

Retirement Annuity Fund

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Background information

A retirement annuity fund ('RA') is a tax effective retirement investment vehicle for individuals. Section 1 of the Income Tax Act No. 58 of 1962 defines a retirement annuity fund as a fund, other than a pension or provident fund, which is approved by the South African Revenue Services (SARS) and registered in terms of the Pension Funds Act No. 24 of 1956, to which the member can make financial contributions.

Purpose

The purpose of an RA is to provide the member with a benefit at retirement, or to provide the member's dependants and/or nominated beneficiaries with a benefit upon the member's death.

An RA is aimed at individuals who do not participate in a pension or provident fund (for example someone who is self-employed or whose employer does not participate in any fund), or individuals who want to make additional provision for their retirement.

The definition in the Income Tax Act

"retirement annuity fund" means any fund (other than a pension fund, provident fund or benefit fund) which is approved by the Commissioner in respect of the year of assessment in question and, in the case of any such fund established on or after 1 July 1986, is registered under the provisions of the Pension Funds Act: Provided that the Commissioner may approve a fund subject to such limitations or conditions as he may determine, and shall not approve any fund in respect of any year of assessment unless he is in respect of that year of assessment satisfied—

- (a) that the fund is a permanent fund bona fide established for the sole purpose of providing life annuities for the members of the fund or annuities for the dependants or nominees of deceased members; and
- (b) that the rules of the fund provide—
 - (i) for contributions by the members, including contributions made by way of transfer of members' interests in approved pension funds, pension preservation funds, provident funds, provident preservation funds or other retirement annuity funds;
 - (ii) that not more than one third of the total value of the retirement interest may be commuted for a single payment, and that the remainder must be paid in the form of an annuity (including a living annuity) except where two thirds of the total value does not exceed R165 000 or where the member is deceased: Provided that in determining the value of the retirement interest an amount calculated as follows must not be taken into account:

(a) in the case of a person who was a member of a provident fund or a provident preservation fund and who was 55 years of age or older on 1 March 2021—

(i) any amount contributed to a provident fund or transferred to a provident preservation fund prior to, on and after 1 March 2021 of which that person was a member on 1 March 2021;

(ii) with the addition of any other amounts credited to the member's individual account or minimum individual reserve of the provident fund or provident preservation fund prior to, on and after 1 March 2021; and

(iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions or transfers contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii);

(b) in any other case of a person who was a member of a provident fund or provident preservation fund on 1 March 2021—

(i) any amount contributed to a provident fund or transferred to a provident preservation fund prior to 1 March 2021;

(ii) with the addition of any other amounts credited to the member's individual account or minimum individual reserve of the provident fund or provident preservation fund as a result of the value of the member's individual account or minimum individual reserve on 1 March 2021; and

(iii) any fund return, as defined in the Pension Funds Act, in relation to the contributions or transfers contemplated in subparagraph (i) or amounts credited contemplated in subparagraph (ii), reduced proportionally by an amount permitted to be deducted in terms of the Pension Funds Act from the member's individual account or minimum individual reserve of the provident fund or provident preservation fund prior to, on and after 1 March 2021;

(iii)

(iv)

(v) that no member shall become entitled to the payment of any annuity or lump sum benefit contemplated in paragraph 2 (1) (a) of the Second Schedule prior to reaching normal retirement age;

(vi)

(vii)

(viii)

(ix)

(x) that a member who discontinues his or her contributions prior to his or her retirement date shall be entitled to—

(aa) an annuity or a lump sum benefit contemplated in paragraph 2 (1) (a) of the Second Schedule payable on that date;

(bb) be reinstated as a full member under conditions prescribed in the rules of the fund;

(cc) the payment of a lump sum benefit contemplated in paragraph 2 (1) (b) (ii) of the Second Schedule where that member's interest in the fund is less than an amount determined by the Minister by notice in the Gazette; or

(dd) the payment of a lump sum benefit contemplated in paragraph 2 (1) (b) (ii) of the Second Schedule where that member—

