



# NJMPF

Your Fund, Your Savings, Your Future

## DEFAULT ANNUITY

### Your guide to understanding NJMPF's in-house Annuity

#### Definition:

Annuity - An annuity is a financial product that pays out a fixed stream of payments to an individual, primarily used as an income stream for retirees.

#### Regulation 39

- To comply with Regulation 39 of the Pension Funds Act, the Trustees have established an "annuity strategy" setting out the manner in which a member's retirement savings may be applied to provide an annuity.
- In terms of the annuity strategy, which is detailed in Schedule 6 of the Fund's regulations, one of the options available to a qualifying retiring member is to purchase a Living Annuity from the Fund.
- The conditions imposed by the Policy might not suit every qualifying retiree. In such cases retirees can make use of annuity options outside of the Fund,
- The assets are held in the NJMPF Living Annuity Portfolio.
- The risk of poor investment returns on the assets or the risk of living longer than expected are borne by the individual Living Annuity pensioners themselves.

#### Investments

- The Living Annuity Account will be invested in an investment portfolio that has appropriate exposure to growth assets such as equities. Because the monthly pension is based on the value of the assets, poor investment performance could potentially result in a reduction in pension in a given year.
- There is no minimum investment amount.
- The current legislated minimum pension drawdown percentage is 2,5% minimum and maximum legislated pension drawdown percentage is 17,5%. However, the drawdown rates for Default Annuities are legislated differently.
- Investment earnings are distributed monthly on a smoothed basis.



## NJMPF Default Annuity Explained

- You receive a monthly income equal to the chosen drawdown percentage of your investment value.
- Your annuity balance will be distributed to your beneficiaries on your death in accordance with the provisions of Section 37 of the Pension Funds Act by the Board of Trustees.
- The NJMPF annuity option is perhaps the cheapest in the market with an administration fee of R36,75.
- The level of the monthly pension can be reset each year on the anniversary of your commencement date.

### Drawdown rates

You will be able to select a drawdown rate once a year at your anniversary date (which is the date that you purchased your annuity). The Fund will send you a statement as well as a drawdown selection form for you to fill in and return.

The table below sets out the minimum and maximum drawdown percentages allowed by the Fund under the Living Annuity.

These may change from time to time and the Fund will advise you accordingly.

	Drawdown Percentage	Drawdown Percentage
<u>Age</u>	<u>Minimum</u>	<u>Maximum</u>
up to 55	2.5%	4.5%
56 to 59	2.5%	4.5%
60 to 64	2.5%	5.0%
65 to 69	2.5%	5.5%
70 to 74	2.5%	7.0%
75 to 79	2.5%	9.0%
80 to 84	2.5%	11.0%
85 to 89	2.5%	15.0%
90 and above	2.5%	17.5%

### Proof of existence

Each Living Annuity pensioner shall provide the Fund with proof of existence whenever so requested by the Trustees. In the event of such proof not being provided to the satisfaction of the Trustees, the Trustees may decide to suspend payment of the Living Annuity until satisfactory proof is provided to them.

### Retirement benefits counselling

The Fund will, at least three months before a Member attains Normal Pensionable Age, provide the Member with the following:

- A benefit statement setting out the options available to the Member on retirement at Normal Pensionable Age; and
- A copy of the NJMPF's Living Annuity Policy.
- Before any benefit is paid out, Members must confirm in writing that they have had access to retirement benefit counselling.