



# Welcome

## RETIREMENT

**APRIL 2024**

Presented by the Principal  
Officer's Office





## Agenda

- > Understanding your options at retirement
- > Projecting your retirement needs
- > Actions to consider prior to retirement



## Agenda

- > The retirement process and key decisions
- > Financial retirement vs retirement from employment
- > Questions



## What are my options at retirement?



*Consider the issue of a Life annuity vs a Living annuity.*



*Consider the issue of In Fund annuity vs an out of Fund annuity.*



## WHAT IS A 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.
- 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.



## WHAT IS A 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.
- 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



## IN FUND OPTIONS

- You remain a member of the Fund.
- The Fund “purchases” an annuity which provides you with the monthly benefits
- You are limited to the options approved by the Board of Trustees.



## OUT OF FUND OPTIONS

- You purchase an annuity from a registered service provider.
- You provide the Fund with the details and they transfer your retirement savings to purchase the annuity.
- This provides access to a wider range of solutions but often at higher costs.
- 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.





## CASH AT RETIREMENT

- Members have the option to select a cash lump sum at retirement, as follows:
  - Vested Pot : up to 1/3<sup>rd</sup> of the balance
  - Savings Pot : the entire balance
  - Retirement Pot : Nil.
- The cash will be taxed as per the retirement tax table, but remember that SARS allows for any previous lump sum cash payouts.



## TAX ON CASH AT RETIREMENT

1 – 550 000	0% of taxable income
550 001 – 770 000	18% of taxable income above 550 000
770 001 – 1 155 000	39 600 + 27% of taxable income above 770 000
1 155 001 and above	143 550 + 36% of taxable income above 1 155 000

Note : Previous retirement lump sums are taken into account.



## QUESTION TIME

- One of the annuity options means that you will be taking both the investment risks and also the risk that you live too long. Is this:
  1. A Living annuity
  2. A Life annuity



## WHAT ARE THE IN FUND OPTIONS?

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.



## CONDITIONAL RETIREMENT MEMBERS

- Certain members have conditional retirement benefits
- These members are not allowed to opt out of the lifestage 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).



## 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 **beneficiaries.**

**IMPORTANT** Beneficiaries can be traced only if your Expression of wishes form is kept up to date throughout your retirement.



## IN FUND LIFE ANNUITY contd

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.

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 FUND LIFE ANNUITY contd

In addition, a lump sum of R5 000 is payable on the death of the principal annuitant. This is to cover immediate expenses.

Also:

- An alternative 0% spouse's pension, subject to the written consent of the spouse, which may be elected by a retiree on retirement, as an alternative to the default 75% spouse's pension.
- An alternative 20 year guarantee which may be elected by a retiree on retirement, as an alternative to the default period of 5 years.





