



**SENTINEL**  
**Retirement Fund**

# Member Brochure

**July 2013**

# WELCOME

Sentinel is a self-administered modern defined contribution umbrella pension fund and one of the largest in South Africa. The Fund was established in 1946 and has, over the years, received many accolades for excellence in its efforts to positively change people's lives through its world class retirement solution.

This booklet will help you understand the Fund and the benefits and products it provides. A good understanding of this, together with reading the on-going communication provided by the Fund, will assist you in making informed decisions about your retirement savings.

## SAVING IN A RETIREMENT FUND

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

- 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 benefit from better investment opportunities and lower costs because your retirement savings are part of a large group instead of doing it on your own; and
- Tax incentives through the E – E – T principle which applies to a pension fund and wherein contributions are tax deductible (**E**), growth earned in the fund is tax free (**E**) and benefits are taxable (**T**) when these become payable.

Sentinel provides you with the opportunity to 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 monthly pension equal to around 75% of your final salary. The “recipe for success” lies in a combination of the following:

- A responsible mind-set that treasures retirement savings for what it is intended for - “retirement”;
- A good understanding of the Fund and all its offerings;
- A savings term of at least 35 years with monthly contributions throughout this term of at least 15% of your income; and
- Investment growth of around 6% above inflation over the long term.

Sentinel offers a unique retirement fund solution that follows smooth and seamless transitions through all the life stages that await you, excellent growth opportunities through a world class investment model, a transparent low cost fee structure, sensibly structured products and most importantly, peace of mind!

## GOVERNANCE OF THE FUND

The Fund is governed by its Rules which 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 requirements including the Pension Funds Act and Income Tax Act. Sentinel's Rules consist of two sections:

- **Main Rules** that regulate the Fund itself such as participation in the Fund, membership, benefits, 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 governance and ethics, determining policy 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** are registered for each participating employer in the Fund that mirror the conditions of employment of the employer's employees who are members of the Fund. These Special Rules regulate membership conditions for all or categories of employees, e.g. normal retirement age, contribution rates, salary on which contributions are based, Risk Benefit Cover participation, etc. Each employer also has the option of having a Management Committee which consists of elected employer and employee representatives.

## MEMBERSHIP

Employers who participate in Sentinel enable their employees to become members of the Fund. Active membership commences when your conditions of employment compel you to become a member of the Fund and ceases when you leave the service of your employer. Leaving service can be due to resignation, retrenchment, dismissal, retirement, death, or when your conditions of employment change. **Once your active membership has ceased, you have 24 months in which to decide what to do with your accumulated savings held in Sentinel.**

You are not forced to leave the Fund when your active membership ceases. If you find employment with another employer who also participates in Sentinel, your membership will continue and your membership conditions will be determined by your new employer's Special Rules. If you do not join another participating employer immediately, you can elect to preserve your Fund Credit in Sentinel (Deferred Membership) until you do join a participating employer, or until you retire or pass away.

## YOUR MEMBER ACCOUNT

Each member has an individual account in Sentinel. This account is known as your Fund Credit and it is invested in an appropriate investment portfolio. Retirement provision in a previous fund, irrespective if it is a pension, provident or preservation fund, can be transferred to your Sentinel member account free of tax and Sentinel does not levy fees or commissions on this transaction.

Sentinel receives monthly contributions, in your name, from your employer and this is added to your member account. Investment growth earned on your Fund Credit is allocated to your account and an asset management fee, applicable to your investment portfolio, and a fixed monthly administration fee is recovered from your member account. This process continues until your active membership ceases.

## ASSET MANAGEMENT & INVESTMENT CHOICE

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

The cost of asset management is charged monthly to member accounts based on the particular investment portfolio invested in. As asset management fees are based on both a fixed rate and specific out performance model, the fees charged to member accounts vary from month to month dependent on asset manager performance above set targets within agreed benchmarks.

The Fund provides members with investment choice, at member level, and two distinct investment avenues are available to individual members. You are urged to read the Sentinel Member Investment Choice Brochure as the information contained below only provides a brief summary of this important subject.

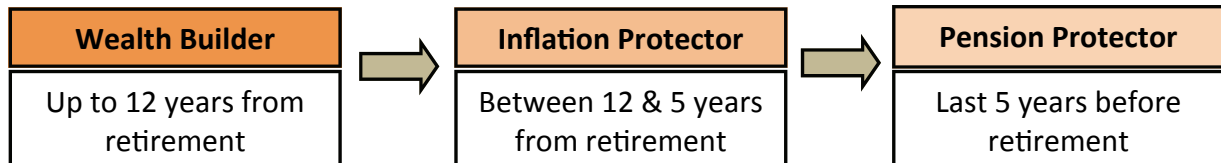
The following portfolios form the basis of the investment portfolio options available to members:

