



UCTRF

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Retirement Options Guide

July 2026

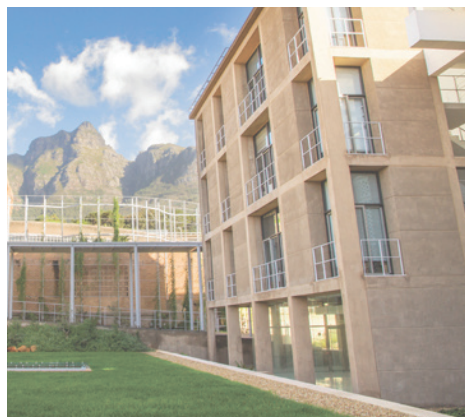


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Welcome



Dear Member

*When you retire there are a few difficult choices to be made. Probably the most important and permanent will be which annuity (pension) to choose. **Please remember that sometimes your decision is final and cannot be changed once you have retired, so choose carefully and make sure you understand your choice.***

In this booklet you will find an overview of the University of Cape Town Retirement Fund's (UCTRF) Board-endorsed annuity strategy, as well as some of other options available to you if the Board-endorsed annuity strategy is not suitable for your specific circumstances. (There is a comparison of the different options at the end of this booklet.)

What is a Board-Endorsed Annuity Strategy?

In terms of legislation, all retirement funds are required to have an annuity strategy in place which the Board believes is the most appropriate and suitable choice for most members. The Board-endorsed annuity strategy is not an automatic default annuity option and will only be applied with your explicit consent. However, if it is not suitable for your specific needs then you may select another suitable annuity product from the choices available.

The Board-endorsed annuity strategy is an inflation-linked life annuity with a 5-year guaranteed term and a 75% spouse's pension in the case where retiring members are married. This means that your full pension will be paid until you die or for 5 years, whichever is later. If, at this stage, your spouse is still alive they will receive 75% of your full pension until they die. The spouse's pension will begin at the later of the 5-year guarantee period or the death of the member. The pension will increase by CPI each year.

Getting information and advice when making your decision

The UCTRF Office can assist you with retirement benefit counselling if you need assistance in understanding the options available, particularly the Board-endorsed annuity option. However, they cannot provide you with financial advice (i.e. they cannot assist you with which choice would be most suitable for you).

The UCTRF Board understands how complex this decision is and has therefore appointed independent and suitably accredited financial advisors, Gradidge Mahura Investments (GMI), to provide members aged 50 and over with financial advice regarding their UCTRF retirement benefit. This advice will be provided to you for free and is paid for by the UCTRF (subject to a maximum of 3 meetings during your membership of the UCTRF). You can contact the financial advisors contracted to UCTRF, Gradidge Mahura Investments (GMI), directly or inform the UCTRF that you would like GMI to contact you. Contact details are available at the end of this booklet.

Please note: The options set out in this booklet are the pension plans generally available in the market. However, the plan most suited to you will be determined by your specific circumstances. This document cannot be regarded as financial advice and you should seek such advice from a FAIS registered advisor before deciding on a course of action. The purpose of this booklet is to provide you with information to enable you to interact appropriately with a financial advisor; whether you choose GMI who are paid for by the UCTRF in the circumstances explained above, or your own financial advisor at your own cost.



Options available at retirement



When retiring from employment, you can choose to either retire from the UCTRF (i.e. take your retirement benefit at that point) or to defer your retirement (i.e. only take your retirement benefit at a later stage).

Deferring payment of your retirement benefit

Although you are retiring from service, you have the choice of deferring payment of your retirement benefit until such time you wish to or need to receive a retirement benefit. If you choose to defer payment of your retirement benefit you have two options.

You may choose to do either of the following:

1. You may leave your money invested in the UCTRF until you instruct the UCTRF what to do with your Accumulated Retirement Savings. In this case you will become a 'Phased Retiree'.

As a Phased Retiree:

- You will not be able to make further contributions to the UCTRF, and
- You will not be covered for any of the death or disability benefits (except if you have opted for continued cover as noted below), however
- You will still be able to make investment choices and investment switches.
- Should you pass away before you instruct the UCTRF to pay your benefit, the UCTRF Board will remain responsible, in terms of the Pension Funds Act, for deciding both who receives your benefit and how much each person receives. Please ensure that your beneficiary nomination form is kept up-to-date.
- Please ensure that you keep the UCTRF informed of your contact details so that relevant communication can reach you.

