T DAY
RETIREMENT REFORM

LESS **TAX,** MORE **TOMORROW**

T-DAY AND RETIREMENT REFORM:

UNDERSTANDING THE ENHANCEMENTS TO YOUR OLD MUTUAL REMUNERATION STRUCTURE

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CONTENTS

1. WHAT IS RETIREMENT REFORM AND T-DAY ALL ABOUT?

WHAT IS T-DAY?

T-DAY = 1 March 2016
T-DAY = the day when Government is introducing a new tax environment for retirement funds
T-DAY = YOUR CHANCE TO SAVE MORE FOR RETIREMENT AND STILL GET A TAX DEDUCTION!
T-DAY = Less TAX. More TOMORROW.

Since 1 March 2016, you are able to MAKE TAX-DEDUCTIBLE RETIREMENT FUND CONTRIBUTIONS OF UP TO 27.5% of the greater of your remuneration and taxable income. (Tax deductions will only apply on the first R350 000 that you save in retirement funds (in TOTAL) each year).

A What does this mean for me?

- From T-Day you can save more for your retirement, and get a bigger tax deduction. By contributing more, you can work towards a more secure retirement.
- We are therefore enhancing your remuneration structure so that you can take advantage of the new tax provisions and saving opportunities.
- You do not have to increase your contribution rate. There will be no impact on your take-home pay if you leave your retirement fund contributions unchanged.[1]

[1] There may be a very small impact on Office Staff (those on a TGP structure) who also have Voluntary Top-up and/or Spouse's Cover. The average impact for this group is a reduction in take-home pay of R30 per month. However, the vast majority of members will experience NO impact on their take-home pay as a result of these changes.

B. Why are these changes taking place?

- National Treasury wants to make it easier for you to save more. T-DAY and Retirement Reform are all about making the retirement industry work better by reducing costs for members, improving transparency, and increasing savings levels. These changes are positive.
- The Taxation Laws Amendment Act which introduces these changes comes into force from 1 March 2016.

SOME DEFINITIONS

- **OFFICE STAFF:** Employees who are on a TGP structure (no commission)
- **FIELD/SALES STAFF:** Employees whose earnings include a commission component
- **TGP:** Total Guaranteed Package (for Office Staff only)
- **PENSIONABLE EARNINGS** (sometimes called "PEAR")
  - The portion of your monthly earnings that your retirement fund and risk contribution is based on
  - **Office Staff** could set Pensionable Earnings between 70% and 90% of TGP prior to 1 March 2016
  - **Field/Sales Staff:** Your Pensionable Earnings amount is based on your remuneration model. The formula differs by group (e.g. PFA vs. Mass Foundation vs. Broker Distribution)
- **OMEGS:** Old Mutual Employee Group in SuperFund. This is the retirement fund for permanent employees of Old Mutual. **This is where your retirement savings are!**
- **OLD MUTUAL SUPERFUND:** SuperFund is a multi-employer umbrella retirement fund. **OMEGS is a special sub-section of the Old Mutual SuperFund Pension Fund.**

2. REMUNERATION CHANGES FOR OFFICE STAFF

ENHANCEMENT TO RETIREMENT FUND CONTRIBUTION OPTIONS

- On 1 March 2016, your Pensionable Earnings will be set equal to your TGP. Put differently: Pensionable Earnings = 100% of TGP.
- Your TGP will be unchanged.
- Your contribution rate towards OMEGS will be converted into a corresponding percentage of TGP (for the combined Employer and Employee contribution). In this way, your take-home pay will be unaffected on conversion.
- You will be able to contribute up to 27.5% of your TGP towards OMEGS (for the combined Employer and Employee contribution), if you want to.
- The minimum permitted combined contribution rate will be 13.0% of your TGP. The Employer and Employee contributions will be added together for purposes of calculating the minimum and maximum, but will still be considered as separate elements.
- You can make changes in March 2016, prior to payroll closing. In future, you will have two chances a year to make changes to your retirement fund contributions (in July and November each year for most employees).
- Other aspects of your remuneration structure (e.g. medical aid contributions, other benefits and other deductions) will not be affected.
- You will be able to contribute between 5.0% and 27.5% of your Short Term Incentive bonus (STI bonus) towards your OMEGS retirement savings each year (if you want to).

