



# Caucus RETIREMENT FUND

Ensuring a better financial future

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One thing we all know, is that we are all going to get older and be unable or unwilling to work one day. It thus makes sense to make provision for that day, unless you know for sure that you are going to win the Lotto and have lots of money to provide for your old age.

The ANC set up a Constituency Employees Retirement Fund in 1999 as a Provident Fund to provide all ANC employees with retirement benefits. A provident fund is defined as “a fund paying benefits to the company employees who are fund members upon the termination of their employment. Contributions paid into the fund by both the employees and the employer are invested in accordance with the pre-determined condition of amount and risks.”

The Fund’s membership consists of ANC Caucus employees in Parliament and in the Parliamentary Constituency Offices (PCOs)

There have been considerable problems with the Retirement Fund in the last couple of years and staff members have been unable to receive up-to-date benefit statements. In some instances, it has also taken considerable amounts of time for the families of deceased comrades to receive money from the Fund.

A number of these issues can be directly traced to the fact that the Fund did not have a functioning Board of Trustees for a period of time. This problem was attended to at the beginning of 2005 and a new Board has been in place since January 2005. The new Board has succeeded in finalizing the payment of death benefits and benefit statements have been distributed.

However, it must be said that these statements related to the 2003/2004 financial year and that fund members need to receive their 2004/ 2005 statements without delay. The Board has instructed brokers, True Blue, and the Administrator, Sanlam to provide members with these updated benefit statements as soon as possible.

However, the Fund has not been performing well over the last couple of years and members, upon leaving the Fund; do not generally ask for the fund benefits to be transferred to another Fund, and members end up paying considerable amounts in administrative costs when leaving the Fund.

This has led to the Board taking a decision that the Fund should be terminated on the following basis.

- **Members will continue to have the existing risk cover benefits**, which means in the event of death or disability, Members will receive three times their annual salary. There is a view that this should be increased to five times annual salaries, but these discussions have not been finalized. The existing funeral cover arrangements will remain in place. However, the existing provident fund arrangements will be terminated and members will have certain choices with regard to their funds.
- **Transfer the existing fund balance to their individual preservation fund.** This means that members would not have to continue contributing to this portion of the fund, but the existing balance would be preserved and earn interest until the member leaves the fund.
- **Cash out their existing balances.** It must be highlighted that this option has significant tax implications in that members could be required to pay up to 40% tax on these sums. The exact amount of tax payable would depend on the amount of money that members are entitled to.

Members can also choose to transfer the

fund balance to their individually styled retirement annuity investment.

The ANC will continue to provide members with the same benefits, but they will now be free to structure their investments in the following ways.

- **An individually styled retirement annuity fund.** A retirement annuity is a fund established for the sole purpose of providing life annuities for the members or dependants or nominees of the deceased members. It is almost like a contract that is designed to provide payments to the investor at specified intervals, which in this instance would be once a member has retired. There are various types of retirement annuities on the market and members should do extensive research about the benefits and disadvantages before making any kind of choice in this regard.
- **Individually styled endowment fund (compulsory 5 years).** An endowment is a policy, which is taken out for a specific term. Put simply, it is a disciplined savings plan in which you agree to save a certain amount each month for a specific period of time, normally five or ten years, and the life assurer agrees to pay out the investment returns by that date. Most endowments also offer choices of where you want the money invested and the risks you are prepared to accept.

It is obvious that members would have to apply themselves seriously in making decisions about what should be done with their money and it is important that they study all the information about the different options available and take their time to make the best decisions possible. ■