

Information Guide



NATIONAL TERTIARY RETIREMENT FUND



National Tertiary Retirement Fund

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Introduction

The objective of this information guide is to provide members of the **National Tertiary Retirement Fund (the Fund)** with a user-friendly overview of the Fund-structure and benefits. All efforts have been made to ensure that the information contained herein is current and correct. Should discrepancies be found between the current set of approved Rules of the Fund and the information contained in this document, the Rules will prevail.

Objective of the Fund

The Fund was established to provide benefits to meet the needs of all members by delivering optimal returns while managing the risks in an insightful and clever manner. The Fund is a defined contribution pension fund. However, members who joined the Fund on 1 December 1994 from the **Associated Institutions Pension Fund (AIPF)**, may be entitled to an additional benefit on retirement from age 60 onwards on condition that the employer pays for the benefit (the respective participating employers signed a contract with the Fund whereby they take responsibility for this benefit). The Trustees of the Fund are committed to constantly reviewing members' benefits and actively engage with members to ensure that the benefits offered to the members compare favourably relative to the general market practice during their worklife and at retirement. Members are offered flexibility and freedom of choice (however limited to some extent).

Fund Structure

The Fund is managed by a Board of Trustees constituted in accordance with the provisions of the Pension Funds Act and consists of:

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Employer appointed Trustees

- 3 appointed by the respective Vice Chancellors of all participating employers to the Fund
- 2 appointed by the Trustees

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Member elected Trustees

- 4 appointed by the representative recognised Unions
- 2 elected by members who are not members of the representative recognised Unions

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Pensioners

- 1 elected by the Pensioners
- 1 appointed by the Trustees

The Trustees hold office for a maximum period of 5 years.

The Board of Trustees places a high value on:

- Transparency
- Integrity
- Accountability
- Their responsibility to act with due care and diligence
- Innovation, meaning having the capacity to “think out of the box”

Membership

In terms of the Rules of the Fund, a Member is an employee of one of the employers who is eligible according to his/her conditions of service to join the Fund and who has not reached his/her retirement age in terms of his/her conditions of service.

The Fund is registered in terms of the Pension Funds Act and approved in terms of the Income Tax Act.

Members may at all reasonable times inspect the registered Rules and financial statements of the Fund at the registered office of the Fund. **Members will also be able to view the Rules of the Fund on the NTRF website at www.yourfund.co.za/ntrf.**



Important

- Part of the benefit payments are subject to taxation according to the prevailing legislation.
- You are advised to obtain professional expert assistance before withdrawing a benefit from the Fund.



Contributions

Contributions to the Fund are made by both members and their respective employers in the following percentages:

- Members: 8% of pensionable salary
- Employer: 16% of pensionable salary

Members who are entitled to benefits as described in the Rules of the Fund, should ensure that both their member and employer contributions are paid in accordance with the Rules.



Contributions

Your total amount in the Fund (total accumulated funds) is made up of:

- Your Contributions PLUS
- The employer Contributions LESS
- Risk Benefit costs LESS
- Any Fund costs PLUS
- Investment returns (which may be positive or negative depending on the markets)

Withdrawal Benefit

When you leave the Fund before your retirement date, your total accumulated funds in the Fund becomes due and payable to you. Certain amounts may be deducted from your total accumulated funds in the Fund before your withdrawal benefit is paid (a housing loan for example). The additional retirement benefit for members who joined the Fund prior to December 1994 and who transferred from the AIPF, will be funded by the employer. These members will have to retire to receive the guaranteed benefit.

Full benefit in cash OR
Portion of the benefit in cash
and transfer the balance to
another approved fund

Total accumulated funds in the Fund becomes due and payable. The cash amount is subject to normal tax provisions while the amount transferred is tax free.

Transfer full benefit to
another approved fund

Total accumulated funds in the Fund becomes due and payable. This option is NOT subject to normal tax provisions.

Transfer full benefit to another pension preservation fund

Total accumulated funds in the Fund becomes due and payable. This option is NOT subject to normal tax provisions.

Transfer full benefit to a new employers pension fund

Total accumulated funds in the Fund becomes due and payable. This option is NOT subject to normal tax provisions.

Elect to become a deferred member

You may decide to preserve your full benefit and stay in the Fund as a deferred member. A deferred member is a non-contributing member and does not benefit from the Risk benefits (death and disability benefits) of the Fund, but your retirement savings continue to earn investment returns based on the underlying assets you have selected and are invested in.

