Your Scheme in Detail
“The difference between something good and something great is attention to detail.”

- Charles R. Swindoll
Your Scheme in Detail

We understand that as an employer, you play a pivotal role in the financial lives of your employees. Our aim is to assist you in protecting their financial future, ensuring that you and your employees can live life to the full.

This product guide aims to provide clients with a better understanding of the features, benefits and costs associated with the corporate solution being considered and deals with the establishment of an employer’s participation in an insured umbrella scheme or insured stand-alone pension or provident fund within the Liberty risk, administration and investment framework.

This document must accompany the quotation provided by Liberty Corporate for it to be considered a complete and valid quotation. The information contained is extensive and should be clearly understood for an informed purchase decision to be made.

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Understanding your quotation

1. Understanding your quotation

1.1 Validity
The quotation is valid for one month from the date that the quotation is produced, provided the employer’s scheme is installed with the selected commencement date shown on the quotation and there is no change to the membership information provided. If the quotation is accepted by the employer and the Trustees of the Fund, a new scheme is instituted. Please note that acceptance will be subject to compliance with Liberty Corporate’s normal installation procedures.

1.2 Installation criteria
Please refer to the enclosed benefit parameters brochure for the latest installation criteria and business rules associated with the Liberty Corporate offering.

1.3 General disclosures
• The insured benefit costs shown assume that each member above the medical-free limit will supply satisfactory evidence of health within 60 calendar days of installation of the scheme. If evidence is not submitted or found to be unsatisfactory, insured benefits will be adjusted downwards to the medical-free limit and costs will be adjusted appropriately
• Where spouse's death benefits have been selected and the marital status is recorded as either 'unknown' or 'single', the spouse will not be covered for this benefit
• Where polygamy is practiced in a legal marriage, the term spouse means the surviving spouses collectively. Any benefit due to a spouse will then be split equally between the member's surviving spouses
• The definition of a spouse is strictly applied as someone who is the member's permanent life partner, spouse or civil union partner in accordance with:
  • The Marriage Act, 1961 (Act No. 68 of 1961)
  • The Recognition of Customary Marriages Act, 1998 (Act No. 68 of 1997)
  • The Civil Union Act, 2006 (Act No. 17 of 2006)
  • The tenets of a religion

1.4 Replacing an existing scheme
In some instances it may not be to the members’ advantage to replace one scheme or group of individual policies with another scheme as there could be potentially detrimental consequences, whether insured by Liberty or another registered insurer.

1.5 Commencement
A Scheme Authority document, signed by an authorised official of the employer, together with a completed electronic proposal form must be submitted before the scheme can commence.

1.6 Claims
All claims are subject to admission of liability by Liberty Corporate and submission of the necessary documentation as requested by Liberty Corporate.

1.7 “Cooling-off Period”
The employer has the right to withdraw and cancel the implementation of the scheme within 30 calendar days of receipt of the installation package from Liberty Corporate.

To exercise this right, Liberty Corporate must receive a written notice within this 30-day period at the registered address shown at the end of this document. The option to withdraw and cancel is automatically revoked where any claim against the policy has already been lodged with Liberty Corporate.

Where cancellation during the cooling-off period is effected, contributions paid will be refunded after deduction of the cost of any insured benefit cover that has been provided. The repayment will also be adjusted to take into account any reduction that might occur to the market value of the scheme’s investments.

If the employer wishes to proceed, they must discuss the financial implications and impact on benefits with a financial adviser.

Things to consider when replacing an existing scheme include:
• The charges payable for a new product
• The expenses or penalties payable to cancel or change the existing financial product
• The difference in the investment risk
• The tax implications
• Potential loss of any benefits or guarantees by changing or cancelling the existing financial product
• Access to the funds in the new product
• The impact that age and health may have on contributions and benefits of the new product
• Any applicable limits to the new product (for example, there may be exclusions or waiting periods)
Understanding your scheme

2. Understanding your scheme

2.1 Operation of the scheme
The scheme will be operated and governed by a set of rules. In addition, Liberty Corporate will issue policies of long-term insurance for the investment of the assets and the provision of the insured benefits.
The Board of Trustees ("Trustees"), of the suite of Corporate Selection Umbrella Funds, will ensure that the rules comply with the requirements of both the Registrar of Pension Funds and the Commissioner for the South African Revenue Service so that registration and approval is obtained respectively, where applicable. Should registration and/or approval not be granted, for whatever reason, Liberty Corporate cannot accept responsibility for any direct or indirect loss that may be suffered by the employer, including consequential and/or loss of profit.

