

PENSION FUND AND EMPLOYEE BENEFITS



CSIR

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INTRODUCTION

The purpose of this member booklet is to provide an overview of the CSIR Pension Fund ("the Fund"), and employee benefits. The content in this member booklet is for information purposes and is subject to changes in Fund rules, CSIR Conditions of Service, legislation or relevant policies.

PENSION FUND OVERVIEW

The Fund is registered as a pension fund, in terms of the Pension Funds Act, 1956 (Act 24 of 1956), (the Act) and is a separate legal entity from the CSIR. Retirement funds are governed by various legislation to ensure that the rights of members are protected at all times. The most important legislation governing retirement funds are the Pension Funds Act, the Income Tax Act, 1962 (Act 58 of 1962) and the Constitution of the Republic of South Africa.

The Fund is a defined contribution fund. This means that members contribute on a monthly basis towards their retirement fund savings or what is known as "Fund credit".

RULES OF THE FUND

The Fund is managed according to a set of rules that have to comply with the requirements of the Act. The rules are drafted by technical experts in accordance with the Act and are approved and registered with the Financial Sector Conduct Authority (FSCA), which ensures that the rules comply with the requirements of applicable legislation.





FUND ROLE-PLAYERS AND SERVICE PROVIDERS

Trustees

The Fund is governed by a Board of Trustees (the Board). According to the Act, a trustee is a person who stands in a fiduciary capacity. "Fiduciary" means "trust"; therefore, it is important for trustees to always act in the best interest of members and beneficiaries.

The Board consists of 50% employer-appointed trustees and 50% member-elected trustees. The trustees elect the chairperson of the Fund. The Board also appoints sub-committees to the Board; for example, the investment sub-committee and the audit sub-committee.

Principal Officer

The Fund has appointed an independent principal officer. The role of the principal officer is to ensure that the Fund complies with applicable legislation, and they are the official representative of the Fund with the FSCA. The principal officer is also involved in the day-to-day running of the Fund's affairs.

Fund Administrator

The Fund's administrator is Momentum Retirement Administrators (MRA). MRA is a service provider to the Fund, contracted to provide fund administration services. MRA ensures that the contributions are received on time from the CSIR and invested on time.

Investment Manager and Investment Administrator

The Fund's investment manager is Momentum Investments. The underlying assets are owned by the Fund (either directly or through linked policies) and are regulated by regulation 28 of the Act. The investments are managed by a number of underlying asset managers on behalf of the Fund.

Risk Insurer

The death cover under the Fund is insured through Sanlam. Sanlam also provides the employer owned policies for life cover, income protection cover and severe illness cover.



Auditor

The Fund's auditors, appointed to carry out the Fund's annual audit and to report in the Annual Financial Statements that the Fund's financial affairs are accurate, are PricewaterhouseCoopers (PwC). These Annual Financial Statements are submitted to FSCA annually.

FUND CONTRIBUTIONS AND CALCULATION OF BENEFIT

Pension Fund Contribution

The industry norm for retirement planning for a 40-year working life is to contribute at least 15% of total guaranteed salary package towards a pension fund. Therefore, all new employees default to a 15% pension fund contribution on appointment.

According to the rules of the Fund, members are permitted to contribute from a minimum of 2.5% up to a maximum of 27.5% of their total guaranteed salary package on a monthly basis. The rules also make provision for additional voluntary contributions and the monthly increase of contributions.

Pension Fund Credit

Fund credit is calculated as follows:

- Fund contribution minus the premium for death cover;
- Minus investment fee; and
- Plus/minus investment returns earned.

Once a year, the Fund's trustees have to furnish members with a benefit statement, as at 31 March, showing all the benefits and choices in respect of the Fund. Members who wish to view their Fund benefit statements at any time can access it via the MRA portal.

Withdrawal Options

It is recommended that a financial advisor be consulted when a member is withdrawing from the Fund. There are different options available when exiting the Fund.





No withdrawals are allowed prior to termination of service from the CSIR, except for maintenance and divorce orders made out in the name of the CSIR Pension Fund.

Resignation Options

When you are leaving the services of the CSIR and you have not yet reached the normal retirement age (65), you have the following options for your Fund credit:

- Take it in cash;
- Transfer it to a new employer's retirement fund;
- Transfer it to a preservation fund;
- Transfer it to a retirement annuity;
- Combination of cash and transfer to approved fund/s; or
- Keep 100% of the Fund credit in the Fund as a paid up benefit.