Retirement Benefits

Category 1 members

For those members who belonged to the **AIPF or the Temporary Employees Pension Fund (TEPF)**, who joined the Fund on 1 December 1994, who never had a break in service since and whose conditions of employment indicate so, the retirement benefit will be calculated in terms of a formula summarized in the table below.

Benefit	Cash lump sum	Monthly pension (calculation of monthly pension is based on your personal details)
Option 1 Retirement inside the Fund	Associated Institutions Pension Fund (AIPF) A lump sum of 7.25% of the Member's Average Salary (over the last 24 months preceding retirement) per year times pensionable service years subject to a maximum of one-third of total accumulated funds	Associated Institutions Pension Fund (AIPF) A pension of 1/50th of the Member's Average Salary (over the last 24 months preceding retirement) per year times pensionable service years

Benefit	Cash lump sum	Monthly pension (calculation of monthly pension is based on your personal details)
	Temporary Employees Pension Fund (TEPF) Not applicable	Temporary Employees Pension Fund (TEPF) A pension of 2.75% of the Member's Average Salary (over the last 24 months preceding retirement) per year times pensionable service years
Option 2 Retirement inside the Fund	Maximum one-third cash withdrawal of total accumulated funds	Use two-thirds of your total accumulated funds at retirement to secure a monthly pension from the Fund OR If you choose to take less than one-third in cash, use the balance of your total accumulated funds at retirement to secure a monthly pension from the Fund
Option 3 Retirement outside the Fund	Maximum one-third cash withdrawal of total accumulated funds	Use two-thirds of your total accumulated funds at retirement to secure a monthly pension OR If you choose to take less than one-third in cash, use the balance of your total accumulated funds at retirement to secure a monthly pension. Transfer the balance (after cash) to the pension instrument of your choice (You will no longer be a member of the Fund and the Fund has no further obligation towards you, your spouse or any other dependants)

Category 2 members

Those members who joined the Fund on or after 1 December 1994 (excluding category 1 members), will receive their total accumulated funds in the Fund at retirement. The pension options differ and it is important that you understand the pension that you can secure with your retirement capital. To make a choice, you need to clearly understand the options available, because you cannot change your mind once your choice has been implemented:

Benefit	Cash lump sum	Monthly pension (calculation of monthly pension is based on your personal details and it is your responsibility to ensure that all details are completed correctly prior to implementation of the pension as this will impact on your monthly pension benefit)
Option 1 Retirement inside the Fund	None	Use 100% of your total accumulated funds at retirement to secure a monthly pension from the Fund

Benefit	Cash lump sum	Monthly pension (calculation of monthly pension is based on your personal details and it is your responsibility to ensure that all details are completed correctly prior to implementation of the pension as this will impact on your monthly pension benefit)
Option 2 Retirement inside the Fund	Maximum one-third cash withdrawal of total accumulated funds	Use two-thirds of your total accumulated funds at retirement to secure a monthly pension from the Fund OR If you choose to take less than one-third in cash, use the balance of your total accumulated funds at retirement to secure a monthly pension from the Fund
Option 3 Retirement outside the Fund	Maximum one-third cash withdrawal of total accumulated funds	Transfer the balance (after cash) to the pension instrument of your choice (You will no longer be a member of the Fund and the Fund has no further obligation towards you, your spouse or any other dependants)

Tax Formula in terms of the tax applicable to the benefits taken in cash is prescribed by SARS

Death benefits after retirement (applicable to members who retired inside the Fund)

Death Benefit

Lump sum benefit	Spouse's pension (only payable provided he/she was your spouse at date of retirement)
R2 000 for funeral costs upon death of the main pensioner only	<p>All members who retired from December 1994 75% of member's monthly pension benefit payable from the month following the death of the *main pensioner provided that the main pensioner is retired for more than five years. If the main pensioner passes away within five years of retirement, the Fund will continue to pay the full monthly pension to your qualifying spouse. On the five-year anniversary the pension will be decreased to 75% of your monthly pension at time of death plus annual pension increases since date of death</p> <p>All pensioners who retired prior to 1 December 1994 50% of member's monthly pension benefit payable from the month following the death of the *main pensioner unless you have exercised the once-off option to reduce your monthly pension so that a 75% spouse's pension could be applied upon your death</p> <p><i>*If you were a member of this Fund and then retired, you are the main pensioner.</i></p>

Important dates for Pensioners:

