



**ISASA**

Independent Schools Association of Southern Africa

## Pension Scheme and Provident Fund

JUNE 2016

### THINKING OF LEAVING THE FUND?

*Are you thinking of leaving the Fund? If so, you need to consider the options regarding your retirement fund monies very carefully. Your decision to withdraw from the Fund could be due to:*

- Resignation,
- Retrenchment, or
- Dismissal.

*This flyer provides information about your options when withdrawing as well as a checklist for you to consider.*

### USE YOUR WITHDRAWAL BENEFIT WISELY

It will be wise to consider preserving your withdrawal benefit/money until you retire. A cash withdrawal may be attractive at this stage, but will influence your retirement plans negatively in the future.

When withdrawing from the fund and considering what to do with your fund benefit, the preservation of your retirement savings should always be your first consideration. Your benefit can be preserved and kept in the retirement funding system by placing it in a retirement annuity, transferring it to your new employer's fund or transferring it to a preservation fund.

### PAYMENT OPTIONS

**If you are a member of the ISASA Pension Scheme Part II or the Provident Fund:**

You will receive your Accumulated Credit. Accumulated Credit is the sum of:

- your benefit transferred into the fund from any previous fund (if applicable);
- your contributions made to the Scheme;
- the contributions made by the School to the Scheme on your behalf, less the costs of the death and disability benefits and of the administration of the fund; and
- the net investment growth (after investment fees) earned on the abovementioned amounts.

**If you are a member of the ISASA Pension Scheme Part I:**

You will receive your actuarial reserve value, as determined by the Actuary. This value is defined in the Pension Funds Act, in order to ensure that you receive your full share of the Fund.



*“Stepping wisely  
toward retirement”*

# ENGLISH

[www.isasapensionfund.co.za](http://www.isasapensionfund.co.za)

[www.isasaprovidentfund.co.za](http://www.isasaprovidentfund.co.za)

e-mail:

[isasa@oldmutual.com](mailto:isasa@oldmutual.com)

Old Mutual Call Centre:

0860 455 455

### You have four payment options:

- 1) You may transfer the money to a retirement annuity (RA). There is no tax on a transfer of this nature. A retirement annuity is a privately registered pension fund. The advantage of the RA is that further contributions can be made to the RA. The disadvantage is that such a transfer has certain limitations that make your money less accessible prior to retirement i.e. the funds cannot be touched until you reach age 55, and then only one third is available in cash. The balance must be used to purchase a pension (annuity) from a registered insurer unless the total value of the fund at 55 or older is R 247 500 or less, in which case it may be taken as a lump sum (under current tax legislation).
- 2) You may transfer the money to a preservation fund. There is no tax on this transfer either. The pension benefits must go to a preservation pension fund and provident benefits must go to a preservation provident fund. Members who take this option will be able to make one cash withdrawal from the preservation fund before age 55. From age 55 on you may retire as you would have from a normal pension and provident fund.
- 3) You may also transfer the money to the retirement fund of your new employer (if this is permitted in the new employer's fund rules). Should you take up new employment and the employer provides an approved retirement fund you may transfer your benefits to your new employer's fund. There is also no tax on this transfer provided that pension money is transferred to a pension fund and provident fund money to a provident fund. Where pension money is transferred to a provident fund, tax will be payable.
- 4) You may take the cash. This should be your last option and is not recommended. You will have to pay income tax according to set tax tables (as shown below) except for the first R 25,000 that is tax-free. The new tax-free threshold of R 25,000 will be cumulative and will apply to the total amount of a member's withdrawals from pension and/or provident funds over the member's lifetime. In addition, any cash withdrawal taken during your working life will reduce the tax free amount of your ultimate retirement benefit.

Most funds allow people to transfer money from their previous employer, but it is extremely important that you understand the rules of any new fund before taking this course of action.

Please bear in mind that accumulating retirement savings is a long term commitment. Using these savings for other purposes prior to retirement will result in financial strain at retirement. This option should therefore be your last resort.

### INTER-SCHOOL TRANSFERS

Should you transfer to another School which participates in the ISASA Pension Scheme, it is compulsory that the full value of your Accumulated Credit as at the date of transfer be transferred to the new School's account. You will continue to enjoy unbroken membership in the Scheme.

Should you transfer to a school participating in Part I (Defined Benefit Scheme) of the Pension Scheme, your Accumulated Credit will be used to purchase past service.

