Natal Joint Municipal Pension
KwaZulu-Natal Joint Municipal
Provident Funds

"Your Fund, Your Savings, Your Future"

"KEEPING YOU INFORMED"

NEWSLETTER JUNE 2014

SPECIAL POINTS OF INTEREST:

- Message from the CEO/ Principal Officer
- Monthly pension increase
- Pensioners receive a 13th cheque
- What is a Budget?

KNOW YOUR FUND

- Medical examination
- Death benefit quick fact

Message from the CEO/Principal Officer

Mr. Sam Camilleri - CEO/Principal Officer

In the March 2014 newsletter, I touched on National Treasury's retirement reforms. In the points below, I will provide more details on the retirement reform announcements by the Minister of Finance in his 2014 Budget Speech, with particular reference to **taxation**, **the future direction of reforms** and **treating customers fairly**. Over recent months, members have been expressing concerns over the possible effects of changes by Government (National Treasury) to current retirement fund regulations. In particular, members assume that the new regulations will restrict them from accessing their retirement funds when they retire or resign.

1. New regulations regarding retirement

As stated by National Treasury, "from 1 March 2015, new contributions to any retirement fund will be subject to the same tax dispensation, and these contributions, and growth on them, will be subject to the same annuitisation requirements when members retire (that is, that no more than one-third may be taken in cash and the rest must be taken in the form of a pension). Vested rights have been protected, so members who have contributed to provident funds before 1 March 2015 will still be able to receive their benefits in respect of those contributions in the form of lump sums at retirement. Provident fund members over 55 on that date will be able to receive lump sum benefits in respect of contributions made to those funds after 1 March 2015. Further work, referred to in the Budget Review 2014, is required to clarify the tax treatment of contributions to Defined Benefit funds. The *de minimus* threshold below which the capital value of a retirement fund benefit may be paid in full, as a lump sum, has been raised to R 150 000.

These measures have been designed to protect vested rights to lump sum retirement fund benefits and ensure a gradual transition to the new annuitisation requirements".

The Fund has been in communication with National Treasury to express our view that the current reforms in the Tax Laws Amendment Act do not include municipal retirement funds, such as our Fund, that are approved "Paragraph A" in terms of the Income Tax Act. We are of the view that the intention is for the proposed amendments be applied to all retirement funds, including municipal retirement funds. We are awaiting clarity from National Treasury on this issue.

2. Future direction

This section summarises the layout of future direction in the implementation of reforms over the next few years.

The broad policy goals of the intended reforms, highlighted by National Treasury are:

* Implementing mandating or auto-enrolment. The voluntary nature of our retirement system is a significant factor underlying some micro structural inefficiency in our retirement system. Mandating retirement provision, provided that the process is well managed and regulated, may resolve some of these issues, provided that adequate provision is made for low-income and vulnerable workers.
* Improving preservation. The lack of pre-retirement preservation significantly increases worker's financial vulnerability when they retire, and increases costs in the retirement system.
* Improving fund disclosure. Without a comprehensive and simple measure of charges in retirement funds, the market for retirement fund provision cannot be expected to function adequately. There is currently no prescribed charge disclosure methodology for retirement funds, and it is imperative that disclosure of charges be improved in the South African retirement industry as a whole.

Message from the CEO continued

- Getting defaults right. International experience suggests that one of the most powerful tools for improving retirement fund outcomes is to ensure that what happens when individuals fail to exercise choice – the default option – triggers the 'right' response in a cost-effective way.
- Consolidating funds. Consolidating funds, and increasing the degree of standardisation in the structure, investment and benefit offerings of funds is therefore an important driver of increased efficiency to ensure that funds achieve economies of scale and that these are passed on to members.
- Simplifying retirement savings products and making them portable between providers. Too many providers may be competing on the basis of complex product designs rather than on value-for-money for members. A retirement industry based on simpler, more portable products will increase market competition between providers and increase the rewards for market innovations which reduce costs.
- Ensuring effective intermediation. An important factor influencing product design in the retirement savings market is the way in which intermediaries that sell insurance policies, such as most retirement annuity policies, are remunerated. Intermediaries should be paid in a way which does not create conflicts between their own interests and their duties to their customers.
- Providing tougher market conduct regulation and more effective supervision. The government recognises that one of the key lessons from the 2008 Global Financial Crisis is the need for tougher and more intrusive and effective regulation. As is the case with recent global reforms to regulate the banking and insurance sectors more rigorously, the savings and retirement sector will need to be regulated more effectively, especially to protect members and improve market conduct practices.

