**105026: Occupational Certificate:**

**Financial Advisor**

**Module 4**

**Employee Benefits and Retirement Advice**

**SAQA ID: 105030**

**NQF Level 5**

**80 credits**

|  |
| --- |
| **Practical Assessment** |

**All Learning units**

**Practical Assignment**

**This assignment relates to the practical aspects of employee benefits. You must read the instructions carefully and submit the required evidence:**

***INSTRUCTION***

* This practical assignment must be done in class; the learner must demonstrate an ability to perform the tasks.
* Read the case study given and answer the questions that follow.

1. Darren was an employee for XZY Minerals. In 2017 he went through a divorce and his divorce settlement included splitting the pension benefits equally with his wife Sarah. Sarah also successfully got a maintenance order for their two daughters. In 2018 Darren decided to remarry and then married Anna. Darren got involved in a car accident and passed away. Identify and justify (provide the aspect in the case that will be affected by that particular law) five laws that will can affect different matters addressed in this case. **(10)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Design a presentation with five slides on the types of marriages and highlight the impact of each marriage on the distribution of retirement fund benefits. **(10)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Regarding the Board of Trustees of Iron Metals Pty Ltd, you are given the following information:
   1. Their Board of Trustees comprises five Member-Elected Trustees and three Employer-Appointed Trustees. Advise if the composition is in accordance with relevant provisions of the Pension Funds Act. **(5)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Discuss the relevant responsibilities/duties of each of the following: **(6)**

|  |  |
| --- | --- |
| 1. Trustee |  |
|  |
|  |
| 1. Investment Manager |  |
|  |
|  |
| 1. Sub-investment manager mandates |  |
|  |
|  |

1. Discuss the requirements regarding Service Level Agreements for each of the following: **(4)**
2. Consultants

|  |
| --- |
|  |
|  |
|  |
|  |

1. Administrators

|  |
| --- |
|  |
|  |
|  |
|  |

1. List a few control structures that you would include in a fund if you were tasked with the role of ensuring that the fund enjoys adequate safeguards. **(4)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. List four different role-players required in a pension fund. **(4)**

|  |
| --- |
|  |
|  |
|  |
|  |

1. Your Facilitator will hand out to you the rules of a pension fund. Identify and describe any four circumstances when benefits may be payable. **(8)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Randal is retiring at the age of 60 from his pension fund and is curious and anxious about which annuity option that he may chose. You are further told that Randal’s wife, Maggie, retired two years ago at 62. Suggest and justify four types of annuities that Randal should consider. **(8)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

**Practical Module 2 Advise client on the most appropriate structuring of retirement funds and employee benefits. (18 credits)**

|  |  |  |  |
| --- | --- | --- | --- |
| **HIGHVELD COLLEGES** | | | |
| The following information is provided about the employees about HIGHVELD COLLEGES: | | | |
| No of Employees | 300 | | |
| Categories of Employees | Teachers | Administrators | Manual Labour – Cleaners, Gardeners, Kitchen Staff and Security Guards |
| Wage-bill | R24 000 000 | | |
| Special needs | The Union is very adamant that there must be a spousal and children’s pension. However, there are also employees who, due to age, have major children and who are independent. | | |
| Industry | Education | | |
| Current Benefits | None. | | |

**Respond to the questions below based on the information about Highveld College highlighted above.**

|  |
| --- |
| 1. Analyse the needs and motivation of an organisation in establishing a retirement fund. **(5)** |
|  |
|  |
|  |
|  |
|  |
| 1. Apply knowledge of legislation to determine the possible structure of a fund **(5)** |
|  |
|  |
|  |
|  |
| 1. Develop a proposal to meet the identified needs of a specific organisation. **(5)** |
|  |
|  |
|  |
|  |
|  |
|  |
| 1. Design an implementation plan. **(5)** |
|  |
|  |
|  |
|  |

1. Apply technical knowledge and skill to advise business entities on insurance and group retirement benefits.

|  |  |  |
| --- | --- | --- |
| You are given the following three scenarios for different individuals | | |
| **Individual 1** | **Individual 2** | **Individual 3** |
| Thabo aged 26 is single and is a Salesperson at a Life Insurer. He is paid a commission and the insurer provides him with membership of a Provident Fund. A 10% employer contribution is made based on the commission that he earns. | Andre aged 46 is in a long term relationship with Aldrin aged 40. Andre is self-employed and has not been saving for retirement at all. | Jane aged 56, works as a Professor at one of the state universities. Her employer contributes 10% and she also contributes 10% towards her retirement. |
| **Objectives** | **Objectives** | **Objectives** |
| * Leave an inheritance when he retires * Clear all debts * Travel the world during retirement | * Purchase a holiday home in Mossel Bay * Enjoy a replacement income of 50% in retirement | * Purchase a house in a retirement village in a secluded area * Continue working but on a part-time basis until death * Go on a once-off tour of the world |
| **Risk Tolerance** | **Risk Tolerance** | **Risk Tolerance** |
| Moderate | Aggressive | Low |

1. Discuss the rights of an individual to join either a Pension or a Provident Fund. **(6)**

|  |
| --- |
| a. |
|  |
|  |
| b. |
|  |
|  |
| c. |
|  |
|  |

1. Analyse the tax deductibility of pension contributions (based on the Income Tax Act) for each of the individuals in the table above. **(6)**

|  |
| --- |
| a. |
|  |
|  |
| b. |
|  |
|  |
| c. |
|  |
|  |

1. Assess objectives and provisions and determine a financial strategy for retirement for each of the three above individuals. **(9)**

|  |
| --- |
| a. |
|  |
|  |
|  |
| b. |
|  |
|  |
|  |
| c. |
|  |
|  |
|  |

1. Construct a portfolio for each client based on a client’s risk tolerance and objectives as provided in the table. **(9)**

|  |
| --- |
| a. |
|  |
|  |
|  |
| b. |
|  |
|  |
|  |
| c. |
|  |
|  |
|  |

1. Recommend changes to a retirement plan after an unplanned life event.

|  |
| --- |
| Diana was involved in a car accident and will be receiving75% of her regular income from her group disability policy. What changes would you recommend to her retirement plan? **(3)** |
|  |
|  |
|  |
|  |
| Musa was married to Arnold and they unfortunately divorced and Arnold got 50% of Musa’s pension benefits as part of their divorce settlement. What adjustments would you recommend to her retirement plan? **(3)** |
|  |
|  |
|  |
|  |

1. For the following questions, use the information provided for Highveld Colleges.
2. Research an industry sector to determine issues and trends (focus on pension laws, economic and social issues). **(10)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Analyse a business entity to determine its needs and existing benefits. **(6)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Synthesise information to propose appropriate benefit structures. **(3)**

|  |
| --- |
|  |
|  |
|  |
|  |

1. Recommend a financial solution for a business entity. **(5)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Advise retirement fund Trustees and corporates on the structure of a fund’s investment.

Using the rules provided to you by your Facilitator and the information of Highveld College, answer the following questions.

1. Apply the requirements of PF130, Regulation 28 and the Pension Funds Act to the governance of the investments of a retirement fund. **(5)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Analyse the investment objectives of a retirement fund. **(5)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. Construct a proposed portfolio for a retirement fund for Highveld Colleges. **(5)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. What criteria would you use in selecting an investment advisor for a pension fund. **(5)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

1. What criteria would you use in evaluating a Fund Manager for a pension fund. **(5)**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |