

# POWER TALK

## EDITOR'S NOTE

According to a study published by the Journal for Applied Research in Quality of Life, people start off the year on a high note if they report having had a 'very relaxing' holiday. Even so, that feeling of happiness only lasts for around two weeks after the holiday. What causes a notable spike in people's happiness levels though is the anticipation of a holiday.

By this time of the year most people have forgotten that they have had a summer holiday. The memories of the past summer holidays are nothing more than faded memories that have been locked away for safe keeping, in order to focus on the year ahead.

It's hard to believe but it is already July and the year is feeling as if it is passing by much faster than in previous years. The days are getting shorter and the demands from work and family are piling up so it's no wonder that the appeal for next summer holiday may already be on the mind.

If you are already planning your next summer holiday, we give you leeway to completely indulge in the feeling of happiness that planning for a holiday brings. But while you plan your life

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 Eskom  
Pension and Provident Fund

and juggle every other demand, some important questions may go unasked and therefore unanswered because everything else is taking priority and there is no time to consider:

- How will the Trustee Elections process work?
- What people that plan to retire soon need to know about their tax obligations as new pensioners;
- Maybe it feels like it might be time to write a Will; but where to begin?

This edition of Power Talk anticipates and answers some of the important matters that might be taking a back seat to the daily demands of life. It also introduces a new feature "Words to live by" that unpacks/introduces financial jargon which is useful for anyone that cares about securing their financial future. Enjoy!

**Regards**

*The Editor*

## ACTUALITIES: KNOW YOUR FUND

### Trustee Elections 2016

**The term of office of the current Board of Trustees will end at the end of May 2016 when a new Board of Trustees must be in office. The Fund has already begun with preparatory work to get everything in place for a new Board to be elected and appointed.**

**The Fund has appointed an independent non-profit company, The Electoral Institute for Sustainable Democracy in Africa ("EISA"), as Independent Electoral Officer to oversee the election process of the new Board of Trustees. EISA's main role will be to monitor the elections to ensure that it is free and fair, and will also assist with election related communication.**



## WHAT TO EXPECT DURING THE TRUSTEE ELECTIONS PERIOD

The election period has been divided into 5 phases which cover the two main activities: candidate nomination and voting. Participation in the nomination process and in the voting process for preferred candidates is important as it impacts the final voting results.

In-service members will need to nominate candidates who they think will best represent them on the Board. Ultimately, unionised in-service members will elect 3 Trustees, each representing the three different unions represented in Eskom, namely, NUM, NUMSA and Solidarity and non-unionised members will elect 2 Trustees who will form part of the new Board of Trustees.

## THE IMPORTANT DATES AND ACTIVITIES TO KEEP IN MIND DURING THE ELECTION PERIOD ARE AS FOLLOWS:

Phase 1	Pre-Nomination and Information sharing	July – 14 August 2015
Phase 2	Official period for Nomination of Candidates	17 August – 16 October 2015
Phase 3	Pre-Voting Nomination and Information sharing	1 November – 31 January 2016
Phase 4	Voting period	1 February – 31 March 2016
Phase 5	Results	11 April 2016

You will note that each phase takes 6 weeks. This has been done to ensure that there is sufficient time to allow everybody to participate and submit their choices to the Fund.

For all our technologically savvy members, it will be a welcome relief to know that this coming election will utilise electronic voting mechanisms in addition to postage which will continue to be used.

Communication during this period will utilise all of the channels available to the Fund and will aim to reach pensioners using all the contact details that the Fund has of all members. This will include SMS, E-mail, normal postal services and the EPPF website ([www.eppf.co.za](http://www.eppf.co.za)). This will ensure maximum reach to all members during the election process.

## WHAT ARE THE CONDITIONS USED TO DETERMINE ELIGIBILITY OF CANDIDATES?

The conditions to determine if candidates are eligible to stand for election are in addition to the rules, set out in the Trustee Elections Policy's eligibility requirements as set-out on extract number (5), Eligibility and Requirements, of the Trustee Elections Policy. The relevant extract from the policy is set out below.

