Cape Peninsula University of Technology

creating futures

RETIREMENT FUND

WELCOME TO THE

CAPE PENINSULA UNIVERSITY OF TECHNOLOGY

RETIREMENT FUND

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THE MAIN OBJECTIVE OF THE FUND

The Cape Peninsula University of Technology Retirement Fund (hereafter called the CPUT Retirement Fund) was established on 1 December 1994. All employees of the CPUT are required to belong to either the CPUT Retirement Fund or the NTRFas a condition of employment.

In this Fund the most important aspect is how well your money is invested. There are dedicated staff who ensure that the utmost care is taken with the Fund's money.

THE PURPOSE OF THE FUND IS TO PROVIDE THE FOLLOWING BENEFITS:

- **RETIREMENT BENEFITS** when you reach your retirement age;
- **RESIGNATION BENEFITS** should you resign prior to your retirement and wish to access/transfer your capital;
- **DEATH BENEFITS** to your surviving dependents – in the unfortunate event of your death before retirement; and
- **DISABILITY BENEFITS** should you become disabled to such an extent that you are unable to work.

These benefits are explained briefly in this guide. The Fund has detailed booklets covering each section of the benefits. This is available from your Human Resources Department or alternatively straight from the web-site.

The Rules and statutory returns of the Fund are available for inspection, please contact your Human Resources department. If you have any questions or concerns regarding the Fund kindly direct them to **Rushnah Davids; e-mail: DavidsRu@cput.ac.za**.

Legal Disclaimer

- **This guide is a summary of the Rules of the Fund. In the event of a conflict between this guide and the Rules, the Rules will apply.**
- **The contents of this guide do not constitute advice either by the Trustees, or by its consultants.**

HOW YOUR FUND WORKS

The Retirement Fund you are a member of is a **Defined Contribution Fund**.

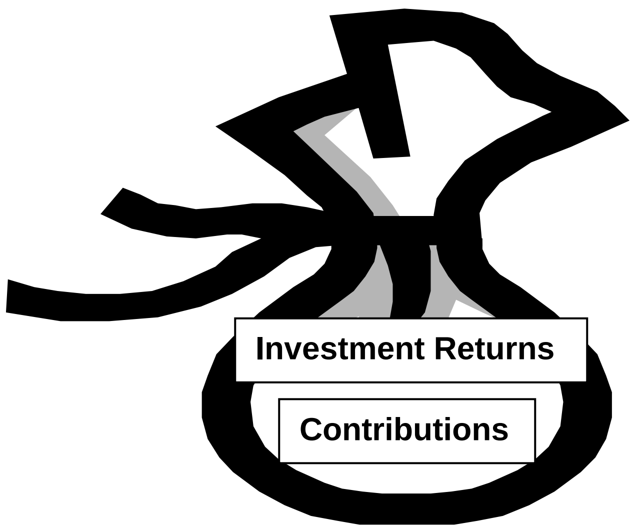
WHAT IS A DEFINED CONTRIBUTION FUND ?

Each member of the Fund has his or her own account (in the same way as a bank savings account). We refer to this account as your **MEMBER SHARE**.

HOW DOES YOUR MEMBER SHARE WORK ?

Fixed contributions are paid to this account on a monthly basis. This amount is then invested, and the investment returns earned on this money is added to your Member Share.

Your Member Share grows, together with investment returns, until your retirement. So, your retirement benefit depends on the investment returns you earn on the contributions that are set aside for your retirement.



You will receive a BENEFIT STATEMENT twice a year which highlights the amount of money you have in your account. Up to date values can also be obtained from the Fund during the year.

YOUR BENEFITS

PLEASE NOTE THAT TO JOIN THIS FUND YOU MUST BE UNDER THE AGE OF 65 AT DATE OF ENTRY.

CONTRIBUTIONS PAYABLE

- CPUT pays a contribution rate of 18.75% of your pensionable salary to your Member Share Account towards your retirement savings (of this amount 7.5% is a "deemed employee contribution");

  Plus

- An additional contribution rate towards insured risk benefits (this includes both the disability income benefit premiums as well as the spouse's benefits premium) plus administration expenses of up to a maximum of 4.50% of your pensionable salary (less the cost of the separate spouses' insurance and funeral benefits arranged by the CPUT).

