



Natal Joint Municipal Pension KwaZulu-Natal Joint Municipal Provident Funds

"Your Fund, Your Savings, Your Future"



"KEEPING YOU INFORMED"

NEWSLETTER MARCH 2014

Message from the CEO/Principal Officer

SPECIAL POINTS OF INTEREST:

- Message from the CEO/Principal Officer
- Funeral Aid Scheme announcement
- What is interest?
- Update your details with the Fund

KNOW YOUR FUND

- Resignation
- Excessive salary increases explained



Mr. Sam Camilleri - CEO/Principal Officer

THE New Year brings exciting opportunities and challenges! The Fund as a non-profit organisation, aims to continue to uphold its core business principles and to also maintain its superior execution of responsibilities in the administration, investment and payments of benefits. With the beginning of the year well underway; I wish to highlight two important issues with members, the first concerns the new initiatives introduced at the end of 2013, the second deals with National Treasury's reforms of the retirement industry.

1. New value adding initiatives for members

Much has been written in recent newsletters about the introduction of value adding products to enhance the service offering to members. The first was the Funeral Aid Scheme, which aims to assist members and their families in their time of need. There are 49 Municipalities that have consented to the Scheme representing approximately 72% of the Fund's membership. The most recent Municipality to join the Scheme is the EThekweni Municipality. Since its inception, 4 claims have already been paid to beneficiaries within the promised time of 48 hours of all documents submitted thus making a meaningful contribution to the lives of the surviving dependents of the affected members. The other product introduced by the Fund is the voluntary Annuity product, which is available to Provident fund members only who are about to retire. Instead of taking their retirement benefit as a lump sum, members may now consider the Fund endorsed Annuity product which will provide them with a monthly pension. This product was designed to make the benefits comparable to that offered to members in the Superannuation fund. Due to their competitive pricing, which benefit members, these products are offered in collaboration with Sanlam. During 2014, the Fund aims to improve the Disability Benefit for Provident fund members. The improvement in the Disability Benefit was approved at the Fund's last Annual General Meeting (AGM), which was held on the 20th of November 2013. Details of this exciting initiative will be communicated to members once the new Regulations are promulgated.

2. National Treasury's Reform of the Retirement Industry

The Fund has in the past reported to its members about the position papers published by National Treasury on the proposed reform of the retirement industry. The process is moving along as evidenced by the announcements made by the Minister of Finance in his Annual Budget read in February 2014. Government is seeking to improve the coverage and preservation of retirement funds in the country and to lower the costs in the system. Should a member retire or die, the tax table for the first R 500 000 will be tax free. This is a significant adjustment from the previous R 315 000. Upon resignation the tax free amount has been increased from R 22 500 to R 25 000. New legislation will follow this year to allow for a tax-exempt saving account up to an amount of R 30 000. Further details of the reforms will be published in the next newsletter.

The Fund will continue to monitor the internal and external business environment, and ensure that members are kept informed regarding important developments affecting the Funds.

Fund matters

Funeral Aid Scheme announcement

“thanks to the funeral aid scheme, I was able to provide a decent burial for my wife who was a beneficiary in the scheme. My family and I wish to extend our gratitude to the Fund”

Active members of the Fund are reminded that the Funeral Aid Scheme is available to members belonging to participating Municipalities. Due to an increase in demand from Municipalities and members, the window period to voluntarily elect to join the Scheme has been extended to **31 March 2014**. A new Municipality to consent to the Funeral Aid Scheme is EThekweni Municipality; in which members of EThekweni Municipality have until **31 May 2014** to join the Scheme. Members are advised that after the aforementioned dates, the Scheme will be closed. The Scheme offers value adding benefits at a very low premium. Please contact your Human Resource office for details about the Funeral Aid Scheme and Application Forms or visit the Fund’s website on www.njmpf.co.za. The Fund recently received a positive comment from a family member who has benefited from the Scheme. Mr Linda had this to say; ***“thanks to the funeral aid scheme, I was able to provide a decent burial for my wife who was a beneficiary in the scheme. My family and I wish to extend our gratitude to the Fund, for providing such a value adding product – please continue the good work.”***

To ensure that the Scheme continues to yield positive comments from members, we urge Human Resource and Payroll officers to closely monitor the administration and payment of contributions thoroughly for the Scheme, as to ensure that participating members and their families are properly covered and receive their benefits on time.



