

Caution

Resigning from working to access retirement (SNPF) savings may impact you and your employer

We have noted with some concern and alarm that members have resigned to access their benefits in the SATU National Provident Fund (SNPF) in cash. The same members then applied for new membership of the Fund a month or so later. This practice is not in the interest of members and employers and cannot be condoned by the Fund or Union.

We do appreciate and are acutely aware that members have had to cope with reduced income in households due to the pandemic and reduced economic activity. Please note however that cash withdrawal benefits may only be paid if the member leaves the industry and if it is a bona fide resignation or retrenchment. The cash benefit paid will be taxed according to the lump sum retirement fund tax tables.

Bona fide resignations

A resignation entails an employee resigning from work for other employment outside of the printing and packaging sector.

Non-Bona fide resignations

This action entails the anti-selective behaviour between a member and their employer that allows a contributing member to resign from their current employ to access funds for repayment of debt and other expenses.

Factors that may affect you as a member of the fund

The Funds' rules are approved by SARS and registered by the FSCA to comply with both the Pension Fund Act and Income Tax Act. A retirement fund has various tax privileges such as:

- Contributions to the Fund are made before income tax is paid up to certain limits.
- Investment returns are free of income, capital gains - and dividend withholding taxes.
- Benefits from retirement funds are taxed but usually at lower tax rates than what members pay on salary income.

In the past SARS has threatened retirement funds that pay benefits that are not due to bona fide resignations with the withdrawal of their tax approval and

that will affect all members of the retirement fund.

The further implication is that when benefits have been paid in cash to members, they are disadvantaged not only in the quantum of their benefit at retirement but also the tax rate which members will have to pay on lump sums at retirement as the lump sum retirement tax table is based on cumulative receipts from retirement funds.

A further disadvantage is that members on leaving the Fund do not qualify for death - and disability benefits. During the pandemic where we have seen a significant increase in the number of deaths throughout the world this can particularly disadvantage families of members.

An important retirement benefit accrual strategy is that the fund accumulates contributions over a long period of time and earns interest on interest, or compound interest. The strategy is based on three fundamental principles which include

- The size of contributions
- Investment returns

- Time in the Fund (preservation of benefits where there is a change in employment)

The most challenging part of the strategy is, and has been for a long time, where members do not preserve or cash in their benefits on changing jobs for short term relief whilst still of working age.

To meet the benefit expectations of members it is important that we work towards the objectives of the retirement strategy.

Impact on the Fund

The Printing Industry Pension Fund for SATU members and the SATU National Provident Fund is worth in excess of R 6,3 billion and is financially sound. The net investment returns for the year of the pandemic 2020 was well more than inflation, i.e., 7,5% and 6,5% respectively. The returns during 2021 are promising and more than 10% year to date.

In conclusion, we are therefore thankful that the Fund and administrator has the capacity and has managed, even through national lockdowns to fight the Covid-19 pandemic, to pay claims as and when they became due.

We have been following the discussions at NEDLAC between stakeholders and have given input where possible on the use of retirement funds in unusual circumstances. Even though the previous Minister of Finance has commented in parliament on the issue, the Funds must operate within the current legal framework.

In conclusion, as the South African Typographical Union we do not encourage such anti-selective behaviour and feel it is prudent that we make members and employers alike, aware of the implications for non bona fide resignations.