



SENTINEL
Retirement Fund

MEMBER BROCHURE

Your Retirement - Our Passion

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Sentinel Retirement Fund • Reg No 12/8/1215
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Welcome!

Sentinel is a self-administered, non-commercial entity that operates as an approved umbrella pension fund and has been in business since 1946. It was originally established to serve the retirement fund needs of the South African mining industry and recently opened participation to employers from all industries in South Africa. It is currently one of the largest of its kind in the country with an asset base of some R85 billion and a client base consisting of around 100 participating employers, 43 000 members and 34 500 pensioners.

Sentinel offers you a unique retirement fund solution that follows smooth and seamless transitions through all the life stages that awaits you, excellent growth opportunities in a world standard investment model, a transparent and very low cost structure that only recovers the actual expenses incurred, sensibly structured products to suit your needs and most importantly, piece of mind!

This booklet will help you understand the Fund and the benefits you can expect to receive. A good understanding of this booklet and ongoing communication that is published regularly will assist you in making informed decisions about your retirement savings.

Please note that information in this booklet is a summary of the Rules of the Fund and does not create any rights and obligations. In the event that differences or disputes may arise, the Rules will prevail. The full set of Rules is available on the Fund's web-site and at its offices.

The Essence of Saving for Retirement

Membership of a retirement fund gives you the opportunity to save in a properly structured and regulated environment, where you will reap the following benefits:

- Accumulated growth, which means the “snowball effect” of earning growth not only on contributions but also on growth already earned,
- Economies of scale, which means that you stand to gain from better investment opportunities and lower costs merely because you are pooling your investment with a large group instead of doing it on your own and
- Tax incentives through the Exempt – Exempt – Tax principle which applies to a pension fund and wherein your contributions are tax deductible, growth earned in the fund is tax free and benefits are taxable when it becomes payable.

Sentinel has structures, resources and products in place that offers you the opportunity to effectively provide for the day you can no longer work to support yourself and your dependents. The ultimate goal is to save enough during your working career to replace your salary with a pension worth around 75% of your final salary.

The “recipe for success” lies in a combination of the following:

- A responsible mind-set that will treasure these savings for “one day when I can no longer work”,
- A good understanding of the Fund and all its offerings,
- A savings term of at least 35 years,
- Monthly contributions throughout your working career of at least 15% of your salary, and
- Investment returns of around 6% above inflation over the long term.

Governance Of The Fund

The Fund is governed by its Rules that are approved by the Registrar of Pension Funds and the South African Revenue Services (SARS). To obtain and maintain this approval, the Fund must comply with a multitude of legislative and regulatory prescriptions.

Sentinel's Rules consist of two sections:

- **Main Rules** that regulate statutory and over-arching provisions, such as participation, membership, minimum contribution rates, management of the Fund, products and options, dispute resolution, etc.

The Board of Trustees is ultimately responsible for the Main Rules and the management of the Fund. They uphold this responsibility by providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating responsibilities to Fund Management. The Board of Trustees consists of independent trustees as well as appointed member and employer representative trustees.

- **Special Rules** for each participating employer that mirrors employees' conditions of employment and regulate membership conditions for all or categories of employees, i.e. normal retirement age, contribution rates, salary on which contributions are based and whether and to what extent the employer participates in risk benefits and the pension backed home-loan facility.

The responsibility for these Special Rules lies with the participating employer, or with an appointed Management Committee if so elected by the employer.

Membership

Employers who participate in Sentinel enable their employees to become members of the Fund.

Active membership commences when your conditions of employment compels you to become a member of the Fund and it will cease when you leave the service of your employer, either due to resignation, retrenchment, dismissal, retirement, death, or should your conditions of employment change and you become a member of another retirement fund that your employer participates in.

Once your active membership has ceased, you will have 24 months in which to decide what you want to do with your accumulated savings held in Sentinel.

A unique feature in Sentinel is that you are not forced to leave the Fund when your active membership ceases. If you find employment with another employer who also participates in this Fund, your membership may continue undisturbed. If you do not join another participating employer immediately, you may choose to preserve your investment in the Fund until you join a participating employer at a later stage in your career, or until you retire or pass away. This membership continuation option is known as non-contributory membership and must be exercised in writing, within 24 months after you left the service of your employer.