(A) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control; or

(A) (AA) is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of applications for that recognition received on or before 28 February 2021 and approved by the South African Reserve Bank or an authorised dealer in foreign exchange for the delivery of currency on or before 28 February 2022; or

is a person who is not a resident for an uninterrupted period of three years or longer on or after 1 March 2021;

(B) departed from the Republic at the expiry of a visa obtained for the purposes of—

(AA) working as contemplated in paragraph (i) of the definition of "visa" in section 1 of the Immigration Act, 2002 (Act No. 13 of 2002); or

(BB) a visit as contemplated in paragraph (b) of the definition of "visa" in section 1 of the Immigration Act, 2002 (A c t N o. 1 3 of 2 0 0 2), issued in terms of paragraph (b) of the proviso to section 11 of that Act by the Director General, as defined in section 1 of that Act;

- (xi) that upon the winding up of the fund a member's withdrawal interest therein must—
- (aa) where the member received an annuity from the fund on the date upon which the fund is wound up, be used to purchase an annuity (including a living annuity) from any other fund; or
 - (bb) in any other case, be paid for the member's benefit into any other retirement annuity fund;
- (xii) that save—
- (aa) as is contemplated in subparagraph (ii);
 - (bb) for the transfer of any member's total interest in any approved retirement annuity fund into another approved retirement annuity fund;
 - (cc) for the benefit contemplated in subparagraph (x) (cc);
 - (dd) as is contemplated in Part V of the Policyholder Protection Rules promulgated in terms of section 62 of the Long- term Insurance Act; or
 - (ee) for any deduction contemplated in paragraph 2 (1) (b) of the Second Schedule,
- no member's rights to benefits shall be capable of surrender, commutation or assignment or of being pledged as security for any loan;
- (xiii) that the Commissioner shall be notified of all amendments of the rules; and
- (c) that the rules of the fund have been complied with;

Benefits of investing in an RA

The benefits of investing in an RA include:

- Making provision for retirement
- Flexibility of contributions
- Tax efficiency
- A percentage of the member's contribution may be tax deductible
- The investment return does not attract any tax (exempt from tax on interest, dividends and capital gains)
- Fund benefits are protected against creditors (for example in the case of insolvency)
- A member may take up to one third of the vested fund value as a cash lump sum at retirement
- A portion of the cash lump sum taken at retirement may be taxed at 0% [tax-free]

Definitions

Member

The member is the person who transfers their retirement benefit(s) or who make contributions [own contributions] to the fund. Membership of more than one retirement annuity fund is allowed.

Nominee

The member may appoint a nominee(s) to whom the benefit can be paid in the event of their death. The trustees of the fund will, however, decide who the pension benefit should be paid to, based on dependency. The payment could be made to the appointed nominee(s) or other individuals, depending on the trustees' decision.

A member who wants to nominate a trust (with natural persons as beneficiaries) as the nominee for the death benefit may indicate a trust as the recipient of a death benefit on behalf of a nominee subject to:

1. the official nominee of the member also being identified as such by the fund trustees,
2. this person being the same person as the trust beneficiary that has vested rights to the retirement benefit in terms of the trust deed and,
3. the official nomination by the member as well as the vested rights to retirement benefits in favour of this person in the trust deed, remains factually correct up until death of the member.

Note: Section 37C of the Pension Funds Act still applies and the retirement annuity fund trustees will decide to whom the pension benefit is paid in the case of the member's death. The nominated trust's beneficiaries therefore may or may not receive the benefit.

Section 37C of the Pension Funds Act demands payment of the pension benefit to be made in a specific manner and to specific persons in the case of the death of the fund member.

In terms of section 37C(2) of the Pension Funds Act, payment of the pension benefit, can be made to the trustees of a trust fund, an appointed curator responsible for the affairs and needs of a dependant or nominee or a beneficiary fund.

However, in the case of a trust, payment to the trustees of the trust can only be made if the trust was nominated for the benefits by either:

1. The deceased member,
2. A major dependant/nominee or
3. An appointed curator managing the affairs and needs of a minor or major dependant or nominee.

