

GUIDELINE TO MEMBERS ON EXIT

UNIVERSITY OF JOHANNESBURG PENSION FUND

UNIVERSITY OF JOHANNESBURG DEFINED BENEFIT PENSION FUND

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REINVENT YOURSELF.**



**UNIVERSITY
OF
JOHANNESBURG**

UNIVERSITY OF JOHANNESBURG PENSION FUND

INTRODUCTION

Your employment at the University of Johannesburg (UJ) has come to an end and you are now entitled to receive your benefits from the University of Johannesburg Pension Fund or the University of Johannesburg Defined Benefit Pension Fund, depending on your membership. You now have to take very important decisions regarding the manner in which your benefits must be dealt with.

Please study this guideline carefully, complete the necessary documentation with the assistance of UJ HR and provide the documents timeously to UJ HR who will forward them to the Fund administrators, Alexander Forbes.

If the requisite documents are not completed in full, signed, dated and submitted timeously, your benefit payments will be delayed.

Please make sure that all of your tax affairs with SARS are in order. If the Fund administrators are unable to get the requisite tax directive from SARS, your benefits cannot be paid.

IMPORTANT NOTE

You may not keep your benefit in the Funds after termination of your service with UJ. You therefore need to carefully consider the available options before making a decision and completing the requisite forms.

You are strongly encouraged to meet with your financial planner and/or broker who will be able to assist you with advice regarding your current options, tax implications and general financial planning regarding your exit from your pension fund.

Please note:

Everything possible was done to ensure the accuracy of this guideline. However, the official rules in terms of which the benefits are provided will apply at all times if discrepancies arise. The rules of the funds may be found on the UJ Intranet.

RETIREMENT

In terms of the rules of the Funds, your normal retirement date is 31 December of the year in which you turn 65. You are permitted to retire early from age 55. Should you have an employment contract with UJ that extends past age 65, your retirement date is determined by that contract. Should you retire after the normal retirement date, you need to be aware of the implications on your benefits.

Your benefits will be determined by the rules of the Fund that you belong to and the category of membership that you are in. The Fund rules and rule summaries for the two pension funds are available on the UJ Intranet. Your annual benefit statement provides your membership category.

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If you are a member of the **University of Johannesburg Pension Fund**, the benefit to which you are entitled can be taken in one of the following ways:

- Take up to 1/3rd in cash and purchase an annuity (pension) with the remaining benefit; or
- Purchase an annuity with the total benefit.

If you are a member of the University of Johannesburg Pension Fund, you do not receive a pension from the fund. Therefore, it is extremely important that you consult your financial planner in advance of your retirement as he/she must obtain suitable quotes for you from long term insurers for an annuity or annuities that will be most appropriate in your personal circumstances.

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If you are an **Annexure D or Annexure E member of the University of Johannesburg Defined Benefit Pension Fund**, the benefit to which you are entitled can be taken in one of the following ways:

- Take up to 1/3rd in cash and purchase an annuity (pension) with the remaining benefit; or
- Purchase an annuity with the total benefit.

If you are an Annexure D or Annexure E member of the University of Johannesburg Defined Benefit Pension Fund, you do not receive a pension from the fund. Therefore, it is extremely important that you consult your financial planner in advance of your retirement as he/she must obtain suitable quotes for you from long term insurers for an annuity or annuities that will be most appropriate in your personal circumstances.

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If you are a **Main Rules, Annexure A or Annexure B or Annexure C member of the University of Johannesburg Defined Benefit Pension Fund**, the benefit to which you are entitled can be taken in one of the following ways:

- Take up to 1/3rd in cash and purchase an annuity or pension with the remaining benefit; and
- Purchase an annuity or pension with the total benefit.

