



**UNIVERSITY OF
KWAZULU-NATAL**

Retirement Fund

and



**UNIVERSITY OF
KWAZULU-NATAL**

Benefit Arrangement

Member Booklet

Fund Registration Number:
12/8/31608

Registered Address:
University of KwaZulu-Natal,
314 Administration Building,
Westville Campus, Westville, 4041

Updated: March 2017

INTRODUCTION



The University of KwaZulu-Natal Retirement Fund (“the Fund”) was established on 1st January 1995 as a defined contribution provident fund, to help provide Fund members with income during their retirement years. The Fund also provides death benefits in the event of a member’s death whilst in service. In conjunction with the Fund, the University of KwaZulu-Natal Benefit Arrangement (“the Benefit Arrangement”) provides Fund members with disability and funeral benefits.

In South Africa, a state pension is unlikely to provide you with enough money on which to live comfortably throughout your retirement years. Hence building up capital to fund your retirement is important. This takes many years of saving, which is easier and more tax efficient if done through a retirement fund.

This booklet sets out details of the benefits that members enjoy in terms of the rules of the Fund, as well as the disability and funeral benefits provided by the Benefit Arrangement.

It is important for you to understand the benefits that you and your family can expect to receive and you can do this by reading this booklet and asking questions about anything you do not understand. You can access a copy of the most up-to-date booklet on the Fund’s website and its registered rules by going to <http://retirementfund.ukzn.ac.za>. If you have questions you can direct them to the Fund Office, the contact details of which are set out at the end of the booklet.

This booklet is not a legal document and the information provided in it has been simplified to make it easier for members to understand. While every effort has been made to ensure that the details provided are correct, in the event of a conflict, the Fund’s relevant rules and policies and your conditions of service as an employee will apply.

HOW THE FUND OPERATES



The Fund is a Provident Fund, and being a member of a provident fund means that when you retire, your Fund Credit can either be used to purchase an annuity; or can be taken in cash. Your choices and their implications are set out more fully in Section 4.4.

Every month your employer contributes a percentage of your Fund Salary to the Fund and Benefit Arrangement. The total Fund contribution is paid into the Fund's banking account and Alexander Forbes, the current Fund Administrator, credits the amount of your contribution to your Fund Credit.

Your Fund Credit is the accumulation of these monthly contributions towards retirement funding, plus any transfers into the Fund, any additional voluntary contributions you have made, and the investment returns generated.

The Fund has appointed investment managers which invest the total contributions on the Fund's behalf, with the intention of generating investment returns that will increase their value over time. Every day the return from investing your contributions is adjusted on your Fund Credit. Details of the Fund's past returns are available on the Fund's website.

The benefit you receive when you leave service depends on how much was contributed towards your Fund Credit, and how well the Fund's investments have performed. If you are employed on the Total Remuneration Package (TRP) basis, this will also depend on the Fund Salary and contribution level that you choose.

In order to maximise your benefits, the Fund encourages members to choose the highest contribution rate and the highest percentage of TRP as their Fund Salary

1. JOINING THE FUND

1.1 MEMBERSHIP



From 1 October 2012 the following categories of new employees are eligible for membership. Anyone eligible for membership is required to join the Fund.

- a. All new employees appointed to University of KwaZulu-Natal **funded permanent posts on conditions of service specifying membership of the Fund;**
- b. All new employees appointed to University of KwaZulu-Natal **funded posts on fixed-term contracts specifying membership of the Fund;**
- c. Employees employed on permanent or fixed-term contracts by any division of the University of KwaZulu-Natal in **posts funded by another body or organisation on conditions of service which specify membership of the Fund;**
- d. Members of the Fund as at 1 October 2012 continue to be members even if they do not fit any of these categories.

In terms of the UKZN employment policy, if you are employed on a fixed-term contract of two years or more, you are **required** to join the Fund. If you are employed on a fixed-term contract of between one and two years you have an **option** to join the Fund.

1.2 FUND MEMBERSHIP IS COMPULSORY

In terms of Income Tax regulations, if you are eligible for membership you are obliged to join the Fund and to remain a member as long as you continue to be employed by the University of KwaZulu-Natal, or by a body or organisation on conditions of service which specify membership of the Fund.

1.3 DATE OF JOINING THE FUND

If your employment is from the first day of a month, that will be your Fund joining date. If you join during the month, and a pro-rata contribution is paid for that month, your date of engagement will be your joining date.

1.4 CHOOSING YOUR FUND SALARY AND CONTRIBUTION LEVEL

All members who have been employed by UKZN since 2012, and those who have elected to change to the Total Remuneration Package (TRP) basis of remuneration, are offered a choice of both their Fund Salary level, and the level at which Contributions will be made to the Fund. If it is possible, the Trustees recommend that members contribute at the **highest contribution rate** and choose the **highest percentage of their TRP** as their Fund Salary.

The contribution rate and Fund Salary options are summarised below.

Contribution Rate	Fund Salary
27.50%	Members who are remunerated on TRP basis only
22.50%	Default contribution rate. Applicable to all members.
17.50%	Members who are remunerated on TRP basis, provided that their Fund Salary is at least 70% of their TRP.

There is a separate document available on the Fund's website that gives examples of the outcomes of these choices, but what is important to bear in mind is that **your death and disability benefits are based on the Fund Salary that you choose**. If you choose a lower Fund Salary, your death and disability benefits will also be lower.

If you wish to increase the cash component of your package without reducing your death and disability benefits, you may select a Fund Salary level of between 70% and 80% of your Total Remuneration Package, and choose that contributions are made at the lower contribution category of 17.5% of Fund Salary.

These are important decisions, and the Trustees urge you to carefully weigh your current cash flow needs against the need to provide income for your retirement years. If you do select the lower contribution category, you are encouraged to change to the higher contribution category as soon as your financial circumstances allow this.

2. MANAGEMENT AND GOVERNANCE

2.1 MANAGEMENT OF THE FUND



The Retirement Fund is managed by a Board of ten Trustees and two Alternate Trustees.

The Trustees meet regularly to discuss the business of the Fund and are required to act in the interests of the membership. They attend to important matters such as:

- ensuring the sound administration of the Fund;
- ensuring that contributions are received when they are due;
- ensuring that benefits due to members are paid in accordance with the Fund's Rules;
- ensuring that the assets of the Fund are appropriately invested;
- ensuring that the Fund is managed in terms of the Pension Funds Act.

