



EPPF PRE-RETIREMENT GUIDE

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members





You have had a long, successful career at Eskom and now you are thinking of the next phase, retirement. The process is not difficult, but it is important to plan ahead.

You can retire and receive your EPPF monthly pension any time after you become eligible.

Retirement decisions are among the most important you will ever make.

We urge you to make time and go through this guide and speak to a Retirement Fund Consultant (RFC) before you make any final decisions.

About **90 DAYS** before the date that you want to retire, you will need to begin the **APPLICATION PROCESS**.



This guide will help answer some of these common questions:

- **Do I know all my benefits?**
- **What do I need to do and when can I begin receiving my monthly pension?**
- **How can I stay connected to EPPF after I retire?**
- **FAQ**
- **Know your finances**
- **8 phases of retirement**
- **Things to avoid**
- **Glossary**

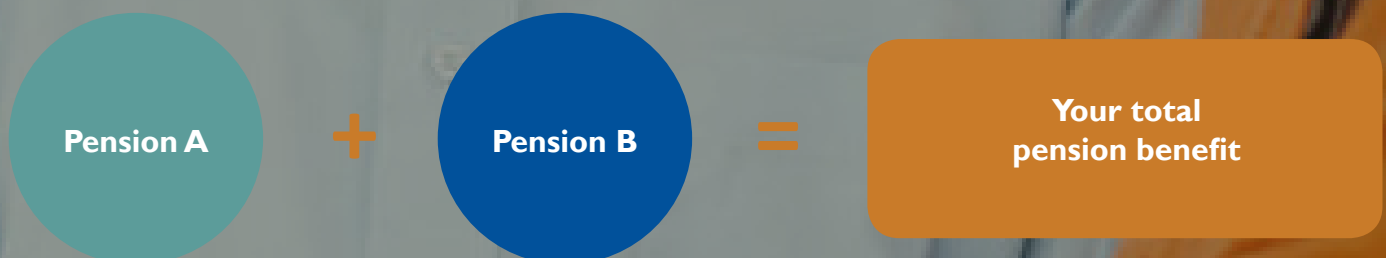


**KNOWING AND HAVING AN UNDER-
STANDING OF YOUR BENEFITS WILL
BE TO YOUR ADVANTAGE...ALL SET?
LET US BEGIN:**

Know Your EPPF Benefits:

	Pension A	Pension B
What is it?	Your statutory pension portion – the pension required by legislation.	Your Performance Bonus contributions & your Additional Voluntary Contribution (AVC) forms part of your total benefit.
How is it calculated?	The retirement benefit is calculated in accordance with the following formula: (Final average salary X years of service (calculated in months) X 1.085) / 600	Each time you receive a performance bonus and your own AVC, a percentage is automatically deducted and saved into this pension portion. Any extra pension contributions you voluntarily contribute are also saved.

Your total pension benefit is best described in terms of Pension A and Pension B:





TYPES OF RETIREMENTS

- Early retirement due to ill health at any age
- Early retirement (with penalties)
- Early retirement with no penalties with potential service (people who are 63 years old and younger) – *subject to Employer approval.*
- Early retirement with no penalties with no potential service (people who are 63 years and above) – *subject to Employer approval.*
- Normal retirement (people who are 65 years old)





THE CASH SELECTION

Be sure to make an appointment with a Retirement Fund Consultant who can assist with different estimates to best suit your financial needs.

Once you have consulted, you can complete the Retirement Application form to state the Cash Lumpsum Benefit you wish to receive.

How are cash lump sum pay-outs calculated?

One-third of Pension A multiplied by a commutation factor*, based on your current life expectancy

One-third of total Pension B amount

Commutation factors are based on life expectancy and are used in the calculation of a Lump Sum Benefit on your statutory pension at retirement (determined by the actuary). The commutation factor ensures that you receive fair value for the portion of your pension that you surrender for a Cash Lump Sum. The Pension Fund allows a cash lumpsum of up to a maximum of one third on your total retirement benefit.



HOW WILL TAKING MONEY OUT OF THE FUND AND MONEY PURCHASE CONVERSION CHANGES AFFECT YOUR PENSION?