Retirement Options

At retirement, a maximum of one-third of the total Fund credit is allowed to be taken as a cash lump sum. The balance has to be utilised to purchase a compulsory annuity.

The following retirement options may also be elected:

- Transfer 100% of the Fund credit to a retirement annuity; or
- Keep 100% of the Fund credit in the Fund as a deferred member.

Investments and Life stage model

The investment booklet is available on the [employee benefits intraweb page](#).

CSIR Pension Fund – MRA portal

Members who wish to view their Fund statements can access them via the MRA portal.

RISK BENEFITS

Members are covered in a group scheme with no pre-approval requirements for medical proof of good health. Terms and conditions of the policy will however apply.

The following risk benefits will be covered in more detail:

- Death benefits;
- Severe illness cover;





- Income protection cover (monthly disability income);
- Spouse’s life cover; and
- Funeral cover.

Except for the funeral cover, all other benefits are based on the risk salary. New employees default to a risk salary of 70% of total guaranteed salary package. According to the different policy conditions, the maximum percentage risk salary is 80% of total guaranteed salary package.

If an employee is a resident in a foreign country, is on a sabbatical or unpaid leave for a period between 6 and 24 months, the employee will have cover, subject to up-to-date payment of premiums. The manager or employee should inform the Benefits Office about a resident in a foreign country, on a sabbatical or unpaid leave, in order to notify the insurer.

Death Benefits

The death cover under the Fund and the employer life cover are paid to the dependants and/or beneficiaries when a member/employee passes away.

Death Cover under the Fund

The death cover provided via the Fund is known as an approved policy, meaning it is approved by the South African Revenue Service (SARS) for tax deductibility of contributions.

At the time of death, the death cover benefit is distributed (according to section 37C of the Act and after a proper investigation has been done) to the financial dependants/beneficiaries of the member.

Table 1: The death cover options

Age band	Cover on appointment	Maximum cover	Minimum cover
16 – 44	9	9	3
45 – 54	7	7	3
55 – 60	3	5	1
61 – 65	3	5	1





The monthly premium for the death cover is deducted from the member's Fund contribution.

Members may opt to change their death cover multiple times during the month of April of each year (Fund anniversary date) or within three months of the occurrence of a life event or within three months of new membership to the fund e.g., new employees.

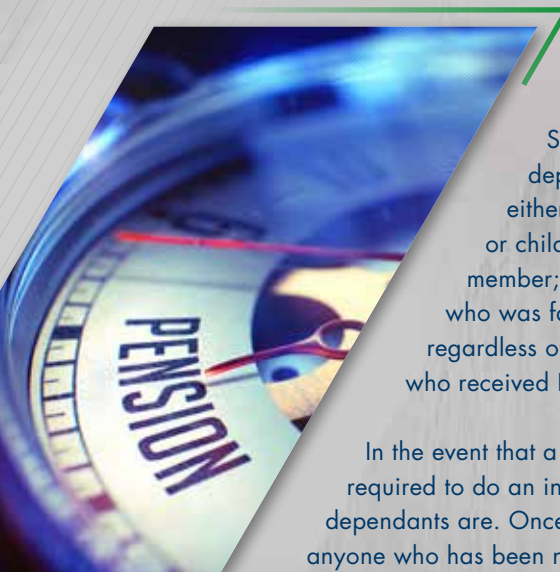
Nomination of Beneficiaries

All the death benefits that are payable from the Fund are subject to section 37C of the Act. This section simply says that the decision, in respect of how the Fund value is distributed, is ultimately up to the Board and that they must distribute the money to those people who were financially and/or legally dependent on the member.

Upon the death of the member, the Board decides who will receive the benefit, what portion of the benefit they will receive and how it should be paid out.

So, who will the Board consider? First, the dependants will be considered. These could either be legal dependants (like the spouse or children), who are legally dependent on the member; or financial dependants (this is someone who was factually dependent on the member, regardless of their relationship; for example, a friend who received R200 a month to help with groceries).

In the event that a member passes away, the Board is required to do an investigation in order to establish who the dependants are. Once the dependants have been considered, anyone who has been nominated, who was not financially dependent on the member, will be considered.