2.2 Membership
The employer must specify the classes of employees that will be eligible to join the scheme in the scheme rules. A condition of the Income Tax Act approval criteria for Retirement Schemes is that all eligible employees must be given the opportunity to join the scheme at its commencement date. This option must be exercised within 12 months of such date. Employees who subsequently enter service must, as a condition of employment, join as soon as they satisfy the scheme’s membership eligibility conditions. If a scheme has risk benefits, all eligible employees, (i.e. both staff currently in service and all new staff) must join the scheme in order to qualify for the medical-free limit described in the Assumption of Risk Conditions.

2.3 Scheme salary
All benefits and contributions in terms of a salary-based scheme are related to a scheme salary defined by the employer. Our quotation will have been based on the assumption that scheme salary will normally remain the same throughout the scheme year and will only change in line with any general review of earnings, or upon promotion. The quotation does not cover the situation where the scheme salary changes on a weekly, monthly, quarterly or half annual basis.

2.4 Contributions
Contributions for retirement benefits will be deducted from the member’s salary by the employer and paid to Liberty Corporate with the employer’s contributions. All contributions must be paid to Liberty Corporate within 7 days of the end of the month for which they are due, failing which the employer will be liable for payment of interest and possible prosecution.

2.5 Normal retirement date
Each member’s normal retirement date will be the first day of the month coincident with or following the member’s attainment of the scheme’s retirement age, as defined in the rules of the scheme.

2.6 Payment of benefits
On retirement:
• Pension schemes
  If a member’s retirement benefit exceeds the amount of R247 500 an annuity must be purchased at retirement in the name of the member. The annuity may be purchased with Liberty or any other registered insurer or annuity provider. In addition, a member may elect to:
  • Receive an annuity appropriately adjusted in amount to incorporate a different guarantee period, frequency of payment or to make provision for a pension for a chosen dependant(s);
  • Take a cash lump sum payment, of up to 1/3 of the full member’s share of fund (subject to tax) and purchase an annuity with the balance
• Provident schemes
  Retirement tax reform changes effective 01 March 2016 (T-day) have made no changes to the payment of benefits from provident schemes. Therefore, from the retirement benefit a member may elect to receive:
  • a cash lump sum (subject to tax); or
  • an annuity, or
  • any combination of an annuity and cash lump sum.
  • The member only needs to make a decision on the format of these benefits at the time of retirement.
“The true secret of happiness lies in taking a genuine interest in all the details of daily life.”

- William Morris
Understanding your scheme

2.6 Payment of benefits

On death:
If a member dies before retirement age, the member’s share of fund will be payable. A member’s share of fund refers to the total of accumulated contributions less expenses plus scheme investment returns.

Where applicable, Group Life Assurance benefits will also be paid. The distribution of benefits on death is undertaken by the Trustees of the suite of Corporate Selection Umbrella Funds in terms of the provisions of the Pension Funds Act.

No change has been made to the preservation of retirement savings when changing employment. Therefore, withdrawal benefits prior to retirement are not affected by the retirement tax reform changes effective 1 March 2016 (T-day).

On resignation:
Where a member leaves service prior to the normal retirement date, the benefit payable will be the member’s share of fund. The benefit may be taken as a cash lump sum (subject to tax) or a transfer to another fund or a combination of cash and transfer.

Liberty’s preservation schemes are tax-free options for withdrawing members who wish to preserve their benefits for eventual retirement, rather than receiving an after-tax cash lump sum.

2.7 Claims notification procedures

Claims must be submitted in writing to Liberty Corporate’s physical or postal address. Notification of claims can be made electronically on Blueprint Corporate by the appointed financial adviser or on Liberty Corporate Connect.

Please refer to the Benefit Parameters booklet on maximum notification periods for our various claim categories.