## THE FOLLOWING IS AN EXTRACT FROM THE EPPF'S TRUSTEE ELECTIONS POLICY:

### Eligibility and Requirements

Not only does the Fund have an obligation to ensure that those persons elected or appointed to serve as Board members have the necessary fiduciary skills and capacity to be able to serve as Board members, but it should also endeavour to achieve an adequate representation on the Board of expert and professional members.

### Eligibility

#### Persons Not Eligible To Be Board Members

Any person who:

- is a member of the Fund administration or is employed by the Fund;
- is a member of the Executive Management Committee (Exco) of the Principal Employer or a member of its governing board;
- has been or is found guilty of fraud, theft, forgery or uttering a forged document, perjury, any offence involving dishonesty, any offence in connection with any company or public office or with the promotion, formation or management of a company or any other criminal offence by a court of law or properly constituted inquiry;
- has been or is declared insolvent, sequestrated or placed under judicial management and has not been rehabilitated;
- has been or is declared unfit to hold office as a public official, director of companies or any other position of trust due to mental incapacity, criminal record or any other reason;
- has been, was or is removed from office as a Board member in terms of Section 3.5 (4) of the Rules;
- has served as a Board member for two consecutive terms of four (4) years each, in terms of Section 3.4(2) of the Rules;
- has been or is dismissed from the service of any employer on account of misconduct;
- has been removed as or refused to be allowed to become or has been found unfit and proper to be approved for becoming a Board member by the Financial Services Board;

shall not be eligible to be nominated as a candidate to stand for election to serve on the Board, or to be appointed by the Principal Employer or to serve as a Board member. Any nominations to stand for election received from and on behalf of any person, or any appointment made by the Principal Employer who is subject to any of the above categories, shall be rejected by the Board or its duly authorised representative. Any member of the Board who becomes subject to any of the above, shall also be deemed to be unfit to hold office as a Board member."

Special mention must be made to clarify the reference to "term of office". In this regard, any Board Member who has served on the Board for any period during a term shall be considered to have served a full term. So even if the member served, for example, for 2 years only, and the second term

was for 4 years, the Board Member will be considered to have served two consecutive terms and would not be eligible for re-election.

Should you have any queries about the election process, please contact the EISA Chief Electoral Officer, Ntokozo Ngidi on toll free number 0800 11 43 73 for more information. Alternatively you may e-mail [eppf@eisa.org.za](mailto:eppf@eisa.org.za) or fax 0865 295 254.

You may also contact the EPPF at our normal contact numbers, toll free number 0800 11 45 48 or visit the EPPF website ([www.eppf.co.za](http://www.eppf.co.za)) for information.

**We will keep you posted as we progress through the nomination and voting cycles.**

## WITHDRAWAL OPTIONS AVAILABLE TO EPPF MEMBERS

*In the event that a member resigns, is retrenched or dismissed from his / her employment, the member will be eligible for a withdrawal benefit. This withdrawal benefit may be taken out of the Fund in cash; it may be transferred to another Fund or it may be preserved in the EPPF as changing employment is not necessarily an obligation to withdraw the built-up pension benefits.*

It is advisable that a member understands the value of his / her benefit before deciding whether to withdraw or preserve a benefit and especially to take note of tax implications and the possibly severe consequences later in life if retirement benefits are not preserved or saved.

The good news is that there is a benefit estimation tool on the EPPF's website that can be used by members to do a benefit estimate. In order to make use of this tool, Members need to register as users and then login to their profiles in order to use the tool.