Dependant

A dependant is someone who is/was financially dependent on the member – such as the member’s children.

Beneficiary

The beneficiary is the person/s appointed by the trustees to receive the member’s death benefit. The trustees will base their decision on dependency; thus, the beneficiary may differ from the nominee who was appointed initially.

General information

Registration

The Personal Portfolios RA is registered with the Registrar of Pension Funds and approved by the Commissioner of South African Revenue Services.

FSCA fund registration number	12/8/35099
SARS tax registration number	18/20/4/39519

Fund administrator

Glacier Financial Solutions (Pty) Ltd (“Glacier”) is the appointed administrator of the Personal Portfolios Retirement Annuity Fund. Glacier has signed a service level agreement with the Personal Portfolios Retirement Annuity Fund which authorises it to administer the investments, communicate with the members and attend to various other admin functions on behalf of the fund.

Fund rules

The Pension Funds Act requires every RA fund to have its fund rules approved by the Registrar. The fund rules contain all the information regarding the type of fund and sets out the powers of the board of trustees. The fund may only conduct business within scope of the rules of the fund. The fund rules must comply with the applicable legislation and will therefore be reviewed when legislation changes. All amendments to the fund rules must be approved by the Registrar before they can be implemented by the fund.

The fund rules are binding on:

- the members of the fund
- the fund and its officials (trustees)

- anybody who can lay a claim according to the fund rules
- anybody to whom a claim may arise, such as dependants, beneficiaries or stakeholders such as services providers or administrators

Board of Trustees

Section 7A of the Pension Funds Act states that every fund must have a properly constituted board of trustees consisting of no less than 4 board members. The board of trustees are responsible for controlling and overseeing the operations of a fund according to the applicable laws and the rules of the fund.

The duties of the trustees include:

- Managing and controlling the business of the fund according to the rules of the fund
- Ensuring the financial wellbeing of the members
- Making objective decisions on behalf of the fund's members, such as ballots
- Providing information to the members on a regular basis
- Obtaining specialist advice for instances when they do not have the required knowledge to make decisions on their own,
- Ensuring that the administration and operation of the fund complies with legislation and the rules of the fund
- Signing of documentation, together with the Principal Officer, on behalf of the fund

Principle Officer

Section 8 of the Pension Funds Act states that every registered fund must have a principal officer. The trustees must appoint a principal officer as stipulated in the fund rules. The principal officer acts as the principal executive officer of the fund.

The principal officer has the following duties:

- Ensuring that decisions of the board of trustees are executed
- Ensuring that the fund complies with the formal requirements of the law, including directives from the Registrar, SARS and other relevant regulatory authorities
- Liaising on behalf of the board with service providers to the fund (unless there is direct contact between the board and the service provider) e.g. fidelity and professional indemnity insurance cover

- Contributing at board meetings even though the Principal Officer has no voting rights
- Ensuring governance of the fund complies with applicable legislation
- Liaising with the Registrar
- Signs documentation on behalf of the fund.

Termination of membership

Membership is terminated in the following instances:

- Death of the member
- Retirement, any time from age 55
- Early retirement due to disability
- Full withdrawal in the event of emigration (approved by the South African Reserve Bank on or before 28 February 2022)
- Full withdrawal in the event that the member ceased to be a resident for 3 uninterrupted years or longer
- Full withdrawal if the fund value is less than R15 000
- Full transfer to another approved RA
- Dissolution of the Personal Portfolios Retirement Annuity fund
- Divorce – only if the non-member is awarded the full amount.

Investor type

Only natural persons can become members of the fund. There is no minimum or maximum age applicable.

Types of investments and product minimums

A member can contribute to the fund in the following ways:

- Lump sum investments, including ad hoc investments
- Transfers from approved funds (cash or units)
- Once-off debit orders or electronic fund transfers

- Recurring investments

Note: A non-member spouse can transfer the pension interest awarded to them in terms of the divorce to the RA.