If you are a Main Rules, Annexure A or Annexure B or Annexure C member of the University of Johannesburg Defined Benefit Pension Fund, you may purchase a pension from the fund or with a registered insurer. Therefore, it is extremely important that you consult your financial planner in advance of your retirement as he/she must obtain suitable quotes for you from long term insurers for an annuity or annuities that will be most appropriate for your personal circumstances, which must be carefully compared to the pension available to you from the Fund. Remember to obtain all of the costs, brokerage fees, commission etc. for the options available to you over time. Also

consider what the increases in your pension or annuity would be. The pensioner increase policy for the University of Johannesburg Defined Benefit Pension Fund is available on the dedicated Intranet page for the Funds.

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Note that irrespective of your membership category, the maximum you can take in cash at retirement is 1/3rd of your total benefit.

The tax implications on your benefit are dealt with later in this guideline. You are able to take an amount in cash, but that amount is always limited to 1/3rd of your benefit based on legislation in place at the time of the writing of this guideline. But, the amount that you may take **tax free** is determined by SARS and at the date of this guideline, it was R315 000. Keep in mind that tax legislation can change. **It must further be noted that tax reforms vis-à-vis retirement contributions and benefits are imminent.** Always consult your financial planner.

More About Annuities:

In choosing an annuity you need to consider your personal situation as this will play a big part in identifying the annuity best suited to your needs.

Among other things, you need to consider your age, marital status, dependants, their ages and circumstances, whether you want to leave behind any money for your dependants, you and your spouse's health, your current financial position and financial needs at retirement.

This information will assist you in selecting an annuity best suited to your situation, but you need to seek financial advice from a suitably qualified person. Examples of some annuities are as follows:

- Single Life Annuity
 - A monthly income is paid to you until you pass away.
 - A guarantee period, normally 5 to 10 years, can be included. The longer the guarantee period (i.e. the period over which the income is guaranteed to be paid irrespective of whether you pass away), the lower the monthly annuity at inception.
 - Various options exist in terms of increases; from no annual increases to increases declared by the insurance company depending on the performance of their investments to guaranteed inflationary or inflation linked increases.

- Joint Life Annuity
 - Normally the spouses/partners are the joint annuitants – if this is the case, your spouse/partner would receive a pension in the event that you pass away before he/she does. The higher the amount of the pension you elect to be paid on your passing, the lower the monthly annuity at inception.
 - The annuity is payable until the death of the longest surviving annuitant.
 - A guarantee period can also be included.

- Capital Preservation Plan
 - The annuity is payable as a single life annuity to the annuitant. On the death of the annuitant the annuity ceases, and the original purchase price is payable tax free to the surviving spouse or nominated beneficiary.
 - The monthly annuity is lower than the annuities described earlier since a portion of the annuity is used to pay a premium on a life policy which provides the guarantee.
 - This policy is structured to refund the original purchase price, tax free, to the surviving spouse or nominated beneficiary on the death of the annuitant.

- Living Annuity
 - There is no guarantee of a pension for life. Your capital amount is invested and you can withdraw a portion as income which would serve as your pension.
 - You can select an amount of between 2.5% and 17% of the amount that you invested. The level of income can be adjusted annually.
 - If you withdraw more than your investment earns, your capital is depleted and you may reach a stage where your income is reduced. Similarly, if you withdraw less than your investment earns, your capital will grow and you may have the option of increasing your income.
 - On the death of the annuitant, the remaining capital may be paid to the beneficiaries of the annuitant either as an annuity over a 5 year period, or over the same period as originally selected by the annuitant, or the annuity can be commuted as a lump sum (with effect from 1 March 2012).

- Escalating Annuity
 - Annuities other than living annuities may be paid as a level monthly income throughout, or may escalate in line with inflation or a fixed pre-selected percentage.

More information about your annuity options is available in the Alexander Forbes document entitled "Options available to members on leaving". This is available on the dedicated Fund Intranet page at: <https://findit.uj.ac.za/sites/hr/pension>

HOW WILL YOU KNOW WHAT YOUR BENEFITS WILL BE AT RETIREMENT?

