SENTINEL
Retirement Fund

RETIREMENT BENEFIT BROCHURE

Your Retirement - Our Passion

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Sentinel Retirement Fund • Reg No 12/8/1215
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Introduction

Sentinel Retirement Fund offers an attractive retirement solution through its sensibly structured Pension Income Choice model. The Model allows retiring members; disability retirees and the spouses of deceased members to sculpt an income package to best suit their financial needs for the future.

This booklet will help you understand the Fund and the options that the Pension Income Choice model offers. A good understanding of this booklet as well as 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.

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 have to retire from your employer's service. **Early retirement** is available if you are within ten years from your NRA, provided that you are 50 years of age or older. **Late retirement** is available if you are still in service of an employer and contributing beyond your NRA. Deferred members must retire when they reach the NRA that applied when they last contributed to the Fund.

If you have not yet reached your normal retirement age, it is not compulsory to retire in the Fund and you may elect to withdraw from the Fund and transfer your accumulated retirement capital to another approved retirement fund. You may also defer your retirement in this Fund to a later suitable date by electing to become a non-contributory member. Please contact the Fund if this option appeals to you).

Once you have reached your normal retirement age, you are obligated to retire in the Fund once you stop contributing through your employer.

Decision Making Period

Once your former employer notifies Sentinel of the termination of your employment you will become an interim member of Sentinel and your Fund Credit will be automatically disinvested to the Money Market Portfolio. During this interim membership period, you will have 24 months in which to consider your options and make an informed decision. You may exercise investment choice during this period to move your investment to a portfolio of your choice, or into the life stage range of portfolios. Interim membership may not extend beyond the date that you reach NRA.

In the event that you do not want to retire immediately after you have left the service of your employer, you may extend your membership by electing to become a non-contributory member of the Fund and defer your retirement to NRA or a desired earlier or later date. You must exercise this option at the end of the 24-month interim membership phase referred to above, at the latest.

Retirement Benefit Options And Taxation

The available capital from which you may select retirement benefit options will consist of your total Fund Credit on the date of your retirement.

Lump sum option

You may draw up to a maximum of one third of your available Fund Credit in the form of a lump sum.

The lump sum will be subject to income tax and it may be necessary to provide for a larger lump sum (provided that this does not exceed the one-third maximum) to ensure that the desired amount is received after tax.

Tax is determined by means of the following prescribed table that is applied accumulatively to all retirement fund and employer lump sums received in the event of retrenchment or retirement, during your lifetime.

Retirement & Retrenchment Lump Sums	
Taxable Lump Sum	**Rates of Tax**
R0 – R500 000	0%
R500 001 – R700 000	18% of taxable income above R500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income above R700 000
R1 050 001 +	R130 500 + 36% of taxable income above R1 050 000

Members who have Fund Credits below the threshold at retirement will be able to fully commute and take their full fund credit in a lump sum.

All monthly pensions paid by the Fund are taxable.

Pension income choice options

Sentinel offers a Pension Income Choice model to best suit your post-retirement income needs. This model offers the following features and options:

Tier 1: Guaranteed pension

This pension option is compulsory for all members who retire from the Fund and includes the following:

Guaranteed for Life = Maximum payment guarantee

The guaranteed pension may, in terms of legislation, not be reduced or suspended while the recipient is alive. This guarantee applies to both your pension and your spouse's pension after your death.

Term Certain Guarantee = Minimum payment guarantee options

A term-certain guarantee can be selected for the first 5, 10, 15, 20 or 25 years of retirement. This guarantee secures the payment of your pension for at least the term selected, irrespective of if you outlive the selected term or not. In the event of your death within the term selected, your full pension will continue and either be paid to your spouse, or be capitalised and paid in a lump sum to your dependants, nominated beneficiaries or your Estate.

With both the abovementioned guarantee features incorporated in your pension, you secure peace of mind that you and your spouse will receive a monthly pension for as long as you live. In addition, your dependants will share in the benefits should you and your spouse both pass away within the term certain period selected.

Spouse(s) pension provision

The Fund's Rules define a spouse as the person:
- To whom you are legally married;
- To whom you are married in customary union;
- With whom you are living in a union recognised as a marriage under any religion; or
- With whom you are, in the discretion of the Fund Trustees, in a relationship intended to be permanent and involves cohabitation, as long as you wholly or partially support such a partner financially.

If you have a spouse at the time of your retirement, it is compulsory to provide for a spouse's pension. You may select a spouse pension on a level of either 75% or 100% of your pension, coming into effect 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.

If you made provision for a spouse pension at your retirement, this pension will start paying after your death and the payment of the minimum term certain guarantee. If the spouse whom you have nominated at your retirement is alive at the time of your death, that spouse will receive the spouse pension, irrespective of whether you are still married at the time of your death.

In the event of you passing away within the term-certain period selected at retirement, your spouse will continue to receive your full pension for the remainder of the period selected and, thereafter, receive the spouse pension provided.

Should you re-marry after retirement, that spouse will not qualify for a guaranteed spouse pension after your death, but may share in a capitalised term-certain lump sum benefit, if applicable.

'With profit' pension increases

Increases are considered annually and are aimed at combatting the eroding effect of inflation on the purchasing power of guaranteed pensions. Sentinel has an exceptional history of increases and bonuses awarded to date, which are far better than the Trustees' stated objective of at least 80% of the Consumer Price Index (CPI).

