

# Guideline to members on Exit

University of Johannesburg Pension Fund  
University of Johannesburg Defined Benefit Pension Fund

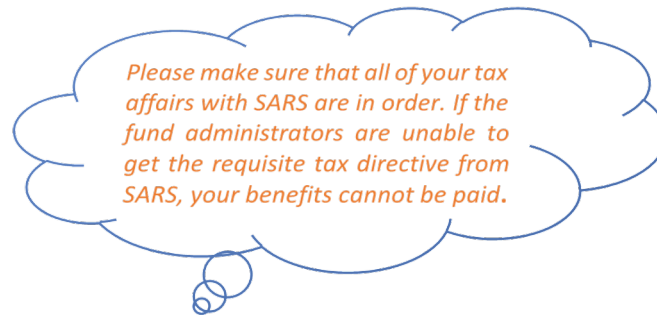


## INTRODUCTION

Your employment at the University of Johannesburg (UJ) has come to an end and you are now entitled to receive your retirement benefits from the *University of Johannesburg Pension Fund* or the *University of Johannesburg Defined Benefit Pension Fund*, depending on your fund membership. You now have to make very important decisions regarding the manner in which your benefits must be dealt with.

Please study this guideline carefully, complete the necessary documentation and return the documents timeously to UJ Human Capital Management who will forward them to the fund administrators, Alexander Forbes. Should you require any assistance, please contact the UJ Pensions Office.

- 📄 **If the requisite documents are not completed in full, signed, dated, and submitted timeously, your benefit payments will be delayed.**



### Important Note

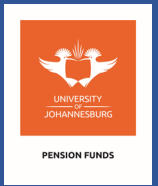
You are strongly encouraged to meet with your financial planner and/or broker who will be able to assist you with advice regarding your current options, tax implications and general financial planning regarding your exit from your pension fund.



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## RESIGNATION

If you leave UJ before retirement due to resignation, retrenchment, or dismissal, you will become entitled to your resignation benefit from your Fund. Please refer to your most recent benefit statement or AFOnline, the Fund rules applicable to you, and the benefit summary of your specific fund for details on the calculation of your benefit.

You have the following options regarding the treatment of your benefit:

- ✓ Transfer to a preservation fund.
- ✓ Transfer to a retirement annuity fund.
- ✓ Transfer to your new employer's pension or provident fund.
- ✓ Leave your benefits in the UJ Pension Funds as a paid up member.
- ✓ Take the benefit in cash.



Research has shown that as few as **7%** of people who are members of a pension or provident fund can rely on their benefit in their retirement fund alone to provide them with a sufficient income when they retire.

One reason for this is that retirement fund benefits are taken in cash and not preserved for retirement when changing jobs. ***It is therefore essential for members to be aware of their options to ensure that, where possible, their benefits are preserved.***

## UNDERSTANDING YOUR OPTIONS

### **1** Transfer to a Preservation Fund

You may elect to transfer your benefit to a preservation fund in your own name.

#### **Advantages:**

- No tax is paid on transfer, thereby preserving the full value of your benefit for retirement.
- You have access to your benefit prior to age 55 in cases of emergency, such as retrenchment in the form of a once off withdrawal.
- You have control over where your benefit is invested.

#### **Disadvantages:**

- Having once-off access to your benefit may be detrimental as you may be tempted to withdraw your benefit prior to retirement thereby reducing your retirement capital.
- Should you elect to make a withdrawal prior to retirement, this amount will be taxed much less favourably than at retirement.

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## Transfer to a Retirement Annuity

You may elect to transfer your benefit to a retirement annuity in your own name.

### **Advantages:**

- No tax is paid on transfer, thereby preserving the full value of your benefit for retirement.
- You have control over where your benefit is invested.

### **Disadvantages:**

- You can only access your benefit from age 55.  
When your benefit is paid, you can only take a maximum of 1/3rd in cash and the remainder must be used to purchase an annuity which provides a monthly income.

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## Transfer to your new employer's Pension or Provident Fund

You may elect to transfer your benefit to your new employer's pension or provident fund, provided the rules of that fund permit such a transfer.

### **Advantages:**

- No tax is paid on transfer to another approved occupational retirement fund, thereby preserving the full value of your benefit for retirement.
- This option is usually the most cost effective as no upfront fees are payable.

