University of South Africa Retirement Fund

UNIVERSITY OF SOUTH AFRICA RETIREMENT FUND

MEMBER NEWSLETTER

A word from your

Principal Officer

Dear Member

The first quarter of 2022 has certainly started off with many new challenges and obstacles, both locally and internationally. As the fuel and electricity prices continue to rise on the local front, many of us are watching the war between Ukraine and Russia with growing unease.

International conflict always has a knock-on effect for South Africans, in terms of the strength of our currency and our economy, and the prices of necessities such as fuel and food. This is because of the trade links that we have with other countries. For example, our imports of wheat and sunflower oil and exports of citrus products and fruit, will be impaired by the conflict in Europe.

Now for the good news. Thankfully, Minister of Finance Enoch Godongwana, delivering his maiden budget speech, announced that personal tax and VAT will not be increased this year. Personal income tax brackets were adjusted to be lowered by 4.5% to counter the impact of inflation, and no change to the fuel levy was announced.

> We hope you enjoy reading this newsletter.

Should you have any queries, concerns, or feedback, please contact the Fund: unisarf@unisa.ac.za

The Minister also indicated that National Treasury will publish draft legislation regarding its long-awaited 'two-pot' system later this year.

This system aims to give people in financial distress access to a portion of their pensions before they retire. The government is still busy with the restructuring that is necessary before this can be implemented, and all funds will have the final say before permission is granted.

Changes to Regulation 28, which sets out where retirement funds may invest, were also published. The changes allow funds to invest up to 45% (previously 40%) of their capital offshore (this includes the 10% allowance for other African countries); as well as investment in infrastructure.

With so much going on, remember to take care of yourself and enjoy life's simple pleasures.

Kind regards

Lavinia Khangala
Principal Officer

South African National Budget **2022**

What you need to know...

On 23 February, Minister Enoch Godongwana delivered his first Budget Speech. He was faced with an exceptionally difficult task, considering that the national economy is still struggling to recover from the effects of Covid-19, and the resulting economic recession.

Here are the highlights focussing on the aspects that affect you and your loved ones:

Sin Tax Increases

BEER	**WINE**
R0.11 per 340ml can	R0.17 per 750ml bottle
SPIRITS	**CIGARS**
R4.83 per bottle	R6.77 per 23g
VAPES	**CIDER**
R2.90 per 1ml	R0.11 per 340ml can
SPARKLING WINE	**CIGARETTES**
R0.76 per bottle	R1.03 per pack
PIPE TOBACCO	**SUGAR**
R0.37 per 25g	R2.31 per 1g

Covid-19

An additional **R110.8 billion** was allocated to fund the special Covid-19 social relief of distress grant for the next 12 months, bringing the total to **R44 billion**.

Social Grants

State Old Age Disability Care Dependency	State Old Age, over 75	War Veterans
R95 increase	**R95 increase**	**R95 increase**
2021/22 – R1890	2021/22 – R1910	2021/22 – R1910
2022/23 – R1985	2022/23 – R2005	2022/23 – R2005

Foster Care	Child Support
R20 increase	**R20 increase**
2021/22 – R1050	2021/22 – R460
2022/23 – R1070	2022/23 – R480

SOME GOOD NEWS

Education and culture received the largest share of the government budget (24%), with the bulk of the spending going towards basic education.

A freeze was implemented on the fuel tax levy for the first time since 1990.

Individual taxpayers received a **R13.5billion break** through an adjustment of personal tax brackets in line with inflation.

Tax rates from 1 March 2022 to 28 February 2023

Taxable income (R)	Rates of tax (R)
1 – 226 000	18% of taxable income
226 001 – 353 100	40 680 + 26% of taxable income above 226 000
353 101 – 488 700	73 726 + 31% of taxable income above 353 100
488 701– 641 400	115 762 + 36% of taxable income above 488 700
641 401 – 817 600	170 734 + 39% of taxable income above 641 400
817 601 – 1 731 600	239 452 + 41% of taxable income above 817 600
1 731 601 and above	614 192 + 45% of taxable income above 1 731 600

Tax Rebates	
Primary	R16 425

Tax Thresholds	
Under 65	R91 250

University of South Africa Retirement Fund

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Did you know the Fund can help you save on tax?

