University of South Africa Retirement Fund

Dear Member

As a member of the University of South Africa Retirement Fund ("the Fund"), you have several benefits that become payable in the unfortunate event of your death. The amount and types of benefits are probably known to most of you, but who the benefits will be paid to is also very important information to consider in your financial planning.

Lump Sum Death Benefit

A benefit of twice your annual pensionable salary plus the balance in your Member Credit Account will be paid upon your death, to your dependants and nominees according to the discretion of the trustees.

NOTE: Former Vista members have a different death benefit. If you are in this category of members, your beneficiaries and nominees will receive a benefit of three times your annual pensionable salary less the balance in your Member Credit Account but excluding any additional voluntary contributions and transfers into the Fund from other funds, upon your death. This benefit will be paid in accordance with the discretion of the trustees.

The Pension Funds Act ("Act") places a responsibility on the trustees to investigate and determine the distribution of your death benefit according to guidelines per the Act. The recipient of this benefit is therefore not in your control, although your nomination of beneficiary form will be used as a guide by the trustees when allocating the benefits. The information contained in your nomination of beneficiary form assists the trustees to finalise the distribution of the benefits quicker. It is therefore recommended that you complete and regularly update your nomination of beneficiary forms. Updating your nomination form is particularly important in the event of you getting married, the birth of a new child, upon your divorce or in the event of the death of a dependant or beneficiary.

Spouse or children pension

If you have a qualifying spouse, a pension of 35% of your pensionable salary will be paid to your spouse. If you do not have a qualifying spouse, but you have qualifying children, the benefit will be divided amongst all the qualifying children.

NOTE: Former Vista members have a different benefit. If you are in this category of membership and you have a qualifying spouse, then a spouse's pension of 35% of pensionable salary is payable. Should your spouse be 10 years or more younger than you a pension as calculated by the Actuary will be payable. In addition, a child's pension of 10% of pensionable salary subject to a maximum of three children is also payable. Should there be no spouse's pension payable, the child's pension will double.

Who will qualify as a spouse? Any surviving partner who is your:

- permanent life partner in a permanent relationship and who is not married to another person;
- spouse or civil union partner in terms of the Marriage Act, Recognition of Customary Marriages Act, or Civil Union Act; or
- a person recognised as your spouse in the tenets of a religion.

It is important that you notify the Fund of your partner and keep the information up to date. This will assist the trustees to ensure that your partner receives the benefit they qualify for upon your death.

Who will qualify as a child? Any child, legally adopted child or stepchild who is unmarried, under the age of 18 and is dependent upon you at the time of death. This however excludes a child who is adopted or became a stepchild after your normal retirement age.

The trustees may allow the pension for a child to continue to be paid after the age of 18:

- if the child is a full-time student, upon which the benefit will terminate at the age of 24; or
- where the child is totally dependent on you on medical grounds.

It is important that you notify the Fund of all your children and that this be reviewed and updated regularly to ensure that your children receive the benefits they qualify for in the event of your death.

Should you leave behind a qualifying spouse and qualifying children, only a spouse's pension will be payable. Should your spouse pass away after your death and there are remaining qualifying children the pension will be shared amongst the qualifying children and be paid until the last child stops being a qualifying child.

Funeral Benefit

This benefit is an employee benefit and does not form part of the benefits offered by the Fund. It is referred to as an unapproved benefit and therefore you pay fringe benefit tax on the premium, but the benefit is paid free of tax.

Upon your death, an amount of R20 000 will be paid to your nominated beneficiary if you nominated someone. As the benefit is aimed at assisting with the financial strain associated with a funeral, payment is normally made within 72 hours after the required claim documents have been submitted to the insurer.

If you have not nominated a beneficiary, the benefit will be paid into your estate. It is not in the best interest of your dependants if the benefit is paid into your estate. The benefit will be tied up in your estate and will be paid only once your estate is wound up and finalised. This means that although you made financial provision for your funeral, your family will have to deal with finding finance for your funeral as the benefit will be tied up in your frozen estate. To ensure your family is not subjected to further hardship during this difficult time, you are encouraged to nominate a beneficiary to receive the funeral benefit.

Death in Service Benefit

This benefit is an employee benefit and does not form part of the benefits offered by the Fund. It is referred to as an unapproved benefit, a policy in the name of the employer, where the premiums are paid with post-tax money and the benefit is paid free of tax.

Upon your death, a benefit of four times your pensionable salary will become payable to your nominated beneficiary if you nominated someone. If you have not nominated a beneficiary, or where the nomination is no longer valid, for instance, where it refers to beneficiaries who may are deceased, the benefit will be paid into your estate. It is not in the best interest of your dependants if the benefit is paid into your estate. The benefit will be tied up in your estate and will be paid only once your estate is wound up and finalised. The process of winding up the deceased's estate is lengthy and expensive. In addition to the delay caused by the benefit being paid into your estate it will now also attract estate duty and executor's fees. If there is debt in the deceased's estate, the value of the benefit payable to the beneficiaries may be reduced or eroded. The benefit will also be paid out in terms of your last will and testament or if you did not leave one, per the intestate succession laws. As this benefit must be paid in terms of your nomination of beneficiary form or into your estate, by providing a beneficiary nomination form you have the power to ensure your chosen beneficiaries or dependants benefit from this benefit offered by your employer.

Conclusion

When you review your financial position with the retirement benefits counsellor or your financial advisor, you will be taking these benefits into account. In setting your financial plan, your financial planner will also consider when these benefits will be paid. If the funeral benefit therefore is paid into your estate or there is a delay in the pensions being paid to your qualifying spouse, these will greatly impact on the efficiency of your financial plan. The result will be additional financial hardship and stress on your family during a time when they are already facing with the reality of a world without you. To ensure that your loved ones are looked after and receive the benefits timeously, you must ensure your beneficiary nomination forms are reviewed and updated regularly, and submitted to the employer for safekeeping. The forms are available on the Fund's website – www.unisarf.co.za.