Optional continued cover: if you are younger than 65, you have the option to continue your separate death benefit cover at your own cost until you reach age 65. Contact HR for further information if you are considering this option.

2. You are also able to defer your retirement by preserving your Accumulated Retirement Savings in an external retirement annuity fund or a preservation fund. If you choose either of these options, your full Accumulated Retirement Savings will be transferred to the chosen retirement vehicle, and you will no longer be a member of the UCTRF.

Retiring from the UCTRF

When you choose to retire from the UCTRF (whether this is at the point of retirement from employment, or when you choose to retire if you are a Phased Retiree), you may be able to take a portion of the retirement benefit as a cash lump sum. Any part that is not taken as a cash lump sum must be taken as an annuity (pension). Retirement from the UCTRF requires a calendar month's notice.

How much can I take in cash?

Given changing legislation impacting provident fund benefits since 1 March 2021, Provident Fund members have various components within your Accumulated Retirement Savings.

On retirement you may take a maximum cash lump sum calculated as follows:

- 100% of your Vested Share of your Vested Pot
- 1/3rd of your Non-Vested Share of your Vested Pot*
- 100% of your Savings Pot
- 0% of your Retirement Pot*

** (unless your Retirement Pot + 2/3rd of your Non-Vested Share of your Vested Pot is less than R240 000, in which case you are able to take 100% of these components).*

Please refer to your latest benefit statement or the Alexforbes online portals (see how to do this: <https://uctrf.co.za/uctrf/view-your-values>) to determine the values that you have in each component.

Definitions of the Pots:



Vested Share of Vested Pot

Only applicable to members who were members of a Provident Fund prior to 1 March 2021. Made up of:

- all your savings prior to 28 February 2021;
- plus contributions after 1 March 2021 only if you were a member of the UCTRF and over age 55 on 1 March 2021;
- plus transfers in from other Funds after 1 March 2021, in respect of members that transferred into the UCTRF after 1 March 2021 and had a Vested Share in a previous Fund;
- less pro-rata share of Seed Capital (if applicable); plus
- investment return thereon.



Non-Vested Share of Vested Pot

- Contributions made between 1 March 2021 and 31 August 2024 less pro-rata share of Seed Capital (if applicable); plus
- investment return thereon.



Savings Pot

- Seed Capital (if applicable);
- plus 1/3rd of your contributions to the UCTRF from either
 - 1 September 2024, if you were a member of the UCTRF prior to this date and were younger than 55 on 1 March 2021;
 - the date you joined UCTRF if you joined UCTRF after 1 September 2024; or
 - from the date you elected to participate in the Two-Pot system if you were over age 55 on 1 March 2021.
- less any withdrawals made from this pot prior to retirement; plus
- investment return thereon.
- Seed Capital means the lesser of 10% of your Accumulated Retirement Savings or R30 000, calculated at
 - 31 August 2024, if you were a member of the UCTRF prior to this date and were younger than 55 on 1 March 2021; or
 - the date you elected to participate in the Two-Pot system if you were over age 55 on 1 March 2021.

What can I do with the balance of my retirement savings?

You must use any balance of your Accumulated Retirement Savings to buy an annuity/pension.

Your choice of an annuity may be in the form of:

- The Board-endorsed life annuity from an external provider; or
- A Living Annuity from the UCTRF, or
- Another Life Annuity from an external provider or
- A Living Annuity from an external provider, or
- A combination of any combination of a life and a living annuity from above

The tax and other implications of these options are discussed later in this booklet. It is important to understand the differences clearly to make an informed decision at retirement. Such decisions will impact how much cash to take as a lump sum and which type of annuity is best for you.

Transferring Leave Pay to the UCTRF

You have the option to transfer up to 55% of your leave pay to the UCTRF. In this case you may receive tax relief on this additional contribution. You can claim a tax deduction for all contributions you make towards retirement savings, up to 27.5% of your total-cost-to-company package, subject to a maximum of R430 000 per tax year. If your total contributions made in the current tax year are below this limit, you can increase your contribution using your leave pay and receive immediate tax relief. Contributions above this limit are still permitted; however, the tax deduction on the excess amount is carried forward and may be used to reduce your tax in future years.

