



EMPLOYER OVERVIEW  
**GROUP RETIREMENT ANNUITY**  
EFFECTIVE 19 MARCH 2012

ALLAN GRAY

# An overview of the Allan Gray Group Retirement Annuity

In this document, the terms below are used to refer to the following entities:

1. The 'Allan Gray RA' is used when we refer to the Allan Gray Retirement Annuity Fund.
2. The 'Allan Gray Group RA' is used to refer to the Allan Gray Group Retirement Annuity System. It is a group-based administration system that enables employers to make contributions to the Allan Gray RA on behalf of their employees.
3. 'Allan Gray' is used to refer to the various legal entities (including Allan Gray Investment Services Proprietary Limited who is the administrator for the Allan Gray RA, Allan Gray Proprietary Limited who is the sponsor of the Allan Gray RA and Allan Gray Unit Trust Management (RF) Proprietary Limited who is one of the investment managers) that perform different roles and functions in the context of the Allan Gray Group RA.

The Allan Gray Group RA enables you to make a retirement savings solution available to your staff:

- Based on individual membership of the Allan Gray RA
- With the benefits of group-based administration

The Allan Gray Group RA recognises that many employers wish to encourage their staff to make provision for their future retirement – but at the same time, recognises that their staff may encounter change, both in their personal lives, employment and their financial requirements.

## How does the Allan Gray Group RA work?

Each employee individually applies to become a member of the Allan Gray RA. Then each month, each member's agreed monthly contribution is received by Allan Gray from the employer on a group basis. As individual members of the Allan Gray RA, members choose their investment portfolios, and receive quarterly statements.

**The Allan Gray Group RA:**

- Caters for individual needs without the complexity of many group retirement funding arrangements, but any risk protection should be provided separately
- Enables staff to monitor and manage their own retirement savings
- Offers access to Allan Gray's proven expertise and experience in managing retirement fund money
- Enables you to offer your staff a tax-efficient, flexible and hassle-free way to save for their retirement

## What minimums apply?

### Minimum number of employees

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Because the Allan Gray Group RA offers group administration of individual Allan Gray RA membership, a minimum of five employees are required.

### Contribution minimums

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- R500 per month per member. If the average contribution is in excess of R1 000 per month per employee there is flexibility to reduce the minimum contribution to R250 per month for certain employees

Please refer to the application form for further details.

# Benefits of becoming a member of the Allan Gray RA

## Tax efficiency

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Becoming a member of the Allan Gray RA is a tax-efficient way to save for retirement, as a portion of a member's contribution is tax deductible. Members are allowed the greater of the following three tax deductions:

- Minimum tax deduction: R1 750
- R3 500 less any contributions made to a pension fund
- 15% of non-retirement funding income (this is the portion of income that is not used as a basis for contribution to retirement savings)

At retirement, members may take up to one-third of the benefit in cash. A portion of this benefit may be tax free, and the rest will be taxed according to the tax table for retirement benefits which is likely to be lower than the members tax rate before they retire.

## Choice of a range of underlying unit trusts

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Members may choose from a range of underlying unit trusts to meet their specific needs.

## Transparency

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All fees are transparent and clearly described in the Allan Gray RA Conditions of Membership.

## Value for money

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- There is no administration fee payable if the member is invested in Allan Gray Unit Trusts
- There are no switching fees for switching unit trusts (but if a unit trust has an initial fee, this may affect the value of the amount switched into the unit trust)
- Many of the underlying unit trusts offer performance-based fees which are aimed at aligning the interests of the investment manager with the interests of the member

## Flexibility

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- Members may transfer their benefit under the Allan Gray RA to another approved retirement annuity fund with no penalties or exit fees
- Members can stop and start contributions without any penalties
- If an employee resigns, they may continue to be a member of the Allan Gray RA

## Regular reporting and access to one's investment statements

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Members receive quarterly statements in addition to an Annual Benefit Statement. Through [www.allangray.co.za](http://www.allangray.co.za), members may view their individual investment account at any time and may also switch underlying unit trusts within their account as their needs change.

# Benefits for employers

## Clear individual accountability

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Each employee becomes a member of the Allan Gray RA in their individual capacity. As such, each member must make specific investment choices. This heightens awareness of and makes it clear that it is ultimately the responsibility of each member to save adequately for his/her own retirement.