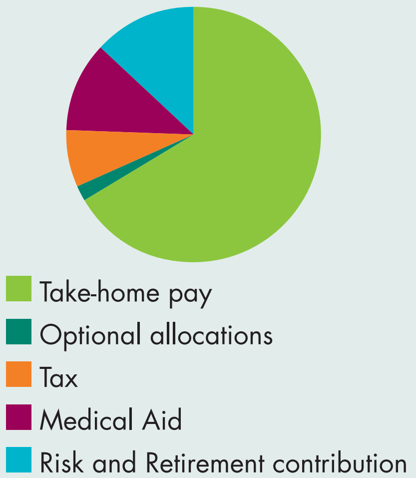
- The option to make Additional Voluntary Contributions (AVC's) will fall away after T-Day, because you are now able to make much higher regular contributions.

IN A NUTSHELL: From T-Day, Office Staff can set the total OMEGS contribution between 13.0% and 27.5% of TGP. This incorporates the Employer and Employee contribution. Small deductions for Life Cover premiums, Disability Cover premiums and OMEGS administration expenses are made from this amount.

CONVERSION EXAMPLE: Lindi has a TGP of R100,000 per annum. Prior to T-Day, her Pensionable Earnings figure was set at 70% of TGP (i.e. R70,000), and her Employee contribution rate was 6.5%. This translates to a Rand amount contribution of R12,950 per year (when combined with the Employer contribution of 12%).

From T-Day, Lindi's combined contribution rate will be converted to a percentage of TGP as follows: (12% + 6.5%) X 70% = 12.95% of TGP. However, the Rand amount of contribution is unchanged at R12,950 per year.
(Note that, until July 2016, a minimum contribution rate of 12.95% of TGP will be permitted. In July 2016, when general salary increases are applied, the minimum permitted rate will be changed to 13.0% of TGP).

TGP REFRESHER



- It helps to think of your Total Guaranteed Package like a pie.
- Your TGP "pie" gets divided up into several slices, including:
  - Risk and Retirement (OMEGS) contributions (including both the Employer and Employee portion)
  - Medical aid
  - Optional : Annual Savings Plan and similar
  - The tax-man takes a slice …
  - The remaining slice is your take-home pay
- There may be restrictions on how much or how little can be allocated to some of these slices (e.g. combined OMEGS contributions must be between 13% and 27.5%).
- **WHAT IS IMPORTANT IS THE TOTAL SIZE OF THE "PIE" (i.e. your TGP).**

RESTATEMENT OF THE EMPLOYER AND EMPLOYEE CONTRIBUTION

- Your monthly contribution to OMEGS is made up of two components: an Employee contribution and an Employer contribution. Both components form part of your Total Guaranteed Package, and the distinction between the two does not affect your package or take-home pay at all. What is important is the combined contribution amount.
- From T-Day, the Employer contribution towards risk funding will be set equal to a fixed 3.5% of your TGP. Deductions in respect of Life Cover (GLA) premiums, Disability Cover (PHI) premiums and OMEGS administration expenses will continue to be paid out of the Employer contribution. Where these deductions are less than the 3.5% the balance will be directed to retirement funding.

- From T-Day the total OMEGS contribution can range between 13% and 27.5% of TGP. This will include the Employer contribution of 3.5% of TGP and the Employee contribution of between 9.5% and 24% of TGP.

EXAMPLE: You choose to make an Employee contribution of 9.5% of TGP, which is added to the Employer contribution of 3.5% of TGP, to make a total OMEGS contribution of 13.0% of TGP.

- **VERY IMPORTANT: The split between the Employer contribution and the Employee contribution does not affect your Total Guaranteed Package at all, nor does it affect take-home pay in any way.** The change is being introduced simply to enable greater flexibility in the TGP structure in the future.
- For more details about this, please see the FAQ section.

SUMMARISED STRUCTURE FROM T-DAY FOR OFFICE STAFF

EMPLOYER CONTRIBUTION (as a % of TGP)	+ YOUR CONTRIBUTION (as a % of TGP)	= TOTAL CONTRIBUTION (as a % of TGP)
3.5%	9.5%	13.0%
	10.0%	13.5%
	10.5%	14.0%
	...	...
	23.0%	26.5%
	23.5%	27.0%
	24.0%	27.5%

