

# OLD MUTUAL SUPERFUND EMPLOYER UPDATE

FEBRUARY 2015



## WHAT'S IN THIS EDITION

### **SIMPLE SOLUTIONS FOR YOU**

- Retirement reform - Changes that will go ahead with effect from 1 March 2015

### **DOING GREAT THINGS**

- The advancement of South Africans and our economy  
- The Kathu Solar Photovoltaic (PV) plant



## MESSAGE FROM CHERYL MESTERN



**CHERYL MESTERN**  
Old Mutual SuperFund  
Principal Officer

We trust that you have enjoyed your well – deserved break, and that you and your family have had a peaceful and safe festive season.

To help get you started, we are pleased to bring you the first issue of the 2015 Employer Update.

2014 was a very busy year, filled with exciting changes aimed at enhancing the Old Mutual SuperFund product and providing simple solutions for our stakeholders. We look forward to working with you in 2015 as we strive to fulfill our promise to help your employees, Old Mutual SuperFund members, “deliver their retirement future”.

In this edition we update you on the retirement reform changes that will go ahead in March 2015 and we share our first IDEAS Managed Fund project, to showcase how Old Mutual SuperFund members’ investments are ‘doing great things’ for our country.

Happy reading!



### **RETIREMENT REFORM** - CHANGES THAT WILL GO AHEAD WITH EFFECT FROM 1 MARCH 2015

In October 2014, Government announced that it will delay the implementation of the new laws regarding the tax treatment of retirement fund contributions and the harmonisation of the annuitisation regime.

For now, the delay will be for one year to 1 March 2016. However, should there be no agreement at the National Economic Development and Labour Council (Nedlac) by end of June 2015, the implementation date may be moved to 1 March 2017.

The fringe benefit taxation of employer contributions to retirement funds, the new deduction regime for retirement fund contributions and the alignment of retirement benefit options for pension, provident and retirement annuity funds has been delayed to 1 March 2016.

### **THE FOLLOWING THREE CHANGES WILL HOWEVER STILL GO AHEAD WITH EFFECT FROM 1 MARCH 2015:**

- **Tax incentivised savings scheme** - Investors will be entitled to invest in tax free investments up to an annual maximum of R30 000, with a lifetime maximum of R500 000.
- **New disability income tax regime** - Employees will now be taxed on the premiums paid by the employer which will result in a reduction in take home pay. If, however, they become entitled to receive a disability income benefit in the future, they will receive this tax free.
- **Option to postpone receipt of retirement benefits** - Members are currently compelled to retire upon reaching the normal retirement age. There is a change to the definition of "retirement date" that will allow pension and provident funds to change their rules so as to permit members to elect when they want to retire (at any date on or after retirement from their participating employer).

### **WHAT IS THE IMPACT ON YOU AS AN EMPLOYER?**

**Tax incentivised savings scheme** - There is no direct impact. Old Mutual will soon launch their tax incentivised savings product and members may elect to invest in this product in their individual capacity.

**New disability income tax regime** - Your payroll will need to be amended to allow for disability premiums to be treated as taxable fringe benefits in the hands of the employee.

To prevent a situation where the disability income is more than the current post tax income, Old Mutual SuperFund will be limiting the disability income benefit to a maximum of a member's total post-tax cost to company. Old Mutual policy wording will be amended to ensure that disability income benefits do not exceed the employee's total post - tax cost to company, and we expect other insurers to do the same.

**Option to postpone receipt of retirement benefits** - Old Mutual SuperFund intends to introduce a flexible retirement date facility during the course of 2015. Further communication will follow in due course.

### **WHAT ACTIONS DO YOU NEED TO CONSIDER?**

Press coverage has caused unnecessary panic and confusion amongst members. It is therefore important that you **communicate with your employees** to ensure that they understand the changes and the impact it will have on them. Old Mutual SuperFund will also continue to reiterate these messages into 2015.



### THE ADVANCEMENT OF SOUTH AFRICANS AND OUR ECONOMY

In the November 2014 edition of the Employer Update, we informed you about the **IDEAS (Infrastructural, Developmental and Environmental Assets) Managed Fund**, South Africa's largest domestic infrastructure equity fund, focused on growing investors wealth and enabling them to contribute actively towards creating a more sustainable and prosperous South Africa.

The Absolute Growth Investment Portfolios within Old Mutual SuperFund enable members to contribute towards these South African dreams, as members' retirement savings are invested in life changing projects in renewable energy (solar, wind and hydro-generation projects), economic (roads and railways) and social infrastructure (housing and public private partnerships).

Existing media headlines about South Africa's energy complications have been very disconcerting for readers, leading to a negative perception of our leading energy source (Eskom). On a more positive note, Old Mutual is the leading private investor in renewable energy, and we are proud to showcase our first individual project, to demonstrate how Old Mutual SuperFund members' investments are "doing great things" for our country, by placing the spotlight on one of many beneficial initiatives for renewable energy.

#### THE KATHU SOLAR PHOTOVOLTAIC (PV) PLANT

The **Kathu solar PV plant** has been described as **one of the largest solar projects worldwide**, incorporating single-axis tracking technology. The project was among the 28 renewable-energy projects to sign power purchase and implementation agreements with Eskom and the Department of Energy in November 2013.

Kathu is a well-positioned mining town with a strong infrastructure network in an area rich in iron ore deposits in the Northern Cape Province. Being situated in this prime location, the Kathu Solar PV Plant benefits from an existing high voltage substation, owned and operated by Eskom. Construction is well under way and is scheduled for completion in 2015.



Once the plant is operational, the Kathu Solar PV will generate clean, renewable energy to power thousands of homes across South Africa, while delivering sustainable economic and social benefits through the Kathu Solar Community Trust. The 'cherry on the top' is that it also **creates 540 construction jobs and 30 permanent employment opportunities.**

Thus, members of the Old Mutual SuperFund who are invested in the Absolute Growth Investment Portfolios can be content in knowing that their retirement savings investments are making a difference in the lives of ordinary South Africans, while at the same time contributing to a more sustainable and prosperous South Africa.

**IDEAS Managed Fund ownership interest: 28.50%**

In the next issue of the Employer Update, we will showcase AFHCO Holdings (PTY) LTD, social infrastructure project... watch this space!!



**Indemnity**