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## Your Life Newsletter



### Words of welcome

*"To expect the unexpected shows a thoroughly modern intellect"*

– Oscar Wilde

The Board of the ISASA Pension Scheme and Provident Fund, the Management and Staff of Old Mutual **wish you and your loved ones a year filled with love, prosperity and good health.**

As the year unfolds at a rapid pace we would like to share important information on the **new tax tables** applicable as from 1 March 2023 that was announced during the National Budget Speech. The **name change** of the Pension Scheme is also an important change to note.

**We sincerely thank you for your continued support** throughout the years and may 2023 bring us more wonderful opportunities to work together and be of service to you.



### Call to Action

If you are a member of Pension Scheme I or Pension Scheme II, you are to take note of this name change, however no further action is required from your side. This change does not affect the terms of your retirement savings or contributions.

### NEWSLETTER CONTENTS

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### ISASA Pension Scheme - official name change

On 16 February 2023 the Financial Sector Conduct Authority approved and certified the official name change of the:

**Independent Schools Association of Southern Africa Pension Scheme**  
to  
**Independent Schools Association of Southern Africa Retirement Fund**

The new name has been entered into the register of retirement funds and will be effective across all sectors **as from 1 March 2023.**



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### Newly appointed Board Members

The Board is pleased to announce and welcome two newly elected Board members, both from the KwaZulu-Natal area.

#### Joni Warburton - Board Member

Joni is the Financial Director at Michaelhouse; a senior boy boarding school in KwaZulu-Natal Midlands.

She is a qualified Chartered Accountant with a specific interest in tax and sustainability.

Before joining Michaelhouse she worked in the private equity space in Johannesburg and held numerous board positions in her work and personal capacity.

Previously Joni spearheaded the review and implementation of pension and employee risk solutions policies.

#### Kim Martin - Alternate Board Member

Kim is a Financial Director at Hilton College.

She is a qualified Chartered Accountant with 26 years' experience and special interest and experience in tax, audit and commerce.

Kim worked at Harvard House Chartered Accountants as a Partner.

She thereafter joined Hilton College as Deputy Bursar after which she was promoted to Financial Director at the school.



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In the event of resignation and dismissal, the tax scales are as follows:

Lump sum withdrawal benefit	Tax liability
R0 to R27 500	0%
R27 501 to R726 000	18% of the amount above R27 500
R726 001 to R1 890 000	R125 730 + 27% of the amount above R726 000
R1 890 001 and above	R223 740 + 36% of the amount above R1 890 000

### Good news - new tax tables applicable from 1 March 2023

The **National Budget Speech** was delivered on 22 February 2023, by Minister of Finance **Enoch Godongwane**. Some of the highlights included the granting of tax relief by adjusting personal income tax brackets and rebates for the effect of inflation.

**To further assist and offer some relief, adjustments were announced to tax tables for transfer duty, retirement fund lump sum benefits and retirement fund lump sum withdrawal benefits.**

**When a member exits from the Fund** for whatever reason, a tax directive is to be obtained by a fund from the South African Revenue Services (SARS) before payment can be made. SARS calculates the tax payable on the benefit and directs the fund to deduct such tax as well as any outstanding monies owing to SARS.

**Should you transfer to another School** which also participates in the ISASA Retirement and Provident Fund, it is compulsory that the full value of your Accumulated Credit as at the date of transfer be transferred to your account at the new school. You will continue to enjoy unbroken membership in the Fund.

**If you transfer from a school** that participates in the ISASA Retirement Fund and transfer to a school that participates in the Provident Fund (or vice versa) you are able to withdraw your Accumulated Fund Credit as these funds are different legal entities.

In the event of retirement, death and redundancy, the tax scales are as follows:

Lump sum cash retirement benefit	Tax liability
First R550 000	0% (provided you have not used this exemption before)
R550 001 to R770 000	18% of taxable income above R550 000
R770 001 to R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

### Call to Action - Register for tax

It is very important that you ensure that you are a registered tax payer before electing to withdraw or retire from the Fund.

