

# GTC Group Provident Fund

Guiding you towards independence in retirement

## Proposal for Constantia Risk and Insurance Holdings

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formerly Grant Thornton Capital

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## Contents

GTC's proposal to Constantia Risk and Insurance Holdings for integrated employee benefits .....	3
Comparative costs of the GTC retirement fund platforms .....	4
Summary of prevailing membership statistics.....	4
Retirement Savings Cost disclosure .....	5
Benefits and member consulting, GTC credentials and some industry perspective. ....	6
Risk benefits.....	6
Counselling and member advice .....	6
GTC's investment options, strategy and philosophy .....	7
Conclusion .....	7
Annexures .....	8
Proposal acceptance and application to participate.....	9

# **GTC's proposal to Constantia Risk and Insurance Holdings for integrated employee benefits**

## **Introduction**

GTC, formally Grant Thornton Capital, evolved out of Grant Thornton, the fifth largest audit and business consultancy globally. GTC is recognised as one of South Africa's leading financial advisory businesses, specialising in the areas of retirement fund solutions, healthcare consulting, private client wealth management, short-term risk solutions, investment management, fiduciary services and other areas of financial advice.

GTC operates a unit trust management company and is a licensed investment manager for both retirement funds and private clients in accordance with the Financial Sector Conduct Authority (FSCA).

Collectively the GTC group employs approximately 120 staff in three major national centres. Assets under management and administration totals some R42 billion.

Over 100 000 fund members participate in some 350 retirement funds, mostly through one of several GTC umbrella funds. Additionally, GTC consults to approximately 2 500 private clients in terms of their wealth management goals.

GTC has consistently been recognised within the industry as conducting best practice, specifically being awarded various PMR awards over the years, culminating in the 2019 PMR.africaDiamond Arrow Award, honoured for being the highest rated in the category of pension fund administrators and consultants with between 100 000 and 150 000 members.

GTC provides an integrated employee benefit offering which provides members with a platform of services straddling their retirement fund requirement, together with a host of personal financial planning tools and analytical aids.

Through the proprietary components of GTC's platforms, GTC can provide bespoke, independent services in terms of administration, consulting, asset management, member counselling and financial advice. To the extent that GTC offers advice on risk benefits, short-term insurance and medical aids, it does so in the capacity as advisor and broker.

### Comparative costs of the GTC retirement fund platforms

Fees (excl. VAT)	Current	Proposed	Saving
Fees	R per month	R per month	R per month
Umbrella Fund management fee	0	2 889	(2 889)
Benefit counselling fee	1 625	1 264	361
Consulting fees	28 227	28 227	0
Administration fees	17 542	6 848	10 694
<b>Total</b>	<b>47 394</b>	<b>39 228</b>	<b>8 166</b>

Umbrella fund management and benefit counselling fees are deducted monthly from the member's fund credit.

The consulting and administration fees (and the risk benefit premiums where applicable) are paid by the Employer on a monthly basis and calculated as a percentage of payroll.

### Summary of prevailing membership statistics

Category	Number of members	Monthly pensionable salary (R)
Retirement fund members	188	7 511 147
Risk only members	26	2 673 841
<b>Total</b>	<b>214</b>	<b>10 184 988</b>

Investment value	R21 667 645	
Investment options		
1. Trustees default life-stage model:	<b>Years to retirement</b>	<b>GTC investment portfolio</b>
	6	100% GTC 5
	5	50% GTC 5 + 50% GTC 3
	4	100% GTC 3
	3	50% GTC 3 + 50% GTC 1
	2	100% GTC 1
	1	100% GTC 1
2. Employer's default investment strategy	All members	100% GTC 5
3. Individual member choice:	Yes	

### Summary of prevailing Fund benefits

Category	Member contribution (%)	Employer contribution (%)
All members	0	8, 11 or 15
Costs	The administration, consulting fees and risk premiums are paid by the employer in addition to the employer contribution.	
Normal retirement age	65	

## Retirement Savings Cost disclosure

The ASISA Retirement Savings Cost (RSC) Disclosure Standard, which came into effect on 1 September 2019 is an industry standard, compulsorily adopted by all Association for Savings and Investment South Africa members (ASISA members). GTC as an ASISA member therefore adheres to this disclosure standard and the specific format within which it is required. This standardized cost disclosure is to assist potential participating employers of umbrella funds to compare quotations from different ASISA members of product solutions to retirement funds. The RSC disclosure is an indication of total costs at a scheme level and is not an indication of each member's individual circumstances. Please refer to Annexure A for the full ASISA document of RSC standards.

As required, the RSC is expressed as a percentage per annum of the assets of the fund, based on membership and value of assets indicated above. The RSC highlights the varying fees on different investment portfolios, and particularly the difference between active and passive investment strategies. This disclosure is intended as a comparison and a basis for further discussion as regards the most appropriate investment strategy for the Fund members.