IMPACT ON YOUR LIFE COVER

- Prior to March 2016, your OMEGS Life Cover was based on your Pensionable Earnings (which you would have set between 70% - 90% of TGP). The multiple depends on your age and whether you are in the Core Life Cover or Full Life Cover group.
- From T-Day, your Pensionable Earnings equals your TGP. This means your OMEGS Life Cover is now based on your full TGP amount. The age-based multiples will remain unchanged, but your cover will now be calculated as a multiple of your TGP. This will result in increased OMEGS Life Cover for all Office Staff members, for both the Core Life Cover group and the Full Life Cover group.
- There is a corresponding increase in the OMEGS Life Cover premium (because of the increased amount of cover). However, the Life Cover premium is deducted from the total OMEGS contribution, so there is no impact on your take-home pay. However, your actual saving for retirement may be slightly lower (i.e. slightly more of your contribution will go towards Life Cover, and slightly less will go towards retirement saving).

EXAMPLE: Lindi is 31, with a TGP of R100,000 per annum. She is in the Full Cover group. Her Full Life Cover (for a 31-year-old) is 12.3 times her Pensionable Earnings.

Prior to T-Day: Lindi's Full Life Cover was equal to R90,000 X 12.3 = R1,107,000. The cost was R75 per month (deducted from the Employer Contribution).

After T-Day: Lindi's Full Life Cover is equal to R100,000 X 12.3 = R1,230,000. The new cost is R83.33 per month (deducted from the Employer Contribution).

THERE IS NO IMPACT ON LINDI'S TAKE HOME PAY. The slightly increased cost means that slightly less (R8.33 per month) is directed towards retirement savings.

3. REMUNERATION CHANGES FOR FIELD/SALES STAFF

ENHANCEMENT TO RETIREMENT FUND CONTRIBUTION OPTIONS

- From 1 March 2016, **your Pensionable Earnings (PEAR) calculation will remain unchanged.**
- **Your contribution rate** towards OMEGS **will remain unchanged,** unless you choose to change it. **Your take-home pay will be unaffected by the enhancements.**
- **You will be able to contribute up to 27.5% of your Pensionable Earnings towards OMEGS** (for the combined Employer and Employee contribution), if you want to. The minimum permitted combined contribution rate will remain unchanged at 18.5% (12% Employer contribution + 6.5% Employee contribution) of your Pensionable Earnings. The Employer and Employee contributions will be added together for purposes of calculating the minimum and maximum, but will still be considered as separate elements.
- You can make changes in March 2016, prior to payroll closing. In future, you will have **two opportunities per year to make changes** to your retirement fund contributions (in July and November each year).
- **Other aspects of your remuneration structure** (e.g. medical aid contributions, other benefits and other deductions) will not be affected.
- The option to make Additional Voluntary Contributions (AVC's) will fall away from T-Day, because you are now able to make much higher regular contributions.

IN A NUTSHELL: From T-Day, Field Staff can set the total OMEGS contribution between 18.5% and 27.5% of Pensionable Earnings. This consists of both the Employer and the Employee contribution. Small deductions for Life Cover premiums, Disability Cover premiums and OMEGS administration expenses are made from this amount.

SPLIT BETWEEN EMPLOYER AND EMPLOYEE CONTRIBUTION

- Your monthly contribution to OMEGS is made up of two components: an Employee contribution and an Employer contribution. For Field Staff, the Employer contribution is paid in addition to your Pensionable Earnings.
- From T-Day, the Employer contribution towards retirement and risk funding will be unchanged at 12% of your Pensionable Earnings. Deductions in respect of Life Cover (GLA) premiums, Disability Cover (PHI) premiums and OMEGS administration expenses will continue to be paid out of the Employer contribution.
- From T-Day, the Employee contribution (anywhere between 6.5% and 15.5% of Pensionable Earnings) will be added to the Employer contribution (12% of Pensionable Earnings) to make up the total OMEGS contribution (anywhere between 18.5% and 27.5% of TGP).

EXAMPLE: You choose to make an Employee contribution of 8% of Pensionable Earnings, which is added to the Employer contribution of 12% of Pensionable Earnings, to make a total OMEGS contribution of 20% of Pensionable Earnings.