## IN FUND LIVING ANNUITY

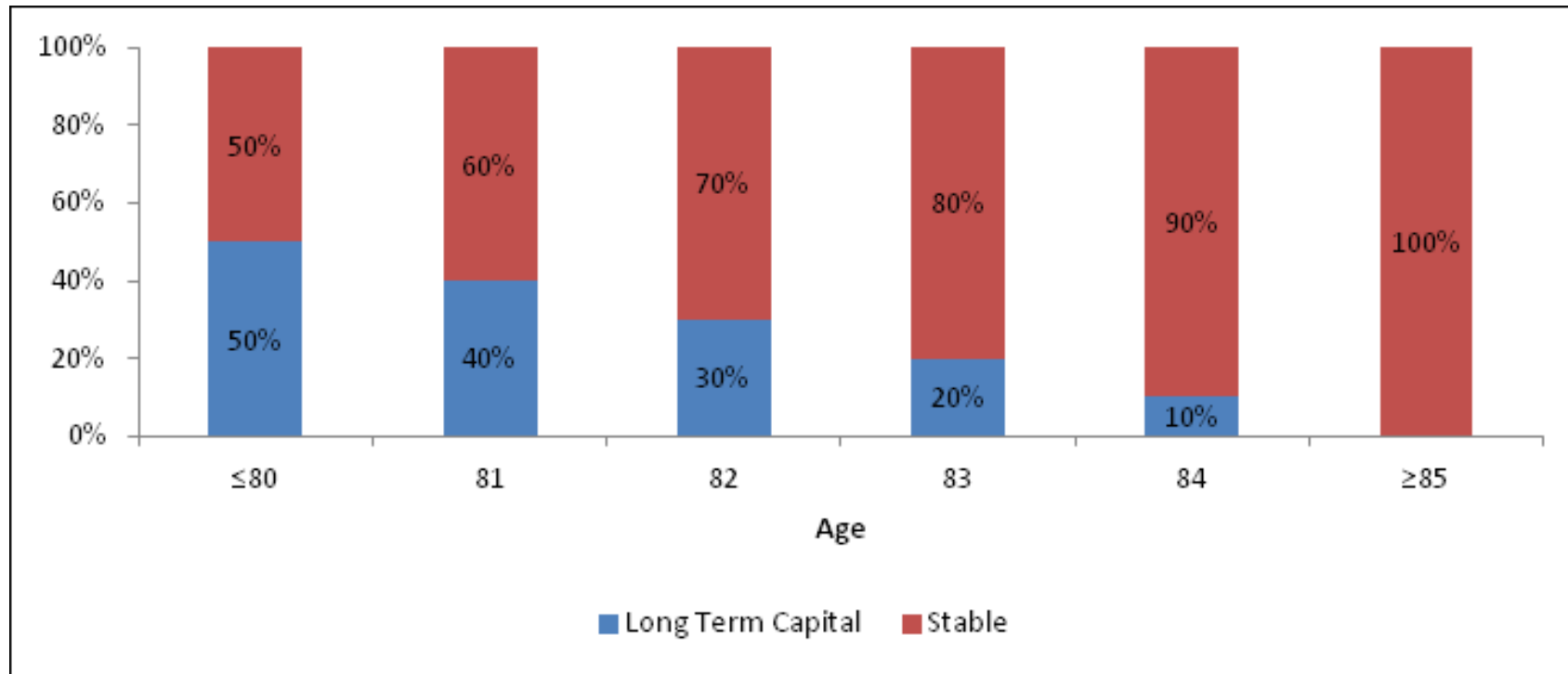
### Investment of assets

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.



## IN FUND LIVING ANNUITY contd





## IN FUND LIVING ANNUITY contd

### 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 your anniversary date – i.e. end of the month in which you retired.**

The investment portfolios are:

- Long term Capital portfolio
- Stable Portfolio
- Money Market portfolio
- Shari'ah portfolio



## IN FUND LIVING ANNUITY contd

### 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.



## IN FUND LIVING ANNUITY contd

### Monthly annuity

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

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%



## OUT OF FUND OPTIONS : LIFE ANNUITY

Access to

- other guaranteed periods
- other spouses pension percentages
- Other approaches to pension increases



## OUT OF FUND OPTIONS : LIVING ANNUITY

Access to a wider range of investment options

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



## QUIZ TIME

Which of these statements is not true?

1. If you select the In Fund Living Annuity you can request to be invested 100% in the Long Term Capital Portfolio.
2. If you select an Out of Fund Living Annuity you select a 17.5% draw down rate.
3. If you select an OUT of Fund Living Annuity you can request to be invested 100% in the Long Term Capital Portfolio.
4. If you select an In Fund Living Annuity you cannot draw down more than the limits set by the Trustees.





## PROJECTING YOUR RETIREMENT

- You need to project all your investments and not the retirement fund in isolation.
- You also need to project your expenses.
- The assumptions used need to be consistent (eg if you assume 5% inflation then the Long term capital portfolio could be projected to provide a 10% return).
- Financial advisors have comprehensive programmes to allow for projections and scenarios.



## THINGS TO CONSIDER IN YOUR RETIREMENT PLANNING

- 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?



## ACTIONS TO CONSIDER IN YOUR RETIREMENT PLANNING

- Make additional monthly contributions which may be:
  - Additional voluntary contributions (AVCs) to the NTF
  - Tax free savings policies
  - Retirement annuity
- Make arrangements to pay off debts (mortgage loan) earlier.
- Ensure investment strategy matches retirement horizon. Note that investment strategy is linked to the choice of annuity.
- Avoid unnecessary withdrawals (on terminating service or the new “savings pot”)



## INVESTMENT STRATEGY

- Remember that to purchase a Life Annuity, you “cash out” from the investment markets. The life stage model aims to protect you from the market volatility.
- If you purchase a Living Annuity you remain invested. If the Living Annuity is to be invested in the Long Term Capital portfolio the life stage model may not be appropriate.
- If you plan to defer your financial retirement, the lifestage model may not be appropriate.



## QUIZ TIME

If you elect the in Fund Living Annuity and do not make an investment choice, you will be invested as per the Trustee default. Up to age 81 this would be invested as follows:

1. 100% in the Long term Capital portfolio
2. 100% in the Stable portfolio
3. 50% Long term Capital and 50% Stable portfolio
4. 50% Stable portfolio and 50% Money Market



## THE RETIREMENT PROCESS

- 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.



## KEY DECISIONS

- How much to be withdrawn as a taxable cash lump sum?
- How much to purchase a life and / or living annuity?
- Choice of service provider and structure of annuity?



## FINANCIAL RETIREMENT vs RETIREMENT FROM EMPLOYMENT

### Retirement from employment:

- Termination of the employment contract
- Full time permanent employee vs contract worker

### Financial retirement

- Can be different for different investments
- Does not need to align with retirement from employment





# Questions





# Fund Contact Information

Member Website: [www.ntrf.co.za](http://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
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## 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	<a href="mailto:NTRF@momentum.co.za">NTRF@momentum.co.za</a>