



Default
solutions for the
FundsAtWork
Umbrella Funds

momentum
corporate

Your journey to success is at the heart of what we do.

Momentum Corporate is the ideal partner to help increase the likelihood of your employees achieving their financial goals.

Retirement is a big milestone and a comfortable retirement will depend on the choices your employees make on their way to retirement and at retirement.

Government introduced the retirement default regulations to help more people become financially-secure when they retire. The default regulations are designed to help members save more for retirement, invest their retirement savings wisely and make a good choice when choosing an annuity at retirement.

Trustees of a retirement fund are required to have in place:

- Retirement counselling.
- A default investment portfolio for retirement savings.
- A default in-fund preservation option to preserve the retirement savings of members when moving between employers.
- An annuity strategy for when members retire.

The trustees of the FundsAtWork Umbrella Funds have aligned the Funds with the government's vision and comply fully with regulations.



Retiring members should get financial advice to guide them towards the annuity that is most suitable to meet their lifestyle needs in retirement.

Retirement benefit counselling

The default retirement regulations require all retirement funds to make retirement benefit counselling services available to fund members. All FundsAtWork members have access to a professional benefit counselling service. We provide them with education and the information necessary to develop a better understanding of how to get more value out of their benefits and improve their financial results. Members can access this service in one of the following ways:

Smart Counsel

The Smart Counsel services are designed to have a real, positive impact on members' behaviour and choices. Members can choose to access the service through a range of different channels. All forms of engagement and communication use easy-to-understand, jargon-free language which simplifies often complex information, educates and helps members to make informed decisions.

The counsellors help members understand the FundsAtWork:

- Default Investment Portfolio.

- Default in-fund preservation option for when they move between employers before retirement.
- Annuity strategy to make sure that they are able to convert their retirement savings into a retirement income.
- Any other benefits and options available to them.

They receive assistance to select the correct level of cover based on their individual needs.

Smart Conference

Retirement benefit counselling can be instrumental in improving members' financial goals by offering them relevant information when they need to make certain decisions. Momentum held the first-of-its-kind member conferences in South Africa's major cities in 2019.

The conference aims to educate members on the different factors that could impact their retirement outcomes. The topics are relevant and interesting, easy to understand and encourage participation. We provide members with tools and support to help them reach their retirement goals.

Default Investment Portfolio

One of the outcomes of the default regulations is that every fund must select a Default Investment Portfolio that is not too complex or unreasonably expensive.

A Default Investment Portfolio is a portfolio for members of retirement funds who do not specifically choose where their retirement savings are invested. The intention is to make investment portfolios available to these members that are appropriate, taking into account age, duration to normal retirement date and other relevant factors.

Outcome-based investing (OBI) is our philosophy where we target a specific return over a chosen period and we define risk as the likelihood that the investment portfolio won't deliver the return it's targeting. It means risk doesn't have to be reduced to three simple definitions of 'low', 'medium' and 'high' any longer, but can be described in sync with members' goals: will they or won't they achieve their goal and, if they miss it, by how much will it be?

The trustees of the FundsAtWork Umbrella Funds believe in the OBI philosophy and have selected a life stage portfolio as the Momentum Default Investment Portfolio. The Momentum Default Investment Portfolio currently invests in the Momentum Classic Portfolio.

This may change from time to time as the trustees review the portfolios. The Momentum Default Investment Portfolio is available to members in the Provider product option.

The life stage model automatically switches members from a more aggressive investment portfolio when they have a longer term to retirement, to a more conservative and, ultimately, defensive portfolio as they approach retirement. Switching between the life stages is fully automated and based on each member's years to retirement.

The life stage model uses a combination of asset classes, managed by multiple investment managers with different investment strategies to achieve its objectives. For example, the asset classes in which members are invested when they have a longer term to retirement have a higher level of risk and a higher exposure to growth asset classes, such as property and equities, both global and local. Although these asset classes are volatile, they typically provide returns above inflation over the long term. As members move closer to retirement, the exposure to volatile asset classes is gradually reduced to more conservative asset classes, such as bonds, inflation-linked bonds and cash.

