PENSION
INCOME
CHOICE
BROCHURE
**Introduction**

Sentinel Retirement Fund offers an attractive retirement solution through its sensibly structured Pension Income Choice model. The Model allows retiring members; disability retirees and the spouses of deceased members to sculpt an income package to best suit their financial needs for the future.

This booklet will help you understand the Fund and the options that the Pension Income Choice model offers. A good understanding of this booklet as well as communication that is published regularly will assist you in making informed decisions about your retirement savings.

**Please note that information in this booklet is a summary of the Rules of the Fund and does not create any rights and obligations. In the event that differences or disputes may arise, the Rules will prevail. The full set of Rules is available on the Fund’s web-site and at its offices.**

**Qualification Criteria**

Sentinel's Pension Income Choice model applies to members who elect to retire in the Fund, members who have been awarded a disability benefit and spouses of deceased members.

Members may elect to retire in the Fund at any time between the date on which they are within 10 years from NRA (being the earliest retirement date) and any chosen later date, even if this date extends beyond NRA and is prior to them reaching age 70. Disability retirees and spouses of deceased members must convert available capital for a regular monthly pension (annuitise) in the Fund once the application to be found disabled has been approved or benefits have been awarded in terms of the Rules and Section 37C of the Pension Funds Act, respectively.

**Benefit Options & Taxation**

Pension Income Choice options elected will be based on:

- Total Fund Credit on the elected date of retirement for retiring members,
- Total Fund Credit plus risk cover (if applicable) for approved disability retirees, and
- At least 50% of the member's Fund Credit plus risk cover (if applicable) for the spouse of a deceased member.

**Lump sum option**

Retiring members may draw up to a maximum of one third of their available Fund Credit in the form of a lump sum. In the event that a member dies, 50% of the total capital available (fund credit plus risk cover, if applicable) will be paid in lump sums to dependents and/or nominated beneficiaries.

The lump sum will be subject to income tax and it may be necessary for retiring members to provide for a larger lump sum (provided that this does not exceed the one-third maximum) to ensure that the desired amount is received after tax.

Tax is determined by means of the following prescribed table that is applied accumulatively to all retirement fund and employer lump sums received in the event of retrenchment or retirement, during your lifetime.
In the event that the total available capital is below the threshold, a fully commuted lump sum benefit will be paid.

All monthly pensions paid by the Fund are taxable.

**Pension income choice options**

Sentinel offers a Pension Income Choice model to best suit your post-retirement income needs.

The following illustration briefly explains this product offering (after a lump sum commutation option has been exercised) and is followed by a detailed explanation of the components and qualification criteria.

### Tier 1: Guaranteed pension

This pension option is compulsory for all members who retire from the Fund and includes the following:

**Guaranteed for Life = Maximum payment guarantee**

The guaranteed pension may, in terms of legislation, not be reduced or suspended while the recipient is alive. This guarantee applies to both your pension and your spouse's pension after your death.
**Term Certain Guarantee = Minimum payment guarantee options**

A term-certain guarantee can be selected for the first 5, 10, 15, 20 or 25 years of retirement. This guarantee secures the payment of your pension for at least the term selected, irrespective of if you outlive the selected term or not. In the event of your death within the term selected, your full pension will continue and either be paid to your spouse, or be capitalised and paid in a lump sum to your dependants, nominated beneficiaries or your Estate.

With both the abovementioned guarantee features incorporated in your pension, you secure peace of mind that you and your spouse will receive a monthly pension for as long as you live. In addition, your dependents will share in the benefits should you and your spouse both pass away within the term certain period selected.

**Spouse(s) pension provision (not available for spouses of deceased members)**

The Fund's Rules define a spouse as the person:
- To whom you are legally married;
- To whom you are married in customary union;
- With whom you are living in a union recognised as a marriage under any religion; or With whom you are, in the discretion of the Fund Trustees, in a relationship intended to be permanent and involves cohabitation, as long as you wholly or partially support such a partner financially.

