

March 2021

Dear Member

UNIVERSITY OF THE WITWATERSRAND RETIREMENT FUND

COMPULSORY ANNUITISATION FOR PROVIDENT FUND MEMBERS

The Taxation Law Amendment Act of 2020 was signed into law by the President on 20 January 2021. This has enacted the long-awaited legislation which provides for compulsory annuitisation that applies to members of provident funds with effect from 1 March 2021 (T-Day).

What does compulsory annuitisation mean?

Before 1 March 2021, a provident fund member could take their full benefit in cash upon retirement, subject to tax. With effect from 1 March 2021, a provident fund member will be treated like a pension fund member and may only take up to a maximum of one third of their retirement benefit in cash and must use the remaining balance to purchase an annuity from a registered insurer.

However, the legislation protects vested benefits of a provident fund member at T Day.

What are vested and non-vested benefits?

If a member is younger than 55 on 1 March 2021

Vested benefits will be:

- A member's fund value **before** 1 March 2021; and
- Any investment growth on this fund value going forward.

Non-vested benefits will be:

- All contributions made to a provident fund **after** 1 March 2021; and
- Any investment growth on these contributions.

This basically means that a member's fund value before 1 March 2021 plus all future growth on that fund value will be vested benefits, and the member will always be entitled to take this portion as a cash lump sum at retirement. The vested benefits will be protected even if a member transfers to another provident fund after 1 March 2021.

Non-vested benefits will be subject to compulsory annuitisation at retirement.

If a member is age 55 or older on 1 March 2021

Vested benefits will be:

- A member's fund value **before** 1 March 2021; and
- Any investment growth on this fund value.
- All contributions made to the existing provident fund **after** 1 March 2021; and
- Any investment growth on these contributions.

This basically means that the new annuitisation rules will not apply to a member age 55 or older and they may still take their full benefit in cash at retirement. The vested benefits will be protected even if a member transfers to another provident fund after 1 March 2021.

This is only on condition that the member retires from the same provident fund which they were a member of on 1 March 2021. If the member were to change to a new provident fund then he/she would be subject to compulsory annuitisation on future contributions to his new provident fund.

It is important to note that:

A provident fund member, irrespective of age may still be able to take ALL their benefits in cash after 1 March 2021, provided that on retirement:

- They have vested rights on their provident fund benefits accumulated before 1 March 2021; and
- Their non-vested benefit is R247 500 or less.

It is also important to note that the new laws do not apply to withdrawal benefits (i.e. benefits due to a member on resignation, retrenchment or dismissal) from a provident fund, which may still be taken in full as a cash lump sum, subject to tax.

If you have any queries or concerns, please contact the Fund's consultant, Didintle Mosalaesi, at dmosalaesi@nmg.co.za, or the Fund's Principal Officer jeremy@jigconsulting.co.za.