Withdrawal	Payment
<b>Resignation or Dismissal and Abscondment</b>	Payment of the minimum benefit payable to a member on resignation/dismissal. Also referred to as the Member's Minimum Individual Reserve (MIR)
<b>Withdrawal after age 55</b>	A withdrawal after age 55 but before age 63 will be treated as a early retirement.  However, if the member applies to take his / her benefit in cash, the EPPF will require proof of alternative employment, self-employment or any other documentation which may be required to comply with SARS requirements and to prove that the member is indeed not retiring.
<b>Retrenchment before age 50</b>	A member that is retrenched before reaching age 50 will be eligible to a payment of the MIR. The performance bonus contributions, if any, plus interest.
<b>Retrenchment after age 50 and with 10 years' service</b>	A member that is retrenched between ages 50 and 65 and has been a contributing in-service member of the EPPF for a minimum of 10 years may be eligible for early retirement without penalties. However, this must be mutually agreed to by the member and his / her employer.  If agreement is reached then the employer will bear the cost of penalties on behalf of the member and the member's retirement benefit will not be penalised. The employer may also agree to provide for additional potential service and would carry the cost of that as well.



\* **The Minimum Individual Reserve (MIR) is defined as the greater of:**

- The member's accumulated contributions, plus interest on the contributions; or
- The fair value based on the retirement formula in the rules;

**Plus**

- The amount of additional voluntary contributions, if any, plus interest; and
- The amount of performance bonus contributions, if any, plus interest.

\* **The fair value calculation is based on the actuarial formula used for retirement, which takes into account the final average salary for the last twelve months, the member's years of service; the Financial Services Board earnings yield rate and a pre-determined actuarial factor.**

### OPTIONS ON WITHDRAWAL

Several options are available to a member on withdrawal regardless of the nature of withdrawal.

One of the options available for a member is to defer his / her benefit in the EPPF in which case the benefit payable will

be based on the member's fair value, which may be slightly greater than the MIR. This means that if the member decides to defer his/her benefit in the EPPF, a higher resignation/dismissal benefit value may be awarded and this would mean a higher retirement value when the member eventually retires.

## VARIATION OF METHODS OF LUMPSUM PAYMENT TO BENEFICIARIES

### WHEN DOES A LUMP SUM BENEFIT ARISE?

A lump sum benefit payable to beneficiaries of a member arises when the member dies prior to retirement. If an investigation by the EPPF proves that it is not desirable to make payment of a lump sum benefit to a beneficiary, the Board may hold the benefit in trust for the beneficiary and may approve payments in the form of a fixed monthly pension, or may make ad-hoc payments on request to:

- The beneficiary; or
- To another person either for the benefit of the beneficiary or his dependants, or both.

If the Board decides to pay out a lump sum benefit in instalments, then interest will be added to the portion of the benefit that is retained in the EPPF at a rate as declared by the Board on a quarterly basis.

If the person entitled to receive a benefit is a minor or suffers from a legal disability, the Board has the option to pay the benefit to the guardian of the minor or the curator of the person.

### HOW CAN BENEFICIARIES AND MEMBERS BEST PREPARE FOR CHANGES IN FINANCIAL CIRCUMSTANCES?

Receiving an unexpected cash injection can bring financial relief. However, receiving a large cash amount may be overwhelming to the recipient and before making any payment; the Board takes care to ensure that the recipient has a plan in place that will ensure that the money brings long-term financial relief, rather than short term.

In many instances, financial planning by individuals tends to focus on preparing for worst case scenarios such as loss of income, the death of a bread winner etc. Financial planning

however, although important for such situations, is also required in the event that additional income is gained or a large cash amount is received.

It is therefore advisable that the services of a professional financial planner be requested in order to put together a financial plan that will be customised to the needs of the individual as financial circumstances change for the better or the worst.

A good financial plan is one that provides security in changing financial circumstances. The temptation to spend a large cash amount all at once can be overwhelming however, and one needs to take his/her current lifestyle into consideration before deciding what to do with the money.

Below is a list of things to consider when compiling a financial plan.

- A detailed personal budget is a good place to start. Have a look at your budget and see how any additional expense for life cover/disability cover/retirement planning will affect the monthly budget and also consider how additional money could be used to alleviate some expenses while boosting savings.
- Compile a list of your assets and liabilities, including a list of your current portfolio, such as investments and policies.
- Consider tax implications. The advice of a financial planner cannot be stressed enough when it comes to the complex world of tax.
- Determine your financial goals and be realistic. Find out the best way to save your money. Research about the some of the products in the market that could help customise your savings plan to your needs.
- And finally, when in doubt rather put away the money in a non-transactional account until you reach a decision on how to best spend/save/invest the money.

