



RETIREMENT FUND
Securing your retirement

BECOMING A
PAID-UP MEMBER ON
RESIGNATION,
DISMISSAL OR
RETRENCHMENT
FROM EMPLOYMENT

**& QUESTIONS
ANSWERS**

UPDATED: SEPTEMBER 2021

Saving for retirement is a vital part of good financial planning. These plans are often interrupted by a change in career paths which means moving between jobs or being retrenched or dismissed from employment. With effect from 1 March 2019, you automatically become a paid-up member in the Fund on the termination of your employment. This means that your member share remains invested in your chosen investment portfolio and will therefore continue to be adjusted with investment returns. You remain a paid-up member in the Fund until you complete and submit a withdrawal claim form instructing the Fund what you wish to do with your member share. One of the options you may choose is to continue to leave your fund benefit in the Fund (i.e. preserving it in the Fund) until you need it at some point in the future or until you retire.

This booklet has been designed to provide Fund members with information. It does not constitute advice. The Retirement Benefits Counsellor is available to expand on the content of this document. You are also encouraged to discuss your options with a registered financial adviser.

What is the difference between being an active member and being a paid-up member?

There are only three differences:

1. Future contributions (either by yourself and/or your previous or new employer) cannot be made to the Fund when you become a paid-up member. Your member share remains invested in your chosen investment portfolio and it continues to be adjusted by investment returns.
2. Your insured benefits (i.e. your death benefit, funeral cover, disability income benefit and voluntary critical illness benefit, if applicable) all stop when you become a paid-up member.
3. As a paid-up member you decide when you need to take your full member share – this may be at any point in the future or on your retirement.

Why is it a good idea to preserve my benefit in the Fund and remain a paid-up member?

Research has shown that member decisions not to reinvest their retirement fund money when changing jobs is one of the main reasons why so many members are unable to retire in comfort. The research conducted by Sanlam in 2015 shows that 77% of members took all or some of their benefits when exiting a retirement fund on resignation, dismissal or retrenchment from employment. Among these members, 45% indicated that they did not understand the impact this would have on their retirement savings at the time while 39% said they regretted not preserving their retirement savings.

Becoming a paid-up member on exit from employment due to resignation, dismissal or retrenchment is an automatic process and you can elect to remain a paid-up member and officially inform the Fund of your choice when completing your withdrawal form. Remaining a paid-up member is seamless, cost-effective and provides you with flexibility to decide when you need your Fund benefit at a later time.

The paid-up structure is described below.

SCENARIO 1

Thembi became a paid-up member and retired comfortably

R500 000

Total capital contribution over 30 years

R1 024 774

Interest earned in retirement fund

R0

Total withdrawals over 30 years

R1 524 774

Total retirement savings after 30 years

Almost 3x the savings, simply by preserving



SCENARIO 2

Thembi cashed in her savings on her exit from employment and eventually retired short on cash

R500 000

Total capital contribution over 30 years

R203 849

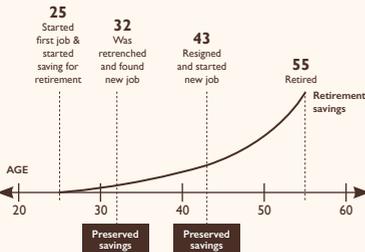
Interest earned in retirement fund

R187 653

Total withdrawals over 30 years

R531 327

Total retirement savings after 30 years



Assumptions: 9% p.a. interest earned on retirement savings; starting salary of R5 000 p.m.; salary increases by 7.5% p.a. on average over career, contributes 8.1% of gross salary to retirement savings.

Are there circumstances that can prevent me from becoming a paid-up member?

There are no circumstances preventing you from becoming a paid-up member. Please note that any legitimate deductions will be made from your Fund benefit irrespective of your chosen option. This is particularly relevant in the event that you have an outstanding pension backed housing loan balance. Please contact the Fund Services Centre to understand the tax implications should you have an outstanding pension backed housing loan and you wish to continue to preserve your Fund benefit in the Fund by remaining a paid-up member.

Can I take a portion of my benefit in cash and preserve the balance in the Fund when I leave employment?

No, the Rules require that your full benefit must be preserved in the Fund if you wish to become a paid-up member (subject to the legitimate deductions as discussed above). If you require some cash, you are allowed to take part cash and transfer the balance of your benefit to a retail preservation vehicle.