The CPUTRF contribution structure is as follows:

Retirement savings - employer	11.250%
- "deemed" employee	7.500%
Plus, Insured risk benefits and administration	4.500%*
Total	**23.250%**

In the event that this contribution rate is insufficient to cover the insured benefits, the insured benefits will be reduced accordingly. However, should the contribution rate be more than what is required to cover the insured benefits, **the excess will be allocated to your Member Share.**

Below is the current breakdown (August 2022) of the risk benefit premiums as well as the expenses payable :

Group life benefits	2.077%
Disability benefits	1.300%
Separate spouse's insurance cost	0.938%
Total risk cost	**4.315%**
Expenses	0.350%
Total costs of risk benefits and expenses	**4.665%**
Less enhancement from employer surplus account	(0.165%
Excess allocated towards retirement savings	**0.000 %**
Total	**4.500%**

This means that the total contribution rate going towards retirement savings for members is **18.750 %**.

Pensionable Earnings is your basic annual salary, including the annual bonus (or value thereof) and any other regular amounts which is regarded as pensionable by the Board at CPUT's request.

YOUR RETIREMENT AGE

Your normal retirement age is **65**. You may however retire at any time from age **55** onwards.

You may remain in service after your normal retirement age and retire at the later date as agreed upon between yourself and the employer (but no later than age 70).

YOUR RETIREMENT BENEFITS

When you retire you can elect to wait to take your benefits, or retire from the Fund and your Member Share will be paid to you as follows:

- **You can select to take part the benefit as cash subject to the maximum amount permitted, and**
- **Use the remaining benefit to purchase a regular pension with a Registered Insurer of your choice; OR**
- **Chose to take an income from the fund by drawing down on your benefit (this is called a living annuity).**

If you elect to take cash and/or purchase an annuity outside of the Fund, you leave the Fund. This means that you and your dependants have no further claim for benefits against the Fund. This is not the case if you elect to be paid a "living annuity" from the Fund.

At retirement you thus face two important choices, namely:

- How much of your benefit you should take in cash; and
- What type of pension you should receive at retirement.

YOUR RESIGNATION; RETRENCHMENT; DISMISSAL BENEFITS

On resignation, retrenchment or dismissal, you have the following options in respect of the benefit:

- If you make no selection your benefit will **remain in the CPUT Retirement Fund**. In this case you will only receive a benefit once you retire or elect to transfer out (and are taxed as such by the South African Revenue Services if applicable);
- You can elect to receive your entire benefit as a **cash lump sum;**
- You can elect to **preserve your benefit outside of the Fund for retirement** (transfer your benefit to an approved Preservation Fund; Retirement Annuity Fund; or your new employer's Retirement Fund)

YOUR BENEFITS SHOULD YOU DIE WHILST IN SERVICE

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

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

$$90\% \times \frac{100 - \text{your age at date of death}}{10}$$

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

$$90\% \times \frac{100 - 45}{10} = 4.95$$

The lump sum will therefore be equal to your annual Pensionable Earnings multiplied by 4.95.

Please note that dependants are not necessarily those nominated by you but rather your financial dependants (as governed by regulation).

BENEFICIARY NOMINATION FORMS

It is very important that you list all your beneficiaries and keep this information up to date. This nomination will assist the Trustees in the allocation of the benefit payable in the event of your death. A Beneficiary is anyone who is financially dependent on you at the time of your death.

BENEFITS SHOULD YOU BE REGARDED AS DISABLED

In the event you become disabled, CPUT pays your salary for up to three months while you are unable to work (**assuming that you have a sufficient sick leave entitlement to cover this period**).

At the end of the 3-month period, your salary payments from CPUT cease, and the insured monthly income benefit of 75% of your salary is payable, subject to a maximum benefit of R183 000 per month (the limit is reviewed by the insurer annually).

The income benefit is paid for the first 12 months of disability, provided the member is totally unable to perform their own occupation, or any available occupation with CPUT, for which they are suited by virtue of experience, knowledge, education, training or ability.

The benefit will continue after the initial 12 months if the member remains unable to engage in any other occupation for which they could reasonably expect to become suited by virtue of experience, knowledge, education, training or ability, and completes a rehabilitation programme.

Payments then continue until the employee recovers, retires, leaves the country, does not submit medical evidence on time, dies, successfully completes the rehabilitation programme (or fails to complete the designated rehabilitation programme).

Whilst you are in receipt of this benefit you remain an employee of CPUT. This means that you will remain a member of the CPUTRF and are eligible for all its benefits subject to the conditions of the group life and permanent disability insurance policies. While you are disabled, the insurer pays 10% of salary to the CPUTRF subject to a maximum benefit of R47 000 per month (the limit is reviewed by the insurer annually) towards your retirement savings and the cost of your death and permanent disability cover.