Please consult your latest benefit statement where your retirement benefits are declared.

Should you wish to receive an updated retirement benefit statement, log on to the Intranet and access the dedicated Fund page on <https://findit.uj.ac.za/sites/hr/pension>. Download the form entitled "Request for quote or fund value". Complete and follow the instructions on the form to arrange for an updated quote.

In the second half of 2013, all members will be given access to AFOne, the online member access platform for the Fund administrators, Alexander Forbes. Members will then have on-line access to their fund values.

RESIGNATION

If you leave UJ before retirement due to resignation, retrenchment or dismissal, you will become entitled to your resignation benefit from your Fund. Please refer to your most recent benefit statement, the Fund rules applicable to you and the benefit summary of your specific fund for details on the calculation of your benefit.

You have the following options regarding the treatment of your benefit:

- Transfer to a preservation pension fund
- Transfer to a retirement annuity fund
- Transfer to your new employer's pension or provident fund
- Take the benefit in cash.

Research has shown that as few as 1 in 10 people who are members of a pension or provident fund can rely on their benefit in their retirement fund alone to provide them with sufficient income when they retire. The main reason for this is that benefits are taken in cash and not preserved for retirement when changing jobs. It is therefore essential for members to be aware of their options to ensure that, where possible, their benefits are preserved.

More About the Available Options:

- Transfer to a Retirement Annuity

You may elect to transfer your benefit to a retirement annuity in your own name.

Advantages:

- No tax is paid on transfer, thereby preserving the full value of your benefit for retirement
- You have control over where your benefit is invested.

A personal financial planner can spend some time with you helping you to understand your risk profile and helping you to select the most appropriate investment portfolio.

Disadvantages:

- You can only access your benefit from age 55
- When your benefit is paid, you can only take a maximum of 1/3rd in cash and the remainder must be used to purchase an annuity which provides a monthly income. See "more about annuities" above.

- Transfer to a Preservation Pension Fund

You may elect to transfer your benefit to a preservation pension fund in your own name.

Advantages:

- No tax is paid on transfer, thereby preserving the full value of your benefit for retirement
- You have access to your benefit prior to age 55 in cases of emergency, such as retrenchment
- You have control over where your benefit is invested.

A personal financial planner can spend some time with you helping you to understand your risk profile and helping you to select the most appropriate investment portfolio.

Disadvantages:

- Having access to your benefit may be detrimental as you may be tempted to withdraw your benefit prior to retirement thereby reducing your retirement capital
- Should you elect to make a withdrawal prior to retirement, this amount will be taxed much less favourably than at retirement.

- Transfer to your new employer's Pension or Provident Fund

You may elect to transfer your benefit to your new employer's pension or provident fund, provided the rules of that fund permit such a transfer. Should the new employer's fund be a provident fund, the benefit will be taxed.

Advantages:

- No tax is paid on transfer to another pension fund, thereby preserving the full value of your benefit for retirement
- This option is usually the most cost effective as no upfront fees are payable.

Disadvantages:

- You may not have control over where your benefit is invested in the new fund
- On resignation from your new employer you will again have to transfer your benefit elsewhere
- You will not have access to your benefit prior to your resignation or retirement from the new employer.

- Take your benefit in cash
You may take your benefit in cash. This is however not recommended as you lose your accumulated retirement savings.

Advantages:

- You have the cash available.

Disadvantages:

- You did not preserve your benefit for retirement
- Your benefit will be taxed much less favourably than at retirement. Also, the tax free portion is only allowable once in your lifetime.

HOW WILL YOU KNOW WHAT YOUR BENEFITS WILL BE AT RESIGNATION?

Please consult your latest benefit statement where your retirement benefits are declared.

Should you wish to receive an updated resignation benefit statement, log on to the Intranet and access the dedicated Fund page on <https://findit.uj.ac.za/sites/hr/pension>. Download the form entitled "Request for quote or fund value". Complete and follow the instructions on the form to arrange for an updated quote.