What is the minimum amount that can be preserved in the fund?

There is no minimum.

Will income tax be payable if I become a paid-up member in the Fund?

You do not pay any tax when your benefit is preserved in the Fund as a paid-up member. Any future lump sum taken will be taxed on the same basis as any other lump sum payment from a fund. Please contact the Fund Services Centre to understand the tax implications before taking any benefit payment.

What are the costs associated with paid-up membership?

Your member share remains invested in the same underlying investment portfolio(s) as active members. This means that the investment management fees paid will be the same as the very favourable fees that you paid when you were still in-service and contributing to the

Fund. The Fund makes two deductions from your member share to pay for administration and other fund level expenses. This is channelled to the Fund's Contingency Reserve Account from where fund expenses are paid. Please refer to the table on the last page for the current fee structure.

When may I access my benefit?

You may withdraw your benefit as a lump sum at any point before your retirement. You will be allowed to take the whole amount as a lump sum. If you are eligible to retire (50 or older), you may transfer your full member share or a portion thereof to the fund's affordable in-fund living annuity option available to all retiring members.

If I remain a paid-up member until my retirement, what are my options at that point?

You will have one of the following 5 options at retirement:

1. Use your full benefit to purchase a cost effective in-fund living annuity from the LA Retirement Fund – please refer to the in-fund living annuity Q&A for details regarding this option **OR**
2. Elect to take part of your benefit as a cash lump sum and use the balance to purchase a cost effective in-fund living annuity from the LA Retirement Fund – please refer to the in-fund living annuity Q&A for details regarding this option **OR**
3. Purchase more than one annuity of which one may be the in-fund living annuity (subject to SARS requirements) using 100% of your retirement capital **OR**
4. Take a cash lump sum and use the balance of your retirement capital to purchase more than one annuity of which one may be the in-fund living annuity (subject to SARS requirements). **OR**
5. Transfer fully to a retirement annuity or preservation fund, subject to SARS approval.

* Annuitisation rules with effect from 1 March 2021:

1. Members who were younger than 55 on this date -

Vested right: They may take their full member share as at 28 February 2021 plus growth to retirement as a cash lump sum and/or they can purchase a pension.

Non-vested right: A minimum of 2/3rds of all contributions from 1 March 2021 and growth thereon to retirement must be used to purchase a pension. The balance may be taken as cash.

2. Members who are 55 and older on this date and retire from the Fund -

Vested right: These members may continue to take their full retirement benefit in cash and/or they can elect to purchase a pension.

3. Members who are 55 and older on this date and transferred into the LA Retirement Fund after this date and then retire from the Fund -

Vested right: The transfer value plus growth to retirement may be taken as cash.

Non-vested right: A minimum of 2/3rds of all contributions and growth to retirement from the date of transfer must be used to purchase a pension on retirement.

If the non-vested right amounts to less than R247 500 at retirement; the full amount may be taken in cash.

Will the structure of my vested and non-vested member share accounts be affected by this option?

Electing a paid-up membership will not affect my vested and non-vested rights, as introduced on 1 March 2021 by the Tax Laws Amendment Act.

Where will my money be invested as a paid-up member?

As a paid-up member, you retain access to all the investment options offered by the Fund. The Fund's default investment strategy is the Life Stage programme and if you were invested in this option before your exit from employment, this strategy will continue on becoming a paid-up member. You can also opt out of the Life Stage investment strategy and select any one of the two Life Stage building blocks (i.e. the Accumulation or Consolidation portfolios). In addition, you also have access to the Preservation portfolio, the Cash Plus option and the Shari'ah compliant investment portfolio.

Will I be allowed to change my investment selections and if so, how often?

You may change your investment selection. You are permitted a maximum of 2 switches per fund year (between 1 July to 30 June) and the first of these switches is free. The second switch is paid from your member share held in the Fund. Please refer to the table on the last page for the current fee structure.

How will I know the amount of my member share balance at any stage in the future?

As a paid-up member, you retain access to the Fund's secure website and/or the administrator's app to obtain the value of your member share in the same way you obtained this information as an active member of the Fund. You will also continue to receive an annual statement from the Fund that confirms the value of your member share on 30 June.

May I continue to contribute to the Fund on becoming a paid-up member?