Here's how...

You receive a **tax deduction** on your contributions towards all retirement funding, up to **27.5% per annum**, of your total salary package. So the more you contribute towards your Fund, the less your monthly income is taxed!

Make the most of your tax benefits by contributing more to your Fund. Download the Additional Voluntary Contribution form here

Here are some additional benefits:

- The money you earn on investments while you are in the Fund is **not taxed**, which means no capital gains tax and tax on interest, etc.
- The more you contribute to the Fund, the more **interest** you will earn, because as your savings grow, you earn interest on the growth too!
- The Fund is managed cost effectively AND the investment fees are very competitive, as the Fund has significant "buying power".
- **Lower costs = Higher savings** for your retirement.

Have a look at the following example:

Mandy earns R192 000 per year, at the tax rate of 18%, she will be taxed **R18 134** per year.
However, Mandy makes contributions to the Fund of **R30 720** per year.

- These contributions are tax deductible, which means her taxable income is reduced by R30 720 each year. **She only pays tax on R161 280 of her income – not on the full R192 000.**
- BUT she can contribute up to 27.5% of her income to the Fund to qualify for the full allowed annual tax deduction, which will amount to R52 800 each year (she has an additional **R22 080** she can contribute) and she will pay even less tax.
- So, Mandy decides to make additional voluntary contributions to the value of R22 080 over the course of the year.
- That means her taxable income is now only R139 200, reducing the tax she pays to **ONLY R8 631**.
- **HOORAY FOR paying R9 504 LESS TAX!**

This means that of the R52 800 which Mandy contributes to her Fund annually, the tax savings funded R9 504 of that, with Mandy only having to pay R43 296 from her take home salary.

An update to your premiums

Almost all of us have been affected by the sorrow and anguish that the Covid-19 pandemic has caused. Many of us have lost loved ones. It has also caused financial hardship, with one of the impacts being a significant increase in the premium rate for the death benefits provided by the University of South Africa Retirement Fund – both the lump sum death benefit and the funeral benefit.

To provide context, the amount claimed in respect of death claims by the Fund over the past 21 months has exceeded the premium paid to Sanlam (the insurer) by 2.2 times. It is not sustainable for insurers to carry losses of this order and they are looking to recover such amounts by increasing their premium rates proportionately. Sanlam proposed to increase its premium rate from 1.9% of pensionable salary, to 4.5% of pensionable salary.

Naturally, it is critical for the Board of Trustees to ensure that the Fund pays a fair premium for the risk benefits it provides. Accordingly, in line with its longstanding practice, the Fund approached the insurance market to test the rates required by Sanlam. **As a result, Momentum has replaced Sanlam as the insurer for the Fund's death-in-service benefit and the funeral benefit, with effect from 1 January 2022.**

The table below sets it out:
- The premium rate is expressed as a percentage of pensionable salary paid until December 2021; and
- the premium rate effective from 1 January 2022.

Benefit	Previous rate	Premium rate from 1 January 2022	Insurer
Death in service	1.900%	3.803%	**Momentum**
Disability income	0.520%	0.520%	**Sanlam**
Funeral	0.027%	0.046%	**Momentum**
Total	**2.447%**	**4.369%**	

The overall increase in the premium rate is thus 1.922% of pensionable salary, which is considerable. The financial impact on you, depends on the structure of your remuneration package. In the case where Unisa remunerates you on a salary plus benefits basis, the University will bear the higher cost. However, if your remuneration is based on total cost to company, your take-home salary reduced because of these higher premium rates.

A final point is that the policy terms agreed with Momentum provide for a so-called "profit share" arrangement. This means that if the death claims experience in 2022 is much lower than Momentum has anticipated, part of the profits will be paid to the Fund. In this way, the Board has ensured that the much higher premiums being paid offer good value for money.