

OPTIONS AVAILABLE AT RETIREMENT FROM A PENSION FUND

INTRODUCTION

The purpose of this document is to explain all the options available to you at retirement from a pension fund, to enable you to make informed decisions at retirement.

RETIREMENT BENEFITS COUNSELLING

Please remember, you also have access to telephonic Retirement Benefits Counselling to assist you before your benefit is paid to you or is transferred to another approved fund. To speak to a counsellor, please contact the Fund's Administrator on 021 943 5330 or 021 943 5357 or e-mail your full names and ID number to rbc@verso.co.za and a counsellor will contact you. Please do not hesitate to contact the Fund's Administrator at the contact details noted above, should you have any queries.

FINANCIAL ADVICE

The Fund encourages members to constantly seek financial advice on all fund matters and particularly when benefits become payable.

When choosing a financial adviser, please keep the following in mind:

- Look for a financial planner that is FAIS accredited and experienced to give advice.
- Discuss the planner's remuneration structure. Whether it is commission based or a flat fee, it must be disclosed in Rand value and in writing. You have the right to negotiate the fee, taking into consideration the service expected/received from the planner.
- Read the Code of Ethics that your planner adheres to – financial planners have a "fiduciary" duty to look after your best interest as an individual.

If you do not have a financial planner, please contact the Fund's Administrator on 021 943 5330 or 021 943 5357 for assistance.

BENEFIT OPTIONS

When you retire, you must complete a benefit claim form to instruct the Fund's Administrator what to do with your retirement savings. The following options are available to you:

- 1) Delay your retirement payment.
- 2) Use your full benefit to purchase a pension from the Fund's default annuity policy, provided by a registered insurer.
- 3) Use your full benefit to purchase a pension from another annuity policy, provided by a registered insurer.
- 4) Take part of your benefit as a cash lump sum and use the balance to purchase a pension, either from the Fund's default annuity policy or from another annuity policy.
- 5) Transfer your full benefit to a retirement annuity or a pension preservation fund.

OPTION 1: Delay your retirement payment

Please note the following when you elect to delay your retirement payment:

- 1.1. You can delay your retirement payment and leave your benefit in the fund until you elect what to do with your retirement benefit.
 - 1.2. Your benefit will still earn investment returns.
 - 1.3. You are effectively regarded as a "paid-up" member until you complete and submit a retirement claim form confirming what you wish to do with your retirement benefit.
 - 1.4. No further contributions are made to the Fund.
 - 1.5. You will no longer have any risk benefits.
 - 1.6. Delayed Retirement: Fees
 - 1.6.1. No additional costs apply.
 - 1.6.2. The investment management fees paid will be the same as the fees that you paid when you were still in-service and contributing to the Fund.
 - 1.6.3. The Fund deducts R22.94 per month from your retirement benefit for administration expenses.
 - 1.7. Delayed Retirement: Investments
 - 1.7.1. The retirement savings remain invested in the same investment portfolio(s).
 - 1.8. Delayed Retirement: Tax and Other Allowable Deductions
 - 1.8.1. You do not pay any tax when you elect to delay your retirement.
 - 1.8.2. Any legitimate deductions will be made from your benefit.
 - 1.8.3. You cannot elect to delay your retirement payment if you have an outstanding pension backed housing loan unless you settle the loan with other savings you may have (i.e. not from your retirement benefit).
 - 1.9. Delayed Retirement: Communication
 - 1.9.1. You will continue to receive an annual statement from the Fund that confirms the value of your retirement benefit.
 - 1.10. Delayed Retirement: Death benefits
 - 1.10.1. Your total benefit becomes payable on death.
 - 1.10.2. The payment thereof is governed by section 37C of the Pension Funds Act and involves a formal disposal of the benefit to your dependants and/ or beneficiaries on a basis as decided on by the Board of the Fund.
 - 1.10.3. Your confidential beneficiary nomination will be used as a guide of your wishes on how the benefit must be apportioned.
 - 1.10.4. It is important to note that the final decision rests with the Board of the Fund.
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OPTION 2: Use your full benefit to purchase a pension from the Fund's default annuity policy, provided by a registered insurer

Note the following:

- 2.1. Please refer to the attached Fact Sheet that sets out the salient features of the Fund's default annuity strategy.
 - 2.2. You will only be able to transfer to the Fund's annuity strategy if your retirement benefit is more than the stipulated minimum value.
 - 2.3. Please contact the Fund's Administrator on 021 943 5330 or 021 943 5357 should you require a quotation, have any queries or wish to receive more information on the Fund's default annuity strategy.
 - 2.4. The transfer to the Fund's default annuity scheme is a tax-free transaction.
 - 2.5. You will pay income tax on the monthly income received from the annuity purchased.
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OPTION 3: Use your full benefit to purchase a pension from another annuity policy, provided by a registered insurer

Note the following:

- 3.1. The transfer to another annuity policy is a tax-free transaction.
 - 3.2. Minimum stipulated values may be applicable.
 - 3.3. You are encouraged to seek financial advice, before electing this option.
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OPTION 4: Take part of your benefit as a cash lump sum and use the balance to purchase a pension, either from the Fund's default annuity policy or from another annuity policy.

Please note the following when you elect to take a portion of your benefit in cash:

- 4.1. You are permitted to take up to a maximum of 1/3rd of your retirement benefit in cash.
 - 4.2. The balance must be used to purchase a pension (please refer to points 2 and 3 above).
 - 4.3. The same applies as listed in options 2 or 3 above and a cash lump sum is also paid to you.
 - 4.4. The lump sum payment may be subject to tax.
 - 4.5. If your retirement benefit is less than R247 500, you may take the total benefit as a cash lump sum.
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OPTION 5: Transfer your retirement benefit to a retirement annuity or pension preservation fund

Please note the following when you elect to transfer your retirement benefit to a retirement annuity fund or pension preservation fund:

- 5.1. You cannot elect to transfer to a Retirement Annuity or Pension Preservation Fund if you have an outstanding pension backed housing loan unless you settle the loan with other savings you may have (i.e. not from your retirement benefit).
 - 5.2. Your full benefit must be transferred to a Retirement Annuity or Pension Preservation Fund.
 - 5.3. The transfer to a Retirement Annuity or Pension Preservation Fund will be tax-free.
 - 5.4. A transfer to a Provident Preservation fund will be taxable.
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