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The Trendline

Second quarter 2022



Investment overview

In-depth market commentary detailing market performance over the quarter

The first half of the year has been marked by historic sell-off's in global investment markets.

- 2022 has so far been the worst 6 months on record for developed markets (MSCI World) since 1970. While local equities have held up comparatively well over this period, June's performance has been the largest detraction since the March 2020 sell-off. This illustrates the sheer scale of the market volatility and uncertainty which afflicts investors currently.
- Global developed equity markets retracted some -16.2% over the quarter and -20.5% for the year in USD terms, while emerging markets experienced an -11.5% and -17.6% sell-off over the same periods in USD terms.
- The negative returns derived from equity markets can be in part attributed to the increasingly hawkish stance of central banks and their concerns of deepening inflation along with Russia's invasion of Ukraine, elevated transport costs, Europe's energy crisis, and overall sluggish global economic growth expectations.
- Whilst supply concerns in the first quarter provided significant upward pressure on the Brent Crude price - oil rising well over $130/barrel - recession fears over the second quarter pulled the price down drastically to $100/barrel on some days.
- The local equity market (-4.7%), outperformed developed and emerging markets in both base currency and rand terms over the year. Through the quarter, the local equity market (-10.7%) outperformed both of these global peers in base currency terms.
- Financials (+1.4%) have been the only positive returning local equity sector over the year, having weathered the risk-off sentiment better than all other sectors. Industrials have been the worst performing sector over the year but courtesy of the Naspers/Prosus rally late in June, it's been the best performing sector over the recent quarter.
- Global recession concerns, amid elevated inflation levels, have stifled resource demand expectations pulling the sector down -21.9% over the quarter.
- The 12.2% rand weakness over the quarter meaningfully benefited those South African shares with predominantly foreign earnings (rand hedge shares) relative to shares with predominantly local earnings.

- Considerable volatility persists in the local property sector which sold off some -11.5% over the quarter. The outlook for local property remains uncertain amid a shift in property dynamics and demand along with the impact of the Russia-Ukraine war on the eastern European property sector.
- Global inflation signals persisted as demand continued to collide with supply shortages across the world. It is likely that inflation will abate to some extent in 2023, as we expect supply-side disruptions to be reduced.
- Distressing inflation rates have kept bond yields elevated and further intensified concerns around the degree of interest rate hikes and restrictive monetary policy decisions that central banks may implement.
- The South African Reserve Bank (SARB) raised the repo rate by 0.50% to 4.75% in May as widely expected. May inflation (CPI) in South Africa breached the top end of SARB's target range (3% - 6%) coming in at 6.5%.
- The local bond market (ALBI) delivered -3.7% for the quarter behind local cash (STEFI) +1.2%, as increased bond yields pulled longer duration bond prices down.

As the old adage goes: 'it's not about timing the market but rather time in the markets that matters." Selling when markets are down, locks in losses, whereas staying invested allows your portfolio to not only recover losses, but also gain when markets rally. This concept is further unpacked in the recent market update publication which can be found **here**.

Investment market returns as at June 2022

Investment market returns (%)	3M	YTD	1YR	3YR	5YR	7YR	10YR
Local Equity Market	-10.65	-4.65	6.94	6.78	5.89	4.59	9.15
Local Property Market	-11.56	-12.68	0.22	-9.02	-7.33	-3.48	2.68
Local Cash	1.15	2.19	4.18	5.01	5.93	6.30	6.11
Local Bond Market	-3.71	-1.93	1.25	5.78	7.78	7.43	7.19
Offshore Developed Market USD	-16.19	-20.51	-14.34	7.00	7.67	7.53	9.51
Offshore Emerging Market USD	-11.45	-17.63	-25.28	0.57	2.18	2.79	3.06
Offshore World Bond Market USD	-8.91	-14.79	-16.77	-4.27	-1.17	0.08	-0.69
USD / ZAR exchange rate	12.15	2.52	14.84	5.13	4.57	4.29	7.08

All returns greater than 1 year are annualised. All returns are gross of fees.

