

Media Release

Association for Savings and Investment South Africa (ASISA)

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Umbrella funds to disclose costs at individual member level from next year

Members of umbrella retirement fund solutions will be able to assess the total impact of charges on their individual retirement benefits from next year October, when members of the Association for Savings and Investments South Africa (ASISA) implement the new Retirement Fund Standard: Effective Annual Cost (EAC) for Individual Fund Members.

The Standard was approved by the ASISA Board of Directors last week, which means that ASISA member companies offering umbrella retirement fund solutions will start developing and implementing systems to enable disclosure at member level. Companies have until 1 October 2020 to complete implementation.

Taryn Hirsch, senior policy consultant at ASISA, says from October next year, all individual members of umbrella funds as well as in-fund living annuities*, will be able to request an EAC for their retirement benefits.

She says the significance of the new EAC is that individual umbrella fund members will be able to review and compare charges on retirement fund products and then assess the impact on investment returns.

"This will enable members of retirement funds to make better informed decisions around both new and existing retirement fund product choices. For example, employees will be able to factor in cost decisions when deciding on whether to allocate additional funds to either their umbrella fund or a retirement annuity."

Hirsch says that in terms of the new ASISA Standard, member companies should communicate with fund members at least once a year, reminding them that they are entitled to request an EAC calculation. This notification should include information on how fund members can access their EAC (for example, via a call centre or online).

The EAC Standard for Individual Fund Members is modelled on the ASISA Retail EAC Standard, which came into effect on 1 October 2016. A world-first, the Retail EAC enables consumers and advisers to compare charges and their estimated impact on investment returns in a meaningful way irrespective of whether the product is a unit trust, a living annuity, a retirement annuity or an endowment policy.

Hirsch points out that together the new EAC Standard for Individual Fund Members and the Retail EAC Standard provide individual investors with a complete overview of how charges impact on their investments.

In addition, the ASISA Retirement Savings Cost (RSC) Disclosure Standard, which came into effect on 1 March 2019, commits ASISA members administering umbrella retirement fund solutions to presenting all relevant costs (based on certain assumptions) at a fund level to employers and Board of Trustees in a standardised manner. This enables employers and

trustees to compare like with like when considering quotations for umbrella retirement fund solutions from different ASISA members.

Hirsch says the three cost disclosure Standards assist ASISA members in delivering the fairness outcomes of the Treating Customers Fairly (TCF) framework.

Note to Editors:

* An in-fund living annuity is a living annuity offered by an umbrella fund to its members on retirement. Members can either retire from the fund (leave the fund) and buy their own living annuity directly from a product provider or they can remain a member of the fund and invest their retirement benefits in the in-fund living annuity. An in-fund living annuity must comply with Regulation 28 of the Pension Funds Act and the trustees' oversight responsibilities extend to the in-fund living annuity.

**The new ASISA Retirement Fund Standard: Effective Annual Cost (EAC) for Individual Fund Members as well as the ASISA Retail EAC Standard and the ASISA Retirement Savings Cost (RSC) Disclosure Standard can be found [here](#).

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The Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.