

# Becoming A Deferred Beneficiary

# KZN

MUNICIPAL PENSION FUND



## WHAT ARE YOUR OPTIONS?

As you are now exiting the KZN Municipal Pension Fund you are faced with a number of options when it comes to preserving your retirement savings for your future retirement. These options are explained in more detail in the Exit Options brochure and the Withdrawal Notification Form.

### In summary though, you can:

- 1 Transfer your benefits to a preservation pension fund
  - 2 Transfer your benefits to a retirement annuity
  - 3 Transfer your benefits to your new employer's retirement fund.
- OR**
- 4 **This option is the default option on exit.** You can choose to become a deferred beneficiary of the KZN Municipal Pension Fund and keep your benefits in the Fund. This is also known as the "paid-up" option.

**This explanatory note explains how the deferred benefit option works** and highlights the important features of this option that you need to be aware of.

Before you select this option, you should also be familiar with the advantages and disadvantages of your other options.

### Becoming a deferred beneficiary

Becoming a deferred beneficiary is easy - you simply need to select the deferred beneficiary option on your Withdrawal Notification form. After this form has been signed by you and your employer, it must be submitted to Alexander Forbes (the Fund's administrators) who will arrange for your option to be implemented.

Neither you nor your employer will be required (or be allowed) to make contributions to the Fund once you become a deferred beneficiary and you will no longer qualify for the risk benefits offered by the Fund.

You have to **defer your entire benefit** – you cannot take a portion of your benefit in cash and defer the balance.



## Your investment choices

You will continue to enjoy the same investment choices as you did when you were an ordinary member of the Fund. If you do not make a specific investment choice at the date that you become a deferred beneficiary, your current investment strategy (choice) will continue to apply.

So, if you are invested in the default Lifestage Model option at the date of your exit and you do not choose another investment option, your benefits will continue to be invested in the Lifestage Model. You will then automatically be invested in the portfolios that apply to your age as you approach retirement.

If you are invested in an investment portfolio you specifically chose before your exit date, or which you chose at your exit date, you will remain invested in that portfolio until you change it. You will not be automatically switched to the portfolios that apply to your age as you approach retirement.



## Administration and investment costs

The costs associated with the deferred benefit option are as follows:

### • Administration fees

R46 (plus VAT) per member per month.

### • Investment fees

The Fund's asset managers set these fees after negotiation with the Trustees. These fees are dependent on the investment choices chosen by members and typically range from 0.20% per annum of assets (for the KZN Money Market portfolio) to 0.90% per annum (for specialist portfolios such as the KZN Islamic portfolio).

These fees will be deducted from your benefits on a monthly basis and are subject to change from time to time.



## Access to your benefits

After you have selected the deferred benefit option, you will still have access to your benefits in certain circumstances.

You may leave your retirement benefits in the KZN Municipal Pension Fund until your normal retirement age (age 63 or as stated in your employment contract). However, you may also elect (in writing) to withdraw your benefits from the Fund at any time prior to your normal retirement age. Your benefit will accrue as a death benefit payable to your dependants in the event of your death whilst you are a deferred beneficiary. These death benefits will be distributed in accordance with the requirements of Section 37 of the Pension Funds Act.



## Access to information

You are encouraged to utilize the AFOne facility to keep track of your benefits. However, as a member of the Fund, you will continue to receive Fund communication as long as you keep Alexander Forbes informed of your contact details. This will include the annual Trustees' report, an annual benefit statement and any other important communication.

### Important points to remember

- You must ensure that the Withdrawal Notification form submitted to Alexander Forbes clearly states that the deferred beneficiary option is selected to avoid potential investment losses.
- Neither you nor your employer will pay contributions to the Fund and you will no longer qualify for any of the risk benefits offered by the Fund.
- Your existing investment strategy at your date of exit will continue unaltered when you move to the deferred beneficiary category. You may however change this strategy by submitting a switch form to Alexander Forbes.
- Both administration and investment fees will be deducted from your benefits each month. These may change and will be communicated to you from time to time.
- You must ensure that your contact details are kept up to date with Alexander Forbes so that you continue to receive Fund communication.

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