No, legislation does not allow paid-up members to continue to make contributions to the Fund. Your member share will continue to be adjusted with investment returns.

Will I remain covered under the Fund's group life, disability, funeral and voluntary critical illness benefit (if applicable) policies on becoming a paid-up member?

No, your death benefit, disability income benefit, funeral cover and voluntary critical illness benefit stop on your exit from employment.

Please note that you do have the option of converting your Fund death benefit, disability income benefit and voluntary critical illness benefit to private policies of assurance with the insurer within 90 days of your exit from employment. Please visit the Fund's website for more detail on the conversion option.

What happens should I die as a paid-up member?

Your total benefit becomes payable on death. 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 Trustees. You will be required to complete and return a confidential beneficiary nomination form on an annual basis to record your wishes on how the benefit must be apportioned. It is important to note that the final decision rests with the Board of Trustees.

Once the allocation is concluded by the Trustees, your spouse may select one or more of the following options in respect of the amount allocated to him/her:

1. Take the amount allocated to her/him as a lump sum (subject to prevailing taxation of lump sum benefits); **OR**
2. Purchase the cost effective in-fund living annuity offered by the Fund ; **OR**
3. A combination of the two options above.

Allocations to other dependants will only be paid as cash lump sums (also subject to taxation).

A once-off fee is currently levied by the fund administrator for the investigation into your social circumstances at the time of your death. This investigation is required by section 37C of the Pension Funds Act. This fee will be deducted from the total benefit payable and the fee is reviewed annually by the administrator. Please refer to the table on the last page for the current fee structure.

How do I know that my money is safe in the Fund?

All the Fund's investments are governed by the Pension Funds Act and Regulation 28 in particular. In the defined contribution environment, the fund's governance structure has a bias towards the management of the fund's investments. In fact, the majority of the Trustees' time is spent on investment related matters which includes constant communication in order to keep members informed and to manage their expectations.

As a paid-up member, what forms of communication can I expect to receive from the Fund?

You will receive the following on an annual basis:

1. A benefit statement, inclusive of a retirement planning status document and
2. A confidential beneficiary nomination form.

You can also expect to receive ad-hoc communication with a focus on investments. You are also encouraged to regularly visit the fund's website (www.laretirementfund.co.za) as a way of keeping yourself informed. It is your responsibility to keep the fund informed of your current contact details (i.e. postal address, e-mail address and cell phone number) in order to ensure that you receive Fund communication.

May I terminate my paid-up membership and transfer my money to my new employer's retirement fund or to another preservation fund or retirement annuity?

Yes, on condition that you are under the age of 65.

Who can assist me with all my options?

Retirement benefits counselling:

You are given access to retirement benefits counselling prior to you making a selection on the payment of your fund withdrawal benefit on your exit from employment. The same applies prior to you selecting an option on your retirement. This access is provided free-of-charge. You may also, at any time, contact the Fund Services Centre to obtain information related to your paid-up membership. This information is also provided to you free-of-charge.

Financial advice:

The Fund encourages members to constantly seek financial advice on all fund matters and particularly when benefits become payable. Please note that the Fund will not pay fees or commissions to any financial advisers in respect of paid-up members.

Summary of all recurring and ad hoc administration expenses as at 1 July 2021

Description	Frequency	Amount (incl VAT)
Basic administration fee	Monthly	R22.25
Contribution to fund level expenses	Monthly	R100
Additional contribution towards fund level expenses	Monthly	1/12th of 0.17% of retirement capital
Investment fee	The estimated total annual investment cost of the available investment options are listed in the next column. The cost is recovered monthly, but is expressed per annum.	Depends on the investment portfolio/s chosen. Includes asset management fee + performance fee + trading cost: Accumulation: 0.83%pa Consolidation: 0.84%pa Preservation: 0.72%pa Shari'ah: 1.19%pa
Investment switching fee	Ad-hoc	R350

These fees are reviewed annually on 1 July and the Trustees are committed to keeping increases in line with inflation.

Belmont Office Park, Twist Street, Bellville 7530
 PO Box 4300, Tyger Valley 7536
 Tel: 021 943 5305
 Fax: 021 917 4114
 email: support@laretirementfund.co.za
 website: www.laretirementfund.co.za
 Whatsapp: 081 806 9959
 Fund Registration No: 12/8/1278/2

