

ALLAN GRAY

GROUP RETIREMENT ANNUITY OVERVIEW

Effective 13 September 2024



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AN OVERVIEW OF THE ALLAN GRAY GROUP RETIREMENT ANNUITY

The Allan Gray Group Retirement Annuity system 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 in their personal lives, employment and their financial requirements.

The Allan Gray Group Retirement Annuity enables employers to make a retirement savings solution available to their staff:

- Based on individual membership of the Allan Gray Retirement Annuity Fund
- With the benefits of group-based administration (a minimum of five employees is required)

Terms used in this document:

- “Allan Gray RA” refers to the Allan Gray Retirement Annuity Fund.
- “Allan Gray Group RA” refers 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.

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
- Offers access to personalised client service and a direct point of contact
- Offers access to customised member education about the importance of saving for retirement
- Enables employers to offer their staff a tax-efficient, flexible and hassle-free way to save for their retirement

What minimums apply?

R1 000 per month per member. A minimum of five employees is required to make use of the Group RA System.

THE TWO-POT RETIREMENT SYSTEM

The two-pot retirement system, which was implemented on 1 September 2024, aims to combat both immediate and long-term hardship by allowing limited access to retirement funds, while enforcing preservation, with the aim of improving retirement outcomes.

How does the two-pot retirement system work?

From 1 September 2024, all new contributions to retirement funds are split into two components: One-third of the member's contributions are allocated to a savings component, which the member can access in case of a financial emergency, but only once per tax year before retirement. The remaining two-thirds are

allocated to a retirement component, which will be inaccessible before the member retires, and at retirement must be used to purchase a retirement income product.

Together, these components make up the member's retirement account, along with a vested component, if applicable. The vested component consists of the member's accumulated savings on 31 August 2024 (less once-off seeding of the savings component) – being the **two-pot vested benefit** and the **harmonisation vested benefit** (if applicable) – plus future growth. **Previous rights** will continue to apply to the vested component. See the infographic on page 4.

Understanding terminology

Two-pot vested benefit

The two-pot vested benefit refers to all contributions to a pension fund or retirement annuity fund until 31 August 2024, as well as contributions to a provident fund from 1 March 2021 until 31 August 2024, less once-off seeding of the savings component, plus future growth. These contributions are protected from two-pot changes.

Harmonisation vested benefit

Harmonisation refers to the process of aligning the benefits and rules of provident, provident preservation, pension, pension preservation and retirement annuity funds. Harmonisation legislation came into effect on 1 March 2021.

The harmonisation vested benefit refers to all contributions to a provident or provident preservation fund before 1 March 2021, plus growth since then. This portion of the benefit will continue to be exempt from harmonisation and is also protected from two-pot changes. It forms the fourth component of the member's retirement account.

Previous rights

These are the rights that applied to the member's retirement investment before the implementation of the two-pot system. For example, members of a pension or provident fund will be able to access 100% of the vested component of their investment when they resign, subject to specific fund rules.

The two-pot retirement system explained



Retirement account

For retirement accounts opened before **31 August 2024**, the investment will be made up of the savings, retirement and vested components.

New retirement accounts will only have the savings and retirement components.

Contributions from **1 September 2024**

$\frac{1}{3}$

$\frac{2}{3}$

Savings component



One-third of all contributions.
Can be accessed in case of a financial emergency, but only once per tax year.

Retirement component



Two-thirds of all contributions.
Preserve until retirement and use to buy a retirement income product.

Vested component

Applies to members who invested before **1 September 2024**



The value of the retirement account on 31 August 2024, less once-off seeding of the savings component, plus growth since then. This component will be treated in the same way as it was before 1 September 2024, except that no further contributions can be allocated to it.

BENEFITS FOR THE EMPLOYEE OF BECOMING A MEMBER OF THE ALLAN GRAY RA

Tax efficiency

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. Tax deductions on contributions to retirement annuities are limited to the greater of 27.5% of taxable income or remuneration (excluding any retirement fund lump sum, withdrawal and/or severance benefits) per year, subject to a maximum of R350 000 per year. Any excess contributions can be carried over to the following tax year.

At retirement, members can take the remaining balance in their savings component as cash. The rest must be transferred to a retirement income product. They may be able to take a higher proportion as cash, but only if their investment is below a specified legislated amount across their Allan Gray RA accounts or if they have other accessible components (see page 3). A portion of any cash taken 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 member's tax rate before retirement.

Members do not pay tax on any interest or dividends received by the Allan Gray RA. Any capital gain realised is excluded from capital gains tax.

