

# MGF NEWS FLASH: 26 MARCH 2013



MGF

## 1. UPDATE ON RETIREMENT REFORM

The purpose of this news flash is to update members of further developments regarding retirement reform since the previous news flash of 15 February 2013.

As anticipated in the previous news flash more clarity was given in the national budget speech on 27 February 2013. In general the direction given by government is more lenient and will have a softer immediate impact on members. These are as follows:

1. Re-assurance was given that vested rights will be protected. Contrary to the previous position it is not only the lump sum which will be protected but also the future growth on such lump sum.
2. The implementation date will be on or after 2015.
3. A member older than 55 years of age at implementation date will be exempted from the proposed arrangement of a maximum one-third lump sum payment and the balance in monthly payments. In essence members 53 years and older today need not be concerned at all as this will not be applicable to such members.
4. Tax deductible contributions to retirement funds, inclusive of the risk benefit and administrative cost contributions, will be limited to 27.5% of the greater of remuneration and taxable income. A ceiling of R350 000.00 per annum will apply. Although the majority of members' total contribution is 29.5% (7.5% + 22%) the 2% difference (29.5% – 27.5%) will have such a small impact that it should not be a concern at all. In most cases, depending on the salary level and possible contribution to private annuity retirement funds, this arrangement may have a slight positive effect because the employer contribution is first added to the remuneration which gives a 22% higher base amount on which the 27.5% is calculated.
5. The means test of the state old age grant will be phased out by 2016. This means that everyone 60 years and older will qualify for it irrespective of income level or assets owned. Of course this will be added to one's taxable income. The tax rebates will be adjusted over the same time to rebalance the outcome.

Members will be kept informed of further developments which may affect them. In the interim members can concentrate on their work without worrying about the retirement reform proposals. It is clear from the 27 February 2013 release that government is aware of the importance of protecting vested rights to prevent the possible rush to cash in on retirement savings by concerned workers. The following extract from the latest draft proposals confirms such:

*"The vested rights of workers to access their retirement savings should be protected. This will ensure that workers who have made plans based on their retirement savings will be able to realise those plans, and would prevent disruption if workers rushed to 'cash in' their savings before any proposal came into effect."*

The draft retirement reform proposals are available on [www.treasury.gov.za](http://www.treasury.gov.za).

## 2. IMPORTANT REMINDER : FAMILY FUNERAL PLAN : 1 APRIL 2013

Members and the HR staff are reminded that family funeral plan claims must be submitted to **Old Mutual** from 1 April 2013 and not to Momentum (Metropolitan) any more.

The email address for submission of claims is [gapbpu@oldmutual.com](mailto:gapbpu@oldmutual.com) and the fax number is **(021) 509-4669**. For more detail refer to the 15 February 2013 news flash.

Best wishes for the easter season.

Yours sincerely

  
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