# EPPF APPOINTS A NEW RETIREMENT FUND CONSULTANT

**The EPPF is pleased to officially introduce its newly appointed Retirement Fund Consultant whom you may have already met at various pensioner functions. Reginald Maubane joined the Fund in January of this year and has already been out and about. His brief profile is provided below.**



## **Reginald Maubane was appointed as a Retirement Fund Consultant effective 02 January 2015.**

Reginald completed a National Diploma in Human Resources Management with the Tshwane University of Technology. He acquired a B.Com Accounting Sciences degree with the University of South Africa as well as a course in International Financial Reporting Standards. Reginald also completed a Post-graduate Diploma in Employee Benefits Management: Pensions, with Monash University.

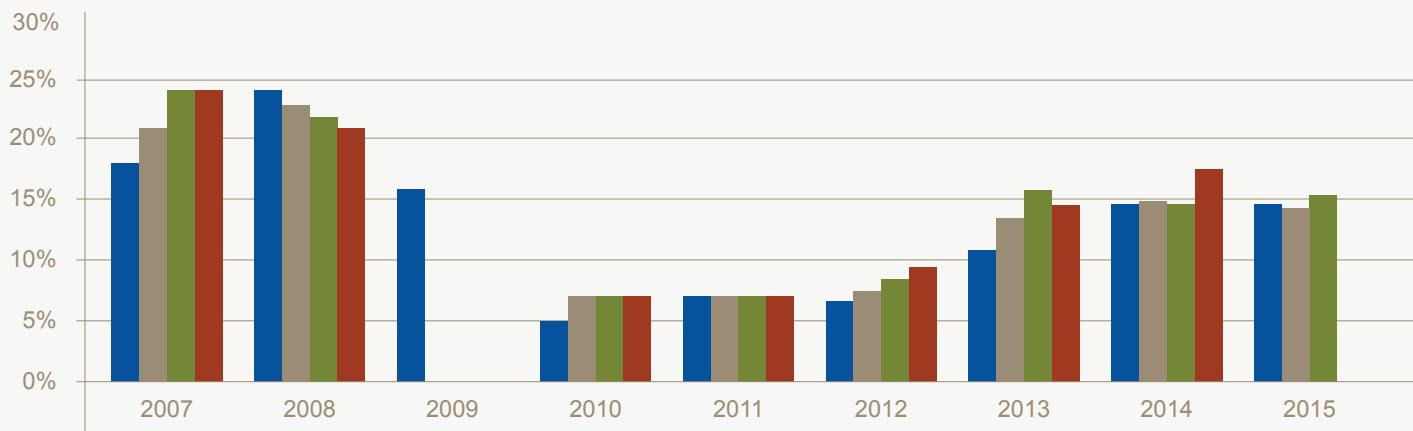
He began his career with Old Mutual as a Financial Advisor and Client Services Consultant and was later promoted to the position of Assistant Employee Benefits Consultant. Prior to joining the EPPF, Reginald was with NBC Holdings as an Employee Benefits Consultant.



# EPPF QUARTERLY INTEREST RATE UPDATE

The Fund interest rate is a percentage set by the Board to apply to the investment schemes in the EPPF. The investment schemes include your normal monthly contributions which make up your benefit in the EPPF, the Additional Voluntary Contribution Scheme (AVC Scheme), the Performance Bonus Scheme, in which the pensionable portion of members' performance bonuses are invested and the Deferred Pension Scheme (The scheme in which former members' pension benefits were held after they left the employer through resignation, retrenchment or dismissal but chose to leave their benefit in the Fund). The percentage is set in order to determine the rate of return on members' investment benefits in the various schemes. The Board reviews the interest rate on a quarterly basis, taking into consideration the financial performance of the EPPF's investments.

Below are the latest interest rates.



Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2006	16%	16%	16%	16%
2007	18.5%	21%	24%	24%
2008	24%	23%	22%	21%
2009	16%	0%	0%	0%
2010	5%	7%	7%	7%
2011	7%	7%	7%	7%
2012	6.5%	7.25%	8.25%	9.5%
2013	11.5%	13.5%	16%	14.7%
2014	14.5%	14.7%	14.63%	17.15%
2015	14.9%	14.5%	15.16%	-

# FINANCIAL PLANNING MADE EASY



## TAX LAWS AMENDMENT ACT

**Two key suggested changes to the Tax Laws Amendment Act came into effect on 1 March 2015:**

- **The introduction of tax free savings accounts for retirement savings; and**
- **The standardisation of the tax treatments of disability and death insurance.**

### TAX FREE SAVINGS ACCOUNTS

Tax free savings accounts were first announced as a key proposal in the 2014 budget review as a way of encouraging individual or household savings. Investment Solutions Chief Strategist, Chris Hart contends that the core of South Africa's unemployment problem is a lack of savings (Moneyweb; 11

February 2015). A savings culture, he says, can be encouraged in various means and addressing tax and low interest rates are just two examples.

The introduction of Tax free savings accounts is expected to do just that by rewarding individuals with tax breaks for saving part of their income.

### HOW WILL THE TAX FREE SAVINGS ACCOUNTS WORK?

- Individuals will be allowed to open multiple tax free savings accounts at approved institutions.
- Individuals may contribute a maximum of R30 000 to these accounts in any given year.
- A lifetime contribution limit of R500 000 will apply.
- The returns accruing to these accounts will not be subject to income or dividends tax.

- Amounts within the tax free savings accounts may be withdrawn at any time, although withdrawals could affect the lifetime limit.
- Where an individual contributes in excess of the prevailing annual or lifetime contribution limit in any year, a "penalty" (additional income tax) of 40 per cent on the amount of excess contributions will be levied by SARS on the individual

### ALIGNMENT OF TAX TREATMENT OF INDIVIDUAL DISABILITY AND LIFE POLICIES

Currently, the tax treatment of disability and life policies held by individuals are not aligned. Premiums on life policies, where the pay-out constitutes a lump sum, are not tax deductible but pay-outs are tax-free. However, premiums payable on disability policies that pay an annuity benefit are tax deductible and the annuity benefits are taxable in the hands of the policy holder.

The tax treatment has, with effect from 1 March 2015, been aligned as follows:

- Premiums will not be tax deductible for the policy (disability and life) holder but pay-outs will be tax-free;
- Where such policies are in the name of the employer (Group Income Protection policies) and the premiums are taxable as a fringe benefit in the hands of employees, the benefit pay-out will not be taxed in the hands of the beneficiary.

# PREPARING FOR RETIREMENT: TAX REQUIREMENTS FOR PEOPLE WHO ARE APPROACHING RETIREMENT OR NEW RETIREES.

**Please ensure that your tax reference number is correct before you retire and fill in the correct tax number on the forms A, B & D, to avoid delays in getting the tax directive for the lump sum from SARS.**

When you are a pensioner you will continue to have personal income tax obligations e.g. filing your annual tax returns. EPPF pensioners are required to submit tax returns on their pension income (IT12R) every year.

In your first year of retirement you must have a tax certificate from Eskom business unit where you were employed and one from Eskom Pension fund if you have retired in the middle of the tax year for filing your returns.

It is important to understand that any South African that earns an income is obliged to file a tax return every year even if your income is below the tax threshold of R250 000 per annum. All those who earn more than one income are also obliged to file tax returns. Failure to do so may lead to penalties and SARS may issue a garnishee order (AA88) for non-submission.

## REMEMBER:

- Pensioners file tax returns the same way that employed people do, online via eFiling or at your nearest SARS branch.
- Taxable income includes, pension income and certain lump sum benefits.

- Multiple incomes may raise a tax payer's tax rate resulting in an increased tax liability.
- Expatriate pensioners may be eligible to apply for exemption from paying tax to two different countries if the country of their residence has a Double Tax Agreement with South Africa.
- Anyone that falls behind on their tax payments may be issued with an AA88 garnishee order by SARS. Monies for the garnishee order will be deducted from the pension before it is paid to the pensioner.

