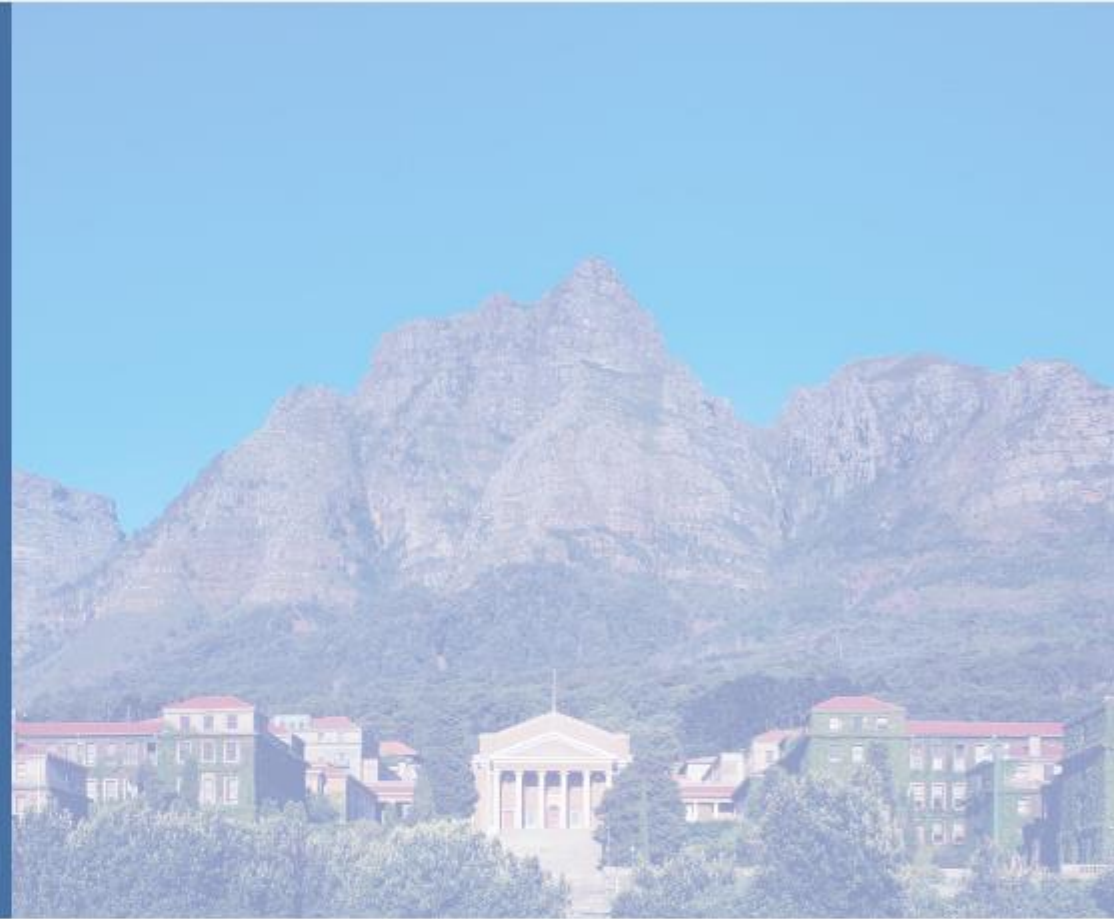




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Presentation to UCTRF Retirees

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26 September 2018



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FAIS Acknowledgement & Advice Disclaimer

- Yvette Harris and Ielyaas Gamiet are the Fund Benefit Consultants, employed at Simeka Consultants & Actuaries
- Simeka Consultants & Actuaries is a licensed financial services provider:

