



SENTINEL
Retirement Fund

Retirement Benefit
Brochure

May 2014

ENJOY YOUR RETIREMENT

The contributions you have made towards your retirement were probably the most important investment you have made during your lifetime, and now the time has come for you to enjoy these savings.

Sentinel offers an extremely attractive and competitive retirement solution through its structured Pension Income Choice model that allows you to sculpt a retirement income that best suits your financial needs into retirement. This model provides a comprehensive range of all the modern retirement product options available in South Africa.

Your transition from member to pensioner is seamless and costless as Sentinel does not levy any fee or commissions on retirement.

QUALIFICATION CRITERIA

A retirement benefit becomes payable once you have left the service of your employer and qualify to retire.

Your normal retirement age (NRA) is an element of your conditions of employment that determines when you must retire from your employer's service. Early retirement is available if you are within ten years of your normal retirement age, provided that you are 50 years of age or older. Late retirement is available provided that you are still in service of a participating employer and contributing to the Fund.

If you have not reached Normal Retirement Age when you leave your employer, it is not compulsory to retire in the Fund and you may elect to receive a Withdrawal Benefit. Please refer to the Withdrawal Benefit Brochure for detailed information regarding this option.

Once you have reached your Normal Retirement Age, you are compelled to retire from the Fund.

DECISION MAKING & INVESTMENTS

Your Fund Credit will be disinvested within 5 days after discharge date or when the Fund is notified in writing that you have left service of your employer with documentary proof of this (such as a letter from your last employer). Alternatively, the notification of your discharge via your employer's contribution return will be taken as this notification. On receipt of this discharge notification, your Fund Credit will be invested into a money market type portfolio to protect your capital against market volatility, unless you notify the Fund otherwise. Should your Fund Credit, or part of it, be invested in the Capital Protection Portfolio, your benefit can only be calculated after the expiry of the one month investment term.

From the date you left service, you have 24 months in which to decide what to do with your accumulated retirement savings. During this 24 month period you may exercise Member Investment Choice. Please refer to the Member Investment Choice Brochure for further information.

RETIREMENT BENEFIT TYPES

A retirement benefit is a monthly **pension** based on your total Fund Credit, less any lump sum portion selected, at the date of your retirement. Sentinel provides for four types of retirement:

- **Early Retirement**

You qualify for early retirement if you are within ten years of your Normal Retirement Age, but not younger than 50 years. Normal Retirement Age is your retirement age as per your conditions of employment with your employer.

- **Normal Retirement**

The Fund applies your Normal Retirement Age as determined by your conditions of employment with your employer or, if this is not applicable, your retirement age as determined by the Fund Rules prior to 1 March 2001. Deferred Members have a Normal Retirement Age as per their last participating employer conditions of employment.

- **Late Retirement**

You qualify for late retirement if your employer agrees that you remain in service after your Normal Retirement Age as a contributory member.

- **Disability Retirement**

The Trustees may agree to your retirement any time before your Normal Retirement Age on medical grounds and if medical evidence is provided that satisfies them that you are totally and permanently disabled for your own and similar occupations in a specific environment. Contributory members, who have Risk Cover qualify for a pension based on their Fund Credit plus disability cover. A non-contributing member and contributing member who does not have Risk Cover, will only qualify for a pension based on Fund Credit. Please refer to the Disability Benefit Brochure for detailed information.

PENSION INCOME CHOICE

Sentinel offers a Pension Income Choice model that aims to give you a post retirement income that best meets your specific requirements. This model offers the following features and options:

LUMP SUM OPTION

You may take up to one third of your Fund Credit as a lump sum. The lump sum will be subject to tax and it may be necessary to provide for a larger lump sum (provided that the total lump sum does not exceed the 1/3 maximum) to ensure that the desired cash amount is received, after payment of tax.

Your capital requirements must be assessed to determine whether and exactly how much you need as a lump sum. Your first priority should be to settle long term debt. Secondly, consideration should be given to an “emergency reserve” for extraordinary expenses such as high medical bills which may not be covered by your medical aid, expensive repairs to your house or motor vehicle, relocation expenses, etc. and this should be invested where it earns a reasonable investment return and where the money is readily available when needed.