*The tax payable on lump sum amounts taken in cash is as follows:*

### LUMP SUM WITHDRAWAL BENEFIT

R0 to R25 000  
R25 001 to R660 000  
R660 001 to R990 000  
R990 001 and above

### TAX LIABILITY

0%  
18% of the amount above R25 000  
R114 300 + 27% of the amount above R660 000  
R203 400 + 36% of the amount above R990 000

The tax-free threshold of R 25 000 and tax table will be cumulative and will apply to the total amount of your withdrawals from funds in your lifetime.

## CHECKLIST

To Do List	Why this is important	Task Completed?	
		Y	N
<b>Make sure your new employer's fund allows for retirement fund transfers</b>	One of the best ways to preserve your retirement benefit is to transfer it to your new employer's fund. Make sure your new employer offers a retirement fund and make sure they will accept transfers. Pension Fund money must be transferred to a Pension Fund and Provident Fund money to a Provident Fund or Pension Fund to ensure that the benefits are transferred tax free.		
<b>Know what the value of your withdrawal benefit is</b>	Even if you have been a member of the Fund for a short period and you don't consider your benefit to be that substantial, it is important that all benefits no matter how small are preserved for the purpose of retirement savings.		
<b>Talk to an accredited financial adviser</b>	Speak to your financial adviser about the various options and products you can use to preserve your withdrawal benefits.		
<b>Obtain more than one annuity quote</b>	It is important to obtain at least three quotes from various insurance companies so that you can compare products and costs.		
<b>Preservation options</b>	Make sure that you know about all the preservation options.		
<b>Make sure your tax affairs are in order</b>	The speed of cash payouts is limited by the need to obtain a directive from SARS that instructs the fund as to how much tax must be deducted. If your tax affairs are not in order this could take a long time.		
<b>Complete the withdrawal claim form</b>	You can only complete this form when you have decided what you want to do with your withdrawal benefit. Once completed this form must be handed to your Bursar.		
<b>Speak to your Bursar if you feel unsure about your options</b>	If you feel unsure about your options you are welcome to speak to your Bursar.		

## HOW TO CLAIM

The Withdrawal Claim form is available from your Bursar or you can access it on the Fund's **website at [www.isasapensionfund.co.za](http://www.isasapensionfund.co.za)** OR **[www.isasaprovidentfund.co.za](http://www.isasaprovidentfund.co.za)**

The submission of the Form and the supporting documents must be initiated in the month in which you intend leaving. It is important that Old Mutual is notified about your exit by no later than the 26th of the month in which you are leaving. Claims must be submitted electronically via e-Claims.

Benefit payments (claims) are, subject to SARS approval, settled according to the following turn around times:

Retirement – 10 working days

Withdrawals – 10 working days

Death – 6 to 12 months (depending on circumstances)

**Disclaimer:** Please note that in order to notify the Old Mutual administration team of a withdrawal, the school will need to indicate the exit on the payroll file. This triggers the disinvestment of the member's assets. In addition, an E-Claim form must to be submitted with all supporting documentation. Once all the above is completed the above turnaround times will apply.

## HOUSING GUARANTEES AND DIVORCE ORDERS

If you have a Housing Guarantee provided by the Fund, the outstanding value of the guarantee will be settled before any part of the benefit is paid to you. You are liable for the income tax that must be paid as a result of the settlement of the housing guarantee. Thus, if you elect to transfer your benefit to a preservation or retirement annuity fund, tax will be deducted from the benefit in respect of the housing guarantee before the balance is transferred.

If there is a Divorce Order against part of your benefit in the Fund, the Fund is obliged to settle the value of the Divorce Order before paying any benefits to you. Thus, if you elect to transfer your benefit to a preservation or retirement annuity fund, the value of the divorce agreement will be deducted from your benefit before the balance is transferred.

## FINANCIAL ADVICE

The options available to you as you leave the Fund have been discussed in the briefest of detail. A variety of factors will influence your decision and we strongly recommend that you make use of a reputable Financial Adviser or Broker for suitable advice. An Accredited Financial Adviser will assist you by selecting the appropriate investment vehicle for your needs, as well as advising on the most prudent use of the lump-sum benefits payable to you (if you elect to take a lump sum). Finding a good financial adviser well in advance is recommended. You can find a financial adviser in your area by visiting the Financial Planning Institute's website at [www.fpi.co.za](http://www.fpi.co.za) or call Old Mutual's toll free number **0860 388 873**.

## WHO TO CONTACT

**Should you have any queries, please contact:**

**Old Mutual Call Centre on 0860 455 455 or email Old Mutual on [ISASA@oldmutual.com](mailto:ISASA@oldmutual.com).**