## Flexibility for staff in the context of an increasingly mobile workforce

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The Allan Gray RA is very flexible. This makes it highly attractive to an increasingly mobile workforce.

When a member leaves an employer, he/she can:

- Stop contributing without any penalties
- Continue to contribute to his/her retirement savings (given the prevailing minimum requirements)

## Helps you fulfil your retirement savings obligation to your employees

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You are able to ensure that your employees' contributions are in fact applied to retirement savings (as opposed to paying employees cash as part of their remuneration package, and placing the responsibility on them to make provision themselves). It enables more effective management of employees long-term savings liability.

## Cost management

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It enables you to manage the increasing costs associated with existing employee pension/provident funds and umbrella funds.

# Things to be aware of that may be different to 'traditional' group arrangements

The Conditions of Membership and Allan Gray RA rules apply to all members, whether their contributions are administered on a group basis or not. This means that (among other conditions of membership) a member may:

- 1. Apply to become a member of the Allan Gray RA when they wish to**  
If an employer wishes to make it a condition of employment for staff to contribute to the Allan Gray RA, the Allan Gray RA will not be in a position to enforce any contractual obligation of this nature.
- 2. Stop and start contributions at any time without any penalties**
- 3. Transfer any benefits under the Allan Gray RA to another approved Retirement Annuity Fund of their choice at any time without penalty**
- 4. In contrast to many occupational retirement schemes, members may not 'cash in' any benefit if they leave their current employer.**

The purpose of the Allan Gray RA is to provide:

- a. Members with a benefit at retirement, or
- b. Members' Dependants and/or Beneficiaries with a benefit on the death of the member.

Members may only take a withdrawal benefit from the Allan Gray RA if they are no longer contributing to the Allan Gray RA and the market value of the underlying investments of all their investment accounts in the Allan Gray RA is less than R7 000 (or any other amount determined by legislation or regulatory authorities from time to time). Members may also take a withdrawal benefit if the member has emigrated from South Africa and their emigration is recognised by the South African Reserve Bank.

- 5. Members may only access their accumulated benefit when they retire from the Allan Gray RA at any date after they reach age 55.**

The Allan Gray RA provides for early retirement (before age 55) only in the event of the member's permanent disability.

- 6. Individual members may appoint, change or remove an appointed financial adviser at any stage by writing to Allan Gray.**

Allan Gray will inform the current adviser of the change. If a member does this, it will take effect after five business days.

It is important to note that there are no insured death or disability benefits available for members of the Allan Gray RA under the fund. Any risk protection or additional benefits of this nature would have to be sourced and provided separately.

# How Allan Gray helps employers and members reconcile contributions

## Allan Gray will act on the instructions and payments received from employers

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Employers deduct the member's contributions from their salaries and pay this contribution via EFT (electronic fund transfer) to the Allan Gray RA bank account on a monthly basis.

## Making it easy for members to reconcile contributions made by you on their behalf

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Members' benefits are based on contributions received by the Allan Gray RA, and there is no obligation on the Allan Gray RA to ensure contributions are made by you. In order to help members monitor and reconcile the contributions made on their behalf by you and to check that these contributions have been invested in their selected unit trusts, Allan Gray will send regular quarterly statements to members and make this information available at more regular frequency via the secure online site at [www.allangray.co.za](http://www.allangray.co.za). Members may change their contribution levels with their employer.

# The benefits of independent financial advice

Allan Gray believes independent financial advice plays an important role in helping:

- You decide on the most appropriate retirement funding vehicle for your staff, and
- Members make the best investment decisions for their circumstances

Allan Gray is not authorised to and is not able to provide advice or any guidance on whether the Allan Gray Group RA is the most appropriate option for you or for individual members.

Allan Gray respects the right of all employees to choose whether they need advice, who they receive advice from and what fee is negotiated between the employee and their adviser.

Within this context, it is important to point out that in accordance with the Allan Gray RA Conditions of Membership, the individual member may at any stage appoint another independent financial adviser. Allan Gray will only act on such an instruction after five working days and will notify the current adviser. Equally, each member of the Allan Gray RA has the ultimate say in who their adviser is and what fees for advice they are happy to agree.

## Investment choice

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It is the role of the member to select their unit trusts. Your selected financial adviser may wish to assess a group of staff's needs and provide advice on the basis of a more discrete range of unit trusts. Please bear in mind that as per above, it is the individual member's choice to accept and agree to this advice.