Date	Activity	Description
25th of each month	Pension Payment	If the 25th is on a weekend or public holiday, the payment is made the preceding working day.
Quarterly	Pay Slips	Pension pay slips.
Annually 1 March	Pension increases	Pension increases in accordance with the pension increase policy. The effective pension increase is on 1 March each year, however, the Board of Trustees only assesses the financial position of the pensioner account following the completion of the Annual Financial Statements in May/June each year. The back-dated pension increase is then implemented after the Board Meeting in May/June.
Annually April	IRP5	Your IRP5 will be mailed to you which should be taken into account in the completion of your tax returns.
Annually October/November	Certificate of existence	A certificate of existence will be mailed to you whereupon you need to return the originally completed form before the deadline stipulated, otherwise your pension will be suspended.
Every three years	Data verification	A data verification form will be mailed to you together with the certificate of existence whereupon you need to return the completed form before the deadline stipulated.
Every five years	Election of pensioner representative on the Board of Trustees	You will receive a nomination letter in the mail to nominate a candidate. Once all the successful nominations have been received, pensioners will be asked to vote.

Risk Benefit Structure

The Fund offers both death and disability benefits to contributing members of the Fund. It is, however, imperative that members understand the different structures offered by the Fund before they can make an informed decision. Kindly refer to your member benefit statement which specifies your current risk benefit category.

In brief the Rules of the Fund allow the following Risk Benefit Structures.

Fixed Risk Benefit Structure

Applicable to members who joined the Fund prior to 1 September 2002 and who have not switched to the Flexible Risk Benefit structure.

Should you belong to this category, you are given the opportunity once per annum to opt out of this category to the Flexible Risk Benefit structure.

Once you have opted out of this category, you are NOT allowed to move back.

Flexible Risk Benefit Structure

Applicable to all members who joined with effect from 1 September 2002 as well as members who opted out of the Fixed Risk Benefit Structure.

Should you belong to this category you are given the opportunity (once per annum) to increase or decrease your Risk Benefit cover. Should you amend your cover, it would impact on the multiple of pensionable salary payable upon death or disability (please refer to the risk benefit brochure). These multiples can be obtained on written request from the Fund. Should you wish to **increase** your cover, you are obliged to undergo a pre-medical test.

Fixed Risk Benefits

Current Benefits	Calculation
Death in Service	Lump sum = 3 x annual pensionable salary Annual Pension = the greater of 40% of annual pensionable salary or the pension amount secured by your total accumulated funds. If no spouse, a children's pension (for a qualifying child only) of 10% per child of annual pensionable salary at date of death, up to a maximum of three children will be applicable.
Temporary Disability (Re-insured)	3 months' waiting period Salary and Employer's contribution in respect of member, payable for a maximum period of 9 months. If the monthly benefit payable by the Insurer (Employer contribution and salary) were to exceed R 22 500 per month, you will have to provide medical evidence of good health.
Permanent Disability	60% of pensionable salary in respect of all members who joined the Fund prior to 1 December 1996. Members who joined the Fund after 1 December 1996 will be entitled to a benefit that is the lesser of 60% of pensionable salary or the expected pension secured by the member's total accumulated funds in the Fund as at date of disability.

Flexible Risk Benefits

Members who are currently entitled to the Flexible Risk Benefits category can elect one of the following options.

Options	Percentage of Pensionable Salary (Employer Contribution) to Purchase Death and Disability Benefits	Percentage of Pensionable Salary (Employer Contribution) towards Retirement Provision
Option 1	4% Benefit = multiples per age band plus the member's total accumulated funds in the Fund	11,5%
Option 2	2% Benefit = multiples per age band plus the member's total accumulated funds in the Fund	Should a member elect this option, an additional 2% of pensionable salary will be allocated to the member's total accumulated funds in the Fund, therefore 13,5%



PLEASE NOTE: For Flexible Risk Benefit members, only a lump sum benefit comprising the member's total accumulated funds in the Fund and the multiple of your salary are payable and no spouse's or children's pension. The said benefit should be applied by purchasing a pension outside the Fund.