Hot off the press - PMR Africa Diamond Arrow Award 2022
GTC award winners for 5 consecutive years

GTC is proud to be awarded the PMR Africa Diamond Arrow Award in July 2022. This annual award measures respondent's scoring over a range of administrative and consulting topics.

Based on this survey conducted during May and June of this year, GTC achieved PMR's highest rated award - The Diamond category, and was also rated the highest scoring company in the category: 'Pension Fund Administrators and Product Providers - Insurers, administering between 100 000 and 150 000 members'.

This award is based on an aggregate scoring process, involving some 25 specific questions conducted through an independent survey. This survey ranks companies and institutions based on the results of these questions each of which is scored out of 5. GTC's aggregate score from all respondents, based on all the questions was 4.28 - the highest score measured this year in this category by PMR.



Winning the PMR Africa Diamond Arrow Award for 2022, has seen GTC retain its mantle as the highest scoring recipient of this award for the past five consecutive years.

There are several articles in this Trendline relating to our interconnectivity between our retirement fund management and how members are seen as - and treated as - private clients.

The independent verification of our retirement fund processes by PMR is gratifying, as this endorses GTC's approach to doing business and shows a high level of customer satisfaction.

Well done to the GTC team for their contribution to this achievement.

Local is lekka

How South African assets have outperformed our international counterparts



Twenty months ago, the South African Reserve Bank (SARB) unintentionally published commentary implying that institutional investors - the custodians of retirement funds - were suddenly allowed to place all their assets offshore.

Existing limits of 30% were in place at the time of the announcement. Swiftly, a chorus of negative comments appeared in various media claiming that South Africa was a failed state, recommending that investors take all their assets offshore.

This type of story resonates with many South Africans disenchanted with local politics. The negative publicity also adversely affects the local economy and the reputation of the country within the global investment community.

The narrative spun by these 'influencer's' at the time, was that the freedom to invest offshore in a much greater universe of potential options and instruments would set free South African long-term investors, whose nest eggs could be compromised by holding domestic assets.

This created a wave of FOMO (Fear Of Missing Out) as many 'panic-stricken' investors quickly transferred funds offshore. This was unfortunately driven largely by market commentators who have historically been generally trusted for their knowledge, insight, and judgement.

However, the actual returns in domestic and international markets since then reflect a different story. Two years later, if we had followed the noise, we would have lost money.

To illustrate, the Capped SWIX index, representing local equity markets, returned 20.4% for the one-year period ending March 2022, whereas the MSCI All Countries World Index, returned 5.8% in rand terms. This means that anyone who disinvested (say) R100 000 from the local equity market at that time, to invest offshore, would have lost R14 600. That's a costly mistake by any standards. Even in 2022, with a wealth of information and investment advice immediately available to us via the Internet, our emotional nature can override discipline and introduce bias into our routine investment decisions.

The kicker is that the last year is not a once-off. Over the past 20 years, in rand terms, international equities have performed at around 8.6% per annum, versus South African equity returns of 13.9%. For any investor planning for retirement, a difference of 5% per year is significant.

Deciding to invest offshore purely based on perceptions of a weak rand has frequently proved wrong. Shortly after the announcement from the SARB nearly two years ago, the error was corrected. The Reserve Bank clarified that the prevailing prudential limits still applied. However, in the most recent National Budget Speech, exchange controls were relaxed, allowing South African retirement funds to take up to 45% of their assets offshore.

The debate as to whether one should consider offshore investment opportunities continues to hang over local investors, with the question now being asked as to whether exchange control is really an issue for South Africa-based investors. The GTC team's investment modelling indicates that offshore asset holdings should be somewhere between 30% and 40% of a portfolio, somewhat below the government limit of 45%.

We welcome the allowance of greater flexibility but believe there is still good value in domestic assets going forward. Increasing exposure to the full 45% would only ever be prudent based on a considered valuation perspective and never because of an emotional sentiment or market-noise perspective.



Finally, we reminds investors that markets are cyclical - they seldom head in one direction.

