THE CORPORATE ADVISER

Note from Hugh

Welcome to another issue of Old Mutual Corporate Adviser.

Hugh Hacking
General Manager

Choosing an umbrella fund can be a complex and daunting process. There are numerous factors that should be taken into account, the most important of which include (but are not limited to): whether the fund is well governed and expertly run; the levels of flexibility and choice the fund offers; whether the investment strategy aligns with the risk and return requirements of members; the flexibility of the fund's risk benefit structures; and the preservation and at-retirement options on offer.

Of course, costs are also an important consideration for most employers and their fund members; but comparing the costs of umbrella funds can be a highly complex undertaking, not least because of the varying components that make up different umbrella fund solutions as well as the differing ways in which fund providers quote their fees.

The good news is that as of 1 March 2019, it is going to be much easier for participants in umbrella fund schemes to accurately compare the costs of those schemes. The new Association for Savings and Investment South Africa (ASISA) Retirement Savings Cost (RSC) Disclosure Standard comes into effect and is set to bring about wide-scale standardisation in terms of the way that umbrella funds must represent their fees and costs.

In our featured article, Michelle Acton, Principal Consultant at Old Mutual Corporate Consultants, provides an overview of this new ASISA Disclosure Standard and explains that it will result in a number of benefits for the industry and its stakeholders, which include greater transparency, making it easier for employers to select the most appropriate umbrella retirement fund solution for their employees. She also emphasises that the main consideration when it comes to costs, is not whether a particular fund is cheaper, but whether it delivers significant member value in relation to the fees it charges.

For examples and more information, click **here**.

Enjoy this issue of Corporate Adviser
Hugh

> ENRICH YOUR THINKING WITH MiNDSPACE

Old Mutual Corporate's award-winning MiNDSPACE magazine is one of our key client engagement channels. It provides financial, investment and retirement content and has a rich content mix of interviews with industry leaders, thought-provoking opinion pieces and discussions on a wide variety of topics, trends and developments.

A multi-channel engagement experience
The content of the bi-annual print edition of MiNDSPACE magazine is augmented by a monthly electronic **newsletter and website** that carries a variety of topical pieces, many of which include information, tips and guidelines that your clients will find extremely beneficial. Here are some of the topics covered online that you can share with your clients:

- 11 important considerations when choosing an umbrella fund, to read more click **here**.
- Get Superfund savvy, to read more click **here**.
- Introducing Well4Work - the new income protection solution, to read more click **here**.

To subscribe to the monthly MiNDSPACE digital newsletter, click **here**

Some of the content from Mindspace has also featured on the new Mindspace TV broadcasts on CNBC Africa. Season 2 of MiNDSPACE TV will commence on 4 October and episodes will flight every Thursday at 19:00. You can also watch episodes from season 1 of MiNDSPACE TV **here**

> SEQUENCE-OF-RETURN RISK

Sequence risk (or sequence of returns risk) is most commonly understood to be the risk of receiving lower or negative returns early in a period when you are making withdrawals (i.e. taking a pension) from your invested retirement capital. If you experience low or negative returns on your invested capital in the early stages of your retirement this can have a massive negative impact on that capital amount later in your retirement.

There is a misperception that sequence risk (also called sequence of return risk) need not be a major consideration while you are building up your retirement savings. This is not always the case though. In fact, for anyone who is saving capital for retirement by making regular monthly contributions (which is how most people save) if your returns reduce close to retirement age, you can end up with much less saved up than you had planned.

During the drawdown (after retirement) phase, when the retiree has a fixed capital amount invested and is taking a regular income from that investment, sequence risk can also have a significant effect on capital value. That's especially true if negative investment returns are experienced during the early stages of retirement. As a result, when selecting of a Living Annuity as your post-retirement annuity option, careful portfolio selection and drawdown rates are vital.

Read more **here**.

> EMPLOYER'S OBLIGATIONS REGARDING DEATH CLAIM INVESTIGATIONS

Recent determinations by the Pension Funds Adjudicator have placed a spotlight on the investigation of death claims. It is the duty of the Old Mutual SuperFund Management Board (the Board) to investigate and trace beneficiaries in the case of the death of a member. However, the Board relies on participating SuperFund scheme employers to assist with the investigation and tracing, and to provide all relevant information. This includes information relating to a deceased member's family and especially his or her dependants, in accordance with the employer's obligations in terms of Rule 15.4(6) of the Fund. Click **here** to read more.

> 2018 DRAFT TAXATION LAWS AMENDMENT BILL PRESENTS TWO KEY BENEFITS FOR FUND MEMBERS

The 2018 Draft Taxation Laws Amendment Bill (DTLAB) and 2018 Draft Tax Administration Laws Amendment Bill (DTALAB) published by National Treasury on 16 July contain a number of tax law amendments that will impact on retirement funds, their members and financial advisers. Two of the most significant of these amendments have to do with:

1. Allowing emigrating preservation fund members to withdraw from their funds and be paid their full benefits (as is currently the case with RA members); and
2. Giving fund members, who have passed normal retirement age, the option to transfer their fund benefits to preservation funds (in addition to current RA concessions).

The details and positive impacts of these two proposed amendments are outlined in the attached article, click **here** to access.

> GROUP ASSURANCE POLICY CONTRACTS TO BE SENT DIRECTLY TO POLICYHOLDERS

As of 1 September 2018, Old Mutual Group Assurance Products (GAP) is sending all policy contracts directly to policyholders. This is in line with Rule 11 of the Policyholder Protection Rules (PPR), which come into effect on 1 January 2019 and govern policy disclosures by insurers to policyholders. While the rule allows policyholders to provide a mandate to intermediaries to receive policy contracts on their behalf, it also makes the insurer legally responsible for full compliance and to ensure that the mandated intermediary is executing all necessary disclosures.

One of the key requirements of the rule is that insurers must provide the policyholder with all relevant disclosures as soon as possible after the inception of the policy, but no later than 60 days from that inception. To ensure that we comply with all the requirements of the rule, and avoid any delays in terms of disclosures, GAP will in future make all policy disclosure directly to its policyholders. To this end, please assist us by providing up-to-date contact details for your clients who become GAP policyholders when requested.

> HOW DOES IT WORK? Old Mutual SuperFund Income Protection Benefit

Click **here** to access information that you can share with your clients on how the Old Mutual SuperFund: Income Protection Benefit works.

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.