If you are not registered as a tax payer, or if your tax affairs are not in order SARS will not provide a tax directive and your benefits from the Fund cannot be paid.





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### ISASA RETIREMENT FUND (Part I) Group Life Benefits

#### Retirement Part I (DB) 0.55%

Age bands	Current Multiples	1 March 2023
Age 18 - 35	3.66	3.66
Age 36 - 40	3.11	3.43
Age 41 - 45	2.89	3.29
Age 46 - 50	2.75	2.84
Age 51 - 55	2.72	2.72
Age 56 - 60	2.68	2.68
Age 61 - 64	2.44	2.44
Age 65 - 69	1.95	1.95

### ISASA RETIREMENT FUND (Part II) Group Life Benefits

#### Retirement Fund Part II (DC) 0.55%

Age bands	Current Multiples	1 March 2023
Age 18 - 35	3.66	3.66
Age 36 - 40	3.43	3.43
Age 41 - 45	3.29	3.29
Age 46 - 50	2.84	2.84
Age 51 - 55	2.58	2.72
Age 56 - 60	2.56	2.68
Age 61 - 64	2.43	2.44
Age 65 - 69	1.87	1.95

## New Risk Multiples for Retirement Fund (Part I and Part II) for 2023

Group insurance premiums are reviewed annually. Insurers base premium rates on the expected cost of claims for the next 12 months. In determining the expected cost of claims, they consider **three main factors**:

1. They consider a scheme's past claims experience.
2. They also look at the claims experience of their overall portfolio of schemes (their risk book), tailored specifically for the unique membership profile and industry of the scheme.
3. Other factors that may influence future risk and claims experience.

The good news is that group life benefits for the Retirement Fund has been improved due to an improved claims experience over the last 12 months.

**Please note that the Provident Fund death benefits (Group Life) remain unchanged.**

As from 1 March 2023 the following improvements apply, to certain age groups, for members on the 0.55% category for the Retirement Fund multiples:



### The Good News

The good news is that group life benefits for the Retirement Fund has been improved due to an improved claims experience over the last 12 months.



### Call to Action

Please ask your Bursar/HR representative to confirm your multiple category should you be unsure which category you are in.



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### How Pensionable Salary affects Retirement Savings

#### The primary aim of a retirement fund

**The primary aim of a retirement fund is to accumulate savings to provide for an income in retirement.** For most people, their expenses in retirement are lower because, for example, they have paid off their bond, they no longer incur expenses such as saving for retirement, travelling to work, their taxes are lower, etc.

The ratio of income in retirement to income immediately prior to retirement is known as the **Replacement Ratio**. As a rough rule of thumb, retirees should require an income of around three-quarters of their income prior to retirement, i.e. a Replacement Ratio of 75%.

**The ISASA Retirement and Provident Fund target a replacement of approximately 75% of Pensionable Salary.** This means that if a member contributes to the fund over the whole of their working lifetime, then this goal should be achieved. However, many factors affect this goal's achievement, such as length of service, investment returns and, salary increases.

Every year members receive a **Member Benefit Statement**, which includes projections of their Replacement Ratio at retirement based on Pensionable Salary.

#### Pensionable salary vs Total earnings

An aspect often overlooked in the Replacement Ratio is the **composition of a member's earnings** and **how much of them is included in Pensionable Salary.**

If the non-pensionable component of a member's earnings is high, then the actual Replacement Ratio expressed as a percentage of total earnings will be much lower than the ratio expressed as a percentage of Pensionable Salary.



#### Teacher/Member remuneration packages

Teacher packages in ISASA schools typically comprise **a number of elements that are not included as part of Pensionable Salary.** These could include:

- 13th cheques/bonuses;
- Allowances for taking on greater responsibility, e.g. department head, housemaster, additional duty allowances;
- Allowances to compensate for expenses incurred in fulfilling one's responsibilities, e.g. cell phone and travel allowances;
- Subsidised housing;
- Reduced school fees.

The total of all the components is often referred to as the employee's Total Cost to Company (TCTC). The non-pensionable elements of a teacher's TCTC can make up a significant portion of a teacher's TCTC.

