PENSION INCOME CHOICE IN A NUTSHELL

SENTINEL retirement fund

EVENT	QUALIFYING CRITERIA	BENEFIT DETAILS	OPTIONS	TAX TREATMENT

RETIREMENT

LEFT THE SERVICE OF THE EMPLOYER EITHER DUE TO:

- RESIGNATION
- RETRENCHMENT
- DISMISSAL
- RETIREMENT

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NORMAL RETIREMENT

You are within 10 years from Normal Retirement Age (NRA), being the earliest retirement date (provided you are 50 years old), and any chosen later date, even if this date extends beyond NRA.

If you decide not to retire in the Fund, you may only retire with another service provider from age 55.

FULLY COMMUTE

Full Commutation Benefit – De Minimis Provision

A member may elect to receive the full retirement benefit as a lump sum where the amount subject to compulsory annuitisation does not exceed the prescribed de minimis threshold of R240,000. For purposes of this assessment:

- Where the member has a Vested Component: the relevant amount is two-thirds of the Vested Component plus the full Retirement Component.
- Where the member has no Vested Component: the relevant amount is the full Retirement Component.

A retirement benefit consists of:

VESTED COMPONENT

A maximum one-third lump sum of the balance in this component may be selected. The remaining balance is added to the Retirement Component to provide for a monthly pension selected from the Sentinel Pension Income Choice model.

SAVINGS COMPONENT

The balance, or any part thereof at retirement, can be taken as a lump sum (together with a maximum one-third of the Vested Component), or be added to the Retirement Component to increase the amount available to provide for a monthly pension.

RETIREMENT COMPONENT

The full amount available at retirement in this component must be utilised to provide for a monthly pension.

After deciding on the value of lump sum required, you can sculpt the ideal monthly pension income from the Pension Income Choice model with the remaining capital.

Guaranteed Pension

The following applies:

- Pensions are guaranteed for the life of the pensioner and the spouse if provided for.
- Spouse pensions are provided at a level of 25%, 50%, 75% or 100%.
- A term certain guarantee of 5 to 25 years is selected to secure the payment of the pension should the pensioner die within the term certain period selected.

Annual pension increases are awarded at a minimum 80% of CPI, on a with "profit" basis.

Flexible Pension that provides for a self-managed pension with investment and income drawdown options.

Hybrid Pension

A combination of a guaranteed pension and a flexible pension

The amount taken as a lump sum from the Vested Component and or Savings Component at retirement will be taxed in terms of the Retirement Lump Sum tax table.

Monthly pensions are taxable and fall within the ambit of PAYE regulations.

LUMP SUM VALUE	RATES OF TAX
R1 – R550,000	0%
R550,001 – R770,000	18% of the amount above R550,000
R770,001 – R1,155,000	R39,600 +27% above R770,000
R1,155,001 and above	R143,550+36% of the amount above R1,155,000

Important: The above tax tables are applied on a cumulative basis on the aggregate of retirement fund lump sum benefits accruing from October 2007, all retirement fund lump sum withdrawal benefits accruing from March 2009 as well as employer severance benefits accruing from March 2011.

Your monthly pension will, therefore, be based on the balance of the Retirement Component, plus a minimum two-thirds of the balance in the Vested Component (the amount after a maximum one-third lump sum), plus any amount available in the Savings Component not taken as a lump sum.

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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).

PENSION INCOME CHOICE OPTIONS		
Guaranteed Pension (Life Annuity)	Flexible Pension (Living Annuity)	Hybrid Pension (Combination Guaranteed and Flexible Pension)
• Lifelong guarantee for pensioner and, if selected their spouse(s) Choose between: • Single Life – No provision for a spouse • Spouse's annuity options - 25%, 50%, 75%, or 100%. • Fixed-term guarantee options: 5, 10, 15, 20 or 25-years. • With profit increases.	• Self-managed income and investment choice. • Annual income draw-down rate between 2.5% and 17.5%. • Choice of Member Investment portfolios. • Option to convert to a Life Annuity later.	• Capital can be split in any proportion between a Guaranteed and Flexible Pension. • Same features apply as under the Guaranteed Flexible Pension options.
A member who qualifies for retirement may, in respect of all or part of their Fund Credit (after payment of a lump sum), choose to purchase an annuity from a fund approved by the Revenue Authorities.		

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