12TH BIENNIAL SURVEY

THE 2004 SANLAM SURVEY ON RETIREMENT BENEFITS

Thinking ahead Sanlam

Employee Benefits

Questions & Answers

TABLE OF CONTENTS PAGE

Introduction

Defined contribution funds

Umbrella funds

INTRODUCTION

Sanlam Employee Benefits takes pleasure in publishing the findings of its 12th biennial survey of retirement benefits in South Africa. This comprehensive survey provides the industry with an essential tool for the management of retirement funds. It constitutes a benchmark against which all stakeholders can measure the extent to which their funds are aligned with the latest benefit trends.

Separate surveys were conducted among defined contribution (DC) funds and umbrella funds, the latter for the second year. Defined benefit funds have become increasingly unattractive and the introduction of surplus legislation is considered by many to be the final nail in the coffin. We have therefore discontinued the survey among defined benefit funds.

The challenge from year to year is to ensure that the survey remains current and reflects the latest trends and developments in the industry. Over the past decade or so, retirement provision has become increasingly sophisticated and complex. This is reflected in our survey questionnaire, and one of the problems we are experiencing as a result is that the average trustee is simply not in a position to complete the survey questionnaire with the required degree of accuracy. The person most able to do so is the consultant to the fund. To ensure the accuracy of our data, we have invited greater participation from consulting firms and administrators in 2004 in respect of the DC survey. All the major players in the industry were invited and, with only a few exceptions, all participated.

I would like to thank those consultants and umbrella fund representatives who participated in the survey for taking the time and trouble to complete the questionnaires. Your contributions have made the compilation of this benchmark publication possible as a service to the retirement fund industry.

I would also like to thank my colleagues who assisted in reviewing the questionnaire, studied the results and helped to formulate and prepare our commentary on it.

Danie van Zyl – AIDS
Wouter Thom – Risk benefits
Douw Kruger – Investments

Kobus Hanekom
Executive Head: General Consulting
Sanlam Employee Benefits

DEFINED CONTRIBUTION FUNDS

1. The survey sample

Because of the increasing complexity of the information required for the purposes of the survey, the average trustee is simply no longer in a position to complete it with the required degree of accuracy. The person best able to do so is the consultant to the fund. To ensure that the survey results remain accurate and useful, we therefore invited all the major players in the industry to participate in the survey. They were invited to complete a number of survey questionnaires, roughly pro rata to their presence in the market, the requirement being that the completion of the questionnaire be overseen by the consultant to the fund. In addition, participants were given the opportunity to review the survey questionnaire and recommend changes and additions thereto.

The survey questionnaires were completed electronically by the consultants during February 2004. The information was sorted automatically by our software program and the results were documented by our Marketing department. 153 funds participated in the survey.

The research was conducted under the SAMRA (South African Marketing Research Association) Code of Conduct and as such all information gathered during the survey was treated in strictest confidence. In addition, only the aggregated results of the study were reported on. Participation in the survey was therefore anonymous.

2. Fund governance

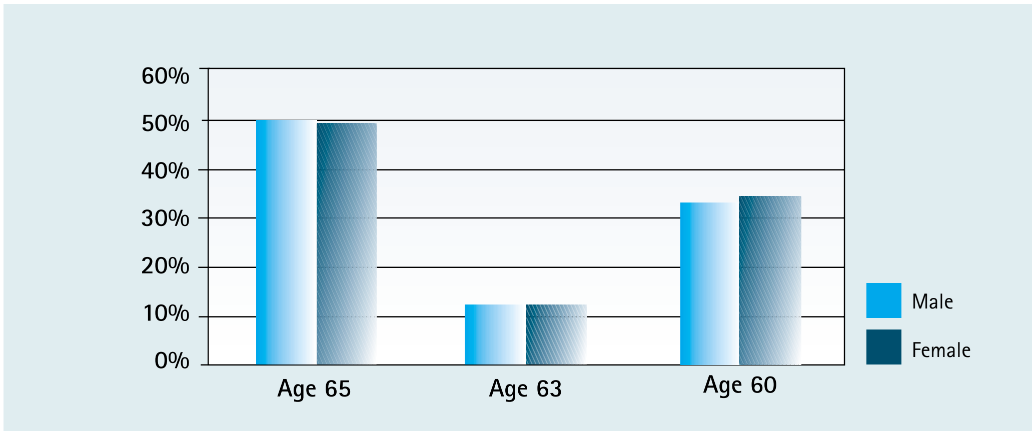
There appears to be a trend among DC funds towards the appointment of a board consisting of fewer retirement fund trustees. About one-third of the funds appoint two employer trustees and elect two member trustees. The same percentage of funds appoint/elect six trustees.

92% of funds do not remunerate trustees. 1% pay a rate per hour and 4% a rand amount per meeting.

Only 7% have a policy on accepting gifts. Of those, 36% do not allow trustees to accept gifts, 36% may accept gifts but must make full disclosure, and 18% may only accept gifts below R250 provided they make full disclosure. For 10% of funds, this limit is set at gifts of R500.

The eligibility requirement for membership in 96% of funds is permanent service. This is up from 88% in 2002. 25% of funds lay down a minimum age, and 44% have a maximum age for membership.

NORMAL RETIREMENT AGE

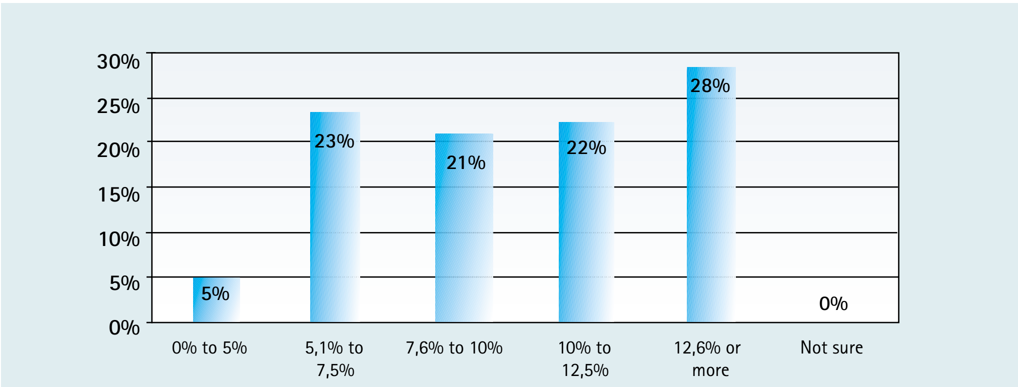


Questions

3. Contributions

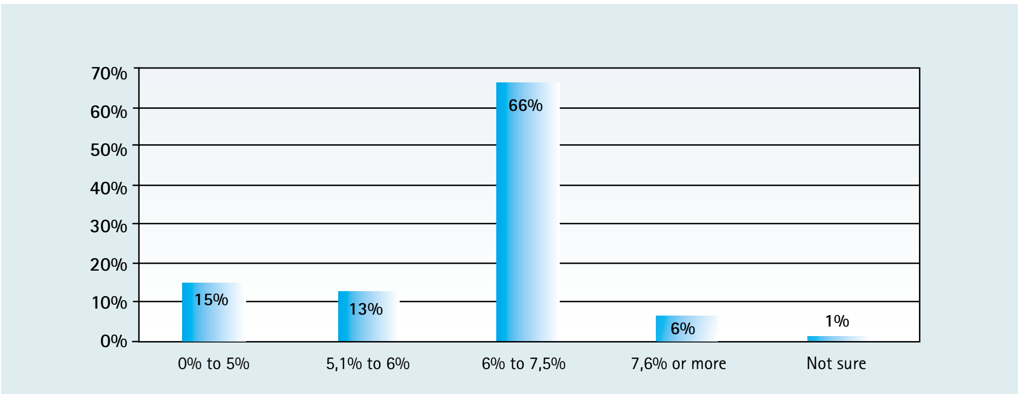
44% claim that the employer's remuneration package is structured on a total cost to company basis. Only 6% of the balance are contemplating such a structure. Compared with statistics for 2002, which were submitted by the trustees themselves, 50% are on a total cost to company basis and 70% of the balance are planning to do so in future.

