

Media release:

PPS CLOSES OLD GENERATION RA TO NEW INVESTORS

14 September 2012: The Board of Trustees of the PPS Retirement Annuity (PPS RA) has announced that it is closing the old generation, underwritten section of the Fund to new investors. It has taken this decision stating that legislative changes and the launch of more cost-effective, transparent and flexible products now offer investors an enhanced value proposition.

Advocate Thinus Ferreira, Principal Officer of the PPS RA, explains that one of the biggest drawbacks of underwritten RAs is that they have complicated fee structures which include some fees charged on an upfront basis.

In contrast, Ferreira says, new generation, unit trust-based products charge far lower fees and do so as-and-when investments contributions are made – not upfront. “Over time (and especially when taking the impact of compound returns into account), this has the potential to make a significant difference to the total level of savings ultimately accumulated.”

In addition, insurers selling underwritten RAs impose termination charges on clients who wish to transfer their RA to another RA before the stipulated investment term is over. New generation RAs both eliminate upfront fees and remove the termination charge associated with switching product providers.

Dr David Presbury, Chairman of the Board of Trustees for the PPS RA, points out that it is only under a very limited and idealistic set of assumptions that an underwritten RA may be deemed as appropriate a retirement vehicle as a new generation product. “The costs associated with underwritten products outweigh those associated with new generation offerings. In fact, these costs become comparable only when assuming that a member of an underwritten RA remains invested for an extended term (of roughly 30 to 40 years) and makes no alterations to his or her portfolio (i.e. no changes to contribution amounts, no changes to the selection of underlying investments, no missed payments, etc.).”

The Board of Trustees of the PPS RA has therefore taken the unprecedented step to close the underwritten section of the PPS RA to new investors as of 1 October. This section remains open to current investors.

This will be the latest in a series of enhancements implemented over the course of the Fund's development. The evolution began with the launch of a completely new section within the PPS RA during 2010 – the first development of its kind in South Africa. Offered by PPS Investments, this section makes available a new generation RA within the PPS RA. Fund members are able to transfer from the underwritten section to the new section by means of an intra-fund conversion.

Dr Presbury notes that while the old generation RA was an appropriate product for investors when it was launched, improvements in the industry and to new generation products means that this is no longer the case. To still actively make old generation products available, will not be in the interest of the Fund's members.

“In line with National Treasury's intentions to strengthen the South African retirement industry, we are pleased that we are able to ensure that future Fund members access all the benefits associated with a new generation offering,” concludes Ferreira.

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Additional information:

The PPS Group boasts in excess of 200,000 members who enjoy access to a comprehensive suite of financial and healthcare products that are specifically tailored to meet the needs of graduate professionals.

PPS is the largest South African group of its kind that still embraces an ethos of mutuality, which means that it exists solely for the benefit of its members. Thus, members who are policyholders can exclusively share in the profits of PPS Insurance and those who have PPS Investments products can also share in the profits of PPS Investments.

PPS membership provides access to the following tried, tested and trusted products and services: PPS Insurance, PPS Short-Term Insurance, PPS Beneficiaries Trust, PPS Investments and Profmed Medical Scheme. Visit www.pps.co.za for more information.

PPS is an authorised financial services provider.