Member Accounts

Each member has an account in the Fund that is invested in an appropriate investment portfolio, either though the default life stage model or a member selected portfolio(s). Accumulated savings in a previous fund, i.e. a pension, provident or preservation fund, but excluding a retirement annuity fund, can be

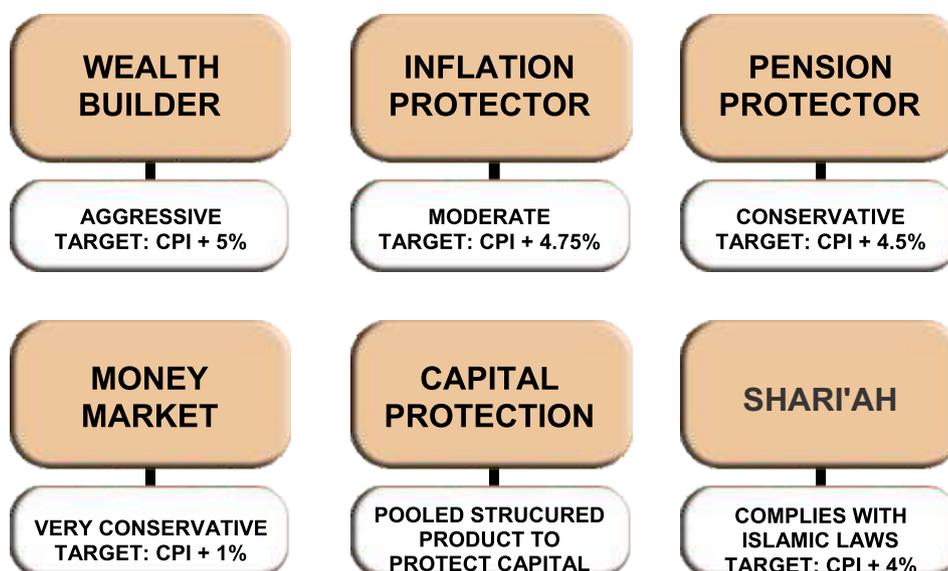
transferred to your Sentinel member account free of tax and Sentinel will not levy fees or commissions on this transaction.

The Fund will receive monthly contributions from your employer and deposit this into your member account within 5 working days from receipt. Growth earned is allocated to your account and the "Total Cost" applicable to your investment portfolio is recovered from your member account. This process will continue until your active membership ceases and you elect an appropriate benefit option.

Asset Management & Member Investment Choice (MIC)

The Fund follows a multi-portfolio, Liability Driven Investment approach whereby each investment portfolio is designed for specific member circumstances and different risk profiles. Professional asset managers are utilised to manage these portfolios and the selection of the managers, as well as the managers themselves, are dynamically managed by the Fund for maximum performance efficiency.

Sentinel provides the following portfolios for member investments:



Member Investment Choice (MIC) is provided at member level and allows members to choose between two investment avenues:

- **Life Stage Model**

Members can follow a Life Stage Model (the default) whereby they are automatically moved from one investment portfolio to the next based on the number of years remaining until Normal Retirement Age. A member who opts to follow the Life Stage Model is therefore not required to make any investment decisions.

Three investment portfolios are utilised in the Life Stage Model:



Switches between investment portfolios are done automatically in the month that a member reaches the specified age, i.e. 12 years and 5 years from normal retirement age. These switches are executed free of charge.

- **Member Investment Choice Model**

Members who elect not to follow the Life Stage Model must select an investment portfolio into which retirement savings are invested and, if required, a different portfolio into which monthly contributions is invested. Splitting of capital between the Money Market and/or the Capital Protection Portfolio and any one of the other portfolios is also allowed.

Six investment portfolios are utilised in the Member Investment Choice Model:



Switches between investment portfolios can be executed on a daily basis and investment into the Capital Protection Portfolio is available monthly. The first two switches per calendar year are executed free of charge. Thereafter a fee of 0.1% of capital, with a maximum charge of R5 000, is levied per switch.