EMPLOYER CONTRIBUTIONS



The average employer contribution is 10.17%. This is down from 10.6% of 2002. 22% contribute 10% and 12.5%.

EMPLOYEE CONTRIBUTIONS



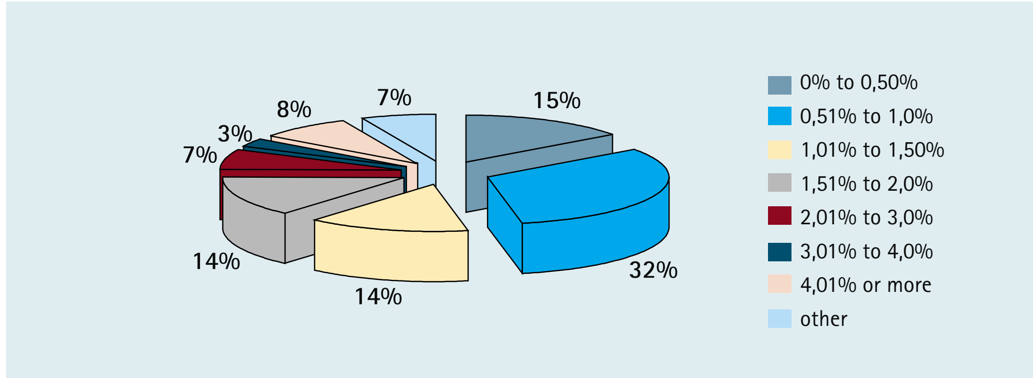
The average employer contribution is 6.26%. This is slightly up from 2002. 52% contribute 7.5%

4. Cost of administration

A trend that is developing is for funds to operate a contingency reserve account. This account is utilised by many retirement fund trustees for the payment of general costs of operating a fund in addition to the administration fees and risk premiums. 39% claim that administrators bill seperately for each item. 20% pay administration fees that include all expenses, and 41% pay aditional expenses not specified in the administration agreement. 51% of funds do not operate a contingency reserve account. In respect of those funds that do, most (32%) fund the reserve by way of a deduction from employer contributions, and 19% express that as a portion of the administration fee.

Answers

COST OF ADMINISTRATION



The total cost of administration is between 0.5% and 1% of payroll for 32% of funds. The average cost is 1.4%. This is up from 1% in 2002. Only 5% pay a fixed cost per member per month.

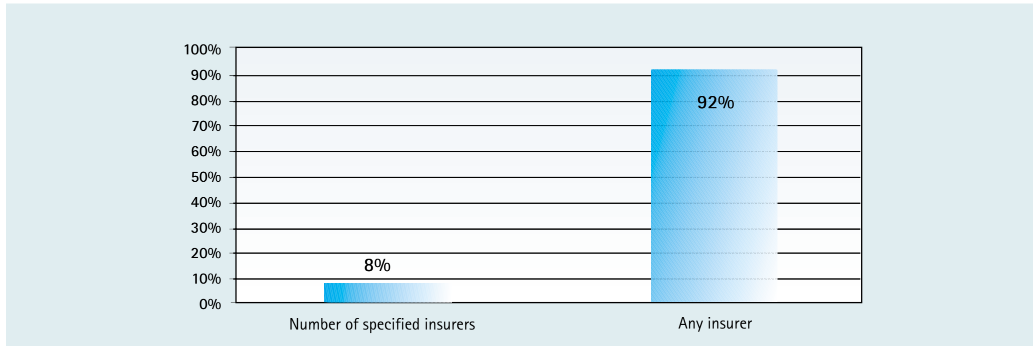
5. Retirement benefits

On retirement, 92% of funds allow members to select an annuity product of their choice. Only 6% still provide the annuity from the fund. Only one fund does not allow members to select a living annuity. 5% of funds, however, lay down conditions for living annuities.

Almost all funds allow members to select an annuity from any insurer. In almost all instances, the annuity is then purchased in the name of the member. Only 3% still effect the annuity in the name of the fund. These trends are similar to those in 2002.

46% of funds do not consider it necessary to deal with the effect of reducing inflation on pensions. 35% are communicating this to their members, and 13% are considering steps to improve retirement benefits.

ANNUITY PROVIDER



6. Withdrawal benefits

On withdrawal, only 7% of funds allow members the option of a deferred pension. 95% require the member to take a cash benefit or transfer to another fund. 67% claim to provide members with the information recommended in PF86. Only 16% arrange for an adviser to counsel and advise the member in terms of a written strategy.

Answers

7. Risk benefits

Contributions

The average cost for the provision of risk benefits under the fund is approximately 2.5% of salaries for death benefits, and 1.8% of salaries for disability benefits. For risk benefits provided under a separate scheme, the average cost is approximately 1.5% of salaries for death benefits, and 1.4% of salaries for disability benefits.

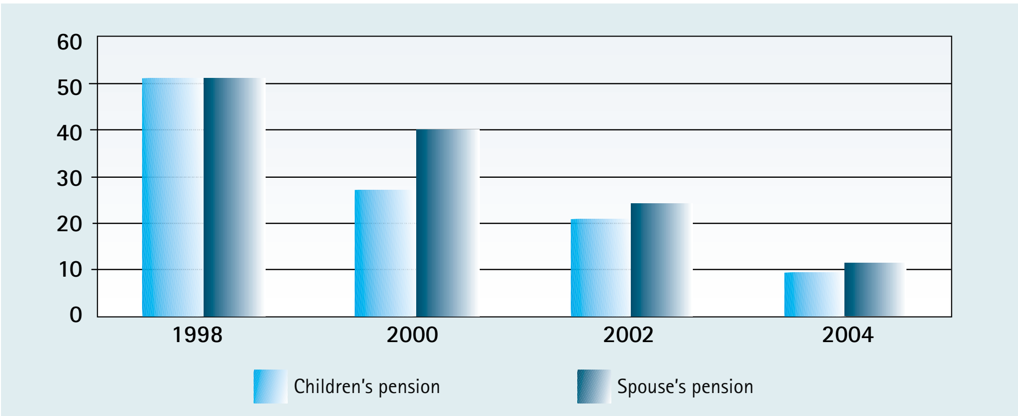
Only 9% of funds offer flexible death benefits. This is the same proportion as in 2002. There is therefore no detectable trend towards flexible death benefits. Where flexible death benefits are available, the average contribution rate for core benefits is approximately 1.25% of salaries. The average contribution rate for additional optional benefits is also approximately 1.25%.