Pension:
R242 676 [R228 573 + R14 103] + cash lump sum
= R1 763 081

Pension:
R243 145 [R228 573 + R14 572] + cash lump sum
= R1 403 877

$1.085 \div 600 \times (\text{Average Salary \& LSI})$ for the last 12 months
 \times Service in months

Average salary of R300 000

Start date:
1 Jan 1981

Retirement date: 31
December 2019
(last day in service)

That is 468 months +
10 months (bonus service
allocated in 1991) = 478 months
 $((R300\ 000 \times 1.085) \div 600) \times 478$

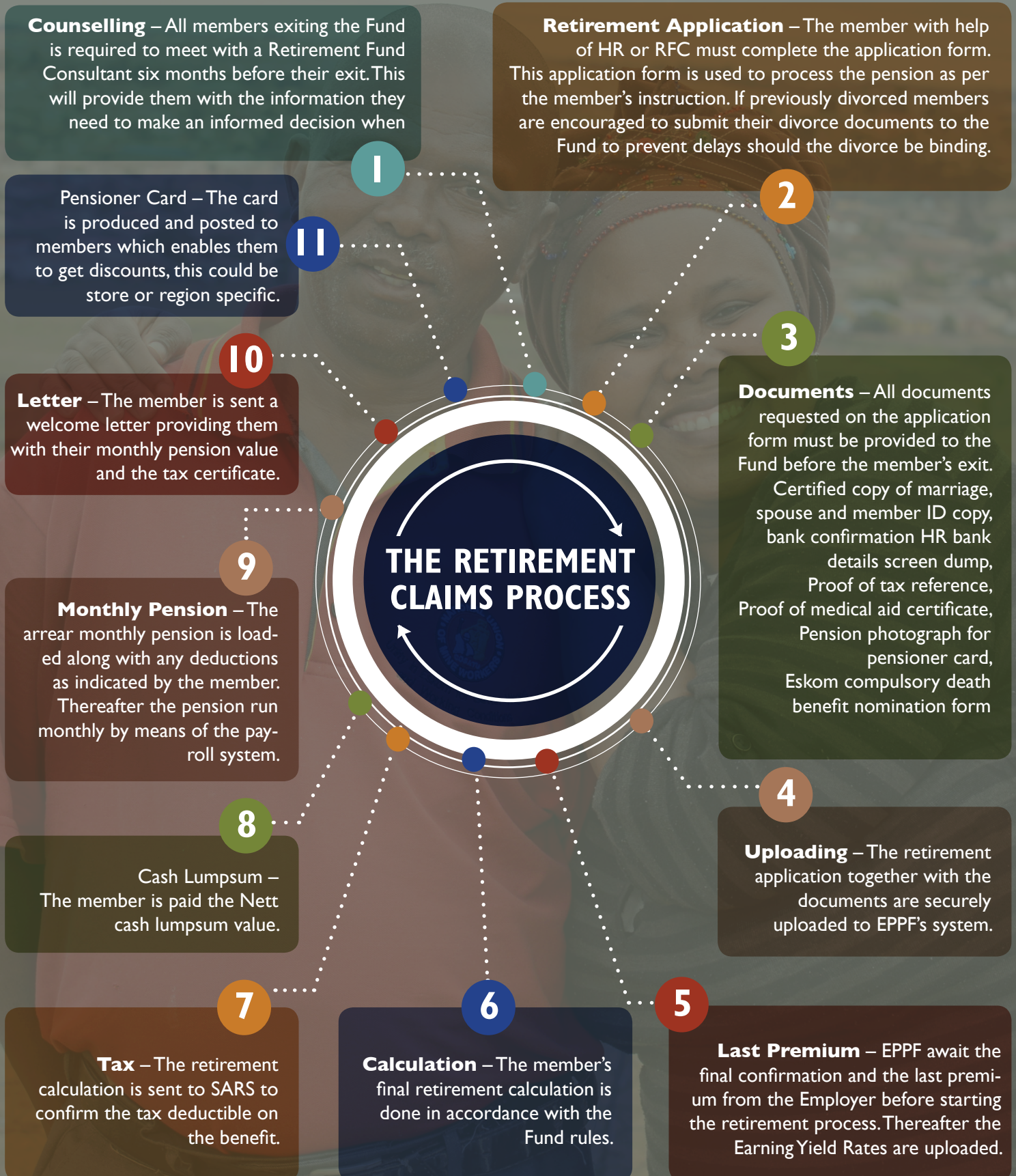
This gives you an annual pension of R259 315.00 or R21 609.58 per month if you take no lumpsum. (If age > 63: No penalties)