### GTC Group Fund: GTC 5 investment portfolio (Trustees default life-stage model)

Charges (as a % of assets) inclusive of VAT @15%	1 Year	1-3 Years	1-5 Years	1-10 Years
Investment management <sup>1</sup>	1.19	1.20	1.20	1.18
Advice <sup>2</sup>	1.46	1.15	0.97	0.72
Administration <sup>3</sup>	0.31	0.25	0.21	0.15
Other <sup>4</sup>	0.20	0.18	0.17	0.16
<b>Total Retirement Savings Cost (RSC)</b>	<b>3.16</b>	<b>2.78</b>	<b>2.55</b>	<b>2.21</b>

### GTC Umbrella Fund: GTC High Equity investment portfolio (current employer default investment portfolio)

Charges (as a % of assets) inclusive of VAT @15%	1 Year	1-3 Years	1-5 Years	1-10 Years
Investment management <sup>1</sup>	2.00	2.01	2.01	2.02
Advice <sup>2</sup>	1.46	1.15	0.97	0.72
Administration <sup>3</sup>	0.82	0.65	0.55	0.41
Other <sup>4</sup>	0.10	0.10	0.10	0.10
<b>Total Retirement Savings Cost (RSC)</b>	<b>4.38</b>	<b>3.91</b>	<b>3.63</b>	<b>3.25</b>

## Notes

<sup>1</sup> Investment management includes all components of asset management, including asset management fees, performance fees, asset pricing, trading costs and legal-and-compliance.

<sup>2</sup> Advice includes benefit consulting, member communications. This RSC disclosure line includes all charges for the provision of advice by intermediaries/consultants. As required in terms of the standards, it excludes commissions on risk premiums. Investment consulting is excluded.

<sup>3</sup> The administration fee, which covers the member benefit administration, is based on a cost per member per month.

<sup>4</sup> A fund management fee, payable to the Umbrella Fund and not GTC is included, as too are the costs of the compulsory benefit counselling in accordance with Regulation 36 of the PFA.

## **Benefits and member consulting, GTC credentials and some industry perspective**

GTC is firmly of the view that the integration of Fund and Member consulting, together with the administration of the fund, is required for an effective member experience. GTC has consistently won various industry awards, recognising GTC's achievements in this regard. In addition to receiving the 2019 PMR Diamond Arrow Award of excellence, acknowledging GTC to be the best retirement fund consultancy and administrator in the category of 100 000 – 150 000 members, GTC's independent member survey, conducted on all exiting members has scored an average of 89% over the past five years.

GTC has not lodged any PI or any other insurance claim in the past ten years. This can be independently ascertained from Marsh Mercer, GTC's insurance consultants.

GTC has never had a negative ruling from the Pension Funds Adjudicator (PFA), the FAIS Ombud or any court of law.

Please refer to Annexure B for important information and detail on GTC's Benefits and Member consulting.

## **Risk benefits**

GTC acts in an independent capacity when assessing and recommending appropriate risk benefits for the Fund, having access to all reputable insurers in the marketplace. An annual assessment of these benefits is conducted by GTC and a comprehensive re-broke undertaken as-and-when required, typically every two years.

The risk benefit structure and costs will remain unchanged within the GTC Group Fund.

## **Counselling and member advice**

As of 1 March 2019, in accordance with Section 36 of the Pensions Fund Act, it is compulsory that all members entering and exiting a fund are contacted by the Fund (the responsibility vesting with the trustees of the Fund) and counselled, to ensure that members are able to make informed decisions. This does not constitute advice.

GTC has a comprehensive, proprietary, automated counselling system - RunwayEdge, which verifies and records all counselling undertaken. Personal financial advice too is provided on a no-cost basis for the members if they elect to undertake this. As required, the fees for these services are included in the RSC tables previously disclosed.

Please refer to Annexure B for the details regarding the counselling and advisory services.

## **GTC's investment options, strategy and philosophy**

GTC's investment process is grounded in our investment philosophy of client centricity, clearly defined and efficiently applied in an unwavering and repeatable manner.

Once the investor's objectives and tolerances have been clearly established, GTC Investment Analytics ensures that these are correctly matched with the appropriate house view investment portfolio.

By investing our clients into these multi managed, multiple strategy investment portfolios GTC aims to provide its clients with the highest probability of achieving their investment objective in a risk-controlled manner. These house view investment portfolios have been carefully designed to achieve their return objectives while mitigating against the risks that pose the greatest challenge to the client's meeting their investment objective.

Please refer to Annexure C for the details regarding GTC's investment process.

## **Conclusion**

During 2019 the board of trustees took the decision to merge the GTC Umbrella pension and provident funds with the GTC Group pension and provident funds. This is in line with a strategic objective of achieving economies of scale and common business practices across all GTC sponsored funds. As a result, the GTC Umbrella Pension and Provident Funds were closed to new participating employers. Over a period GTC will be engaging with GTC Umbrella Fund participating employers to offer the opportunity to transfer to the GTC Group funds.

The trustees are satisfied that the GTC Group Funds will accommodate the benefit structures currently available to your members and the current Special Rules governing your participation in the GTC Umbrella Provident Fund will be applicable in the GTC Group Provident Fund. It is specifically confirmed that there will be no changes to the monthly contribution rates or the group life and disability benefits structures.