The Board will use the beneficiary nomination form as a guide. However, they are, legally bound to investigate and apply their discretion within the parameters of the law. In terms of the Act, the Board has 12 months after the death of the member to investigate and pay out the money to the beneficiaries.

A beneficiary nomination form is still important to give the Board a starting point in terms of the member's wishes and circumstances. However, the member's wishes, as stipulated in their will and testament cannot override the Board's decision.

Life Event

Should a life event occur, for example marriage, divorce, death of a spouse, birth, adoption or death of a child, the member should remember to update the beneficiary nomination form and may consider changing their Fund's death cover multiple.

Member: Life cover

The life cover is an unapproved policy and is a free-standing policy in the name of the CSIR. The contributions are not tax deductible and are subject to fringe benefit tax, but the benefit pays out tax free.

The death benefit is distributed according to the rules of the policy and is paid strictly in terms of the last valid beneficiary nomination form. As a result, it is understandably very important that this form be completed correctly and kept up to date. If no valid beneficiary nomination form is available, the death benefit will be paid directly into the estate of the employee. The life cover benefit is equal to 1 x the employee's annual risk salary.

Spouse/Life Partner: Life Cover

In the event of the death of a spouse or permanent living partner, a benefit of 50% of annual risk salary is payable to the employee. However, the employee needs to register the spouse or life partner on the HR system (Peoplesoft) to be eligible for this death cover.

Severe Illness Cover

A severe illness cover refers to the diagnosis of the certain conditions for example: cancer, heart attack, heart surgery, kidney failure, major organ transport, paralysis, stroke, blindness in both eyes, etc. The benefit is to help ease the financial burden





of such a traumatic experience and to help pay the costs of specialised therapy or treatment, which are not fully covered by members medical schem. Should a severe illness be diagnosed, an employee may be eligible for a cash lump sum benefit up to a maximum of 1 x the employee's annual risk salary. The monetary value is based on the severity of illness and is tier driven.



The employee should claim for this benefit within six months of date of diagnosis. The insurer will assess each case to determine if the employee is eligible for the severe illness benefit.

Income Protection Cover (monthly disability income)

The income protection benefit has three main components:

- Rehabilitation;
- Total disability benefit; and
- Temporary/partial disability benefit.

Rehabilitation

Employees may be eligible for limited rehabilitation sessions such as occupational-, physio-, speech- and psychotherapy, subject to approval by the insurer if on sick leave for more than 14 working days in three consecutive months.

Total Disability

A monthly disability income is paid when an employee is no longer able to work, as a result of an accident or serious illness. The aim of this benefit is to ease the financial burden caused by the employee's inability to work and earn an income. The employee is deemed to be disabled if they cannot perform their own job and/or cannot perform a similar job for which they qualify by virtue of training or experience.



Temporary/Partial Disability

Disability may also be temporary or partial. Temporary means the employee is unable to work for a period of time. Partial means the employee may work, but be on light duty and/or for fewer hours and if the employee's remuneration is reduced in accordance with the reduced hours or activity.

If a temporary or partial disability is approved by the insurer, the monthly disability income will be calculated on the employee's risk salary and the working hours not compensated for by the CSIR.

Waiting period

A monthly disability benefit is payable after a waiting period of three months. The three month period starts from the date of the last day of active work. A claim must be submitted within six months of the last date of active work. Claims are subject to assessment and approval by the insurer.

Calculation of monthly disability income

The monthly disability benefit is payable as a monthly income and is calculated at 75% of the employee's selected risk salary.

For example

Total Guaranteed Salary Package:	R20 000 per month
Risk salary selected at 70%:	R14 000 per month
Monthly disability income at 75%:	R10 500 per month (tax-free)

The payment of the monthly disability income ceases when the employee recovers or reaches retirement age or in case of death. The employee may be required to undergo medical examinations at regular intervals to establish whether or not they are still eligible to receive the benefit.

Pension Fund contribution during period of disability

The employee will remain an active member of the Fund. The insurer will contribute 7.5% of the member's total guaranteed salary package as at date of disability, on behalf of the employee, towards the Fund.