SUMMARISED STRUCTURE FROM T-DAY FOR FIELD STAFF

EMPLOYER CONTRIBUTION (as a % of Pensionable Earnings)	+ YOUR CONTRIBUTION (as a % of Pensionable Earnings)	= TOTAL CONTRIBUTION (as a % of Pensionable Earnings)
12%	6.5%	18.5%
	7.0%	19.0%
	7.5%	19.5%
	...	...
	14.5%	26.5%
	15.0%	27.0%
	15.5%	27.5%

NO IMPACT ON YOUR LIFE COVER AND RELATED BENEFITS

- For Field Staff, the OMEGS Life Cover will remain unchanged, and will still be expressed as a multiple of Pensionable Earnings.
- The cost will remain unaffected.
- There is no impact on Voluntary Top-up Life Cover or Voluntary Spouse's Life Cover for Field Staff.

4. FREQUENTLY ASKED QUESTIONS

1. Do any of these T-Day changes mean that I should consider resigning before 1 March 2016 to access my savings?

The simple answer is: **NO!**

- Your retirement savings will be treated in exactly the same way at your retirement date as they would have been prior to T-Day.
- If you withdraw (resign / get retrenched / get dismissed), your retirement savings will be treated in exactly the same way at your exit date as they would have been prior to T-Day. You can still take this pot of money as a cash lump sum if you want to. (However, the OMEGS Joint Management Committee strongly encourages withdrawing members to preserve their retirement savings rather than taking a cash lump sum).
- The changes from 1 March 2016 are POSITIVE changes that will allow you to save more and reduce the amount of tax you pay.

2. Why are these changes happening?

- Because National Treasury wants to make it easier for you to save more. WHY?
  - Because most people in South Africa retire with too little money!
  - So if you save more, there is less chance you will depend on the government in future.
- Retirement Reform is all about making the retirement industry work better: reducing costs for members, improving transparency, and increasing savings levels. These changes are all very positive.
- We are therefore changing your remuneration structure so that you can take full advantage of these tax advantages and saving opportunities.

3. What if I miss my chance to change my contribution rate in March 2016? Will I get another chance?

- **Yes!** If you miss your chance to change your contribution rate in March 2016, you will have another opportunity when your annual pay increase is applied (which is July 2016 for most employees).
- There will be 2 opportunities each year (July and November each year for most employees) to amend your contribution rate.
- Office Staff can also change the contribution rate in the case of a life event (such as a promotion or salary increase, or change in working hours).

4. Can I increase or decrease my retirement savings at any point in time?

- No, you can only change your contribution rate at certain points in the year.
- There will be 2 opportunities each year (July and November each year for most employees) to amend your contribution rate.
- Office Staff can also change the contribution rate in the case of a life event (such as a promotion or salary increase, or change in working hours).

5. What is the “right” amount to save towards my retirement?

- There is no single “right” amount, because it will depend on your personal circumstances, the income you’ll need during retirement, the number of years you save for, the annuity option you choose, and so on.
- As a simple “rule of thumb”: If you want your income in retirement to be similar to your TGP/Pensionable Earnings (before you retire), and you want to retire at age 61, then you are likely to need to save between 15% and 20% of your TGP/Pensionable Earnings per year for 40 years.

- If you have saved less than this to date (or you don't think you will be able to save for a full 40 years), then you may need to save more than that.
- You are encouraged to speak to a trusted licensed financial adviser for help to identify how much you need to be saving to achieve your retirement goals.

6. What happens if I am already making additional savings in a RA fund?

- It is totally OK to make contributions to OMEGS as well as to a RA fund.
- You need to personally keep track of whether you are saving more than 27.5% of your total remuneration or taxable income (or more than R350 000) towards risk and retirement funding.
- There is nothing that stops you from contributing more than this, but you will not get a tax deduction for any amount in excess of 27.5% or R350 000 in that tax year. However, contributions in excess of 27.5% / R350,000 can be rolled over into the following year. Also, saving in OMEGS or an RA fund is beneficial in that there is no tax on interest or capital gains and no dividend withholding tax.

7. What if my retirement savings exceeds R350 000 per annum or 27.5% of my total remuneration or taxable income?

- There is nothing that stops you from contributing more than the set limits but you will not get a tax deduction for any excess amounts contributed. However, our systems will restrict contributions to 27.5% per annum.
- Contributions in excess of 27.5% / R350,000 can be rolled over into the following tax year.

- If you have made contributions which are not tax deductible, such amounts will be treated as after-tax money when you retire.
- Saving in OMEGS or a RA fund is beneficial because there is no tax on interest or capital gains and no dividend withholding tax.
- If you are concerned about contributing more than R350,000 per annum please contact your HR Business Partner or email T-Day Retirement Reform.

