RETIRING FROM THE ELC PENSION FUND

INTRODUCTION

Since you will be reaching Normal Retirement Age (65 years) in the next few months we would like to take this opportunity to give you some information that may help you in the decisions you will be facing during this time.

A NOTE TO THOSE TAKING LATE RETIREMENT

After the attainment of Normal Retirement Age, you will no longer be covered for Death and Disability Benefits as provided by our reinsurers. The benefits you would be entitled to in the event of death after Normal Retirement Date, according to the Rules of the Fund, are as follows:

- A **lump-sum** equal to one third of your Fund Credit at date of death, **plus**
- A **pension paid to your qualifying spouse and qualifying children** as determined for the death of a pensioner, calculated as if you had retired on the day immediately prior to the date of death and had elected to commute for cash the maximum of one third of your Fund Credit.

Note: Should there be no qualifying surviving spouse or qualifying child to receive the pension benefit above, then your full Fund Credit at date of death will become payable.

This pamphlet outlines important information to take into consideration when retiring.

Retirement should be the best years of one's life rather than a time of financial uncertainty. The ELC Pension Fund offers members a life-long pension, giving you peace of mind that you, as well as your spouse, will have an income for as long as you live.

The benefits of this type of pension are as follows:

- Guaranteed income for life
- Guaranteed income for your spouse for life
- The income does not reduce
- The income will receive annual increases according to the Fund's Pension Increase Policy.

On retirement, the Fund's Actuary will calculate the amount of the life-long pension that can be bought by the value of your Fund Credit. Should your Fund Credit be less than the limit set by relevant legislation from time to time (currently R247 500), the whole amount can be taken as a lump-sum cash payment. If it is greater than this limit then you may elect to take one third of your Fund Credit as a cash lump-sum. This amount may be subject to tax. The remaining two thirds will be used to fund a life-long pension from the Fund, as calculated by the Actuary.

RETIREMENT DEFINITIONS

Normal Retirement Date is the last day of the month during which a member attains age 65 years.

Early Retirement can be taken from the age of 50.

With the consent of your Employer you may also choose to take Late Retirement and remain an active contributing member in the Fund after reaching your normal retirement date, as long as you are below 70 years of age and not receiving a pension from the Fund.

PENSION INCREASE POLICY

The Pension Increase Policy of our Fund aims to provide for an increase of 80% of the increase in the Consumer Price Index, subject to a maximum of what the Fund can afford.

This means that the Fund will aim to increase your pension by at least 80% of the current CPI each year, as long as the Fund is in the financial position to do so.

WHAT YOUR FAMILY WILL GET SHOULD YOU PASS AWAY

Your pension is paid to you as long as you live. On your **death**, if there is a ***qualifying spouse*** (according to the rules of the Fund and who was provided for in the pension calculation), a pension of 75% of your pension at your date of death will be paid to such spouse. **Qualifying *Dependant children*** will receive a children's pension as provided for in the death benefits for Active Members. The pension to the qualifying spouse will be paid as long as he/she lives. If on the death of the surviving spouse there are dependent children, the children's pension will be doubled.

IMPORTANT TO NOTE

Once a member turns 65 they will not be allowed to withdraw from the Fund, they may only retire from the Fund. This means that if you are 65 or older, your pension will be paid by the ELC Pension Fund and your retirement will be in terms of the pension rules of the Fund.

ELC PENSION FUND

ESTABLISHED BY UNITED EVANGELICAL LUTHERAN CHURCH IN SOUTHERN AFRICA

WHAT YOU NEED TO KNOW AS YOU APPROACH RETIREMENT AGE

Complied in September 2018; subject to change.

THINGS TO CONSIDER WHEN DECIDING ON YOUR PENSION OPTION

Retirement is the beginning of a new journey. Entering this phase not only requires careful financial planning, but emotional preparation too.

Below are a few important factors that you need to consider when retiring:

Your Expenses

Think about how much money you will need every month when you are retired. Important things to consider:

- Will you have paid off your home, your car or any other debt? If not, the monthly debt repayments will drain your monthly pension income.
- Will you need to travel to see your children?
- What vacations are you planning?

You should spend less on transport when you retire since you won't be commuting to work. You will also no longer be contributing towards your retirement.

Don't forget about expenses like TV and car licenses, subscriptions and insurance premiums.

Medical Expenses

Your medical expenses will probably increase during your retirement years. This should be considered in your retirement planning.

Speak to a financial advisor for more advice before making any investment decision.

Your Dependants

When you consider your dependants,remember to look at whether or not your spouse will also have a retirement savings income to add to yours. If your spouse will still be working after you retire, consider for how long that will be. Consider whether or not your children will still be at school or need money for college or university. Consider if there is anyone else who relies on you financially. How dependent are they on you?

On withdrawal it is important that you obtain advice from a qualified professional. In terms of the Financial Advisory and Intermediary Services Act, the professionals must be licensed (i.e. they meet the qualification criteria as set out by the Financial Services Board), and they must provide you with their recommendation in writing.

Food For Thought

- Your one-third lump sum should be invested to supplement your monthly pension (not to settle debt, which should be paid off before you retire).

You could spend as much as one-third of your life in retirement!

If you have any further questions, you are welcome to contact the Fund on:

Tel: (033) 346-1034
Email: ilene@elcpensionfund.co.za / ursula@elcpensionfund.co.za
Postal Address: P.O. Box 101003, Scottsville, Kwa-Zulu Natal, 3209
Registered Address: Unit 2 Block B, Hayfields Office

Should a dispute arise, the Rules and Policy documents of the ELC Pension Fund will take precedence.

DEFINITIONS

Your **Fund Credit** is made up of your and your employer's contributions towards your retirement benefits, increased or decreased by the monthly net investment return of the Fund. If you transfer money into the Fund from another Fund, that forms part of your Fund Credit and will also earn the investment return of the Fund.

A **Qualifying Spouse** is a person who, at the member's or pensioner's date of death was their spouse, civil union partner or their permanent life partner and dependent on the member.

A **Qualifying Child** is an unmarried child who, at the member's date of death was their biological, adopted or financially dependant step child, who is under the age of 18 years or under the age of 25 years and still studying.

The Tax You Will Pay On Retirement

If you take a cash lump-sum on retirement, you will have to pay tax as follows:

Amount of cash taken on retirement	Tax rate
R0 – R500 000	0%
R500 001 – R700 000	18%
R700 001 – R1 050 000	27%
R1 050 001 and more	36%

Remember: The R500 000 tax-free amount is for your lifetime. Every time you leave a retirement fund after March 2009 and take cash, you'll have that much less to take tax-free when you retire. Also, if you get a tax-free qualifying retrenchment benefit before you retire, you'll have to take less (or nothing) tax-free when you retire. For more information on qualifying retrenchments please speak to your human resources department.

The above percentages are subject to change without prior notice.