If you select this option, you must:

- Let your department have your final leave dates at least 2 months prior to your last day of work so that the leave audit reports can be requested.
- Ensure that your retirement form is submitted by the 3rd of the month in which you leave your employer (for example: if you leave your employer on 31 December your form must be submitted by 3 December).

Tax implications of the options



What if I take a lump sum? Will I pay tax?

An amount of up to R550 000 received by way of lump sums is tax free, to the extent that the R550 000 has not yet been used (e.g. at a previous retrenchment or retirement or withdrawal from another fund). The amounts from the employer (e.g. bonus or leave gratuity) and from the UCTRF will be added together and the exemption will therefore be R550 000 over your lifetime in respect of all such lump sums received.

Any withdrawal or retrenchment benefit previously received tax-free (including any tax-free amount received from your employer as a severance package), as well as tax-free portions for amounts paid out after 1 March 2009 in respect of divorces or maintenance orders, will reduce the tax-free portion available at retirement.

In addition, when you retire, you will not pay tax on the original amount of your AIPF Transfer Value (if applicable), assuming that you take this amount as part of a lump sum benefit from the UCTRF. You will only pay tax on its investment growth.

When you retire, you will pay tax on the sum of the UCTRF lump sum benefit and any retirement fund (or other) lump sum withdrawal benefits received by or accrued to you prior to this event, calculated as follows:

R0 – R550 000	<i>0%</i>
R550 001 – R770 000	<i>18% of the amount above R550 000</i>
R770 001 – R1 155 000	<i>R39 600 plus 27% of the amount above R770 000</i>
R1 155 001 and above	<i>R143 550 plus 36% of the amount above R1 155 000</i>



Example: Calculation of tax on a lump sum

Member elects to take R750 000 lump sum from his/her retirement benefit (assuming this is the only lump sum to be received by the member):

AIPF transfer value (as applicable): R 125 200

(This R125 200 will be tax free)

The remaining R624 800 (R750 000 less R125 200) will be taxed as follows:

R550 000 at 0%	R 0
R74 800 at 18%	R 13 464
Total tax	R 13 464

In this example the retiring staff member will receive a cash lump sum of R736 536 after tax (R750 000 – R13 464).

Why not do your own calculation? Go to <https://uctrf.co.za/uctrf/benefit-taxation-calculator>

Will I pay tax when I receive the monthly pension?

No. No tax is payable on your Accumulated Retirement Savings which you use to purchase a pension. However, tax will be deducted from the monthly pension you receive at the applicable tax rates for that tax year (as if you were earning a salary).

There are exceptions to this, such as where you use a part or all of a lump sum retirement benefit amount which is tax free (such as the original amount of your AIPF Transfer Value (if applicable)) to purchase what is known as a “voluntary purchase annuity”. A portion of this pension will be tax-free income in your hands.

Voluntary purchase annuities

A cash lump sum received by a retiring member (after the deduction of tax in terms of the Second Schedule of the Income Tax Act) can also be used to purchase an annuity.

Such an annuity is regarded for tax purposes as a “voluntary purchase annuity” and only the interest portion of the monthly annuity payment (rather than the entire annuity) is taxable in the member’s hands. (SARS have a formula for determining the interest portion.)

The lump sum



Some factors to consider when taking a lump sum

When deciding how much cash to take, you should at least consider the following, as well as any other personal circumstances:

- a. any debts that should be repaid (e.g. house bond);
- b. your tax position (e.g. whether you have previously received a tax-free benefit or are already in a high tax bracket);
- c. future accommodation plans, particularly in the event of old age and the need for frail care;
- d. your marital status and/or the need to provide for other financial dependants;
- e. your state of health (and that of any financial dependants you may have) and future medical costs;
- f. any current and future anticipated events that require funding (e.g. overseas trip, replacement of car, children's education, purchase of property);
- g. any other investments you have outside the UCTRF;
- h. other sources of income (e.g. maintenance payments, leave pay, other investment income);
- i. any life assurance policies that would make provision for dependants in the event of your death after retirement; and
- j. the reduction in future income (pension) that will result from taking part of your benefit in the form of cash and balancing your objectives of providing a guaranteed income and the desire to leave a legacy with pension assets (many members also have other assets to leave as a legacy)

Calculating the impact of these factors is complex and you should consult GMI or your own FAIS registered advisor, who will be able to help you decide how much to take in cash and how much to take in the form of an annuity.

