



# **ELECTRICAL INDUSTRY KWA-ZULU NATAL**

**PENSION FUND | TRUSTEE REPORT 2018**

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# Introduction

***Everyone needs financial security, especially during their retirement years. The Electrical Industry Kwa-Zulu Natal Pension Fund (referred to as “the Fund” in this Trustee Report) forms an integral part of your overall retirement plan, by providing you with financial benefits when you retire.***

The Fund also provides you and your family with benefits should you leave the service of the industry before retirement. Should you die or be disabled while you are still employed in the industry, death benefits are payable to your beneficiaries, and disability benefits are payable, as pension, to you respectively.

This Trustees' Report aims to keep you informed about among other things, the financial progress of your Fund and changes regarding or affecting your Fund that has occurred during the period 1 January 2017 to 31 December 2017.

The only significant change during this period was the Sanlam acquisition of the Fund Administrators. Sanlam acquired 100% of the shares in Absa Consultants & Actuaries, which will have a minimal impact on the management of the Fund. The Board of Trustees is closely monitoring the transition period.



# Chairman's Report

## CHAIRPERSON'S FOREWORD

While retirement seems far away when you are young, even people who start saving at the age of 20 generally only have 540 pay cheques available to them for making retirement provision, before they reach the Fund's retirement age. For those who only start saving for retirement at 40, this number is half.

Emphasis on Functional Governance structures remains the Board's key priority. There are several papers from the Treasury that are presently circulated and under consideration. The outcome of these discussions will inform retirement law in the coming years, and the consequent decisions made by the Board of Trustees.

These papers place special emphasis on Fund governance, cost containment and default strategies upon:

- ✓ Investments;
- ✓ Preservation of retirement benefits, and
- ✓ Annuities.

In support of these principles, the Fund monitors the cost and the governance structures in place very closely, at all times.

We urge you to keep your nomination of beneficiary form updated at all times, and that your tax affairs are up to date since this will speed up the payment process in the event of your death.

We urge all Fund members to contact the Council via the front desk or their Human Resources department should they require clarity on any aspects of the Fund.

In closing, the management and daily running of the Fund are weighty responsibilities, as many of the crucial decisions that need to be made are complex and involved. Therefore, I wish to thank the members who serve on the Board of Trustees for their time and their diligence, both of which make the Fund function smoothly.

**Mr Deon van Deventer**  
Chairperson

# The Fund

The Electrical Industry Kwa-Zulu Natal Pension Fund was established in terms of the Labour Relations Act on behalf of the National Bargaining Council of the Electrical Industry of South Africa (Council). The Fund operates on a defined contribution basis, i.e. your benefits in the Fund consist of your contributions to the Fund and what the industry/employer(s) contributes to the Fund on your behalf plus investment returns. The Fund insures its members for the death benefits. The disability and funeral benefits are provided by a separate insurance policy that is arranged by the Council outside of the Fund.

The Fund was registered in terms of the Pension Funds Act, and the registration details are as follows:

The Electrical Industry Kwa-Zulu Natal Pension Fund (Registration No. 12/8/14479/1)

## MANAGEMENT OF THE FUND

The Fund is managed by a Board of Trustees. This Board of Trustees consists of an equal number of member and employer representatives as well as an Independent Trustee. The Board of Trustees, with assistance from professional advisors, oversee the management of the Fund.

The current members of the Board of Trustees are as follows

Member Trustees	Employer Trustees
Mr S Mayisela	Mr D Alcock
Mr D van Deventer	Ms S Pillay
Mr D Manthosi (Resigned 30 April 2018)	Mr D Nzama
Mr P Mabaso	Ms M Borgen
	Mr J van Rooyen (Resigned 1 October 2017)
Independent Trustee	Ms D Khosana