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 that:
- 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 cannot be expected to continue forever. A lower discount rate should be applied, that will result in a lower starting pension and prospects of higher pension increases into the future.
- When investment markets have dropped to relatively low levels, the member who is about to retire will 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 should then be applied, which will result in a higher starting pension and prospects of lower pension increases into the future.

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

Extended pension options

Retirees with sufficient capital to qualify for a Tier 1 monthly guaranteed pension of at least R12 500, which would normally require around R2.5 million of your retirement capital, may elect to provide for more than one pension with the balance of their capital.

Once you have fulfilled this obligation, you may select one or two additional pension options from the Pension Income Choice model with the remaining capital. These options are discussed below:

Tier 2: Second guaranteed pension option

This pension option offers the same features as the Tier 1 guaranteed pension option explained above, but allows for a different spouse pension option of 0% (single life pension with no spouse pension provision), 25%, 50%, 75% or 100%, and a different minimum term guarantee option than selected in the compulsory guaranteed pension (5 to 25 years).

This may be an attractive option for a retiree who:
- Has a spouse with sufficient retirement provision for himself/herself and spouse pension provision is not required on the retiree's full pension; or
- Has an enhanced cash flow need and is aware of the consequences of reducing the spouse's pension provision.

Tier 3: Flexible pension option

This pension option provides for capital to be invested in the Fund's investment portfolios with individual choices offered in the same manner that applies to members. The pensioner selects the value of the monthly pension draw down on an annual basis, on his/her retirement anniversary date. In terms of current regulations, this pension drawdown may vary between 2.5% and 17.5% of capital per year.

Retirees who select the flexible pension option at retirement may convert to a guaranteed pension option on any future retirement anniversary date. This option is also available to the nominated spouse when a flexible pensioner passes away.

Important Matters To Consider

The following summarises the essential differences between guaranteed and flexible pensions:

Type of Pension	Guaranteed Pension	Flexible Pension
Features	• Pensions are guaranteed for life. • Increases are awarded by the Fund, based on affordability.	• Pensions are not guaranteed for life. • You determine increases, based on returns earned on capital invested and longevity assumptions.
Advantages	• Income and awarded increases are guaranteed for your life and your spouse's life thereafter. • Through increases, protection against the eroding effect of inflation is secured. • Term-certain guarantees may secure payment to dependants. • Legislation dictates minimum annual increases. • Benefits are excluded from your Estate.	• You manage your own money and determine your own pension (2.5% to 17.5% drawdown per year). • You determine your own pension increases. • The balance of your investment at your death is transferred to your spouse or paid to your dependants, nominees or Estate. • You can adjust your income to suit your needs and tax is payable only on the amount drawn monthly. • Growth earned on capital invested, is not subject to tax in the Fund. • Benefits are excluded from your Estate.
Disadvantages	• If you and/or your spouse outlive the term certain option selected, other dependants will not share in benefits.	• If not managed properly, you can outlive your capital. • Investment market volatility can force you to reduce your income at an inconvenient time.
Typically suited for:	• Any retiree, especially those who expect to live long. • Retirees who do not want to be involved in investment decision making after retirement.	• Retirees who are financially aware, understand the investment arena, are capable of, and have a desire to manage their own finances. • Retirees who do not need their full retirement income immediately after retirement. • Retirees who seek an alternative, tax-effective investment solution for their lump sum or part thereof.

It is advisable to clarify matters with your employer before you retire. Some of these matters are:
- When must you vacate company housing?
- Are you entitled to lump sum payments from your employer, i.e. a retirement gratuity or accumulated leave?
- Will you be able to continue membership with your medical aid?
- Are you be entitled to a continuation of the company's medical aid contribution?
- Have you obtained all relevant documents required to submit an Unemployment Insurance Claim?

You may also want to clarify matters with your Labour Union regarding extended membership and funeral cover.

Application and Payment Procedures

Your employer will notify the Fund of your retirement and/or discharge from employment. This notification and the payment of your final contributions normally take place simultaneously, on or before the seventh of the month following your retirement.

In preparation for the payment of your benefits, the Fund will disinvest your Fund Credit to the Money Market Portfolio in order to make payment of a lump sum and the balance to the Pensioner Portfolio (for guaranteed pensions) and the elected investment portfolio(s) (for flexible pensions) if applicable.

A retirement application form must be completed and submitted to the Fund. You can submit the application form and substantiating documents to the Fund prior to your retirement to alleviate unnecessary administration delays.

Provided that your previous employer has submitted and paid your last contributions timeously and correctly, that you have submitted a complete application to the Fund and that your tax records are up-to-date, the payment of your lump sum and any arrear pensions due could be finalised in the month following your retirement. Thereafter your monthly pension payments will be made on the 10th of each month, or if the 10th of the month falls on a public holiday or weekend, payment will be made on the last working day before the 10th.

What will you receive from Sentinel

At retirement, you will receive a letter confirming payment of your benefits and a pensioner card.

After retirement, you will receive the Informant newsletter twice a year, payslips when your pension changes (due to increases and tax changes), a benefit statement once a year, an invitation to attend the annual pensioner information session at selected venues throughout South Africa and Breaking News Informant newsflashes to explain important events or changes.

Sentinel's Contact Details

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