SAMWU NATIONAL PROVIDENT FUND

20 years of successful retirement provision

A cause for celebration!

The SAMWU National Provident Fund (SNPF) was established in June 1994, at the time when South Africa embarked on its journey to a **New Democracy**.

Since then members of the SNPF have enjoyed twenty **years of worker control** and complete transparency.

SNPF's benefit structure has evolved overtime in line with changing retirement and risk benefit needs of our member base.

The Fund remains rooted in its main objective of **protecting and creating wealth** for members and their dependants.

Our **Board of Trustees** embodies the ethos that we are **accountable for our decisions and actions** related to the Fund.

To this end we can be proud of a **culture of Trustee independence** when it comes to decision making.

Each Board member attends Trustee Training programmes to acquire the **knowledge and skill necessary** to perform their Fiduciary duties.

For almost a decade SNPF has **successfully self-insured** its Risk Benefits.

The capability of administering the Fund internally has **enhanced** the Board Members' **understanding** of the technicalities related to member benefit processing.

SNPF Trustees are ideally placed to respond to member queries with **appropriate solutions**.

Our journey has been long and hard with many milestones reached. We believe that the road ahead for the SNPF, its Board of Trustees and its members will be **equally successful**.

Here's to another twenty years of inspiring our members and their dependants to achieve their financial goals in retirement.

Themba Mfeka
PRINCIPAL OFFICER

25 000

THE SNPF IS A STRONG AND CREDIBLE RETIREMENT FUND WITH 25 000 ACTIVE MEMBERS

R6.6 billion

OUR FUND CURRENTLY HAS R6.6 BILLION IN ASSETS UNDER MANAGEMENT

WE HAVE ESTABLISHED STRONG CORPORATE GOVERNANCE PROTOCOLS

OVER R300 MILLION IN RISK BENEFIT SURPLUSES

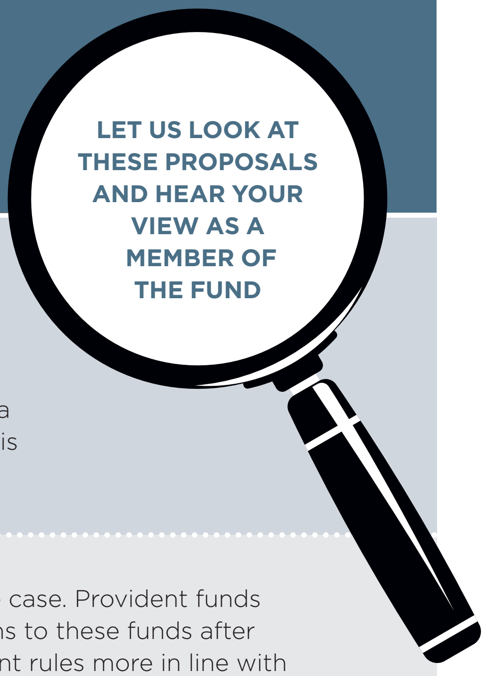
R300 million

7 YEARS OF IN-HOUSE FUND ADMINISTRATION

7

RETIREMENT FUND REFORM

At the SNPF trustee conference held in June 2013, extensive discussion took place regarding the Retirement Fund reform proposals which were circulated by National Treasury, for implementation in 2015. Since then, some of the proposals have changed, possibly to accommodate concerns raised by the industry and labour.



1 Why were provident funds singled out for change in the first place?

The intention of government is to align the tax treatment of pension and provident funds, and ensure that on retirement, members have a sustained income for life, rather than a once off lump sum benefit that often is entirely spent in only a few years.

2 We hear that provident funds will disappear and members paid out? Members will then start new contributions into pension funds?

As far as we are aware, that is not the case. Provident funds will continue to exist, but contributions to these funds after 1 March 2015 will be subject to different rules more in line with pension funds. Contributions before this date are not impacted.

3 **Does it mean that my provident fund contributions will be converted into pension fund contributions?**

No. Firstly from the date of implementation of the proposals, through law, provident funds will change their rules to make provision for only one third lump sum benefit. This will only be in respect of contributions made after 1 March 2015, but there will be protection of vested rights.