**As a result their retirement income as a percentage of their total earnings is much lower than the projected Replacement Ratio stipulated in their Member Benefit Statement.**

## Example

Jane is a teacher earning a cash salary of R 30 000 per month. She is also a Department Head for which she receives a non-pensionable allowance of R 5 000 per month. In December each year, she receives a 13th cheque. Jane's annual earnings are made up as follows:

<b>Cash salary</b>	<b>R 360 000</b>
Dept. Head allowance	R 60 000
13th cheque	<u>R 35 000</u>
<b>Annual earnings</b>	<b>R 455 000</b>

**Jane's Pensionable Salary would typically be only the cash salary component** of her earnings. Her **Pensionable Salary as a percentage of her total earnings** would then be:

$$360\,000 \div 455\,000 = 79\%$$

**Note** that this does not take into account any other benefits that June might enjoy. If it did, the percentage would be lower.

## What does this mean?

Let's assume that Jane was on track to achieve a Replacement Ratio of 75% of Pensionable Salary when she retired. She may well have expected a net income in retirement of 75% of what she had before she retired. **However, her actual Replacement Ratio based on her total earnings is only:**

$$79\% \times 75\% = 59\%$$

So whilst Jane thought she was on track for a comfortable retirement, the reality is that she will have a more significant drop in earnings than she anticipated. If Jane had other non-pensionable components to her earnings, her actual Replacement Ratio would be even lower.

Apart from the impact on retirement income, the death and disability benefits whilst still in active employment are also usually based on Pensionable Salary or Risk Salary and are therefore lower than if some of the other earnings components were included.



## What can be done to improve the retirement outcomes for members?

A few suggestions to improve the outcomes for members are as follows:

### 1. Definition of Pensionable Salary

**Individual schools have the flexibility to decide on the definition of Pensionable Salary for their employees.** Considering this, they can extend the definition of Pensionable Salary to include additional components of earnings. The two key components to consider include (if they are not already included) are:

- Allowances for additional responsibilities, and
- 13th cheques

Concerning the allowances for additional responsibility, it isn't easy to justify why the remuneration related to the additional responsibility is non-pensionable. One could have a situation where two teachers with exactly the same career paths and they have identical earnings, the only difference being that Teacher A is promoted to Department Head for the last 15 years of her career. In contrast, Teacher B remains a teacher without the added responsibility. If Pensionable Salary is defined as only the cash salary, the two teachers will accumulate the same amount of retirement savings even though Teacher A had additional responsibilities for 15 years.





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### What can be done to improve the retirement outcomes for members?

#### 2. Communication and employee contribution rates

*If an employer maintains the narrow definition of Pensionable Salary of being only the cash component, the impacts of this will need to be communicated to staff early.* This is especially important when a teacher is promoted to a post **where the additional earnings are in the form of a non-pensionable allowance.**

*Under these circumstances, employers should recommend that teachers increase their retirement fund contribution rates* (subject to the overall tax-deductible maximum of 27.5%) to allow for the fact that a much larger portion of their earnings will be non-pensionable.

Similarly, employers could encourage and facilitate employees making voluntary contributions with respect to their 13th cheques and any other non-pensionable earnings they receive.

#### 3. Retirement age

Although not directly related to Pensionable Salary, **retirement outcomes for members can be improved significantly by increasing the retirement age for members.**



### Call to Action - Understand your options

Members should take note of how the definition of a pensionable salary can influence their benefit expectation from the Fund.

If this does concern you we urge you to engage with your employer to understand what your options are.



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### Be Money Savvy

**Financial management** is not just about scrimping and saving, but **having the sound financial skills to budget, save, manage debt, spend wisely and grow money through investing.** With the right information and tools young members can learn how to manage their money and make the journey towards financial independence a rewarding one. We can show them how to develop healthy habits & skills with regard to money, saving and investing.

