

A Member's Guide to the Rhodes University Pension Fund

This booklet is intended to enable you to familiarise yourself with the benefits to which you are entitled in terms of the Rhodes University Pension Fund.

It must be clearly understood that this information does not constitute the formal Rules of the Fund. It follows, therefore, that this information does not bind the University in any way, and the terms and conditions incorporated in the formal Rules will always overrule the information contained in this booklet.

Should you require any further information regarding these benefits, you should contact the Human Resources Department.

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1. What is the Pension fund?

The Rhodes University Pension Fund is a "defined benefit" fund. When you retire from a defined benefit fund, you receive a pension which is calculated using a formula defined in the Rules of the Fund. This formula takes account of the length of your membership of the Fund and your salary at retirement.

The contributions paid into the Fund by you and Rhodes University, and the investment returns achieved by the Fund's investment managers, have no direct impact on the value of

your benefits on retirement. Rhodes University is responsible for ensuring that there is enough money in the Fund to pay out the retirement benefits promised in the Rules, which means Rhodes University carries the full investment risk.

At retirement, you may elect to take a monthly pension or a monthly pension and a lump sum.

2. Who is eligible to join the pension fund?

It is compulsory for those staff appointed to permanent established posts to join either the Rhodes University Pension Fund or Rhodes University Provident Fund.

3. How much do I contribute?

You are required to contribute 7.5% of your monthly pensionable salary towards your retirement benefits. These contributions are tax deductible.

4. How much does the University contribute on my behalf?

The University pays the balance of the cost for providing your pension benefits plus the cost of death and disability benefits and administration.

5. When do I retire?

You qualify for retirement on the last day of the year in which you attain normal retirement age. Your normal retirement age means age 65 for all members subject to any service agreements in existence on 1 January 1995 which provided for a minimum retirement age of 60.

6. What is my benefit at normal retirement date?

You will receive a pension at normal retirement date related to your service and earnings. Your pension is calculated as follows:

2.7% multiplied by your pensionable service and then multiplied by your final average salary. Your final average salary means the average of your pensionable salaries over the last twelve months preceding your retirement date.

For example, if you have 25 years' pensionable service and your final average monthly salary is R5 000, your monthly pension will amount to R3 375 ie. 2.7% of R5000 x 25 = R3375.

Your pension will commence at the end of the calendar month following the month of retirement and continue until your death.

You may elect on retirement to exchange up to one-third of your pension for a cash sum. The commuted value will depend on your age.

At the discretion of the Trustees pensions payable for the Fund may be increased from time to time to counteract the effects of inflation.

7. May I retire earlier than my normal retirement date?

You may retire at any stage after attaining the age of 55. Your monthly pension will commence on the last day of the following month after retirement date and will be calculated using the formula in Clause 6, calculating your pensionable service and final average salary to your early retirement date. This amount will then be reduced by 0.25% for each month that your date of early retirement precedes your normal retirement date. (The 0.25% reduction may be waived if your early retirement is at the request of the University.)

8. May I retire later than my normal retirement date?

You may retire later than your normal retirement date, with the University's approval but no later than 68 years of age. You will continue to contribute, as will the University, to the Pension Fund. When you do retire you will receive a monthly pension calculated using the formula in Clause 6 but calculating your pensionable service and final average salary to your late retirement date increased by a percentage determined by the Actuary, for each month after normal retirement date.

9. What benefit is payable if I become disabled?

You will be entitled to an income from the disability scheme, payable after a waiting period of 6 months, equal to 75% of your monthly pensionable salary subject to an overall maximum benefit of R100 000 per month until your normal retirement date. The disability benefit will escalate annually at a rate equal to the lesser of 5% and inflation, (CPI). You will remain a member of the Fund and continue to contribute as will the University and you will retire at your normal retirement date.

10. What benefit is payable if I die in service before normal retirement date?

If you die your spouse / dependant will receive:

- A lump sum equal to 2 times your annual pensionable salary.
Plus
- Any money transferred from the AIPF on your account as at 1 September 1995 plus interest at a rate decided on by the Trustees of the Pension Fund (currently 6%).
- In addition your spouse and children will receive the following pensions:
Spouse - 40% of your pensionable salary.
Children - 10% of your pensionable salary per child (maximum 3).
- In the event of you not having an eligible spouse or eligible child, a lump sum benefit payable to your beneficiaries shall be subject to a minimum of your accumulated contributions, plus your transfer value.

11. What benefit is payable if I die after normal retirement date?

If you are married your spouse will also receive a monthly pension for the rest of his/ her life equal to 50% of your pre-commutation pension plus subsequent increases. If your death occurs within 60 months of your retirement date, a lump sum equal to 50% of the balance of 60 monthly pension payments will be payable.

12. What benefit is payable if I leave the University's service before normal retirement date?

If you resign, you will be entitled to a cash amount of the minimum individual reserve as calculated by the actuaries.

OR

You may elect to receive a deferred pension, calculated on the formula as for normal retirement but based on your service and salary at date of leaving service. This pension would be payable from normal retirement date.

OR

You may elect to transfer the actuarial reserve value to another Retirement Annuity Fund or Pension Fund subject to the approval of the Trustees.

13. Can I make additional contributions?

You may make additional voluntary contributions to the Fund. The additional voluntary contributions will be treated as a defined contribution allocation and would be rolled up with fund return up until the date of exit from the Fund. Upon retirement, this amount will be used to purchase an additional pension or, if the member exits prior to retirement, the value will be paid out as part of the withdrawal benefit.

14. Can I transfer amounts in from other funds?

You may transfer into the Fund any cash amount to which you may become entitled by your prior participation in some other Fund, in order to acquire additional pension benefits.

This value will be treated as a defined contribution allocation and will be rolled up with fund return up until your date of exit from the Fund. Upon retirement, this amount will then be used to purchase an additional pension or, if you exit prior to retirement, the value will be paid out as part of your withdrawal benefit.

15. General information.

Further information regarding retirement planning and personal financial planning is available from the University's Pension Fund consultants – Alexander Forbes – who can be contacted in Port Elizabeth at telephone 041 392 8300.