Risk Benefit Cover

The Risk Benefit product provided by Sentinel aims at improving a member's benefits in the event of permanent disability or death. It is offered on a self-insured basis from within the Fund. Contributions are tax deductible and benefits taxable.

The option to participate in the risk benefit product is exercised at employer level and regulated by the Special Rules. Contributions are based on "Fund Risk Salary" and cover is based on annual average Fund Risk Salary for the 12 months preceding the benefit date. Cover is offered free from evidence of health and no cover limits or waiting periods apply.

Benefits

Benefits become payable when membership ceases. All benefits are paid in terms of the Rules of the Fund and are subject to income tax. The following benefits are provided for:

Withdrawal Benefit

A withdrawal benefit may be claimed if you have left the service of your employer and you have not yet reached your normal retirement age.

The benefit consists of your Fund Credit on the date that you notify the Fund of your benefit option. Your Fund Credit is disinvested to the Money Market Portfolio as soon as the Fund is notified of your termination of service.

The following benefit options are available:

- Continue your membership in the Fund until you retire or die,
- Transfer your benefit tax free to an approved retirement fund, i.e. preservation pension, retirement annuity or your new employer's retirement fund,
- Withdraw the benefit in cash, or
- Partially withdraw and transfer the balance to a retirement annuity or your new employer's fund.

Death of Member Benefit

A death benefit becomes payable when you die and the Fund has been notified of your death.

The Trustees must comply with Section 37C of the Pension Funds Act when they award and pay benefits to your dependents, nominees or Estate.

If you participate in and contribute towards death benefit cover in the Fund, additional risk cover will enhance your Fund Credit. 50% Of the total available funds will be used to provide a spouse or multiple spouses' pension, if applicable. The remaining 50% will be paid in lump sums to dependents and/or nominees. In the absence of a spouse, 100% of the total funds will be paid in lump sums to dependents, nominees, or the Estate.

Any lump sum allocation to a spouse, or part thereof, may be used to increase the spouse pension. Spouses may create the ideal monthly pension package from the Pension Income Choice model. Please refer to "Retirement Benefits" below for more information.

Disability Retirement Benefit

To qualify for a disability retirement benefit, the Trustees must be satisfied that you are totally and permanently incapable to perform your own and specific occupations, in a similar environment. Medical evidence must be submitted to support your claim.

Once the Trustees have approved a disability retirement, additional risk cover will enhance your Fund Credit. This enhancement will only apply to active members who participate and contribute towards the Fund's disability cover product.

The retirement benefit explained below also applies to disability retirements.

Retirement Benefit

The option to retire from the Fund becomes available if you retire, resign, are retrenched or dismissed from employment and you are within 10 years from your Normal Retirement Age (NRA) and at least 50 years old. Once you have attained NRA, it is compulsory to retire in the Fund when you stop contributing.

You have the option to take up to one-third of your Fund Credit in a lump sum. You may create the ideal monthly pension package from the Pension Income Choice model with the remaining capital.

A guaranteed pension is compulsory, up to a level of at least R12,500 per month. The following features and options apply:

- The pension is guaranteed for the life of the pensioner and the spouse thereafter.
- A spouse pension can be provided at a level of 75% or 100% of the primary pension at date of death.
- A term certain guarantee of between 5 and 25 years will secure the payment of the primary pension for the elected term, irrespective if the pensioner is alive.
- The purchasing power of pensions is maintained on a level of at least 80% of CPI, on a “with profit” increase approach.

Once the R12,500 monthly pension requirement is fulfilled, a second and/or third pension may be selected from the following options:

- A second guaranteed pension with different variations on the features explained above, and/or
- A flexible pension that offers a self-managed pension with investment and drawdown income options.

Taxation

The Income Tax Act prescribes that tax is levied when retirement fund benefits become payable. Different tax regimes apply to certain lump sum benefits and monthly pensions.