Lump sums

The following lump sum minimums are applicable:

- Single investment – R100 000
- Ad hoc investment – R15 000

Recurring investment

Members can also invest money via a recurring investment in the PP RA. The debit order can be cancelled at any time without any penalties. Debit orders can be funded by third parties.

Source of funds

Compulsory money

When money is transferred from an approved fund, it can only be done as cash or units.

In the case of an employer's pension or provident fund, the money can be transferred to a RA if the client was retrenched, resigned or withdrew from the fund. A withdrawal benefit is applicable when the employer gives the employee the option to request a full repurchase of the fund benefit in cash or to transfer it to another fund. When you resign from your employer and you want to exit the employer's pension or provident fund – you can either withdraw, transfer or do a combination of both, subject to the employer's pension or provident fund rules.

A recurring, single and an ad hoc investment (own money), can be combined with funds that were transferred via Section 14.

Own money (voluntary investments)

This is a voluntary contribution made by the member. Once the money is in the fund it becomes compulsory.

Own contributions can be made in the following ways:

- Lump sum investments
- Recurring investments

- Ad hoc investments

Tax advantages of contributions

Section 11(k) has been replaced with a new section 11F, effective 1 March 2016. The value of the tax deduction for RA contributions is limited by section 11F to the lesser of:

- a. 27.5% of the higher of the person's
 - remuneration as defined in the fourth schedule (**excluding** any retirement fund withdrawal benefits, severance benefits or retirement fund lump sum benefits); or
 - taxable income **including taxable capital gain** (**excluding** any retirement fund withdrawal benefits, severance benefits or retirement fund lump sum benefits) **before** deducting any deductions under section 11F itself and section 18A
- b. the taxable income of the person before:
 - allowing any deduction under section 11F; and
 - the inclusion of any taxable capital gain
- c. R350 000

If the taxable income before adding taxable capital gain is more than the amount calculated in (a), the maximum deductible amount is the amount calculated in (a).

If the taxable income before adding taxable capital gain is less than the amount calculated in (a), the maximum deductible amount is the lesser amount.

In terms of the Fourth Schedule of the Income Tax Act, remuneration means any amount of income that is paid or is payable to any person by way of any salary, leave pay, wage, overtime pay, bonus, gratuity, commission, fee, emolument pension, superannuation allowance, retiring allowance or stipend, whether in cash or otherwise and whether or not in respect of services rendered, including the following:

- Annuity income, lumps sum due to employment or the termination of services (like bonus, leave pay, etc.)
- Any fringe benefit received
- Any allowance a person receives from an employer
- Any amount received for services rendered
- 80% of travel allowance, unless the employer is satisfied that 80% of the allowance is used for business purposes, in which case only 20% of the allowance is included

- 80% of the fringe benefit relating to the use of a motor vehicle, unless the employer is satisfied that 80% of the fringe benefit is used for business travel, in which case 20% will be included.

According to section 11F any retirement fund lump sum or retirement fund lump sum withdrawal benefit or severance benefit must be excluded.

A person's taxable income is established by calculating gross income, less exemptions and deductions plus the taxable portion of travel allowances plus taxable capital gain.

Contributions made in a tax year that exceed these amounts, can be carried over and will be deductible in future. If these contributions have not been deducted when the member retires or dies, they can be offset against the lump sum (before tax is calculated) taken at retirement or death.

As from 01 March 2014, paragraph 10C the Income Tax Act makes provision for these disallowed own contributions to be deducted from the annuity purchased with the compulsory two thirds payable by a pension, preservation pension or retirement annuity.

A contribution certificate is issued to a member who has made own contributions during the tax year. The member should use this certificate when doing their tax returns.

Investment options

The member has the following investment options available when investing money in the Personal Portfolios RA:

- Collective investment schemes including local offshore funds (rand-denominated offshore funds)
- Wrap funds
- Shares.

As from 7 April 2017, Regulation 28 is validated on product portfolio level.