8. How will I be affected if I have Voluntary Top-up Cover or Voluntary Spouse's Cover?

- If you are an **Office Staff employee:**
  - Your Voluntary Top-up Cover and/or Voluntary Spouse's Cover has historically been based on your Pensionable Earnings. From 1 March 2016, it will be based on your TGP.
  - This means that your Voluntary Top-up Cover and/or Voluntary Spouse's Cover amount will increase (because your TGP is higher than your Pensionable Earnings).
  - **Please note that the premium that you pay for Voluntary Top-up Cover and/or Voluntary Spouse's Cover will increase correspondingly.**
  - We have analysed this, and the average premium impact on employees who have one or both of these benefits is approximately R30 per month. The maximum premium impact identified was R350 per month (for a high earning employee with high cover levels).
- If you are a **Field/Sales Staff employee:**
  - There will be no change whatsoever.

9. Office Staff: How is it that my Life Cover benefit is increasing, but my take-home pay is not affected?

- You are correct that the Life Cover benefit is increasing for all Office Staff. This is because your cover is now based on your TGP. (Prior to T-Day, it was based on your Pensionable Earnings).
- You will be paying a correspondingly increased premium for this cover. For example:
  - If your Pensionable Earnings was 80% of your TGP, then your Life Cover benefit will increase to 1.25 X your historic Life Cover. This is calculated as (100% / 80%) X Life Cover
  - Your Life Cover premium will also increase to 1.25 X Premium
- HOWEVER, this will not affect your take-home pay.
- This is because the increased premium will result in a slightly decreased amount allocated towards your retirement savings. The contribution to risk and retirement funding includes your Life Cover premium, your Disability Benefit premium and your OMEGS expense contribution. After deducting these amounts, the balance is added to your retirement savings.
- For more detail about how your contributions work, please see the OMEGS website (www.omegs.co.za).

10. Office Staff only: Does the change in Employer contribution rate mean I am losing out?

- **The simple answer is: NO! You are not losing out at all.**
- For Office Staff employees, the Total Guaranteed Package structure gives flexibility and choice. Old Mutual gives you the total Package, and then you get to choose (within limits) how that Package gets allocated.
- Part of your TGP gets allocated towards OMEGS. The contribution is made up of two components: an Employee contribution and an Employer contribution. Prior to T-Day, the Employee contribution was limited to a maximum of

7.5% of Pensionable Earnings by tax law, and employees could choose a contribution of either 6.5% or 7.5% of Pensionable Earnings. Prior to T-Day, the Employer contribution was set at 12% of Pensionable Earnings.

- To enable greater flexibility in the TGP structure in future, **we have set the Employer Contribution at 3.5%, and enabled the Employee contribution to be correspondingly higher, so that your TOTAL contribution is unchanged. This means that your TGP is unchanged and your take-home pay is unchanged.**
- The split between the Employer and the Employee contribution does not have any impact on your TGP, and provided the amounts are within the constraints of tax law, it doesn’t have an impact on your take-home pay either.

5. EXAMPLES

OFFICE STAFF EXAMPLES		
	BONGANI	**SURESHNI**
Earnings	**TGP = R100,000** Pre-March 2016 pensionable earnings percentage = **70%** Pre-March 2016 Employee contribution = **6.5%**	**TGP = R100,000** Pre-March 2016 pensionable earnings percentage = **79%** Pre-March 2016 Employee contribution = **7.5%**
Retirement saving contribution to OMEGS before 1 March 2016	(Employer contribution + Employee contribution) X (Pensionable Earnings % X TGP) = (12.0% + **6.5%**) X (**70%** X R100,000) = 18.5% X R70,000 = **R12,950 per annum**	(Employer contribution + Employee contribution) X (Pensionable Earnings % X TGP) = (12.0% + **7.5%**) X (**79%** X R100,000) = 19.5% X R79,000 = **R 15,410 per annum**
New contribution rate from 1 March 2016 (before the employee makes any changes)	Bongani's contribution rate will be directly converted to a percentage of TGP. Calculation: (12.0%+6.5%) X 70% = 12.95%. So **Bongani's Rand amount of contribution will be unchanged.** (12.95% x R100,000 = R12,950)	Sureshni's contribution rate will be directly converted to a percentage of TGP. Calculation: (12.0%+7.5%) X 79% = 15.41%. So **Sureshni's Rand amount of contribution will be unchanged.** (15.41% x R100,000 = R15,410)
What if the employee makes a change from 1 March 2016?	**Bongani wants to save more.** He sets his total contribution rate to 20% of TGP (3.5% Employer contribution + 16.5% Employee contribution). This would mean that his retirement saving increases to 20% X R100,000 = **R20,000 per annum.** The full contribution will be taken into account when taxable income is calculated. This means that Bongani will pay less tax (because he gets a bigger tax deduction). Bongani is rewarded for saving more, by paying less tax.	**Sureshni needs to increase her take-home pay, even though this means saving less for retirement.** She reduces her total contribution rate to 13% of TGP (3.5% Employer contribution + 9.5% Employee contribution). This would mean that her retirement saving decreases to 13% X R100,000 = **R13,000 per annum.** The new contribution is taken into account when taxable income is calculated. This means that Sureshni will pay more tax (because she now has a smaller tax deduction). Sureshni may have a higher take-home pay amount, but she also pays more tax.

