

Guide for new members

Section A

The University of Stellenbosch Retirement Fund (USRF) offers retirement and death benefits to members and their dependants with the aim to offer them the best benefits available for the contributions paid.

This document summarizes the benefits that the USRF offers, framed as questions and answers, and provides examples of how benefits are calculated. Please keep in mind, however, that this is only a summary; the full particulars are contained in the official rules of the USRF, which are available at the Human Resources Division (HR) upon request. In case of a discrepancy between this document and the official rules the stipulations of the rules will prevail.

If you find anything in this guide unclear or require further information, please contact HR Client Services Centre +27 (0) 21 808 2753 / sun-e-hr@sun.ac.za

1. Contributions

Q&A

1.1 What portion of my remuneration is used to calculate contributions?

Contributions are calculated based on your pensionable salary. Pensionable salary is 75% of your total cost of employment. In the rest of this document, the expression 'pensionable salary' will be used to refer to this portion.

1.2 If my pensionable salary is adjusted, when are the USRF contributions and benefits recalculated?

Contributions and benefits are recalculated as from the first day of the month in which your pensionable salary is adjusted.

1.3 How much do I contribute to the Fund?

The minimum contribution to the Fund is 5% of pensionable salary. You may however select to contribute up to 35% of pensionable salary.

Once a year you have the opportunity to restructure your remuneration package by selecting one of the contribution categories below:

Employer contributions as % of your pensionable salary	
5.0%	22.5%
7.5%	25.0%
10.0%	27.5%
12.5%	30.0%
15.0%	32.5%
17.5%	35.0%
20.0%	

1.4 May I make additional contributions?

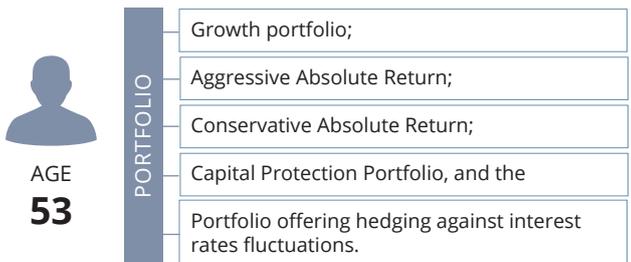
Yes, if you already contribute at a rate of 35% of pensionable salary.

1.5 How will my contributions be invested?

Your money will be invested in the Growth portfolio up to the age of 60. Thereafter it will be moved from a high-growth / high-risk to a low-growth / low-risk portfolio according to a Lifestage Strategy.



From the age of 53, members can also choose to invest their fund value in the following portfolios:



The Fund also offers a Shari'ah investment portfolio option to members who wish to invest their fund value in accordance with the principles of the Islamic religion.

2. Retirement Benefits

2.1 What is the normal retirement age?

You must retire by December of the year in which you turn 65, or as stipulated in your employment contract with SU.

2.2 What will my retirement benefit consist of if I retire at the normal retirement age?

Your retirement benefit is the value of your USRF fund credit.

Your USRF fund credit consists of the sum of the following amounts:

- 2.2.1 contributions made to the Fund in respect of your retirement benefit;
- 2.2.2 additional contributions that you have made to the Fund in respect of your retirement benefit;
- 2.2.3 transfers made from other funds;
- 2.2.4 the credit amount also increases or decreases according to the investment income.

2.3 May I retire before the normal retirement age and, if so, how would that affect my benefits?

You may retire at any point after having turned 55 years, subject to SU's approval. The value of the early-retirement benefit is your USAF fund credit.

2.4 What options will I have at retirement?

- You may defer your retirement from the USRF i.e. take your retirement benefit at a later stage, if you plan to pursue a second career after your retirement from the University.
- You may take all or a part of your retirement benefit as a cash lump sum and buy an annuity (pension) with the part not taken in cash at that stage.
- You may transfer your retirement benefit to a retirement annuity fund.

3. Death Benefit After Retirement

Is any benefit payable if I should die after having retired?

