OLDMUTUAL CORPORATE

OLD MUTUAL SUPERFUND EMPLOYER UPDATE

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MESSAGE FROM THE PRINCIPAL OFFICER

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Principal Officer

Welcome to 2016! **We hope that you had the opportunity to spend some quality time with your family and friends over the festive season, and trust that you feel rejuvenated and optimistic about the year ahead.**

To kick-start the year, we are pleased to bring you the first issue of the Employer Update.

In this issue we:

- Bring you up to speed with the retirement reform changes that will be implemented with effect from 1 March 2016.
- Remind you how important it is to ensure that your employees and their dependants understand the death claims process.
- Re-visit the impact a divorce could have on your employees' retirement savings.

We trust that you will enjoy this issue and find it informative.

We look forward to partnering with you as we encourage your employees to make the most of every opportunity and to take charge of their retirement planning!

Happy reading!

Regards
Cheryl Mestern

RETIREMENT REFORM TAKES A BIG STEP FORWARD

The Tax Laws Amendment Bill was passed by the National Assembly on 26 November 2015 and by the National Council of Provinces the next day. The Bill has been signed by President Zuma, **'T-Day'** will become a part of our law with effect from 1 March 2016.

Retirement Fund Reform in South Africa has taken a big step forward.

The primary aims of the broad retirement reforms, which were adopted by Cabinet in 2011, are to encourage savings and protect members during and after their working lives.

This is to be achieved in retirement funds by:
- Encouraging preservation and portability;
- Enhancing fund governance;
- Encouraging annuitisation;
- Simplifying and improving the tax treatment of contributions, thereby encouraging increased contributions; and
- Encouraging good value retirement products and services.

As a result of changes already in place, Provident and Pension Fund members can now postpone their retirement benefits indefinitely after reaching normal retirement age. Premiums in respect of disability income policies are no longer tax deductible but the proceeds will be paid tax free. In addition a new tax free savings vehicle has been made available.

With effect from 1 March 2016
- Employer contributions to retirement funds will be taxable as fringe benefits with these contributions being deemed to be employee contributions for the purposes of claiming the deduction described in the bullet point below.
- All approved funds (Pension, Provident and Retirement Annuity Funds) will be subject to a contribution deduction of 27.5% of the greater of taxable income or remuneration, subject to a yearly maximum of R350 000.
- The rights of Provident Fund members to take retirement benefits in cash will be protected for all benefits that they have accumulated up until T-Day plus the growth thereon until their retirement. This amount will not form part of the member's "retirement interest" for the purposes of applying the annuitisation requirements (see further explanation in the bullet point below) that they will be subject to from T Day.
- The de minimis annuitisation amount will be increased from R75 000 to R247 500. This means that, from 1 March 2016, members who retire from approved retirement funds with "retirement interests" (i.e for provident fund members, only their post T-Day savings + growth) in the fund of less than R247 500, may take their entire balance in the fund in cash and will not have to annuitise any amount. If their "retirement interest" in the fund at retirement is above this de minimis amount, the member can take one-third of their "retirement interest" in cash and the remaining two-thirds of the "retirement interest" will need to be used to purchase an annuity. For provident fund member savings, any pre T-Day savings + growth thereon will always be able to be taken in cash.

The effect of these changes are generally very positive and, for Provident Fund members, their contributions will now be tax deductible meaning improved take home pay in most cases.

For those members who are anxious about losing access to their savings, the increase in the de minimis amount means that it will be some time before the effect of these changes are felt.

What actions do you need to consider?

There are a number of key actions that you need to consider taking in the lead-up to T-Day.

These include:

- The adaptation of your HR and payroll systems to meet the new SARS requirements as a result of the changes.
- Careful consideration of the impacts of transfers for fund members over 55 years.
- Member communications that focus on:
  - Ensuring that your employees are aware of, and understand, the upcoming changes.
  - Explaining the benefits of additional voluntary contributions and providing instructions on how to make these.
  - Reinforcing the message that your employees do not need to resign to protect their retirement savings or their rights as a fund member.

The **T-Day** changes have caused a stir amongst many working South Africans. However, **THERE IS NO NEED TO PANIC**! Very simply, the aim of retirement reforms is to make the retirement industry work better for members. Members may be concerned that they will lose control of their retirement savings once the tax law is implemented. **THIS IS NOT TRUE.**

Members' retirement savings will still belong to them and if they resign from their employer, their options will stay the same, they will still be able to access their retirement savings in cash.

Good news!

To help you with your communication to your employees, we are producing the following:

A retirement reform audio visual – This audio visual will be available in five official languages (English, Afrikaans, IsiZulu, IsiXhosa and Sesotho) to help explain these changes to members in the language of their choice! Watch this space for further details.

