OLDMUTUAL
CORPORATE

THE CORPORATE ADVISER

Note from Hugh

Hugh Hacking
General Manager

CATCH UP ON THE BUDGET SPEECH HIGHLIGHTS - OMCC Commentary on 2018 Budget

The 2018 Budget Speech was awaited with more anticipation than usual because the Finance Minister needed to tread a fine line between keeping the budget deficit at manageable levels to avoid a further ratings downgrade, while not raising taxes too much in the face of a fragile economic recovery, while also supporting the objectives of the new President.

From a retirement perspective, we welcomed the continued commitment to retirement fund reform. The improved flexibility with regard to offshore investment allocations for institutions was a welcome surprise.

For more insights, read commentary from Old Mutual Corporate Consultants **here**.

> PROTECTION OF PERSONAL INFORMATION

Organizations that process personal information of employees, customers or other juristic persons (companies, trusts and so on) are required to implement organization-wide privacy initiatives in order to comply with the conditions of the various Acts governing the protection of personal information. With this in mind Old Mutual Corporate will introduce passwords to protect any email attachments that contain personal information. In future, we will add a password to all PDF and XLSX files attached to emails. Our Group Assurance Product (GAP) & Investment Group Services (IGS) segments will continue to use their current mechanisms to protect sensitive information.

What does this mean? Click **here** to find out more.

> TAXATION LAWS AMENDMENT ACT, 2017

In December 2017, the Tax Laws Amendment and Tax Laws Administration Amendment Acts and the Rates and Monetary Amounts Act introduced various amendments to the Income Tax and the Tax Administration Act and also provided the new tax tables and various new tax rates as proposed in the 2017 budget speech. The main proposals and impacts for retirement fund stakeholders relate to the following:

- The continued consolidation and harmonisation of deductions for members of pension, provident and Retirement Annuity Funds.
- The retention of the tax exempt status of pre-March 1998 build-up in Public Sector funds for two subsequent transfers
- Transferring retirement fund benefits from employer sponsored funds to Retirement Annuity Funds after reaching normal retirement date
- The retraction of the 12-month limitation on joining a newly established pension, provident fund, and participating employer umbrella sub-fund
- Annuitisation requirement for retiring provident fund members to be delayed to 1 March 2019
- The implementation of the 2017 Budget proposals

To stay up to date and read more, click **here**.

> POLICYHOLDER PROTECTION RULES

On 1 January 2018, legislative changes to the Policyholder Protection Rules (PPRs) came into effect. These require Group Risk Insurers to play a more engaging role in the industry. The replacement PPRs support the move towards the proposed Conduct of Financial Institutions (CoFI) Bill. They also support the implementation of the Treating Customers Fairly (TCF) approach to improve customer protection in the financial services industry. In many cases, changes to existing business practices and processes may be required to achieve the required alignment.

To read an article in which Old Mutual comments on the PPRs, click **here**.

For more information on the PPRs click **here**.

> PROPOSED NEW S14 DIRECTIVE CIRCULATED

Directive PF no. 6/2011 in terms of section 33A of the Pension Funds Act, 1956 sets out the conditions imposed by the Registrar of Pension Funds in respect of the different types of Section 14 transfers. It also clarifies a number of other issues around these transfers. It is proposed that this directive be replaced with another directive with effect from 1 April 2018.

The most notable change brought about by the proposed new directive is the retraction of exemptions in terms of transfers:

- between Unclaimed Benefit Funds;
- of unclaimed benefits from registered funds to Unclaimed Benefit Funds;
- between Retirement Annuity funds; and
- between Preservation funds.

The directive also highlights and/or clarifies the following:

- Tax directives now need to be applied for in respect of all members being transferred. The exemption process will need to be followed for all members who experience tax issues or for who a tax directive cannot be obtained.
- The scheme of transfer must be communicated to members in all cases, except for transfers of unclaimed benefits.
- All objections and how they have been resolved must be included in the submission to the registrar.