Funeral cover

The funeral cover is a compulsory cover for all permanent employees. The monthly premium is a fixed amount and is deducted monthly from the employee's salary. The benefit payable is tax free, as the premiums are paid with after tax money. The insurer's aim is to pay out a claim within 48 business hours of the receipt of all the required documentation.

Table 2

Family member	Funeral cover amount
Member	R30 000
Qualifying spouse or life partner	R30 000
Child from 21 to 21 years (as per policy provisions)	R30 000
Child from 14 to 21 years	R30 000
Child from 6 to under 14 years	R15 000
Child from 1 year to under 6 years	R7 500
Child under the age of 1 year	R3 750
Stillborn Child (as per policy provisions)	R3 750

If an employee is a resident in a foreign country for a period of not more than 6 months, the employee will have funeral cover, subject to up-to-date premium payments.

Note that an employee needs to register the life partner on the HC system (People-soft) to be eligible to claim for the life partner funeral cover (terms and conditions apply).

Conversion Option

On termination of service due to resignation or retirement, employees may exercise a conversion option on their life and severe illness covers. The cover will be calculated as 1 x the employee's annual risk salary. Employees who are non-smokers will not be subject to a medical examination. The cover will be converted to an individual policy and individual premium(s) will apply.



Continuation Option

An employee receiving a monthly disability income has continuation options in respect of the following:

- Fund membership;
- Death cover (per Fund);
- Life insurance;
- Spouse/partner life cover;
- Severe illness cover; and
- Funeral cover.

These benefits will continue for as long as the member pays the monthly premiums, up to the retirement age, recovery or death.

Taxation

Fund contributions up to 27.5% of your taxable income will be allowed as a tax benefit. However, these contributions are subject to an annual maximum amount of R350 000.

Tax on Retirement

The first R500 000 payable at retirement from a pension (or provident/retirement annuity fund) is tax free. The balance is taxed according to the fixed tax scale below.

Table 3

Taxable income (R)	Rate of tax (R)
R0 – R500 000	0% of taxable income
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 and above	R130 500 + 36% of taxable income above R1 050 000

It is important to note that this table applies over a member's lifetime. That is, a person will only be entitled to a once-off R500 000 tax-free amount in a lifetime. Subsequent cash amounts received from retrenchment or early retirement will be added together and taken into account for the calculation of tax at that time.



Tax in case of Death

The Fund credit paid by the Fund at death is taxed exactly the same as retirement benefits. The first R500 000 payable at death from a pension, provident or retirement annuity fund is tax free. The balance is taxed according to the following fixed tax scale.

Table 4

Taxable income (R)	Rate of tax (R)
R0 – R500 000	0% of taxable income
R500 001 - R700 000	18% of taxable income above 500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income above R700 000
R1 050 001 and above	R130 500 + 36% of taxable income above R1 050 000

This amount applies to the aggregate of all lump sums received over the deceased's lifetime. This means that deceased members' beneficiaries may not get R500 000 from a pension fund and R500 000 from a provident fund or retirement annuity fund tax free. The total benefit is added together and the first R500 000 will then be tax free.

Tax on Resignation

The first R25 000 of a cash withdrawal from the fund will be tax free.

Table 5

Taxable income (R)	Rate of tax (R)
R0 – R25 000	0% of taxable income
R25 000 – R660 000	18% of taxable income above R25 000
R660 001 – R1 050 000	R114 300 + 27% of taxable income exceeding R660 000
R1 050 001 and above	R203 400 + 36% of taxable income exceeding R990 000

The amount applies to the aggregate of all withdrawal lump sums received over the member's lifetime. This means that a member cannot get R25 000 from a pension fund and R25 000 from a provident fund. The fund credits will be added together



and the first R25 000 will then be tax free. The balance will be taxed according to the table above. It also applies to all withdrawal benefits over a member's lifetime.

Any withdrawal benefits previously received tax free, as well as tax-free portions for amounts paid out in respect of divorce or maintenance orders, will also be deducted off the tax-free amount.

Tax on Retrenchment

Withdrawal benefits paid upon retrenchment are taxed as lump sum retirement benefits (refer to Table 3).

Tax on Disability

With effect from March 2015, the disability premiums are taxed in the hands of the employee as a fringe benefit. Therefore, the monthly disability benefit payable is tax free.

Enquiries

Contact Employee Benefits on csireirb@csir.co.za





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