Extreme statements like 'South Africa is headed only one way' or that it is a 'failed state' are overly simplistic and incorrect from various perspectives. The domestic investment market is not necessarily a coincidental reflection of the political environment.

It is not only South African investors who forget this principle and overreact, contributing to the creation of market cycles around the world.

We continue to advise that investors base their allocation decisions on a considered view of long-term objectives and avoid impulsive changes to policy based on emotion, fear, or headlines.

Altertude: RunwayEdge

Enhanced member counselling engagement with world class professional advice

Having presented some of the capabilities and components of GTC's Altertude platform in the previous Trendline, in this edition we drill down into some of the individual components of the technology stack, giving some insight into its capabilities. We start with RunwayEdge.



What is RunwayEdge?

RunwayEdge is a digitally aided counselling process. Responding to Government's amendments to the Pension Funds Act several years ago requiring that all retirement fund members be 'verifiably counselled'.

GTC progressively created a platform which undertakes this complex member engagement process in such as way as to be comprehensive, non-invasive, distinct from any form of financial advice, succinct, and - meeting Government's requirements - verifiable.

Why perform counselling?

Regulatory changes were made to Sections 36-39 of the Pension Funds Act in 2019. These govern the law around the counselling of retirement fund members. The Act sets out clear parameters regarding the minimum interaction which a Board of Trustees of a retirement fund must have with its members, identifying various specific career events upon which counselling must take place.

This legislation dictates that counselling must be provided to all members belonging to an employer sponsored retirement fund, so that they are able to make informed decisions about their retirement savings. The regulations require that members be given facts (counselling and not advice) before making decisions which may impact their long-term retirement savings goals.

At GTC, we proudly confirm that we have been performing counselling to members for many years before these government amendments were introduced. We'd also like to caution fund members about relying only on the counselling. Retirement fund monies are so integrated with tax complexity, that it is - in our strong opinion - imperative to seek professional financial advice when looking to activate or transfer retirement fund monies, or to elect contribution or risk benefit options.

Who performs the counselling?

In accordance with the law, where GTC retirement funds are responsible, counselling is performed by a GTC dedicated team - MAPS. Through this team of professionally accredited staff, counselling takes place as legally prescribed. With some thirty years of experience dealing with fund members and private investors, GTC has learnt that information alone is often not enough.

Clients often request that the information be interpreted, with an opinion as to what should be done. Advice then follows. This is only allowed to be given by regulatorily certified persons. Many of the MAPS team are approved to give this advice. The MAPS team is seamlessly able to move from compulsory counselling to voluntary advice, without having to be separately informed of the facts, and start the dialogue again.

What is counselling?

So far as the Pension Funds Act is concerned, counselling is the sharing of factual information regarding a member's contractual options that are available at various milestones in their career-long fund journey. These events include joining a new employer, resigning, retiring and approaching retirement. Distinct from counselling, advice involves passing an opinion as to the best course of action based upon the facts to hand and the circumstances around this which shape the recommendation.

By way on an example, a new employee joins a company. During the counselling process they are typically provided with information regarding contribution levels, investment options as well as risk benefit levels.

If, during the counselling session this member requests help in considering which contribution level to elect and what multiple of life insurance to choose, this constitutes advice. At this point, the member is referred internally within MAPS to the appropriate financial adviser who then formalises the process by making a written recommendation.

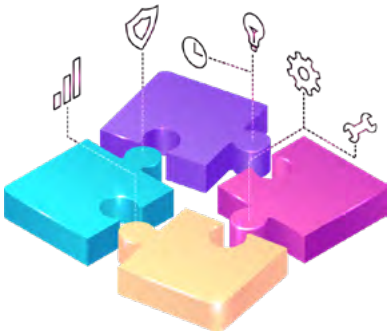
During the mandated counselling session, those nearing retirement are provided their retirement options and the tax consequences for each possible decision they could make.



Once again, if the member asks for guidance or is unsure of their decision, they are transferred from the counselling to the advisory team.

What differentiates RunwayEdge in the marketplace?

