



**Pensions  
World**<sup>TM</sup>  
SOUTH AFRICA



# ANNUITISATION WEBINAR

## 20 JANUARY 2021

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# **WELCOME** ON BEHALF OF DISCOVERY AND PENSIONS WORLD/EB NET

- Facilitator, Leanne van Wyk | ICTS Legal Services (Pty) Ltd
- We will make the slides and recording available
- CPD points will be confirmed
- Questions at the end, time permitting
- Discovery publication, including communication for members, already available

*Please note that the information in the webinar, slides and communications is based on our views of the current status of the law. We will only know the full and final details once the law is finalised in the first quarter of this year. We will keep you updated on any changes.*

# ANNUITISATION TOPICS FOR TODAY



- Background to compulsory annuitisation in provident funds
- What are vested rights?
- What happens to vested rights on transfer between funds
- Imminent transfers
- Should I be doing anything different now?
- How will deductions work?
- What uncertainties exist?

# Taxation Laws Amendment Bill



Compulsory annuitisation of  
two-thirds of provident fund  
contributions after 1 March 2021  
(if greater than R247 500)

## Legislation pending enactment...



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA

STAGE

NATIONAL COUNCIL OF PROVINCES

Intro

28-10-2020

PC

PORTFOLIO  
COMMITTEE  
11-11-2020

NA

NATIONAL  
ASSEMBLY  
17-11-2020

SC

SELECT  
COMMITTEE  
02-12-2020

NCOP

NATIONAL  
COUNCIL OF  
PROVINCES  
08-12-2020

SENT

SENT FOR  
ASSENT

ASS  
(ATC)

ASSENTED



# INTRODUCING OUR PANELISTS



*Nancy Andrews*

General Legal Counsel



Head of Legal



Discovery Employee Benefits and Invest

*Guy Chennells*

General Manager Head of Product



Discovery Employee Benefits

# VESTED RIGHTS



## What are “vested rights”



## What vested rights do specific members have?



## What happens at retirement

### Vested rights are:

- The amount of a **retirement benefit** (from any fund) that a member will
  - **Not have to annuitise** on a compulsory basis (may take in cash as a lump sum)
  - **When the member retires** from the fund
- After 1 March 2021 members will have **two separate pots of money**:
  1. Vested benefits
    - can take in cash
  2. Non-vested benefits
    - must annuitise subject to 1/3rd cash and de-minimis rules

### Members younger than 55 on 1 March 2021:

- **Vested:** Contributions up until 1 March 2021 and fund return on these
- **Non-vested:** Future contributions and fund returns on these

### Members 55 or older on 1 March 2021:

- **Vested:** Contributions up until 1 March 2021 and fund return on these
- **Vested:** Future contributions and fund returns on these

### Vested benefits:

- Can take all in cash or can choose to annuitise

### Non-vested benefits:

- If your total fund credit at retirement is below the de-minimis of R247,500 you can also take this full amount in cash
- Otherwise, you can take up to 1/3rd in cash and the remainder must be used to purchase an annuity (life or living)
- All cash benefits are subject to tax (no changes here)

# TRANSFERS BETWEEN FUNDS **AFTER 1 MARCH 2021**



## **Accumulated vested rights are protected**

### **Accumulated savings**

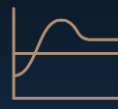
Any vested rights pots of money that a member has will be transferred as vested rights and remain vested rights, including fund returns on that

This includes contributions made after 1 March 2021 for over-55s

### **Contributions to the new fund**

All members contribute to the non-vested pot of money in the new fund

- under-55s: this is no different to what would have happened in the old fund
- Over-55s: they no longer have future contributions being vested rights as they would have in the fund they were in on or before 1 March 2021



## **What about transfers between different fund types?**

### **Provident to provident**

No impact on the accumulated vested rights

Over-55s lose their future contribution vested rights dispensation

### **Provident to pension**

No impact on the accumulated vested rights

Over-55s lose their future contribution vested rights dispensation

### **Pension to provident**

There are no vested rights

Over-55s will not gain the future contribution vested rights dispensation



## **What about multiple transfers?**

### **No impact**

A vested pot of money and fund returns on that will remain vested regardless of the number of transfers

# TRANSFERS BETWEEN FUNDS ON OR AROUND 1 MARCH 2021



## Communication

### Over-55s need specific focus

- Be sure to understand the impact on over-55s and address that explicitly in your section 14 communication
- Consider personalized comms to over-55s, and/or access to financial advisers

### Nuanced understanding of the impact when engaging with over-55s

- Many over 55's will not accumulate enough after age 55 for their savings to exceed the de-minimis
- Those who will exceed de-minimis with post-55 contributions are likely to intend annuitizing a portion of savings at retirement anyway

...making the loss of vested rights on future contributions moot

- Very few will experience it as an actual loss



## What about transfers between different fund types?

### Provident to provident

Transfer on or before 1 March 2021 if possible

If after, over-55s lose future vested rights

### Provident to pension

Transfer on or after 1 March 2021 if possible

If before, there is a risk that all members lose all vested rights (legislation has multiple interpretations)

### Pension to provident

Big change is no tax impact from 1 March

Transfer on 1 March 2021 if possible

If transfer on 1 March then over-55s gain future vested rights





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# QUESTIONS

*Thank you for attending*