The table shows the underlying portfolios and objectives of the Momentum Default Lifestages portfolio.

Portfolio	Building blocks	Years to retirement
Momentum Default Lifestages Accumulator	Momentum Classic Factor 7 Portfolio	More than seven years to retirement
Momentum Classic Lifestages Builder	Momentum Classic Factor 6 Portfolio	Five to seven years to retirement
Momentum Classic Lifestages Consolidator	Momentum Classic Factor 5 Portfolio	Three to five years to retirement
Momentum Classic Lifestages Defender	Momentum Classic Factor 4 Portfolio	Less than three years to retirement





Default preservation solutions

Retirement funds have to offer in-fund preservation as part of the default regulations. The objective of default preservation is to help members achieve their retirement goals by preserving their money when moving between employers. This is so that they have a larger amount accumulated by the time they retire. FundsAtWork Umbrella Fund members can preserve their retirement benefits in the FundsAtWork Umbrella Funds or they can move seamlessly to the Momentum Corporate Preservation Fund.

This table shows the relevant information between the two choices the member has.

In-fund preservation	Momentum Corporate Preservation Fund
Members remain in the FundsAtWork Umbrella Pension and/or Provident Fund until their retirement, or they can withdraw their retirement savings from the Umbrella Fund at any time before retirement.	Members' retirement savings (minimum R500) are transferred seamlessly to the Momentum Corporate Pension and/or Provident Preservation Fund and they are no longer a member of the FundsAtWork Umbrella Pension and/or Provident Fund.
Members cannot make any further contributions.	Members cannot make any further contributions.
Members don't pay administration fees. The Fund charges fund expenses and asset management fees. Asset-based fees are also charged if members are invested in non-Momentum portfolios. They may appoint a financial adviser.	Members don't pay administration fees. The Fund charges fund expenses and asset management fees. Asset-based fees are also charged if members are invested in non-Momentum portfolios. They may appoint a financial adviser.
Advisory body decisions for product option or investment portfolio changes do not apply to members because they have left your employment.	Not applicable.
Members can change their investment portfolio and/or product option without paying a switching fee.	Members can change their investment portfolio and/or product option without paying a switching fee.
Members will lose all their insurance benefits because they are no longer in your employment, but they can use the conversion option to buy individual life insurance policies with Momentum Myriad within 90 days of leaving your employment.	Members will lose all their insurance benefits because they are no longer in your employment, but they can use the conversion option to buy individual life insurance policies with Momentum Myriad within 90 days of leaving your employment.
Members cannot withdraw a portion of their money and leave the rest in the FundsAtWork Umbrella Funds before retirement. If they want to make a withdrawal they can take a portion as a lump sum and transfer the balance to a preservation fund or another fund.	Members can make one withdrawal from the Preservation Fund before they reach retirement age. They can choose to withdraw the whole amount or a portion of their money and leave the balance in the Preservation Fund until retirement.

For retiring members, a fund must have an annuity strategy with annuity options, either in-fund or out-of-fund, and can only “default” retiring members into a particular annuity solution after a member has made a choice.

Annuity strategy

As members retire, they should carefully consider where to invest their retirement savings to make sure that they and their loved ones have sufficient income for the rest of their life.

The trustees of the FundsAtWork Umbrella Funds considered various annuity options, the needs of retirement fund members and the requirements of the default regulations. They then selected the Momentum Golden Income With-Profit Annuity as their preferred annuity option.

The Golden Income With-Profit Annuity provides the security of a guaranteed income for life. In addition, annuity increases are declared every year and once an increase is granted it will never be taken away. The new higher amount is guaranteed for the rest of the member’s life.

The Golden Income With-Profit Annuity is a good choice if the pensioner wants:

- A guaranteed monthly income for life, which will never decrease.
- Annual annuity increases that cannot be taken away once granted.
- Annual annuity increases based on the investment returns of the underlying assets.
- The option to include an annuity for their spouse after they pass away.
- The option to choose a guarantee period. The guarantee period is the minimum period over which the annuity will be paid, and is not dependent on the pensioner surviving it.

Pensioners must have at least R100 000 to invest in the annuity.

