



UNISARF

Unisa Retirement Fund

Reg No 12/8/31320

Additional Retirement Saving Contributions

Dear Unisa Retirement Fund member or UNISA / PURCO / USAf employee

Additional Retirement Saving Contributions



Did you know?

Contributing more to your retirement fund means you pay less tax annually. You can contribute up to 27.5% of your taxable income (to an annual maximum of R350 000) to your pension, provident and/or retirement annuity fund and receive a tax rebate.

For example:



Olivia receives R15 000 income in total per month; making her taxable income before retirement:

R15 000 x 12 = R180 000

But... she contributes a R1000 to a retirement annuity every month; making her retirement contributions:

R1000 x 12 = R12 000

Her taxable income will be reduced by R12 000 each year, so she will only pay tax on R 168 000 and not the full R180 000. However, she can contribute a total of R49 500 per year (R180 000 x 27.5%) to her retirement fund and be taxed even less. In other words, Olivia can contribute an extra R37 500 (R37 500 + R12 000 = R49 500).



Please note:

You can roll over any contributions above 27.5% or R350 000 into future tax years, which can be claimed on assessment.

The employer contribution to the Fund is well below this 27.5% threshold. For this reason, the Fund's Board, with the agreement of your employer, allows you to make additional retirement saving contributions. The purpose of this communication is to explain the options available to you, and how you can make additional contributions.



How much extra can I contribute?

The following two options are available:

1. Contribute a percentage of your pensionable salary each month (referred to as a **member percentage contribution**): Your employer contributes 16% of your pensionable salary to your retirement savings, so you can elect to make a member percentage contribution of 2.5%, 5% or 7.5% of your pensionable salary. This 2.5%, 5% or 7.5% will be added to the 16% that your employer already contributes towards your retirement. For example, if you receive an employer contribution of 16% and elect a member contribution of 7.5%, your total retirement saving contribution will be 23.5% of pensionable salary (i.e. 16% + 7.5%). Kindly note that some former Vista employees contribute at 18.5%, so please ensure that you take your correct contribution percentage into account when you and your Financial Advisor assess your personal circumstances.

OR

2. Make an additional monthly contribution of a rand amount (an **additional voluntary contribution**) as an **alternative** to the member percentage contribution referred to above. This contribution must be a fixed rand amount and must be paid each month. You should be careful to limit any additional voluntary contributions so that you don't exceed the 27.5% maximum tax-deductible threshold – kindly contact your Financial Advisor should you need any assistance in determining this maximum amount.

Is there anything I should look out for if I want to make a member percentage contribution or additional voluntary contribution?

As set out above, the maximum tax deduction you are entitled to from **all** contributions to **all** retirement funds (including retirement annuity funds) is limited to 27.5% of the greater of gross remuneration or taxable income.

The maximum member percentage contribution is limited to ensure that Fund contributions by and in respect of you do not exceed the 27.5% limit. You need to be very careful that **all** the additional retirement contributions you make, **to any and all funds**, do not exceed this 27.5% threshold.

Calculating how much extra you can contribute before reaching the 27.5% (or R350 000) limit is complex. You should seek the advice of a tax expert or Financial Advisor in this regard. Your tax planner will need to get information from the Fund regarding contributions made for death-in-service benefits, the minimum retirement benefit and the Fund's expenses when performing this analysis. Please note that the Fund's Board and your employer are precluded by law from providing members with such individual tax advice. The onus is on you to consult a reliable expert.

What are the benefits of making member percentage contributions or additional voluntary contributions to the Unisa Retirement Fund?

The obvious benefit is that you will be providing more for your retirement! The contributions you make will be invested along with the retirement fund contributions that your employer makes for you. This will add to your benefit on retirement, withdrawal or death. There is also a tax benefit to making such additional retirement savings, as explained in the example on page 1. In addition, any investment returns you earn in the Fund are tax-free (although of course, any benefit you receive from the Fund is taxable).

What's more, the Fund's costs are estimated to be between 30% to 50% of what you would pay if you made these contributions to a retirement or savings product in your personal capacity.

Please remember that your Fund benefits are only paid out to you when you leave the Fund. These additional contributions are thus not like a savings account or unit trust, which you can withdraw at any time.

What investment strategy will be applied to your member percentage contributions or additional voluntary contributions?

In practice, such contributions are invested in a separate account to your Fund Credit (the so-called **Supplementary Account**) so as not to contaminate the calculation of any other benefit you may be entitled to. These additional voluntary contributions you make to the Fund will be invested in the same way as your current member contributions unless you indicate otherwise.

Please refer to the **Unisarf Member Investment Choice Switch Notification** form should you wish to make any choices in this regard. Please note that this form must be submitted to the Administrator, **Alexander Forbes**. The form indicating whether you want to make an additional voluntary contribution must be submitted to your **Department of Human Resources**.

What do I need to do if I want to make additional retirement contributions?

If you want to take this opportunity, you need to complete the relevant option form and **return it to your Department of Human Resources**.

If you submit a properly completed option form, the Fund can only give effect to your request if your employer pays such contribution to the Fund. It is entirely your responsibility to check that your employer is indeed making the right deduction from your salary to pay this contribution to the Fund. If your employer does not pay such amount to the Fund, you will have no claim against the Fund for the said amount.

How do I change my additional retirement savings arrangements in the future?

Should you wish to make a further change at a later date, you can:

- Stop making member percentage contributions or additional voluntary contributions;
- Start making member percentage contributions or additional voluntary contributions;
- Change the rate of member percentage contributions or the fixed rand amount of additional voluntary contributions that you are already making.

The option forms are available from the HR Department and at www.unisarf.co.za/unisarf/forms

*The security and protection of your personal information is important to the Fund.
For more details, please visit:
<http://unisarf.co.za/unisarf/policies-and-rules>*