Investment of the lump sum

In general, you should not take more of your retirement benefit in cash than you need to, and you should leave as much as possible to secure an income in retirement. However, you may wish to take some extra cash to hold for emergencies. The most appropriate vehicle for the investment of such cash is complex (e.g. unit trusts or endowment insurance policies) and financial advice from GMI or your own FAIS registered advisor should be obtained in this regard.

Annuity options available on retirement



The two main types of annuities available are a **Life Annuity** or a **Living Annuity**.

1 LIFE ANNUITY

You pay over an amount to an insurer in return for a monthly pension. The amount of the initial pension that you will receive is set by the insurer. The pension is guaranteed to be paid for the rest of your life and will never decrease. The pension paid is based the annuity rates at the time you retire. Annuity rates are influenced by a number of factors such as insurance factors (age, gender, how long you are expected to live etc.), the type of annuity you choose, the prevailing level of market yields, etc. and can change over time.

2 LIVING ANNUITY

This works somewhat like a bank account. You decide where the money is invested, and how much of this money you want to take as a pension in each year. If you take too much too quickly or the investment markets perform poorly at some future point, or you live longer than you thought you would, the “account” may decrease to such an extent that the income provided is insufficient to support you.

1 More about Life Annuities

The advantages and disadvantages of a **Life Annuity** are shown in the table below:

Advantages	Disadvantages
The pension is guaranteed to be paid for your life, and in accordance with your wishes as regards features such as the guaranteed minimum payment term and/or part or all of the pension paid to your spouse after your death.	Once the pension has been set up, you cannot change it later if it is no longer suitable for your needs.
You can specify a guarantee term (e.g. 5 years) which means that the pension is guaranteed to be payable to your dependants even if you and your spouse both die before the end of the guarantee term.	If you and your spouse both die after the “guarantee term” has ended, no benefits are available for your dependants or estate.
You don’t have to make any management decisions except at the point of retirement. At this point you decide the guarantee term and whether you want a spouse’s pension and if so what the percentage should be set at.	No possibility of changing to another product. Your choice is irreversible.

This may be a good option for you (compared to a Living Annuity) if any of the following apply:

- You want a guarantee that your pension will be paid for the rest of your life and not run out. Your initial pension is guaranteed, and your pension will never be lower than this. Depending on the Life Annuity you select, increases may also be guaranteed. The increases for the Board endorsed annuity is guaranteed to match inflation i.e. your pension increases every year with inflation.
- You are in good health and expect to live longer than most people of your age. (Note that a Life Annuity may be appropriate even for those in ill-health if you qualify for an enhanced underwritten annuity.)
- Your children are not financially dependent on you or will be financially independent within the next few years.
- You don't want the responsibility of making decisions about your pension (investment and amount) continually until you die (possibly at the age of 90+).

There are a number of different features available in respect of Life Annuities from insurers. The key decision areas which will determine the features of the annuity are as follows:

1. **Guaranteed period for the payment of the annuity** – Life Annuities can be purchased with no guaranteed period, or a specified guaranteed period. Where no guaranteed period is chosen, the annuity ceases immediately on your death. If you choose a guaranteed period (e.g. 5 or 10 years) then, if you die before the expiry of the guaranteed period, the full amount of the annuity (together with any increases the Insurer grants thereon) will continue to be paid for the balance of the guaranteed period. The longer the guaranteed period selected, the lower the starting level of the pension.
2. **Annuity on death to the surviving spouse** – the annuity can make provision for a pension to continue to your surviving spouse or life partner after your death. The initial pension will be lower if a spouse's pension is allowed for. The spouse's pension will usually be expressed as a percentage (e.g. 75%) of the original pension, because your spouse's income needs may be lower after your death. In the event of your death before the expiry of the guaranteed period, the full annuity will be payable for the balance of the guaranteed period before reducing to the selected spouse's pension percentage.
3. **Future pension increases** – the annuity can be level or provide for annual pension increases. An annuity that provides annual increases will initially be lower than an annuity that remains level. If you purchase an annuity, you should consider the impact of future inflation and avoid the temptation of choosing a higher initial pension that does not provide for future increases that at least keep up with inflation.
4. **Enhanced Life Annuities** – With most financial products, you get penalised for being in poor health through higher premiums or reduced cover. **However, if you have poor health and lifestyle factors, you may benefit from a certain type of annuity.** This type of annuity is called an enhanced life (or impaired life) annuity.