## SERVICE PROVIDERS

Service Provider	Name
Principal Officer	Mr M Mbukwane
Actuary	Independent Actuarial Consultants Proprietary Limited
Valuator	Mr A Gani
Auditors	Price Waterhouse Coopers
Administrator	Sanlam (Absa Consultants and Actuaries Pty Ltd)
Benefit Consultants	Mufaro Employee Benefits Proprietary Limited
Risk Insurer	Southern Africa Quantum Employee Benefits Proprietary Limited
Investment administrator	Momentum Outcome-Based Solutions Proprietary Limited

You may obtain more information regarding the Rules of the Fund, forms for completion, and other general notes of interest, at the Fund's registered office. The registered office of the Funds is: 23 Lennox Street, Greyville, Durban, 4000

# Fund Information

## MEMBERSHIP

The active membership of the Fund as at 31 December 2017 was 5,096 Contributors to the Fund.

## CONTRIBUTIONS TO THE FUND

You contribute 5.6% of your pensionable salary, and your employer contributes 8.4% of your pensionable salary, as per the Council Agreement to the Fund on your behalf. These contributions include the costs of management and insured benefits.

## CONTRIBUTIONS

Members	5.60% of pensionable salary
Employer/Council	8.40% of pensionable salary

**TOTAL** **14% \***

## LESS COSTS

Death benefit costs	2.65% of pensionable salary
Disability benefits cost	1.40% of prescribed wages
Administration cost	R36.02 per member per month
Funeral benefit cost	R20.00 per member per month

*The Council applied to increase the contributions from 14% to 15%. The split will be a 6%- member contribution of pensionable salary and 9% employer contributions of pensionable salary. The application is to be approved by the Department of Labour before implementation on the Fund.*

The difference between the total contributions (14%) and cost of managing the Fund, as indicated above, is applied towards retirement benefits.

It is important to note that the Disability and Funeral Policies are Council managed benefits, outside of the Fund.

## INVESTMENTS

IAC (Pty) Ltd are the Fund's Investment Consultants and advise the Board of Trustees on investment related matters.

The total market value of the Funds' assets as at 31 December 2017 amounted to R 418 309 983.

The table below shows the asset managers that invest the assets of the Fund and the respective assets allocated to each asset manager.

ASSET MANAGER	ASSET
Cash at bank	R10 445 601
Investments with Asset Managers	R418 309 983

## INVESTMENTS PERFORMANCE

It is important that you understand that the overall investment performance of the Fund's assets has a bearing on the ultimate value of your share in the Fund. Generally, an increase in the value and performance of the Fund's assets will increase the value of your benefits in the Fund. The opposite also applies; a downturn in the Fund's assets will result in a reduction in the value of your share in the Fund.

The total investments in the Fund as at the end of 2016 was R377 058 998, growing to R418 309 983 as at the end of 31 December 2017.

# The Fund Provides For A Life Stage Model, With Two Categories

## 1. YOUNGER MEMBER PORTFOLIO

You will be invested in this portfolio until the age of 62.

## 2. OLDER MEMBER PORTFOLIO

On 1 January of the year that you turn 60, 50% of your credit in younger member portfolio will move into the older member portfolio.

On 1 January of the year that you turn 62 the balance of your credit in younger member portfolio will move into the older member portfolio. Your benefit will then be invested 100% in the Older member portfolio.

The net investment returns for 2016 and 2017 were as follows:

PORTFOLIO	2016	2017
Younger member portfolio	2.27%	10.60%
Older member portfolio	4.65%	9.60%

## Benefits Provided to Members by the fund

### RETIREMENT BENEFITS

In terms of the Rules of the Fund, you can retire early after attaining age 55, retire at the normal retirement age of 65, or you can continue to be a member of the Fund and retire later than age 65 but before attaining the age of 70 years.

- ✓ Your own contributions to the Fund
- ✓ Your voluntary contributions (if any)
- ✓ Your Employer contributions
- ✓ Your Transfer values into the Fund (if any)
- ✓ Investment returns earned by the Fund
- ✓ Less Fund Expenses

At retirement, the Rules allow you to take up to 1/3 of your benefit as a lump sum, and the balance will be utilised to secure an annuity with an insurer of your choice or receive your monthly pension from within the Fund, as calculated by the valuator.