When it is necessary, the Trustees appoint and consult with appropriate professional advisers.

The Fund's assets are invested by professional investment managers appointed by the Trustees.

If you have a UKZN email address, you will need to register with AF Online to access your electronic Annual Benefit Statement, Projection Statement, and other Fund communications. Information on how to register can be found at:

<http://retirementfund.ukzn.ac.za/AFOnlineMemberBrochure2013.pdf>.

Those members without email addresses will receive a paper copy of their Annual Benefit Statement.

Your Annual Benefit Statement records the contributions made on your behalf during the previous calendar year, the investment return generated, and your updated Fund Credit value. It is important that you review your Benefit Statement when you receive it. If you have any queries, you should immediately raise them with the Fund Office by emailing - lessing@ukzn.ac.za.

Your Projection Statement will give you some idea of the income that you are likely to receive from your projected Fund Credit when you retire. A projection tool on AFOnline allows you to load details of your other assets to provide a more holistic outcome. If you find that you are underprovided for your retirement, advice on how to improve your retirement situation is available.

Fund Bulletins are issued from time to time, and it is important that you read them in order to keep up to date with changes.

2.2 FUND GOVERNANCE

Your Fund is privately administered according to Rules that have been registered with the Registrar of Pension Funds and approved by the South African Revenue Service, and in terms of the legislation governing retirement funds. The Fund is managed and controlled by a Board of ten Trustees, five of whom are elected by the members, and five appointed by the Employer. There is also an alternate Member Elected and Employer Appointed Trustee. These alternates ensure continuity as they step in when a Trustee cannot attend a meeting for any reason.

From time-to-time you will be asked to nominate and vote for Members' Trustees. You are encouraged to participate in these elections as the elected Trustees represent your interests in the Fund.

The Fund has a Code of Conduct, which guides the actions of Trustees. It also has Communication and Investment Policies, which set out how the Fund deals with the investment of the Fund's assets and communicates with members.

3. CONTRIBUTIONS TO THE FUND

If you are employed on the pre-2012 Conditions of Service, your Employer contributes 22.5% of your Fund Salary each month towards your retirement benefit, and to meet the cost of risk benefits and administration expenses.

If you are remunerated on a Total Remuneration Package (TRP) basis, you have a choice between your Employer contributing at 27.5%; 22.5% or 17.5% of your Fund Salary. The default contribution rate (if you make no choice) is 22.5% of Fund Salary. The lower (17.5%) contribution level is only available to members who have set their Fund Salary at a level of between 70% and 80% of their TRP.

Whichever contribution category you have elected, a maximum of 5% of your Fund Salary may be used to meet the costs of risk benefits and the Fund's expenses. After these costs have been deducted, the balance of the contribution is credited to your Fund Credit. Death and permanent and total disability benefits are provided through the Fund, and monthly disability and funeral benefits are provided through the Benefit Arrangement.

In choosing your contribution level, remember that contributing at the 17.5% of Fund Salary contribution level throughout your membership will mean that your retirement income could be 25% to 30% lower than if you had contributed at the default 22.5% of Fund Salary contribution level. Similarly, if you contribute at the higher 27.5% contribution rate, your retirement income could be 25% to 30% higher.

To maximize your retirement income, the Trustees' recommend that you consider contributing at the level of 27.5% (if your conditions of service allow for this) and no less than 22.5% of Fund Salary, and maintain your Fund Salary at between 70% and 80% of TRP.

A document entitled **Package Restructuring and your Future Benefits** is available on the Fund's website that explains this in more detail.

3.1 YOUR FUND SALARY

Pre- 2012 Conditions of Service

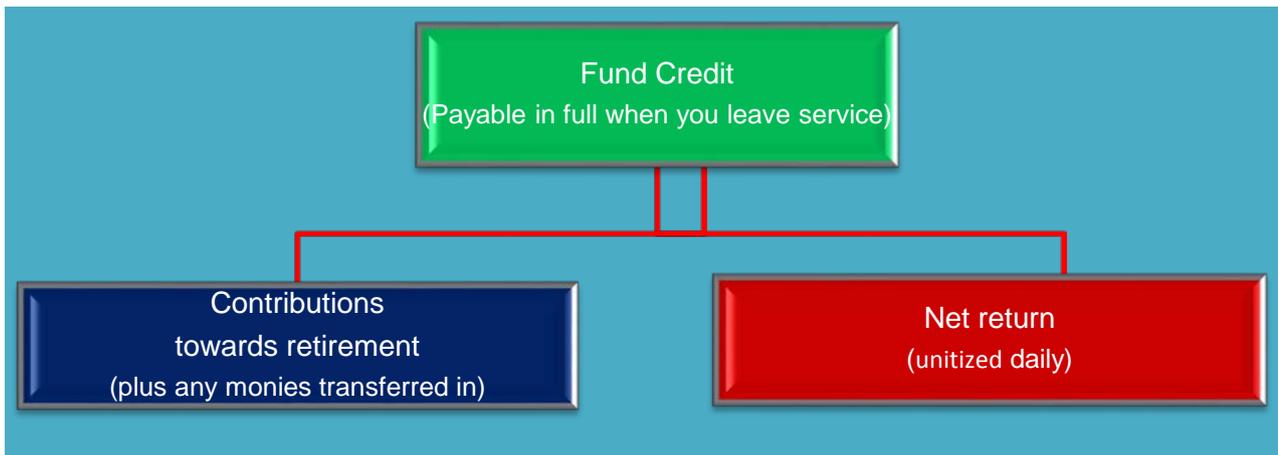
If you are remunerated on the pre-2012 Conditions of Service your Fund Salary is your basic annual salary, together with the cash value of any benefits on which the Employer has directed that the contribution be based, and is equal to approximately 108% of the "Cash Salary" shown on your salary advice.

Total Remuneration Package basis

If your employment is based on the Total Remuneration Package basis (TRP), your Fund Salary will be the percentage of your TRP, on which you have chosen your contributions to be based. Your Fund Salary can be set at between 55% and 80% of your TRP, but clearly the more you pay into the Fund, the more you will get out. Maximising your Fund Salary at 80% of TRP allows you to increase your retirement savings in a tax efficient manner, which is particularly useful if you have identified that you have a retirement savings shortfall.