Availability of money

Section 37A of the Pension Funds Act expressly limits the fund's ability to deduct amounts from a members' pension interest. As a general rule, a fund may only make a deduction from a members' benefit if such a deduction is allowed in terms of the Pension Funds Act, the Income Tax Act and the Maintenance Act.

Funds invested in the Personal Portfolios RA can therefore only be accessed by the member in the following instances:

- Retirement, any time from age 55
- Early retirement due to disability

- Full withdrawal in the event of emigration (approved by the South African Reserve Bank on or before 28 February 2022)
- Full withdrawal in the event of a member who has ceased to be a South African tax-resident for an uninterrupted period of three years or longer
- Full withdrawal if the fund value is less than R15 000
- Full transfer to an approved RA

The money from the RA is available to the nominees/dependants/beneficiaries at death only.

Note: The money in a retirement annuity may be transferred (before retirement) to another approved fund, but no funds may be paid to the member during the transfer.

Transactions

The following transactions are allowed:

- New business/ad hoc
- Phasing In
- Switch/Rebalance
- Maintenance
- Transfer from one retirement annuity to another (Section 14 transfer)
- Commutation (before retirement) if the member ceases to be a tax resident for an uninterrupted period of three years or longer, or in case of divorce
- At retirement, transfer maximum one-third to an investment plan or in cash, and two-thirds to a living annuity (ILLA)
- Full 3/3 to ILLA & min 2/3 to ILLA
- Withdrawal before retirement if the fund value is less than R15 000
- Split the investment into own funds and wrap funds

The following transactions are not allowed:

- Withdrawal before retirement (except for instances mentioned above)
- Cessions

Tax

Tax is payable on the lump sum taken at retirement, death, disability or when withdrawing at divorce or when a member ceases to be a tax resident for an uninterrupted period of three years or longer.

Divorce

In the case of divorce, the non-member spouse could be entitled to a share of the member's pension interest in a retirement annuity fund. This will result in either a withdrawal from the RA to pay the non-member spouse, or a transfer to an approved fund of the non-member spouse's choice.

Valid Divorce Order

Only divorce orders enforceable against a specific fund are valid. In case of improperly drafted divorce settlement agreements, the claim may not be enforceable against the fund.

The following requirements must be adhered to:

- Specific reference to the "pension interest"
- Express the specific percentage (%) of the member's pension interest or a specific amount
- Registered name of the retirement fund in the order – or the ability of it being ascertained if not mentioned directly
- The relevant fund must be ordered to endorse its records and make payment of the pension interest.

Cessation of residency

The definitions of "pension preservation fund", "provident preservation fund" and "retirement annuity" in section 1 of the Income Tax Act have been amended as follows:

(c)(ii)a member shall, prior to his or her retirement date, be entitled to the payment of a lump sum benefit contemplated in paragraph 2 (1) (b) (ii) of the Second Schedule where a member—

(aa)(A)is a person who is or was a resident who emigrated from the Republic and that emigration is recognised by the South African Reserve Bank for purposes of exchange control in respect of applications for that recognition received on or before 28 February 2021...; or

(B)is a person who is not a resident for an uninterrupted period of three years or longer; on or after 1 March 2021"; or

(bb) departed from the Republic at the expiry of a visa"

Who is regarded as a non-resident?

South Africa has a residence-based tax system, which means residents are, subject to certain exclusions, taxed on their worldwide income, irrespective of where their income was earned. Non-residents are taxed on their income from a South African source.

Since tax systems differ from country to country, there is a chance that a particular amount could be taxed twice. This possibility of double taxation is, however, often alleviated by tax relief contained in various Double Taxation Agreements (DTAs). These DTAs are international agreements contracted between countries to deal with potential competing taxing rights against the income of the same taxpayer.

Under the provisions of the DTA, the non-resident's remuneration earned in South Africa may not be subject to normal tax in South Africa where specific requirements are met.