# Next steps

## If you have no existing arrangement in place

1. Obtain a quote. To do this, Allan Gray require the following information:
  - a. Company name
  - b. Name of representative of the company who is authorised to make a decision about the retirement funding arrangement for staff
  - c. Date of birth or ID of employees
  - d. Contribution, either in rand or percentage of salary
  - e. An initial indication of what adviser fees (initial and ongoing) may be agreed and applied at member level
  - f. An initial indication of which underlying unit trusts may be appropriate
2. Once the quote is accepted, below is a summary of the administrative process:
  - a. Employer Registration form
    - i. Authorised user application. This is attached to the form and confirms on whose instructions Allan Gray employees may act
    - ii. FICA is required for the company and the authorised user
  - b. Allan Gray Group Retirement Annuity application form (which includes the Allan Gray Retirement Annuity application)  
Each member applies to become a member of the Allan Gray RA in their individual capacity.  
This means that:
    - i. An investment overview is needed for each member
    - ii. Each member must complete and sign an Allan Gray Retirement Annuity application, confirming investment personal details, fees and their choice of investment portfolios
    - iii. Copy of ID and proof of residence is also required for each member

## If there is an existing arrangement in place

If you have an existing retirement funding arrangement (including a Pension or Provident Fund) in place; or where an individual staff member is already contributing to a retirement savings vehicle; it is important that you and your staff members are made aware of the actual and potential implications, costs and consequences of any changes or transfers. This may include:

- Changes to benefits for members
  - Early withdrawal benefits are limited
  - Under the Allan Gray RA, members' retirement benefit options are:
    - The full benefit may be used to buy a Compulsory Annuity in their name
    - A maximum of one-third of the benefit may be taken as a cash lump sum. The remaining two-thirds must be used to buy a Compulsory Annuity in their name.
    - The full benefit may be taken as a cash lump sum if the pre-tax value of the benefit, on the date of retirement, is less than or equal to R75 000 or any other amount determined by legislation or regulatory authorities from time to time.
    - Changes to contribution minimums
    - Costs of transfer (including any penalties for stopping contributions to an existing arrangement)
    - Cost of closing an existing arrangement

**If you wish to make contributions to the Allan Gray Group RA a condition of employment it is important to ensure that:**

1. The HR Department and payroll administrator is informed that all eligible employees are added to the group.
2. You are aware that members may give Allan Gray instructions with regard to their Allan Gray RA, and in line with the Conditions of Membership, Allan Gray must act on the instruction of the member. Allan Gray will communicate with you and keep you informed.

# ALLAN GRAY

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The Allan Gray Retirement Annuity Fund is administered by Allan Gray Investment Services Proprietary Limited, an approved fund administrator. Allan Gray Investment Services Proprietary Limited is also an authorised administrative financial services provider. The underlying investment options of the Allan Gray individual life and retirement products are unit trusts. Collective Investment Schemes (unit trusts) are generally medium- to long-term investments. The value of participatory interest (units) may go down as well as up. Past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which, for money market funds, is the total book value of all assets in the portfolio divided by the number of units in issue. The Allan Gray Money Market Fund aims to maintain a constant price of 100 cents per unit. The total return to the investor is primarily made up of interest received but may also include any gain or loss made on any particular instrument held. In most cases this will have the effect of increasing or decreasing the daily yield, but in some cases, for example in the event of a default on the part of an issuer of any instrument held by the fund, it can have the effect of a capital loss. Such losses will be borne by the Allan Gray Money Market Fund and its investors and in order to maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. Fluctuations or movements in exchange rates may also be the cause of the value of underlying international investments going up or down. Unit trusts are traded at ruling prices. Commissions and incentives may be paid and if so, would be included in the overall costs. Different classes of units apply to the Allan Gray Equity, Balanced, Stable and Optimal funds only and are subject to different fees and charges. A detailed schedule of fees and charges and maximum commissions is available on request from the company. Forward pricing is used. A fund of funds unit trust may only invest in other unit trusts, which levy their own charges, that could result in a higher fee structure for these portfolios. A feeder fund is a fund that, apart from assets in liquid form, consists solely of units in a single portfolio of a collective investment scheme. All of the unit trusts except the Allan Gray Money Market Fund may be capped at any time in order for them to be managed in accordance with their mandates. Allan Gray Proprietary Limited is an authorised financial services provider.

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