If you decide to take the maximum 1/3 lumpsum, it is calculated as follows:

Annual pension \times commutation# factor $\div 3$
(#The commutation factor is based on the average life expectancy of a person in your category with gender and marital status also playing a role)

If the estimation is that you will live 8.25 years (commutation factor) after retirement your lumpsum will be:
 $R\ 259\ 315.00 \times 8.25$
 $= R\ 2\ 139\ 348.75 \div 3$
 $= R\ 713\ 116.25$ lumpsum (Less tax on the portion above R500000 = R 674755.33 after tax)

Your monthly pension is then reduced by 1/3
 $R\ 21\ 067.08 \div 3 \times 2 = R\ 14\ 046.39$ per month





TAX IMPLICATIONS

Income tax will apply on the income that you receive from either your monthly pension and your lump sum.

- The lump sum is taxable according to the SARS retirement scale.

Please note that the first R500 000 tax free is only payable **once** on any Retirement or Severance benefit

Taxable income (R)	Rate of tax (R)
1 – 500 000	0% of taxable income
500 001 - 700 000	18% of taxable income above 500 000
700 001 – 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

- Your monthly pension will be taxed according to your marginal rate of tax. Read more about tax and retirement here:

<https://www.sars.gov.za/ClientSegments/Individuals/Tax-Stages/Pages/Tax-and-Retirement.aspx>.



BENEFITS COUNSELLING

Retiring from a lifetime of work is an enormous life change. The Pensions Fund Act (PFA) has been amended to include Retirement Benefit Counselling (RBC) which is a compulsory requirement for all retirement funds as of 1 March 2019. The PFA requires that RBC be made available to all members when joining a fund, at resignation and at least three months before retirement. This means at any of these stages as a member you have to be provided with information on your options, fees, and costs in simple and clear language. You can use that information to make informed financial decisions.



BENEFICIARY NOMINATIONS

Retiring without nominated beneficiaries may make it difficult to distribute the minimum pension benefits (if any) if a pensioner dies soon after retirement. This is especially true when a pensioner has no eligible dependants (a spouse, minor children below the age of 21 or disabled major children aged 21 and above) to receive a monthly pension.



MANY THINGS WILL CHANGE FOR YOU WHEN YOU RETIRE FROM ESKOM, BUT YOU REMAIN A VALUED MEMBER OF THE EPPF FAMILY.

AFTER YOU RETIRE – STAYING CONNECTED

Among the changes you will experience, is where you go for information and assistance regarding your retirement and health benefits. To be sure you receive important information about your EPPF benefits, keep your contact details updated.

You can update your details online by registering at www.eppf.co.za (member portal) at one of these satellite offices:

Name	Physical Address	Province	Email address	Contact Number
Mbulelo Musa	Eskom Regional Head Office, 25 New Valley Road, New Germany 3620	Kwa Zulu Natal, Free State	Mbulelo@eppf.co.za	067 429 0114
Joe Balite	Eskom Park, House 27, Visagie Street, Emalahleni, Witbank, 1035	Mpumalanga, North West, Limpopo	Joe@eppf.co.za	067 429 0035
Chantal Arends	Eskom Western Cape Regional Office, 60 Voortrekker Road, Bellville, 7530	Western Cape, Northern Cape	Chantal@eppf.co.za	067 429 0210
Thembeke Cele	EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	Gauteng Limpopo	Thembeke@eppf.co.za	067 429 0042
Keika Seleka	EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2191	Free State Northern Cape	Keika@eppf.co.za	067 429 0215
Noxhanti Mshumpela	Eskom Sunilaws Office Park, Cnr Quenera Drive & Bonza Bay Road, Beacon Bay East London, 5241	Eastern Cape	Noxhanti@eppf.co.za	067 429 0034

Or call the Call centre at **0800 11 45 48**, especially if you move.

You'll also have new opportunities to remain connected to EPPF via the Pensioner Talk which is available for viewing on our website, the annual Pensioner Roadshow which is held throughout the country.



WHAT ARE THE TAX IMPLICATIONS ONCE I RETIRE AND DOES MY AGE HAVE AN IMPACT ON IT?