The lower your selected Fund Salary, the lower your death and disability benefit entitlements will be.

3.2 FUND CREDIT



Your Fund Credit at any particular date is the sum of:

- (a) The monthly contributions paid into the Fund in respect of your membership;
- (b) Any transfer-in values;
- (c) Any Additional Voluntary Contributions you choose to make;

Plus

The net investment returns earned on your contributions by the investment portfolio in which your Fund Credit is invested.

3.3 ADDITIONAL VOLUNTARY CONTRIBUTIONS

Members who are already contributing at the 27.5% and those on the old Conditions of Service, who cannot elect the 27.5% contribution option, may elect to make additional voluntary contributions to the Fund, by means of a payroll deduction. **These additional voluntary contributions will form part of your Fund Credit, and may only be returned to you when you leave service.**

These additional voluntary contributions will be treated as non-tax deductible, as contributions to a provident fund in excess of the 27.5% limit are not tax deductible. However, there are no administration fees deducted from additional contributions, and you will benefit from the fact that the investment fees charged will be at a lower rate than for individual investments. Because these contributions are not tax deductible when you pay them into the Fund, they will be paid out to you tax free when you exit the Fund, if you choose to take all or a part of your benefits in cash.

Your additional contributions will be invested in the same way as your Fund Credit, and will be adjusted monthly by investment returns. To arrange this deduction you must complete the form obtainable from the Fund's Website, complete and sign it, and forward it to the University's Payroll Department. They will then effect the deduction and pay over the amount to the Fund monthly. The total amount paid will be reflected on your annual Benefit Statement.

Important Note: If you have other income and/ or pay contributions to another retirement annuity; pension or provident fund, your contributions to those funds may or may not be tax deductible depending on whether or not your total contributions to those funds and this Fund exceed 27.5% of your total remuneration. If you are contributing to the Fund at 27.5% and paying contributions elsewhere, the Fund recommends that you seek financial/ tax advice on how best to ensure that you receive your full tax deductible entitlement.

4. RETIREMENT BENEFITS

4.1 NORMAL RETIREMENT DATE

Your Normal Retirement Date is the last day of the year in which you reach age 60, unless a later date is specified in your contract of appointment.

4.2 EARLY RETIREMENT

Provided your application for early retirement is approved by the University of KwaZulu-Natal, you may retire from the Fund at any time after reaching age 55. It is important to remember that if you retire early, you will have less money saved than if you retired on your Normal Retirement Date, and your Fund Credit will have to generate retirement income for a longer period. It is in your interests to consult a financial advisor before making this decision.



If at a younger age than 55 you become totally and permanently disabled, you would be entitled to receive your Fund Credit as an ill-health early retirement benefit, and would be allowed to claim the same tax-free portion of your benefit as if you had retired at your Normal Retirement Date. See Section 9 for details.

4.3 LATE RETIREMENT

You may only remain a member of the Fund beyond your Normal Retirement Date if your Employer issues you with a contract extension which states that your Fund membership will continue. In this case you may remain a member of the Fund until age 70, when you will have to retire from the Fund.

4.4 BENEFIT PAYMENT OPTIONS AT RETIREMENT DATE

At your Retirement Date, you have the choice of your Fund Credit being paid as:

- an annuity, taken out in your own name;
- a cash transfer;
- a combination of these two options; or
- opting for the Deferred Retiree option (see 4.5)

Purchasing an annuity at retirement involves entering into an agreement with a Registered Insurer, to provide you with monthly income (a pension) for life. The amount you receive will depend on the capital amount you have available at retirement, and the type of annuity you decide to purchase.

If you buy an annuity with any portion of your Fund Credit, you will not pay tax on that portion of your retirement benefit at the time of your retirement. You will be paid a monthly income by the insurer from which you purchase the annuity, which will be taxed in the same way your salary is currently taxed.

You will pay tax on any amount that you decide to take as a cash lump sum, that exceeds the tax-free portion set in the Income Tax Act from time to time (R500 000 at the date of publishing this booklet). This tax free amount can also be utilized if you are retrenched and receive a severance package, or if you are paid out accumulated leave on retirement. It is a once off allowance, and any amounts previously utilized will reduce the amount available at retirement. Please refer to **Section 9** for the taxation implications of taking a cash payment at retirement.

A transfer to a preservation fund is only available on resignation, retrenchment or dismissal. If you are retiring from the University you may not transfer your lump sum to a preservation fund. **It is important that you obtain advice and consider all the alternatives before deciding on the payment of your retirement benefit.**

4.5 DEFERRED RETIREMENT OPTION

In response to taxation law changes brought about in 2015, the Fund allows members who are retiring from UKZN, but are perhaps taking up employment elsewhere or simply do not immediately require a monthly pension income, to elect to become a deferred retiree.

As a deferred retiree, you can leave your Fund Credit invested in the Fund and continue to enjoy the benefits of lower (group) administration costs and investment fees. A nominal administration fee is charged and may be amended from time to time. You do not need to make a decision as to how much cash to take or what pension to purchase – you can leave that decision for a later date when you are ready to draw a pension. At any point in the future, when you need to start drawing a pension you can retire from the Fund and select one of the payment options set out in paragraph 4.4 above.

4.6 DEATH BENEFIT COVER AFTER LEAVING SERVICE

Your insured death benefit will cease when you leave service (even if you select the deferred retirement option). However, up until your Normal Retirement Date as per the Fund's Rules, there is an option available to continue cover under an **individual insurance policy in your own name** for an amount up to the value of your death benefit cover at your date of leaving service. This option is subject to any conditions imposed by the insurer, but you will not have to provide evidence of health.

If you wish to take advantage of this option, the request for continuation of cover must be made by your broker or financial advisor, and **the application must be finalized within 90 days of your leaving service**. (Approximate premiums and details of how to apply for this optional cover are set out in an exit document that is available on the Fund's website, and will be supplied to you by Human Resources when you leave the Fund).

