

DEATH-IN-SERVICE BENEFITS

Death is generally not something we like to think about, but it is important that you plan for it, especially if you have family who depend on you.

This section deals with the following issues:

- The benefit your dependants will receive on your death
- To which of your dependants this benefit will be paid
- Important points to note
- Insurance restrictions

The benefit your dependants will receive

If you die in service on or before you reach age 65, your dependants will receive a cash benefit equal to:

- Your Member Share; plus
- A cash lump sum equal to a multiple of your annual Pensionable Earnings determined as follows:

$$\frac{100 - \text{your age at date of death}}{10}$$

Therefore, if a member dies at age 45, the multiple of salary will be determined as follows:

$$\frac{100-45}{10} = 5.5$$

The lump sum will therefore be equal to your annual Pensionable Earnings multiplied by 5.5

The disposal of the death benefit – how it is paid to your dependents

The Trustees will have complete discretion as to how the benefit payable by the CPUT Retirement Fund will be allocated to your dependents and nominees. This Trustee power is derived from Section 37C of the Pension Funds Act, which requires the Trustees to allocate any retirement Fund benefit to those persons that were most financially dependent on you (usually your spouse and children).

The trustees will look at your Nomination of Beneficiaries form to see who you want to receive some or all of your money. They will look at this, but the law clearly states that it is up to them to decide who gets the money and how it will be shared out.

The trustees do make sure that they find all your dependents and that the money is shared out between them fairly. If the Trustees can't trace any of your dependents, the benefit is then paid to the people that you nominated as nominees on your Nomination of Beneficiaries Form.

However, in the event of there being no spouse or financially dependent children, your benefits will be paid to your financially independent children, or your nominated beneficiaries. A nomination in your will is not sufficient to indicate how you wish your Member Share to be allocated in the event of your death.

It is therefore most important that you complete a beneficiary nomination form to ensure that anyone whom you wish to benefit will have the opportunity of doing so. Forms are available from the Human

Resources Department. You can update your form as often as you need to, whenever there is a change in your personal circumstances, e.g. marriage, divorce, birth of a child, etc.

Important points to note on your death benefits

- Should the cost of the insured portion of the death benefit increase and is more than the Employer contribution towards this benefit, the Insured Death Benefit may be reduced.
- The insurer of the death benefit may request that you be examined by a medical practitioner before being eligible for death cover. The costs of this medical examination will usually be covered by the insurer.
- The Trustees will inform you in writing if medical information is required.
- Insurance exclusions may be imposed and death may not be covered in certain circumstances.

Insurance restrictions

The benefits are subject to the detailed conditions set out in the Fund's group life insurance policy. The main restrictions are:

- Death as a result of war and/or nuclear, chemical and biological terrorism will not be covered.
- If you join CPUT as a *new employee* you need to be actively at work on the first day of your appointment to qualify for this cover. If you are absent on the date on which your membership starts, you will only be covered when you have performed normal duties with CPUT for two consecutive months.

The tax treatment of the death-in-service benefit is covered under "Taxation of Benefits".