FAIS Reference Number : 13900

- Yvette and Ielyaas are providing factual information and not advice

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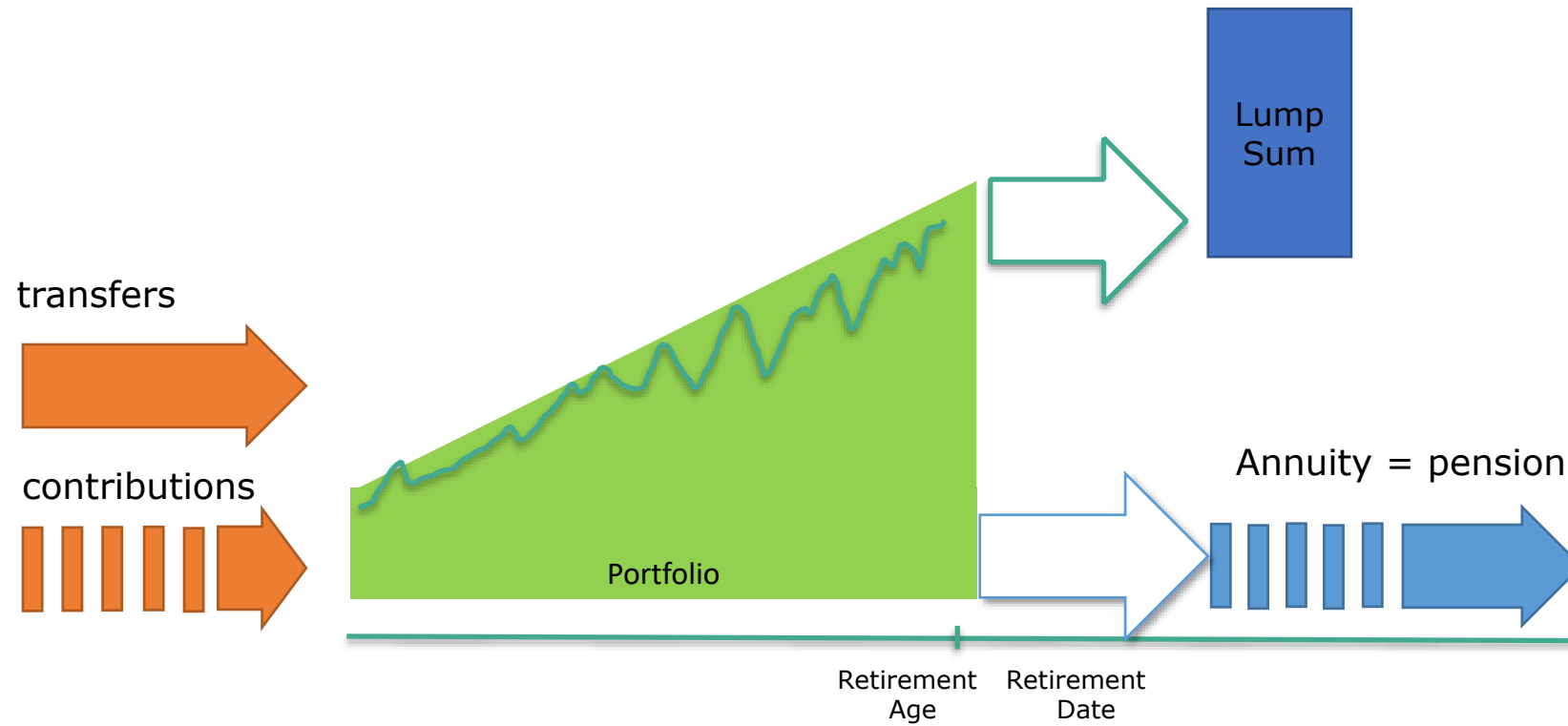
Agenda

- Your Fund
- Your retirement benefit
- Options at retirement
- How much cash?
- Annuity Options
- Tips when getting Financial Advice

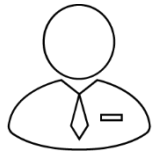


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How your Fund works



Your Retirement Benefit



Your Retirement Benefit

- Annuity quotes summary was sent in September 2018
- Based on your retirement benefit value as at 30 June 2018
 - Excludes 1/3 max R500 000 and AIPF tax free portion
- 31 December 2018 value will include:
 - Contributions from July to December
 - Investment returns
 - Transfers in (if applicable)
 - This is the final amount used for you pension



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Options at Retirement

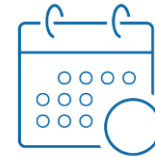
Defer



Retire from the Fund later

OR

Retire



Retire NOW



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Options at Retirement

Defer



Retire from the Fund later



STAY IN TOUCH

- Do not need your retirement fund income immediately
 - Accumulated savings to sustain you for a period
 - You are embarking on a second career
- Leave your money in the UCTRF

Important:

- **Same investment choice and switch ability as active member**
- **No additional contributions or transfers in**
- **No Risk Benefits (death or disability)**
- **There is an admin fee payable**
 - **Access to UCTRF office and all communication platforms**
- **You can retire at any point - it is your decision**



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Options at Retirement

R 1 000 000

Defer



Retire from the Fund later

Age	Pension
55	R3 933
60	R5 295
65	R7 271
70	R10 225



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Options at Retirement

Retire



Retire NOW

Key Decisions



How much cash should you take?



