



DURBAN PENSION FUND GUIDELINES FOR RETIRING MEMBERS

6th Floor
Florence Mkhize Building

**251 Anton Lembede (Smith) Street
Durban 4001**

Telephone : 031 311 1611

1. PENSION

The pension calculation is based on three factors:-

- a) your length of pensionable service;
- b) your final annual average pensionable salary earned during the last year of service; and
- c) the factor applicable to your age at retirement as per following table:

Age	65	64	63 (or 40 yrs qualifying service)	62	61	60	59	58	57	56	55
Factor	2.475%	2.3625%	2.25%	2.1375%	2.035227%	1.932955%	1.840909%	1.748864%	1.656818%	1.564773%	1.482955%

2. GRATUITY

The amount that you will receive as a gratuity when you retire is also based on three factors:-

- (a) Your length of continuous Municipal Service;
- (b) Your final annual average pensionable salary earned during the last year of service; and
- (c) The factor applicable at your age of retirement as per following table:

Age	65	64	63 (or 40 yrs qualifying service)	62	61	60	59	58	57	56	55
Factor	7%	7%	7%	6.666%	6.333%	6%	5.667%	5.334%	5.001%	4.668%	4.335%

**3. COMMUTATION OF PENSION
(NOT APPLICABLE TO CATEGORY 1 MEDICAL BOARDINGS)**

Your own personal decision:

- (a) The Fund permits a retiring member, if he/she so elects, to commute for a lump sum payment, up to 33,3% of his/her annual pension.
- (b) A lump sum is made available and the annual pension is accordingly reduced by the percentage commuted.
- (c) The value of the lump sum is determined by multiplying the annual pension commuted by a factor based on your age as follows:

Age	65	64	63 (or 40 yrs qualifying service)	62	61	60	59	58	57	56	55
Factor	9.57	9.89	10.2	10.51	10.82	11.13	11.43	11.74	12.04	12.33	12.62

3.1 ADVANTAGES OF COMMUTATION

- (a) An additional lump sum benefit on retirement.
- (b) Whether you commute or not, the amount of the spouse pension payable on death will be unaffected.
- (c) Reduction on average/marginal tax rate.

3.2 DISADVANTAGES OF COMMUTATION

- (a) Lower monthly pensions.
- (b) Lower annual bonus.
- (c) All future increases based on lower base pension.
- (d) Additional lump sum amount subject to tax

3.3 REASONS FOR COMMUTING

- 1) you wish to pay off an interest bearing debt.
- 2) to reduce tax payable.
- 3) if the income earned from the commutation exceeds the pension forfeited.
- 4) to maximise benefit payable in the case of early death.

3.4 SHOULD I COMMUTE?

You should take the following into account:-

- (a) Your ability to make sound investments and particularly investments which will give you capital growth over a period of years to offset at least some of the effects of inflation. (Your pension is at least partially inflation-protected by the annual increases paid by the Fund).
- (b) The need to monitor your investments on a continuous basis in case the need arises to switch out of one of the investments into another in order to protect your capital.
- (c) The affect of the payment of tax on your investment earnings. This will depend on your tax bracket and nature of your earnings.
- (d) The fact that the commutation of your pension does not affect the pension payable to your spouse.

You should think very carefully before investing in any interest bearing type of investment (eg. Fixed deposit, participation bond, mortgage bond, Government stocks, tax free deposits, etc.), where the income from the investment and the capital value of the investment may not increase over the years, and where taxation and inflation absorb a part of what otherwise looks like an attractive investment.

Whilst you may initially be well off with this type of investment, the return may not increase in line with your living costs which increase with inflation, making it more difficult as the years go by to meet your living expenses from the income.

You are strongly advised to seek the advice of a reputable registered financial adviser to assist you in the above regard.