3. Treating Customers Fairly

The Fund is aligning itself strategically with the changing pension landscape. The Fund has adopted as part of its Key Performance Objectives, the Financial Services Board's (FSB) principles of Treating Customers Fairly (TCF). This will strengthen the Fund's culture of providing superior stakeholder satisfaction.

The Fund will continue to keep members, pensioners and municipalities abreast with significant retirement industry matters.

"a member must undergo a medical examination within three months of employment, with a Municipal appointed doctor."

Know your fund

Medical examination

In accordance with the Regulations governing the Superannuation, Retirement and Provident Funds, a member must undergo a medical examination within three months of employment, with a Municipal appointed doctor. The examination will test the member's well-being and an x-ray will be required.

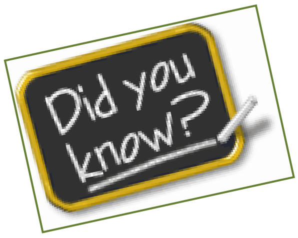
The member or the doctor should return the medical certificate back to the Fund. All information is kept strictly **confidential**. After receiving the examination report, the Fund may revert back to the member, should a follow-up medical examination be required. The cost of the examination will be borne by both the employer and the Fund.

Failing to undergo a medical examination may result in the restriction of a member's benefit, should he or she die within ten years of service. Where the member has an existing illness, a full benefit may not be awarded should the death be related to the illness. If the member dies of unrelated causes, the restriction may not apply and a full benefit maybe payable.

Know your fund

Death benefit quick fact

"The payment of a death benefit is regulated by section 37C of the Pension Fund Act"



What are some of the facts considered when paying a death benefit? When making a reasonable death benefit distribution amongst surviving dependants, the Board of Trustees reviews the following considerations: the age of the dependants, the relationship with the deceased, the extent of dependency, the wishes of the deceased captured in the nomination form and the financial affairs of the dependants including their future earning capacity/potential. The payment of a death benefit is regulated by section 37C of the Pension Fund Act, and its primary purpose is to protect those who were financially dependent on the deceased during his/her lifetime.

Financial education

What is a budget?

A budget is a detailed summary of income and expenses for a specific period of time. For example, it helps you regulate whether you can buy a burger for lunch or should head home for a bowl of soup! It is created by using a spreadsheet which provides you with a comprehensive, organised, and easy to understand breakdown of how much income you have generated and how much you are spending. A budget is a useful tool to assist you in managing your finances, regardless of your income. Below is a sample template of a budget.

"A budget is a detailed summary of income and expenses for a specific period of time."

Total income		**R 10 000.00**
Salary	R 10 000.00	
Total expense		**R 8 770.00**
Bond	R 2 000.00	
Insurance policy	R 500.00	
Car repayment	R 1 000.00	
Savings	R 500.00	
Debt (furniture shop)	R 1 000.00	
Groceries	R 2 600.00	
Telephone	R 120.00	
Petrol	R 250.00	
Toiletries	R 100.00	
Entertainment	R 500.00	
Medication	R 200.00	
Left to spend or shortfall needed		**R 1 230.00**

"My financial strategy? Hope for the best, but plan for the worst."

Planning and monitoring a budget will aid you to identify wasteful expenditure, adapt quickly as your financial situation changes, and achieve your financial objectives. Members are reminded to speak to Certified Financial Planners before implementing any financial decisions.

Pension matters

Monthly pension increase

The Committee of Management has approved a pension increase of 5,75% effective from 1 July 2014 for pensioners in both the Superannuation and Retirement Funds. In the event that a member becomes a pensioner during 01 April 2013 to 31 March 2014, a pro-rata increase will apply. Once again, pensioners can be delighted to know that they will be receiving a full inflation increase.

Superannuation Fund and Retirement Fund pensioners receive a 13th cheque

It is with pleasure that we advise that the Fund's Committee of Management has approved the payment of a 13th cheque for all Superannuation and Retirement Funds pensioners. The 13th cheque will be paid together with the monthly pension at the end of November 2014.

(Images and cartoons sourced from google-images.com)