### Steps I can take to help get me out of debt

- Don't avoid calls from your creditors. Deal with this problem head on and create a payment plan to pay them. Even if it's a small amount paid regularly. The regularity of payment is important;
- Make a comprehensive list of all of your debt;
- Pay more than the minimum amount due;
- Create a payment plan and stick to it;
- Prioritise paying off debt in your budget;
- Try negotiating better interest rates with your current credit providers;
- Make some lifestyle changes i.e., spend more time cooking as a family than eating out;
- Take all store and retail cards out of your wallet so you are not tempted to use them for future purchases;
- Don't be scared to ask for help from a qualified debt counsellor;
- Review all of your options;
- Pull regular credit reports;
- Don't always say yes to debt when it is offered to you;
- When you must utilise debt always compare interest rates at the various institutions to ensure you get the best deal. The higher the interest rate the more expensive the loan;
- Prioritise paying back the loans with the highest interest rate first;
- Don't miss payments monthly. This impacts negatively on your credit score.



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### How are the investments growing?

The returns included here are net of investment fees. *You may also access the portfolio fact sheets on the Funds' website* links below:

#### Retirement Fund Part I (Defined Benefit)

<https://www.isasaretirementfund.co.za/investmentstrategy-and-fact-sheets/>

#### Retirement Fund Part II and Provident Fund (both Defined Contribution)

<https://www.isasaretirementfund.co.za/investment-factsheets/>

The returns shown on the fact sheets are gross of investment fees (before fees are deducted).

### Definition

The **Investment Return** definition is the percentage change in value of the investment over a given duration. The Funds' returns are usually measured over 1-year, 3-year, 5-year and 10-year periods.

### Definition

The definition of **a benchmark**:

A benchmark is used as a point of reference against which the performance of a portfolio is measured.

Depending on the type of portfolio, the goal of an asset manager is to track or exceed the return of a relevant benchmark.

**The Funds' performance is always measured against the growth targets set by the Board of Trustees in the Investment Policy Statement.** These targets are linked to inflation and measured over specific periods. There is no guarantee that the growth targets will be met.

In addition, some portfolios also have benchmarks, which are used as a measure of performance of the underlying asset managers against certain indices to illustrate under/outperformance. **The Funds' performance relative to inflation is a more relevant measure for members, as this has the closest bearing on their future retirement outcome.**

**The benchmarks** are industry standards approved by the Board of Trustees in consultation with the Funds' asset consultant and evaluated as and when the need arises.

The Funds utilise **a range of portfolios** and the returns on all these alternatives are included on the 2 pages that follow:

## Default Lifestage Portfolios (Alexforbes Investments)

January 2023	Performer Net Returns (Annualised)	Protector Net Returns (Annualised)	CPI
1 Year	8.32%	6.34%	7.2%
Benchmark	8.66%	5.65%	
3 Years	11.96%	7.78%	5.3%
Benchmark	11.15%	7.62%	
5 Years	9.04%	6.21%	4.9%
Benchmark	8.43%	6.02%	

These portfolios apply to those members who did not make a member investment choice selection.

The Performer benchmark is the AlexForbes Investable Global Large Manager Watch Median.

The Protector benchmark is a composite benchmark consisting of various asset classes.

- **ISASA Performer portfolio** inception date - 1 September 2008 and became the default portfolio on 1 September 2017
- **ISASA Protector portfolio** inception date - 1 September 2017

*\*Note that the ISASA Performer benchmark was changed with effect from 1 September 2017 to reflect the change from the ISASA High Growth to the ISASA Performer portfolios.*

## Passive Lifestage Portfolios (Old Mutual)

January 2023	Balanced Index Fund Net Returns (Annualised)	Conservative Index Fund (Annualised)	CPI
1 Year	6.02%	5.12%	7.2%
3 Years	10.25%	8.38%	5.3%

These portfolios apply to members who specifically elected to invest in the Passive Lifestage or the individual portfolios.

The Balanced Index target is CPI+5% and Conservative Index is CPI+3%.

## Absolute Stable Growth Portfolio - AGP80 (Old Mutual)

January 2023	Net Returns (Annualised)	CPI
1 Year	9.4%	7.2%
3 Years	7.1%	5.3%
5 Years	6.2%	4.9%

This portfolio applies to members of the Retirement Fund Part I schools that chose this option, as well as those members of the Retirement Fund Part II and Provident Fund who have specifically elected to be invested in this portfolio.