What type of annuity (Annuity Puzzle)



From Whom



Options at Retirement

Retire



Retire NOW



How much cash should you take?

- full benefit in cash
- part cash and part pension (Annuity)
- full benefit to purchase a pension (Annuity)

Important:

- The more cash you take the smaller your pension
- **Once your decision is made you cannot take cash later**



Options at Retirement

Retire



Retire NOW

Important:

- The more cash you take the smaller your pension
- **Once your decision is made you cannot take cash later**

SOAP implications

R1 690 per month from age 60:

- Earn less than R6 510 per month (single); R13 020 per month (married)
- Have assets less than R1 115 400 (single); R2 230 800 (married)

Tax implications

Tax threshold = R78 150 (under 65);

R121 000 (over 65)

Tax rebate = R13 635 (under 65);

R21 780 (over 65)



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Options at Retirement

Retire



Retire NOW

Annuity Puzzle

Life Annuity



Living Annuity



VS

Annuity Options

Life Annuity



- Insurance policy
- Income as long as you live
- Guarantee periods
- Spouses pension options
- Cannot be inherited
- Cant change your mind

Living annuity



- Bank account
- You could outlive your savings
- Withdraw money each month until it is gone
- Can be inherited if savings are available
- Can change later

Life Annuity



Factors affecting your monthly pension

Amount available	Retirement benefit available
Gender	Females higher life expectancy than males resulting in a smaller starting pension
Age	How long you are expected to live and be paid a pension
Guarantee period	Length for which your pension is guaranteed to be paid. E.g. 5, 10, 15, 20 years
Spouses pension	Must the full or part of your pension be paid to your spouse should you pass away – after the guarantee period
Future increases	How big your increases will be in years to come e.g. inflation



Life Annuity



Guarantee pension

- How many years after retirement the pension gets paid irrespective of when you die.
- The LONGER the period, the lower the pension

Spouse's pension

- Do you have a spouse?
- Do they have any pension?
- How much extra would they need if you are gone?

You have the option to choose that your spouse gets a % of your pension after you die.

The greater the spouse's pension, the lower the overall pension

Life Annuity



Future increases

Inflation Linked

- Protection against inflation is important

With Profit

- Post-Retirement Interest Rate
 - Determines initial pension; and
 - Future increases
- Increases
 - Determined by insurer
 - Good investment returns = above inflation increases
 - Poor investment returns = low/zero increases
- Different insurers use different PRI
 - Inflation targeting

Life Annuity



Inflation Linked Life Annuity Quotes:

	Momentum	Sanlam	Liberty
Initial monthly pension (before tax and any other deductions)	R5 615	R5 949	R5 399

With Profit Life Annuity Quotes:

R 1 000 000

	Old Mutual	Momentum	Just
Initial monthly pension (before tax and any other deductions)	R7 289	R6 923	R6 862



Life Annuity



Life Annuity	Increases	Advantages	Disadvantages
Level annuity	Pays the same income for the rest of your life.	<ul style="list-style-type: none"> Starting pension is higher. 	<ul style="list-style-type: none"> You can't not adjust your income level. Pension will not increase over time and will not keep up with inflation.
Fixed increase annuity	Pays a lower starting income, but the pension increases each year at a fixed percentage that you choose e.g. 5% etc.	<ul style="list-style-type: none"> Pension increases are predictable. 	<ul style="list-style-type: none"> Pension increase percentage you choose is fixed for life. Pension might not keep up with inflation.
With-profit annuity	<p>Allows you to share (with the insurance company) in the investment profits made on your pension portfolio.</p> <p>Pension increases are determined by the insurance company, based on how your money in your investment portfolios grew.</p>	<ul style="list-style-type: none"> Starting pension amount is guaranteed. Increases can be good if investment performance is good. 	<ul style="list-style-type: none"> You could have a 0% pension increase if investment returns are poor. Pension may not keep up with inflation.
Inflation-linked annuity	<p>Pension increases are based on the inflation rate for the previous year.</p> <p>Guaranteed to keep up with inflation.</p>	<ul style="list-style-type: none"> Pension keeps up with inflation and is protected against increases in the cost of living. 	<ul style="list-style-type: none"> Pension is expensive, because increases are linked to inflation. Pension increases can be low (even 0%) if the inflation rate is low (or 0%).

