

3. Draft Government Notices on living annuities

Two draft Notices regarding living annuities were issued for comment, as well as Explanatory Notes on these. The two draft Notices entail the following:

Draft Notice allowing changing of drawdown percentages during May - August 2020

For a limited period of 4 months, beginning 1 May 2020 and ending on 31 August 2020, living annuitants may increase or decrease the percentage of the capital they receive as annuity income instead of waiting up to one year until the next “anniversary” of the living annuity. During this period the maximum percentage will be 20% and the minimum 0.5% (currently the maximum is 17.5% and the minimum 2.5%).

It should however be noted that most funds providing in-fund living annuities prescribe much lower maxima than the aforesaid statutory maximum. These funds may also have to amend their rules to allow the adjustment of drawdown percentages during the 4 months period even if the anniversary date of a particular living annuity does not fall within this period.

According to the Explanatory Notes *“any elections made during this period will only be applicable for the above mentioned four-month period. The lapsing of this period will result in the draw down rates automatically reverting to the rates applicable before said election.”*

The Explanatory Notes also state the following:

“Individuals whose anniversary date falls within the proposed four-month relief period, beginning 1 May 2020 and ending on 31 August 2020 may elect to amend their draw down rate either in accordance with the existing provisions of the current GN290, Government Gazette 32005 of 11 March 2009 (thereby making their election valid until their next anniversary date), or in accordance with the above-mentioned proposal, which applies for a limited period of four months, (thereby resulting in their draw down rate automatically reverting to the draw down rate elected at their previous anniversary date after the four-month period).”

Draft Notice increasing the de minimis amount

Currently the full remaining value of the living annuity capital may be paid as a lump sum when the value thereof at any time becomes less than either R50 000 (where part of the retirement interest was commuted upon retirement) or R75 000 (where there was no previous commutation). The proposal is that the said “de minimis amounts” of R50 000 or R75 000 be replaced by a single threshold of R125 000 from 1 March 2020 onwards (i.e. not only for the 4 month period).

It is expected that the final Notices will be published shortly.