OFFICE STAFF EXAMPLES		
	BONGANI	**SURESHNI**
Contribution options available to the employee from 1 March 2016	13.0% / 13.5% / 14.0% / 14.5% / 15.0% / … / 25.5% / 26.0% / 26.5% / 27.0% / 27.5% (All these options combine the Employer contribution of 3.5% with the Employee contribution)	
What happens if the employee doesn't take any action?	**If Bongani took NO ACTION, his total contribution for March 2016 would be unchanged at 12.95%.** **On 1 July 2016, Bongani's contribution will automatically be rounded to the nearest 0.5% - in this case, 13.0%.** However, Bongani can choose a different contribution rate in July 2016 if he prefers. Bongani will have chances to change his contribution rate in July and November each year.	**If Sureshni took NO ACTION, her total contribution for March 2016 would be unchanged at 15.41%.** **On 1 July 2016, Sureshni's contribution will automatically be rounded to the nearest 0.5% - in this case, 15.5%.** However, Sureshni can choose a different contribution rate in July 2016 if she prefers. Sureshni will have chances to change her contribution rate in July and November each year.
Impact on the employee's OMEGS Life Cover	Bongani is **38.** He hasn't been for the voluntary medical test, so he is in the **Core Cover** group. His **Core Life Cover** (for a 38-year-old) used to be equal to a multiple of **3.1 times his Pensionable Earnings.** Prior to T-Day: Bongani's Pensionable Earnings amount was R70,000 (70% X R100,000). His Core Life Cover was therefore (R70,000 X 3.1) = R217,000. **After T-Day:** Bongani's Core Life Cover will be based on his TGP of R100,000. His Core Life Cover will be (R100,000 X 3.1) = R310,000. There will be a corresponding increase in the Life Cover premium. However, this is deducted from the total OMEGS contribution, so there is **no impact on Bongani's take-home pay.** However, his actual saving for retirement will be very slightly lower.	Sureshni is also **38.** She has been for the voluntary medical test and satisfied medical requirements, so she is in the **Full Cover** group. Her **Full Life Cover** (for a 38-year-old) used to be equal to a multiple of **9.4 times her Pensionable Earnings.** **Prior to T-Day:** Sureshni's Pensionable Earnings amount was R79,000 (79% X R100,000). Her Full Life Cover was therefore (R79,000 X 9.4) = R742,600. **After T-Day:** Sureshni's Full Life Cover will be based on her TGP of R100,000. Her Full Life Cover will be (R100,000 X 9.4) = R940,000. There will be a corresponding increase in the Life Cover premium. However, this is deducted from the total OMEGS contribution, so there is **no impact on Sureshni's take-home pay.** However, her actual saving for retirement will be very slightly lower.