The Income Tax Act does not define a "non-resident", so in order to determine who would be regarded as a non-resident we have to start with looking at the definition of "resident" as set out in section 1 of the Income Tax Act.

A "resident" refers to any natural person:

- who is ordinarily resident in the Republic; or
- who complies with all the requirements of the physical presence test.

There are thus two tests to determine whether a person is a "resident" for tax purposes, i.e.:

- the *ordinarily resident* test; and
- the *physical presence* test.

The *ordinarily resident* test is fairly self-explanatory: a person is "ordinarily resident" in South Africa for tax purposes if South Africa is his/her usual/principal residence.

A person who is not ordinarily resident in the Republic may still qualify as a resident for tax purposes if the requirements of the *physical presence* test are met. The physical presence test, also known as the "day test" or "time rule", is based on the number of days that a natural person is physically present in the Republic. The purpose or nature of the visit is irrelevant. It must be determined annually whether all the requirements of the physical presence test have been met.

To meet the requirements of the physical presence test, that person must be physically present in the Republic for a period or periods exceeding:

- 91 days in aggregate during the year of assessment under consideration;
- 91 days in aggregate during each of the five years of assessment preceding the year of assessment under consideration; and
- 915 days in aggregate during those five preceding years of assessment.

If that person fails to meet any one of these three requirements, he/she will not satisfy the physical presence test.

If the person is neither ordinarily resident, nor meets the requirements of the physical presence test, that person will be regarded as a non-resident for tax purposes. This means he/she will be subject to tax only on income that has its source in South Africa.

As such, the inserted **new test** will make provision for the payment of lump sum benefits when a **member ceases to be a South African tax resident** as defined in the Income Tax Act, **and such member has remained a non-resident for an uninterrupted period of three years or longer.**

Tax on withdrawals due to cessation of residency for an uninterrupted period of three years or longer is payable according to the withdrawal tax tables.

Foreign nationals


A foreign national who enters the country on a temporary basis (for example on a temporary working contract) and intends to return to their country of origin, can commute their retirement annuity in full once their visa expires and they return to their home country. This has been applicable since 1 March 2016.

Regulation 28

Regulation 28 of the Pension Funds Act requires that a member's investment in a retirement fund needs to comply with the investment restrictions imposed by this regulation. The purpose of this regulation is to protect investors in a fund from the effects of poorly diversified investment portfolios and over-exposure to high-risk asset classes. Glacier validates regulation 28 compliance on a product portfolio level i.e. validations are **not** done on plan level.

Asset limits

(3)(a) A fund must only hold assets and categories of assets referred to in Table 1 and must comply with the limits set out in this regulation.

(b) Any portion of a **fund's total assets** associated with a **specific category of members**, or a **specific member** where the fund provides individual member choice, must **comply with the limits in this regulation.** 

Fees

- Intermediary initial fees are applicable on lump sums, ad hoc's and debit orders/recurring investments.
- Glacier initial fees are no longer applicable.
- Annual fees are applicable to Glacier and the intermediary.
- Initial intermediary fees are not allowed on section 14 transfers.

Section 14 transfers

If the investment is transferred as a section 14 transfer, no initial fees are applicable on the lump sum investment to either the intermediary or the administrator [section 14(7) of the Pension Funds Act].

Annual fees

Glacier and intermediary annual fees are applicable.

When the money in the RA was transferred from another fund [that is an underwritten fund] via a section 14 transfer, the intermediary has to re-negotiate their annual fees every year.

Underwritten vs non-underwritten funds

An underwritten fund is underwritten by a Life Insurer (such as Sanlam). A non-underwritten fund is a privately administered fund which is defined as "a fund other than an underwritten fund". Therefore, restrictions such as annual intermediary fees do not need to be renegotiated annually. The Personal Portfolio Retirement Annuity is non-underwritten.

Transfers

The member of a retirement annuity is allowed to transfer their RA fund to another RA fund (with a different company) before retirement. These transfers are done via a section 14(8) process. At retirement, two thirds of the non-vested RA must be used to purchase a compulsory life/living annuity.

