



RHODES UNIVERSITY PENSION FUND

MEMBER BOOKLET



CONTENTS

| | |
|-----------------------------|---|
| Introduction | 1 |
| Defined Benefit Fund | 1 |
| Contributions | 1 |
| | |
| Benefits for the future | |
| Benefit on retirement | 2 |
| Cash option | 3 |
| Examples | 3 |
| | |
| Benefits Now | |
| Benefits on leaving service | 4 |
| Benefits on death | 4 |
| Benefits on disability | 5 |
| | |
| Other information | |
| Important reminder | 6 |
| Personal Financial Planning | 7 |
| Fund Management | 7 |



INTRODUCTION

Planning for your retirement is an important part of ensuring that you are financially secure when you stop working. The Rhodes University Pension Fund helps you plan ahead by ensuring that you receive a regular income (or pension) when you retire. The Fund, however, does more than just provide you with a pension on retirement. It also provides you and your family with a level of financial assistance through its death, disability and withdrawal benefits.

DEFINED BENEFIT 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.

CONTRIBUTIONS

Your contributions - Each month, you contribute 7.5% of your monthly pensionable salary into the Fund. (Rhodes University deducts this amount from your salary and pays it directly into the Fund)

Employer contributions – Rhodes University contributes to the Fund on a monthly basis at a rate determined by the Fund Actuary. This contribution covers the balance of the Fund expenses and changes from time to time.

Annual Pensionable Salary – Your basic salary or wages, including your 13th cheque.



BENEFITS FOR THE FUTURE

BENEFITS ON RETIREMENT

(a) Normal Retirement

2.7% X Final Average Salary X Pensionable Service

Normal Retirement Age

65 for all members

Final Average Salary

The average of your Pensionable Salaries over the 24 consecutive months preceding your date of retirement

Pensionable Service

Years of membership of the Rhodes University Pension Fund

(b) Early Retirement

Members may retire early after attaining age 55 years, the pension payable is calculated as in (a) above but reduced by one-quarter% for each month early. Members at 1 January 1995 may retire at any time after age 60 without any reduction.

(c) Late Retirement

A member may remain in service after having reached his Normal Retirement Date but not later than age 68 years. The pension payable is the pension he would have been entitled to had he retired at his Normal Retirement Date increased at a rate determined by the Actuary. The member continues to contribute to the Fund after his Normal Retirement Date.

(d) Ill Health Early Retirement

A member who is in ill-health may, subject to the consent of the Trustees, retire at any time prior to his Normal Retirement Date, provided that:



- The member does not qualify for a benefit from the Disability Arrangement; and
- The Trustees receive proof satisfactory to them of the Member's ill-health

The Trustees shall be the sole-arbiters as to whether a Member is in ill-health, and should they so decide, the Member shall retire and shall become entitled to a Pension calculated as per(a) above without the reduction factors applying.

CASH OPTION

You may take up to one-third of the value of your pension as a cash lump sum, for you to invest as you wish. However, at least two-thirds of your benefit must be used to provide you with a pension after retirement. If you take a portion of your pension as a cash lump sum, remember that your monthly pension will be reduced.

EXAMPLE

- (a) If member retires at NRA 65, member of the Fund for 15 years, Final Average Salary is R80000, Pension calculated as:

$$2.7\% \times R80000 \times 15 = R32\ 400 \text{ per annum (R2700 per month)}$$

- (b) Assuming a member's NRD is June 2013 and he decides to retire at end of June 2008, at age 60, then the early retirement reduction factors will apply to NRD 31 December 2013, therefore not 60 months early, but 66 months early and pension will be reduced as follows:

$$R32\ 400 - (0.25\% \times 66 \times R32\ 400)$$

$$= R32\ 400 - R5\ 346 = R27\ 054 \text{ per annum (R2254.50 per month)}$$



BENEFITS FOR NOW

BENEFITS ON LEAVING SERVICE

If you resign, are retrenched or dismissed by Rhodes University, you will receive the following benefit:

- A cash withdrawal benefit equal to the Members Accumulated Contributions increased by 10% for each year of Fund membership plus the Member's Transfer Value from the AIPF, if any, increased at 6% per annum compound since 1 January 1995
- If a member elects to preserve his benefit then he will be entitled to the cash withdrawal benefit plus an additional amount equal to 10% of the difference between the cash withdrawal benefit and his Actuarial Reserve Value, for each year in excess of 5 years, subject to a maximum of 100%.

BENEFITS ON DEATH

In service death

A portion of Rhodes University contribution is used to provide important financial protection for your dependants and loved ones if you die while you are working.

