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INTRODUCTORY GUIDE TO HOW RETIREMENT FUNDS WORK

FUNDS ADMINISTERED BY GTC

NEW MEMBER

Your journey to financial wellbeing starts here.
Here is your guide to the various benefits available to you as a member of a retirement fund.

Welcome

This Road Map must be read in conjunction with your specific comprehensive **Member Guide or Rule booklet.**

The purpose of this Road Map is to explain the essential benefits you may be entitled to as a member of a retirement fund. Product structure, insurance policies, terminology and tax implications will be made clear.

Regulations!

Meeting regulatory requirements

As of March 2019, regulation requires that all retirement fund members have access to counselling for the following:

- choice of investments;
- transferring of previous retirement savings;
- retirement and exit options;
- risk benefits.

Terminology to assist you on your journey

Annuitisation: The compulsory purchase of an income at retirement, using at least **two-thirds** of the non-vested portion of your fund credit, subject to tax payable and prevailing legislation.

Your fund credit: The accumulated investment value of your retirement fund, whether it is a pension or a provident fund.

Should your fund credit be less than **R247 500**, the full amount may be taken in cash, at retirement.

Any **cash lump sum** is subject to tax.

T-Day: 1 March 2021 is the legislated implementation date of the split of your provident fund credit into a vested and non-vested benefit. Pension funds are already subject to annuitisation.

Vested benefit: Your provident fund credit as at T-Day, plus future growth thereon, may be taken as a cash lump sum, at retirement.

Non-vested benefit: Your provident fund credit which is subject to annuitisaion. This comprises contributions from T-Day onwards.

The status of both **vested** and **non-vested** benefit will be retained upon transferring your benefit to a new funds.

Click here to view the Terminology video.

The benefits of a retirement fund

- Tax relief on contributions
- No tax on investment growth
- Protection from most creditors
- Institutional investment portfolio costs
- Group risk benefits
  - medical free cover limits
  - institutional rates

The purpose of a retirement fund

A retirement fund primarily exists as a vehicle for saving for your retirement in a tax efficient manner and/or providing you with insurance cover. It is one of the few vehicles available to employees offering meaningful tax efficiency. This makes it a popular means for retirement savings.

Who manages the retirement fund?

- Your fund is managed by a board of Trustees.
- The duties of trustees are to oversee and manage the fund.
- The Trustees of the fund have appointed GTC as administrators.
- The fund is registered with the FSCA to ensure compliance and good governance.
- The fund is also registered with SARS so that you receive **tax relief** on your contributions and benefits.

Deductions that may still apply

- Tax.
- Theft/Fraud against your employer - by you.
- Home loans through the fund.
- Divorce.
- Maintenance.

Continue

Pensionable salary

This is the salary that is used to calculate your monthly contributions to the fund.

It is important that you know and understand, that this may differ from your total cost to company (CTC).

Risk salary

This is the salary that is used to calculate your group risk benefits. It is important that you know that this may differ from your total CTC and possibly your pensionable salary.

Retirement age

Your retirement age (normal, early and late) is stipulated in the rules of the fund and should be aligned with your employment contract.

What happens to your contributions?

Your net contributions are invested in an investment portfolio.

Investment portfolios are designed to achieve specific targets, to assist members in achieving their retirement goals.

You can access your investment information through GTC's administration portal.

Remember - The value of your investment can go up and down on a daily basis, due to investment market conditions.

You can obtain your log-in details from HR.

What makes up a fund credit?

The value of your retirement savings in the fund includes the following:

- Net monthly contributions.
- Annual Voluntary Contributions (AVC).
- Transfers in.
- Less deductions (e.g. divorce payment).
- Nett investment returns.

Risk premiums and administration costs are usually deducted from the employer contributions. If so, this is referred to as an "**inclusive fund**".

Fees and costs may be paid over and above normal contributions by the employer. This is referred to as an "**exclusive fund**".

Investment portfolios

Your monthly contributions along with any previous retirement fund benefits that you may have chosen to transfer into this fund, will be invested into an investment portfolio.

The Fund may offer investment choices. These can range from lower equity portfolios which have a lower risk profile and which aim to achieve a target return over the shorter term, to higher equity portfolios which have a higher risk profile and aim to achieve a target return over the longer term.

Default portfolio

If no investment choice is offered and/or if it is offered and you do not make a choice, your contributions will be invested in a default portfolio as determined by the Trustees.

In some instances an investment strategy called a life-stage model may be offered. This strategy is based on reducing the investment risk as you get closer to your normal retirement age. Hence, the risk in the portfolio is automatically adjusted according to your age.

As the investment portfolios are linked to investment market conditions, your investment value will fluctuate on a daily basis.

Please ensure that you consult with an accredited advisor and understand the information provided on the investment portfolios before making an election.

Group risk benefits

Supplementary benefits may be offered.

The most common of these are group risk benefits in respect of death, disability and funeral benefits.

As these benefits are established on a group basis, premiums are generally lower than individual risk policies.

Medical free limits, where only members with benefits above the limit need to produce proof of health (medicals), are usually offered.

Please refer to Risk benefits Road Map for more information in this regard.

Options on leaving the fund

There are various options available to you upon leaving the service of your employer or upon retirement.

You can view your various options in more detail at videos and road maps.

Paid-up benefits from previous retirement funds

Legislation requires that the fund requests a list of all **paid-up** membership certificates from you in respect of any retirement savings you may have kept invested in your previous employers' retirement funds. Please email these certificates to clientservicing@gtc.co.za

You may transfer these paid-up benefits into the fund. **GTC** may contact you to assist you with these transfers.

Starting a new job can be daunting, and there are also several important financial factors that need to be considered, such as the importance of preserving your accrued benefits where possible. You are urged to seek accredited financial advice regarding your options.

GTC, as your administrator, can provide you with all of the information regarding your fund that you require **010 597 6920** or **clientservicing@gtc.co.za**.

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It is important that you read and understand the Privacy Policy.