As can be seen in the Retirement Savings Cost disclosure, Constantia Risk and Insurance Holdings will benefit from meaningful costs savings in investment management and member benefit administration fees. In addition, your members will have access to an extensive selection of investment portfolios from GTC and non-GTC investment managers. The list of approved investment portfolios is reviewed on a quarterly basis by the board of trustees of the GTC Group Funds.

In discussions with the Financial Sector Conduct Authority, the financial services industry regulators, we were advised that the process to be followed would involve the closure of the GTC Umbrella Funds, the registration of the employers wishing to participate in the GTC Group funds and the transfer of the associated member benefits to the GTC Group funds.

The transfer to the GTC Group Provident Fund would follow the process required in terms of section 14 of the Pension Funds Act. The transfer would be the full value of the members' fund

credits. GTC will provide assistance to facilitate the communication to the members and prepare the appropriate documentation to affect the transfer. The transfer process takes approximately six months and will require confirmation of the effective date of the transfer from the Constantia Management Committee.

GTC is confident of the competitiveness of the value proposition of participating in one of the GTC Umbrella Funds. GTC has a proven track record in this regard over more than twenty years and consistently achieves various industry accolades for these achievements.

### **GTC offers the following benefits:**

- GTC operates the sixth largest commercial umbrella fund in South Africa.
- All required services are provided directly, without any third-party appointments.
- The stability and tenure of senior management within GTC is regarded as a strong USP.
- The integrated retirement fund and personal wealth creation platform is very competitively priced and has a technology capability which has been publicly acknowledged to be class leading.
- GTC's integrated approach to holistically accommodating each member's life-time financial planning, rather than merely being an employee benefit portal is recognised as being industry competitive, and is proven to work...

GTC has the capabilities, will and energy to provide services to the Fund and its members. We thank you for affording us the opportunity of compiling this proposal and look forward to discussing it with you.

Please feel free to contact us for any further information that you may require in the interim.

Warwick Hamilton  
Senior Consultant

## **Annexures**

- Annexure A – ASISA Standard on Retirement Savings Cost Disclosure
- Annexure B – Fund Benefit and Member Consulting
- Annexure C – GTC Investment process, strategy and philosophy
- Annexure D – GTC Statutory Disclosure
- Annexure E – GTC Group Umbrella Fund Participation – Standard Terms and Conditions
- Annexure F – Default portfolio Fund Fact Sheets

## Proposal acceptance and application to participate

**Constantia Risk and Insurance Holdings (Pty) Ltd** hereby applies to participate in the **GTC Group Provident Fund** with effect from 1 \_\_\_\_\_ 2020.

The standard terms and conditions of participation are as set out in the documentation issued by the Board of Trustees.

Please refer to Annexure E for the details in this regard.

The fee structure, as fully disclosed in the ASISA Retirement Savings Cost Disclosure Standard (RSC) will apply as follows:

- The administration fee of 0.07% of the monthly payroll is deducted from the employer's contributions to the Fund and is payable monthly in arrears to the administrator. The fee becomes due on the 25th of each month.

The fee is based on a cost of R32.00 per member per month and is expressed as a percentage of the monthly payroll at the commencement date of the participation in the Fund.

- The Fund management fee payable to the Fund is based on the sliding scale detailed Annexure F referred to above and will commence at 0.16% per annum of the value of the assets under administration in respect of the Participating Employer and will be reviewed annually at the commencement of the financial year of the Fund. (This fee is not currently subject to VAT.)
- The consulting fee of 0.38% of the monthly payroll is deducted from the employer's contribution to the Fund and is payable monthly in arrears to GTC. The fee becomes due on the 25th of each month and applies to retirement fund members only. Consulting fees are not included here for the risk only members.
- An asset administration fee of 0.20% per annum of assets is included in the asset management fees payable for investments in the non GTC portfolios. Retirement savings cost comparisons for external investment manager portfolios are available on request.

### Other considerations

- The administration fee above is inclusive of a provision for attendance by the Administrator at up to two Participating Employer Fund Committee meetings per annum.
- All fees quoted are exclusive of VAT except where stated to the contrary.
- This proposal is valid for 90 days from the date of issue.
- GTC reserves the right to review the administration fee and/or the asset management fee should the membership and/or pensionable salaries and/or Fund assets reduce by more than 20% as compared with the information used for this proposal.

I/We, the authorised person/s of **Constantia Risk and Insurance Holdings (Pty) Ltd** (company letterhead attached as confirmation of company name) hereby confirm acceptance of this proposal and agree that we will be liable for costs which will have been incurred by the fund and/or the administrator, should the participation fail to take place for whatever reason.

I/We confirm the companies' contact details are:

Physical address		
		Code
Postal address		
		Code

I/we declare that I/we am/are familiar with the contents of this document and furthermore declare that I/we have the authority to sign this acceptance of the proposal on behalf of the company.

## Signature of authorised person/s

Signature \_\_\_\_\_

Date \_\_\_\_\_

Name \_\_\_\_\_

Designation \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Name \_\_\_\_\_

Designation \_\_\_\_\_