If you have a spouse at the time of your retirement, it is compulsory to provide for a spouse's pension. You may select a spouse pension on a level of either 75% or 100% of your pension, coming into effect on the date of your death. If you have more than one spouse, provision will be made for these spouses to share the pension that becomes payable after your death.

If you made provision for a spouse pension at your retirement, this pension will start paying after your death and the payment of the minimum term certain guarantee. If the spouse whom you have nominated at your retirement is alive at the time of your death, that spouse will receive the spouse pension, irrespective of whether you are still married at the time of your death.

In the event of you passing away within the term-certain period selected at retirement, your spouse will continue to receive your full pension for the remainder of the period selected and, thereafter, receive the spouse pension provided.

Should you re-marry after retirement, that spouse will not qualify for a guaranteed spouse pension after your death but may share in a capitalised term-certain lump sum benefit, if applicable.

**'With profit' pension increases**

Increases are considered annually and are aimed at combatting the eroding effect of inflation on the purchasing power of guaranteed pensions. Sentinel has an exceptional history of increases awarded to date, which are far better than the Trustees' stated objective of at least 80% of the Consumer Price Index (CPI).

**Actuarial factors**

The Fund applies a floating discount rate in its annuity factor to determine the value of starting pensions. This takes account of changes in investment markets from time to time and in doing so, reduces cross-subsidisation between groups of pensioners.
The effect of this approach is that:

- When investment markets are relatively high, the member who is about to retire will have benefited from an increase in Fund Credit. However, the prospect for future returns is lower, given that high investment markets cannot be expected to continue forever. A lower discount rate should be applied, that will result in a lower starting pension and prospects of higher pension increases into the future.
- When investment markets have dropped to relatively low levels, the member who is about to retire will have suffered a reduction in Fund Credit. However, the investment prospects going forward are favourable, as higher future investment returns can be expected. A higher discount rate should then be applied, which will result in a higher starting pension and prospects of lower pension increases into the future.

This approach accepts investment market conditions, both current and future, and ensures a fair determination of starting pensions and future increases for all.

Extended pension options

Retirees with sufficient capital to qualify for a Tier 1 monthly guaranteed pension of at least R12 500, which would normally require around R2.5 million of your retirement capital, may elect to provide for more than one pension with the balance of their capital.

Once you have fulfilled this obligation, you may select one or two additional pension options from the Pension Income Choice model with the remaining capital. These options are discussed below:

Tier 2: Second guaranteed pension option

This pension option offers the same features as the Tier 1 guaranteed pension option explained above, but allows for a different spouse pension option of 0% (single life pension with no spouse pension provision), 25%, 50%, 75% or 100%, and a different minimum term guarantee option than selected in the compulsory guaranteed pension (5 to 25 years).

This may be an attractive option for a retiree who:

- Has a spouse with sufficient retirement provision for himself/herself and spouse pension provision is not required on the retiree's full pension; or
- Has an enhanced cash flow need and is aware of the consequences of reducing the spouse's pension provision.

Tier 3: Flexible pension option

This pension option provides for capital to be invested in the Fund's investment portfolios with individual choices offered in the same manner that applies to members. The pensioner selects the value of the monthly pension draw down on an annual basis, on his/her retirement anniversary date. In terms of current regulations, this pension drawdown may vary between 2.5% and 17.5% of capital per year.

Retirees who select the flexible pension option at retirement may convert to a guaranteed pension option on any future retirement anniversary date. This option is also available to the nominated spouse when a flexible pensioner passes away.
### Important Matters To Consider