Tax is determined in terms of a prescribed table, which is applied on an accumulative ***basis on all retirement fund and employer lump sum payments to an individual.*** Please refer to the Fund website (“Benefits in a Nut-shell”) or SARS for the latest tax table applicable to retirement lump sum payments.

TIER 1 - GUARANTEED PENSION

This option is compulsory for all members who retire from the Fund up to a minimum R12,500 per month pension. If you have sufficient capital in the Fund that allows for more than a R12,500 per month pension, you are able to select another pension from Tier 2 and/or Tier 3 with the capital that exceeds what is required to provide the R12,500 pm Tier 1 pension, if you choose.

Guaranteed Pensions General Info:

All Guaranteed pensions are guaranteed to be paid for life. These pensions may not be stopped and may also not be reduced. This guarantee applies to both your pension and, if applicable, your spouse's pension.

Term Certain Guarantee Option:

The term certain guarantee is provided over and above the "guaranteed for life" guarantee mentioned above. A term certain guarantee period of 5, 10, 15, 20 or 25 years, with a default of 5 years, can be selected. This guarantee secures the payment of the value of **your** pension, for the term selected, irrespective if you outlive this term or not. In the event of your death within the term selected, the value of your pension will continue to be paid to your spouse, or, if you have no spouse or your spouse pre-deceased you, the value of your pension payments to the end of the term will be capitalised and paid in a lump sum to your dependents, nominated beneficiaries or Estate.

With both the above guarantee features incorporated in your pension, you obtain peace of mind that you and your spouse will receive a monthly pension for as long as you each live **and** your dependents will share in benefits should you and your spouse die within the Term Certain Guarantee period.

Pension Increases

Guaranteed pensions are eligible for annual pension increase and are known as "with profit" pensions. Pension increases are awarded with the aim of countering the eroding effect of inflation on the purchasing power of pensions. Sentinel aims to award annual pension increases at a level of at least 80% of CPI (inflation) and although pension increases or bonuses are not guaranteed, Sentinel has an exceptional track record of pension increases awarded and, when affordable, bonuses awarded.

Spouse Pensions

If you have a spouse at the time of your retirement, it is compulsory to provide for a spouse's pension. You can select a spouse pension on a level of either 75% or 100% of your pension on the date of your death. If you have more than one spouse, provision will be made for these spouses to share the pension that becomes payable after your death.

Where provision was made for a spouse pension at your retirement, this pension will start paying after your death and the expiry of term certain guarantee period selected. Provided that the spouse(s) whom you nominated at your retirement is alive at the time of your death, that spouse(s) will receive the spouse pension, irrespective if you are still married at the time of your death.

In the event of you dying within the term certain guarantee period selected at retirement, your spouse will continue to receive the full value of your pension for the remainder of the period selected and thereafter receive the spouse pension provided. Should you re-marry after retirement, your new spouse will not qualify for a guaranteed spouse pension.

EXTENDED PENSION OPTIONS

Retirees with sufficient capital to qualify for a monthly guaranteed pension of at least R12,500 (this will normally require ±R2,6 million of your retirement capital), can elect to provide for more than one pension with the balance of their capital.

Once the above R12,500 per month obligation has been fulfilled, you may, if you don't want a single guaranteed pension, select one or two differing pensions with your remaining capital. These options include:

TIER 2 - GUARANTEED PENSION

This pension option offers the same features as the Tier 1 Guaranteed Pension option, but allows for a different spouse pension option of 0% (single life pension), 25%, 50%, 75% or 100%, and a different minimum term guarantee option than selected in the compulsory guaranteed pension (5 to 25 years). This pension option may be attractive where a spouse has sufficient retirement provision for himself/herself.