Capping is not a widespread practice: only 14% of funds cap the cost of risk benefits, while 83% indicated that they do not have capping in any form. This is much lower than in 2002, when 46% of funds indicated that they cap the cost of risk benefits (alone or combined with the cost of administration), and 36% of funds did not cap costs. Where capping is practised, death benefits are capped on average at 3.1% of salary, while disability benefits are capped on average at 2,4% of salary.

Death benefits

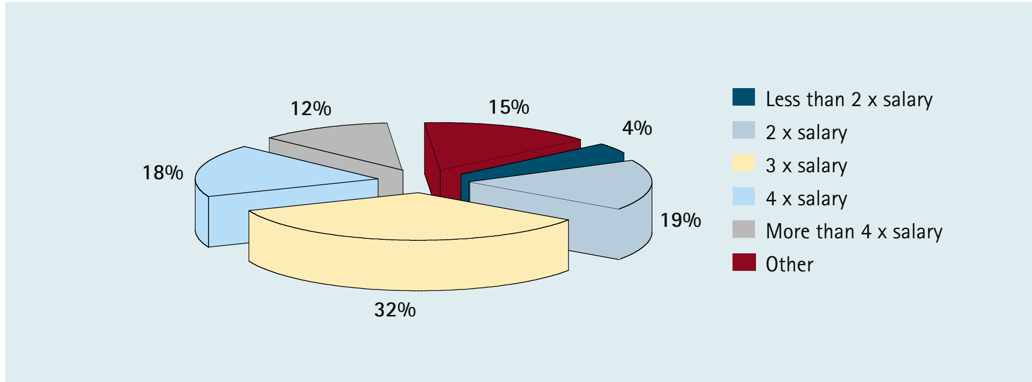
All funds provide lump sum death benefits. There is a clear trend away from spouse's and children's pensions. 11% provide a spouse's pension, and 9% provide a children's pension. This is lower than in 2002, when 24% and 21% provided spouse's and children's pensions respectively.

BENEFITS OF DEATH BEFORE RETIREMENT (DC)



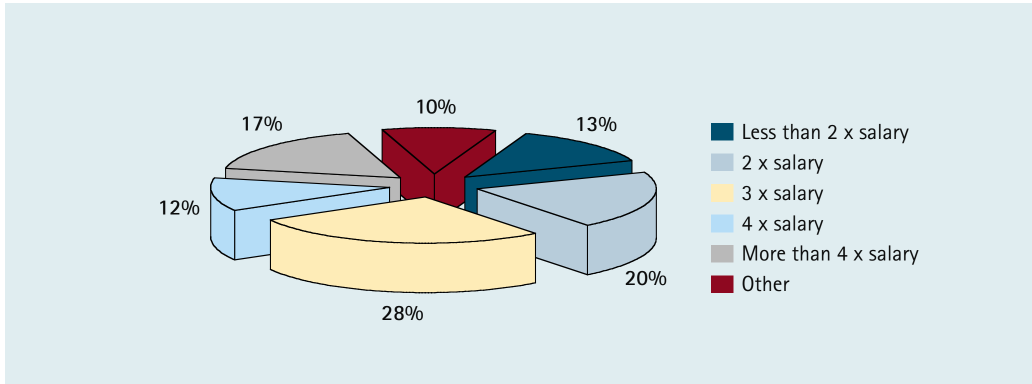
The majority of funds that provide a spouse's pension also provide a lump sum death benefit of 2 times salary.

LUMP SUM DEATH BENEFIT FOR MEMBERS WITHOUT A SPOUSE'S PENSION



On average, funds without a spouse's pension provide a lump sum of 3.3 times salary. The largest group (32%) provides a multiple of 3 times salary. This is very similar to 2002.

LUMP SUM DEATH BENEFIT UNDER SEPARATE SCHEME



39% of participants also provide death benefits under a separate scheme. The largest group (27%) also provides 3 times salary under separate schemes, with the average at 3.1 times salary. This is also similar to 2002. The cost of separate schemes is mostly deducted from the employer contribution (55%). Another 27% of schemes are funded through an additional contribution by the employer. In 3% of cases, the cost is deducted from the member's contributions, and in 15% of cases members make additional payments.

The current survey shows that 32% of funds include the member's equitable share in the lump sum death benefit. This is an increase from the 23% of funds that did so in 2002. In 11% of funds, members can choose the level of death cover. This is down from the 20% in 2002.

Where choice of death benefits is available, the core death benefit is normally either 1 or 2 times salary, with the average at approximately 1,8 times salary. The maximum additional flexible benefit ranges from 1 to 5 times salary. This is similar to 2002.

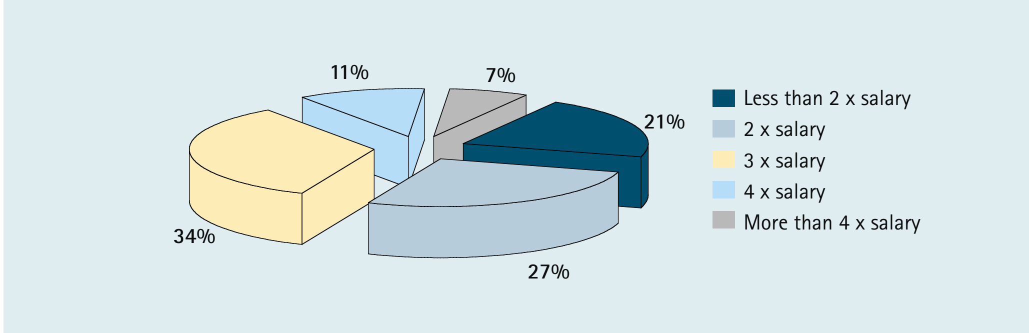
In the majority of funds with choice, the level of cover can be increased on marriage or the birth of a child. In 25% of funds it can also be changed on divorce, and in 20% on the fund anniversary.

Questions

Danie van Zyl

DISABILITY BENEFITS

LUMP SUM DISABILITY BENEFIT



Of the participants that provide a lump sum disability benefit, the average multiple provided is 2.6 times salary. The majority of participants provide disability benefits under a separate scheme. 48% provide a permanent disability income benefit only, 10% provide a lump sum only, and 12% provide a lump sum and a permanent income benefit.

The vast majority of disability income benefits are expressed as 75% of salary. A minority (8%) of funds provide 100% during the first two years, and 75% thereafter. Most participants who provide disability income benefits also make provision for increases in these benefits. 22% provide no increases. Of those that provide increases, the majority of funds provide a fixed percentage according to the rules, with the most popular increase at 5%. A significant group provides an increase linked to the CPI, mostly 100%.

The majority of funds (64%) reinsure a waiver of employer contributions, with the average contribution reinsured being 9.6% of salary.