Transfers from preservation funds into a retirement annuity is also allowed since 2011 and is done as a section 14 transfer.

When funds are transferred between retirement annuities, the full fund benefit must be transferred. The member is not allowed to take a portion of the money in cash.

The transferring fund pays the money directly into Glacier's bank account, as the transfer must be made between the two funds.

Only single investments and ad hoc investments are allowed as transfers. The client can add a debit order to the plan.

Note: Glacier's fund rules do not have any restriction on the age at which the client can transfer the fund benefit to or from another retirement annuity.

Below is a summary of transfers that are tax neutral in terms of the Income Tax Act.

Tax neutral transfers prior to 1 March 2018		Tax neutral transfers post 1 March 2021	
FROM	TO	FROM	TO
Pension	Pension, Pension Preservation, RA	Pension	Pension, Pension Preservation, Provident, Provident Preservation, RA
Pension Preservation	Pension, Pension Preservation, RA	Pension Preservation	Pension, Pension Preservation, Provident, Provident Preservation, RA
Provident	Pension, Pension Preservation, Provident, Provident Preservation, RA	Provident	Pension, Pension Preservation, Provident, Provident Preservation, RA
Provident Preservation	Pension, Pension Preservation, Provident, Provident Preservation, RA	Provident Preservation	Pension, Pension Preservation, Provident, Provident Preservation, RA
RA	RA	RA	RA

Transfers from a pension fund, provident fund or preservation fund to a retirement annuity fund

Members of a preservation fund can transfer their benefits to a **Retirement Annuity Fund** providing both funds' rules allow the transfer. This transfer is tax neutral as can be seen above. Both of the Personal Portfolios Preservation funds allow these transfers.

Transfers from preservation funds to retirement annuity funds do not qualify as the once off withdrawal from the preservation fund. Therefore, a member of a preservation fund who has already done the once off withdrawal can still transfer to a retirement annuity fund.

From 1 March 2021, if money from a provident fund or provident preservation fund is transferred to a Retirement Annuity, the ROT will indicate whether it is a vested or non-vested member share. If it is a vested share being transferred, the Retirement Annuity will be issued as vested, and the member will have the option to take the full benefit in cash (less tax at retirement tax tables) at retirement. If it is a non-vested share that is transferred, the Retirement Annuity will be issued as non-vested, and the member will have the option to take a maximum of $\frac{1}{3}$ in cash (less tax at retirement tax tables) at retirement.

Transferring to an offshore RA

A member of the Personal Portfolios Retirement Annuity Fund cannot transfer the benefit to an offshore retirement annuity.

A transfer can only be made to an approved fund which is recognised in South Africa. An approved fund is a fund that has been approved by the (South African) Registrar of Pension Funds and the South African Revenue Services (SARS). An offshore fund is not approved by the Registrar of Pension Funds or SARS.

Transferring from an overseas pension scheme to South African Retirement Annuities

Transfers from overseas pension schemes to South African Retirement Annuities are allowed if the South African Retirement Annuity meets the conditions to qualify as a “QROPS” (Qualifying Recognised Overseas Pension Scheme). Although the Personal Portfolios Retirement Annuity does meet these conditions, there are specific administration needs which we can’t meet. Therefore, the Personal Portfolios Retirement Annuity is not available as a QROPS.

Fees on transfers

No initial fees are applicable when one RA is transferred to another – as this is a section 14 transfer. Annual service fees are applicable for Glacier and the intermediary. If the funds are transferred from an underwritten fund, the intermediary’s annual fees have to be re-negotiated annually.

The intermediary has to send Glacier a signed instruction or a signed *re-negotiation of fee* form from the client to place the fee and to ensure that their annual fee is not switched off at the end of the fee period. Only instructions signed by the client are accepted. No backdating of fees are allowed.

Death

It is recommended that the member of an RA nominate persons to receive the benefit in the RA, at the death of the member prior to retirement. These are only nominees for the death benefit and the trustees of the fund will make the final decision as to who will receive the benefit in the fund.

