



NATIONAL TERTIARY RETIREMENT FUND



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Pre- Retirement

30 May 2023



Understanding some
key terms



The retirement
process and
related issues





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Some Key Terms

- Annuity
- In Fund or Outside Fund
- Life Annuity or Living Annuity
- Cash lump sum
- Taxed or tax free

***Please Note** that we will define these in general / industry terms and later reference the specific application in the NTRF.*



Annuity

- An annuity is a series of payments made at equal intervals.
- For many people this is referring to a **pension**.
- Be careful of pre-conceived ideas about a pension, and to what extent it is guaranteed or will increase. We will address that shortly.





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In Fund or Outside Fund

In Fund

- The Fund purchases the annuity from the insurer on your behalf.
- You remain a member of the Fund (moving into the pensioner or annuitant category), and the Fund pays you your monthly annuity.
- As a member of the Fund you remain governed by the Fund rules and any decisions made by the Trustees.
- You will benefit from fees negotiated by the Fund.
- You also benefit from any “additional” benefits offered by the Fund.



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In Fund or Outside Fund

Outside the Fund

- You purchase the annuity directly from the insurer using money transferred to the insurer by the Fund.
- Terms and conditions would be those applicable to an individual applicant.
- You cease to be a member of the Fund, and you deal directly with the insurer, and the insurer pays the monthly annuity to you.
- You can select options outside those approved by the Trustees, provided you comply with industry regulations.



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Life Annuity

- The annuity is defined in the contract and is guaranteed by the insurer. The insurer carries the investment risk and also the longevity risk.
- The annuity increases are defined in the contract , and may have no increases, fixed percentage increases, increases linked to inflation or increases linked to bonus declarations from the insurer.
- Any guarantees, spouses benefits or payments on your death would be defined in the contract.



Life Annuity

- The initial pension will be determined by the contractual issues such as the rate of increase and any guarantees. For example, the higher the rate of increases, the lower the initial pension.
- On death of the member the benefit due to beneficiaries is generally limited to the balance of the guaranteed period defined in the contract.
- Generally, once a life annuity has been purchased, there is limited flexibility to amend the contract.



Living Annuity

- A Living annuity links the annuity to underlying investment portfolios.
- The annuity is not guaranteed and is reviewed each year. The drawdown must be between 2.5% and 17.5% of the capital at the start of the year, and thus can reduce on the annual review.
- The annuitant assumes the investment risk and the longevity risk.



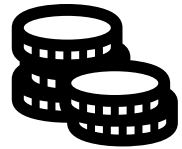
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Living Annuity

- Dependent on the rate of “drawdown” and the investment return earned, the monthly payments could exhaust the capital and the annuity will cease at that point.
- On the death of the member the beneficiaries receive the remaining asset value.
- The product structure does allow for considerable flexibility.



Cash Lump Sum

- Regulations determine the extent to which a member can elect to receive a cash lump sum at retirement.
- In terms of legislation a member can elect to receive up to 1/3rd of their retirement capital as a cash sum.
- Also cash lump sum if the retirement capital amount is below R247 000.
- Obviously this significantly reduces the annuity that can be purchased.
- Do not get confused between the cash lump sum and the tax-free lump sum.



Taxed or Tax Free?

- A lump sum at retirement is taxed as per the applicable table at the time. Currently:

| Taxable Income | Rate of Tax |
|-----------------------|--|
| 1 – R550 000 | 0% |
| R550 001 – R770 000 | 18% of taxable income above R550 000 |
| R770 001 – R1 155 000 | R39 600 Plus 27% of taxable income above R770 000 |
| R1 155 001 and above | R143 550 plus 36% of taxable income above R1 155 000 |

- Note that previous retirement fund withdrawals will be taken into account and a member may have already used their tax free allocation.
- Additional tax free amounts relate to previous contributions which did not qualify for a tax deduction.
- This only applies if the exit is processed as a retirement benefit.
- The monthly annuity is regarded as taxable income.