Since the implementation of the legislated counselling GTC has been of the opinion that whilst laudable in its intent, the regulations address too few of the many complex (usually tax driven) decisions that members' are required to make over their working careers.



Based largely on our more than thirty years' experience of dealing and consulting with fund members during all the conceivable stages of fund membership, GTC has identified many other important counselling milestones. These include: Getting married, buying a house, having a child, receiving an inheritance, being promoted, getting divorced, and many more.

Together with the human resources departments of our participating employers within our retirement funds, GTC tailors a specific and proactive member engagement programme, engaging with non-invasive information sharing (counselling) as well as detailed scenario planning and recommendations (advice).

GTC's counselling and advisory processes are backed by another component of our technology stack, our actuarially created advisory program - TrueNorth. This will be unpacked in the next quarterly Trendline.

Member Advice Portal Support (MAPS)
Operated by people for people

It's easy to attribute the success of a digitally based system solely to anonymous backroom techies, software engineers, algorithms, and code. GTC's member engagement is however not only a digital platform. There's still lots of human input.

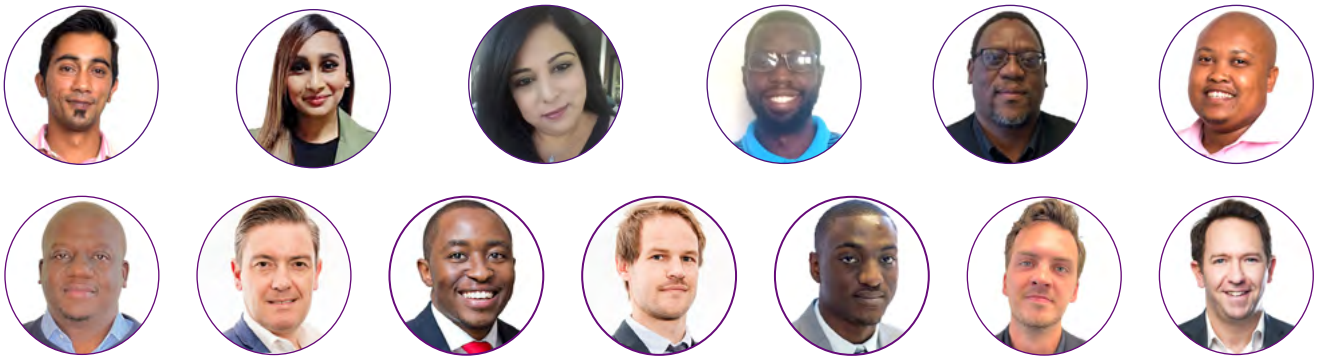


GTC has a strong team of people across our various national offices equipped with the required range of diverse skills and talents necessary to engage with the members of the retirement funds we administer and consult to.

Often not directly in the public domain, we'd like to introduce some of the people who make up the Member Advice Portal Support Team, or as we fondly refer to them - the MAPS squad.

MAPS's job is to provide counselling and advice to fund members about the most important aspects of their working careers - the financial consequences of their savings. The counselling process (named RunwayEdge in GTC's domain) takes fund members through their financial options that are triggered by various career milestones such as taking on a new job, resignation, retirement, and many more.

Other MAPS team members provide detailed financial advice, when this is sought, handling the implementation of retirement options, the provision of life insurance cover at the appropriate level, tax calculations on pay-outs, and recommendations on how to combine other compulsory and discretionary savings into a single unified financial plan. Some senior members of the counselling team are Moe, Anneline, Nazeera, Abdul, Siyethemba and Melvin, whilst the primary members of the advisory team include Farayi, Roger, Mtho, Andrew, Thabo, Karl, and Andre.



Most of our counselling staff are married, with a prevailing profile of generally not yet having any children. Conversely the statistical profile of our advisory staff shows they have slightly more than two children each. Amongst our younger and newer staff we have some who are single and two newly-weds.

When asked to describe their family life in an internal questionnaire, the most precious response received from a team member was: "I'm seen as a professor - whether in the kitchen, the garden, the mountains or the forests, the workshop, the books, real worlds, and fictional ones - to my son I am a pirated copy of Elon Musk; yet to me my little boy is a reincarnated little Leonardo Da Vinci."

