreneur</th>
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</thead>
<tbody>
<tr>
<td>Members remain invested in the merged portfolios.</td>
<td></td>
<td></td>
<td>Momentum Smooth Growth Fund Local (June 2013) and Momentum Multi-Manager Smooth Growth Fund Local were merged (June 2013)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Momentum Secure Growth Fund and Momentum Multi-Manager Secure Growth Fund were merged (June 2013)</td>
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<table>
<thead>
<tr>
<th>New portfolios added.</th>
<th>Founder</th>
<th>Narrator</th>
<th>Provider</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Trustee Choice Portfolio that currently invests in Momentum Enhanced Factor 3 (Oct 2013)</td>
<td></td>
<td></td>
<td>Momentum Smart Guaranteed +3 (Sept 2013)</td>
<td>Momentum Smart Passive +4 (Sept 2013)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Trustee Choice Portfolio that currently invests in Momentum Enhanced Factor 3 (Oct 2013)</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Change to Trustee Choice Portfolio.</th>
<th>Founder</th>
<th>Narrator</th>
<th>Provider</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>All members who defaulted into MMSGFG since it became the Trustee Choice Portfolio in March 2012 were switched to the new Trustee Choice Portfolio.</td>
<td></td>
<td></td>
<td>Momentum Multi-Manager Smooth Growth Fund Global was replaced with the Trustee Choice Portfolio that currently invests in Momentum Enhanced Factor 3 (Oct 2013)</td>
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Summary of investment portfolio changes for 2013 Reduced fees on Momentum Enhanced Factor 3

Will your death or disability put your family in financial danger Your family will be protected for free When you die, who will get the money? How much insurance cover do you need?
Payment of withdrawal benefits

Life changes constantly and you may not always work for the same employer. When you leave your current employer and withdraw from the Funds, you must decide what to do with the money in your retirement savings account. You have a wide variety of choices but take note that not all the options may be to your benefit. Avoid taking your withdrawal benefit in cash as it will negatively influence your retirement savings and you will have to start saving again from scratch.

<table>
<thead>
<tr>
<th>FundsAtWork Umbrella Pension Fund member</th>
<th>FundsAtWork Umbrella Provident Fund member</th>
</tr>
</thead>
<tbody>
<tr>
<td>• take your whole withdrawal benefit in cash. This is not recommended.</td>
<td>• take your whole withdrawal benefit in cash. This is not recommended.</td>
</tr>
<tr>
<td>• transfer your whole withdrawal benefit to an Approved Pension Fund, Approved Provident Fund, Approved Pension Preservation Fund or an Approved Retirement Annuity Fund;</td>
<td>• transfer your whole withdrawal benefit to an Approved Pension Fund, Approved Provident Fund, Approved Pension Preservation Fund, Approved Provident Preservation Fund or an Approved Retirement Annuity Fund;</td>
</tr>
<tr>
<td>• take a portion of your withdrawal benefit in cash and transfer the balance to an Approved Pension Fund, Approved Provident Fund, Approved Pension Preservation Fund or an Approved Retirement Annuity Fund,</td>
<td>• take a portion of your withdrawal benefit in cash and transfer the balance to an Approved Pension Fund, Approved Provident Fund, Approved Pension Preservation Fund, Approved Provident Preservation Fund or an Approved Retirement Annuity Fund,</td>
</tr>
<tr>
<td>• transfer a portion of your withdrawal benefit to an Approved Retirement Annuity Fund and the balance to an Approved Pension Preservation Fund.</td>
<td>• split your withdrawal benefit between an Approved Pension Fund, Approved Provident Fund, Approved Pension Preservation Fund, Approved Provident Preservation Fund or an Approved Retirement Annuity Fund.</td>
</tr>
</tbody>
</table>

Service providers of the Funds

The Pension Funds Act requires the official appointment of certain service providers of which the following are the service providers to the FundsAtWork Umbrella Funds.

<table>
<thead>
<tr>
<th>Administrator</th>
<th>MMI Group Limited (formerly called Momentum Group Limited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors</td>
<td>PricewaterhouseCoopers</td>
</tr>
<tr>
<td>Asset managers</td>
<td>Momentum Managers of Managers</td>
</tr>
<tr>
<td></td>
<td>Momentum Asset Management</td>
</tr>
<tr>
<td></td>
<td>Various external managers</td>
</tr>
<tr>
<td>Independent Principal Officer</td>
<td>Tania Bakker</td>
</tr>
<tr>
<td>Tracing agent</td>
<td>The Data Factory</td>
</tr>
<tr>
<td>Housing guarantees</td>
<td>First National Bank and Standard Bank</td>
</tr>
</tbody>
</table>
FundsAtWork’s new tele-underwriting process

One of the advantages of having group insurance benefits through your employer is that only a small number of members will need to go for underwriting. To improve your experience with FundsAtWork we have introduced our innovative new tele-underwriting process. This will result in about 70% of all our members not having to go for further medical underwriting even though they will still enjoy extra cover.

When do you need to go for underwriting?
- At installation of a new scheme: if your insurance cover is above the free cover limit.
- Existing scheme: when new employees join the scheme and if their insurance cover is above the free cover limit.
- When you increase your insurance cover.
- When your salary increase causes your insurance cover to exceed the free cover limit.

What is the free cover limit?
The free cover limit is the maximum amount of insurance cover that Momentum will give you without you having to provide medical evidence of good health and insurability. When medical evidence is requested and the process is not completed, your insurance cover will be capped at the free cover limit. The same free cover limit applies to all members on a scheme.

The new tele-underwriting process:
1. You and the financial adviser on your scheme will be informed of the requirements on your medical underwriting.
2. Momentum will phone you to arrange a convenient time for you to do the tele-underwriting, between 7am and 5pm.
3. You will be asked a series of health-related questions which will determine the underwriting decision.
4. Your information is assessed immediately to give you an immediate answer.
5. You will be covered immediately for your full potential cover unless there are additional medical requirements.

The tele-underwriting process will not apply if the difference between your full potential cover and your current cover exceeds certain limits as decided by the reinsurers from time to time. In these cases the paper-based process will be followed.

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.

The table below illustrates the rate and fee reviews effective from 1 July 2013.

<table>
<thead>
<tr>
<th>Rate / fee</th>
<th>Umbrella Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration fee</td>
<td>Administration fee reviews differ from employer to employer. Ask your employer if you need more information.</td>
</tr>
<tr>
<td>Asset-based administration fee</td>
<td>Unchanged.</td>
</tr>
<tr>
<td>(payable by members in the Entrepreneur product option invested in external investment portfolios)</td>
<td></td>
</tr>
<tr>
<td>Fund expenses</td>
<td>Pension Fund: R2.05 (per member per month) (was R3.14 per member per month).</td>
</tr>
<tr>
<td></td>
<td>Provident Fund: R1.54 (per member per month) (was R2.50 per member per month).</td>
</tr>
<tr>
<td>Insurance benefit rates</td>
<td>Rate reviews differ from employer to employer. Ask your employer if you need more information.</td>
</tr>
</tbody>
</table>