BENEFITS, CONTRIBUTION RATES & MEMBER PROT.

1) The paper talks about "meaningful retirement savings" – but NTTT recommends no minimum rates of contribution should be prescribed in legislation. This means that on 'package'funds for example if a fund's contribution rates are 4% Ee and 4% Er with costs of 4% - ie none of the Er conts are going to retirement. Does 4% count as meaningful retirement savings?
2) They also talk about "variable contribution rates" : - Perhaps for the National Savings fund this might be viable, but the nature of the beast is that most people on this fund are not going to be in a position to worry about tax incentives and employers that fall into this sector such employers of domestic workers etc are certainly going to go for the minimum.
   With regard to occupational funds having variable contribution rates is an administration nightmare. From our experience where there are variable rates, employers will automatically take the lowest – tax incentives are not even an issue. We even have funds where the members are paying more than the employers just so that they can get on to a fund and the employers are barely covering the costs. To allow variable contribution rates for members within a company on a multi employer fund will just be a nightmare – you can bet than every year members will change their contribution category. Will annual changes be allowed?
3) With regards to paying out lumpsums on **retirement –** we agree that preservation into an annuity is a good idea, but are minimums going to be stipulated ie if a person retires with less than R100 000 for example are they going to be allowed to take that amount as a lumpsum. With interest rates going down as they are the lumpsums that are viable to purchase an income annuity with are getting larger and larger.
4) **Withdrawal benefits:** the idea is that all people preserve their money into some form of retirement savings. This is excellent! We have been wanting this for some time BUT the practicalities are :
   a) the paper allows that if a person is unemployed they can get access to their funds once UIF has run out. The problem here is that UIF is payable for 6 – 9 months as far as I am aware and currently SARS has ruled that if a person has not preserved their benefits within 3 months of termination, the fund must deduct tax from that benefit as tho' it had been taken in cash
   b) Where someone is retrenched but has requested transfer to a preservation fund and in 9 months realizes that he is unemployed – will he then be able to take the money out from his retirement annuity? This will surely incur penalties and money will be lost?
   c) From what I gather – no commission is payable for selling R/A's – this commission used to come out of the person's income for a few years – how then does the NTTT envision that brokers are going to be paid? All that will happen is that a professional fee will be charged for advice etc and it will still come out of the benefit being transferred?! Brokers will then just work on salary rather than commission – does this really make a difference?

d) what is going to happen in reality is that all retrenched people are going to wait until UIF has run out ,and they still don't have work, to take their money from the Fund, after that they will look for a job or that people are going to hold off on a decision for preservation to see if they get a job and if they do, they will then preserve – if they don't do this within the SARS 3 month period they are going to be liable for tax on their benefits at 30%.
e) It is hoped that SARS and NTTT are going to collate their requirements.
f) Will the NTTT apply the minimum required to transfer before or after deductions? Ie if the minimum is say R5000.00 and a person has a benefit of R10000.00 and they took a housing loan for R6000.00 on which they still owe R5500 when they leave and they have to have tax deducted etc. they will only have approx R3000.00 left. Would they be forced to transfer that balance because the original amount was over R5000.00
g) Will IT88's still be deductable from member's withdrawal benefits? There is no mention of arrear tax being deductible.

5) **Unclaimed benefits**: The paper does not say what steps must be taken to trace a member and who must bear the cost of that trace. Just to place a newspaper add for one member is a couple of thousand rand. To hire someone to try and find that person is a few hundred rand an hour. If the fund is to bear the cost – it impacts on the other members and if the administrators have to bear the cost, they will recover it from administration costs which will just go up - to the detriment of members.
6) The State fund is a way of keeping funds clean but for how many years will the state keep these unclaimed benefits?
7) **Housing loans**: In general this is excellent – it is about time! The only thing they are once again not clear on are the "strict controls" that must be in place – like what? There are no guidelines on this currently – will they put guidelines in place ie like the fund paying an inspector to ensure work is done ? This money has to come from somewhere. We know abuse happens but how do we curb it – especially with informal housing and housing on tribal lands. We know that members can pay up to R5000.00 to a tribal chief who will sign a document saying that he has given the member land. The member has no formal document that proves his rights and access, how does the fund prove this?
The PFA currently says a member can only have a loan for one property and his family must live in it – obviously to prevent shackfarming and the wealthier from property speculating. We have a diverse culture where one man is allowed by law to have more than one wife. One wife lives on tribal land and one in the city – can the member only build one house using the fund as security or will the Act change to allow for more than one property and how does the NTTT plan for funds to control this. They themselves say that funds are not equipped to do this.
8) Other life crisis needs: a) if a member is terminally ill the NTTT is allowing for an accelerated death benefit , which is great, but what qualifies as terminally ill? If a member has HIV for example does this qualify or is the fund/insurer to request a status on CD4 counts? Must the member motivate it or should the fund automatically request information on how bad the cancer/hiv status is ? Currently

the funds have no right to that information – only the insurer has a right to that confidential information. What portion will be allowed if the benefit is the greater of the share of fund or x times annual salary?

9) Divorce: Excellent and about time. My only gripe is that the spouse should not have the option to stay in the fund. We are going to have unclaimed problems with this as the spouse has no obligation to update his/her personal details on an ongoing basis. Rather that they are compelled to put into RA of own choosing.
10) Death Benefits: will the NTTT give a minimum amount which can be paid out as a lumpsum. Currently we have a fund, for example, on which the death benefit is the greater of SOF or R30000.00 and invariably R30000 is the higher. No trust wants to take on R30000 over 10 or 15 years, the income paid is minimal – around R100 per month esp with interest rates so low and costs often outstrip the interest earned.. We can put it into a 5 year trust in which a more realistic monthly income is paid out over 5 years but that would only take small children to say 10 years old for example and often there are 3 or 4 children – would this count as the Trustees not being responsible enough.. This would not be a problem if the guardian was a parent, as a lumpsum could then be paid out, but 9 out of 10 times it is an aunt or grandparent or older sibling who has no obligation to the minor dependants. Will funds be required to manage and administer monthly bank accounts for these cases or will they be able to use the Guardian's fund – which is poorly administrated and the interest rates are awful.
Will the NTTT give funds & Trustees some guidelines on this matter?
11) Disability benefits: Perhaps I have misunderstood this but Funds that have a lumpsum disability benefit are basically paying an advanced death benefit as these benefits are only payable if the member is so ill they are close to death. This arrangement is usually done for funds whose claims are high and contributions low in order to keep costs down. If funds have to start paying monthly income on these disability claims it is going to increase the cost factor dramatically. How does NTTT envisage overcoming this? If the fund is paying disability income and the member dies then only the balance of the lumpsum is payable as the member is, strictly speaking on a lumpsum disability arrangement, no longer a member of the fund – this raises expectations from the family for further benefits whereas the member once in receipt of lumpsum disability is no longer a member of the fund – or is the implication that this should change? Would the NTTT envisage that this money could be put into a 10 year annuity , or would the funds be required to pay out this income for a set number of months or until the member either recovers (unlikely) or dies?