

Member investment choice (MIC)

Practice Note 7 version 2 - August 2019



Introduction

The Operations and Administration division (O&A) issues practice notes to:

- Increase awareness and provide insight into the best practices and procedures adopted by Alexforbes for the effective administration of your fund;
- Clarify our administration role; and
- Align expectations between Alexforbes, Trustees, employers and members of retirement funds.

Please note that in the event of a conflict, the Fund's rules, applicable legislation or the signed Service Level Agreement will take precedence over the processes set out in this Practice Note.

In this issue we will focus on existing members who belong to a fund that offers member investment choice. Individual member investment choice allows for members to switch their fund credit as per the Fund's switch rules. This practice note highlights the different scenarios that may occur and the Alexforbes best practice in respect of these scenarios.

Background

Member investment choice (MIC) was introduced to provide members with the opportunity to decide what investment strategy to apply for their retirement funds' savings. Many Defined Contribution (DC) funds are allowing their members to have more say in where and how to invest their retirement fund savings. This is of major consequence to the members as investment under a Defined Contribution Fund has a major impact on the benefit they will ultimately receive.

1. What does the term switching mean?

Switching is when a participating member of a fund expresses, with a fully completed and signed standard investment switch notification form, their intention to move their current fund credit or ongoing contributions from one or more investment portfolio/s to another.

2. What information is required by Alexforbes to effect a switch?

For Alexforbes to effect a switch instruction, a standard member investment switch notification form must be fully completed, signed and dated by the member.



alexforbes.com

alexforbes

insight • advice • impact

If the switch form is not complete or not filled in correctly, Alexforbes may not be able to make the switch.

The member must also ensure that all mandatory and additional information is fully completed on the switch notification form and duly submitted to the Alexforbes Switches Department to effect the switch. This form can either be emailed to zzswitches@alexforbes.com or faxed to 011 263 2948. Mandatory information includes: Fund name, member's surname, initials, identity number, contact telephone and email details.

3. Process flow when effecting the switch.

The Alexforbes' best practice with regards to switching on daily priced funds is as follows:

- Standard member investment switch notification form templates to be used containing all applicable disclaimers and contractual terms
- Alexforbes to effect the switch within 5 working days in accordance with the Fund's switch rules
- Alexforbes to SMS or e-mail the member confirming the switch within 48 hours after completion with a notification that a formal switch certificate may be obtained from the Alexforbes contact centre (0860 100 333)

The Alexforbes' best practice with regards to switching on monthly priced funds is as follows:

- Standard member investment switch notification form templates to be used containing all applicable disclaimers and contractual terms

- Alexforbes to effect the switch within 5 working days after loading of the monthly unit price on the administration system in accordance with the Fund's switch rules
- Alexforbes to SMS or e-mail the member confirming the switch within 48 hours after completion with a notification that a formal switch certificate may be obtained from the Alexforbes contact centre (0860 100 333).

4. What is the cost of switching?

Alexforbes' best practice is to allow one free switch each calendar year and all subsequent switches to be charged at a standard switch fee. It should however be noted that the standard switch fee is determined by the Trustees of the fund according to the fund's switching rules. This fee is deducted from the member's current fund credit in the month that the switch takes place.

5. Can a member switch to any investment portfolio/s?

A member can only select investment portfolios in accordance with the investment portfolios that were approved by the Fund's Trustees. A switch must also be made in accordance with the rules specific to the



The above is Alexforbes standard best practices and there may be funds that may operate differently as instructed to and agreed to by the Fund's Trustees.