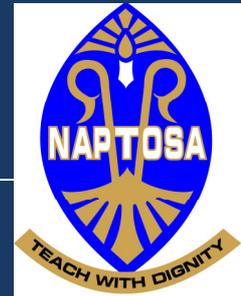




WHATZUP? (4)



RESIGNATION BENEFIT IMPROVED

17 NOVEMBER 2012

Dear Whatzuppy, 28 February 2013 will be my last day of work (I have resigned) and I am busy completing all the pension forms. On one of the forms I have to indicate which one of two options I choose. Which option should I consider? Peter F

Whatzuppy answers: I am unfortunately not a financial consultant and cannot advise you on that one, but I may be able to assist by giving some information.

When a state employee (member of the Government Employees Pension Fund (GEPF) resigns, he/she must choose between Option 1 and 2 (as you rightly said). Option 1 consists of a cash amount (resignation benefit) paid directly into the employee's bank account. Option 2 means that the employee's actuarial interest will be transferred (the full amount) to an approved pension fund of his/her choice. Depending on the rules of the approved fund, 1/3rd of the actuarial interest could be paid out to the employee when he/she reaches the age of 55.

Until 1 April 2012, in most cases, the cash amount (Option 1) was significantly less than the actuarial interest (Option 2). However, on 1 April 2012 the relevant rule was changed. The new rule entitles a member to a resignation benefit which is the higher of either the cash resignation benefit (Option 1) or the member's actuarial interest (Option 2), irrespective of whether the member chooses the transfer to an approved fund or not.

BUT (there is always a "but", isn't there?), before you make your choice, you **MUST** look into the tax implications. The two benefits (although the same amount) are not taxed the same way. You will most probably pay much more tax on the cash resignation amount.

Words of wisdom from Whatzuppy: Talk to knowledgeable people (consultants) before you take any decision!