5. DEATH BENEFITS

5.1 DEATH IN SERVICE BEFORE RETIREMENT

While you are a contributing member of the Fund, the death benefit payable to your dependants and/or nominees upon your death in service are:

- a) **Your Fund Credit,**
Plus
- b) **5 x your annual Fund Salary.** This portion of the benefit is insured.

The benefit accrues as an annuity that can also be paid in cash. Beyond the tax free portion, any amount paid in cash is taxable in the same way as a retirement benefit, unless it is used to purchase a compulsory annuity. Refer to **Section 9** for the taxation details.

Purchasing an annuity with death benefits involves entering into an agreement with a Registered Insurer, to provide monthly income (a pension) to your dependants. These are paid for life to spouses and until an agreed age for minor children. The amount they receive will depend on the capital amount available, and the type of annuity.

The insured benefit is subject to conditions laid down by the insurer, which may be amended from time to time. If your insured benefit is greater than the applicable medical free limit, you may be required to submit a medical report before the insurer accepts the full liability. If this is the case, the Administrator will let you know the insurer's requirements. It is then your responsibility to arrange for the requested medical testing to be carried out. If you fail to do so, in the event of your death the benefit paid will be lower.

It is important that you complete a Nomination of Beneficiary Form setting out details of your dependants and nominees. This form is available on the Fund's website: <http://retirementfund.ukzn.ac.za/DependantandNominees.htm> and you may submit your completed and signed form to your HR Site Administrator. You may also complete the form on AFOnline, but it is important that you record your family details and wishes in one of these ways.

5.2 DISTRIBUTION OF DEATH BENEFITS

In the event of your death while in service, the Trustees are required in terms of Section 37(C) of the Pension Funds Act to conduct a thorough investigation to identify all your dependants and nominated beneficiaries. The Trustees then distribute the benefits according to each dependant's level of dependency, taking into account the information that you have provided on your Beneficiary Nomination Form, and information provided by your dependants and other parties. The Trustees must first determine who your dependants are, which is where this form is important. They then have to decide who will qualify as a dependant or nominee, and finally they have to decide how and in what proportions the benefit will be paid.

Your Nomination of Beneficiary Form will be referred to in the event of your death while in service, although the Trustees are not required to follow any allocations that you may have indicated. However, if you have failed to complete one, the distribution process may be unnecessarily delayed. If you have no dependants, the Trustees will distribute your death benefits according to your Nomination of Beneficiary Form.

It would be useful for you to read the notes that come with the Nomination of Beneficiary Form before completing it.

It is important to keep your Nomination of Beneficiary form up to date when you marry or take on a life partner, have children or get divorced.

6. LEAVING SERVICE

6.1 LEAVING SERVICE BEFORE NORMAL RETIREMENT DATE (Resignation, Retrenchment or Dismissal)

If you resign, are retrenched, or are dismissed, you will be paid a benefit equal to your Fund Credit at your termination date. If your claim form is submitted after your termination date, the benefit will be calculated as at a later date, taking into account any market fluctuations between these dates. Please ensure that your HR Site Administrator provides you a copy of the “Important Information for Members who are Leaving the Fund” document, which is also available on the Fund’s website.



Research has shown that only 10% of members of retirement funds receive an adequate income after retirement. The main reason for this is that many members do not preserve their retirement fund benefits when they change jobs.

On leaving the Fund due to resignation, retrenchment or dismissal you can transfer your retirement savings to:

- i) The **deferred beneficiary option** within the Fund;
 - ii) A **preservation fund**;
 - iii) A **retirement annuity fund**;
 - iv) Your **new employer's** pension or provident fund;
- OR
- v) You can take your retirement savings in **cash**, after payment of any taxation due.

Details of these options are set out below:

i) **Deferred Beneficiary Option**

If you leave the employment of the University of KwaZulu-Natal prior to your Normal Retirement Date, due to resignation, retrenchment or dismissal, you may choose to become a Deferred Beneficiary of the Fund.

Once you select this option, your Fund Credit will be transferred to a special category for former members. You will pay no further contributions, and your Fund Credit will remain invested in the Main Portfolios selected by the trustees until age 55. Thereafter you will have the option to switch to one of the pre-retirement portfolios offered by the Fund. You will be able to access your Fund Credit before retirement (and select any of the payment options listed above) or you can elect to retire from the Fund at any time from age 55 onwards. You may also transfer your benefit to a Retirement Annuity Fund or Preservation Fund at a later date.

A nominal administration fee is charged and may be amended from time to time. Deferred Beneficiaries are not **covered for death, disability and funeral benefits**.

Summary of Advantages

- Your retirement savings are preserved until retirement.
- You only have to indicate on your withdrawal form that you wish to elect this option. Mark the block “Other” and elect this option.
- No tax is paid at the time of your withdrawal.
- You can switch investment portfolios once you reach age 55. Thereafter, the Default Lifestage Model will apply unless you opt out.
- You may transfer your benefit to a Retirement Annuity Fund or Preservation Fund at a later date.
- You can access your Fund Credit at any time should you need to.
- No advisor fees are payable.

Summary of Disadvantages

- You can access your Fund Credit at any time should you need to, but you will then have to withdraw the entire benefit and pay the applicable taxation. The Fund cannot accommodate a partial withdrawal.
- No extra contributions may be paid.
- A nominal fee will be charged to administer your Fund Credit.

ii) **Preservation Fund**

A preservation fund is a registered retirement fund designed to preserve and invest your fund benefits when you leave service until the date you choose to retire. When you transfer your Fund Credit to a preservation fund you do not have to pay any tax at the time of transfer.

Summary of Advantages

- Your retirement savings are preserved for retirement.
- Normally you will be allowed one withdrawal before retirement, which can be the full amount.
- No tax is paid on transfer.
- You have full control of your retirement savings transferred to the preservation fund, and can switch investment portfolios from time to time.
- A simple nil fee transfer is available to the Alexander Forbes Provident Preservation Fund. If you do not select this option, you should enquire from your advisor about any initial fees payable on transfer of your Fund Credit.

Summary of Disadvantages

- You will reduce your retirement benefit if you take advantage of the once-off withdrawal facility, and any amount withdrawn will be subject to taxation as set out in Section 9.2.
- No extra contributions can be paid into the preservation fund.
- Ongoing administration, investment and advisor fees are charged.

iii) **Retirement Annuity Funds**

If you choose this option, your retirement savings in the Fund will be transferred tax-free at the time of transfer to a retirement annuity fund of your choice.