Mr Sam Camilleri - CEO/Principal Officer - communicating the funeral aid scheme to key stakeholders of the Fund

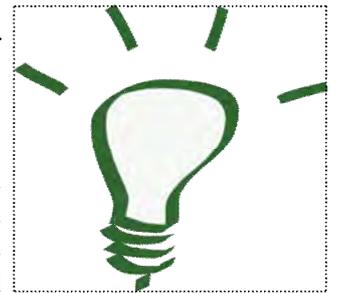
Know your fund rules

Excessive salary increases explained

The Superannuation and Retirement funds are Defined Benefit funds. Such Benefits are calculated using certain formulae which comprise of years of service, age, salary and a fixed factor. With this type of fund, the member is able to project his/her retirement benefit upon attaining retirement age.

When a benefit becomes payable to a member from either the Superannuation or Retirement funds, the lump sum and pension payable are calculated by multiplying a factor, the member's pensionable service (the date from which the member started contributing to the Fund), and the member's average pensionable salary (annual salary for the previous year). The Fund's Actuary performs a valuation of the funds on an annual basis whereby he calculates the capital needed to provide for benefits that will become payable in the future, based on current pensionable salaries plus expected increases, to ensure that the funds are in a sound financial position at all times. Should a member's pensionable salary increase by an amount in excess of that expected by the Actuary, and the Fund's returns are not sufficient to offset it, an actuarial deficit would occur (for past service). This in turn would result in a surcharge being levied against the employer to meet the shortfall for either the Superannuation or Retirement funds. Members are not affected by this as it is the employer who is responsible to make an additional contribution to the Fund. Should the employer fail to do so, then an affected member's benefit may be restricted.

The Fund has already provided Municipalities with an indication of the likely threshold for salary increase as a means to assist them in budgeting for additional contributions payable to the Fund for excessive salary increases. If you wish to note the guideline pertaining to the above communication, please refer to Regulation 1 (h) of the Superannuation and Retirement funds respectively.



Know your fund rules

Resignation

It is the Fund's duty to ensure that members are correctly informed and aware of the Fund's *Rules* and *Regulations*. In this issue of ***know your fund***, we breakdown the options available for members when they resign. There are many reasons why people resign from work or municipal service, these reasons could range from; finding a new job, starting your own business or staying at home etc. In the event that an employee decides to resign from the Municipality, members should be aware of the options available to them upon resignation. Below we highlight these options;

"It is the Fund's duty to ensure that members are correctly informed and aware of the Funds Rules and Regulations"

Option one (Changing between Local Authorities associated with the Fund)

When an employee leaves one Local Authority to work for another in KwaZulu-Natal (KZN), there is no benefit payable. The Fund will only update the member's new employer but the Fund service continues with the new Local Authority. The Fund recommends that members who are changing between Municipalities in KZN, to please send written communication to inform the Fund of the change in employment so that we can update all records. The *Member Exit Claim Form* has been revised recently and members are urged to provide complete and clear information should they be moving to another associated Municipality.

Option two (Transfer of benefit to new employer fund, retirement annuity fund or preservation fund).

In the case where a member resigns from municipal service, he/she is afforded a choice to transfer his/her benefit to a Pension fund or Provident fund of the new employer or to a Preservation fund or Retirement Annuity. Once the Fund receives communication from the member or Municipality, together with all required documentation, preparations are then made to make the necessary transfer.

Option three (Deferral)

Should a member have ten years of contributory service or more with the Fund, the member is offered an option to elect to leave his/her benefit with the Fund and come back at a later date to retrieve it. If this option is chosen, the member will not receive a benefit upon resignation, but will be entitled to receive a benefit calculated as at the resignation date. This should happen upon attainment of pension age, on optional retirement age or early retirement age as the member chooses.