4. **WHAT YOU HAVE TO DO BEFORE YOU RETIRE**

Retiring members must contact the Fund=s office at least 6 weeks prior to retirement with the following documents/details:-

1. Identity Document
2. Spouse=s Identity Document
3. Marriage Certificate/Certificate of Customary Union
4. Children=s/Students= Identity Documents
5. Bank Account Number
6. Postal and Residential Address
7. Tax Number **(As the Fund is obliged to obtain a tax directive from SARS prior to any lump sum benefit being paid it is important that members ensure that their tax affairs are in order to avoid unnecessary delays in obtaining this tax directive.)**
8. Current Payslip
9. Passport size photo for pensioner=s card

Should you have any queries in the above regard please contact:-

Ms Thando Sokhela - Tel : (031) 311 1605
Ms Rabia Moosa - Tel : (031) 311 1604

5. **AFTER YOU RETIRE**

- 5.1 Your gratuity (and commutation if applicable) will be paid electronically into your nominated bank account.
- 5.2 The following amounts may be deducted from monthly pensions:
 - (a) Medical Aid - if you are a member of a medical aid scheme you will need to make contact with your medical aid should you wish to continue your membership.
 - (b) Tax on monthly pension, if applicable.
 - (c) Durban Municipal Thrift Fund savings
- 5.3 Every year in June/July you will be posted a Pension Continuation Certificate. To avoid suspension of pension payments this certificate must be completed and returned promptly together with a copy of your identity document. If your pension is suspended it will only be reinstated in the month following receipt of your completed Pension Continuation Certificate. Should you not receive this certificate by the end of July you should make contact with the Administrator.
- 5.4 Advise the Fund timeously and in writing of any change of banking details and personal particulars.
- 5.5 Contact the Fund whenever you have a problem with your pension.

- 5.6 With the exception of December pension, your pension will be paid into your nominated bank account on the 27th of each month, or the closest working day prior to the 27th if the 27th falls on a weekend or a public holiday. December pension will be paid on the second working day prior to the 25th December.
- 5.7 You will be provided with a pay advice on your first pay month and thereafter only when there is a change in your net pension, e.g. July (increase), November (bonus), etc.

6. **ANNUAL BONUS**

An annual bonus is paid in November each year. The bonus paid is equal to the actual pension paid in that month. The first bonus payable is in proportion to the number of months that the member has been on pension in the preceding 12 month period.

7. **ANNUAL INCREASES**

Increases in pensions are granted from 1 July each year. The Fund's pension increase policy is to increase pensions in line with the average monthly increase in the consumer price index over the previous 12 months ended the prior January of each year. Any increase in pensions is subject to affordability. The eThekweni Municipality has however agreed to guarantee that pensions will be increased each year by at least 60% of the increase in the consumer price index. In terms of the current increase policy pensions are therefore increased by a maximum of 60% and up to 100% of the consumer price increase subject to affordability.

8. **BENEFITS ON DEATH OF A PENSIONER**

- 8.1 The widow/widower of a pensioner will initially be entitled to the same pension as the deceased pensioner for a period of three months and thereafter will receive 60% (40% if married after retirement) of the pensioner's pension prior to commuting.

The table below provides examples of the widow/er pensions payable in various circumstances:

% Commuted at Date of Retirement	% of Deceased Member's Pension Payable to Widow/er	
	Married Before Retirement	Married After Retirement
0%	60%	40%
10%	66.7%	44.4%
25%	80%	53.5%
33 $\frac{1}{3}$ %	90%	60.0%

- 8.2 Child pensions will also be payable if the child has not been married and is:-
- less than 18 years of age; or
 - up to 24 years of age if still in full-time study.

8.3 The calculations of the widow/widower pension may only commence once the fund is in receipt of the following documents:

- (a) certified copy of death certificate
- (b) marriage certificate
- (c) banking instructions of widow/widower
- (d) widow/widower=s identity document
- (e) children's identity documents and proof of schooling if over 18 years of age.

The administrative process of bringing a widow/widower onto the pay system following the death of a pensioner does take time and alternative provision should be made to meet monthly expense for up to 2 months following the death of the pensioner.