International travel is aspired to by a number of the team members, others preferring the goal of exploring Africa. Several staff noted beer making as a hobby, though we didn't establish whether the Covid lock-down prompted this pastime.

When asked why they pursue their current career path, a common theme was the satisfaction of seeing fund members achieving their own financial goals through years of commitment and hard work. A culture of caring and serving came through repeatedly.

Recognising that it takes a special person to successfully engage with someone who isn't necessarily expecting or asking for anything (there's a separate article in The Trendline regarding the compulsory counselling which GTC is required to undertake in terms of the Pension Funds Act regulations), it did not come as a surprise to note these fostering, empathetic qualities coming through.

Whilst MAPS is specifically set up for large-scale retirement member engagement, with all contingent facets of this being available, GTC equally encourages any other clients to reach out and have candid discussion with one of our professional advisors, from any of our business areas.

Discretionary investments

How and when these can be used in the pursuit of a well-structured financial plan



Financial planning is generally comprised of either an accumulation or disinvestment phase. You are either saving up for - or spending your savings on - something.

Savings can take the form of formal - usually contractual - retirement savings such as pension funds, retirement annuities, compulsory annuities, and preservation funds. Industry speak for these tax approved investments is 'compulsory'.

Financial planning should also consist of investments you make through your own choice, without being governed or constrained by tax deductible contribution, and withdrawal limits.

These voluntary financial planning products and tools are colloquially termed 'discretionary' investments.

Financial planners inevitably combine compulsory and discretionary investments for holistic plans which cater not only for retirement funding, but shorter-term objectives such as education, university, cars, and healthcare, as well as providing for a contingency fund.

So what is a discretionary investment, and how does it work?

These voluntary savings products are funded with after-tax money, and when structured optimally, can provide tax advantages within your portfolio. Here are several common, though sometimes misunderstood discretionary investment vehicles.

Endowment policies

Endowments are suitable (and often attractive) for investors whose tax rate is 30% or higher. The portfolio is taxed in the hands of the underwriting insurance company at a rate of 30%, regardless of the actual tax rates of the policy holders.

The maturity benefit of an endowment (which means any value after a five year term) is tax free. Any withdrawals from the endowment after five years are deemed to be a capital withdrawal and not income, and remain tax free (remembering that the portfolio itself is taxed annually in the hands of the insurer).

During the first five years only one withdrawal is permitted, limited to a return of the amount invested plus 20% of the last two years premiums. If this is exceeded, the five year restriction starts again. This restriction must be factored into any financial planning.

As with all insurance policies, if a dependent is named, the proceeds, though included in your estate, do not incur executors fees. The proceeds are included in your total estate for the purpose of calculating estate duty.

Even if a five year term is elected, you may continue with the endowment after its maturity date. You are not compelled to terminate the policy. **Tip:** Never commit to purchasing a long term endowment. The benefits are the same as a five year term, only the costs and commissions are more!

Do discuss the underlying investment portfolio with your advisor before beginning an endowment. Depending on the elected underwriter, there are as many portfolios to choose from as with unit trusts, including the full gambit of cash management and offshore exposure. The endowment should rather be seen as the 'wrapper' into which an appropriate portfolio (or portfolios) is inserted.

Tax free savings account (TFSA)

The (relatively) 'new kid on the block' is the TFSA. Legislated in 2015 for the first time, TFSA's provide a limited investment opportunity whereby the growth within the investment, whether it's interest, income, dividends, or capital gains, isn't taxed.

The current annual limit on a TFSA is R36 000, and there's a lifetime limit of R500 000.

The big draw-card for these investments is that there is no minimum investment term and withdrawals can take place at any time with no restrictions or limitations on access to the investment, with no tax payable on withdrawn amounts. T's and C's exist on re-investment, as new contributions are added to the existing contributions to calculate the total limits (annual and lifetime) previously mentioned.