2.8 Continuation option

The continuation option allows a member to retain insured death and disability cover in an individual policy within 60 days of leaving the scheme, provided that they have been members of the scheme for at least 12 months prior to their exit from the scheme. This applies to retirement and withdrawal other than ill-health retirement or where the member is receiving a disability income, where the option is available at scheme level.

The maximum age at which the continuation option benefit may be exercised is as follows:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Maximum age at which the continuation option benefit may be exercised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Protection Plan</td>
<td>The maximum age for Income Protection Plan is:</td>
</tr>
<tr>
<td></td>
<td>If Group Scheme NRA is 60, then:</td>
</tr>
<tr>
<td></td>
<td>• 55 (next birthday) for level and renewable premium pattern</td>
</tr>
<tr>
<td></td>
<td>• 50 (next birthday) for age rated and fixed increasing premium pattern</td>
</tr>
<tr>
<td></td>
<td>If Group Scheme NRA is 65, then:</td>
</tr>
<tr>
<td></td>
<td>• 60 (next birthday) for level and renewable premium pattern</td>
</tr>
<tr>
<td></td>
<td>• 55 (next birthday) for age rated and fixed increasing premium pattern</td>
</tr>
<tr>
<td>Capital Disability</td>
<td>Maximum age for Capital Disability is: Age 60 (next birthday)</td>
</tr>
<tr>
<td>Dread Disease</td>
<td>The earlier of scheme’s retirement age and 60 (next birthday)</td>
</tr>
<tr>
<td>Group Life Assurance</td>
<td>The earlier of scheme’s retirement age and age 70 (next birthday)</td>
</tr>
</tbody>
</table>

The above will be subject to Liberty’s current business rules, Premium patterns and entry ages applicable to individual benefits offered.

2.9 Rule amendments

Any changes that may be required to the scheme rules must be communicated to Liberty Corporate in writing using the standard rule amendment form. Liberty Corporate will confirm if the required change can be accommodated and disclose any terms and conditions that may apply. Please note that changes to the scheme structure in the first year of its operation are not normally allowed.

2.10 Discontinuance of the scheme

If the employer is unwilling or unable to continue payment of contributions, Trustees and the members must be given one month’s written notice of the intention to discontinue the scheme. Thereafter, the standard terms set out in the Corporate Selection policy and/or scheme rules, or Corporate Insured Series policy, will apply.
Understanding investment

3. Understanding investment

The investment portfolios available for retirement contributions will differ depending on whether the scheme has selected to join one of the Corporate Selection Umbrella Funds, or operate as a Stand-alone arrangement. A variety of investment portfolios are available that may be selected for the scheme as a whole. Where the Trustees allow individual investment choice, members may select investment portfolios that are different to the scheme-level portfolios.

3.1 Illustrative retirement benefits

The illustrative retirement benefits shown in the quotation have been prepared using one of the two bases described below. Please refer to the summary of benefits and costs in the quotation to identify which alternative has been used.

Real rate of return
This method removes the impact of inflation from the projection. This means that the figures shown can be compared to current salaries and purchasing power, or in other words, current Rand values.

The illustrative retirement benefits have been calculated using an assumption of a 3% real rate of return. This implies that long-term investment yields will be 3% higher than the long-term rate of inflation and that salary increases will match inflation.

Long-term view
With this method, the impact of inflation is not removed and provides an illustrative benefit at the time of retirement. This means that the figures shown can be compared to salaries and purchasing power at retirement date.

The illustrative retirement benefits have been calculated using an assumption of 10% and 7% for investment returns and salary increases respectively. As such a long-term view of the potential change to these factors is taken. Implicit in these assumptions is an allowance for future inflation and caution should be exercised in reviewing figures that appear attractively large.

To retain a proper perspective, the relationship between the retirement benefit and anticipated salary in the year before retirement should be considered.

Actual experience
It is important to stress that eventual retirement benefits will emerge from a combination of actual investment returns and actual salary increases. It is important to remember that the figures shown in the quotation are only illustrative and Liberty shall not be bound by the illustrative figures provided.

3.2 Investment risk

Any form of investment should be made taking into account the possible volatility in value of the investment. In general terms, the higher the possibility of volatility the more likely that large gains or losses in value will occur. Members and employers will find it much easier to choose an investment portfolio once they understand and accept volatility in value.