Enhanced Life Annuity



Health Lifestyle

Qualification process:

- Telephonic underwriting
- 8 high level questions
- Feedback = potential enhanced annuity
- INCREASE IN STARTING PENSION
- Never result in a decrease in starting pension

STATE OF HEALTH

Good Poor

Expected Categorisation	Standard	Low enhancements	Moderate enhancements	High enhancements
Proportion of population	60%	15%	15%	10%
Annuity uplift. Reduced by guarantee period, healthy spouse	0%	c.0 - 10%	c. 0 - 20%	c. 0 – 30%
Example condition / lifestyle		Asthma Stroke	Heart conditions Lung conditions Smoking Diabetes	Cancer Severe strokes Organ failure Multiple conditions

Living Annuity



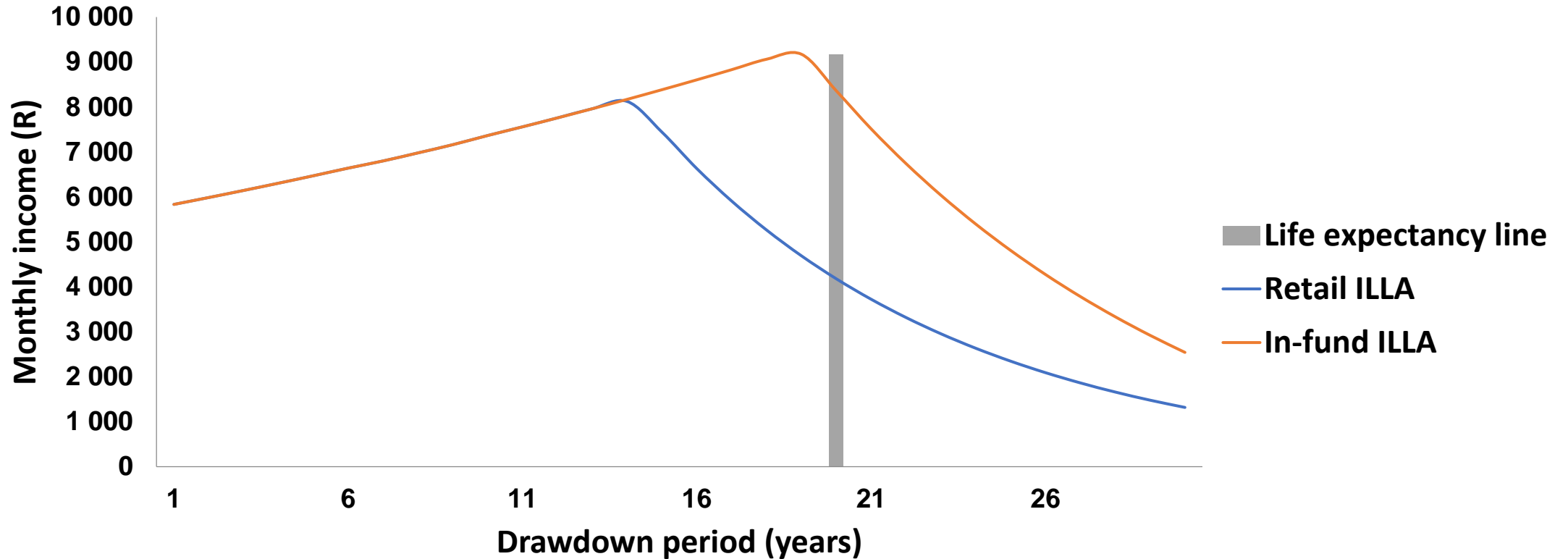
- You decide where your money is invested (Portfolios)
- You choose the amount you want take as a pension
 - Min 2.5% of total, max 17.5%
 - You can change once a year – year ahead
 - The more you take, the faster it runs out.
- If you die with money left, this goes to your dependants
- **Be mindful of costs when selecting living annuity**



Living Annuity



Living annuity income drawdown



R1m capital, 7% initial draw down and 50% of CPI increases. Annual net return CPI+3.5% p.a.