Other benefits under separate schemes

9% of participants provide trauma (dread disease) benefits and 49% provide funeral benefits under a separate scheme. This is similar to 2002 (10% and 45% respectively). The most popular trauma benefit is a multiple of 1 or 2 times salary.

Differences between DC funds and umbrella funds

Most of the risk benefits provided by umbrella funds are very similar to those provided by the average DC fund. The only significant difference is that trauma (dread disease) benefits and funeral benefits are more common among umbrella funds than DC funds. 62% of umbrella funds provide trauma benefits, but only 9% of DC funds do so. Funeral benefits are provided by 69% of umbrella funds and only 49% of DC funds.

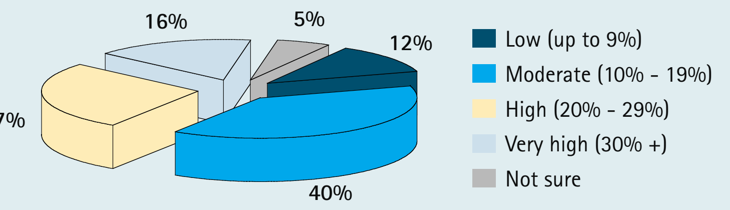
8. HIV/AIDS strategy

Only 24% of employers have implemented an HIV/AIDS management programme for their employees, which is in line with previous survey results.

Of the respondents polled, 62% indicated that they either believe or suspect that the cost of their group risk benefits has increased within the last two years.

Questions

IMPACT ON THE COST OF RISK BENEFITS WITHIN LAST TWO YEARS



When asked whether they expect the cost of group risk benefits to increase within the next two years, 72% agreed.

Expected impact on the cost of group benefits in next two years

Respondents were also asked about their views on HIV/AIDS management.

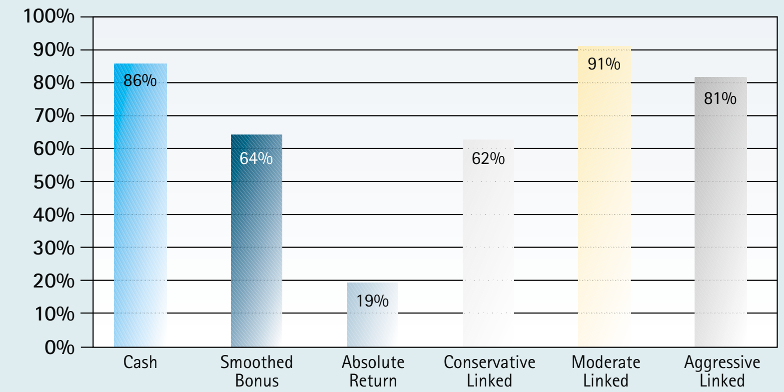
Statement	Agreed (%)
1. An employer can positively influence the HIV/AIDS experience of its staff through the implementation of an holistic HIV/AIDS management programme.	57%
2. The cost of treatment will be less than the benefits of increased productivity achieved by the programme.	40%
3. Employers will be compelled to introduce appropriate measures to manage the incidence of HIV/AIDS among its staff within the next two years.	31%
4. Providing an holistic HIV/AIDS management programme will reduce the cost of future group life and disability cover.	56%

9. Investments

Member-directed investment choice does not appear to have grown as a benefit option in DC funds. 28% of funds that participated in this survey allow members a choice of investments, compared with 30% in 2002. The number of umbrella funds that provide member choice increased from 53% to 69%.

The risk profile that is offered the most is the Moderate Linked profile (91%). The Smoothed Bonus profile (64%) dropped from second to fourth place in the last two years, being ousted by Cash and Aggressive Linked. Only 19% of funds currently offer Absolute Return funds. Multi-managers are more popular than single managers within the Conservative and Aggressive Linked risk profiles. Unit trusts are still not attracting much business. Lifestyle and individual broker mandates are not popular either, attracting 5% of funds combined.

MOST POPULAR INVESTMENT TYPES: MEMBER CHOICE



The most popular portfolios that are used as components of the Trustee Choice are the Moderate Linked (24%) - both the single manager and the multi-manager variety - and the fully vesting Smoothed Bonus products (24%). It appears that the proportion of membership that relies on Trustee Choice differs widely between funds.

The practice of charging all members the same administration fee, whether they exercise investment choice or not, is still widespread, namely 86% of funds.

78% of the funds regard stable investment products as important. Cash is seen as the product with the most stable returns, followed by Smoothed Bonus.

Investment guarantees are viewed as important by 70% of funds and, again, Cash seems to be the most favoured product followed by Smoothed Bonus. However, almost 20% rate the guarantees provided by Smoothed Bonus products as poor.

10. Feedback on investments

The most popular forms of feedback on investment performance remain written notification or the Intranet/Internet. 46% of funds provide investment feedback more frequently than annually. Investment policy statements are in place among 44% of the funds and are mostly reviewed annually.

11. Member communication

Almost all funds produce an annual benefit statement, 54% an annual trustee report, 53% a membership certificate and 52% a rule booklet. There appears to be a general increase in member communication activities.

The topics most regularly communicated with members are the benefit structure (88%), how the fund works (76%), and investment performance (75%). Once again, an increase in activity can be detected.

Members' retirement fund queries are addressed by the retirement fund consultant (73%), the principal officer (71%), the administrator (63%), the trustee (63%) and the human resources department (61%). Only 32% of funds, however, have a formalised strategy for rendering financial advice to members. Of those, 67% indicated that a worksite adviser would advise the member, while 59% indicated that members consult their own adviser/broker.

Regular annual discussions are not at all popular. Only 6% of funds provide regular discussions. The majority of funds, however, claim to provide financial advice on a formalised basis to members on a one-to-one basis in the event of withdrawal, disablement, retirement and death.

29% of funds use an Intranet/Internet facility to provide members with access to information - up from 27% in 2002. 42% gain access via a personal password and 29% via the HR office. Based on a best estimate, one-third believe that 70% and more of members have direct access.

The Internet is mostly used to provide investment portfolio information (76%), investment returns (73%), and the member booklet (71%). Personal information that is typically made available includes a monthly updated member benefit statement (80%) and personal particulars (67%). Online transaction capabilities remain limited. 62% of funds who utilise the Internet allow members to update personal information online. 38% allow investment switches, and only 29% use the Internet to update member data on a monthly basis.

Almost 50% of funds provide a modeller or online calculator to help members calculate their retirement needs.

Only 9% of funds provide home loans to members directly. 48% provide housing sureties, whilst a great number of funds were not sure.

12. Key indicators

The key indictors in respect of the average contributions and costs for 2004 are as follows:

	2004		2002	
Employer contributions		10.2		10.6
Death benefit premium	2.5		1.9	
Disability benefit premium	1.8		1.5	
Administration and operating costs	1.4	5.7	1	4.4
Retirement provision		4.5		6.2
Employee contributions		6.3		6.2
Total provision for retirement		**10.8**		**12.4**

As a result of an increase in administration and operating costs as well as risk premiums and a reduction in employer contributions the net amount available for retirement provision is down from 12.4% in 2002 to 10.8% in 2004. Although this result was expected, it is of great concern and the regulator and industry will have to take measures to help reverse the position.