## Additional Provision for Retirement

You can make additional contributions to the Fund to increase your retirement benefit. Up to an additional 13.5% of your income per year is tax deductible.

## Tax-free Savings Accounts

Tax-free savings accounts were introduced in March last year to encourage all South Africans to become long-term savers. You may invest up to R30 000 a year and R500 000 in your lifetime, free of capital gains, income and dividends tax. If you do contribute the maximum of R2500 a month, you will reach the lifetime contribution limit of R500 000 in 16.5 years. While you may withdraw money from these accounts, you cannot replace these amounts as they will still be viewed as contributions to your lifetime allowance.

## TAX ON YOUR RETIREMENT OR DEATH BENEFITS

When you retire, and you wish to take a portion of your retirement benefit as a lump sum, you can take (commute) a lump sum equal to a maximum of one-third of your retirement benefit in the fund, unless your entire value does not exceed R247 500 in which case you may take the full retirement interest as a lump sum.

It is important to note that ALL lump sums received are taxed on a cumulative basis. In other words, the total value of all the lump sum benefits you have received after 1 October 2007, will be considered when calculating the tax payable by you on retirement. Refer to table at the right for applicable rates.

Tax brackets	Rate of tax
R0 – R500 000	0%
R500 001 – R700 000	18%
R700 001 – R1 050	27%
R1 050 001+	36%



## CLAIMS PROCEDURE FOR RETIREMENT

### Documentation required

- ✓ Retirement claim form
- ✓ Copy of ID document
- ✓ Confirmation of bank account

### Council's Responsibilities

- ✓ Ensuring that the completed documentation is submitted to the administrator before the retirement date.
- ✓ Ensuring that the retirement form reflects the correct taxable earnings.
- ✓ Ensuring that the retirement forms are fully completed and understood by the retiring member.

### Administrator's Responsibilities

- ✓ Calculating the member's retirement benefit Requesting annuity/pension quotations from insurers
- ✓ Applying for a tax deduction directive from SARS on cash commuted a portion of the retirement benefit
- ✓ Implementing your requirements regarding setting up of an annuity

Affidavit confirming the legal guardianship of the dependants/nominees.

### Council's Responsibilities

- ✓ Ensuring that all documentation is sent to the administrator timeously
- ✓ Notifying the insurer of pending claims that are still to be submitted to the insurer.

### Payment of Death Benefit Claims

Should you die before retirement, your death benefit will be paid to your dependants and/or your nominees, only after thorough investigation by the Fund and the Board of Trustees, in line with the Section 37C of the Pension Funds Act.

The Pension Funds Act and the Rules of the Fund provide for lump sum benefits to be paid to:

- Any one or more of your dependants if you leave no nominees; or
- Any one or more of your dependants and nominees who are not dependants; or
- Any one or more of your nominees if you leave no dependants; or Your estate if you leave no dependants or nominees.

## DEATH BENEFITS

Should you die before retirement, the following death benefit is payable to your beneficiaries and/or your nominees:

**1.5 times** your Annual Pensionable Earnings (from 1 April 2016) plus your share of fund as at the date of death.

(The death benefit is increased with effect from 1 November 2018 to 2 (two) times Annual Pensionable Earnings plus your share of fund, lumpsum insured by Nestlife

## CLAIMS PROCEDURE FOR DEATH BENEFITS

### Documentation required

- ✓ Nomination of Beneficiary Form
- ✓ Fully completed claim form
- ✓ Certified copy of the deceased member's death certificate
- ✓ Certified copy of the deceased member's ID document
- ✓ Form D for tax purposes
- ✓ Certified copy of the marriage certificate (if applicable)
- ✓ Affidavits confirming the deceased's marital status as at the date of death
- ✓ Certified copy of the spouse's(s') ID document or birth certificate
- ✓ Valid banking and postal address details of the spouse
- ✓ Certified copy(ies) of the dependents'(s')
- ✓ ID documents or birth certificate

### What Is A DEPENDANT?

Your partner, your child, or a person whose maintenance you are legally liable for or a person whose maintenance you were not legally liable for, but whom you were supporting or a person whose maintenance you would have become legally liable for, had you not died.