Choice of a range of underlying unit trusts

Members may choose from a range of underlying unit trusts to meet their specific needs, including Allan Gray unit trusts and unit trusts from other managers available on the Allan Gray investment platform.

Transparency and value for money

- All fees are transparent.
- There is no initial administration fee, no fee for switching between unit trusts and no exit fee.
- Initial and annual fees for investment management depend on each member's choice of unit trusts (please consult our fund list, available at www.allangray.co.za).
- 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 and portability

- Members may withdraw from their savings component in case of a financial emergency, but only once per tax year, subject to tax at their marginal tax rate (see page 3).
- Members may transfer their benefit under the Allan Gray RA to another approved retirement annuity fund with no penalty or exit fee.
- Members can stop and start contributions without any penalty.
- Members can switch underlying unit trusts within their accounts as their needs change.
- If an employee resigns, they may continue to be a member of the Allan Gray RA.

Easy access to reports and statements

- Members can monitor and administer their investment accounts online at www.allangray.co.za.
- Members can contact our Client Service Centre during business hours.
- Members receive quarterly statements.

BENEFITS FOR EMPLOYERS

Clear individual accountability

Each employee becomes a member of the Allan Gray RA in their individual capacity. As such, each member must make specific investment choices. This 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

When a member leaves an employer, he/she remains a member of the Allan Gray RA and can:

- Continue to contribute to his/her retirement savings (as long as the prevailing minimum requirements are met), or
- Stop contributing without any penalty and start contributing again if desired

Helps employers fulfil their retirement savings obligation to their employees

Employers are able to ensure that their 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).

Cost management

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

Simplified administration

Monthly administration is done via a dedicated Group RA website.

Employee engagement

- Access to online reporting facilities, quarterly statements and informative articles will increase employees' awareness and engagement.
- Allan Gray can provide member training and investor education.

THINGS TO BE AWARE OF

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

The Allan Gray RA 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. Take responsibility for their own retirement investment

Individuals are members of the Allan Gray RA in their own right. The Allan Gray RA allows members to choose underlying investments that suit their individual needs, with the help of an independent financial adviser, if necessary. An Allan Gray Retirement Annuity is portable – members can take their RA with them if they leave their employer and set up a debit order from their own bank account. An Allan Gray Retirement Annuity is like a personal pension plan.

- 2. Stop and start contributions at any time without any penalty**
- 3. Transfer any benefit under the Allan Gray RA to another approved retirement annuity fund of their choice at any time without any penalty**
- 4. Have limited access to their investment**
Members can only access a portion of their investment before retirement, except in certain circumstances, such as if they become permanently disabled, if they emigrate or if their investment is below the minimum requirements applicable at the time.

THE BENEFITS OF INDEPENDENT FINANCIAL ADVICE

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

- Employers to decide on the most appropriate retirement funding vehicle for their staff
- Members to make the best investment decisions for their circumstances

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

Allan Gray respects the right of all members to choose whether or not they need advice, who they receive advice from and what fee they negotiate with their adviser, subject to limits set by Allan Gray.

Within this context, it is important to point out that according to 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.

Investment choice

It is the role of the member to select their own unit trusts. The employer's 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 mentioned above, it is the individual member's choice to accept and agree to this advice. Alternatively, members may consult and appoint their own financial adviser to provide advice on which unit trusts to select. Members may appoint, change or remove their financial adviser at any stage by writing to Allan Gray.

CONTACT DETAILS

Next steps for interested employers

If you would like more information, or if you are interested in getting a proposal, please contact the Group RA team using the details below.

Allan Gray Client Service Centre

Tel: 0860 000 654 / +27 (0)21 415 2301

Email: info@allangray.co.za

Website: www.allangray.co.za

Office hours

Monday to Friday 7:30 - 17:30

Business address

1 Silo Square

V&A Waterfront

Cape Town 8001

P O Box 51605

V&A Waterfront

Cape Town 8002

IMPORTANT INFORMATION FOR INVESTORS

The Allan Gray Retirement Annuity Fund is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider and approved pension funds administrator under section 13B of the Pension Funds Act 24 of 1956. Allan Gray (Pty) Ltd, also an authorised financial services provider, is the sponsor of the Allan Gray retirement funds. The underlying investment options of the Allan Gray individual products are portfolios of collective investment schemes in securities (unit trusts or funds).

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)11 301 6335 or www.rmb.co.za.

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. Movements in exchange rates may also cause the value of underlying international investments to go up or down. The Management Company does not provide any guarantee regarding the capital or the performance of the fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes. Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending.

Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge, either via our website at www.allangray.co.za or via our Client Service Centre on 0860 000 654.

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2004/015145/07

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