

SHORT ARTICLE SERIES

Our purpose at Atleha is to help ordinary South Africans save and invest for a better tomorrow.

We do this through Financial Sector Code (FSC) compliant - awareness and interactive education programmes focused on retirement fund trustee, management committee member; and fund member awareness and education initiatives, such as this short article.

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WHAT TO LOOK FOR WHEN CONSIDERING AN UMBRELLA FUND FOR YOUR BUSINESS AND EMPLOYEES?

This article is the third in a series of articles about what you should consider when evaluating different umbrella fund options available to you - for your business and employees. This short article focuses on governance and investment matters when considering umbrella fund options.

In recent years there has been a big move by many businesses of all sizes towards umbrella funds as the best way of giving their employees access to solid retirement savings, and reducing the administrative load often involved in managing a stand-alone fund. This move towards the consolidation of retirement funds is endorsed by the Financial Sector Conduct Authority (FSCA).

Deciding whether to move from your existing stand-alone retirement fund (if you

already have one) to an umbrella fund is not a simple decision. There are pros and cons to both solutions and the best one for you and your employees will depend on many factors, including:

- the size of your company,
- the number of employees,
- how complex your standalone fund is,
- how involved you want to be in managing the fund,
- and whether you have the resources to look after your own fund.

Before you can think about moving to an umbrella fund, it's useful to understand how each umbrella fund is positioned on both **governance and investment related matters**.



INVESTMENT GROWTH MATTERS!

Enabling members to earn a level of growth well above inflation for most of their working life is key to them achieving a reasonable replacement ratio and being able to retire

Key elements of investment growth to think about are:

When it comes to Investment portfolio range:

- What is the range of investment portfolios available?
- Does the investment range cover a variety of investment styles, asset managers and portfolios?
- How are these portfolios selected, approved and monitored by the board?
- Is the range unduly biased towards the sponsor's in-house portfolios (For example, through favourable fees or other design features?)

Are the following types of investment available within the range of options:

- Life stage or pre-retirement switching.
- Both active and passive investment options.
- Variety of risk profiles to suit different needs.
- Both single manager and multi-manager options.

Are you limited to a particular type of investment

(e.g. passive or multi-manager or smoothed only)?

When it comes to Default investment:

- What is the umbrella fund's default strategy?
- Is it endorsed by the board?
- Does the investment default suit most of your employees?
- Can each participating employer choose its own default investment (For example, different to the board default) for its employee members?

When it comes to Growth vs Protection:

- Is there a reasonable mix of growth portfolios and capital protection portfolios?

When it comes to Deceased member assets:

- Where are the assets of deceased members invested while the death claims process is underway?

When it comes to Complexity of strategy:

- How easy is it for members to understand the investment strategy?
- Does the fund communicate to members on the choices available to them?
- How useful and user-friendly are the investment reports?
- Does the MANCO have access to advice to help it develop an investment strategy?

When it comes to Costs and transparency:

- What are the investment costs that members will pay?
- How transparently and clearly are these costs disclosed?

Do you have a question that you would like us to address in a subsequent article? If so, please send your questions or suggestions for article topics by email to: info@atleha-edu.org