HERE ARE SOME FREQUENTLY ASKED QUESTIONS (FAQS):

What is the turnaround time for my first payment?

A: between 6-8 weeks from first day after exit.

If I become a pensioner from 1 July, does that mean my increase the following year will be 50% of what is declared by the Board?

A: Increase will be paid on a pro-rata basis depending on the number of months you were on pension for.

On which date do we get paid monthly?

A: Pensioners income is paid monthly in advance on the last day. If the last day of the month falls on a weekend or on a holiday, pension is paid on the last week day prior.

What are the tax implications once I retire and does my age have an impact on it?

A: Your pension is taxed in accordance with SARS tax table for PAYE for the particular tax period. SARS has a tax threshold for pensioners who are above the age of 65 and those above the age of 75. Tax threshold for tax year 2021/22 is as follows:

AGE	Tax year 2022
Under 65	R87 300 (R 7 275 pm)
65 an older	R135 150 (R 11 262,50 pm)
75 and older	R151 100 (R 12 592 pm)



FINANCIAL PLANNING ACTIVITIES

How much money do you actually have?

Do some calculations to give you a clearer idea of what you have.

Many people don't have a clear idea of how much money they actually have, so it's hard to know how much they might be able to count on when they no longer work. Finding out what can go toward retirement simply means adding up the value of all your current assets. In this case, "assets" are cash, investments, and anything of value you can exchange for cash, like your house, savings, or even fine jewellery. This figure will be your first important clue.

Do not include emergency money or savings for your children's education in this calculation. Doing this exercise, you may discover some forgotten savings or assets you may have.

Instructions: Record amounts for yourself and for your spouse in columns 1 and 2. Add up the money across each row for you and your spouse and write the total in column 3. Then add all the numbers down column 3 and write the total in column 3 at the bottom.

<i>Today's Money</i>			
Work related retirement savings	You	Spouse	Total
Current accumulated Pension value			
Pensions from previous employers			
RAs and Preservation Funds			
Home equity			
Market value of home			
Home Loan/Mortgage (owing -ve)			
Personal savings and investments			
Other assets (collections, jewellery etc.)			
Total Assets			



HOW MUCH MONEY DO YOU ACTUALLY HAVE?



Monthly expenses

	You	Spouse	Total
Housing			
Bond & Levies			
Rates			
Maintenance			
Food (at home)			
Utilities			
Electricity & Water			
Rates			
Phones and Internet			
Clothing			
Insurance			
House			
Life			
Car			
Loans			
Credit Cards			