Regardless of one's portfolio size, it is an obvious election to always include a TFSA in the construction of a financial plan.



Unit trust

Probably the best known of the discretionary investment options, unit trusts provide for lots of flexibility with limited rules and regulations. Accommodating lump sums and regular contributions, there's no minimum investment period or maximum investment amount.

The range of investment portfolios is vast, covering all conceivable local and international choices. Pricing varies from one asset manager to another. Regulation requires unit trusts to disclose their Total Investment Charge (TIC), and this should be one of many considerations before constructing one's portfolio.

Whereas a direct portfolio of shares will require Capital Gains Tax (CGT) to be paid each and every time a share is sold, within a unit trust no CGT is incurred within the portfolio, regardless of the number of shares bought or sold. CGT does apply once the investor redeems any of the units, so a careful election of the appropriate risk adjusted portfolio is recommended, so that you don't need to sell your unit trust to adjust for small changes in risk profile.

The cost of administering the unitised portfolio which makes up the unit trusts is also considerably less than that required to manage a direct share portfolio. There are strict regulations governing the requirements for unit trusts to issue daily prices and pay out unit holders once they've redeemed. All unit trusts fall under the auspice of the FSCA, South Africa's financial regulator.

Discretionary investments are not limited to South African products. Currently South African tax payers are permitted to invest up to R11 mill per annum directly offshore, of which R10 million requires a tax clearance certificate. Effectively there are no constraints anymore as to where one is permitted to invest one's money.

GTC strongly advocates professional planning when seeking to structure either a local and/or offshore portfolio.

There are many other discretionary investment opportunities. These would include many different assets from the purchase of your house and cryptocurrencies, to gold coins. GTC has limited this article to those which are unitised, governed by the FSCA and which we would use in portfolio construction. Discussion with an accredited professional planner is highly recommended.



Beneficiary Nomination Form
The 'guiding documentation' upon the death of an employed member

Employees are often confused about which forms to fill in, often believing that the form which they have already completed will be sufficient to cover all benefits.

Let's unpack the types of membership which employees may hold, discuss the correct Beneficiary Nomination Forms (Form/s) applicable to them, and the legal intricacies associated with each.

Members often assume the Form is a part of the retirement fund. Retirement funds often include associated risk cover like life insurance benefits. These associated life insurance benefits, which, when they become payable, are paid through the retirement fund - are colloquially referred to as approved benefits. A retirement fund Form is applicable to the accumulated assets within the fund, as well as the approved life cover benefits.

Types of membership

Membership often takes the form of belonging to a retirement fund. Retirement funds often include associated risk cover like life insurance benefits. These associated life insurance benefits, which, when they become payable, are paid through the retirement fund - are colloquially referred to as approved benefits. A retirement fund Form is applicable to the accumulated assets within the fund, as well as the approved life cover benefits.



Alternately, employers may purchase/initiate group life insurance benefits for their employees which, when they become payable, are NOT paid out through any retirement fund. These benefits are colloquially referred to as unapproved benefits. These benefits require their own separate Form.

It is possible for employers to have both benefits, thus requiring multiple Forms. Understanding some of the legal intricacies of these Forms is therefore important.

For participants of a group retirement fund, the often associated group risk benefits are an important component of their fund membership. These insurance products are apportioned in accordance with the beneficiary nominations made by the member, almost always concluded by completing a Form. This document records the name/s of the person/s to whom the financial benefits will be allocated to. This nomination could either be for a death benefit under a retirement fund or a Group Life Assurance (GLA) scheme, or both.

The first important point is to note that if you have both a retirement fund and an unapproved GLA scheme, you will be required to complete a separate Form for each scheme.

These forms become the 'guiding documentation' upon the death of a retirement fund member or an insured person under an unapproved GLA scheme.

The rules governing the distribution of death benefits paid from a retirement fund (in respect of a member) and an unapproved GLA scheme (in respect of an insured) differ substantially.

Unapproved benefit - Group Life Assurance (GLA) scheme

A benefit paid from an unapproved GLA scheme is paid directly to the person/s nominated on the Form. If a Form has not been completed, or it is incapable of being executed, such as when the beneficiary cannot be found or has died, the benefit will be paid into the estate of the deceased.