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<tr>
<th>Type of Pension</th>
<th>Guaranteed Pension</th>
<th>Flexible Pension</th>
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| **Features**   | • Pensions are guaranteed for life.  
• Increases are awarded by the Fund, based on affordability. | • Pensions are not guaranteed for life.  
• You determine increases, based on returns earned on capital invested and longevity assumptions. |
| **Advantages** | • Income and awarded increases are guaranteed for your life and your spouse's life thereafter.  
• Through increases, protection against the eroding effect of inflation is secured.  
• Term-certain guarantees may secure payment to dependants.  
• Legislation dictates minimum annual increases.  
• Benefits are excluded from your Estate. | • You manage your own money and determine your own pension (2.5% to 17.5% drawdown per year).  
• You determine your own pension increases.  
• The balance of your investment at your death is transferred to your spouse or paid to your dependants, nominees or Estate.  
• You can adjust your income to suit your needs and tax is payable only on the amount drawn monthly.  
• Growth earned on capital invested, is not subject to tax in the Fund.  
• Benefits are excluded from your Estate. |
| **Disadvantages** | • If you and/or your spouse outlive the term certain option selected, other dependants will not share in benefits. | • If not managed properly, you can outlive your capital.  
• Investment market volatility can force you to reduce your income at an inconvenient time. |
| **Typically suited for:** | • Any retiree, especially those who expect to live long.  
• Retirees who do not want to be involved in investment decision making after retirement. | • Retirees who are financially aware, understand the investment arena, are capable of, and have a desire to manage their own finances.  
• Retirees who do not need their full retirement income immediately after retirement.  
• Retirees who seek an alternative, tax-effective investment solution for their lump sum or part thereof. |

It is advisable to clarify matters with your employer before you retire. Some of these matters are:
- When must you vacate company housing?
- Are you entitled to lump sum payments from your employer, i.e. a retirement gratuity or accumulated leave?
- Will you be able to continue membership with your medical aid?
- Are you entitled to a continuation of the company’s medical aid contribution?
- Have you obtained all relevant documents required to submit an Unemployment Insurance Claim?
You may also want to clarify matters with your Labour Union regarding extended membership and funeral cover.

**Application and Payment Procedures**

In preparation for the payment of your benefits, the Fund will disinvest your Fund Credit to the Money Market Portfolio in order to make payment of a lump sum and the balance to the Pensioner Portfolio (for guaranteed pensions) and the elected investment portfolio(s) (for flexible pensions) if applicable.

A retirement application form must be completed and submitted to the Fund. You can submit the application form and substantiating documents to the Fund prior to your retirement to alleviate unnecessary administration delays.

Provided that your previous employer has submitted and paid your last contributions timeously and correctly, that you have submitted a complete application to the Fund and that your tax records are up-to-date, the payment of your lump sum and any arrear pensions due could be finalised in the month following your retirement. Thereafter your monthly pension payments will be made on the 10th of each month, or if the 10th of the month falls on a public holiday or weekend, payment will be made on the last working day before the 10th.

**What will you receive from Sentinel**

At retirement, you will receive a letter confirming payment of your benefits and a pensioner card.

After retirement, you will receive the Informant newsletter twice a year, an annual benefit statement and explanatory brochure, an invitation to attend the annual pensioner information session at selected venues throughout South Africa and Breaking News Informant newflashes to explain important events or changes. Monthly pensioner payslips are loaded onto the pensioners' secure portal on the web-site or it can be obtained from the Fund.

Pensioners are adequately informed of the composition of assets, performance of investment portfolios and total costs recovered through the following information that is published on the web-site:
- Quarterly investment portfolio fact sheets,
- Monthly investment returns, and
- Annual Integrated Annual Reports.

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### Sentinel’s Contact Details

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P O Box 61172 • MARSHALLTOWN 2107 • Johannesburg • South Africa
Tel (27)(11) 481-8000 • Fax (27)(11) 481-8111
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### Client Service Centres:

<table>
<thead>
<tr>
<th>Carletonville</th>
<th>Klerksdorp</th>
<th>Welkom</th>
<th>Witbank</th>
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</table>
| S Buys Office Park  
Shop no. 10  
Corner Kaolin & Radium streets |
Tel (018)786-1118/9  
Fax (018)786-1114 |
| 54 Buffeldoring Street  
Wilkoppies |
Tel (018)468-7309  
Fax (011)481-8111 |
| Shop 24  
The Strip  
314 Stateway |
Tel (057)352-2905/6  
Fax (057)352-2952 |
| WCMAS Building  
Corner OR Tambo and Susanna streets  
Emalahleni (Witbank) |
Tel (013)656-4214  
Fax (013)656-1693 |