Investment portfolios are therefore usually grouped into one of the following “risk profiles”:

Conservative
This profile is suited to an investor:
• Wanting to preserve their capital
• Wanting some growth but with limited fluctuations from year to year

Moderately Conservative
This profile is suited to an investor:
• Wanting to preserve their capital
• Wanting to achieve real returns* of at least 2% p.a. over their investment horizon of at least 4 years, and is prepared to accept some fluctuations in returns from year to year

Moderate
This profile is suited to an investor:
• Wanting to achieve real returns* of at least 3% p.a. over their investment horizon of at least 5 years
• Prepared to accept high fluctuations in returns from year to year
Understanding investment

3.2 Investment risk

Moderately Aggressive
This profile is suited to an investor:
• Wanting to achieve real returns* of at least 3.5% p.a. over their investment horizon of at least 8 years
• Prepared to accept high fluctuations in returns from year to year

Aggressive
This profile is suited to an investor:
• Wanting to achieve real returns* of at least 4.5% p.a. over their investment horizon of at least 10 years, and
• Prepared to accept significant fluctuations in returns from year to year

Members who wish to determine their personal risk profile should consult their Liberty accredited financial adviser prior to making investment decisions.

*Real returns are returns in excess of inflation after on-going management fees.
“It’s the little details that are vital. Little things make big things happen.”

- John Wooden
Understanding your Scheme’s Operating Expenses

4. Understanding your Scheme’s Operating Expenses

A scheme’s operating expenses comprises of three main types of fees or charges:

- Management fees associated with the initial setup and ongoing administration
- Scheme fees and statutory charges associated with ensuring governance and compliance with statutory requirements
- Investment management fees, levied by asset managers for services rendered

4.1 Management fees

The management fees are made up of two components: administration fees and sales related charges.

**Administration fees**

Administration fees are levied by Liberty Corporate to cover the cost of ongoing administration. The administration fee shown on the quotation is charged on a monthly basis and is deducted from each contribution received.

- The above fee is calculated according to the benefits selected and scheme structure. Liberty Corporate reserves the right to charge an additional fee where special administrative or actuarial services are required and/or are imposed by legislation.
- The administration fee includes an allowance for Value Added Tax (VAT) where applicable

In addition, investment administration fees are charged by Liberty Corporate on the scheme’s assets (or the assets attributable to the participating employer in the case of Corporate Selection Umbrella Schemes). These fees are proportionally charged to each member’s share of fund monthly.

The following sliding scale of investment administration fees applies:

<table>
<thead>
<tr>
<th>Total Scheme Assets</th>
<th>Investment Administration Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>First R 3,000,000</td>
<td>1.20% p.a.</td>
</tr>
<tr>
<td>Next R 7,000,000</td>
<td>0.80% p.a.</td>
</tr>
<tr>
<td>Next R 30,000,000</td>
<td>0.45% p.a.</td>
</tr>
<tr>
<td>Balance over R 40,000,000</td>
<td>0.10% p.a.</td>
</tr>
</tbody>
</table>

The fee is subject to a minimum of R300 per month or R3600 per annum.

Where assets are managed by an external asset manager, not STANLIB, an asset handling fee of 0.25% p.a. is charged in addition to the above.
Understanding your Scheme’s Operating Expenses

4.1 Management fees

Sales-related charges
Sales-related charges are levied on an on-going basis. The charges cover Liberty’s sales costs, which include commission paid to the financial adviser.

- Commission is payable to the appointed Liberty accredited financial adviser at a level not exceeding that provided for in the regulations to the Long-term Insurance Act. This amount is recovered on an ongoing basis.
- Where the scheme is being established for the first time, and is not transferring from another administrator, a further once-off introductory commission is payable to the appointed Liberty accredited financial adviser at a level not exceeding that provided for in the regulations to the Long-term Insurance Act. This amount is recovered over a 5-year period.
- If the appointed financial adviser is a full-time representative of Liberty, or a principal of a Liberty franchise, the financial adviser may receive other benefits from Liberty in lieu of, or in addition to, the commission described above.
- Commission payment scales are revised by regulators from time to time. When this occurs, revised sales related charges will be applied to the scheme from its next anniversary or rate review date as applicable.