With an enhanced life annuity, the insurer will take the following unique circumstances of each individual into account, when quoting the guaranteed starting annual income:

- **Socio-economic** – highest level of education and total annual income at date of retirement;
- **Lifestyle** – things like smoking and consumption of alcohol;
- **Health** – past and current physical health.

If an individual has a low socio-economic status and/or poor lifestyle and health circumstances at retirement, they are, unfortunately, not likely to live as long as the normal life expectancy. The insurer will conduct a telephonic interview to understand the individual's specific circumstances. Should this process result in a lower life expectancy, the insurer will then increase the guaranteed starting annual income.

There are four types of Life Annuities, which differ in the pension increases which are awarded to the pensions provided:

- Inflation-linked Life Annuity;
- Fixed escalation Life Annuity;
- With profit Life Annuity; and
- Level Life Annuity.

The UCTRF Board has selected an Inflation Linked Life Annuity with a 5-year guarantee as the Board-endorsed annuity for the UCTRF.

Inflation-Linked Life Annuity (Board-endorsed annuity option)

*You pay over an amount to an insurer in return for a pension (the initial amount is set by the insurer at the time of purchase) which will increase with **inflation every year** and will be paid for the rest of your life.*

Pension increases are guaranteed to keep up with inflation and are not linked to investment performance. Pensions never decrease. However, in periods of high inflation (above 20%) your increases will be capped at 20% until inflation normalises.

Good option for you if:

- You want certainty around the amount of pension which you will receive, be protected against inflation and know that this will be paid for as long as you live.
- The future investment performance outlook is poor.
- This is your only source of income in retirement.

Why the UCTRF selected an Inflation Linked Life Annuity as the Board-endorsed Annuity

Like all Life Annuities, an inflation-linked life annuity guarantees a pension for the rest of your life and is not exposed to market risk or a fluctuating income as a result of market movements. In addition, an inflation linked annuity removes inflation risk since increases are guaranteed to be in line with inflation irrespective of how the underlying investment portfolios perform.

Although the Board has recommended a 5-year guaranteed period and a 75% spouse's pension in the case where a retiring member is married, you can customise the features of your pension to ensure this is best suited to your financial circumstances.

Many members prefer this certainty in income and the certainty of annual increases in line with inflation, which does mean that the starting pension is generally lower than some of the other types of life annuities.

> Fixed Escalation Life Annuity

You pay over an amount to an insurer in return for a pension (the initial amount is set by the insurer at the time of purchase) which will increase at a fixed percentage every year and will be paid for the rest of your life.

Pension increases are fixed at the determined percentage – (typically 5% or 7% is used). In this way, some inflation protection is provided.

Good option for you if:

- You have a short life expectancy post-retirement.
- You have alternative inflation linked income in retirement.

> With Profit Life Annuity

*You pay over an amount to an insurer in return for a pension (the initial amount is set by the insurer) which will increase as **determined by the insurer** every year based on investment performance and will be payable for life.*

A key point to consider is the post-retirement interest rate (PRI) which determines the size of the initial pension and future increases. Pension increases (determined by the insurer) depend on investment performance: from 0% in poor years, to above inflation in good years. A PRI is selected at the outset. If the investment return actually earned in a year is higher than the PRI selected, the excess is used to provide income increases. For example, if a PRI of 3.5% is selected, and the investment return is 6%, then the additional 2.5% can be used to provide increases. If a lower PRI is selected initially (it can even be 0%), the initial income is lower, but the potential increases in income will be higher. Each insurer's PRI targets long-term increases, commonly expressed as a percentage of targeted inflation protection. But different insurers have differing targeted inflation protection for the same PRI. So, it is important to select PRIs from different insurers that target (not guarantee) the same inflation protection (e.g. 100% of inflation) so that they are comparable. To understand the expected increases over time it is important to review the insurers' historic increases (relative to inflation) after adjusting for PRI's and costs. Even though these historic increases are not guaranteed for future increases, it does provide information on the insurer's ability to deliver inflation-beating returns over time.

Both starting pension and expected future increases should be considered.

Good option for you if:

- You are willing to tolerate the possibility of lower than inflation pension increases in return for the possibility of higher than inflation pension increases. You want a pension that will be paid for as long as you live.
- You have alternative inflation linked income in retirement.
- You have an emergency fund for periods of low or no increases.