Summary of Advantages

- Your retirement savings are preserved for retirement.
- No tax is paid on transfer.
- You have control of your retirement savings transferred and can switch investment portfolios from time to time.
- You can make further contributions, which may be tax-deductible up to certain limits.

Summary of Disadvantages

- **You cannot withdraw your Fund Credit until age 55.**
- You may only take up to one-third of your retirement savings in cash at retirement. The balance must be used to buy an annuity from a registered insurer.
- Ongoing administration, investment and advisor fees are charged.

iv) New Employer's Fund

If your new employer's Fund is a Provident Fund, and their rules allow for the transfer, you may choose the option of transferring your retirement savings in the Fund tax-free to your new employer's fund.

Summary of Advantages

- You preserve your retirement savings until retirement.
- No tax is paid on transfer.
- There are no costs involved.
- Most funds do not charge ongoing fees on amounts transferred in, but you should check on this aspect with your new employer.

Summary of Disadvantages

- You may not have any control over the future management of your retirement savings.
- If you leave your new employer before retirement, you will likely have to transfer your retirement savings from this employer's fund.
- You will not have any access to your retirement savings until you leave the new employer or retire.

v) Taking Your Benefit as a Cash Payment

This is **NOT** a recommended option unless your benefit is very small. Ideally you should try to preserve your retirement savings for their real purpose, which is to provide you with a sufficient retirement benefit. However, for small benefits this is sometimes not practical or cost effective.



Taxation is payable on any amount in excess of R25 000 if you elect the cash option.

Refer to Section 9. for the taxation details

6.2 RISK COVER AFTER LEAVING SERVICE

Your insured Death and Permanent and Total Disability cover will cease when you leave service. However, until your Normal Retirement Age there is an option available to continue cover under an **individual insurance policy in your own name** for an amount up to the value of your cover value. This option is subject to any conditions imposed by the insurer, but you will not have to provide evidence of health. More favourable rates are offered to non-smokers and to obtain these you will be required to undergo a cotinine test.

Your application for continuation of cover must be finalised within **90 days** of your leaving service. (Details of how to apply for this option and illustrative premiums are set out in an exit document that is available on the Fund's website and will be supplied to you by Human Resources when you leave the Fund).

6.3 TEMPORARY ABSENCE

In the event that you take unpaid leave you will be advised by the University's Human Resources Division of your options. These are to either maintain your risk and retirement benefits at your own cost, or to temporarily stop these benefits.

If your unpaid leave period exceeds one year, you will be required to make application to the Trustees to continue your membership. This must be done prior to expiry of the first year of unpaid leave.

If you choose to cease paying all contributions for the purpose of the risk benefits, you will be treated as a new member when you return to service, and will be subject to the usual pre-existing conditions clause with regards to disability benefits.

7. DISABILITY BENEFIT

DISABILITY WHILE IN SERVICE BEFORE RETIREMENT

(i) Monthly Disability Benefit

If, before reaching your Normal Retirement Date, you become disabled due to illness or an accident, and are assessed as being unable to perform the work of your own occupation, or any other reasonable occupation for the University, for which you are suited or could reasonably be expected to become qualified, you will be regarded as being **temporarily disabled** and will qualify for a monthly disability benefit. After a three month waiting period, during which the University maintains payments from your sick leave, a



monthly benefit equal to your full Fund Salary may be payable by the Benefit Arrangement for as long as you are considered disabled. **The maximum period for payment of a monthly disability benefit is 21 months. During this period you will be required to submit periodic medical assessments.**

While you are in receipt of a monthly disability payment your membership of the Retirement Fund will continue, and contributions will be paid to the Fund on your behalf.

The monthly disability benefit will be subject to tax in the same way as your salary. **If you are still disabled at the end of the 21 month period, your monthly disability payments will cease and you will be evaluated by the insurer for payment of a total and permanent disability benefit.**

If you die while you are receiving a monthly disability benefit, the death benefit set out in **Section 5** will become payable.

(ii) Total and Permanent Disability Benefit

Two years, from when you first became unable to work, you will be assessed by the insurer for a total and **permanent disability** benefit. If you are found by the insurer to be so disabled that you are unable to perform the work of your own or any other occupation, your Fund membership will cease and a lump sum benefit will be paid, to a maximum of:

a) Your Fund Credit;

Plus

b) **3 x your annual Fund Salary at the date of your disablement if you were disabled prior to 28 February 2015.** This portion of the benefit will be payable without tax deduction (“insured portion”).

Or

5 x your annual Fund Salary at the date of your disablement, if you were disabled after 28 February 2015 (“insured portion”).

This benefit will be subject to tax as a retirement benefit. Refer to **Section 9** for taxation details.

If you were within 5 years of retirement (ages 55 and 60), as at 31 December 2016, and you became disabled prior to this date, the insured portion of the benefit will be reduced by 20% for each year or part thereof that the onset of your disability precedes your attaining age 60. Prior to 1 January 2017, the total and permanent disability benefit ceased at age 60.

Effective 1 January 2017, if you become disabled, the insured portion of the benefit will NOT be reduced by 20% for each year or part thereof that the onset of your disability precedes your normal retirement age. With effect from 1 January 2017, the total and permanent disability benefit ceases at age 65, if you have not yet retired from the Fund.

If at this stage you are found by the insurer not to be totally and permanently disabled, and you are still not able to return to work, your case will be referred to the University's Human Resources Division for evaluation.

8. FUNERAL BENEFIT

8.1 COMPULSORY FUNERAL COVER

All active members of the Fund who are under age 70, as well as their spouses and dependent children are insured for funeral benefits under a compulsory funeral scheme through the Benefit Arrangement. As this is an employer scheme, fringe benefit taxation is payable on the premium and will reflect on your monthly payslip. The benefit will be paid out without deduction of taxation (i.e. tax free).

Amount of the Funeral Benefit

The funeral benefit that is paid on the death of a member, spouse or dependent child, is set out below:

Main Member/Spouse

R 20,000 is paid if you or your spouse dies.