4 **What are those protections?**

Members who are 55 years and older on 1 March 2015 will still qualify to receive their entire retirement benefit as a cash lump sum should they so wish, no matter when they will retire.

5 **What about those who are contributing today, but will not yet have reached age 55 in 2015?**

Their contributions prior to 1 March 2015 will be subject to the current dispensation, meaning, they will receive those benefits as lump sum, if they so choose, on retirement.

However benefits arising from contributions made after 1 March 2015, will be treated in the same way as pension fund benefits, meaning, not more than one third will be paid as a lump sum on retirement.

Members will therefore have two accounts in the fund is respect of pre-2015 and post-2015 contributions and subject to different dispensations.

6 **Who really will be fully affected by the new proposals?**

Those who will start their first contribution from March 2015 will be entirely subject to the new dispensation i.e. there will be no difference between a provident fund and a pension fund for such members.

7 **Enough about retirement, what happens if I resign or lose my job? We heard that we will be paid 10% per annum?**

As far as we know, the proposals to change the rules on withdrawal so as to encourage greater preservation have been put on hold. It was seemingly difficult to package and gaining public support would have been difficult. For example members may need enough money to pay off their bonds, after losing employment.

But we should watch this space as more announcements might yet follow from Government.

Government have committed to extensive consultation with stakeholders before any significant changes are made with regards to preservation.

8 **What is alignment of taxes in pension and provident funds?**

This does not affect municipal provident funds, because they are recognised as pension funds for tax purposes. For the private sector, it means that member contributions to provident funds will be "tax free", just like in pension funds.

9 **We also are worried that pension fund contributions by the employer will be treated as fringe benefit?**

Yes. Our interpretation is that the percentage contribution made on your behalf by the employer, will be included in your package, and therefore become a fringe benefit. Secondly, your remuneration will include allowances as well, e.g. shift, danger and related allowance, from which your contributions will be tax deductible. However, employees will be permitted fairly generous tax deductions in respect of such contributions, and in most cases the impact will be financially neutral to employees.

10 **What percentage will be tax deductible?**

The proposal for now, is 27,5% of remuneration from 1 March 2015. This is up to a maximum of R350 000 per annum. This does not mean that you may not contribute more. It just means the amount of contributions that will be tax deductible is capped at R350 000 per annum.

If you choose to contribute more, that extra contribution will not be taxed at retirement, in the same way that some of our members currently contribute 9% instead of 7,5% tax free contributions.

11 **Who will keep my money if the benefit is not paid to me as a once off lump sum?**

Funds have an option of making pension payments or allowing members to buy annuities from service providers in the financial sector.

Currently, there are Living Annuity and Guaranteed Annuity products in the market. They can be difficult to choose from, and probably require professional financial advice to make the right choices. Guaranteed Annuity products pay you as long as you live after retirement, and usually to your spouse after your death, and in many cases are also guaranteed for a limited period before ceasing.

Living Annuity products pay as long as there are funds in your portfolio, and pensioners assume the investment risks. If the money is depleted, no pension will be paid to you, but equally if you die whilst there is money in your portfolio, your dependants will receive the balance.

12 **Is government trying to avoid its responsibility on social grants?**

Quite the opposite – Government have in fact announced its intention to eliminate from 2016 the means test to qualify for the Social Old Age Grant. Thereafter all South Africans over age 60 will qualify for this grant regardless of income or asset levels.

13 **What is the process from now on?**

The provident fund tax changes mentioned above were signed into Law on 12 December 2013, and take effect from 1 March 2015.
The wider retirement fund reform process continues, and Government have committed to consulting with all interested stakeholders before further changes are implemented. Therefore we must continue to monitor developments, and ensure we participate in the consultative process. The SNPF is therefore making necessary preparations to amend its rules so that they are in line with legislation on the 1st of March 2015, and would like your input as a member.

CONTACT DETAILS

Issued by the Office of the Principal Officer, 24 Napier Road, Richmond.
Tel 011 727 2800