**YOU MAY DISCOVER SOME
FORGOTTEN SAVINGS
OR ASSETS YOU MAY HAVE.**

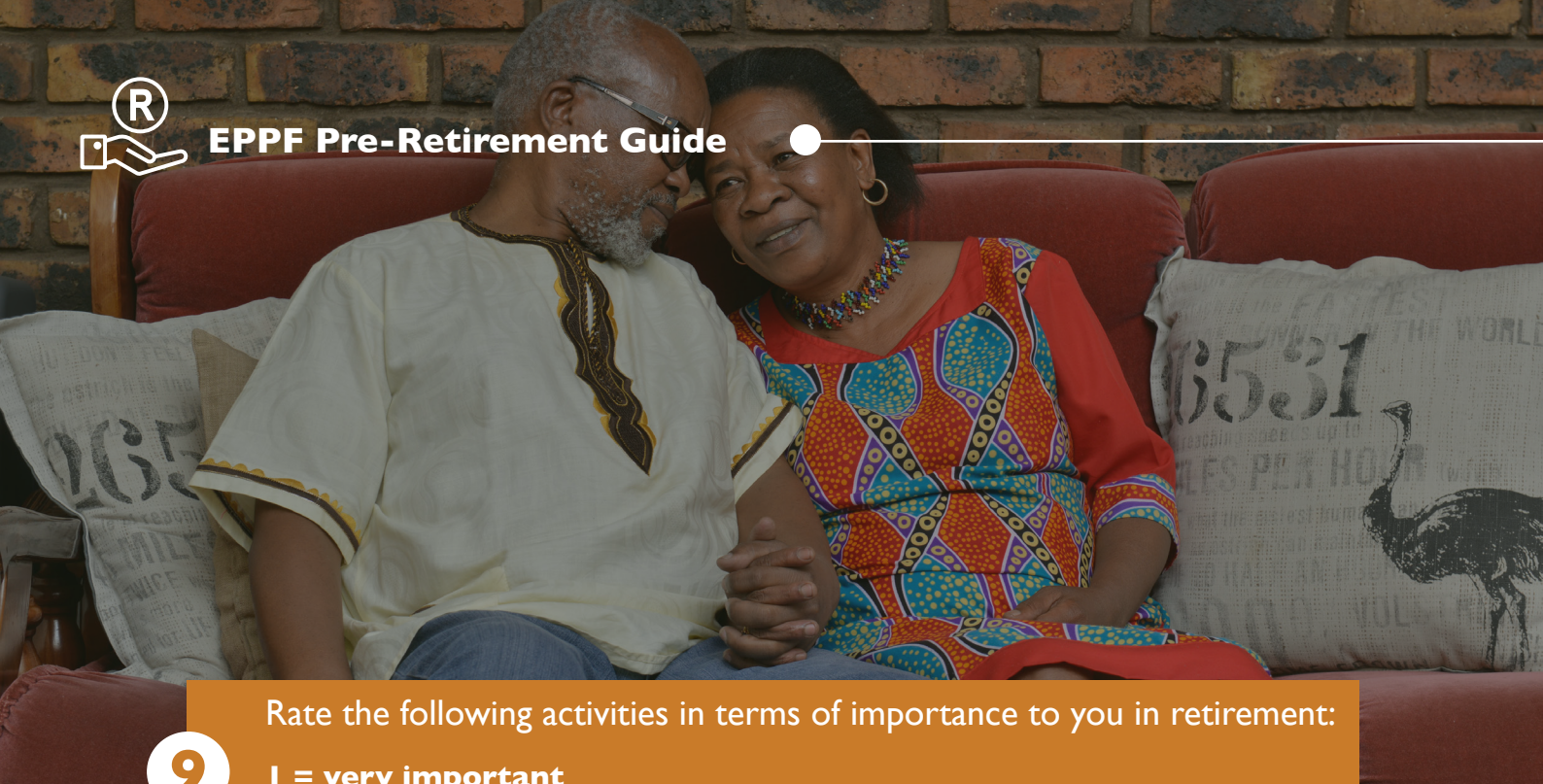
Personal Care			
Hair Cut			
Gym / Other			
Car Repairs and Maintenance			
Fuel / Transport			
Health			
Over-the-counter Medicines			
Entertainment			
Eating Out			
Movies			
Other			
Total Estimated Monthly Expense			
Income: Total Pension and other income (RAs and Savings)			
Income - Expense			



ACTIVITY- Reflection Questions

Take some time to relax and envision your retirement future and answer the questions about getting started on your retirement, where you will live, your lifestyle and your finances. This will get you thinking about things that require planning.

- 1 What do you most want to accomplish in retirement?
- 2 What do you MOST look forward to in retirement?
- 3 What do you LEAST look forward to in retirement?
- 4 Do you want to stay in your current home for the rest of your life, if possible?
- 5 If not, how long do you want to stay in your current home?
(Until children are out of the house, for example)
- 6 If you want to stay in your home, will it be easily adaptable in the case of health challenges? (For example, will you have to climb stairs, are you close to health care providers, do you have family or neighbors nearby who can check in on you if you have surgery, etc.)
- 7 Do you want to travel extensively in retirement?
Where? (Live in a caravan for extended time or overseas for example?)
- 8 Who do you want to spend time with?



Rate the following activities in terms of importance to you in retirement:

9

1 = very important
2 = somewhat important
3 = not important

- ☐ Time with family, including children/grandchildren
- ☐ Time with friends
- ☐ Learning (taking classes, reading, learning a new skill, etc.)
- ☐ Hobbies (gardening, camping, theatre, painting, computers, etc.)
- ☐ Fitness and sports (golf, dance, yoga, biking, etc.)
- ☐ Travel (in the South Africa, overseas)
- ☐ Working (part time or full time)
- ☐ Volunteering or becoming an activist (political organizations, place of worship, charitable organizations, mentoring, etc.)
- ☐ Starting a business

10 How long do you **WANT** to continue working?

11 How long do you **PLAN** to continue working?

12 Have you calculated what you will **NEED** in retirement?

13 Have you estimated what you will **HAVE** in retirement?

14 Do you feel comfortable with the amount of retirement financial planning you have done so far?

15 Do you feel comfortable with the amount of money you have saved or invested for retirement?

16 What are your greatest financial concerns when it comes to retirement?

The eight phases of retirement

- 3-5 years before retirement.
- You are exploring the new options that will become available when retirement begins.

