June 2022

PHUMULA
RETIREMENT FUND

IMPORTANT NOTICE

OPTIONS AT RETIREMENT

Rule Amendment No. 3 was approved by the Financial Sector Conduct Authority on 25 May 2022. The Rule Amendment allows in-service members over the age of 63 to choose to retire outside of the Fund when they leave employment.

The Phumula Retirement Fund ('the Fund') is therefore pleased to advise that, with effect from 1 May 2022, members younger than 63 **and** members older than 63 years can choose one of the following options when retiring from service:

RULE 13.5 – EFFECTIVE 1 MAY 2022

OPTION 1
Retire in the Fund

- **A pension paid for life**
- CPI increases each year
- 13th cheques*
- Spouse's pension
- 10-year guaranteed payment period from date of retirement

*Subject to affordability

OPTION 2
Retire outside of the Fund

- **Purchase an annuity from a registered insurer**
- The terms of the annuity will depend on what you choose
- You will no longer be a member of the Fund

IF I AM YOUNGER THAN 63 SHOULD I RESIGN FROM EMPLOYMENT INSTEAD OF RETIRING?

You should only resign from employment if you have a job at another company. If you do not intend to continue to work in formal employment after leaving the City, then you should strongly consider retiring from the Fund. This has the following advantages:

- You have a higher tax free allowance. This means that you will pay less tax on the part of the benefit that you receive in cash. Overall, the tax payable on retirement is much lower than the tax you pay when you resign.
- Insurers offer much better annuity rates when you invest directly after leaving the Fund (known as a compulsory purchase). If you take all of your money out of the Fund and then use the money to buy a pension (called a non-compulsory purchase) then the cost will be higher.

Some financial advisors may recommend that you withdraw and move your money to a preservation fund and that you then immediately move your money from the preservation fund to buy an annuity. You do not need to do this. This structure could result in you paying two sets of commission to the advisor (once when moving to the preservation fund and once when buying an annuity).

You should be moving directly to the annuity and save one set of costs!

VERY IMPORTANT

Members who may be choosing to retire outside of the Fund are required to attend an information session at the Pension Fund Office, to complete a retirement questionnaire and to have a discussion with the Fund's retirement counsellors. These retirement counsellors are able to set out the possible advantages and disadvantages of buying an in-fund annuity and withdrawing or retiring from the Fund.

The retirement sessions are presented in English. African language sessions and presenters can be arranged if required.

Please contact the Phumula Retirement Fund Pension Fund Office for further details

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