> Level Life Annuity

You pay over an amount to an insurer in return for a pension (the initial amount is set by the insurer at the time of purchase) which will never increase and will be paid for the rest of your life.

There are no pension increases. Ever. So, your pension loses purchasing power at the rate of inflation.

Good option for you if:

- You have a short life expectancy post-retirement.
- You have alternative inflation linked income in retirement.

If you are in poor health or have some risk factors, you may benefit from an impaired life / enhanced annuity. In this case, the initial pension is higher than with a traditional annuity as the Insurer takes your lower life expectancy into account when calculating your pension.

Hybrid, Blended or Combined Annuities

You can also combine annuities in various ways that best deliver on your income requirements. This can be done by combining an inflation linked annuity with a with profit life annuity or combining a living annuity with a life annuity or blended annuity products. This provides the certainty of income from a life annuity with the flexibility of a living annuity.

2 More about Living Annuities

This works somewhat like a bank account. You decide where the money is to be invested, and how much of this money you want to take as a pension in each year (minimum 2.5% and maximum 17.5% of the capital value). If you take too much initially and/or the investment markets perform poorly at some future point and/or you live for longer than you expect, you can outlive your money. You should be very careful when selecting this option that you do not run out of money.

Living Annuities are very flexible products and offer many attractions to the sophisticated investor. They do, however, have some significant challenges.

The advantages and disadvantages of a Living Annuity are shown below:

Advantages	Disadvantages
You control the amount of pension which you take – so you can adjust it to changing needs.	You may take too high a pension and end up with too little money to last until your death.
You have full control and make active decisions.	You have full control over where the money is invested and the pension amount – will you be able to make sound decisions when you are older?
You gain fully from good investment performance.	You lose fully from poor investment performance. In addition, poor investment decisions by you could add to your losses.
When you die, any remaining money is paid to your dependants or nominees.	By concerning yourself with your dependants/nominees, you could risk your own financial wellbeing, as you could run out of money before your death.
You still have the option of buying a Life Annuity later, when it suits you better.	Poor cashflow management (drawing too much and/ or poor investment performance) impacts you in two ways: a constantly reducing pension; and, in the most severe scenario, running out of money.

This may be a good option for you (compared to a Life Annuity) if:

- You are willing to tolerate the possibility that your pension may run out at some point before your death, **AND**
- You are happy to carry the responsibility of making decisions about your pension (where your retirement savings are invested and the level of your pension) continually until you die (possibly at the age of 90+), **AND**
- **One or more of the following applies to you:**
 - Your required annual income is low (generally below 5%) relative to the size of your retirement benefit, and/or
 - you have an alternative source of income in retirement, and/or
 - you will continue to work in retirement, and/or
 - you do not expect to live very long, and/or
 - you need to leave something for your estate because your dependants will rely on this for their survival if you die, even if this happens many years in the future.

In summary, with a Living Annuity, you make the decisions, and you enjoy the flexibility at the expense of the guarantee that your pension will last until your death.

It is **your responsibility** (in consultation with your financial advisor) to ensure that the income level selected is at a level that will be sustainable for the rest of your life. The income drawdown, relative to the investment return on the capital to achieve this, needs to be carefully managed.

More detailed information about managing your investments and drawdowns is available on the website: <https://uctrf.co.za/uctrf/living-annuitants>

Speaking to a competent financial advisor is invaluable in helping you to decide whether a Living Annuity is the right choice for you and, if so, to help you to manage the risks involved. Apart from explaining both the advantages and the risks of a Living Annuity, a financial advisor must explain, quantify, and compare these advantages and risks against life annuities, where a long-term Insurer carries the full investment risk and the risk of you living longer than expected.

Living Annuity from UCTRF vs Living Annuity from an Insurer

You can take a Living Annuity either from the UCTRF, or from a registered Insurer. The differences between the two are illustrated below:

UCTRF	Insurer
Stay invested in the UCTRF and UCTRF portfolios	A much broader range of investment choice, which might also open up a range of investment performance outcomes
Lower fees	Higher fees
Reg 28* compliant	Not Reg 28* compliant
S37C death distribution**	No S37C death distribution***
Can transfer to Insurer later	Cannot transfer back to UCTRF later
You cannot allocate to a guaranteed annuity inside the UCTRF Living Annuity.	You can allocate to a guaranteed annuity inside the Living Annuity.