Dependant Children

The benefit paid if your dependant child dies depends on the child's age, and is as follows:

R 20,000	is paid for dependant children who are over age 22 and under age 26, provided proof of registration of such children as full time students at a recognised school or tertiary institution is provided annually
R 20,000	is paid for children aged between 14 and 21 years
R 10,000	is paid for children aged between 6 and 13 years
R 6,670	is paid for children aged between 1 and 5 years
R 3,335	is paid for children under 1 year (including babies stillborn at over 26 weeks)

A child who is dependent on you and permanently incapacitated may qualify for a funeral benefit at any age, subject to certain conditions. If this applies to you, please contact the Fund Office for more details.

Definition of Spouse in the Policy

Your spouse is a party to a **marriage** recognised in terms of either the Recognition of Customary Marriages Act, 1998 or the Civil Union Act, 2006, or to a union accepted as a marriage according to the doctrines of Asiatic religion.

Anyone who lives with you in a relationship of mutual dependency, as if married, may be covered under the funeral policy as your spouse, **provided that you submit a Funeral Nomination Form** reflecting them as your life partner. Please attach **a copy of your life partner's identification document to the form**.

A **maximum of two spouses** may be covered under the policy, and the maximum entry age is 65.

Dependent Children

Dependent children are your children who are under the age of 22 years. This includes your biological children, stepchildren and legally adopted children. Cover under the policy for your children can extend to age 26 years if they are full time students, **but this is subject to your having completed a Funeral Nomination Form with necessary proof of their ongoing studies**. This notification must be renewed annually for as long as they remain full time students, to maximum age 26.

Funeral Nomination Forms

A Funeral Nomination form can be obtained by clicking on the following link:
<http://retirementfund.ukzn.ac.za/FuneralCover.htm>.

Please send your completed forms and documents, with the required copies of identification documents as specified on the form, to the UKZN Retirement Fund Office, Room 314, Admin Building, Westville Campus.

Funeral Claims for Dependants

Funeral Claim Forms are available on the UKZN Retirement Fund's website:
<http://retirementfund.ukzn.ac.za/FuneralCover.htm>.

In the event of the death of any of your dependants covered under the policy, you must, **within six months** of the date of their death complete a Funeral Claim form, and attach the documents specified on the form.

Claim Forms and supporting documents must be sent to your **HR Site Administrator**. After confirming that the documents are in order, your HR Site Administrator will forward the claim to Alexander Forbes for processing. Claims should be paid within three working days of receipt by Alexander Forbes, providing all the supporting documents are in order. Please follow up with your **HR Site Administrator** if you have submitted a claim and have not received payment of the benefit within a week.

Funeral Claims for Members

If you die, your family must contact your **HR Site Administrator**. Your HR Site Administrator will arrange for a funeral claim to be submitted to Alexander Forbes, and the benefit will be paid either to your spouse or to the family member who has paid for the funeral.

Payment of Claims

Valid claims will generally be paid within 72 hours of a claim form and all supporting documents being sent to Alexander Forbes.

8.2 PAID UP OPTION

The funeral benefit now includes a paid up option. In light of this change (effective 1 January 2017), should you die or become disabled before your normal retirement age, your spouse and child/ren will continue to be covered for a funeral benefit until they are no longer eligible due to their age, or you would have reached normal retirement age. This benefit will be effective without further premiums being paid.

The premiums for this improved benefit will see the premium increase from R7.60 to R9.50 per member; but, again, as this increase will be funded from the Benefit Arrangement, the *allocation to retirement savings will not reduce*.

8.3 EXTENDED FAMILY FUNERAL COVER

An option exists for you to take Extended Family Cover for family members who are not covered under the UKZN funeral policy. **You are responsible for the cost of this cover**. The applicable premium will be deducted from your salary each month.

Family members for whom you may take out extended cover are:

- Your child who is over age 22 and not in full time education. (If you take out extended funeral cover from the month after your child ceases to qualify for the compulsory group funeral benefit, the six month waiting period for payment of benefits will not apply).
- Your parents.
- Your parents-in-law.
- A brother or sister.
- Your aunt or uncle.
- Other relatives through blood or marriage.

Insured family members must be **financially dependent upon you for the payment of their funeral costs. A waiting period applies (see below for details).**

Important Note: Family members must be **under age 75 at the time that Extended Family cover is taken out.** Once you have taken out the cover, they can continue to be covered after age 75, provided that you continue to pay the correct premium for their age.

Extended Family Funeral Cover Premiums

The premium depends on the age of the family member you wish to insure.

The monthly premiums for **R20 000 funeral cover** in the 2016 year are as follows:

- R10.50 for family members aged up to 64*,
- R33.00 for family members aged 65 to 74
- R69.00 for family members aged over 75 years (Note: these persons must be under 75 years at the time they are first insured).

* Note that cover for a child under age 14 will be in line with the funeral benefit scale for the compulsory cover.

These premium rates are reviewed annually. You will be advised of any changes in the premium rate, and your stop order will be automatically adjusted when there is a general premium change. However, **it is your responsibility to adjust your stop order when your extended family member reaches age 65, or age 75 years and the premium increases.**

Waiting Period

As this is voluntary cover, **no claims will be paid in the first six months following payment of your first premium, if the death is due to natural causes.** This exclusion may be waived if proof has been supplied that this policy replaced a previous policy with a registered insurer for a similar value, without any break in cover.

A claim will also not be paid if the death occurs within twelve months of payment of your first extended premium in respect of the family member and is due to:

- Involvement in criminal activities,
- Suicide,
- Self-inflicted injury, or,
- Deliberate exposure to exceptional danger, except in an attempt by the deceased to save a human life.

Application Process

To arrange Extended Family Funeral Cover for family members who are dependent on you for payment of their funeral costs, you must complete a Funeral Nomination Form, which is available on the Fund's website <http://retirementfund.ukzn.ac.za/FuneralCover.htm>.

On the form you must provide your family details, and full details of the additional family member/s you wish to cover. You must also complete a Payroll Stop Order form to allow the Payroll Department to deduct the required premium from your salary monthly and pay it to the insurer. **Both these forms**, together with a copy of the **identification document** of the family member/s you wish to cover at your own cost, must be sent to the **UKZN Retirement Fund Office, Room 314, Admin Building, Westville Campus** for checking and verification.

