

Q&A | The Most Important Decision your Clients will ever make - Annuitisation and the impact of T-Day | 17 February 2020

Question	Answer
<p>Will contributions for February 2021 that is received by the provident fund in March 2021 form part of the vested benefits , that is, regarded as part of fund value as at 1 march 2021?</p>	<p>There is a bit of a debate in the industry about this issue, and not everyone is in agreement. Sanlam Corporate’s stance is however that in order to form part of a member’s vested benefit, the February contribution must be paid before 1 March 2021. A member’s vested benefit namely consists of “any amount contributed to a provident fund prior to 1 March 2021”. The word “contributed” is past tense, and as such in our opinion refers to amounts that have been contributed prior to 1 March 2021. An amount that is only contributed after 1 March 2021 can in our view not be regarded as an amount contributed prior to 1 March 2021, even if it is in respect of a period before March 2021. SARS has indicated that they may issue a guidance note. They have however not done so yet, and in the meantime Sanlam’s view is that T-day must be implemented in accordance with the wording of the Income Tax Act.</p>
<p>It is practically impossible that the FSCA would have the Rule Amendments approved on time. How will the implementation of the TLAA be dealt with since we cannot give effect to unapproved amendments?</p>	<p>A provision in the rules of a fund is only valid insofar as it is not inconsistent with the law. T-day will accordingly have to be implemented irrespective of whether the fund’s rules have been amended.</p>
<p>With regards to money received after 1 March 2021 but it's contributions due for February 2021 - will this form part of the vested member share?</p>	<p>There is a bit of a debate in the industry about this issue, and not everyone is in agreement. Sanlam Corporate’s stance is however that in order to form part of a member’s vested benefit, the February contribution must have been paid before 1 March 2021. A member’s vested benefit namely consists of “any amount contributed to a provident fund prior to 1 March 2021”. The word “contributed” is past tense, and as such in our opinion refers to amounts that have been contributed prior to 1 March 2021. An amount that is only contributed after 1 March 2021 can in our view not be regarded as an amount contributed prior to 1 March 2021, even if it is in respect of a period before March 2021. SARS has indicated that they may issue a guidance note. They have however not yet done so, and in the meantime, Sanlam’s view is that T-day must be implemented in accordance with the wording of the Income Tax Act.</p>

How has Sanlam adapted its administration systems to cater for T-Day?	Please refer to the T-day Member Communication to standalone fund clients doc.
How are you communicating T-Day to members?	Please refer to T-day Member Alert Guide that was made available to Boards and Employers for distribution to members.
Will the vested and non-vested pots be visible on your portal and member app?	Yes
A section 14 transfer (prov to prov) effective 1 March 2021, the exemption to members age 55 and older will not apply i.e. members are joining a new fund, vested share (previous) and non-vested share (future conts) are applicable? Is my understanding correct?	No, If the effective date of the Section 14 transfer is 1 March 2021, the exemption for members aged 55 and older will apply. This is because one becomes a member of the receiving fund from the effective date of a Section 14 transfer.
Living annuity - are the annuities paid in advance or in arrears - quarterly, biannually and annually?	Members have a choice as to when they want to receive their payments.
Can you please send me the Sanlam With Profit Annuity returns from inception as well as the brochure that includes the formula that the bonus calculation is based on.	https://www.sanlaminvestments.com/institutional/solutions/protectionfocussedolutions/Documents/sanlam-with-profit-annuity-product-brochure.pdf
Can you take a zero amount from a life annuity for a year or not?	Unfortunately not.
On Life Annuities: should both you and your spouse pass away, is there an option that your children may receive the rest of the premiums, instead of being paid to the estate?	Payment is only allowed to disabled children. Standard practice is to pay the outstanding payments to the estate.
How do the institutional annuities compare with the traditional retail annuities that most people still buy?	Institutional annuities have less choice than retail annuities, especially in the case of living annuities

<p>Why pay balance of annuity to an estate after the death of member and spouse before the guaranteed period? What about dependants and beneficiaries? Does Section 37C of the Pension Fund Act not apply to compulsory annuities?</p>	<p>Section 37C does not apply to a pension payable to a spouse. Section 37C namely stipulates that it is not applicable to “a benefit payable as a pension to the spouse or child of the member in terms of the rules of a registered fund, which must be dealt with in terms of such rules”. The Pension Funds Act also does not apply if the pension is not in the name of the fund, but in the name of the member.</p>
<p>When are SA insurance companies going to take into account the socio economic circumstances and health condition and habits (smoking , drinking etc) of annuitants when determining the cost of the annuity. Current situation is discriminatory against low income annuitants who because of socio economic circumstances has a lower life expectancy compared to more well off pensioner.</p>	<p>SA insurers do take into account some rating factors.</p>
<p>What makes your with profit annuity different to what is already available and known by the market?</p>	<p>The Sanlam With-Profit Annuity (SWPA) is a new addition to the Sanlam annuities product range, launched to enhance the range and quality of retirement solutions available to pensioners. It provides a guaranteed income for life and offers pension increases linked to market performance. Underlying investments, in SIM Balanced Fund and SIM Moderate Absolute Fund, are smoothed over six years before declaring pension increases. You can choose from various Sanlam With-Profit Annuity options based on your preference for a higher starting pension or higher future pension increases. The guarantee offered ensures that pension increases are never negative, even in the case of poor market conditions.</p>
<p>Do the funds in a "with profit annuity" go to your estate?</p>	<p>The outstanding payments from a guaranteed period will go to the estate.</p>
<p>If we resign before the age of 65, do we get the full cash amount?</p>	<p>This will depend on the current fund e.g. provident or pension fund, as well as the age of the member at 1 March 2021.</p>

Will it be named Vested and Non Vested on the benefit statements?	Yes
We are going to need to amend the Rules to give effect to the annuitization provision for provident funds. What happens if the Rules amendments are not registered yet by the FSCA ?	The legislation overrides the Rules, so legislation will apply.
Should a fund transfer after 1/3/21 at what date will the vested portion apply to members who are older than 55 years? ie, 1/3/21 or date of transfer?	The effective date of the Section 14 transfer will apply, not the transfer date.
Is the revised draw down rates on Living Annuities under reg 39 still under consideration by the FSCA?	Yes
The same question re long outstanding contributions or LPI due for members prior to 1 March 2021, but paid by employer AFTER 1 March 2021, please also add this into your response re contributions paid for February in March.	The new annuitisation provisions will apply to all amounts contributed to the provident fund (paid into the fund's bank account) on or after 1 March 2021, irrespective of the period to which it applies. This is so because the legislation refers to amounts 'contributed' (past tense) to the provident fund prior to 1 March. The legislation also does not refer to amounts 'payable'.
How will divorce payments be paid out to the ex member spouse?	The amount will be deducted pro-rata between the vested and non-vested member share
If an employer actions a Section 14 transfer from a Provident Fund to another Provident Fund with an effective date of 1 March 2021, are the 55 years and older members' benefits still protected, including new contributions, i.e. will their 1 March 2021 onwards contributions be subject to annuitization? Or does	No, If the effective date of the Section 14 transfer is 1 March 2021, the exemption for members aged 55 and older will apply. This is so because one becomes a member of the receiving fund from the effective date of a Section 14 transfer

the Section 14 effective date have to be 1 February 2021 in order to ensure protection?