** Regulation 28 is issued under the Pension Funds Act. It limits the extent to which retirement funds may invest in particular assets or in particular asset classes and the percentage that may be invested offshore. The main purpose is to protect the member's retirement provision from the effects of poorly diversified investment portfolios.*

****This means that the UCTRF Board must make the final decision on how your benefit will be distributed to your beneficiaries when you die. Even where you have completed a beneficiary nomination form, the UCTRF Board might direct a distribution that is different to that reflected on your beneficiary nomination form. If you do not complete a beneficiary nomination form, the UCTRF Board still has to make the final decision on how your benefit will be distributed: it does not automatically pass into your deceased estate, which could attract estate duty.**

*****This means that your benefit will be distributed to your beneficiaries in accordance with your wishes as set out in your beneficiary nomination form, or where you do not complete a beneficiary nomination form, into your deceased estate, which could attract estate duty.**

Living Annuities from Insurers are generally more costly than from UCTRF, as shown in the following comparison. The Insurer charges are indicative of the level of charges levied by Insurers:

Cost item	UCTRF	Indicative Insurer's cost
	Cost basis (including VAT)	Cost basis (including VAT)
Annuity payment fee*	R740.95 initial management fee	No initial admin fee.
Annuity admin fee*	R92.00 per month admin fee. R18.58 per month annuity payment fee.	Sliding scale per provider. Indicative fees (Incl. VAT) : R1mn – 0,58% R3mn – 0,35% R5mn – 0,25% R7.5mn – 0,21% R10mn – 0,18%
Investment fees	Capital Preservation Portfolio: 0,4% p.a. Balanced Portfolio: 0,58% p.a. Shari'ah Compliant Balanced Portfolio: 0,90% p.a. Above excludes performances fees	Cautious portfolio: 0,36% p.a. to 1,3% p.a. Balanced portfolio: 0,40% p.a. to 1,3% p.a. Shari'ah portfolio: 1,2% p.a.
Switching fees*	One free switch p.a. between 1 July and 30 June; thereafter R715.13 per switch.	Free switching
Advisor's fees: Once off upfront advice fee	Rnil, if you use the UCTRF appointed advisors, GMI. GMI's upfront fee is paid for by the UCTRF.	Up to 1.725% of your accumulated retirement savings. This fee is negotiable. You might also find that there might be insurers who accept "direct clients" where no advisor is involved, in which case the fee could be reduced or waived.

Cost item	UCTRF	Indicative Insurer's cost
Advisor's fees: Ongoing advice fee	No ongoing adviser fee is charged by the UCTRF itself. If you appoint a financial adviser, an ongoing advice fee will apply and is deducted from your Accumulated Retirement Savings. This fee may be paid directly to your financial advisor or deducted from your Accumulated Retirement Savings in the UCTRF. The UCTRF administrator then collects and pays this fee to the advisory practice on a monthly basis. The UCTRF has negotiated a preferential ongoing advice fee with Gradidge Mahura Investments (GMI) of 0.35% per annum (excl. VAT). This fee is significantly lower than the typical market average of approximately 0.64% per annum (excl. VAT).	Where an adviser is appointed, an ongoing advice fee will apply and is deducted from your investment. The product provider or administrator will facilitate the collection and payment of the fee to the advisory practice on a monthly basis. While advice fees in the broader market may be negotiable they can be up to approximately 1.15% per annum (incl. VAT), The UCTRF has negotiated a preferential ongoing advice fee with GMI of 0.35% per annum (excl. VAT), which applies where GMI is appointed.

**These fees are reviewed annually.*

This is general information describing the different types of annuities. You should consult a FAIS registered financial advisor to help you decide which pension type would be most appropriate for your needs. You should also note that the general fee comparison above is not exhaustive, and you should carefully negotiate and analyse the fees presented to you by your FAIS registered financial advisor. Please also appreciate that there might be non-financial considerations when choosing between the UCTRF Living Annuity and any other annuity option available in the broader market.

