Murray & Roberts

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Memorandum

To:	Salaried Employees of Murray & Roberts Ltd
Date:	9 March 2021
Pages:	3
From:	G Moerdijk
Subject:	Retiring from the Sanlam Umbrella Pension Fund

RETIRING FROM A RETIREMENT FUND

Members retiring from employment have the following options available:

- Up to one-third (1/3rd) of your Fund Credit can be taken as a lump sum. Up to R500,000 is tax free, with amounts above this being taxed at varying rates.
- The remaining Fund Credit must be used to purchase an annuity with a registered insurer.

There are a number of different annuities that can be purchased from insurers depending on your needs during retirement and the assets you would like to leave behind should you pass away. Examples of the most common types of annuities are discussed below:

Type of annuity	Increase in pension	Advantages	Disadvantages
CPI-linked annuity	Percentage of CPI – typically between 50% and 100% of CPI	• Pension is payable for life • Can provide for a spouse's pension if required • Pensions increases are linked to inflation • Payments can be guaranteed for a period, e.g. 10 years • Insurer takes mortality (longevity) and investment risk.	• Pension is expensive to purchase • The pension increase may not be in line with the actual experienced increase in the cost of living
With-profit annuity	Determined by the insurer based on investment performance of the with-profit annuity book of business	• Pension is payable for life • Can provide for a spouse's pension if required • Pension increases as determined by insurer • Payments can be guaranteed for a period, e.g. 10 years • Insurer takes mortality (longevity) and investment risk	• Pension increases may not keep up with inflation • May get a 0% increase due to poor investment returns

Type of annuity	Increase in pension	Advantages	Disadvantages
Living annuity	Chosen by the pensioner based on the value of the pensioner's individual fund	• Gives flexibility to determine annual pension required (Draw down rate between 2.5% and 17.5%) • Remaining assets can be left to nominated beneficiaries, including your spouse	• Pension is not guaranteed for life. If the pension (draw down rate) chosen is too high the pensioner will run out of money • May be difficult to increase pension to keep pace with inflation • Member takes on mortality (longevity) and investment risk

Less commonly used annuities are also available to meet very specific member needs. Two examples are discussed below:

Type of annuity	Increase in pension	Advantages	Disadvantages
Non-increasing annuity	Higher starting pension but no future increases	• Pension is payable for life • Can provide for a spouse's pension if required • Starting pension usually higher	• Pension is fixed for life and may not be adjusted • No increases mean that as the cost of living increases, the pensioner will be able to buy less in future years
Fixed-increase annuity	Fixed percentage increase between 0% and 7% each year	• Pension is payable for life • Can provide for a spouse's pension if required • Fixed pension increases	• Increase may not keep up with inflation

Murray & Roberts Group Benefits is able to assist members by obtaining with-profit and CPI-linked annuity quotes on behalf of members from Momentum for you to consider as part of your planning. Murray & Roberts Group Benefits is not able to give you advice but is able to provide you with factual information to assist you in your decision making process.

Obtaining financial advice

You are encouraged to consider obtaining independent financial advice should you believe you are not suitably skilled to make the necessary decisions at retirement.

Members who are looking for the services of a financial advisor can obtain information from the Financial Planning Institute on www.fpi.co.za. It is preferable for members to deal with advisors

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who are experienced and who are able to offer a range of different products from different providers. The level of fees charged by the advisor is also an important consideration. These fees can be negotiated upfront with the advisor.

Below are a few helpful questions that you can ask your financial advisor:

Advisor-related questions

- What qualifications does the financial planner hold? Is he/she a Certified Financial Planner (CFP®)?
- How large is the team/division working with the advisor? What backup support is available to you within the business?
- Are they only able to use certain providers or are they able to provide advice on a range of products from a number of providers?
- How does the charging structures for the advisor work and how much lower than the legislated maximums are these charges?

Product-related questions

- Is the income stream (my monthly pension) that is being offered to me guaranteed to be paid for life or is there a possibility that I will run out of money later in life?
- Will benefits continue for my spouse should I pass away?
- Are there any guarantees in place should my spouse and I pass away?
- Will my retirement income increase each year going forward? At what rate will it increase? How have previous increases compared to inflation?
- Has the benefit been structured so that my tax free benefit is not taxed later? For example, it is not advisable to place your tax-free lump sum amount in a vehicle such as a living annuity where the income will be taxed going forward.

Yours sincerely

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Group Remuneration & Benefits Executive