The USRF provides no post-retirement death benefits. The payment of death benefits to your spouse and dependants after your retirement depends on the stipulations of the pension product (if any) that you took out with an insurer at the time of your retirement. Therefore, pension products are an important aspect of retirement that you should consider.

You will be entitled to cover under the Group Life Insurance Scheme for the amount that you qualify for.

4. Death Benefits Before Retirement

4.1 What benefits are payable if I should die before the normal retirement age and while I am in SU's employ?

4.1.1 USRF fund credit

Your full USRF fund credit is payable, minus any costs incurred in order to discover potential beneficiaries. This amount will be paid out to your dependants or beneficiaries (or both) as determined by the USRF trustees.

If you have decided **not** to opt out of the approved death cover offered by the Fund, the following will also be paid:

4.1.2 Spouse's pension

The pension payable to your spouse is equal to 35% of your pensionable salary, for life. The pension will increase with CPI in January of each year.

4.1.3 Children's pension

Pension for children is equal to 10% of your pensionable salary, and is payable for each dependent child but limited to three dependent children at any given moment. Should no pension be payable to a spouse, the amount of the children's pension will be doubled. The pension will increase with CPI in January of each year.

A 'dependent child' is your child – also a legally adopted child and a stepchild – who meets the following criteria: unmarried, under 18 years of age and dependent on you at the time of your death. The trustees may determine that the age restriction be raised from 18 to 25 years in the case of a child who studies full-time. If the child was completely dependent upon you for medical reasons, the age limit may be dispensed with.

4.1.4 The **minimum** death benefit payable is twice the amount of your annual pensionable salary.

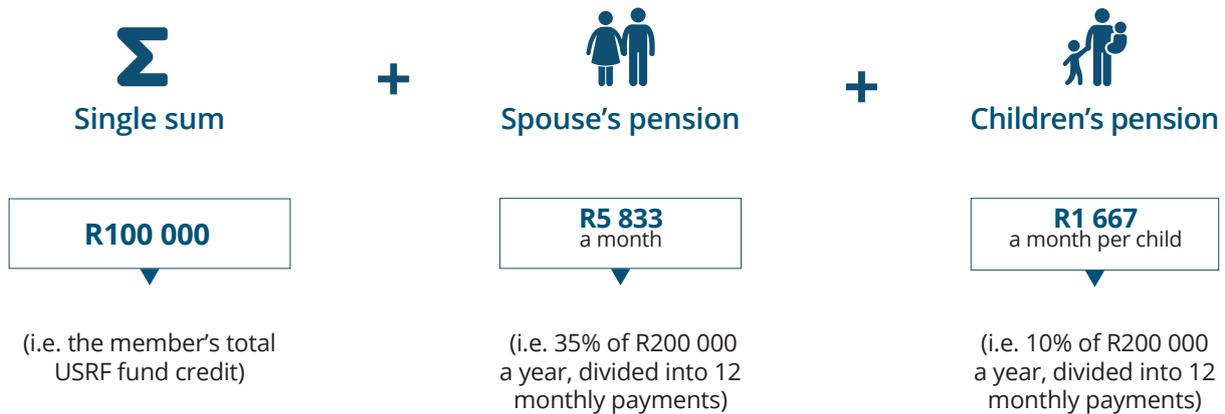
Should the value of the pension payable to a spouse or children (or both) come to a smaller amount than the minimum death benefit, an additional amount will be paid out to your dependants to cover the difference.

4.2 How are benefits paid out?

The USRF fund credit is paid out in cash, subject to the final decision of the trustees of the Fund. Please be sure to keep your nomination form up to date; it simplifies the trustees' task of allocating the single-sum death benefits.

EXAMPLE

A USRF member who is married with children dies with a pensionable annual salary of R200 000 and a USRF fund credit of R100 000. The following benefits will be payable to the deceased's dependants or nominated beneficiaries (as determined by the trustees):



4.3 Is there an option to convert spouse's and children's pension (death benefit) to a personal life policy upon termination of employment?

The Fund's current insurance agreement offers you the option to take out a personal life insurance policy upon termination of your employment without requiring proof of good health. The personal life policy will be issued by the insurer who underwrites the USRF's death benefits, and the premium amount will be calculated according to your age at the time of conversion. If you want to make use of this option, you have to do it within 31 (thirtyone) days after having left SU's employ.

