

Sirs

Thank you for allowing comment on the treasury paper on retirement. We understand that comments are being mailed to you by representative bodies in the industry including consultants and by and large we concur with previews of the comments we have seen so far.

We have, however, a comment with regard to current legal and regulatory provisions which govern the transferability of annuities from one insurer to another in terms of directives 135 and 135A, an extract of the latter copied below for reference. We fully endorse the provisions allowing such transferability and believe they correctly give freedom of choice to annuitants. Our concern is that such flexibility does not extend to transferability from an insurer to a pension fund.

Our fund, for example, provides options for retirees and their dependants to choose between an annuity from our fund or from an external insurer. Those members who choose to draw their pensions from our fund do so because they have the significant advantage of lower administration and investment manager fees than those charged by insurers. In addition, retirees wish to consolidate all their retirement benefits with one provider. Consequently, we get requests from retirees to transfer their maturing and current annuities into our fund but this is not possible without the approval of the court. This is inexplicable to our members and we do not see the reason for the inconsistency with the flexibility granted to annuitants drawing benefits from insurers.

We suggest that treasury considers widening choice for annuitants to select the provider of their choice in the spirit of the new found freedoms embodied in our constitution.

Thank you

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## **FINANCIAL SERVICES BOARD**

### **DIRECTIVE 135 A**

(To all long-term insurers)

### **LONG-TERM INSURANCE ACT, 1998: SECTION 37(2)**

### **TRANSFERIBILITY OF COMPULSORY LINKED ANNUITY POLICIES**

#### **1 Introduction**

This Directive does not replace Directive 135 of 10 January 2001 - Amendment 1/2001 but should be read with the aforementioned directive. The aim of this Directive is to inform long-term insurers (insurers) that this office considers it undesirable for an insurer to refuse the request of a compulsory linked annuity policyholder to transfer the policy to another insurer of his/her choice.

This Directive is the result of -

a) an investigation among insurers to establish what the general policy of insurers is with regard to requests received from compulsory linked annuity policyholders to transfer their policies to another insurer; and

b) complaints that are continuously received from compulsory linked annuity policyholders regarding the refusal by some insurers to allow policyholders their requests to transfer their policies to other insurers.

This office now requires insurers to ensure that the enabling provisions of Directive 135 be put to practice. This will ensure that all requests of compulsory linked annuity policyholders to transfer their policies to another insurer are treated fairly.