FIELD/SALES STAFF EXAMPLES		
	ANNIE	**JOHN**
Earnings	**Pensionable Earnings = R100,000** Pensionable earnings is calculated as per her remuneration model Pre-March 2016 Employee contribution = **6.5%**	**Pensionable Earnings = R100,000** Pensionable earnings is calculated as per his remuneration model Pre-March 2016 Employee contribution = **7.5%**
Retirement saving contribution to OMEGS before 1 March 2016	(Employer contribution + Employee contribution) X Pensionable Earnings = (12.0% + **6.5%**) X R100,000 = 18.5% X R100,000 **= R18,500 per annum**	(Employer contribution + Employee contribution) X Pensionable Earnings = (12.0% + **7.5%**) X R100,000 = 19.5% X R100,000 **= R19,500 per annum**
New contribution rate from 1 March 2016 (before the employee makes any changes)	Annie's contribution rate will be **unchanged** at (12.0% + 6.5%) = 18.5% of Pensionable Earnings So **Annie's Rand amount of contribution will be unchanged.** (18.5% x R100,000 = R18,500)	John's contribution rate will be **unchanged** at (12.0% + 7.5%) = 19.5% of Pensionable Earnings So **John's Rand amount of contribution will be unchanged.** (19.5% x R100,000 = R19,500)
What if the employee makes a change from 1 March 2016?	**Annie wants to save more.** She sets her total contribution rate to **23% of Pensionable Earnings** (12% Employer contribution + 11% Employee contribution). This would mean that her retirement saving increases to 23% X R100,000 = **R23,000 per annum.** The new contribution will be taken into account when taxable income is calculated. This means that Annie will pay less tax (because she gets a bigger tax deduction). Annie is rewarded for saving more, by paying less tax.	**John needs to increase his take-home pay, even though this means saving less for retirement.** He reduces his total contribution rate to **18.5% of Pensionable Earnings** (12% Employer contribution + 6.5% Employee contribution). This would mean that his retirement saving decreases to 18.5% X R100,000 = **R18,500 per annum.** The new contribution will be taken into account when taxable income is calculated. This means that John will pay more tax (because he now has a smaller tax deduction). John may have a higher take-home pay amount, but he also pays more tax.

FIELD/SALES STAFF EXAMPLES

	ANNIE	JOHN
Contribution options available to the employee from 1 March 2016?	18.5% / 19.0% / 19.5% / 20.0% / 20.5% / … / 25.5% / 26.0% / 26.5% / 27.0% / 27.5% (All these options combine the Employer contribution of 12% with the Employee contribution)	
What happens if the employee doesn't take any action?	**If Annie took NO ACTION, her total contribution for March 2016 would be unchanged at 18.5%.** **On 1 July 2016, Annie's contribution will remain unchanged.** However, Annie can choose a different contribution rate in July 2016 if she prefers. Annie will have chances to change her contribution rate in July and November each year.	**If John took NO ACTION, his total contribution for March 2016 would be unchanged at 19.5%.** **On 1 July 2016, John's contribution will remain unchanged** However, John can choose a different contribution rate in July 2016 if he prefers. John will have chances to change his contribution rate in July and November each year.
Impact on the employee's OMEGS Life Cover?	There is **NO IMPACT** on either Core Life Cover or Full Life Cover for Field Staff. This is because there is no change to how Pensionable Earnings is calculated for Field Staff.	

FIVE EASY STEPS TO INCREASED RETIREMENT SAVINGS AND LESS TAX!

STEP 1: Make yourself a cup of your favourite tea or coffee. You're about to do something significant – it's worth savouring!

STEP 2: Read this booklet so you understand the context. The key message is set out below:

From 1 March 2016, tax law is changing so that you will be able to **MAKE TAX-DEDUCTIBLE RETIREMENT FUND CONTRIBUTIONS OF UP TO 27.5%** of the greater of your remuneration and taxable income. (Tax deductions will only apply on the first R350 000 that you save each year). You do not have to make any changes if you don't want to.

YOUR OPTIONS WHEN YOU RESIGN OR RETIRE ARE NOT AFFECTED AT ALL.

We have made enhancements to your remuneration structure so you can take advantage of this change and increase your retirement contributions.

STEP 3: Give some thought to how much you can afford in terms of increased retirement savings. We know that finding money to save is becoming a fine art, but **even a small increase is good!**

STEP 4:

- **IF YOU HAVE ACCESS TO ORACLE HRMS:** Select My Self Service -> Remuneration Package Structuring -> Remuneration Package Structuring -> Follow the prompts
- **IF YOU DON'T HAVE ACCESS TO ORACLE HRMS:** Request the form from HRSC Movements and Benefits
- Office Staff must capture any changes by 14 March 2016. **Field Staff** must submit any change requests before 10 March 2016. Thereafter, there will be 2 opportunities each year (July and November for most employees) to amend your contribution rate.

STEP 5: Sit back and enjoy your cuppa. Congratulations – you've just boosted your retirement saving and decreased your tax bill in a few easy steps!

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