PORTFOLIO	TYPE	TARGET	INVESTMENT TERM
Wealth Builder	Aggressive	Inflation plus 6.0%	12 years plus to NRA
Inflation Protector	Moderate	Inflation plus 5.4%	Between 12 & 5 years to NRA
Pension Protector	Conservative	Inflation plus 5.0%	5 years and less to NRA
Shari'ah	Complies with Islamic Law	Inflation plus 4.0%	Indefinite
Money Market	Very conservative	Cash plus 1%	Very short term
Capital Protection	100% Capital Guarantee	100% Capital protection	Short term

The Sentinel Member Investment Choice Model (MIC) provides two investment avenues to members. These can briefly be described as:

### The Life Stage Model

This is the default for all members. The Life Stage Model automatically moves your investment in the Fund from one investment portfolio to the next based on the number of years remaining until your Normal Retirement Age (the age at which you retire in terms of your conditions of employment). Members who follow the Life Stage Model are therefore not required to make any investment decisions. The Life Stage Model utilises the following three investment portfolios:



Switches between investment portfolios in this Model are done automatically in the month following that in which a member reaches the specified age and are executed at no charge.

### The Member Investment Choice Model

Members who elect not to follow the Life Stage Model select an investment portfolio into which retirement savings are invested and, if required, a different portfolio into which monthly contributions are invested. The splitting of capital between the Money Market and/or the Capital Protection Portfolio and any one of the other portfolios (except the Shari'ah Portfolio) is also allowed. Six investment portfolios are utilised in the Member Investment Choice Model:



Switches between investment portfolios can be done daily, although highly discouraged, and investment into the Capital Protection Portfolio is available monthly. The first two MIC switches per calendar year are done free of charge. Thereafter, a fee of 0.1% of capital with a maximum of R5000 is levied per switch. Members who have exercised an investment choice may return to the Life Stage Model, if they so desire.

## RISK BENEFIT COVER

Risk Benefit Cover offered by Sentinel aims at improving a member's benefits in the event of permanent disability or death and is managed on a self-insured basis from within the Fund. Contributions to Risk Cover are tax deductible and benefits taxable. The option to participate in the Risk Benefit Cover product is exercised at employer level for all or categories of members. Risk Cover is provided free from evidence of health with no cover limits or waiting periods being applied.

Contribution rates are based on Fund Risk Salary and this can be different from Fund Salary (Fund Salary is that part of remuneration that is pensionable and on which contributions to retirement savings are based).

A fixed cover multiple of your annual average Fund Risk Salary for the 12 months preceding the benefit date is provided. For example: if you participate in the Risk Benefit Cover product, through your employer, and the cover selected by your employer is three times cover for both death and disability, you enjoy three times the value of your annual average Fund Risk Salary as death and disability cover.

## 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 briefly describes the benefits provided by Sentinel:

## **WITHDRAWAL BENEFIT**

A withdrawal benefit may be claimed if you have left the service of your employer **and** you have not reached your normal retirement age. A withdrawal benefit may **not** be claimed if you have re-joined the Fund through another participating employer or if you have instituted proceedings to be re-instated through the CCMA and these proceedings have not been finalised. A cash withdrawal cannot be claimed if you have not left the service of your employer, even if your conditions of employment have changed. Please read the Withdrawal Benefit Brochure for more information.

The benefit consists of your Fund Credit. Your Fund Credit is disinvested to a Money Market type portfolio as soon as the Fund is notified of your termination of service. The following benefit options are available when you leave the service of your employer:

- Continue membership in the Fund (deferred membership) until you retire, re-join Sentinel or die;
- Transfer your benefit tax free to an approved preservation pension fund, retirement annuity or your new employer's pension fund (provident fund transfers are taxable);
- Withdraw the benefit in cash (taxable);
- Partially withdraw cash (taxable) and transfer the balance to a retirement annuity or your new employer's pension fund (tax free).

## **DEATH OF MEMBER BENEFIT**

A death benefit becomes payable when you die and the Fund has been notified of your death. Sentinel must comply with Section 37C of the Pension Funds Act when a death benefit is awarded and paid to your dependents, nominees or estate. Please read the Death of Member Brochure for more information.

If you contribute towards the Sentinel Death Benefit Cover product, your Fund Credit will be increased by an amount payable from this Risk Cover. 50% Of the total available amount will be used to provide a spouse or multiple spouses' pension. The remaining 50% will be paid as lump sums to dependents, nominees or the estate. In the absence of a spouse, 100% of the total amount will be paid as lump sums to dependents, nominees or your estate.

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

## **RETIREMENT BENEFITS**

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.

The retirement benefit is based on your Fund Credit. You have the option to take up to one-third of your Fund Credit as a lump sum. You are able to create the ideal monthly pension from the Pension Income Choice model provided by the Fund with the remaining capital. Please refer to the Retirement Benefits Brochure for more information.