Benefits and member choices

Post-retirement interest rate

The retiring member has to make an important decision. When they choose their initial pension, they also need to decide on their post-retirement interest rate (PRI). The PRI determines the size of their initial pension and the level of future pension increases.

- The higher the PRI, the higher their initial pension but the lower the expected future increases.
- The lower the PRI, the lower their initial pension but the higher the expected future increases.

The Golden Income With-Profit Annuity generally offers a range of PRIs from 2% to 3.5% in increments of 0.5%. PRIs lower than 2% are also available. Each PRI represents the minimum return that the underlying investments must earn before increases can be granted. Returns above the PRI are used to grant increases, which is why lower PRIs are associated with higher pension increases.

PRI	Targeted inflation protection (% of CPI)
2.0%	100%
2.5%	90%
3.0%	80%
3.5%	70%

The trustees of the FundsAtWork Umbrella Funds have chosen a PRI of 3.5% which targets future increases of 70% of CPI. If the retiring member prefers a higher future pension increase then they can select a lower PRI even though it does not form part of the trustees’ annuity strategy.

Annual increases

Annual pension increases are given based on the investment returns of the underlying portfolio. The long-term aim is to generate increases in line with each PRI’s targeted inflation protection. This is done through active portfolio management and using our outcome-based investing philosophy. Pensioners don’t want their annuity increases to be significantly different from year-to-year because of market volatility. A process of ‘smoothing’ is applied so that their pension increases remain relatively stable over the long term.

Once investment returns are smoothed, an annual bonus is declared. To determine the value of this bonus, the following is considered:

- 75% of the smoothed return earned on the Bonus Generating Portfolio.
- Mortality profits or losses.
- Other factors impacting the underlying investments, such as credit defaults in instruments used in the investment strategy and persistently high investment portfolio volatility.

The annual bonus is important as, along with their PRI, it determined the increase the pensioner will receive.

Guarantee period

Retiring members can select a guarantee period during which their nominated beneficiaries like their spouse or children will receive their full monthly annuity. For example, if the retiring member chooses a guarantee period of five years and they pass away two years after buying the annuity, their nominated beneficiaries will receive their full monthly annuity for the rest of the five year period; that is for three more years.

Single or joint life annuity

Retiring members have the option to choose a single life or a joint life annuity. If the retiring member chooses a joint life annuity they must also choose a reversion rate. The reversion rate is the percentage of the pension the surviving spouse will receive when the pensioner passes away.



Other Smart Solutions

We are at the forefront of helping members make smart financial decisions and connecting with them in different ways. Our growing range of Smart Solutions empowers members to make informed decisions to increase their amount of money at retirement and improve their overall financial health. These value-adding services are free to all FundsAtWork members.

Smart Exits

Momentum's award-winning Smart Exits solution is the first online process of its kind that helps members to make better financial decisions when they resign from their job. Smart Exits assists members by creating awareness about the importance of preserving, which means continuing to invest their retirement savings, as well as the tax they will pay if they don't.

Smart Retirements

Smart Retirements is a user-friendly, try-before-you buy digital platform which educates members on the various annuity products and gives them the opportunity to look at the impact that various decisions will have on their retirement. It also highlights how much tax they are going to pay if they decide to take a part of their retirement benefit as a lump sum. It is aligned to the FundsAtWork annuity strategy and is supported by our Smart Counsel service. Smart Retirements is the simplest way to transition into retirement.

Smart Claims

Smart Claims is our verifiable technology-based solution that simplifies death and funeral claims at a time when employees or their families are emotionally vulnerable and value simplicity and speed. This is another one of Momentum Corporate's innovations through technological advancements. Our simplified process improves the claims experience for the bereaved family in their time of mourning. By reducing the amount of supporting documents required, we make it possible to submit claims quicker, and have them paid out faster.

Smart Onboarding

Smart Onboarding is an interactive digital solution designed to connect with new members joining FundsAtWork. A choice of USSD or mobi channels, offers members flexibility to connect with us through their channel of choice. Members are able to capture their personal information, learn about their benefits through our new education portal, and get access to free gifts. Smart Onboarding will be rolled out to new FundsAtWork schemes in 2020.

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