Fantasy 1

- Your retirement begins and the reality of the financial and lifestyle adjustments needed becomes evident.

Stress 3

The three Rs

5

- Routine, Rest and Relaxation – you have accepted and adjusted to the flexibility found in retirement.

- 6-8 years after retirement.
- You develop a new sense of self-worth, leading to greater acceptance and enjoyment of your new roles in retirement.

7

2

Excitement

- About 1½ years before retirement.
- Planning becomes more focused, and you start gathering details about benefits, income and health cover.

4

Honeymoon

- You catch up on delayed projects and enjoy your new freedom.

Dissatisfaction 6

- 4-6 years after retirement.
- You may develop a lack of self-esteem, asking, "Who am I?", and feel a need for increased productivity.
- Counselling is recommended at this stage.

8

Contentment

- You settle into a comfortable routine.



*Please note: The eight phases of retirement were drawn up using research from Acts Retirement Life Communities. Not all pensioners will go through every stage.



THINGS TO AVOID



DEBT

Avoid going into retirement with a debt burden and then pay the debt from your retirement benefits. Rather postpone the purchase, budget and plan, and then buy when you have the money. Big ticket items must be carefully thought out.

SCAMS

As you plan your retirement, don't let fear, desperation, or the need to catch up financially push you into any hasty investment decisions. In all legitimate investments, higher returns are accompanied by higher risks – risks you may well not want to take as you near retirement. Be wary of anyone who claims they can sell you a product that offers great reward without great risk -- a sure sign of a scam.

Here are a few points to keep in mind when you make any financial decision:

CONTACT THE SECURITIES AGENCY (FSCA OMBUDSMAN)

as soon as you suspect a problem or believe you have been dealt with unfairly.

UNDERSTAND YOUR INVESTMENTS AND NEVER BE AFRAID TO ASK QUESTIONS.

Good financial professionals are never pushy, and they never dismiss your concerns.

SEEK ADVISE FROM A REGISTERED FINANCIAL ADVISOR.

Details can be confirmed checking the Financial Service Conduct Authority website

NEVER JUDGE A PERSON'S INTEGRITY BY HOW THEY SOUND OR HOW THEY APPEAR.

The most successful con artists sound extremely professional and have the ability to make even the flimsiest investment seem as safe as putting money in the bank'

MONITOR YOUR INVESTMENTS.

Ask tough questions and insist on speedy and satisfactory answers. Make sure you get regular written and oral reports. Look for signs of excessive or unauthorized trading of your funds when you receive statements, and do not be swayed by assurances that this kind of practice is routine.

ABOVE ALL, BECOME AN INFORMED INVESTOR. IN INVESTING, AS IN LIFE, IF IT SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS.



GLOSSARY

COMMUTATION FACTORS:

The actuary who calculates the commutation factor assesses the monthly pension payments that will be payable to a member of the retiree's age between the date of retirement and his or her assumed date of death.

AVC:

You may contribute towards your Additional Voluntary Contribution provided that it is deducted from your salary by Shared Services. Every year you are able to make a pre-tax contribution to your retirement fund of up to 27.5% of the higher of your taxable income or your remuneration, capped at R350 000 per year

MONEY PURCHASE CONVERSION FACTORS:

Money Purchase Conversion Factors are based on life expectancy and are used in the calculation to convert the balance of your money purchase scheme into a monthly pension benefit.

STATUTORY PENSION PORTION:

The statutory pension contribution for EPPF is as per the Rules of the Fund. Employer 13.5% and Employee 7.3%

MONEY PURCHASE SCHEMES:

Money purchase schemes provide benefits on retirement based on the amount of money that has been paid into the scheme, how long this money has been invested, the level of charges and investment returns over this period.

LUMP SUM:

A lump sum payment is an amount of money that is paid in one single payment. The Pension Fund Act allows up to one-third to be selected as a lump sum payment.

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