### **Disadvantages:**

- You may not have control over where your benefit is invested in the new fund.
- On resignation from your new employer, you will again have to transfer your benefit elsewhere.
- You will not have access to your benefit prior to your resignation or retirement from the new employer.

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## Leaving your benefits in the UJ Pension Fund

### **Advantages:**

- No tax will be payable.
- You will still have the option to change your investment portfolio at any stage.
- You will still receive your annual benefit statement from the fund.
- You can still participate in trustee elections and therefore contribute to electing who will be managing your retirement fund.

### **Disadvantages:**

- You will not have access to your retirement fund until you have reached retirement age (age 55 for early retirement).

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## Take your benefit in cash

You may take your benefit in cash. This is however not recommended as you lose your accumulated retirement savings.

### Advantages:

- You have the cash available.


### Disadvantages:

- You did not preserve your benefit for retirement
- Your benefit will be taxed much less favourably than at retirement. Also, the tax-free portion is only allowable once in your lifetime.

*A personal financial planner can spend some time with you helping you to understand your risk profile and helping you to select the most appropriate investment portfolio in the Retirement Annuity / Preservation Fund you have selected.*


## HOW TO OBTAIN YOUR BENEFIT INFORMATION

### University of Johannesburg Pension Fund

- Consult your latest benefit statement where your fund benefits are declared. 

- Access your fund value on AFOnline.  
<https://online.alexanderforbes.co.za/>

### University of Johannesburg Defined Benefit Pension Fund

- Consult your latest benefit statement where your fund benefits are declared. 

- Complete a request for quote form, the Pension Fund office will assist you in obtaining this quote.

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PENSION FUNDS

## TAX IMPLICATIONS

- The tax implications set out herein reflect the current relevant tax legislation. Bear in mind that tax legislation is reviewed periodically and there may be other provisions or amended provisions that may be applicable to you when you exit the funds. You need to consult your financial planner in this regard.
- The lump sum benefits you receive will be subject to tax as determined by the Income Tax Act. Any amount transferred to an approved pension fund, a preservation pension fund, or retirement annuity on dissolution of employment before retirement may be tax free. The payment of this benefit is subject to the approval of the South African Revenue Service (SARS) and the administrator obtaining a nil tax directive for you from SARS.

*Please ensure that your tax affairs are in order. This implies that your tax returns are up to date and that you are also up to date with your assessments. If your affairs are not in order, SARS will not issue a tax directive for you which means your benefit cannot be paid out as per your instructions.*

### Tax payable upon death, retirement, and retrenchment:

Taxable Income from Retirement Lumpsums	Rate of Tax
R0 – R 550 000	R 0.00
R 550 001 – R 770 000	18% of the amount exceeding R 550 000
R 770 001 – R 1 155 000	R 39600 + 27% of the amount exceeding R 770 000
R 1 155 001 Plus	R 143 550 + 36% of the amount exceeding R 1 155 000
<p>Any previous retirement benefit (post 1 October 2007), withdrawal benefit (post 1 March 2009) and all severance benefits (post 1 March 2011) will need to be added to the current retirement benefit to determine the effective rate of tax.</p>	

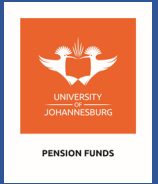
### Tax payable upon resignation and dismissal:

Taxable Income from Retirement Lumpsums	Rate of Tax
R0 – R 27 500	R 0.00
R 27 5001 – R726 000	18% of the amount exceeding R 27 500
R 726 001 – R 1 089 000	R 125 730 + 27% of the amount exceeding R 726 000
R 1 089 001 Plus	R 223 740 + 36% of the amount exceeding R 1 089 000
<p><b>Taking a cash benefit will result in reduced retirement savings as the money is not preserved for retirement. An amount taken as a cash withdrawal benefit (post 1 March 2009) and all severance benefits (post 1 March 2001) prior to retirement will have the effect of increasing your tax liability at retirement as these amounts will be aggregated with the retirement lumpsum benefit and applied to the retirement tax scale.</b></p>	

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APK Pension Fund office

E Ring, Ground Floor, Opposite the student centre entrance



[Pension Fund Website](#)

[Pension and Provident Fund Site](#)

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