In the absence of a Form, dependents may be deprived of the pay-out of an insured benefit, a consequence of which could be unintended hardship imposed upon those that the member intended this benefit to support.

Approved benefit – Retirement Fund

In contrast to the unapproved GLA scheme benefit, a benefit paid from a retirement fund is regulated by section 37C of the Pension Funds Act (PFA) - together with prevailing case law.

Section 37C ensures that benefits are provided to persons who were financially dependent upon the member of a retirement fund.

This regulation protects those people who were financially dependent on a member, ensuring that they are provided a measure of financial support. This section of the PFA imposes legal duties upon the retirement fund's board of trustees, requiring that they identify the deceased's dependents and pay the benefit equitably to all dependents. To achieve this the Board is required to conduct a thorough investigation and consider all relevant facts.



Apart from dependents, Section 37C makes provision for the distribution of benefits to nominees (people that are not dependent upon the member). The benefit may therefore either be allocated to a dependant, a nominee, or both. If there are no dependents and/or nominees - as a last resort - the benefit will be paid into the Guardians Fund administered by the master of the High Court, an unclaimed benefits fund, or the estate of the deceased.

The PFA determines that the benefit does not form part of the deceased's estate, meaning that no estate duty is payable on the benefit, even if a payment to the estate of the deceased is required.

Section 37C dictates that members do not have the freedom to merely elect to whom they want the benefit paid. The Board of Trustees is ultimately responsible for determining the allocation of benefits and the distribution thereof, in strict adherence with Section 37C

Even though members do not have the freedom of testation, the Board of Trustees will place substantial reliance on the content of a members nomination form. Provided the nomination form elections conform with Section 37C, most trustee boards will look to honour the wishes of the member where possible.

Before completing a nomination form, members should have a legal understanding of who qualifies for benefits:

- Any person who the member was legally liable to maintain, for example a spouse, ex-spouse and/or children.
- Any person that the member was not legally liable to maintain:
  - but they were in fact dependent on the member for maintenance at the time of their death, for example someone living with the member, or a grandparent dependent on receiving part of their rent payment from the member, or a sister's children for whom the member was paying residence fees, etc.
  - The spouse of the member (includes permanent life partners, civil union partner, customary marriage/s performed by religious rites).
  - the child of the member (includes children born out of wedlock and adopted children).
- Any person that the member would have been legally liable to maintain had the member not died, for example a fiancé or an unborn child.



These people should all be nominated on the beneficiary form with their financial dependency noted. The Board of Trustees will recognise them as dependants and consider them as possible recipients of part of the benefit due, upon the death of a member.

It is important to note that the Board may elect not to allocate a share of the benefit to every dependant listed (as per the above examples), though the Board will be aware of them, as they determine these dependents ability (or lack thereof) to maintain themselves, and to determine any allocation of benefits for ongoing maintenance requirements.

Benefits allocated to nominees

As mentioned, the Form also include a section for a member to complete the details of nominees, rather than dependents. There are two important factors to bear in mind when allocating benefits to nominees: the nominee must be a person, and the nomination must be in writing. Accordingly a nominee may not be a company or organisation, such as a non-profit organisation like the SPCA.

The Board of Trustees must place a higher priority on the allocation of benefits to financial dependants, ahead of nominees.

The nomination of trusts as beneficiaries

A member may also nominate a trust as a beneficiary. This normally occurs in respect of benefits assigned to minors. However, it is important to note that the Board of Trustees will examine the Trust Deed to ensure that the benefits are protected and will reach the ultimate dependant.

Completing two beneficiary nomination forms

To recap, if a person has an unapproved GLA scheme providing a death benefit, and this person is also a member of a retirement fund, two Forms need to be completed.

Special attention must be paid to unapproved benefits as an insurer will pay the benefit into the deceased's estate in a case where the Form is absent, or not fully completed.