In summary:

- **Inflation-Linked Life Annuity** – this is a pension which is guaranteed for life. The initial pension amount is determined by the Insurer and is guaranteed to increase annually with inflation. The Insurer bears both the investment and the longevity risk.
- **With Profit Life Annuity** – this is a pension which is guaranteed to be paid for life. The initial pension amount is determined by the Insurer. The pension increases are determined by the Insurer and are linked to investment performance – the pension can never be reduced. You bear some of the investment risk, but the Insurer bears the longevity risk (i.e. the risk that you will live longer than expected).
- **Fixed Escalation Life Annuity** – this is a pension which is guaranteed for life. The initial pension amount is determined by the Insurer and is guaranteed to increase at a fixed percentage. The Insurer bears both the investment and the longevity risk. You still bear some inflation risk.
- **Level Life Annuity** – this is a pension which is guaranteed for life. The initial pension amount is determined by the Insurer but never increases. The Insurer bears both the investment and the longevity risk. You bear all inflation risk.
- **Living Annuity** – you make the decisions around where the money is invested and how much annual pension you take. You also have flexibility to choose the level of your pension on an annual basis. This option, however, does not guarantee your pension for life and you bear the investment risk and the risk of living too long!
- **Blended (Composite) Annuity** – your money is invested in a living annuity. You can allocate a portion of your money in the living annuity to a guaranteed life annuity (e.g. inflation linked, fixed increase or with profit), either initially or over time. The guaranteed pension from the life annuity pays into the living annuity. Blended annuities provide the flexibility of a living annuity with the guaranteed income from a with profit life annuity.

Comparing your options at retirement

	Guaranteed Level Annuity	Guaranteed Escalation Annuity	Inflation-Linked Annuity	With Profit Annuity	Living Annuity	Blended (Composite) Annuity
Increases		✓ Guaranteed fixed rate but can be too low	✓ Inflation (CPI) increases	✓ Will depend on investment performance (bonus rate less discount rate)	✓ Yes, but not guaranteed; depends on investment performance of markets and capital available	✓ Yes, but not guaranteed; depends on investment performance of markets, the life annuity selected, and capital available
Guaranteed Period Option	✓	✓	✓	✓		✓
Spouse's Pension Option	✓	✓	✓	✓	✓	✓
Capital available for my other beneficiaries					✓	✓
Pension guaranteed to be paid until death	✓	✓	✓	✓		Portion allocated to the with profit annuity is guaranteed to be paid until death

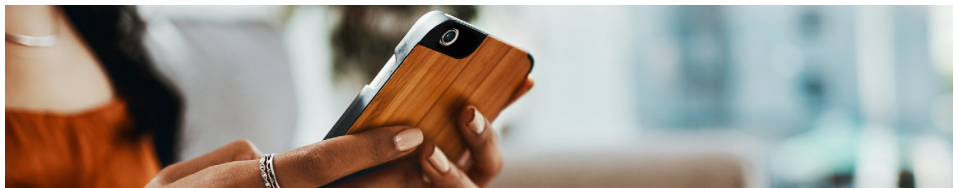
Things to know and consider when buying an annuity

- Pensions with no increases might look attractive in the beginning but after 4 to 5 years you start to fall behind the increase in the cost of living, and you might not have enough pension to survive on.
- Stability of the Insurer over the long term.
- Historic increases (relative to inflation) for with profit annuities.
- Any escape clauses by the Insurer in their contract with you.
- Fees charged by the Financial Advisor and Insurer, in particular when purchasing a Living Annuity where ongoing fees are funded from the capital sum.
- Whether your initial pension will be affected by interest rate changes, as you might get a quotation a few months before you retire, but by the time you retire, the initial pension will have changed due to interest rate changes.
- If you do not include a spouse's pension and your spouse does not get his/her own pension, they might be destitute when you pass away.

The above is general information only. You should consult a FAIS registered financial advisor to help you decide which pension type would be most appropriate for your needs.



Contact us



Should you require financial advice please contact the UCTRF appointed financial advisors Gradidge Mahura Investments (GMI). This advice will be provided to you for free and is paid for by the UCTRF (subject to a maximum of 3 meetings). You can contact GMI directly or inform the UCTRF that you would like GMI to make contact with you.

Gradidge Mahura Investments - Website: www.gminvestments.co.za

Email Wynand Gouws: wynand@gminvestments.co.za

Telephone: **021 204 2920** or **082 450 7386**

Email Munaf Mukadam: munaf@gminvestment.co.za

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For any other queries to GMI please contact: info@gminvestments.co.za or

WhatsApp: **082 237 1418**

For any other queries or comments please contact:

UCTHR Department

UCTRF Office

Ms Karen Bergsma

Please submit all comments or questions via

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