Correctly completed forms will be forwarded to the insurer and the Payroll Department for implementation. If a query is raised and you fail to respond to it, the commencement date of this cover will be delayed.

It is your responsibility to check on your payslip that the stop order has been actioned.

Commencement of Cover

Cover will only commence once the insurer has received your first monthly payment and the correctly completed documentation. However remember that, during the first six months, payment will only be made in the event of an accidental death. While the more general exclusions are set out for your information, policy conditions will always apply.

Changes to Existing Cover or Additional Cover Required

If you wish to add a family member, please complete a **new Funeral Nomination and Stop Order form** and mark them clearly "Amendment to Original Instruction".

If you would like to remove a family member, please advise both the Fund Office and Payroll in writing. **If you stop paying the premium for an Extended Family Member, you will not be able to add them again at a later stage.**

Funeral Claims for Extended Family Members

In the event of the death of any of your extended family members covered under the policy, you must, **within six months** of the date of their death complete a Funeral Claim form, and attach the documents specified on the form.

Funeral Claim Forms are available on the UKZN Retirement Fund's website. To obtain a form click on the link: <http://retirementfund.ukzn.ac.za/FuneralCover.htm>.

Claim Forms and supporting documents must be sent to your **HR Site Administrator**. After confirming that the documents are in order, your HR Site Administrator will forward the claim to Alexander Forbes for processing. If you have any queries you can contact

Mrs. Shamilla Smith, Smiths1@forbes.co.za, or 031-573 8269.

Valid claims will generally be paid within 72 hours of submission of a valid claim form and all the required supporting documents. It is your responsibility to follow up if payment is not received, but if payment has not been received within a week please also notify the Fund Office.

Continuation Option

The policy has no continuation option and when you leave the service of UKZN both compulsory and Extended Family cover will cease.

9. TAXATION OF BENEFITS

(PLEASE NOTE THAT THE FOLLOWING IS BASED ON PREVAILING TAX LEGISLATION AND IS SUBJECT TO CHANGE)

The benefits payable on retirement, withdrawal, death and disability are subject to tax, as follows:

9.1 ON RETIREMENT, PERMANENT AND TOTAL DISABILITY OR DEATH

Your original transfer value (if any) from the AIPF (Associated Institutions Pensions Fund) and any additional voluntary contributions you have made to the Fund will be paid without deduction of tax.

Any portion of your Fund Credit that is not used to purchase a compulsory annuity will be taxed as follows:



Taxable amount	Rate of tax
The first R500,000	0%
Amount exceeding R500,001 but not exceeding R700,000	18% of the taxable amount exceeding R500,000
Amount exceeding R700,001 but not exceeding R1,050,000	R36,000 plus 27% of the taxable amount exceeding R700,000
Amount exceeding R1,050,001	R130,500 plus 36% of the taxable amount exceeding R1,050,000

Purchasing an annuity involves entering into an agreement with a Registered Insurer to provide monthly income (a pension). The amount paid monthly will depend on the capital amount available, and the type of annuity selected. There are many types of annuities, and a financial advisor will be able to guide you or your dependants in selecting the one most suited to your needs.

For purposes of calculating the tax-free amount available, all benefits arising from pension, provident or retirement annuity funds of which you may be or have been a member are taken into account, as well as any retrenchment benefit or accumulated leave that has been paid to you on a tax free basis..

9.2 ON WITHDRAWAL

Your original transfer value (if any) from the AIPF and any additional voluntary contributions you have made to the Fund will be refunded without deduction of tax.

The balance of your withdrawal benefit will be taxed as follows:

Taxable amount	Rate of tax
Up to R25,000	0%
Amount exceeding R25,001 but not exceeding R660,000	18% of the taxable amount exceeding R25,000
Amount exceeding R660,001 but not exceeding R990,000	R114,300 plus 27% of the taxable amount exceeding R660,000
Amount exceeding R990,001	R203,400 plus 36% of the taxable amount exceeding R990,000

9.3 DEATH AND TOTAL AND PERMANENT DISABILITY BENEFITS PRIOR TO 1 MARCH 2015

For deaths and persons who became disabled prior to 1 March 2015. The benefit had two components:

- 1) On your Fund Credit, tax was calculated using the same formula as for retirement.
- 2) The Insured Portion was not taxable, but fringe benefit taxation was paid on the premiums.

From 1 March 2015, the entire benefit is paid through the Fund and is taxable according to the retirement tax scale set out in Section 9.1. No fringe benefit tax is paid on the premiums.

9.4 DISABILITY BENEFITS

(I) Income Disability Benefit

The monthly income disability income benefit is paid for a maximum period of 21 months after the expiry of a 3 month waiting period and, is taxed as income in the same way as your salary.

10. THE FUND'S INVESTMENTS

Your Net Replacement Ratio (NRR) is the retirement income that you can expect to receive, shown as a percentage of your final Fund Salary. Your NRR is calculated by dividing your projected income at retirement date by your final Fund Salary, and expressing this as a percentage. A NRR of 65% indicates an initial retirement income of about two thirds of your Fund Salary immediately prior to retirement.

If you have a normal career progression over thirty years and have selected the default of 22.5% of Fund Salary, which means that at least 17.5% of your Fund Salary has been contributed **towards retirement funding**, the Fund currently aims to provide you with a Net Replacement Ratio (NRR) of at least **65%** of your Final Fund Salary. This is not guaranteed and is largely dependent on the returns earned over the years.

10.1 PORTFOLIO STRUCTURE

Contributions for members who are under 55 years of age are automatically invested in the Fund's Main Portfolio. When you are within five years of normal retirement you are given a choice about how you would like your Fund Credit to be invested. There is a **default lifestage model** that applies if you do not make a choice.

Main Portfolio

The Main Portfolio is currently invested in pooled portfolios with three asset managers with investment styles that complement one another, via the Investment Solutions platform. The managers are allowed to vary the proportions invested locally and offshore, and within asset classes (i.e. Shares, Bonds, Property, Cash etc.) subject to the limitations of Regulation 28 of the Pensions Fund Act, which governs the investments of all retirement funds.