In the second half of 2013, all members will be given access to AFOne, the online member access platform for the Fund administrators, Alexander Forbes. Members will then have on-line access to their fund values.

TAX IMPLICATIONS

*The tax implications set out herein reflect the relevant tax legislation as at April 2013. Bear in mind that tax legislation is reviewed periodically and there may be other provisions or amended provisions that may be applicable to you when you exit the funds. **It is specifically recorded that tax reform on retirement fund matters is imminent.** You need to consult your financial planner in this regard.*

The lump sum benefits you receive will be subject to tax as determined by the Income Tax Act. Any amount transferred to an approved pension fund, a preservation pension fund or retirement annuity on termination of employment before retirement may be tax free. The payment of this benefit is subject to the approval of the South African Revenue Service (SARS) and the administrator obtaining a nil tax directive for you from SARS.

Please ensure that your tax affairs are in order. This implies that your tax returns are up to date and that you are also up to date with your assessments. If your affairs are not in order, SARS will not issue a tax directive for you which means your benefit cannot be paid to you.

Taxation of Retirement Benefits:

The tax payable on lump sum benefits on retirement from the Fund is calculated as follows:

Amount of Benefit	Tax Payable
R0 to R315 000	Tax free
R315 001 to R630 000	18%
R630 001 to R945 000	R56 700 plus 27% of the amount above R630 000
R945 001 and above	R141 750 plus 36% of the amount above R945 000

Note that should you be retrenched, the above tax table will apply and not the table applicable to resignation prior to retirement.

The tax free portion only applies once. If, for example, you retired from a pension fund in 2013 and received the R315 000 tax free, and you retire from another pension fund some years later, you will not be entitled to a further tax free portion.

Should you purchase an annuity and use all or part of your benefit to do so, the transfer of the capital amount to the insurer will not be taxed. Any monthly income you receive from the annuity thereafter will be taxed as income.

Taxation of Withdrawal Benefits:

The tax payable on lump sum benefits on withdrawal prior to retirement from the Fund is calculated as follows:

Amount of Benefit	Tax Payable
R0 to R22 500	Tax free
R22 501 to R600 000	18%
R600 001 to R900 000	R103 950 plus 27% of the amount above R600 000
R900 001 and above	R184 950 plus 36% of the amount above R900 000

All lump sum benefits received from a retirement fund will be taxed on a cumulative basis. The significant impact of this is that when a member eventually retires, the total value of the lump sum

benefits previously received by the member will now be taken into account when calculating the tax free amount payable on the member's retirement.

It is important to note that not only withdrawals prior to retirement will result in lump sum benefits. The payment of divorce proceeds, the deduction of a housing loan and the transfer from a pension to a provident fund will also result in lump sum benefits and will have the same effect as an early lump sum withdrawal.

Members are encouraged to rather preserve their lump sum benefits in a preservation pension fund, a retirement annuity fund or another pension fund as it will not attract tax and the full tax free amount of R315 000 will be available on retirement.

FINANCIAL ADVICE

The Financial Advisory and Intermediary Services (FAIS) Act came into effect in 2004. The FAIS Act gives you protection against poor advice, and will help prevent scam operators selling you a bogus "financial" product.

In terms of the Act, anyone and any institution selling a financial product or giving you financial advice for a fee or commission must, in dealing with you, meet certain minimum requirements; behave honourably, professionally and with due diligence; provide you with appropriate advice and be subject to disciplinary procedures if they do not adhere to the FAIS Act.

The legislation, however, does not mean that people with ill-intent will not try to con you. You still have an obligation to protect yourself, and to ensure that the person or institution giving you advice or selling you a financial product is properly licensed and behaves according to the law.