UMBRELLA FUNDS

1. The survey sample

The survey sample was smaller than in 2002, with only 13 funds. This year, however, we believe that all the funds that participated are commercial umbrella funds, and the results will therefore be more representative of the umbrella offering that was available to employers during February 2004.

40% of the participating umbrella funds were established by insurers. The rest are managed and controlled by firms of consultants and actuaries and/or retirement fund administrators. As far as size is concerned, 80% of the funds have less than 500 participating employers. A quarter of funds have between 1 000 and 5 000 members, 30% have between 5 000 and 10 000 members, and a further 25% have between 10 000 and 50 000 members. 38% have assets of R10 million and more.

2. Fund governance

Just less than half of the participants appoint six trustees. Around 40% appoint one independent trustee, just less than 25% appoint two independent trustees and a further 25% appoint three or more independent trustees. 39% remunerate independent trustees for their services at a rate per hour. A further 39% pay a rand amount per meeting. We could not determine the hourly rate or the meeting rate.

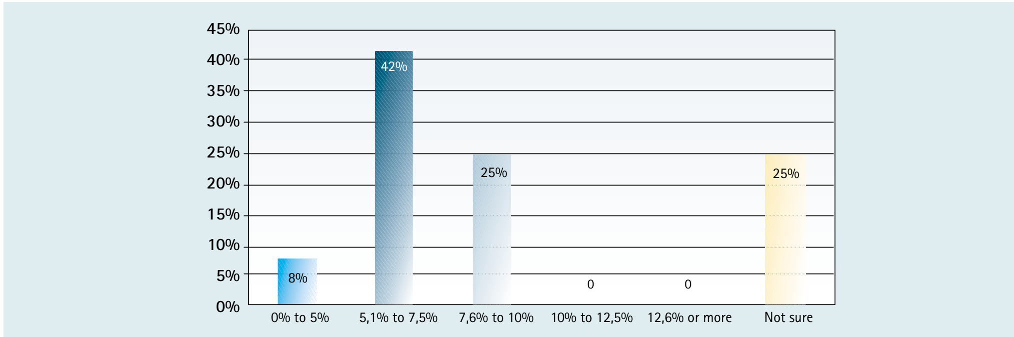
92% do not have a policy on accepting gifts. Those who do simply require that trustees do not accept any gifts.

A practical arrangement for 50% of the funds is not to specify the normal retirement age, but to allow it to be determined in terms of the employment contract with the employer. We believe they can do this because most umbrella funds are already fully compliant with the minimum benefit requirements, i.e. members will be entitled to their minimum benefit whether they retire earlier or later or withdraw rather than retire. Of the balance, the normal retirement age is 65 for most males (39% of funds) and females (31% of funds).

3. Contributions

Only one fund claims that participating employers pay a fixed contribution - that is, in line with the total cost to company concept. In the majority of cases, the employer pays a fixed contribution plus the cost of administration and the cost of risk benefits. On average, the total employer contributions are 6.7%. Not 1 participant claims that the average employer contribution is between 10% and 12.5%.

EMPLOYER CONTRIBUTIONS

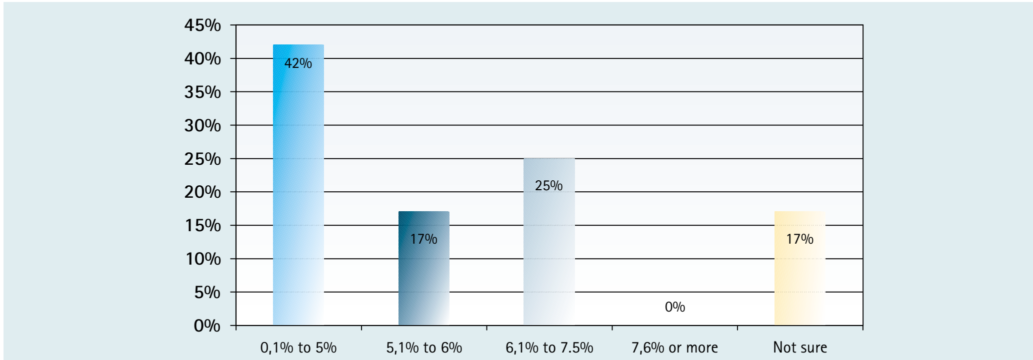


The average contribution by members is 5.1%. In 2002 the average employee contribution was 5.6% 23% contribute 7.5%.

Questions

Wouter Thom

EMPLOYEE CONTRIBUTIONS

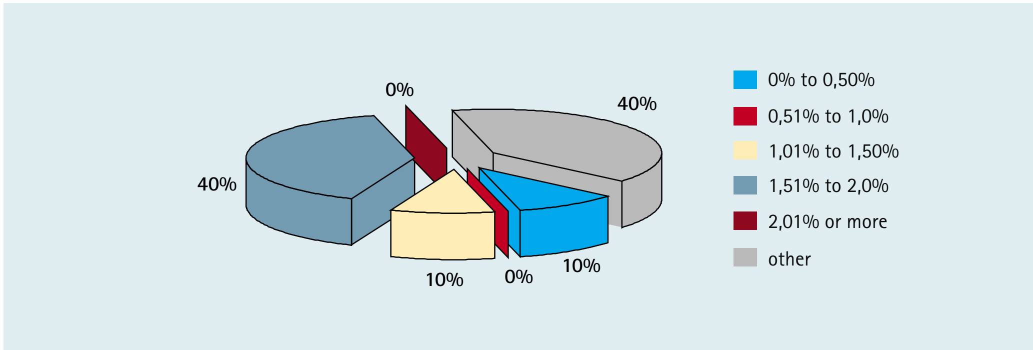


4. Cost of administration

Due to increased compliance requirements, funds have to budget for all additional expenses they may incur, in addition to the administration fees and risk premiums. Only two funds reported that their administration fee covers all expenses. 46% bill separately for all expenses not specified in the administration agreement, and 39% bill separately for each item. 31% of the funds operate a contingency reserve account out of which additional expenses are paid. One of them funds this account by way of a monthly deduction from employer contributions. The fee is between 0.11% and 0.15%.

Most administrators levy their administration fees as a percentage of salaries. 40% charge between 1.5% and 2% of payroll.

COST OF ADMINISTRATION



The average cost of administration, including commissions and other costs, is 1.4%. 31% of the sample do not express costs as a percentage of salaries but as a fixed cost per member per month. It was not possible to gauge the level of their costs with any accuracy.

5. Retirement benefits

92% of funds allow a retiring member to purchase any annuity product of his/her choice. None of the funds specify the insurer from whom it should be purchased. 23% allow members to purchase an annuity product identified in the rules, but under no obligation. Almost all funds purchase the pensions in the name of the member. 23% indicated that they are communicating the negative impact of the decline in the inflation rate and long-term interest rates on pensions. 15% did not consider it necessary to do anything. 46% are considering steps to improve retirement benefits.

In comparison with the trustees of DC funds, those of umbrella funds seem to be more concerned with the effect of inflation on pensions. 46% of umbrella funds are considering steps to improve retirement benefits. The results may, however, have been influenced by the fact that the fund promoters completed the umbrella fund questionnaires, while consultants completed the DC fund questionnaires.