Retirement fund members must be aware that the Board of Trustees hold the final say regarding the distribution of benefits and that there is a priority allocation of benefits to financial dependants, ahead of other dependants and nominees.

Remember to update your Forms whenever there is a change in your personal circumstances, ensuring that it reflects your current wishes. Your GTC financial advisor is able to assist you with these updates.

To access the GTC Form click **here**.

South African medical aid schemes
Multiple review opportunities for members of medical aid schemes

The contract between a medical aid scheme and a member identifies that the benefit year runs from 1 January until 31 December of each year. Historically, during this period the scheme required that the member remain on the same plan throughout the year.



Medical aid schemes allow members to up or downgrade their plans in January of every year. These year-end revisions are usually initiated around October of each year.

It is at this point that professional healthcare advisers ensure that members are informed about any changes anticipated for the following year, relative to cover requirements, benefits, and premiums.

Members are encouraged to review their financial and health status to determine whether they need to adjust their plans, according to their own circumstances, which may have changed since the last review date.

Due to the Covid pandemic and South Africa being in lock-down for a period of time, medical aid schemes experienced underutilisation of benefits, as medical practitioners and institutions were attending to emergencies and Covid patients, whilst many members avoided routine maintenance appointments, and elective procedures. These procedures were either postponed, or in many instances cancelled.

This underutilisation of medical aid cover created a surplus in most medical aids in South Africa, resulting in some schemes deferring their annual contribution increases, ordinarily effective from 1 January. This deferment was scheduled so that the surpluses which had accumulated could be utilised ahead of new, additional contractual premiums. Members benefited financially, and indeed continued to underutilise their medical aids.

Furthermore, due to the Covid induced changed environment and the adaptability of the medical aid schemes administrative platforms which have become progressively more flexible, members have been allowed to up- and downgrade during the year. In some instances, changes have been allowed multiple times throughout the year.

This new latitude has been welcomed by members.



In 2021 GTC noted that the largest open scheme in South Africa postponed their contribution increases to mid-year and allowed for plan changes twice in that year. In 2022 the same scheme allowed changes in January, though deferred premium increases to 1May. This was again deferred until 1 October 2022, resulting in three option change periods for members in 2022, whilst premium are set to only increase in October.

The traditional mechanisms of conducting year end changes - including plan up and downgrades - has changed concurrent with the evolving healthcare environment, leading to schemes being more flexible and allowing members to change plans, even in instances which would previously have been deemed to be anti-selective behavior. (Members changing plans just to get the higher benefits for a short period of time). Members are not being underwritten, or experiencing waiting periods or loadings, during these allowable review periods.

Viewing these various changes from an administration and intermediary's perspective, it is clear that additional opportunities have been created for increased engagement with members, to inform, educate, and update them on all the additional changes that are being implemented by their respective schemes.



Also amplified is the workload of medical schemes and intermediaries, as these changes mean that what was previously an annual function is now required each time there is a change.

Advisors now need to conduct plan changes and review administrative functions continuously during the period instead of the previously accepted once-off annual review.

From a medical aid scheme perspective, it is going to be interesting to see how the multiple mid-year plan upgrade open periods affect the community of members from a premium increase perspective, should the schemes actuarily miscalculate anti-selective behaviour practices. If this is the case, future substantial contribution increases may well affect all members.

It is clear that medical aid schemes are beginning to view - and treat - their members more as partners, than merely as consumers, as has been demonstrated over the past two years. Long may this continue.

Newsroom
News, views and market updates

Our newsroom contains several articles where GTC has featured in the press in the recent past.

Click here for a recent interview on Cape Talk Radio with Jill Larkan, Head of Healthcare Consulting at GTC, where she discusses how members - who may have run out of medical savings for the year - can extend benefits or access additional cover at reasonable prices.

Clive Eggers, Head of Multi Managed Portfolios at GTC, unpacks the risks of 'buckling to the noise' to bolster investment returns - with a Q&A video. The link to this interview is **here**. On the same topic, click **here** to read the article in Moneyweb 'Why politics is poison in a portfolio - Don't let FOMO spur your decisions.'



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