5. Termination benefits

5.1 What benefits are payable if my employment at SU should be terminated?

In the case of normal resignation, as well as termination of employment due to the abolition of your position, your USRF fund credit is payable.

5.2 What are my options at termination of employment?

- You can preserve your fund credit in the Fund.
- You may transfer your fund credit tax free to another approved provident fund, preservation fund or retirement annuity fund.
- You can take the full amount in cash, but tax will be payable.

6. General

6.1 Am I granted a tax break regarding my contributions?

The contributions that the employer made to the USRF are taxed in your hands. You do, however, receive a tax deduction regarding the benefit of up to 27,5% of your total taxable income, the latter including personal annuities to a maximum of R350 000 per year.

6.2 Am I taxed on the USRF benefits that are payable to me?

All once-off benefits are taxable, but the Income Tax Act provides for certain tax-free amounts (e.g. a portion of the benefit due upon either retirement or resignation is exempted from tax).



Section B

The Income Insurance Scheme offers monthly income benefits to members who are declared by the insurer to be unfit for work. All USRF members are covered automatically under the SU Income Insurance Scheme (the Disability Scheme).

1. Premiums

SU pays as part of your cost to company all contributions and premiums regarding the Disability Scheme.

2. Disability benefits

2.1 What happens if I should become disabled?

If the insurer has declared you medically disabled, you are entitled to a disability benefit under the Disability Scheme after the waiting period has expired.

After twelve months (or as insurer determines) have expired, the Scheme must consider whether you will be able to pursue a similar profession for which you may be declared fit, or for which you may reasonably be expected to receive training – taking into account the degree of your disability as well as your personal knowledge, training and level of education.

PLEASE NOTE: The meaning attached to 'disability' is set out in full in the official insurance policy, of which you may request a copy. This guide is only a general summary of the policy benefits. Please consult the policy document itself for the precise formulation of the benefits under the policy. All claims are submitted to the insurer underwriting this Scheme, and the insurer's decision to approve or reject a specific claim for disability is final.

2.2 When does the disability benefit become payable?

It becomes payable after the insurer has declared you medically unfit for work and a waiting period of three months has expired. During the waiting period, SU must continue to pay your full remuneration, provided that you have sufficient leave available.

2.3 How is my disability benefit calculated?

This benefit is equal to your monthly pensionable salary (subject to such limitation as the insurer may set). If you want to take out cover that exceeds the Scheme's proof free limit, you have to provide the insurer with medical proof of insurability before such cover will be extended.

EXAMPLE

Situation:



(a) For the past three months, a USRF member has been unable to perform his usual job due to illness, and the insurer has granted a claim for disability benefits.



(b) The annual cost of employment at the date of onset of the disability is R240 000 (R20 000 a month), so the annual pensionable salary (75% of the cost of employment) is R180 000 (R15 000 a month).

The monthly disability benefit, therefore, is R15 000, payable as from the fourth month after disability has been approved. The benefit will be paid tax free.

Should you earn income from additional sources, or should the insurer reckon in terms of the insurance policy that you are able to earn additional income, the disability benefit may be reduced accordingly. The insurer may request at any time that you provide medical evidence to prove that you are still unfit for work. Payment of any disability benefits depends on your abilities; the actual availability of employment opportunities is not taken into account.

2.4 What happens to my USRF membership while I receive disability benefits?

While disability benefits are being paid out, you remain a full USRF member and SU will continue to contribute to the Fund according to your pensionable salary. In other words, you retain your death benefits as if you are still fully employed.

2.5 When would payment of disability benefits be discontinued?

The disability income comes to an end in the following circumstances:

- 2.5.1 upon your death;
- 2.5.2 if the insurer concludes, after due consideration and with reference to the definition of 'disability' in the policy document, that you are no longer medically disabled; or
- 2.5.3 upon your reaching the normal retirement age.

2.6 Will my disability income increase over time?

The benefit increases annually by the increase in the consumer price index.