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Things to Consider at Retirement

- Do you plan to keep working and receiving an income in some form?
- Do you plan to stay in your current home?
- What is your current state of health?
- What are your current debts and how do you plan to address them?
- What are your partners plans in terms of retirement?
- Who are financially dependent on you, and would they need support in the event of your death?
- Have you compared your current monthly budget with your post retirement budget? And have you projected this forward into retirement?
- Do you have an estate plan?



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NTRF Options at Retirement



RETIREMENT
AGE



Employees can retire early from age 55, but would need the employer to approve and agree to complete a retirement form (and not a withdrawal form).





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NTRF Options at Retirement

RETIREMENT WITHIN THE FUND

- The Fund provides members with two retirement options, namely an in-Fund Life Annuity and an in-Fund Living Annuity. Alternatively, you may select a combination of the two if you comply with the minimum limit for so doing.
- Cash option available in terms of legislation.
- Minimum limit referred to above is currently R1.5 million (after any cash payment) minimum investment if you select a Living Annuity.
- You can elect to defer your retirement from the Fund, and provide your retirement election at the point when you are ready. No further contributions can be accepted though.



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NTRF Options at Retirement

RETIREMENT WITHIN THE FUND: IN FUND LIFE ANNUITY

- This type of monthly annuity is **payable for the rest of your life and includes a provision for your surviving spouse.**
- Upon your death, 100% of your annuity at date of death will be paid to your surviving spouse for the balance of the first five years from date of retirement, reducing at that point to 75% for the rest of his/her life, provided that your spouse was registered with the Fund as your spouse at your date of retirement.
- **Any amount** remaining in your member share account (after deduction of the pension payments and lump sum payments made at your retirement) passes to your spouse on your death. When he or she dies, the balance left in the account will be paid to your **estate** or that of your spouse if you predeceased hi,/her.
-



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NTRF Options at Retirement

RETIREMENT WITHIN THE FUND: IN FUND LIFE ANNUITY

- Monthly pensions payable may be increased from time to time, based on affordability and at a rate determined by the Fund's actuary and approved by the Board. Once a pension increase is granted, the new higher level of pension becomes payable for the life of the pensioner/spouse.
- The monthly In-Fund Life Annuity pension already budgets for an investment return. It can therefore afford pension increases only to the extent that the Fund can earn an investment return in excess of that budgeted return.



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NTRF Options At Retirement

RETIREMENT WITHIN THE FUND : IN FUND LIFE ANNUITY

- The NTRF aims to target pension increases of 65% of inflation – this is not guaranteed though. Historically the level of pension increases exceeded the target to inflation because investment returns have been very good, making such increases affordable.
- **In addition**, a lump sum of **R5 000** is payable on the death of the principal annuitant. This is to cover immediate expenses.