### What is a NOMINEE?

Any person, other than a dependant that you nominate to receive benefits.

The role of the Board of Trustees in determining the split of your death benefit amongst your dependants/nominees:

The Board of Trustees must determine to whom and in what proportions benefits are to be paid. This is done after careful consideration of each case. The Board of

Trustees may also pay the lump sum into a trust or a beneficiary fund for the benefit of a beneficiary. To assist the Board of Trustees with this process, it is important that your nomination of beneficiary form is as complete as possible and mentions the setting up of trusts for minor children, incapable dependants, etc.

The Board of Trustees must determine to whom and in what proportions benefits are to be paid. This is done after careful consideration of each case. The Board of Trustees may also pay the lump sum into a trust or a beneficiary fund for the benefit of a beneficiary. To assist the Board of Trustees with this process, it is important that your nomination of beneficiary form is as complete as possible and mentions the setting up of trusts for minor children, incapable dependants, etc.

The Board of Trustees will use your nomination of beneficiary form as a guideline when distributing the benefits payable when you die.

It is very important that you complete a nomination of beneficiary form, which is to be kept at your employer's Human Resources Department and a copy sent to the Council offices. It is also advisable to give a copy of the form to your next of kin who will handle your estate affairs after you died. Each time your circumstances change, e.g. marriage, divorce, birth, legal adoption of a child, death of a dependant or nominee, etc. It is necessary that you complete a new nomination of beneficiary form.

Do my benefits in the Fund automatically form part of my estate?

No, they do not form part of your estate. Therefore any stipulations you may make in your will regarding this, will not be binding on the Board of Trustees.

Should you become temporarily or permanently disabled, before attaining normal retirement age, that you can no longer continue to pursue an own or similar occupation in accordance with your training, education or status, you are entitled to the following disability benefit:

**Monthly income of 50% of your monthly income, limited to a maximum of R60 000 per month, and payable until you retire or recover, whichever is earlier.**

You will be required to provide medical evidence to the underwriter of the disability scheme, through medical documentation, that you are indeed unable to continue working. This income benefit is subject to a waiting period of 6 months following your disability.

The income will be paid to you until the earlier of

- ✓ Your death, or
- ✓ Normal retirement age (65 years), or
- ✓ You are again able to continue working.

Notes:

- ✓ This benefit is arranged by Council for the benefit of members of the Fund.
- ✓ No benefit is payable should you become disabled within 12 months of joining the Fund if the cause of disability is due to sickness or injury of which you were aware of or which you received medical treatment for during the past six months before joining the Fund.
- ✓ The claim must be lodged within six months of disablement.
- ✓ No additional medical examinations will be required by the insurer at the time of joining the Fund. However, comprehensive medical information would be required at the time of lodging a claim.
- ✓ Proof of existence on an annual basis to be provided. Proof of continued disability to be done annually.

### Documentation Required

- ✓ Employer Report (insurer form)
- ✓ Employee Report (insurer form)
- ✓ Detailed Medical Report by a medical practitioner (not older than three months)
- ✓ Any additional report then would aid you to claim
- ✓ Member's banking details to deposit the monthly income should the claim be approved by the insurer

- ✓ Ensuring that all the documentation is fully completed
- ✓ Ensuring that the supporting medical evidence is attached
- ✓ Forwarding the claim documentation to the Administrator
- ✓ Continuing to pay the employer and employee contributions during the waiting period
- ✓ Continuing to pay the risk benefits premiums

- ✓ Forwarding the claim documentation to the insurer for assessment
- ✓ Ensuring that the supporting medical evidence is attached
- ✓ Requesting annuity/pension/income quotations from insurers after approval of the claim by the Insurer

For further information regarding this benefit, please contact Council offices.