Variation of Management Fees
Please note that the management fees are directly related to scheme membership and benefits and therefore may vary in Rand value from month to month as these factors fluctuate.

4.2 Governance Levy and other statutory charges
In addition to the management fees, there are other fees that are separately accounted for. These fees will be deducted proportionally, as they fall due, from each member’s share of fund.

Governance Levy
These fees generally relate to the costs incurred in respect of governance of the scheme and include, where applicable:

- Trustee costs
- Principal officer costs
- Fidelity guarantee insurance premiums
- Preparation of financial statements and financial reporting
- Accounting costs
- Auditor costs
- Other fees as authorised by the Trustees from time to time.

Other statutory charges
This relates to charges and levies, which may be imposed by the Financial Services Board (FSB) such as liquidation costs where applicable.

4.3 Investment management fees
Asset managers levy a fee directly against the invested assets for their services, prior to investment returns being declared. These fees vary from manager to manager. Please refer to the Corporate Selection Investment Portfolios brochure.

Umbrella Investment Portfolios
Please refer to the “Investment portfolio charges for Corporate Selection Umbrella Funds” brochure for a listing of the fee scales applicable to the Corporate Selection Umbrella Funds.
4.4 Insured benefit costs Aggregate Costed Schemes

Risk premiums are calculated for each member within a single scheme, based on each individual member’s risk factors (age, gender, salary, etc). However, the individual premium for each benefit is added together per member category and is then expressed as a rate per amount of benefit cover. To calculate each member’s cost for a particular benefit, this rate is multiplied by the member’s benefit amount.

This method of costing is also known as aggregate costing and it is important to note that there is cross subsidisation across members. This means that the members in each category all pay an average rate instead of individual rates.

This costing method is the default for Liberty Corporate.

Exact Costed Schemes

This method of costing will calculate the risk premium attributable to each individual member. This cost will depend on the member’s selected cover as well as his/her age and individual circumstances. Every member in the scheme is then levied their own premium.

Under both arrangements, the scheme’s actual claims experience will be taken into account at the annual revision as long as the membership continues to exceed 200. For schemes that exceed 200 members, the rates quoted are provisional and will be adjusted to take the past claims experience of the scheme into account.

4.5 Revision of management fees and insured benefit costs

The basis used for calculating management fees, as well as insured benefit costs, is reviewed annually. However, Liberty Corporate may revise these fees and costs more frequently if necessary, giving all affected clients notice in line with the current policy provisions.

4.6 Net amount for investment

The net amount that will become available for investment each month is calculated as follows:

Gross contributions received, less:

- Insured benefit costs
- Management fees
- Initial fees levied on new money placed with investment managers
- Upfront asset swap fees

Contact details and complaints resolution procedure

Contact us

For more information please contact your accredited Liberty financial adviser, broker or the Liberty Corporate support centre below.

Liberty Corporate General Contact Centre

- t: 011 408 2999
- f: 011 408 2264
- e: lc.contact@liberty.co.za
- www.libertycorporate.co.za

Complaints

Complaints or comments should be directed in writing to:

The Complaints Resolution Manager
Liberty Corporate
P O Box 2094, Johannesburg, 2000
- t: 011 408 2777
- f: 011 408 4440
- e: contactlc@liberty.co.za

If your complaint is not resolved to your satisfaction by Liberty, you may contact one of the legislative bodies that have been tasked to look after your interests

For fund complaints:
The Pension Funds Adjudicator
P O Box 580, Menlyn, 0063
- t: 012 346 1738
- f: 086 693 7472
- e: enquiries@pfa.org.za

Ombudsman for Long-term Insurance
The Honourable Mr. Justice RP McLaren
Private Bag X45, Claremont, 7735
- t: 021 657 5000
Sharecall: 0860 10 3236; 021 674 0951
- e: info@ombud.co.za

For complaints regarding a financial adviser:
FAIS Ombud
P O Box 74571, Lynnwood Ridge, 0040
- t: 012 470 9080
- f: 012 348 3447
- e: info@faisombud.co.za
Disclaimer

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Should you require any additional information, please contact Liberty Corporate directly on +27 (011) 408 2999 or visit our head office at the Libridge, 25 Ameshoff Street, Braamfontein, Johannesburg.