Death Benefit payable in service:

- 2 X Annual Pensionable Salary + transfer value from AIPF
- Plus: Spouse's pension of 40% of pensionable earnings at date of death
- Plus: Child pension of 10% of pensionable earnings at date of death, (subject to a maximum of 3 children)

Death cover continues during disablement

Distribution of death benefit is decided by the Trustees – aided by the nomination of beneficiary form.



Death of pensioner

If a Pensioner dies within 5 years of the date of commencement of his pension, an amount equal to 50% of the balance of the Pension payment for that period shall be paid as a lump sum. In addition, there shall be payable:

- A pension to his eligible spouse equal to 50% of his Pension, the Pensioner would have been in receipt of immediately prior to the date of his death had he not commuted any portion of his Pension;
- A designated dependant’s pension if the Member elected an alternative option in terms of Rule 5.7.2;
- If no dependant’s pension is payable and the Pensioner died within 5 years from the date of his actual retirement, the Trustees may, after consultation with the Actuary, pay the equivalent value of the outstanding Pension payments in a lump sum.

Free standing & Voluntary Additional Death Benefits

Permanent employees of Rhodes University – Grade 6 and above enjoy the following additional benefits by way of group life assurance:

| | |
|---|------------------------------------|
| Death benefit | 2 X annual pensionable salary |
| Lump sum disability benefit | 2 X annual pensionable salary |
| | |
| Plus: Voluntary death benefit | 1x or 2x annual pensionable salary |
| The additional 1x or 2x annual pensionable salary is voluntary and not subsidised by your Employer | |

BENEFITS ON DISABILITY

If you couldn’t ever work again because you were badly injured or became very sick, as a member of the Rhodes University Pension Fund, you are covered for disability benefit.

Disability benefit is a monthly income which pays you 75% of your pensionable salary, but maximum benefit of R100 000 per month. The benefit is payable after 6 months, from date of disablement, and the Insurance company has



accepted your disability claim, after the submission of all relevant medical reports.

The first 24 months you are assessed on your own or similar occupation and thereafter on any other occupation. Disability payment will be paid until earlier of:

- Recovery;
- Death; or
- Retirement

Maximum cover age is 65 and during disablement, membership of the pension Fund is retained and the member shall be covered for full death benefit. The annual escalation is the lesser of 5% and CPI.

OTHER INFORMATION

The Fund is committed to helping you achieve a secure retirement, but it can only happen if you spend some time thinking about the future and planning your strategy. We recommend that you speak to a professional financial advisor at least 5 years before you retire so that you know how to make the most of your retirement benefit.

Also speak to a professional financial advisor if you resign or are retrenched. Your withdrawal benefit will be paid to you as a lump sum for you to invest as you wish and a financial advisor will be able to advise you on all the options available to you. (Remember: if you transfer your benefit to an approved pension fund or retirement annuity fund, it will be tax free until you withdraw or retire from that Fund)

IMPORTANT REMINDER

When a member dies, the Trustees have a duty to try and identify all qualifying dependants and nominated beneficiaries. Then, taking into account the relevant circumstances, the Trustees allocate the lump sum benefit in a fair and equitable way.



When a nomination of beneficiary form has not been completed and family members are difficult to contact, the procedure becomes complicated and as a result, there is a delay (anything up to 12 months), before the benefits are paid.

It is therefore vital that you complete a “nomination of beneficiary” form each time when your circumstances change, e.g. divorce, marriage, birth of new child, etc. These forms are available from your Human Resources Department.

PERSONAL FINANCIAL PLANNING

When you retire or withdraw from the Fund, you should speak to a financial expert who will be able to advise you on investing your benefits from the Fund. Alexander Forbes Financial Services have financial consultants who are available to give individual financial advice to all members of the Rhodes University Pension Fund. You may contact Alexander Forbes Financial Services on (041) 3928300.

FUND MANAGEMENT

The Rhodes University Pension Fund is managed by a Board of Trustees, consisting of 5 member-elected Trustees and 5 company-appointed Trustees. The Trustees meet regularly to deal with business of the Fund and have a duty to act in the best interest of the members. If they do not, they can be taken to court or fined.

A professional firm of consultants, Alexander Forbes Financial Services, has been appointed to keep records, advise the Trustees on the investment of the fund’s assets and make payments to members.

| | |
|-----------------------|--|
| Fund Name: | Rhodes University Pension Fund |
| Registration Number: | 12/8/31401 |
| Registration Address: | 256 Cape Road, Newton Park, Port Elizabeth |