## New tax brackets (1 March 2014)

R0 – R25 000	0%
R25 001 – R660 000	18%
R660 001 – R990 000	27%
R990 001+	36%

You need to note that the main purpose of a retirement fund is to ensure that you save sufficient money to retire on, comfortably. To achieve this goal, you need to save as much as possible for retirement during your working life. This includes making additional voluntary contributions to the Fund and other saving arrangements outside of the Fund. It is very important to preserve your benefit should you cease membership with the Fund by not to "cash-in" the withdrawal benefit payable.

### Options available

When you cease to be a member of the Fund before retirement through dismissal, resignation or retrenchment you have an option to take your withdrawal benefit as cash lump sum, to transfer the benefit to another approved Fund, to leave the benefit in the Fund as a paid-up benefit in which case you would be issued with a paid-up certificate or to transfer it to a preservation Fund.

Your Withdrawal benefit will be your share of Fund.

### Cash option

You can take your benefit in the Fund as a cash lump sum. The benefit is subject to tax as shown below.

### Tax implications of cashing-in your benefit



- ✓
- ✓
- ✓
- ✓
- ✓
- ✓
- ✓
- ✓

## ADMINISTRATOR'S RESPONSIBILITIES

- Calculating the withdrawal benefit
- Applying for a tax deduction directive from SARS (if you elected to be paid in cash)
- Transferring benefit or leaving it as paid-up benefit depending on your instruction.

# Legal Developments: Taxation

Below is a summary of the new taxation changes effective on 1 March 2016.

Employer contributions	<ul style="list-style-type: none"><li>• Tax deductions for all contributions, whether made by the members or by the employer will be limited to the higher of 27,5% of taxable income or remuneration.</li><li>• Contributions to pension and provident funds made by the employer will be taxed as a fringe benefit in the hands of employees.</li></ul>
Member Contributions	<ul style="list-style-type: none"><li>• Tax deductions for all contributions made to all funds, whether made by the members or by the employer, will be limited to the higher of 27,5% of taxable income or remuneration.</li><li>• There will be an overall tax-deductible limit of R350,000 per annum.</li><li>• Contributions over the annual Rand limits may be rolled over to future years but will be subject to the limits applicable in that year.</li></ul>
Commutation of small annuities	<ul style="list-style-type: none"><li>• A share of fund of R247,500 will be permitted to be taken as cash on retirement. This will apply to both pension and provident funds.</li></ul>

Please note that the Financial Services Board (FSB) changed its name to the Financial Sector Conduct Authority (FSCA) in 2018.

## TRACING EFFORTS

The Board decided to appoint a tracing agency, to locate past active members of the Fund. These past members have typically not come forward to claim their benefits, or are, in some cases, beneficiaries of the deceased Fund members.

### The tracing is an ongoing initiative.

Should you be in contact with someone who has not come forward to claim their benefit, please alert the Council. Your assistance is appreciated.

[www.NBCEI.co.za](http://www.NBCEI.co.za)





## CONTACT DETAILS

Should you need any clarification regarding issues contained in this Trustees Report, please contact the Principal Officer, Council or Administrator at the details provided below:

**MR M MBUKWANE**

Principal Officer  
Willowbrook Office Park  
Corner H. Potgieter Drive & van Der Kloof streets  
Ruimsig  
Tel 011 958 2329  
Mandla@mufaro.co.za

**MR K JUGDEO**

Regional Manager (Kwazulu Natal)  
National Bargaining Council for the Electrical Industry  
Tel 031 309 1325/ 1326/ 1307 /1279  
Email: kiren@nbcei.co.za

**MR V BASJAN**

Regional Manager Administration  
Sanlam (previously Absa)  
11 Alice Lane  
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