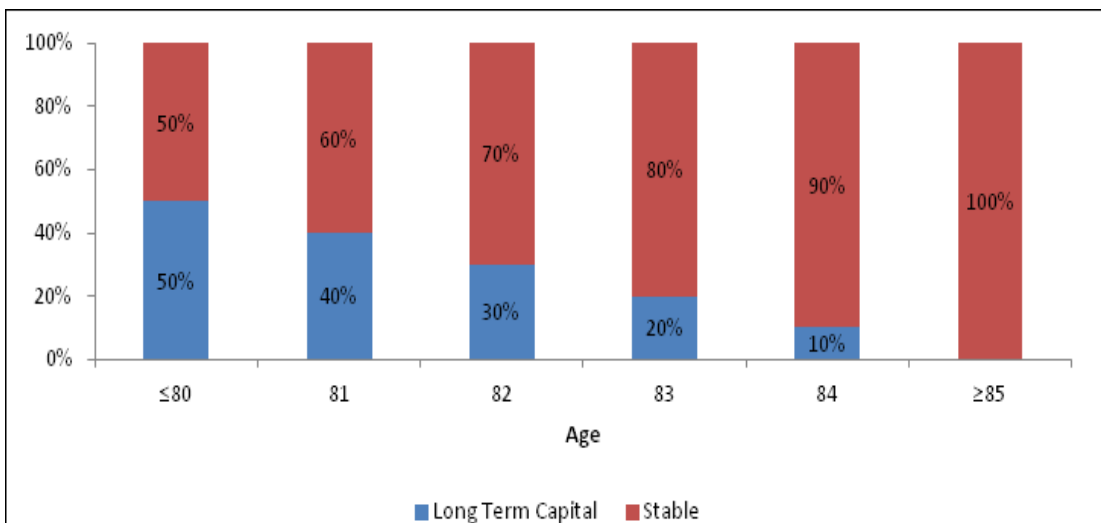
NTRF Options at Retirement

RETIREMENT WITHIN THE FUND: IN FUND LIVING ANNUITY

Investment of assets

At retirement, your money will be invested in your Living Annuity Capital Account that will comprise the investment return earned on the balance in your account after deducting investment management expenses (*this return could be negative from time to time*); **less** the monthly benefit paid to you; **less** the administration and other operational expenses.

You must decide how to invest your Living Annuity (see next slide). If you do not exercise a choice the Board's default selection will be applied.





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NTRF Options at Retirement

RETIREMENT WITHIN THE FUND : IN FUND LIVING ANNUITY

Member investment choice

Alternatively, you may invest your retirement capital in one or more of the existing **investment channels** offered to in-service members. The same conditions will apply to these portfolios as for in-service members. **You are permitted to change this selection only once per annum on the anniversary date – this is 1 September each year.**

The investment portfolios are:



*Long-term
Capital portfolio*



*Stable
Portfolio*



*Money Market
portfolio*



*Shari'ah
portfolio*



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RETIREMENT WITHIN THE FUND: IN FUND LIVING ANNUITY

Death of the member

- After **you** have passed away, your surviving spouse will take over your account and continue to “draw down” on the account as per his/her choice, provided you have nominated your spouse to continue to receive this living annuity. If no spouse is nominated, the benefit will be allocated in terms of section 37C of the Pension Funds Act.
- Subject to provisions in the Income Tax Act, your spouse may commute the full benefit (not part of it) within six (6) months of your death.
- After your nominated spouse has passed away, the balance in his/her Living Annuity Capital Account will be distributed in accordance with the completed Expression of wishes form on file and not in terms of section 37C of the Pension Funds Act. If no nomination is made, the benefit will be paid to the estate.



NTRF Options at Retirement

RETIREMENT WITHIN THE FUND: IN FUND LIVING ANNUITY

Monthly annuity

You may select a draw-down lower than that stipulated in the table:

The Pension Funds Act specifies a minimum “draw-down” of 2,5% per annum and a maximum of 17,5% per annum.

| Age at anniversary date | Maximum “draw-down” |
|-------------------------|---------------------|
| Up to age 60 | 5% |
| 61 - 65 | 6% |
| 66 - 70 | 7% |
| 71 - 75 | 8% |
| 76 - 80 | 10% |
| 81 - 85 | 12% |
| 86 - 90 | 14% |
| 91 and older | 17.5% |



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NTRF Options at Retirement

RETIREMENT WITHIN THE FUND: IN FUND LIVING ANNUITY

Member communication

- The Fund will issue statements annually to all In-Fund Living Annuity members, at least two (2) months prior to the annuity “anniversary” date which is 1 September each year.
- In-Fund Living Annuity members should inform the Fund annually at least one (1) month prior to their annuity “anniversary” date should they prefer to amend their “draw-down” percentage, otherwise it will be maintained at its existing level until the next annuity “anniversary” date. It is compulsory to review this percentage annually and it is the obligation of the annuitant as well as the Fund to complete the review in time ahead of the next anniversary date.



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Other Options at Retirement

RETIREMENT OUTSIDE THE FUND

- Members can elect either a Living annuity or a Life annuity (or a combination) from any registered insurer.
- Member can elect cash to the extent permitted by regulations.
- The member will exit the Fund and the Fund has no further obligations to that member.
- Members will agree terms and conditions with the insurer and fees are likely to be those applicable to an individual investor.