The target is CPI + 5.5% over rolling 3-year periods. *Portfolio inception date: 1 July 1974*



## Absolute Smooth Growth Portfolio - AGP50 (Old Mutual)

January 2023	Net Returns (Annualised)	CPI
1 Year	9.8%	7.2%
3 Years	7.6%	5.3%
5 Years	6.7%	4.9%

Effective 1 October 2018 members have had a choice between the Absolute Stable Growth or Absolute Smooth Growth smooth bonus portfolios.

The target is CPI + 6% over rolling 3-year periods.

*Portfolio inception date: July 1974*

## Banker Portfolio (Alexforbes Investments)

January 2023	Net Returns (Annualised)	Benchmark	CPI
1 Year	6.64%	5.19%	7.2%
3 Years	5.79%	4.33%	5.3%
5 Years	6.85%	5.23%	4.9%

This portfolio applies to members that have specifically elected to be invested in this portfolio.

The benchmark is the STeFI Call Deposit Index.

## Shari'ah High Growth Portfolio (Alexforbes Investments)

January 2023	Net Returns (Annualised)	Benchmark	CPI
1 Year	5.80%	1.41%	7.2%
3 Years	12.51%	11.72%	5.3%
5 Years	9.34%	9.48%	4.9%

This portfolio addresses the needs of members who wish to exercise their religious beliefs with regards to Islamic law and applies to members who have specifically elected to be invested in this portfolio.

The benchmark is a composite benchmark consisting of equity and Shari'ah compliant liquid assets.

*Portfolio inception date - July 2017*

### Call to Action

Ensure you are invested in the investment portfolio that is suited to your risk profile and term to retirement. If you feel unsure, the default Lifestage model is designed to be a solid option for most members.

Please read the Funds' investment guide available on the Funds' website and speak to your financial adviser if you wish to make a choice that takes cognizance of your specific circumstances. This is particularly important if you plan to purchase a living annuity on retirement.





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### Fund details

#### Registered Office:

Old Mutual Corporate  
1 Mutual Place  
107 Rivonia Road  
Sandton  
2146

#### Administrator's Office:

Old Mutual Corporate  
1 Mutual Place  
107 Rivonia Road  
Sandton  
2146

#### Member Queries:

Tel: 0860 466 466

Email: [isasa@oldmutual.com](mailto:isasa@oldmutual.com)

Principal Officer: Leslie Primo

Email: [leslie.primo@mweb.co.za](mailto:leslie.primo@mweb.co.za)

Funds' registration numbers at the  
Financial Sector Conduct Authority:

Retirement Fund (Part I and Part II): 12/8/11388

Provident Fund: 12/8/20855/1

### Contacting the Funds via WhatsApp

We are waiting to be **of service** to members.

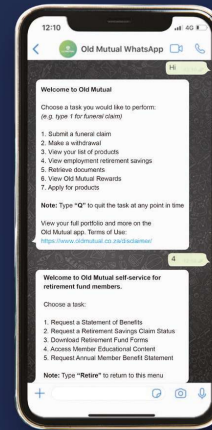
**WhatsApp: 0860 933 333**

*Get your fund updates super easy!*

You now have access to valuable information about  
your retirement benefits right at your fingertips:

**Track a claim.**  
Check the status  
or progress of  
a claim you've  
lodged.

**Beneficiary  
nomination form.**  
Download  
the latest  
beneficiary  
nomination form.



**Annual  
Member Benefit  
Statement.**  
Instantly access  
your annual  
Member Benefit  
Statement.

**Check your  
statement of  
benefits.**  
A useful summary  
of your current risk  
benefits and total  
fund savings  
value.

Save the Old Mutual WhatsApp number **0860 933 333** to your phone as a contact  
or scan the **QR code** below to do so.  
To use the service, type **'ISASA'** and send.



### Call to Action

Check that Old Mutual has your correct cell number.

You are reminded that the cell number submitted  
to Old Mutual via the school payroll  
is the number that is linked to the WhatsApp access.