Questions to ask your financial planner and broker:

- Are you registered with the Financial Services Board as a Financial Services Provider (FSP)?
- Do you have indemnity insurance?
- Which company's products are you licensed to sell?
- What products are you licensed to sell?
- What are your qualifications?
- Will you do a financial analysis for me?
- Will you provide me with my risk profile?
- How will you be paid and how much? What other incentives do you receive?
- How often will I see you?

It is strongly advised that you discuss the various options available to you upon withdrawal with your financial planner. Should you not have a financial planner, you are welcome to visit the Financial Planning Institute's website www.fpi.co.za for a list of accredited financial planner in your area.

Alternatively, you may contact the administrators, Alexander Forbes, on the dedicated call centre line for the university for assistance. The number is: **0860 042 837**

You may also contact Gina Benney, a certified financial planner (CFP) from Alexander Forbes, who has been assigned to the university's funds. Her email address is benneyg@forbes.co.za.

The Trustees specifically record that it remains the sole responsibility of a member to seek professional advice and any advice or communication between an advisor, planner, broker and member remains a personal matter for the member.

UNCLAIMED BENEFITS POLICY

Members who do not claim their benefits timeously must note that the pension funds have policies in terms of which unclaimed benefits are dealt with. These policies are available on the Intranet. Members who do not claim their benefits timeously may incur additional costs.

DOCUMENTATION AND FORMS TO BE COMPLETED

You and your employer both have to complete and submit the relevant documents set out below. The documents are available from UJ HR, as well as on the dedicated Intranet page for the Funds on: <https://findit.uj.ac.za/sites/hr/pension>

Retirement

On retirement, the following are required:

- Retirement – Form 1 of 3 (Retirement Notification)
 - **Complete the entire form**, except for the salary data on the first page, which will be completed by Alexander Forbes.
 - Be sure to submit the additional documents required, as set out on the first page of the form.
 - If you are a member of the University of Johannesburg Pension Fund; or an Annexure D or E member of the University of Johannesburg Defined Benefit Pension Fund, you must purchase an annuity outside of the fund. Therefore, it is crucially important that you provide your broker's details on the form. Make an appointment with your broker or financial planner well in advance of your retirement, so that by the time you retire you have a firm decision on where your monthly annuity will come from. Alexander Forbes will stay in contact with your broker for the completion of the GN18 Recognition of Transfer form, as well as to obtain the requisite application form from the insurer that will provide your annuity.
 - If you are a Main Rules, Annexure A, Annexure B or Annexure C member of the University of Johannesburg Defined Benefit Pension Fund, and choose to purchase an annuity outside of the fund, it is crucially important that you provide your broker's details on the form. Make an appointment with your broker or financial planner well in advance of your retirement, so that by the time you retire you have a firm decision on where your monthly annuity will come from. Alexander Forbes will stay in contact with your broker for the completion of the GN18 Recognition of Transfer form, as well as to obtain the requisite application form from the insurer that will provide your annuity.
 - If you are a Main Rules, Annexure A, Annexure B or Annexure C member of the University of Johannesburg Defined Benefit Pension Fund, and choose to purchase your pension directly from the fund, Alexander Forbes will arrange for your payment as set out in the form. Submit a bank stamped recent original bank statement or a bank stamped letter from your bank confirming your bank account details.

- If you decide to take any part of your benefits in cash, submit a bank stamped recent original bank statement or a bank stamped letter from your bank confirming your bank account details.
- Certified copy of your Identity Document.
- If you purchase your pension directly from the Fund, which is only applicable to Main Rules, Annexure A, Annexure B and Annexure C members of the University of Johannesburg Defined Benefit Pension Fund, you must complete the form:
Retirement – Indemnity – Pension from Fund – Form 2 of 3.
- If you purchase an annuity from an insurer, you must complete the form:
Retirement – Indemnity – Pension from Insurer – Form 3 of 3.