6. Withdrawal benefits

All umbrella funds require that, on termination of membership, members either take their benefit in cash or transfer it to another fund. 31% identify in their rules a preservation fund that can be selected.

7. Risk benefits

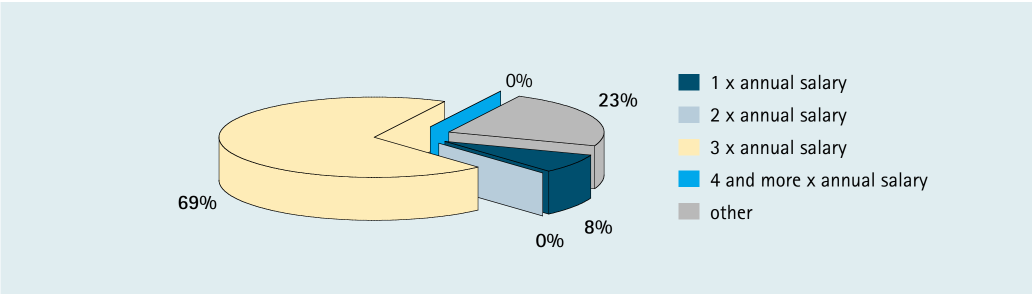
Death benefits

5% of funds provide flexible death benefits. In respect of those funds that do not provide flexible death benefits, the average contribution rate under the fund for death benefits is 1,4% of salaries. Where death benefits are provided under a seperate scheme the average contribution rate under the scheme is 2.1%
A quarter of the funds cap the cost of death benefits and the same percentage of funds cap the cost of disability benefits. This is similar to 2002. Of those who require a minimum contribution to be allocated to retirement provision, four funds cap it at 2%.

The trend away from spouse's and children's pensions continues, with only 17% of funds providing such a pension. In 2002, 29% of funds offered a spouse's and children's pension. Lump sums are preferred because they are non-discriminatory and more in harmony with our constitution.

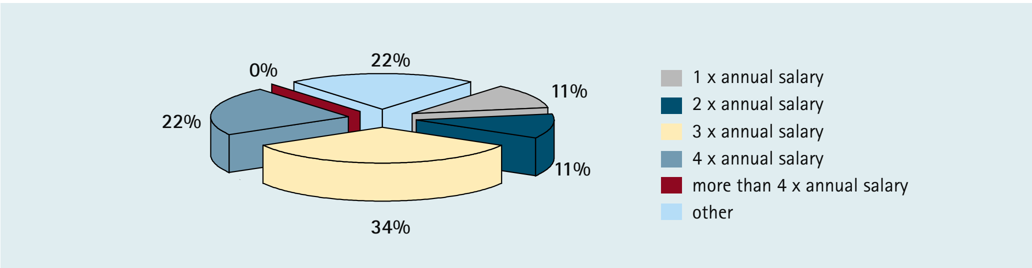
All funds provide a lump sum death benefit. The majority of funds provide a lump sum death benefit of 3 times annual salary, with the average being 2.8 times average salary.

DEATH BENEFITS PAYABLE: IN TERMS OF THE RULES



75% of participants also provide a lump sum death benefit under a separate scheme. The most common benefit is also 3 times annual salary, with the average being 2.9 times annual salary.

DEATH BENEFITS PAYABLE: IN TERMS OF A SEPARATE SCHEME

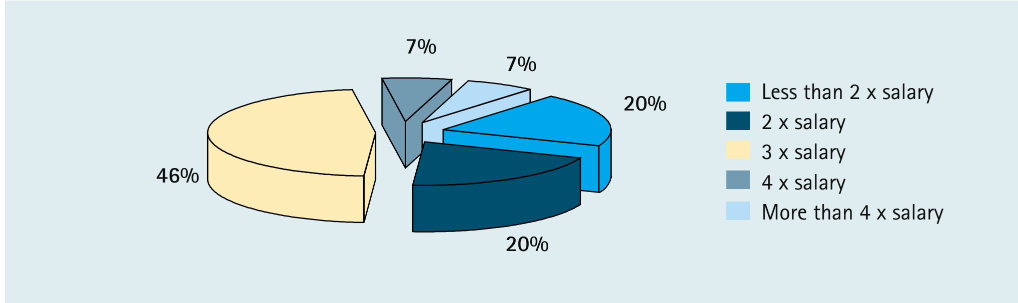


The contributions for separate schemes are deducted from the employer contribution in 70% of cases. Only four funds reported that the employer makes an additional payment. In 75% of funds, the lump sum death benefit excludes the equitable share of members. The rest of funds offer both options (inclusion and exclusion of equitable share). In 15% of cases, members can choose the level of death cover. In all cases, the core death benefit is 2 times annual salary, with the option to have up to an additional 3 or 5 times annual salary.

Disability benefits

The average contribution rate for disability benefits under the fund is 1.2% of salaries. Where disability benefits are provided under a seperate scheme, the average contribution rate under the scheme is 1.6%. The majority of participants provide a lump sum disability benefit, either in the fund or under a separate scheme, and the most common benefit is 3 times annual salary.