Retirement reform posters – Printed copies will be available in the five official languages (English, Afrikaans, IsiZulu, IsiXhosa and Sesotho). Watch this space for more details on how to order your free copies of this poster in your language of choice!

MAKING SURE THAT MEMBERS' DEPENDANTS ARE LOOKED AFTER

When a retirement fund member dies, the benefit is not simply paid out to the member's nominees, as in the case of a life insurance policy. Instead, the trustees of the Fund must follow a strict process to decide who the beneficiaries should be - and this can take up to 12 months.

The trustees have a legal duty to identify, trace and contact all qualifying dependants and nominated beneficiaries when a member of a retirement fund dies. In terms of Section 37C of the Pension Funds Act the trustees then take into account relevant circumstances when dividing the lump sum death benefit.

For most retirement fund members, their retirement savings represent provision not only for themselves – but for their spouses and children as well. Ironically, many members are not aware of the intricacies of the Section 37C death claims process (as defined in the Pension Funds Act), and the payment delays and hardship that can arise for the family should the member die and the correct information not be available. To help make the death claims process easier for our members, Old Mutual SuperFund has re-designed the death claim forms to make it simpler to complete.

Click here to access the Old Mutual SuperFund Death Benefit Claim document which provides:

- An overview of the process which the Fund must follow
- Details of the forms and supporting documents required
- A useful glossary

In addition to simplifying the claim forms, Old Mutual SuperFund has also introduced the following useful tools and guidelines which aim to help simplify and speed up the death claims process:

- **The introduction of telephonic affidavits –** Members can now complete an affidavit telephonically by simply calling (021) 503 0501/2/3
- **Our death claim video –** This provides a complete overview of the death claims process.
- **Useful tips and guidelines –** To encourage our members to empower their dependants and help their dependants to avoid common mistakes during the death claim process.

THE IMPACT OF DIVORCE ON A MEMBER'S RETIREMENT SAVINGS

A divorce award can have a significant impact on a member's retirement savings. It is therefore extremely important that members understand what the implications of a divorce could be on retirement savings.

A members fund savings will only be affected if the divorce order, or the Settlement Agreement incorporated in their divorce order, specifically awards a share of their "pension interest" in the Fund to their former spouse.

The Divorce Act provides that a share of a member's pension interest can be awarded if:

- The couple were married in community of property
- Prior to 1 November 1984, the couple were married out of community of property and without profit and loss, or
- After 1 November 1984, the couple were married out of community of property, with the accrual system.

The Divorce Act does not permit the member to share their pension interest if they were married out of community of property after 1 November 1984 and also excluded the accrual system.

Depending on the terms of the member's divorce order, divorce can result in a significant portion of the member's retirement savings being paid out to their former spouse. This can have a significant impact on the member's ability to retire comfortably!

The member's former spouse can claim immediate payment of the divorce award from the Fund and can elect to receive payment of the divorce award in cash, or transfer it to another retirement fund.

Is the divorce award taxable?

With effect from 1 March 2012, the date of the divorce will determine if the divorce award is taxable. If a member was divorced before 13 September 2007, no tax is payable. However, if the divorce took place after 13 September 2007, and the award is taken as cash or transferred from a pension fund to a provident fund, tax is payable.

Who will be responsible for the tax?

The non-member former spouse is liable for the tax. The divorce award will be taxed as a withdrawal benefit, and the current tax rates will apply.

What actions can a member take if their retirement savings are impacted by a divorce order?

A divorce order can have a significant impact on retirement savings. If a member has any spare cash, perhaps from a year-end bonus, the member should consider giving their retirement savings a boost.

This can be done by:

- Making Additional Voluntary Contributions (AVC's) to the Fund
- Investing in an appropriate savings vehicle.

Although there are many life changing events which occur beyond members' control, it is important for members to still have control of their financial future, the member must have a retirement plan in place to ensure that they stay on the road to a secure financial future. We therefore strongly encourage our members to consult with a financial adviser before making any important decisions. If a member doesn't have a financial adviser, they can call **0860 38 88 73** and we will ensure that an Old Mutual Financial Adviser contacts them to discuss their options, and to help the member plan for the comfortable retirement that they deserve.

ENHANCEMENTS TO SECURE SERVICES ONLINE FACILITY

Old Mutual SuperFund members are now able to obtain additional information via the Secure Services online facility:

- Members have access to their account balances, account statements and various other useful information
- Members can track the progress of claim payments (if they leave your employment).

To access this information members must **login to Secure Services**.

If they are not registered for Secure Services, they can **click here** to find out how!

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