TIER 3 - FLEXIBLE PENSION

The flexible pension option is in essence a "living annuity" product provided from within Sentinel. It allows you to invest your retirement capital (capital amount less the capital amount required to provide a Tier 1 pension) in terms of the Fund's Member Investment Choice Model in the same manner that applies to members (excluding monthly contributions). You also, on an annual basis, select the value of your monthly pension "draw-down". In terms of current regulations, this "draw-down" may vary between 2,5% and 17,5% of capital per year.

Important matters to consider:

- The remaining balance of the flexible pension capital account at your death will be paid to your spouse, either as a continued flexible pension or a lump sum, or to your dependents.
- You are responsible for the management of your flexible pension income and investments.
- Annual increases and bonuses awarded on guaranteed pensions **do not** apply to flexible pensions.
- If not managed properly, you run the risk of outliving your capital and being forced to reduce your pension income from the flexible pension product.

ACTUARIAL FACTORS

The Fund applies a **floating discount rate** in its **annuity factor** to determine the value of starting pensions. This takes account of changes in investment markets from time to time and in doing so, reduces cross-subsidisation between groups of pensioners. The effect of this approach is:

- When investment markets are relatively high, the member who is about to retire will have benefited from an increase in Fund Credit. However, the prospect for future returns is lower given that high investment markets can't be expected to continue forever. A lower discount rate should be applied which will result in a lower starting pension but coupled to prospects of higher pension increases into the future.
- When investment markets are at relatively lower levels, the member who is about to retire may have suffered a reduction in Fund Credit. However, the investment prospects going forward are favourable as higher future investment returns can be expected. A higher discount rate is then applied which will result in a higher starting pension but with prospects of lower pension increases into the future.

This approach accepts both current and expected future investment market conditions and ensures a fair determination of starting pensions and future increases for all.

PENSION OPTION DIFFERENCES

The following table reflects the main differences between the various pension options:

	GUARANTEED PENSIONS	FLEXIBLE PENSIONS
Features	<ul style="list-style-type: none"> • Pensions guaranteed for life • Increases awarded based on affordability 	<ul style="list-style-type: none"> • Pensions not guaranteed for life. • You determine your increase based on returns earned on capital
Advantages	<ul style="list-style-type: none"> • Pension & any awarded increases guaranteed for your life and your spouse's life thereafter • Through increases, protection against inflation • Term certain guarantee • Legislation dictates minimum annual increases • Peace of mind—no matter how long you live 	<ul style="list-style-type: none"> • You manage your own capital and determine your own pension (2,5 to 17,5% “draw-down” per year) • The balance of your investment at your death is paid to your dependants • You can adjust your income to suit your needs and tax is payable only on the amount drawn
Disadvantages	<ul style="list-style-type: none"> • You don't directly manage your own capital, if this is what you want 	<ul style="list-style-type: none"> • You can outlive your capital • Investment market volatility can force you to reduce your monthly pension income
Typically For	<ul style="list-style-type: none"> • Any retiree, especially those who expect to live long • Retirees who do not want to be involved in investment decision making after retirement 	<ul style="list-style-type: none"> • Retirees who are financially aware and understand the investment arena and are capable of and have a desire to manage their capital and income

QUALIFICATION AS A SPOUSE

The Fund defines a spouse as the person:

- To whom you are legally married; or
- With whom you are married in customary union; or
- With whom you are living in union recognized as a marriage under any religion; or
- With whom you are in a relationship intended to be permanent and involved cohabitation, provided the member/pensioner wholly or partially financially supported such partner. This is, however, solely at the discretion of the Trustees.

Benefits applicable to a spouse will only be payable to the person who qualified as your spouse at date of your retirement. You should also notify the Fund, at retirement, if you have more than one spouse to ensure that they are taken into consideration as possible spouses (the spouses pension will be divided among them subject to Trustee discretion). Please note that your pension will be determined according to an actuarial formula based on your and your spouse's ages.

Your spouse will be entitled to the spouse's pension, even if you divorce him/her after retirement. Should you re-marry after retirement, your 2nd spouse will not be entitled to a monthly spouse's pension.