LUMP SUM DISABILITY BENEFIT



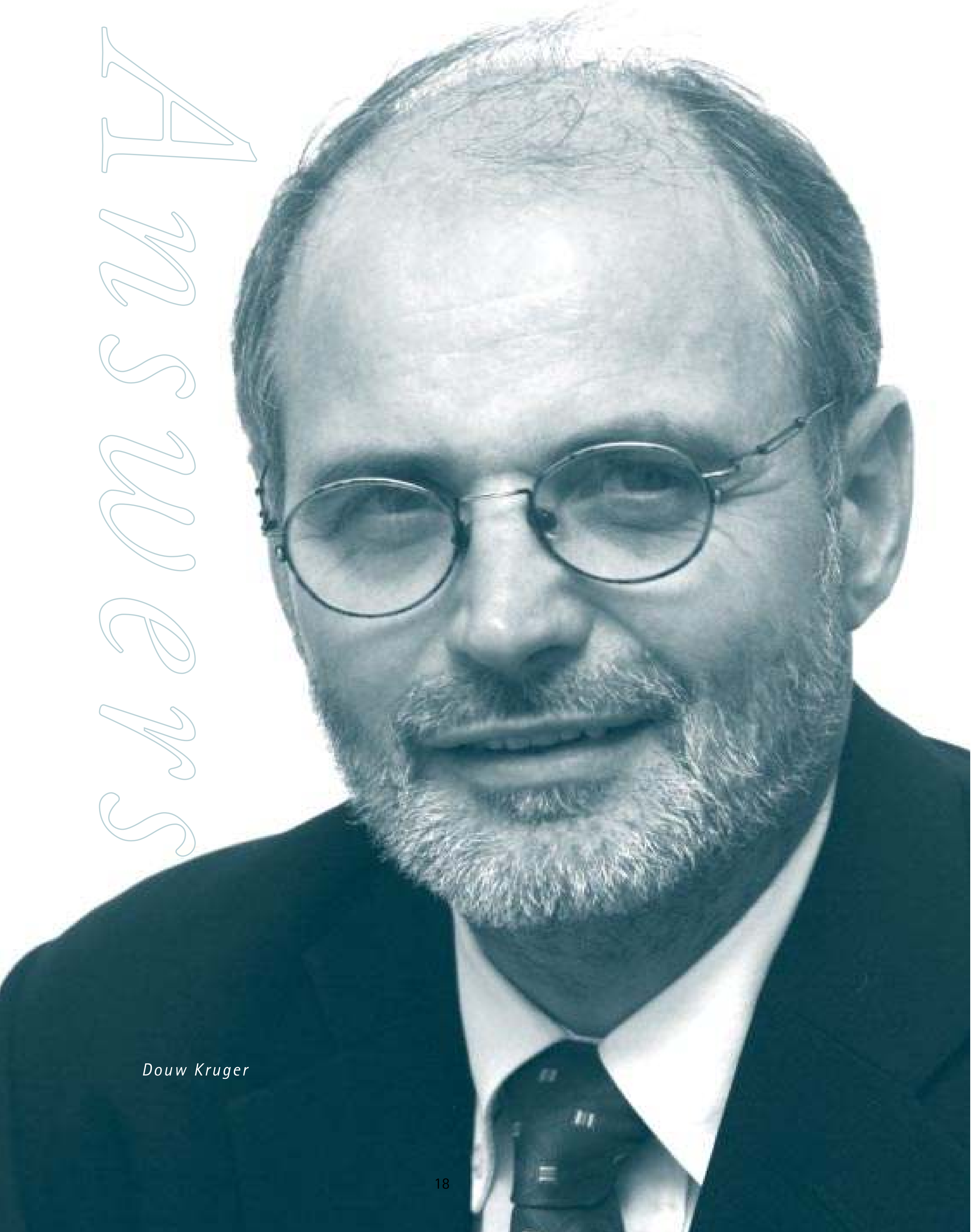
77% of participants provide disability benefits under a separate scheme. Almost all of these participants (90%) provide a permanent disability income benefit, and 50% provide a lump sum disability benefit. 39% provide monthly income benefits for permanent disability and 62% for temporary disability. The majority of funds provide income benefits of 75% of salary. Another popular benefit is 100% of salary for the first two years, and 75% thereafter. Of those participants that provide increases to disability income benefits, the majority provide a fixed increase according to the rules, varying from 6% to 8% per annum.

Trauma and funeral benefits

62% of participants provide a trauma (dread disease) benefit under a separate scheme, compared with only 27% in 2002. The majority of funds provide a benefit of 2 times salary. 69% of participants provide a funeral benefit under a separate scheme.

8. HIV/AIDS strategy

62% of funds do not take special measures to encourage participating employers to implement an HIV/AIDS management programme. 54% of funds allow risk business to be placed with any insurer. 31% require it to be placed with one insurer. Only one fund allows the cost to be based on the participating employer's own experience. In respect of the balance, a uniform rating is applied. 23% indicated that the cost of risk benefits has not increased as a result of HIV/AIDS. Those who did, estimated the increase to be between 10% and 29%. One fund indicated an increase of 30% - 49%. 77% believe that risk premiums will increase as a result of HIV/AIDS. The likely increases range from 0% to 49%, with the concentration at around 10% - 20%.



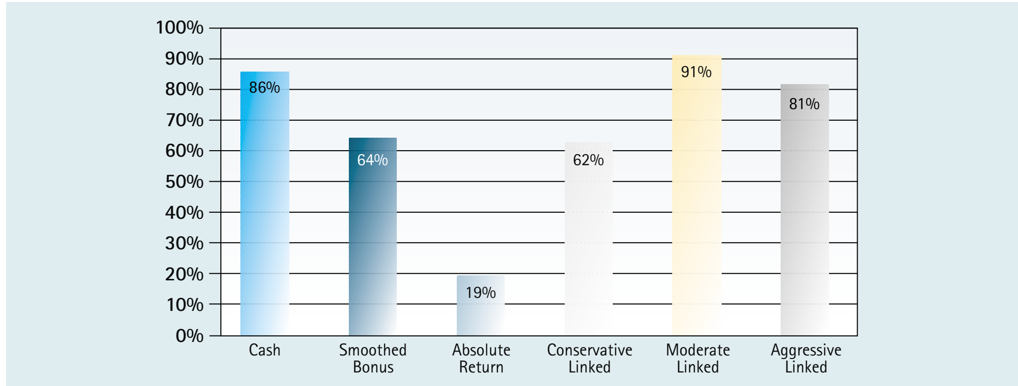
Douw Kruger

9. Investments

69% of funds offer member directed investment choice. This is up from 53% in 2002. Of the funds that do not provide choice, 50% indicated that they do not plan to implement choice and the remaining 50% were uncertain. Most funds (67%) do not differentiate and require all members to pay the same administration fee. Although 23% of funds credit investment returns to members' accounts on an annual basis only, 46% do so monthly and 31% credit returns daily.

In terms of international examples, a fund must offer at least three investment risk profiles for members to select from. The most popular selection was Aggressive Linked portfolios. Thereafter, with equal popularity, came Moderate Linked, Conservative Linked, Smoothed Bonus and Cash. Absolute Return funds were least popular at 56%.

MEMBER CHOICE: MOST POPULAR INVESTMENT TYPES



The most popular investments under the Moderate Linked profile are multi-managers (78% usage), followed by single manager segregated or pooled portfolios (56% usage). Under the Smoothed Bonus profile, fully vesting products are by far the most popular, at 78% usage. Structured products only registered 33% usage.

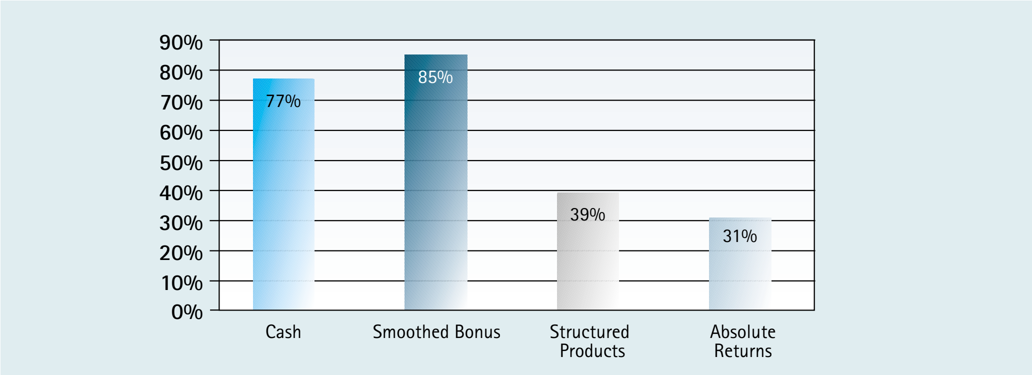
The most important components of the trustee or default portfolio are the smoothed bonus fully vesting fund, followed by multi-manager funds in the conservative and aggressive market-linked profiles.

While some funds offer more than five alternatives under each profile, most provide one alternative under each. Most of the funds offer investment products that are not tied or connected in some way to the fund administrator by ownership or control.