Death claims requirements

- Copy of death certificate
- Copy of the letter of executorship issued by the Master of the High Court
- Full details of the Executor
- Estate Authorisation (if executor appointed a different person to handle the estate)

- Indemnity Form (where the death claim is payable within 12 months)
- Copy of the will
- Full particulars of dependants
- Final annual income of deceased
- Particulars of current marriage/ relationship with life partner
- Divorce order and settlement (to determine if deceased was liable for maintenance to former spouse)
- Other dependants form (if more than one dependant, each one must complete his own form)
- Income and expenditure statement completed by each dependant (certified copy with copies of salary slips)
- Renunciation of claim on benefits (to be completed when major dependants do not want to share in fund benefits)
- Police report (if the client died of unnatural causes)
- Missing person's report (if applicable, Order Nisi, issued by the Master of the High Court)
- Letter of Authority (applicable when no Executor was appointed)
- Appointment letter of legal guardian if payment is to be made to a minor (not applicable if minor is in care of parents)
- Ruling by the Trustees

Retirement

A member may retire from the Personal Portfolios RA any time from age 55. At retirement, a maximum of one third of the non-vested portion is available in cash and two thirds of the non-vested portion must be used to purchase a living/life annuity in South Africa. The income from the living annuity must be paid to a South African bank account in the client's name. If the value of the non-vested retirement benefit is R247 500 or less, the full amount can be taken in cash at retirement. The retirement tax scales will be applicable.

If, at retirement, the member's retirement benefit is a vested share, the member will have the option to receive the full vested retirement benefit in cash less tax at retirement tax scales.

Surplus vs Improved fund benefits

Retirement funds can declare surpluses and improved fund benefits from time to time.

Surplus

A surplus is the amount by which the assets of the fund exceed the total sum of the individual member interest. The surplus of a fund belongs to the members. Therefore, existing surplus as at the funds'

surplus apportionment date (defined in the Pension Funds Act), must be allocated to members and pensioners (former members).

The board of the retirement fund must submit to the Registrar, a scheme for the proposed apportionment of any actuarial surplus. Section 15B of the Pension Funds Act regulates the distribution of a surplus apportionment to pensioners, former members and current members of retirement funds under a scheme approved by the FSB. In terms of these provisions, active members (individuals who are still members of the fund when the surplus is declared) receive their apportionment in the form of a credit to their member accounts, while former members as well as pensioners receive the apportionment in the form of a lump sum cash distribution. According to the SARS Guide on The Taxation of Lump Sum Benefits, surplus distributions from 1 January 2006 are excluded from gross income. In effect surplus payments made to members are tax-free.

Requirements for surplus money

When surplus money was declared before the members exited the fund, an ad hoc application form or a signed instruction from the member on how the money should be invested, will be requested.

Improved fund benefit

An improved fund benefit is when a pension or provident fund recalculates the benefit transferred to another approved fund via a section 14, or second schedule process. This can be due to a calculation error, or where the board determines that due to the benefit of hindsight, an improved value must be transferred.

These scenarios will be handled by Glacier on a case-by-case basis. The additional assets must be applied in the same manner as the original transfer. The standard procedure is to determine how the benefit was transferred to the preservation pension or provident fund, i.e. Section 14 or the second schedule. According to the second schedule, an investigation must be carried out before the benefit will be added to the existing preservation pension or provident fund.

Interest and dividends

Interest is earned on the investments that a particular unit trust holds in its portfolio in securities and cash investments (liquid assets). Dividends are earned on the underlying assets invested in equities in the portfolio. Interest and dividends provide the client with extra money which can be re-invested as part of the original transfer. Users should/must therefore follow the same process as per the initial transfer received. No new application form is required.

Cancellations

There is no cooling-off period on the Personal Portfolios Retirement Annuity and the investment can therefore not be cancelled. If the member alleges that there was a misrepresentation from the intermediary, the complaint must be put in writing, and this will be dealt with by the Glacier Client Relations team.