

# LA

## RETIREMENT FUND

Securing your retirement

# Breaking News

## DEVELOPMENTS ON THE SALGBC RESTRUCTURING PROPOSAL

**SPECIAL  
EDITION**

### Dear Members

We last informed our members and pensioners about developments in respect of SALGBC's pension fund restructuring proposals in October 2020 via a special edition newsletter. We confirmed what the parties to the SALGBC proposal had facilitated during the nation's lockdown last year, the Fund's concerns regarding the facilitator's final proposal and resulting draft collective agreement, the Board's fiduciary duty in this regard and the Fund's view of the so called "Freedom of Association".

If you have not yet read the Fund's October 2020 special edition newsletter; I urge you to read it. It can be obtained from the Fund's website ([www.laretirementfund.co.za](http://www.laretirementfund.co.za)) under the News and Member News icons – tab to 2020 newsletters.

**This newsletter is therefore the 2nd special edition communicate. It aims to further inform our members about the additional risks faced by them in the event of the acceptance of SALGBC's restructuring proposal by the parties now that the Taxation Laws Amendment Act requires the annuitisation of all provident fund retirement benefits with effect from 1 March 2021.**

We informed all our active members about the tax changes effective from 1 March 2021 via the Fund's February 2021 member newsletter. We also hosted an online webinar on 25 February 2021 to further explain the tax changes to our members.

### Just a reminder:

#### Members who are younger than 55 on 01 March 2021 and retire from the LA Retirement Fund in the future:

- You will still be able to take all your retirement savings or full member share that you have built up in the LA Retirement Fund as at 28 February 2021, together with all growth on this value from 1 March 2021 onwards as a cash lump sum when you retire – this is referred to as your "Vested Right".
- All your contributions from 01 March 2021 (together with all growth) will however form part of your "Non-vested Right" and on retirement, if this portion is more the R247 500, you may only take a maximum of one-third in cash and the balance must be used to buy a pension (either an In-Fund Living Annuity or a pension from a registered financial services provider).

#### Members who are 55 years or older on 01 March 2021 and retire from the LA Retirement Fund in the future:

This change does not impact you – you will still have the option of taking all your retirement savings or member share in cash when you retire.

#### Members who are 55 years or older on 01 March 2021 and transfer to a new fund in the future and thereafter retire:

- The new fund will allocate your transfer value to the vested portion in that fund. The transfer value (plus all future growth) will be available as a cash lump sum when you retire from the new fund.
- All your contributions to the new fund accumulated since your transfer (together with any growth) will however form part of your "Non-vested Right" and on retirement, if this portion is more the R247 500, you may only take a maximum of one-third in cash and the balance must be used to buy a pension.

The focus of this communique is on this last age group (i.e. 55 and older on 1.3.2021) who may be forced to transfer to another fund before retirement should the parties to the SALGBC restructuring proposal sign the collective agreement. In this event, please be aware that the vested rights of all members in this age group will be impacted. All contributions and growth thereon from the date of transfer to the new fund will form part of their non-vested rights and they will therefore not be entitled to take the full amount as a cash lump sum on retirement. Whilst the Fund does not advocate members taking mainly cash lumpsums at retirement; the Board understands that this is a member's choice.

Instead of retiring from the LA Retirement Fund and taking their full member share in cash, these members will only be allowed to take their vested right portion in cash and a minimum of 2/3rds of their non-vested portion will have to be used to purchase an annuity or pension. The only exception to this is if the non-vested balance amounts to less than R247 500, in which case the full amount may then be taken in cash.



### Asanda aged 55 on 28 February 2021

» R1 million member share = Vested right

### Asanda retires at age 65 from the LA Retirement Fund

» R1 million member share plus fund returns to age 65 + Contributions from 1.3.2021 to date of retirement + fund returns to age 65 = Vested right

**Asanda can take her whole member share in cash at retirement**

**Please share this information with your colleagues at your places of work.**

### Joe aged 55 on 28 February 2021

» R1 million member share = Vested right

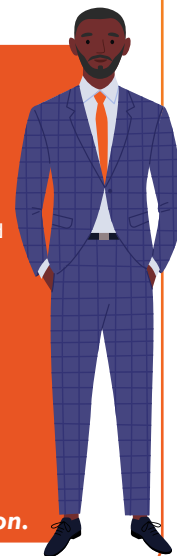
### Joe transfers to XYZ fund at age 60

» R1 million member share plus fund returns to age 60 + Contributions and fund returns from 1.3.2021 to age 60 = **Vested right**

### Joe retires at age 65 from XYZ fund

» **Vested right** plus fund returns to age 65 + Contributions from age 60 to 65 plus fund returns amounts to R600 000 = Non-vested right

**Joe can take his vested right in cash. He may only take a maximum of R200 000 of his non-vested right in cash (i.e. 1/3rd of R600 000). He must use R400 000 to buy a pension.**



**Danie Carstens**  
Chairperson

**Trustees:** Mr DL Carstens (Chairperson), Mrs M van Zyl (Deputy Chairperson), Adv CJ Franken, Mr J Lawack, Mr J Jacobs, Mr WR Meiring, Mr S Philander, Mr JAH van den Berg,  
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