Indicative Fee Comparison : Living Annuity

| | IN FUND ANNUITY | OUT OF FUND ANNUITY |
|-------------------------|--|------------------------------------|
| Investment manager fee | Long Term Capital 0.70% pa Stable 0.58%pa | Range from 1.00% to 2.5%pa |
| Platform fee | R92.50 pm + R40.00pm | Range from 0.25%pa to 0.50%pa |
| Commission / Advice fee | Nil | 1% - 2% upfront 0.50% - 1.0% pa |

The Out of Fund costs are indicative, based on fees quoted by one insurer as an example.



Indicative Fee Comparison: Life Annuity

| | IN FUND ANNUITY | OUT OF FUND ANNUITY |
|------------------------|-------------------------------------|----------------------------|
| Investment manager fee | Total investment charge: 0.47% p.a. | Not disclosed |
| Platform fee | R84.85 pm | Not disclosed |
| Commission | Nil | Max 1.5% Plus VAT up front |



Issues Specific to Certain Members

- Certain members have conditional retirement benefits.
- These members are not allowed to opt out of the Life Stage investment model.
- The impact of their conditional retirement determines whether their retirement / capital sum will be higher than the current member share. This is calculated by the actuaries and will be enhanced if necessary.
- Other than the possible enhancement to the capital sum, the options at retirement remain the same as for other members (as outlined in this presentation).



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Issues Specific to Certain Members

The In-Fund Life Annuity option is **NOT** available to beneficiaries who have received a lump sum from flexible risk benefits due to a member having passed away in service or having become medically disabled.





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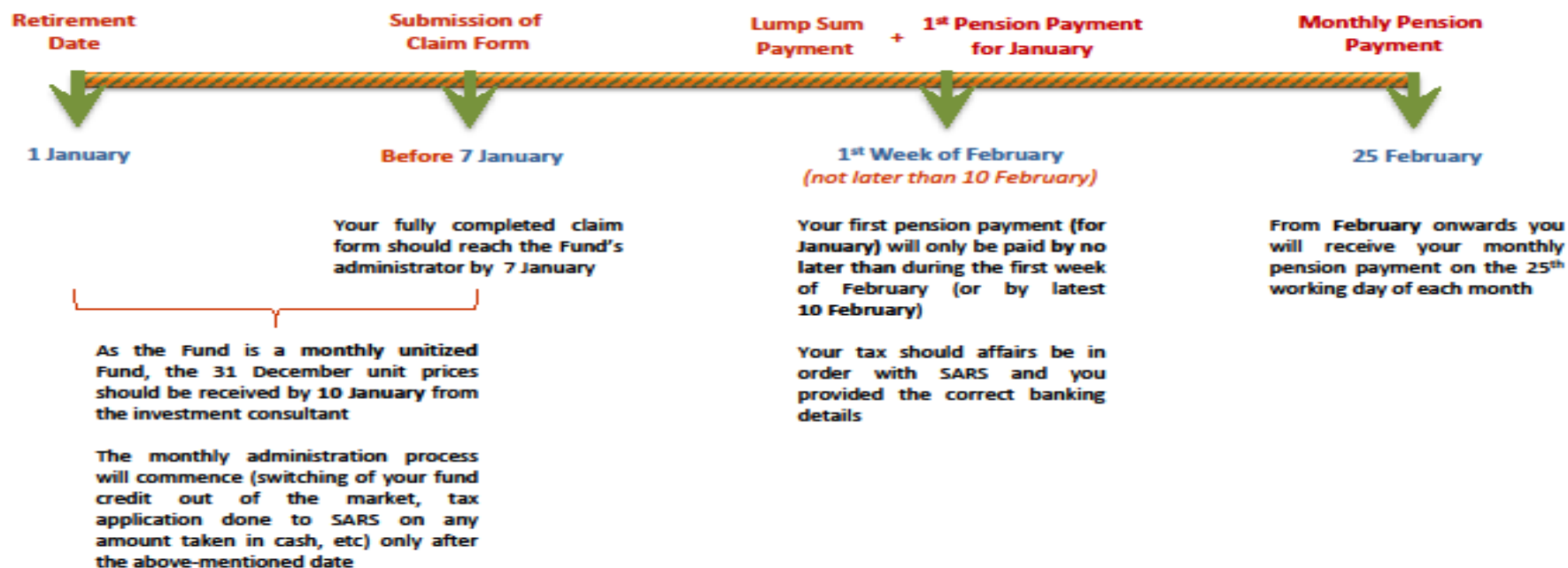
Administrative Issues