- In cases of potential prejudice, there is no requirement that 75% of the transferring members explicitly approve the transfer.
- Some useful detail has been removed from annuity outsource section and a slight amendment to the wording regarding board sign-off.
- Unclaimed benefit transfers will have to follow all s14(1) requirements (except communication to members).
- Transfers between non-valuation exempt preservation or Retirement Annuity funds will have to also follow the full s14(1) process.

To read more on these changes, click **here**.

> TWIN PEAKS AND THE FINANCIAL SECTOR REGULATIONS ACT

The Financial Sector Regulations Act 9 of 2017 (the Act) will come into effect over a phased period to be announced by the Minister of Finance. The Act lays the foundation for the implementation of the so-called "twin peaks" regulatory model that was first developed in response to the 2008 global financial crisis. One of the key twin peaks components is separate prudential and market conduct regulators. The Act achieves this by establishing a Prudential Authority as a juristic person under the administration of the Reserve Bank while making the Financial Sector Conduct Authority (FSCA) the dedicated market conduct supervisor of all financial institutions, including banks.

To read more about the Financial Sector Regulation Act and Twin Peaks, click **here**.

> AMENDMENTS TO THE REGULATIONS UNDER THE LONG-TERM INSURANCE ACT

Amendments to the regulations of the Long-term Insurance Act, 1998 (LTIA) took effect on 1 January 2018. The main amendments relate to the following sections of the Act:

- Administrative work
- Representatives
- Equivalence of Reward
- Replacement risk policies
- Causal event charges
- Surrender Value and Loans
- Binder Agreements

Certain transitional arrangements have led to some of the provisions and amendments being postponed.

Click **here** to read more about the amendments.

> PRODUCT CHANGE: LSDB & TIP COMBINATION – 6 MONTH WAITING PERIOD ADDED

Waiting periods applicable to the SuperFund disability benefits prior to 1 January 2018:

- Lump Sum Disability Benefits (LSDB) → no Waiting Period
- Group Income Protection Benefits (GIP) → 1, 3 or 6 month Waiting Period
- Temporary Income Protection Benefits (TIP) → 1 month Waiting Period

Waiting periods applicable to the SuperFund disability benefits from 1 January 2018:

- Lump Sum Disability Benefits (LSDB) → no Waiting Period
- Group Income Protection Benefits (GIP) → 1, 3 or 6 month Waiting Period
- Temporary Income Protection Benefits (TIP) → 1 month Waiting Period
- LSDB & TIP combination → 6 month Waiting Period

Reason for the change
Where a member claims for both LSDB & TIP:

- TIP claim approved: 5 month payment starts after 1 month waiting period
- LSDB claim approved: no Waiting Period, payable immediately
- Based on the rules, when the LSDB claim is paid, the member exits the scheme
- However, for TIP the claimant remains a member until the end of the payment period
- As these benefits need to be administered and paid in terms of the policy rules, a 6-month Waiting Period must be added to the LSDB benefit to ensure that the LSDB benefit is paid on expiry of the TIP payment period

Policy changes
All Risk Benefit Policies have been updated with the change and the updated policies will be available on the Corporate Web.

Effective date of the change for existing SuperFund schemes
SuperFund Easy - **1 January 2018**
SuperFund Choice and SuperFund Customised - **1 July 2018**

> OLD MUTUAL SUPERFUND EASY RISK BENEFITS EXCLUSIONS

During the latter part of 2017, the Old Mutual SuperFund Management Board reviewed the Group Assurance policies against current market trends. As a result of this process, amendments have been made to the Exclusions clause offered under Old Mutual SuperFund Easy, with effect from 1 January 2018.

Click **here** for more information.

> OLD MUTUAL SUPERFUND EASY MAXIMUM RISK BENEFITS

The maximum annual salary that is used to calculate a member's risk benefit (death and permanent disability) is R350 000, and temporary disability benefits are capped at 80% of a member's monthly earnings.

It is extremely important for your clients to ensure that a member's risk salary record on payroll does not exceed this maximum as it may result in them paying higher premiums for a restricted benefit.

As with every issue of our newsletters, we'd like to hear from you! Please feel free to engage with us at corporateadviser@oldmutual.com.

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