IMPORTANT NOTE ABOUT DEATH AND DISABILITY BENEFITS

- The death and disability benefits explained above may need to be reduced to ensure that they remain affordable,
- You may be required to provide evidence of good health before you qualify for these benefits, and
- Certain limited exclusions apply to these benefits.

SPOUSE’S INSURANCE BENEFITS

In event of the death of your spouse, a benefit of 2 times your annual pensionable salary is paid to you.

The definition of spouse includes the person:

- To whom you are legally married, or
- Who your partner is in a customary union, or

- With whom you have a committed relationship and are living together permanently, provided that you have been doing so for at least 6 months and provided you have registered him/her with CPUT as your spouse for this purpose.

It is important that you inform CPUT of the existence of your spouse. If you do not, then it is assumed that you are single. If you are not formally married, you will need to complete an affidavit that can be held on your personal file by CPUT.

If you do not have a spouse, you will instead be covered for an additional lump sum death benefit of 2 times annual pensionable salary in the event of your own death. This will be paid in addition to the death benefits from the CPUTRF, however this will be paid in line with your most recent nomination form (unless CPUT has reason to believe this is not up to date).

IMPORTANT NOTE ON TAX

Please note that tax will be payable when you receive a benefit from the Fund.

YOUR INVESTMENTS

As highlighted earlier, your Fund is a Defined Contribution Fund and as such you carry the investment opportunity and risk. So, the way in which your money is invested is very important.

The Trustees have selected an investment strategy which is intended to provide a balance in risk and return taking advantage of members further from retirement being able to target higher returns as they can ride out the short term risk. As members approach retirement, they are moved into less risky portfolios (with lower expected returns). This is called the Life Stage Model. The Life Stage Model comprise three portfolios, namely the **Long-term Growth Portfolio**, the **Medium-term Protection Portfolio** and the **Short-term Protection Portfolio**. If you do not wish to be invested in this strategy, you are able to select from a range of options selected by the Trustees.

The Long-term Growth Portfolio

The Long-term Growth Portfolio has been designed mainly for members that are a long way off from retirement. Your money will be invested exclusively in the Long-term Growth Portfolio until 7 years before your retirement age i.e. age 58.

The investment objective of the Long-term Growth Portfolio is to earn a real return of 4.5% p.a. in excess of price inflation rate over any 5-year period, ***although this return is not guaranteed***.

The Medium-term Protection Portfolio

The Medium-term Protection Portfolio has been designed mainly for members who are nearing retirement. According to the Life Stage Model your money will be transitioned from the Long-term Growth Portfolio to the Medium-term Protection Portfolio in 5 more or less equal annual instalments starting at the end of the month immediately following your 58th birthday. This means that by the end of the month 5 years after your transition birthday your money will be fully invested in the Medium-term Protection Portfolio, where it will remain for one year.

The investment objective of the Medium-term Protection Portfolio is to earn a real return of 2.5% p.a. in excess of price inflation over any 3-year period, ***although this return is not guaranteed***.

The Short-term Protection Portfolio

The Short-term Protection Portfolio has been designed for those members who are 12 months away from retirement.

The investment objective of the Short-term protection portfolio is to achieve substantial security of capital, but without guarantees. It is expected to earn a real return of 1.5% p.a. in excess of price inflation over any 1-year period, ***although this return is not guaranteed.***

For more information about the portfolios, refer to your Member Investment Guide.

Should you wish to invest your money in a manner different from the Life Stage Model, you will need to complete the Investment choice option form which is available from the Human Resources Department or on the Fund's web-site.

THE WAY YOUR FUND IS MANAGED

The Fund belongs to the members and is managed by the Board of Trustees.

The Board of Trustees consists of 10 people (five of whom are elected by the members and five who represent the Employer). They hold office for a period of 3 years.

The main responsibilities of the Trustees are:

- To run the Fund in the best interest of the members; and
- To manage the Fund in terms of the Rules.

Most importantly this means that in making decisions the Trustees must consider the best interests of the Fund and its membership and not the interests of any particular stakeholder group. The Board meets four times each year to consider matters.

COMMUNICATION

The CPUT Retirement Fund's main communication focus is on member education.

The Fund believes that two-way communication is a must and your right. Ad-hoc presentations are provided. Other means of communication include:

- Newsletters which are issued twice a year;
- Quarterly retirement workshops;
- Annual General meeting every 2 years;
- Member Guides on various Retirement Fund related matters; and
- A web-site which has all the information you need to know about the Fund -**http://www.cput.ac.za/services/cputrf**