Lump sum benefits

Withdrawal benefit lump sums are taxed in terms of the following accumulative tax table:

Taxable Income	Rate of Tax
R0 –R 25,000	0%
R25,001 – R660,000	18%
R660,001 –R990,000	R114,300 +27% above R660,000
R990,001 and above	R203,400+36% above R990,000

Retirement, Non-voluntary Retrenchment and Death benefit lump sums are taxed in terms of the following accumulative tax table:

Taxable Income	Rate of Tax
R0 –R500,000	0%
R500,001 – R700,000	18%
R700,001 –R1,050,000	R36,000 +27% above R700,000
R1,050,001 and above	R130,500+36% above R1,050,000

Please note:

- Any lump sum paid by your employer and all previous retirement fund lump sums will be taxed in terms of the applicable accumulative tax table. You will therefore only qualify for the exempt portion once in your lifetime.
- A death benefit lump sum is taxed in the hands of the deceased member, not the recipient(s).

Monthly pensions

Monthly pensions are taxable in the hands of the recipient. Sentinel fulfils the role of an employer for PAYE purposes and is responsible to recover tax from lump sum and monthly pension payments. Please

note that all pensions are paid in terms of the Rules of the Fund and none of the tax exemptions provided for in Section 10 of the Income Tax Act applies to death or disability pensions.

Cost Structure

The Sentinel self-administered business model is beneficial to members and pensioners as they are the only “shareholders” in this arrangement and only actual costs incurred by the Fund are recovered. A “total cost” recovery method, including investment, administration and fund management cost, is followed to promote transparency and fairness and this is recovered from members' Fund Credits.

With effect from 1 July 2017, the annual fee charged to individual member accounts, per investment portfolio invested in, is:

Description	Fee	Description	Fee
Wealth Builder Portfolio	0.57%	Money Market Portfolio	0.26%
Inflation Protector Portfolio	0.55%	Capital Protection Portfolio *	0.65%
Pension Protector Portfolio	0.51%	Shari'ah Portfolio *	0.99%

**These are external portfolios and costs include direct asset management fees levied by the service providers.*

No commissions or additional fees are charged to access Fund products and members who retire in the Fund experience no transition costs or investment disturbances, as they remain invested in the Fund.

Pension Backed Home Loans

Pension backed home loans are offered through IEMAS, an independent service provider. Members can obtain a guarantee for a home loan of up to 50% of their fund credit value, over a maximum term of 20 years. To qualify for a loan, your employer must participate in this scheme.

Dispute Resolution

Every effort is made by the Fund to resolve member queries and complaints. In the unlikely event of you wanting to complain to the Pension Funds Adjudicator, the appropriate contact details and dispute resolution process is available on the Sentinel website.

Ethics Hotline

Sentinel's Ethics Hotline is independently operated by KPMG and has been established with the aim to enhance an honest work ethic and simultaneously provide stakeholders with a mechanism to bring any unethical business practices, i.e. theft, corruption, fraud or related activities, to the attention of the Board. The Hotline serves as an independent conduit between the Board of Trustees, management, employees and stakeholders, and all information is treated confidentially and the anonymity of the complainant is protected.

Toll Free: 0800 20 35 89

Email: fraud@kpmg.co.za

What You Can Expect From Sentinel

Administration Process & Systems

State of the art, retirement fund specific, systems are utilised that have no capacity constraints. This system provides daily pricing and unitisation. IT infrastructure is hosted off-site and is web based providing real-time disaster recovery and ensures excellent business continuity provision.

Communication

Members are provided with a comprehensive communication service that includes, as a minimum, bi-annual newsletters, newsflashes, benefit brochures, annual benefit statements and website access to all forms and communication material.

Members can register to receive electronic communication and to access their daily Fund Credit values through a password protected website interface that also provides a calculator for benefit simulations.

Client Service & Advice

To maintain personal contact with members and pensioners, the following footprint has been established:

- Client Contact Centre that provides telephonic support.
- Client Service Centres in Johannesburg, Carletonville, Klerksdorp, Welkom and Witbank.
- Advisory Service provides guidance and advice to members and pensioners, at no additional cost, to assist with retirement planning and Fund product options.

Sentinel's Contact Details

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