



# University of Stellenbosch Retirement Fund (USRF): Guide for New Members

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## The essence of the guide

Provide new USRF members with information.

### 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 explains in brief 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.

## 1. Membership

### 1.1 Who may join the USRF?

All permanent employees of Stellenbosch University (SU), the Bureau of *Woordeboek van die Afrikaanse Taal* ('Dictionary of the Afrikaans Language'), UNISTEL Group Holdings (Pty.) Ltd., USB Executive Developments Ltd. (USB-ED) and SUSPI (Pty.) Ltd. may join the USRF, except for:

- 1.1.1 employees who are obliged under their terms of employment to belong to another retirement fund; and
- 1.1.2 employees who used to belong to either of the following two pre-existing funds up to their being appointed at SU, and who upon appointment preferred to remain members of the fund concerned: the Associated Institutions Pension Fund, and the Temporary Employees Pension Fund.

## 2. Contributions

### 2.1 What portion of my remuneration is used to calculate contributions?

Contributions are calculated based on the pension-bearing portion of your remuneration, plus any other contribution that SU may have determined. In the rest of this document, the expression 'pension-bearing salary' will be used to refer to this portion.

### 2.2 If my pension-bearing 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 pension-bearing salary is adjusted.

### 2.3 How much do I contribute to the Fund?

You pay no contribution to the USRF. The University pays a basic contribution regarding all employees who are USRF members, calculated as 10% of your personal pension-bearing salary plus the cost of a pension for your spouse and children. (Details set out in paragraph 5.)

Also, once a year you have the opportunity to restructure your remuneration package by selecting one of the contribution categories below, for which you must pay additional contributions to the USRF according to the scale below:

<b>Member category</b>	<b>Additional employer contributions as % of your pension-bearing salary</b>
C	5,0%
D	7,5%
E	10,0%
F	12,5%
G	15,0%
H	17,5%
I	20,0%
J	22,5%
K	25,0%

### 2.4 May I make additional contributions?

Yes. Since 2011, USRF allows you under Amendment 5 to the rules to make additional voluntary contributions within certain limits and based on your pension-bearing income after tax.

## 3. Retirement benefits

### 3.1 What is the regular retirement age?

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

### 3.2 What will my retirement benefit consist of if I retire at the regular age?

Your retirement benefit is the pension that the USRF or a registered insurer is willing to offer you, based on the value of your USRF credit. Alternatively, you may draw the full amount of your credit from the Fund and decide for yourself what to do with it. However, the trustees reserve the right to reject your request to commute your benefit in this way if they see sufficient reason for such refusal. In that case, you may withdraw at most one third of your USRF credit in cash. The remaining two thirds must be used to buy a pension product.

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

3.2.1 contributions that SU has made to the Fund in respect of your retirement benefit,

3.2.2 contributions that you have made to the Fund in respect of your personal

retirement benefit,

3.2.3 any contributions allocated to you from the Retirement Reserve Account, and

3.2.4 transfers made from other funds;

3.2.5 the credit amount also increases or decreases according to the investment income.

3.3 May I retire before the regular 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 calculated in the same way as described at 3.2 above.

## **4. 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.

## **5. Death benefits before retirement**

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

5.1.1 USRF credit

Your full USRF 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.

5.1.2 Spouse's pension

The pension payable to your spouse if you die while in SU's employ is equal to 35% of your pension-bearing salary.

5.1.3 Children's pension

Pension for children is equal to 10% of your pension-bearing 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. 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 over 18 who studies full-time. If the child was completely dependent upon you for medical reasons, the age limit may be dispensed with.

5.1.4 A **minimum** death benefit that equals twice the amount of your pension-bearing salary is payable, whether you had a spouse or children, or not.

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.

## 5.2 How are benefits paid out?

Pensions for your spouse and children are payable on the first day of every month, as from the first day of the calendar month following your death. The USRF 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 pension-bearing annual salary of R200 000 and a USRF credit of R100 000. The following benefits will be payable to the deceased's dependants or nominated beneficiaries (as determined by the trustees):

Single sum:	R100 000 (i.e. the member's total USRF credit)
Spouse's pension:	R5 833 a month (i.e. 35% of R200 000 a year, divided into 12 monthly payments)
Children's pension:	R1 667 a month per child (i.e. 10% of R200 000 a year, divided into 12 monthly payments)

**PLEASE NOTE:** Following the terrorist attacks in the USA on 11 September 2001, reinsurers worldwide began to incorporate certain exemption clauses in their reinsurance agreements with large insurance companies. Consequently, South African insurers have had to apply the same exemptions as their policy agreements came up for review. The USRF's insurer, too, has incorporated certain exemptions regarding war and terrorism in USRF policy documents.

## 6. Termination benefits

### 6.1 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 credit must be paid out (see 3.2 for the definition of 'USRF credit').

### 6.2 When are the cash benefits under a USRF policy paid out?

The Administrators try to pay the withdrawal benefit within six weeks of your last work day, provided that the necessary tax directive has been received from your local tax office.

## 7. Further options

### 7.1 Option to conserve retirement benefits upon termination of employment

You may transfer your termination benefit **tax free** to another approved provident fund, conservation fund or retirement annuity fund.

## 7.2 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. *Please note:* This agreement does not form part of the core benefits offered by the USRF, and may have been terminated by some future date. 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 (thirty-one) days after having left SU's employ.

## 8. General

### 8.1 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. Your contributions to the Fund are treated as regular deductions, and form part of the tax-free component of your benefit upon retirement or resignation.

### 8.2 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 have become completely disabled and 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 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 for a period of twelve months after the waiting period has expired. At the end of those twelve months, the benefit will continue to be paid only if you cannot perform the functions of a similar profession that you could reasonably be expected to perform.

After twelve months 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.

**Should the summary in this guide and the policy document contradict each other, the stipulations of the policy will prevail.**

#### 2.2 When does the disability benefit become operative?

It becomes operative 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 pension-bearing salary (subject to such limitation as the insurer may set). If you want to take out cover that exceeds the Scheme’s no-proof 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 pension-bearing 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.

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 total personal pension-bearing salary. In other words, you retain your death benefits as if you are still fully employed. When you reach the regular retirement age, the disability benefit is discontinued and the USRF will start paying you the regular retirement benefit.

#### 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;

2.5.3 upon your reaching the regular retirement age; or

2.5.4 upon your retirement at an earlier date than the date meant in 2.5.3.

#### 2.6 May the cause of my disability result in my forfeiting my right to a disability income?

You will have no right to the disability benefit if your disability can be attributed to or has been caused or hastened or exacerbated – whether directly or indirectly – by one or more of the following:

2.6.1 war, terrorism, invasion, acts by a foreign enemy, hostilities (whether war has been declared or not), civil war, martial law, rebellion, revolution, insurrection, a military or power coup, riots or civil unrest; and

2.6.2 an illness, accident or injury of the following nature:

2.6.2.a for which you received treatment or medication during the six months preceding the date of joining the Fund, or

2.6.2.b which you were suffering from at the date of joining the Fund;

provided that the onset of disability occurred within twelve months of your joining the USRF.

#### 2.7 Will my disability income increase over time?

The benefit increases annually by either 10% or the increase in the consumer price

index – whichever is the smaller of the two.

## Related documents

<b>Item number</b>	<b>Document name</b>	<b>Status</b> <i>(e.g. identified, in process or approved)</i>
DV0406	Benefits	Approved
RM0376	Overview of the USRF's investment framework	n.a.
RM0378	USRF: Guide to the Retirement Process	n.a.
RM0379	USRF: Guide to the Withdrawal Process	n.a.