

Legislative changes impacting on section 14 transfers

Changes to transfer of partial interest between Retirement Annuity Funds - effective 1 March 2023

Currently when members of Retirement Annuity Funds request to transfer their interest to another Retirement Annuity Fund, the members with more than one plan in the Central Retirement Annuity Fund (CRAF) or in the Professional Provident Society Retirement Annuity Fund (PPS RAF) are not compelled to transfer all of their plans (referred to as “total interest in the Fund”) from these Funds. There are also no restrictions on the value of each individual plan to be transferred or the total value of the remaining plans in the Fund.

As published in the Taxation Laws Amendment Act 2022, the following changes will apply to section 14 transfers finalized from 1 March 2023 onwards.

④ **Transfer total interest in the Fund**

If a member transfers their **total interest** in any approved Retirement Annuity Fund to another approved Retirement Annuity Fund, **there are no restrictions applicable to the transfer.**

④ **Transferring less than total interest in the Fund**

Should the member choose to **transfer less than the total interest in** any approved Retirement Annuity Fund, both the following conditions must be met:

- the **net transfer value of each individual plan being transferred must exceed R371 250, AND**
- the **total value of the remaining plans in the Fund must exceed R371 250.**

④ **Changes to be applied from 1 February 2023**

In preparation for the above change effective 1 March 2023, we will apply the changes when sending quotes out from **1 February 2023.**

This is to ensure that transfer applications that need to be signed by the fund from 1 March 2023 conform to the new legislation.

④ **Which of our Retirement Annuity Funds are impacted**

These changes apply to the:

- Central Retirement Annuity Fund (**CRAF**),
- Professional Provident Society Retirement Annuity Fund (**PPS RAF** - including PPS RAF products administered by PPS Investments), and
- Sanlam Linked Retirement Annuity Fund (**SLRAF**)

Note: Intra-fund transfers of PPS RA plans on the Sanlam Life administration platform to the PPS Investment administration platform will not be affected by the new rules and no changes are required for this process.



② **Changes to section 14 transfer process**

From 1 February 2023 the CCC will do manual checks to ensure compliance with the new legislation before providing section 14 transfer quotations.

The total interest amount for a plan is the net (illustrative) benefit or net transfer value after adding any applicable bonuses (like Wealth Bonus (WB), Loyalty Bonus (LB) and Sanlam Retirement Booster (SRB)) and subtracting applicable early termination charges, transaction charges, market value adjustment or outstanding contributions. When determining a member's total interest in the Fund, all their plans in that Fund will be taken into consideration.

The transfer value on the quotation is illustrative and the date on which the Form H is received back from the receiving Fund is used as the disinvestment date. This is then the final transfer value. If on the disinvestment date the transfer values of one or more of the plan(s) that are requested to be transferred and / or the total value of the remaining plans at that time is below the required minimums, we will inform the member / intermediary that the transfer is unfortunately not allowed and that the total interest in the Fund should be transferred.

② **Specific implications for transfers out of the PPS Retirement Annuity Fund**

As explained above, when determining a member's total interest in the Fund, all plans will be taken into consideration. Since members of the PPS RAF can have plans administered by both Sanlam Life and PPS Investments, it implies that all plans on both administration platforms must be considered for any section 14 transfer out of the PPS RAF.

② **Implications for transfers from PPS Retirement Annuity Fund to CRAF**

PPS RAF members have the option to transfer their existing Sanlam-underwritten PPS Retirement Annuity to CRAF with an ownership change and thereafter convert to a Cumulus Echo Retirement Plan (RA) for Professionals. With such a conversion the fund value of the existing RA is moved to the Cumulus Echo RA. When requesting the transfer / conversion quotation on SanQuote a "Request to transfer Fund benefit" letter is generated automatically. This letter lists all the PPS RA plans of the member and the member can choose the plans to be transferred. Each plan requires a separate transfer / conversion quotation.

Currently no validations are done in SanQuote when these conversion quotations are provided. The transfer / conversion can only be done if the transfer value of each transferring plan and the total value of the remaining plans meets the new legislation minimum requirements. Call Centre will ensure that before a PPS RAF to CRAF transfer / conversion is issued, that the minimum requirements are adhered to for the requested transfer for that specific member. The member and / or intermediary will be informed if the transfer request is not allowed.

② **Guidelines to understanding future transfers**

Below are scenarios to assist in your understanding of whether transferring less than the total interest in the Fund is allowed or not. It is important for the following questions to be answered:

Is the total interest in the Fund being transferred?

If YES, then the transfer may continue.

If NO, determine if each plan being transferred has a transfer value of more than R371 250?

If no, then the transfer is not allowed.

If yes, then determine whether the total value of the remaining plans in the Fund of more than R371 250?

If yes, then the transfer may continue.

If no, then the transfer is not allowed.

If the answer to any of the above questions indicate that the transfer is not allowed, the combination between plans transferred / remaining should be adjusted.



Please note that the amounts quoted in the transfer quotations are illustrative and can fluctuate. It may be necessary for members and / or intermediaries to reconsider the transfer request if the plan values change prior to the actual transfer date. For PPS RAF members, transfer requests should include PPS RAF plans administered on both

Scenario 1

Member requests to transfer all 3 of their existing plans to one other RA fund

Plan 1: R50 000

Plan 2: R20 000

Plan 3: R30 000

Does member qualify to transfer? **Yes, the R371 250 minimum threshold does not apply if the total interest is being transferred in this instance.**

Scenario 2

Member requests to transfer all 3 of their existing plans as follows: Plan 1 to RA Fund A, Plan 2 to RA Fund B, Plan 3 to RA Fund C

Plan 1: R380 000

Plan 2: R400 000

Plan 3: R550 000

Does member qualify to transfer? **Yes, each contract being transferred to the other RA funds conforms to the minimum threshold (i.e. it is above R371 250).**

Scenario 3

Member requests to transfer only plan 1, 3 and 4 of their existing plans to other RA funds:

Plan 1: R400 000

Plan 2: R400 000

Plan 3: R650 000

Plan 4: R380 000

Total interest remaining in the fund: R400 000

Does member qualify to transfer? **Yes, the plans being transferred and the amount remaining in the fund conform to the R371 250 threshold.**

Scenario 4

Member requests to transfer only plan 1, 3 and 4 of their existing plans to other RA funds:

Plan 1: R200 000

Plan 2: R400 000

Plan 3: R150 000

Plan 4: R100 000

Total interest remaining in the fund: R400 000

Does member qualify to transfer? **No, although the remaining interest in the fund is more than R371 250, the value of each plan to be transferred is below the R371 250 threshold.**

Scenario 5

Member requests to transfer only plan 1 and 2 of their existing plans to other RA funds:

Plan 1: R200 000

Plan 2: R400 000

Plan 3: R150 000

Total interest remaining in fund: R150 000

Does member qualify to transfer? **No, as the remaining interest in the fund is less than R371 250.**

Please note:

It may be necessary for you to reconsider the transfer instruction where the contract values and the amount remaining is on the threshold. The amounts quoted are illustrative and can fluctuate. The final values payable are calculated on the date we receive the final transfer documents from the receiving fund. If the values at this stage fall below the threshold, then the transfer cannot be finalised.



② **How to determine if transferring less than the total interest in the Fund is allowed**

You can contact the Client Care Centre who will be able to assist with a transfer quotation and any questions regarding transfers and these changes that you might have.

Tel: 0860 726 526 or 0800 33 66 33 (Only Sanlam Intermediaries)