OTHER MATTERS TO CONSIDER

It is advisable to clarify matters with your employer before you retire. Some of these include:

- When you must vacate company housing.
- Are you entitled to lump sum payments from your employer, i.e. a gratuity or accumulated leave?
- Will you be able to continue membership of your medical aid and will you be entitled to a subsidy or continuation of the employers contribution?
- Obtain all relevant documents which you will need to claim Unemployment Insurance.
- You may also clarify matters with your Labour Union regarding extended membership and funeral cover.

PAYMENT OF RETIREMENT BENEFITS

All benefit calculations and payments can only be processed **AFTER** the Fund has received your final contributions from your employer.

- **Cash lump sum**

When the Fund receives the tax directive from SARS with regard to your elected lump sum amount, and has processed this tax deduction, the cash lump sum will be paid in accordance with your payment instructions. You will receive interest on the lump sum from effective date of calculation up to the date of actual payment.

- **Monthly pension**

A pension month is from the 16th of a month to the 15th of the next month. Payments are normally made by the 10th of a month, but will not be later than the 15th.

Normal South African income tax regulations (PAYE) apply to ALL pensions and, if applicable, tax will be deducted from your pension. In compliance with income tax regulations, tax certificates are distributed annually to all recipients of a pension.

Please note that if you receive any other income, you will be taxed on the total income you receive by SARS.

DEFERRED MEMBERSHIP

You may elect to become a non-contributing member when leaving your employer. You may defer your benefit up to your Normal Retirement Age. Please complete an application for Deferred Membership for this option.

GENERAL

You must quote your Industry Number and or ID Number, and sign all correspondence with the Fund!

- **Health Care Scheme / Medical Aid**

Before deciding to retire early, you should contact your medical aid to familiarise yourself with their requirements, conditions and level of subscriptions. If you would like your medical aid subscriptions to be deducted from your pension, and Sentinel has an agreement in place with your medical aid scheme, you must advise your Medical Aid Scheme directly.

Please direct all medical aid queries (including the deduction of subscriptions) to your Medical Aid Scheme.

- **Changes in personal details**

You must notify the Fund in writing if there is any change in your personal details such as your marital status, changes of who your dependants are and the death of your spouse.

- **Change of address or banking details**

You must inform the Fund in writing immediately if your residential address, postal address or banking details change. When you need to change your banking details, please do not close your old bank account until your pension has been paid successfully into your new account. Should you plan to relocate to a foreign country, you are required to complete a “foreign exchange questionnaire” prior to relocation.

- **Regular communication**

Once you are a pensioner of the Fund, you will receive two “Informants” (pensioner newsletters) a year that contain information and news from the Fund. You will also receive an annual Pensioner Benefit Statement that reflects your pension values and other benefit entitlements, if any.

- **Nomination Forms**

It is important that you complete a nomination form to avoid any confusion with the allocation of benefits in the event of your death. Benefits payable by the Fund do not form part of your estate and can not be bequeathed in your will. Nomination Forms should be updated according to changes in your personal circumstances.

HOW TO APPLY

The following documents must accompany your application for a retirement benefit:

FORM OR DOCUMENT	REQUIREMENT
Retirement Benefit application form	Yes
Member Investment Choice form — only if applicable	For Flexible Pensions
Nomination form	Yes
Copy of your ID or Passport (passport must show expiry date and photo)	Yes
Copy of your spouse’s ID or Passport (passport must show expiry date and photo)	Yes
Copy of your marriage/customary law certificate	Yes
Copy of your termination letter	Yes
Documentary proof of all periods of service rendered outside the RSA	If applicable
Foreign exchange questionnaire, if you reside outside South Africa	Yes

Please send your completed and signed application form and required documents to:

The Manager
 Sentinel Retirement Fund
 P O Box 61172
 Marshalltown
 2107

Documents can also be hand delivered to any Sentinel office!

CONTACT DETAILS

ELECTRONIC

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Welkom

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WITBANK

WCMAS Building

Corner OR Tambo and Susanna Streets

Emalaheni (Witbank)

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CARLETONVILLE

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Carletonville

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