Resignation

On resignation, the following are required:

- Resignation of dismissal – Form 1 of 1 (Withdrawal notification)
 - **Complete the entire form.**
 - If you are going to transfer your benefit to a retirement annuity, preservation fund or your new employer’s retirement fund, be sure to provide your broker’s details on the form.
 - If you are going to transfer your benefit to a retirement annuity, preservation fund or your new employer’s retirement fund, you do not need to provide the FSB registration number or SARS approval number for that fund. Alexander Forbes will complete that once they have contacted your broker and received more documents from him/her.
 - Once you have decided on where your monies will be transferred to with the assistance of your broker, make sure that your broker provides Alexander Forbes with the application form from the fund that you are transferring your money to.
 - Alexander Forbes will then complete a Recognition of Transfer Form to transfer your pension fund benefits to that fund.
 - Therefore, it is critically important that you speak to your financial planner and broker as soon as possible.
 - If you are going to take your benefit in cash, submit a bank stamped recent original bank statement or a bank stamped letter from your bank confirming your bank account details.
- Certified copy of your Identity Document.

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It is important that the documents are completed fully and correctly to avoid delays in the processing of your benefit.

The completed forms and additional documents must be provided to UJ HR for further processing.

PROCESSING AND PAYMENT OF YOUR BENEFIT

The processing and payment of your benefit takes time.

You can assist in this process by doing the following:

- Making sure that all of your tax affairs are in order with SARS.
- Following the instructions in this guideline.
- Completing all of the requisite forms and submitting these to UJ HR at least a month in advance of your leaving the university's employ.
- Submitting all of the additional documents well in advance of your leaving the university's employ.
- Deciding well in advance of your leaving the university's employ how your benefits must be dealt with.
- Seeing your financial planner and broker as soon as possible.
- Completing the requisite forms to transfer your benefits to another fund or to purchase an annuity, and making sure that your broker submits this timeously to Alexander Forbes.
- Staying in contact with your broker to make sure that he/she is available to speak to Alexander Forbes. Often, it is difficult for the administrators to reach brokers.

In addition, bear in mind that strict procedures and controls are in place over pension fund finances. Let us assume you retired or resigned and your last day at work is 31 December. Your and the employer's contributions are paid to the Funds monthly in arrears. The contributions deducted from your salary in December are paid to the Fund by 7 January as required by law. These contributions are then reconciled and these reconciliations together with the investment of the contributions earmarked for retirement, are finalised by 12 January. Transfer documents then need to be finalised and lodged within 20 days thereafter, and actual transfers made within 10 days after that. The process is also reliant on the administrators obtaining a SARS Tax directive and a number of further steps. This all takes time.

Particularly in the case of pensioners who purchase an annuity from an insurer, and those who resign and who need their pension fund monies to cover their on-going living expenses:

You need to plan for your exit.

The Funds cannot make advance payments. Your benefits will likely not be paid in the month after your retirement or resignation.

Typical causes of delays in the processing of your benefit are:

- The claim documents are sent to the administrator late.
- The claim documents are incomplete or completed incorrectly. The administrator then has to contact you or UJ HR to obtain missing information and/or documents.
- SARS does not issue a tax directive. Should this be the case you will be requested to contact SARS to resolve any outstanding matters before a directive will be issued.
- If a court has granted a divorce order for a divorce settlement against your benefit, the administrator will require your former spouse's tax details, banking details and signature in order to effect payment.
- Your employer may have a legal claim against you due to theft or fraud you committed while in UJ's service. In certain circumstances the Fund is entitled to withhold payment of your benefit while the legal process is on-going.

- Should you have a maintenance order against you and you are in arrears with your maintenance obligations, the Fund may under certain circumstances settle your arrear maintenance from your benefit prior to making payment of the balance to you.

Should you require further information, please call the Alexander Forbes dedicated call centre line for the university:

0860 042 837

All forms and fund documents are available on the dedicated Fund Intranet pages:

<https://findit.uj.ac.za/sites/hr/pension>