- The Fund issues a personalised retirement statement to you three months prior to your retirement date so that you can make an informed choice.
- You should complete the retirement option form and ensure that all supporting documentation as specified on the forms is attached to your notification to the Fund.
- Remember to keep your beneficiary nomination form up to date.



NATIONAL TERTIARY RETIREMENT FUND PENSION PAYMENT PROCESS AT AND AFTER RETIREMENT (Should you retire inside the Fund)

SHOULD A MEMBER, FOR EXAMPLE, RETIRE 1 JANUARY, THE FOLLOWING ADMIN PROCESSES AND TIMELINES WILL BE APPLICABLE





Documentation

The cutoff date for receiving all documents is the 7th of each month. If we receive documents after the 7th then the next recon cycle month applies as the exit date and the contributions for the next recon cycle must be received. *All the docs must be received before a claim can be processed.*

1. CLAIM FORM

- Completed, signed and stamped claim form
- Completed, dated and signed option form
- Retirement date must correspond with the last contribution Received.
 - **How to determine the Exit date**
 - **The exit date shall be the LATEST date of either.**
 - The date the option form was signed
 - The date the claim form was signed or
 - The last contribution received



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Documentation Option Form

- Option form should indicate date of notification.
- Member must indicate how they want their benefit to be paid out.
- If there's zero's under the cash option
 - No assumptions must be made that the member does not want any portion in cash
 - Confirmation with the member on the option they want,
 - if Transfer externally, then TDF Transfer Detail form should be completed.



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Documentation Marital status

- If the member is married, the spouse's details need to be provided either on the claim form or on the option form.
- The spouse's details that are provided on the form need to correspond with the ones that are on the system else we need proof of marriage (**marriage certificate**); this is essential information for the Joint Life Annuity which applies only if the member is married.
- If there's a different spouse on the system, we need to get confirmation of whether the member got divorced or not so as to update the spouse's details on our system (**Divorce Decree**).
- If the member has ticked that they not married, confirmation should be required, to ensure that that there will be no Joint -Life Annuity.



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Documentation Conditional retirement

Only applicable to AIPF members

Note: The Calculation for AIPF members can only be done after the last contribution has been received and the unit prices are loaded.

- Calculation done by the actuary to determine whether the member is eligible for **conditional retirement benefit**.
- MRA will then request consent from the employer to approve the conditional retirement benefit amount to be added to the member's benefit.

If the member retires at an age younger than 60, they forfeit this benefit.



Documentation Supporting documents

•INTERNAL TRANSFER

- Marriage Certificate (if married)
 - Spouse's ID (if married)
 - Member's Id
 - Banking details (if member has opted to take a portion in cash, the same bank account will be use for the in-fund annuity payments)

•EXTERNAL TRANSFER

- Transfer detail form
- Annuity Quote from the External Insurer



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Fund Contact Information

Member Website: www.ntrf.co.za

OFFICE OF THE PRINCIPAL OFFICER (Management of the Fund)

Contact the Principal Officer for all escalations of queries

| Physical address | Telephone | Email |
|---|--------------|--|
| Building 2 Country Club Estate Woodlands Drive Woodmead | 011 258 8825 | info@gobenefits.co.za |

ADMINISTRATOR (Administrative matters)

Contact the Fund Administrator for all investment and claim queries and other admin-related queries

| Physical address | Telephone | Email |
|---|--------------|--|
| Fund Retirement Administrators The Marc 129 Rivonia Rd Sandown Sandton | 0860 000 071 | NTRF@momentum.co.za |



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QUESTIONS