All personal tax related queries should be directed to SARS. The EPPF only acts as a tax agent and is not in a position to resolve any tax matters on behalf of pensioners. SARS operates a call centre that is available to answer any and all questions related to tax on the following numbers:

**South African callers can reach SARS on: 0800 00 7277 (0800 00 SARS)**

**International callers can reach SARS on: +27 11 602 2093**

**\*Article content partly sourced from the South African Revenue Services website: [www.sars.gov.za](http://www.sars.gov.za)**

# LAST WILL AND TESTAMENT

A person's last Will and testament puts his / her last wishes on record and gives clear instructions on how his / her estate is to be distributed after the person had passed away. A last Will is a very necessary method to ensure that your loved ones are taken care of after you have passed away. As testator (the owner of a Will) you can decide and prescribe who your beneficiaries and the executor (A person that is appointed to administrate the estate of a deceased person) of your estate should be. It will also allow you to appoint a guardian of your choice to take care of your children.

## THE TOP FIVE FACTS ABOUT WILLS

- If a person dies without a Will (Intestate) an executor will be appointed by the high court to take care of or administer the property of that person's minor children and, in addition, their inheritance.

- For help with drafting a Will approach a law firm, a bank or a trust company.
- All witnesses to a Will must be over the age of 14
- Beneficiaries to a Will cannot attest to or sign that Will as a witness or be involved in its drafting
- Any witness to a Will is automatically disqualified from benefitting under the Will.

**\* Article content sourced from the Financial Services Board: [www.fsb.co.za](http://www.fsb.co.za)**

# WORDS TO LIVE BY . . .

***It is often very easy to take for granted that financial jargon is not everyone's cup of tea. Words to live by is a section that will single out 3 different words in each edition and give their meanings. This edition follows the theme of drafting a Will and explains three words that are important when talking about Wills.***

- **Testator:** The owner of a testament or a Will. This is the person that drafts a Will in order to donate/distribute his / her assets as per his / her wishes after death.
- **Intestate:** Means that a person has died without leaving a valid Will. An intestate estate is one that will be executed by the state due to the lack of a valid Will from the person that died.
- **Testate :** Means that a person has a valid Will at the time of death. The estate of this person will be executed by the executor of his/her choosing and his/her assets distributed as per his / her Will.

## CONTACT DETAILS

### ESKOM PENSION AND PROVIDENT FUND

Toll Free Number: 0800 11 45 48  
Landline: +27 11 709 7492  
Fax Number: 0866 815 449  
Email: info@eppf.co.za  
Postal Address: Private Bag 50, Bryanston, 2021

### ESKOM COMPULSORY DEATH BENEFIT

#### Contact M Lesese at ESKOM:

Tel: +27 11 800 4363 / +27 11 800 4526;  
Fax: +27 086 668 6065;  
Email: LeseseM@eskom.co.za | employeebenefits@eskom.co.za.

### SANLAM CONTACT DETAILS | VOLUNTARY BURIAL SCHEME

Queries related to the new scheme and your benefits must be directed to SANLAM at:

Telephone Number: 0860 276 885  
Email: eskomqueries@sanlamsky.co.za

### Existing record amendments and claim submissions

Telephone Number: 0860 302 922  
Fax Number: 0860 276 884  
Email for claims: eskomclaims@sanlamsky.co.za  
Email for servicing: eskomservicing@sanlamsky.co.za

### INDWE | CAR AND HOUSEHOLD INSURANCE

#### Claims

Call Centre: 0860 843 244 / +27 11 912 7300  
Email: hobackline@indwerisk.co.za  
Homeowner new claims: newclaims@indwerisk.co.za

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While every effort has been made to ensure the accuracy of the information in this newsletter, if any discrepancy occurs between the Rules of the EPPF and any information or statement in this publication, the Rules of the EPPF will prevail. The articles and topics discussed in this publication are for information purposes only and are not intended to be and do not constitute, nor should they be construed as financial advice. It is strongly recommended that you consult an accredited financial advisor before taking up any financial products.