

DEFAULT REGULATIONS

MARCH 2019

SIMEKA

member of  Sanlam group

WHAT YOU NEED TO KNOW AS A MEMBER OF A RETIREMENT FUND

In terms of the law, every retirement fund will need to put in place fund default strategies by **1 March 2019**.

DEFAULT INVESTMENT portfolio

1

A default investment portfolio means that your retirement fund contributions will be invested in the fund's default portfolio unless the fund has been instructed otherwise by the member.

APPROPRIATE FOR MAJORITY OF MEMBERS

The board of trustees will have to review the fund's investment options prior to 1 March 2019 and decide on a default investment portfolio which is appropriate for majority of the membership.

The default investment portfolio:

- must be reasonably priced;
- well communicated; and
- offer good value for money.

A default option is an automatic choice made on behalf of a member who does not exercise their choice in a given situation.

DEFAULT PRESERVATION strategy

Coupled with implementing the default investment portfolio is default preservation.

2

ACCESS TO COUNSELLING

This means that each fund will need to allow for members upon termination of service, to automatically become paid-up members in the fund.

The fund must provide such member with a paid-up certificate within two months of becoming a paid-up member.

Together with the above, members should have access to **retirement benefit counselling**, particularly before any withdrawal benefits are paid in cash to them or transferred to another fund.

You will be taking advantage of favourable investment fees and peace of mind that your savings are being looked after by a well governed fund with capable trustees should you preserve in your current fund.

ANNUITISATION (pension) strategy

Lastly, retirement funds are required to establish an annuity (pension) strategy, i.e. retirement funds should provide access to a reasonably priced pension at retirement.

3

ACTIVE "OPT-IN" CHOICE

It is important to note that this will not be an automatic default arrangement and members will have to make an active choice, i.e. "opt-in" to the strategy if they want to make use of the fund's pension option.

However, members must be given access to **retirement benefit counselling at least 3 months before their normal retirement age**.

Retirement benefit counselling refers to the disclosure and explanation, in clear and understandable language, of the risks, costs and charges of any fund options available to members.