All funds regard stable investment returns as important, compared with 78% of DC funds. Cash and Smoothed Bonus products are seen as the best performers in this regard, although Structured products and Absolute Return products are also rated highly by about a third of the respondents.

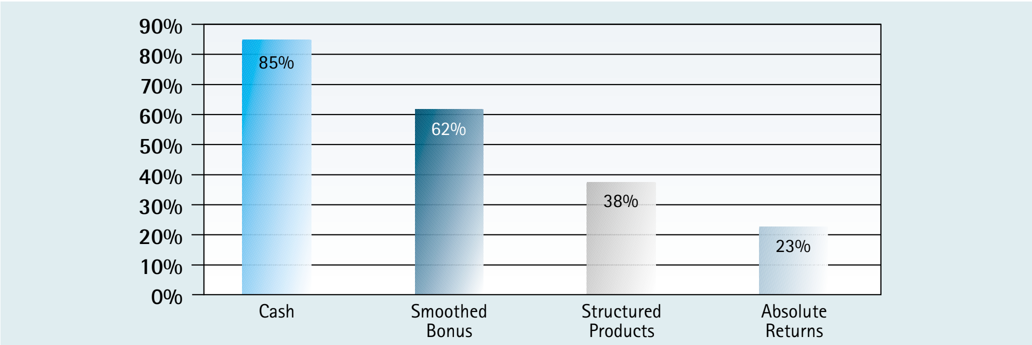
Questions

WHICH INVESTMENT IS BEST FOR STABLE INVESTMENT RETURNS?



Investment guarantees are also rated highly. As in the case of DC funds, Cash seems to be better rated than Smoothed Bonus products. 31% of respondents do not value the ability of Smoothed Bonus products to provide acceptable guarantees.

WHICH INVESTMENT IS BEST FOR INVESTMENT GUARANTEES?



10. Feedback on investments

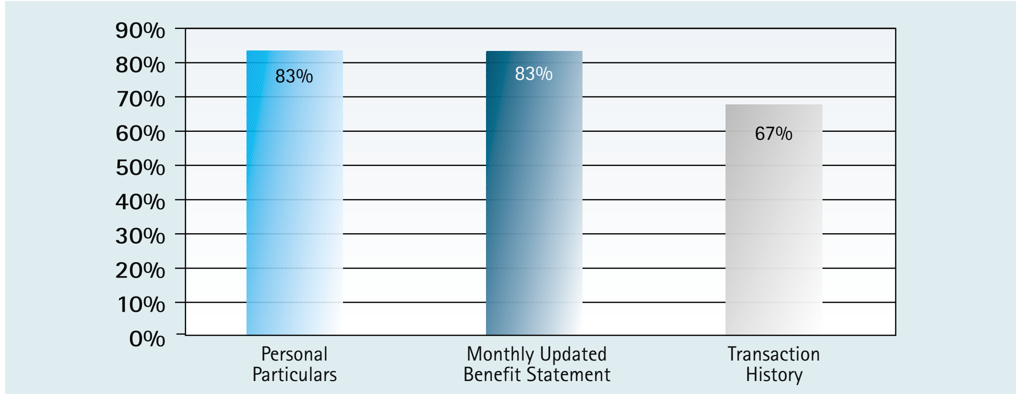
All but one fund provide members with investment feedback, while 42% do so on a monthly basis and a third provide quarterly feedback. Most funds (42%) provide feedback by way of written notice, while 50% place the information on the Internet/Intranet. In their feedback, all funds state the returns while only 50% state the returns versus the benchmarks. Only 31% have an investment policy statement in place, and 39% have implemented a structure and process in terms of which investment performance is reviewed. Most funds review their investment policy annually.

11. Member communication

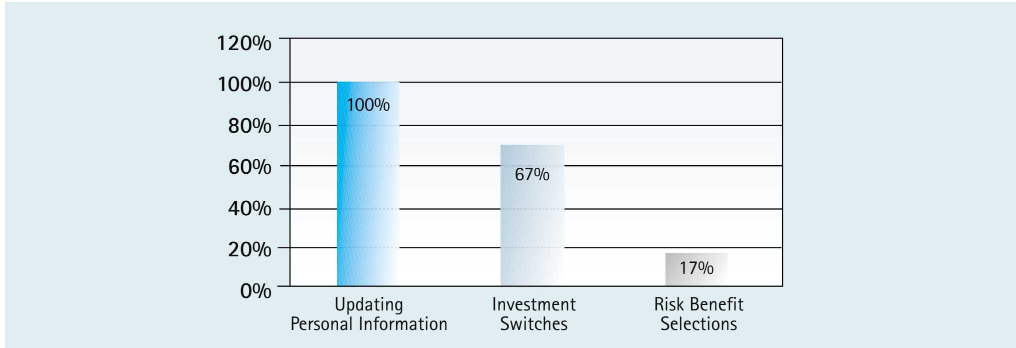
Almost all umbrella funds provide members with annual benefit statements. Just over 50% of the funds provide members with a rule booklet. 46% provide a membership certificate and 23% an annual trustee report (compared with 54% of DC funds). Only 23% provide annual workshops or discussion groups, compared with 35% of DC funds.

54% use the Internet/Intranet to communicate with members. This figure is up from 36% in 2002. Half of the members gain access via a personal password, 17% via the HR office only, and 33% either via HR or directly. Our attempts to determine the percentage of members that actually utilise the Internet facilities were not very successful. It appears to be on the low side.

PERSONAL INFORMATION AVAILABLE ON THE INTERNET



TRANSACTIONS THAT CAN BE MADE ON THE INTERNET



83% of funds have a capability that allows participating employers to update monthly payroll data online. Queries are typically answered by the retirement fund consultant (100%), the administrator (85%), the human resources department (54%) and the trustees (23%). 46% have a formalised strategy for rendering financial advice to members, either by a worksite adviser contracted by the fund who will provide advice (in 67% of cases) or by the member's own financial adviser. While regular annual discussions are not popular, the majority of funds structure advice sessions on retirement, disablement, withdrawal and death. 67% provide members with a modeller or calculator to calculate retirement needs. Only 33% provide investment training material on the Internet.

12. Key indicators

The key indictors in respect of the average contributions and costs for 2004 are as follows:

	2004	
Employer contributions		6.7
Death benefit premium	1.4	
Disability benefit premium	1.2	
Administration and operating costs	1.4	4.0
Retirement provision		2.7
Employee contributions		5.1
Total provision for retirement		**7.8**

The contribution levels in respect of umbrella funds are very low and are a cause for concern. An aspect that should be taken into account however, is the fact that a number of the umbrella funds that participated have an average membership of around 20 members. Many of the participating employers established participation afresh and may still be in the process of increasing contributions in a phased approach over time. Administration and operating costs are down from 1.6% in 2002.

It is of great concern that the amount available for retirement provision is so low. The regulator and industry will have to take measures to help reverse the position.

Notes

Notes

Thinking ahead Sanlam

Employee Benefits

M1724 6/2004 Out of the Blue Creative Communication Solutions Tel: 021 947-3508