In-fund Living Annuity



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- 4 UCTRF Investment portfolios
- Lower fees
- **Reg 28 – governance framework**
- Can transfer to an external living or life annuity later
- S37C distribution (Trustee discretion)
- Cannot mix (life and living annuities)

Commercial Provider

- Bigger investment choice
- Higher fees
- **Less restrictive governance framework**
- Cannot transfer back to UCTRF
- Based on nomination form
- Can mix (life and living annuities)

In-fund Living Annuity



Fee Structure	UCTRF Living Annuity	Commercial Living Annuity
Investment Fee (minimum)	0.2% p.a.*	Approx. 0.5% p.a.
Investment Fee (maximum)	0.9% p.a.*	Approx. 1.5% p.a.
Initial Intermediary Fee	n/a	Assumed to be zero
Initial Administration Fee	R536.00 once-off	Assumed to be zero
Annual Intermediary Fee	n/a	Negotiable up to 1% **
Annual Administration Fee	R112 per month	0.75% first R250 000 0.50% next R500 000 0.25% above R750 000
Annual Payment Fee	R13.45 per month	This fee is subsidized from the investment fees



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In-fund Living Annuity



R 1 000 000

Fee Structure	UCTRF Living Annuity	Commercial Living Annuity
Investment Fee (minimum)	R2 000	R5 000
Investment Fee (maximum)	R9 000	R15 000
Initial Intermediary Fee	n/a	R0
Initial Administration Fee	R536	R0
Annual Intermediary Fee		R10 000
Annual Administration Fee	R1 344	R5 000
Annual Payment Fee	R161.40	R0



Living Annuity



Summary of drawdowns:

R 1 000 000

Minimum	Max recommended (single)	Max recommended (dependants)	Actuary's maximum
2.5%	6.92%	6.29%	11.07%
R2 083	R5 766	R5 242	R9 225

- Max Recommended (Single) = expect for life CPI linked
- Max Recommended (Dependants) = expect for life CPI linked with provision for spouse pension of 75% on death
- Actuary's Maximum = expect for life no increases no spouse pension

Be careful of:

- Taking too much as a pension
- Poor investment returns
- Living longer than you thought
- **Once your decision is made you cannot take cash later**

Decision criteria

LIFE Annuity



- You don't have additional savings
- Your focus is on providing an income for life
- You don't want to make investment decisions
- You can't change your expenses easily (Budget is tight)
- You think you are likely to live for a long time

LIVING Annuity



- You have a sizeable retirement benefit
- You want to leave an inheritance
- You have investment knowledge (UCTRF investments)
- You can cut expenses easily (flexible budget)
- You think you might not live long



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Decision criteria if Life Annuity

Inflation Linked

- You want to be protected against inflation
- Your only source of income
- You are more comfortable giving up uncertainty of investment returns for certainty of protecting purchasing power of your income

With Profit

- You want potential good investment returns
- Good outlook of investment returns
- You are willing to tolerate lower performance with the possibility of bigger than inflation increases in your income



Questions to a potential advisor

HR and UCTRF office provide information – not advice

Tips

- Ask for referees and investigate
- Check credentials
 - Validate on FSCA website if FAIS registered
 - Validate if Certified Financial Planner (CFP) on FPI website
- Independent or affiliated
- Make sure all fees and costs are disclosed in full
- Ask about conflicts of interest – you want impartial advice!

Very Important:

Check when your pension will be paid and when your debit orders are as you might need to change the dates of these debit order.

Provider	Date
Momentum	25 th
Just	25 th
Old Mutual	25 th
Liberty	Last day of month
Sanlam	Last day of month
UCTRF	Last day of month



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Thank you