Option four (Withdrawal)

The final option available to a member upon resignation is the withdrawal of a benefit. A member could receive a lump-sum withdrawal benefit in terms of the applicable Regulations between the three NJMPF funds. It is important for the member to know that, if this option is taken, the amount might be subject to tax. If this option is chosen, the member will have to complete a *Member Exit Claim Form*, and will have to ensure that the following information is provided;

- Current bank statement with stamp from the bank
- Tax reference number
- Certified copy of an Identity Document
- Form D in respect of retrenchment

If any documentation is outstanding it may cause delays in the payment of benefits or transfer of funds. If a member decides to resign or is dismissed, the Fund strongly suggests that you consult a Certified Financial Planner.

"New tax table for a resignation lump-sum"

The table below is extracted from the budget review. It shows pre-retirement lump-sum taxation for 2014/15

		2014/15
Taxable Income (R)		Rate of Tax
R 0	- R 25 000	0% of taxable income
R 25 001	- R 660 000	18% of taxable income above R 25 000
R 660 001	- R 990 000	R 114 300 + 27% of taxable income above R 660 000
R 990 001	+	R 203 400 + 36% of taxable income above R 990 000

Financial education

What is interest?

“If you are charged a higher interest rate than the maximum for normal loans, make sure the credit provider is registered with the National Credit Regulator (NCR)”

Most of us have heard the term interest, but what does it mean?

Interest in the financial context is defined as an amount paid for borrowed funds or amounts paid for invested funds, for set periods of time. The supplier or lender of funds normally wants to earn an income and the user or borrower will generally be prepared to pay for the right to use the accrued funds. When someone lends money to someone else, the borrower usually pays a fee to the lender, which is interest.

There are different types of interest rates for various applications, like; home mortgages, instalments sale financing, overdraft borrowing, deposits and government bonds and so much more.

Below we illustrate how to calculate ‘simple interest’ or ‘flat interest’.

If a person borrows or lends R 1 000.00 at a 6% per-annum (per-year) interest rate for 8 months, it means that he/she would owe R 40.00 in interest.

The R 40.00 (interest) is derived using the following formulae; Interest = Principal amount × Interest rate × Time (R 40.00 = R 1 000.00 multiplied by 6%, multiplied by the sum of 8 divided by 12). Members should be careful when borrowing money because different service providers charge different interest rates. If you are charged a higher interest rate than the maximum for normal loans, make sure the credit provider is registered with the National Credit Regulator (NCR). The NCR has rules that all registered credit providers have to obey. Look for the certificate on the wall or in the window. If there isn’t one, the business may be unregistered.

You need to check as it is very risky to do business with an unregistered credit provider. Financial literacy and understating concepts like interest and how they are calculated helps you make informed decisions about your finances. The Fund always encourages members to consult Certified Financial Planners when making decisions about their long-term financial needs.



Fund matters

Update your details with the Fund

The Fund always strives to use innovative communication channels to bridge the communication gap between the Fund and its stakeholders, whilst also continuously seeking ways to use modern technology to communicate cost effectively with stakeholders. Active members, pensioners, and beneficiaries are advised to please update their contact details (e-mail address, physical address and cell phone numbers) with the Fund. In addition, members are urged to annually review the list of persons nominated as beneficiaries in the event of death. Preference should always be given to those persons who are dependent on the member.

The Fund further encourages all stakeholders to visit our informative Fund website (www.njmpf.co.za), which offers comprehensive information, and to also interact with the Fund through Facebook (www.facebook.com/pages/Natal-Joint-Municipal-Pension-Fund) and Twitter (www.twitter.com/NJMPF).

To update your details with the Fund, please contact our Client Services Centre on telephone: 031 279 5300, fax: 031 266 6715, e-mail: info@njmpf.co.za or write to the Fund: postal address: P.O. Box 33, Westwood 3633.