PLEASE NOTE:

Exclusions: You will not be entitled to the flexible risk lump sum in the case of a death or disability as indicated above if any of the following applies:

- If you actively participate in warlike operations, invasion, acts of foreign enemies, rebellion, revolution, insurrection, civil commotion
- Any act of civil commotion, riot, strike, labour disturbance or disturbance of the public peace
- If you use nuclear, biological or chemical weapons or any radio-active contamination
- Any act of terrorism i.e. the use of force or violence and/or threat thereof
- Willful self-injury

Members should consult their Financial Advisor in this regard in order to ensure that they understand the implications of their choice clearly. **Members should furthermore ensure that they are fully aware to which category they currently belong before they exercise a choice in this regard. Kindly refer to your member benefit statement which clearly specifies your current Risk Benefit Structure.**

Investment Options

The Fund is devoted to provide members with as much flexibility as possible regarding investments. If you are not comfortable to exercise a choice or you think the life stage options suit your personal needs, you can decide to remain in the Life Stage Model (the model that the Fund designed based on the age of members). Alternatively, you can apply an own choice and opt out of the Life Stage Model and select any combination of the portfolios offered by the Fund.

Let's take a closer look at each:



Life Stage Model

If you are entitled to a guaranteed retirement benefit (and most members who joined the Fund before 1 December 1994 are entitled to this benefit), you must invest your money according to the Life Stage Model.

In the **Life Stage Model** to protect your capital, your money is moved to a lower risk portfolio based on your age. There are two alternatives, **Life Stage Model 60** and **Life Stage Model 65**.

Life Stage Model 60

Your money will be fully invested in the **Long Term Capital Portfolio** until 9 years before retirement, at which stage it will be moved in phases to the **Stable Portfolio** (2 to 8 years before retirement). By age 60 you will be fully invested in the **Money Market Portfolio**, 2 years prior to retirement. This happens automatically.

- During transition stages (ages 52 to 56 and age 58) your money is moved from one investment portfolio to the next at the end of the month in which you have your birthday.
- Your total accumulated funds are moved to the next portfolio in phases. (Example: at age 52, 75% of your total accumulated funds will be invested in the **Long Term Capital Portfolio** and 25% in the **Stable Portfolio**).
- The relative investment performance of the two portfolios concerned will cause the proportion to deviate, so it might not be exactly as per the example above.

Life Stage Model 65

- If you choose retirement age 65, the **Life Stage Model** is rolled forward by five (5) years and you start the transition from the **Long Term Capital Portfolio** to the **Stable Portfolio** at age 59. By age 64 you will be fully invested in the **Money Market Portfolio**.




Member Investment Choice

Members can also decide to opt out of the **Life Stage Model 60** or **65** and choose to invest their total accumulated funds in the Fund in one or more of the following three portfolios on offer:


- Long Term Capital Portfolio
- Stable Portfolio
- Money Market Portfolio

Please refer to the website of the Fund at <http://yourfund.co.za/ntrf> for more information on each of these portfolios. You can also access the Alexander Forbes Secure Member site from the Fund website for the historical returns.


The Long Term Capital Portfolio:

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- Market related with a targeted return of 5% above inflation over a period of at least 7 years
 - Most suited for members with a long investment horizon (7 years+) and for whom managing inflation risk is a priority
 - Significant exposure to South African and global equity markets (large negative and positive returns are possible)

The Stable Portfolio:

- 
- Targets return of 3% above inflation over a period of 3 years
 - Limits the extent of capital losses over 12 months
 - Much lower exposure to domestic equities compared to the Long Term Capital Portfolio and correspondingly higher exposure to cash type investments as well as SA investment grade credit
 - Suitable for members who want some participation when equity markets go up, but concerned about losing capital over shorter periods closer to retirement

The Money Market Portfolio:

- 
- Aimed but not guaranteed at a slightly better return than a simple money market strategy
 - Generally suitable for members with an investment horizon of less than 2 years or with a need for a high degree of capital protection



Please note when you opt for the Member Investment Choice :

- You are either a Life Stage Model member or an own choice member – you cannot have a mix of the two
- You can select any combination of the three portfolios above to invest in
- You can exercise this choice once a month. Option forms deadline monthly is the 15th of every month for implementation with effect from the 1st of the following month
- Once you have exercised a choice you will remain in that portfolio or Life Stage Model option until such time that you submit a revised option form
- If you are one of those members whose retirement benefit is calculated in terms of the formulae, provided that it adds up to 100%, you can only exercise a choice between Life Stage Model 60 and 65 and you are not allowed to exercise an own choice
- If you become a deferred member, you need to complete an option form otherwise your savings will be defaulted to the Life Stage Model 60 option
- Your total accumulated funds and ongoing retirement savings can be invested differently, but only if you are an own choice member
- A switching fee (as indicated on the option form) is payable in respect of changes in investment portfolios. No fee is applicable if you switch between the Life Stage Model 60 and Life Stage Model 65 option





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