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

- The pension is guaranteed for the life of the pensioner and the spouse (if applicable) thereafter.
- A spouse pension, if applicable, is provided at 75% or 100% of the primary pension at date of death.
- A term certain guarantee of between 5 and 25 years is provided, with 5 years being the default. This term certain guarantee secures the payment of the primary pension for the elected term, irrespective if the pensioner is alive or not.
- Guaranteed pensions are increased annually, on a "with profit" basis, at a level of at least 80% of CPI to maintain the purchasing power of pensions over the long term.

Once the above R12 500 per month pension requirement is fulfilled, a second and/or third pension may be selected, at the discretion of the retiring member, from the following options:

- A second guaranteed pension with variations on the options explained above i.e.: no spouse pension being selected even if a spouse exists and/or a different term certain guarantee period, and/or
- A flexible pension (living annuity type pension) which is self-managed through investment choice and that provides options with regard to annual income subject to legislative requirements.

## **DISABILITY RETIREMENT**

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

Once a disability retirement has been approved by the Trustees, your Fund Credit will be increased by an additional amount from the Disability Risk Cover product, which consists of a multiple of your average annual Fund Risk Salary. The Disability Risk Cover amount only applies to active members who participate and contribute towards the Fund's Disability Risk Cover product. Please read the Disability Benefit Brochure for detailed information about disability retirements.

## **TAXATION**

The Income Tax Act prescribes that tax is levied when benefits are paid from a retirement fund. Monthly pensions and lump sums are taxed differently. Please refer to the Sentinel website or SARS for the latest tax tables.

### **Lump Sums**

Different income tax provisions apply to withdrawal and retirement lump sum payments. In essence, retirement, re-trenchment and death lump sums are taxed lower than withdrawal benefit lump sums. It is also important to note that the lump sum tax tables are accumulative throughout your working career. Please note:

- In the event of retrenchment any lump sum paid by your employer, will also be taxed in terms of the accumulative table. You will therefore only qualify for the exempt portion once in your lifetime.
- In the event of death, lump sum benefits are taxed in the hands of the deceased member, not the recipient.

### **Monthly Pensions**

Monthly pensions are taxable in the hands of the recipient in the same manner as what your salary from your employer is taxed. Sentinel fulfils the role of an employer for tax purposes and is responsible to recover tax from monthly pensions. Please note that all pensions are paid in terms of the Rules of the Fund and none of the specific tax exemptions provided for in Section 10 of the Income Tax Act applies to death or disability pensions. These benefits are therefore taxable.

## **COST STRUCTURE**

Only the actual cost of managing and administering the Fund is recovered from members and pensioners. No commissions are charged for options exercised or services provided by the Fund. Each individual member's account is levied with the monthly administration fee and the asset management fee applicable to the investment portfolio the member is invested in.

## **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 this facility, your employer must participate in this scheme. Please refer to the Pension Backed Home Loans brochure for more information.

# DISPUTE RESOLUTION

Every effort is made by the Fund to resolve member queries and complaints. Should you, however, have a complaint, you must follow the following procedure:

1. Discuss the complaint or query with a Fund official.
2. If you are not satisfied with the response, send a written complaint to the Principal Officer of the Fund, who must respond to your complaint within 30 days.
3. If you are still not satisfied, you can refer your complaint to the Pension Funds Adjudicator. After the Adjudicator has made a decision, both you and the Fund have six weeks in which to appeal to the High Court. The contact details of the Pension Fund Adjudicator is available on the Sentinel website or from the Fund.

# WHAT YOU CAN EXPECT FROM SENTINEL

## Communication

Sentinel prides itself on excellence in communication with members and pensioners. The following communication channels are utilised to communicate with members and pensioners:

- A web-site through which you can access information about the Fund. An inter-active component is also available that allows you access to your Fund records as well as a benefit calculator.
- Member Benefit statements are distributed annually and serve as a statement reflecting your investment in the Fund and all information that applies to your membership.
- The "Bulletin" is the Fund's official newsletter to members and is published twice a year.
- "Breaking News Bulletins" are distributed to make regular or important announcements i.e. publication of monthly growth rates.
- Information brochures are provided to explain specific matters, such as benefits, application procedures, planning tools, etc.
- Information sessions are presented at the workplace to inform and educate members about the Fund.

## Client Service And Advice

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

- A Client Contact Centre that provides telephonic support.
- Client Service Centre's in Johannesburg, Carletonville, Klerksdorp, Welkom and Witbank.
- An Advisory Service to provide independent advice to members and pensioners. No commissions or additional fees are levied for this service.

**This booklet is a summary of the products & Rules of the Fund and does not give rise to any rights or obligations. In the event of differences or disputes, the Rules will prevail. These Rules are available on the Sentinel web-site and registered offices of the Fund.**

## CONTACT DETAILS

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