If they see value in doing so, the asset managers are permitted to invest up to 75% of the Fund's assets in shares. As shares are the most volatile asset class, negative returns in some years are possible.

Lifestage Model

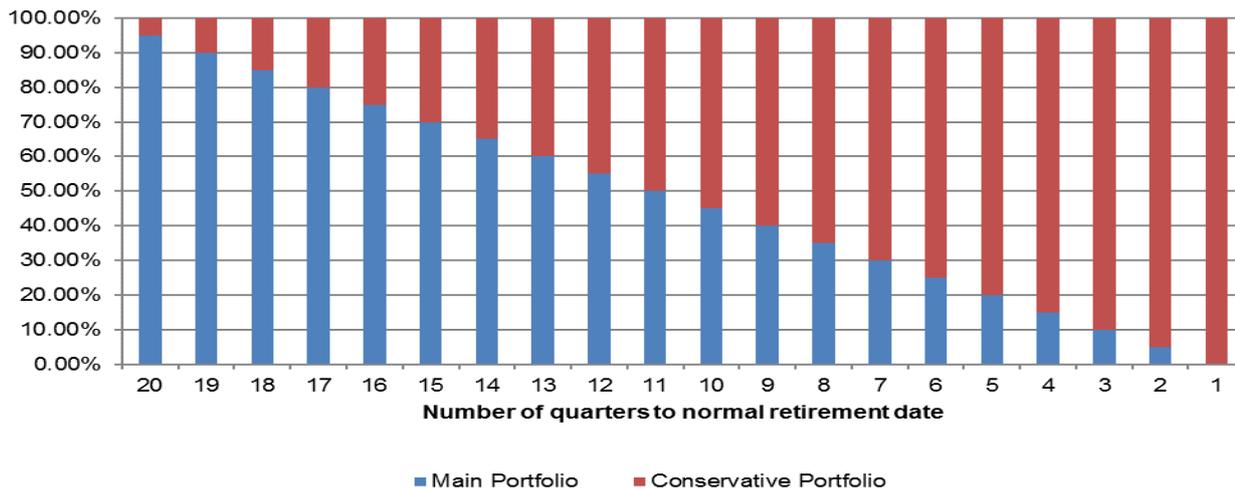
From October 2015 the **default** for members who are within five years of retirement will be the Fund's Lifestage Model.

Members who do not elect to make an alternative choice will, from five years prior to their normal retirement date, be automatically transferred from the Main Portfolio to the Alexander Forbes Conservative Growth Portfolio on a quarterly basis.

Members who do not wish to follow the default, and are within five years of normal retirement age, will have the option to remain in the Main Portfolio or invest in a combination of the Main and Alexander Forbes Conservative portfolios.

The Lifestage Model is designed to suit the needs of members who are planning to take cash or purchase a with-profit annuity at normal retirement age, with the objective of protecting their Fund Credits from losses due to market downturns as they approach retirement.

The graph below illustrates how the transition will take place:



It is important to read the Fund’s notice detailing your options, and to obtain appropriate financial advice before selecting an alternative portfolio, as the timing of your decision and the portfolio chosen will impact your eventual retirement income.

10.2 PORTFOLIO AND MANAGER SELECTION

The Fund’s asset managers are:

Main Portfolio	Foord Asset Management, Allan Gray Asset Management and Investec Asset Management via the Investment Solutions platform.
Pre-Retirement Option	Main Portfolio & Alexander Forbes Conservative Growth Portfolio.

The trustees consider the following factors when selecting the Fund’s asset managers:

- Investment process adopted.
- People employed.
- Reputation, including past performance and management skills.
- Total value of assets under management.
- Past returns.
- Fees and other costs.
- BBBEE credentials.

10.3 INVESTMENT RETURNS

Investment returns (also referred to as investment performance) is the amount by which the investment portfolio appreciates or depreciates in market value. The investment returns of all the portfolios that the Fund invests in are credited to members’ Fund Credits on a daily basis.



11. THE PENSION FUNDS ADJUDICATOR AND COMPLAINTS

The Pension Funds Adjudicator deals with complaints relating to the administration of funds, the investment of assets or the interpretation and application of a fund's rules.

If you have a complaint relating to the administration of the Fund, before you approach the Adjudicator you should first lodge the complaint in writing at the Fund's Office, addressed to:

The Principal Officer
University of KwaZulu-Natal Retirement Fund Office,
Room 314,
Admin Building,
Westville Campus
Westville 4041.

You may lodge a complaint with your Employer if your complaint relates to something that has been done, or has not been done by your Employer relative to your Fund membership. If you do this, please also lodge a copy of your complaint with the Fund.

The Fund or your Employer must reply to you within 30 days. If you are satisfied with their reply, that is the end of the matter. If the Fund or Employer does not reply, or if you are not satisfied with the reply, you may refer your complaint to the Adjudicator.

After hearing both parties' cases (either in writing or via a hearing), the Adjudicator will make a determination and advise the parties of the outcome. There is no cost to a member, but it is possible for the Adjudicator to award costs against a member who has lodged a baseless complaint.

12. THE RULES

Every retirement fund must be run according to the applicable legislation and its set of registered rules. The Fund's rules may be amended from time to time, and the original rules and all the amendments are submitted to the Registrar of Pension Funds for registration and approval. The operations of the Fund are described in detail in these rules and the Fund is run in strict accordance with them.

Any amendments to the Fund's Rules are advised to members in Fund Bulletins and in the Annual Trustee Report.

In a simple booklet such as this, it is not possible to give all the details of the operation of the Fund, but we have tried to make this guide as comprehensive and understandable as possible. In case of any differences between this guide and the rules, the rules will always apply. If there is a dispute, the dispute resolution mechanism detailed in the Fund's rules will apply.

A copy of the Fund's rules and latest annual financial statements are available on the Fund's website. Members who do not have access to the internet may view a copy at the Fund Office:

Room 314,
Admin Building,
Westville Campus
Westville 4041.

13. NEED TO KNOW MORE

It is important for you, as a member or future member of the Fund, to understand the benefits that are available to you. If, after reading through this guide, there are matters that require further explanation, or if you have any questions about the Fund's benefits or operations, you may send your enquiry to the Fund at lessing@ukzn.ac.za, or call X1007 for assistance.