

THE SOUTH AFRICAN DENTAL TECHNICIAN EMPLOYEES PENSION FUND

ABSA
Consultants & Actuaries (Pty) Limited
(Revised as at 1 September 2005)

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1. INTRODUCTION

The South African Dental Technician Employees Pension Fund was established on 1 November 1951. With effect from 1 May 1982 the fund became a privately administered pension fund and its name changed to the S A Dental Technician Employees Pension Fund. The object of the fund is to provide benefits to members or their dependants/ beneficiaries in the event of death, disablement, resignation or retrenchment.

The fund is a defined contribution fund, is registered in terms of the Pension Funds Act and approved in terms of the Income Tax Act. Therefore both members and their employers enjoy certain benefits (tax concessions on contributions, investment income and benefits paid on withdrawal from the fund) but to qualify for these concessions, certain conditions are laid down by the authorities.

Membership is compulsory. Therefore, ALL qualifying dental technicians must, as a condition of employment, become members of the fund. Failure to comply with the condition can lead to the withdrawal of the tax approval by the Commissioner for Inland Revenue, resulting in the members and the employer losing their tax concessions. In addition, the insurer involved with the reassurance of the death and disability benefits may impose restrictions that can be detrimental to the members or their dependants.

The fund is managed by a board of trustees in accordance with the provisions of the Pension Funds Act. The trustees meet regularly in order to discuss investments, administration and benefits and members will be informed on an annual basis of:

- changes to the rules
- their accrued benefits by means of a benefit statement
- investment returns and bonus declarations
- financial position of the fund (fund is subject to annual audits by independent auditors, etc)

Members may at all reasonable times inspect the registered rules and financial statements of the fund at the registered office of the fund which is:

The South African Dental Technician Employees Pension Fund
c/o Absa Consultants and Actuaries (Pty) Ltd
Private Bag X43
HATFIELD
0028

The benefits summarised in the booklet reflect the changes as implemented to 1 September 2005. Should there be a conflict between the contents of the booklet and the official rules, the rules will prevail.

2. WHO MUST JOIN?

In terms of the Income Tax Act (Act 58 of 1962 as amended), as well as clause 3 of General Notice 740 of 2000 of the Dental Technicians Act (19/1979), it is a condition of employment that all new dental technicians who entered the service of the employer (laboratory) on or after 1 April 2000 and:

- who are younger than age 65 years, and
- who are permanent full time employees (part time employees or “locum tenes” are excluded from joining). Important, laboratory owners who are members of a Closed Corporation or directors of a company may also join the fund.
- who are not dental technicians employed with a Government organisation (Technikon, Provincial Hospital, Defence Force)

must join the S A Dental Technician Employees Pension Fund which provides competitive benefits in respect of the following eventualities:

- Retirement of member
- Death of member
- Disability of member (temporary or permanent)
- Resignation of member
- Retrenchment of member

Important: A member may only leave the fund in the event of

- **death, or**
- **discontinuation/ liquidation of the fund**
- **the member ceasing to be an EMPLOYEE, eg resignation, retirement, etc**

If you resign from one laboratory and join another, you may not withdraw from the fund as your membership will be carried to the new laboratory.

ALL BENEFITS ARE SALARY RELATED. THEREFORE PLEASE ENSURE THAT THE SALARY DECLARED FOR PENSIONABLE PURPOSES IS IN LINE WITH YOUR ACTUAL INCOME AS AN UNDERSTATEMENT OF YOUR PENSIONABLE SALARY COULD LEAD TO AN UNDERSTATEMENT OF THE BENEFITS PAID TO YOU OR YOUR DEPENDANTS.

3. WHAT BENEFITS WILL BE PAID SHOULD I DIE BEFORE RETIREMENT?

Lump Sum:

A lump sum equal to

- a) three times your annual pensionable salary, plus
- b) your Equitable Share (see section 6)

will be paid in accordance with your wishes as summarised in your nomination of beneficiary form.

NOTE:

You will be covered 24 hours per day, 7 days per week, on duty or off duty.

In general, no medical examination will be required by the insurer, but you must be actively at work on the day your cover or increase in cover is to commence. If your absence is due to ill health, a medical examination may be required. Members who exceed the "free cover limit" will be notified individually regarding the medical requirements.

The trustees may direct that all or a part of the lump sum be utilised to purchase a compulsory annuity for your dependant(s)

Should the costs of the compulsory death and disability benefits exceed 5.0 % of pensionable salaries, the employer may, after consultation with the members, decide to reduce the cover or members may agree to increase their contributions.

Continuation Option:

Should you leave your laboratory's employ before age 65 you will be entitled to continue your cover without submitting any evidence of good health although an AIDS test will be required. **The responsibility to effect the cover lies with you and the option must be exercised within 30 days after leaving service whereafter it will lapse.** The contribution will be calculated in accordance with your age, personal habits (smoking, drinking, hobbies) as well as the occupation you will follow.

The death benefit can be utilised as follows:

- The full amount can be used to purchase a lifelong annuity of your dependant(s) choice,
or
- The full amount can be taken in a lump sum, or
- A combination of both

The following pension options and variations thereof are currently available:

❖ **Single Life Pension:**

It will be paid for as long as the pensioner (spouse) is alive and will cease on his/her death. Capital will be retained by the insurer.

Additional benefits such as pension increases and minimum guarantee periods (5 years, 10 years, etcetera) can be added thereto.

❖ **Pension with Capital Guarantees:**

A lifelong pension will be paid to the pensioner (spouse) and will cease on the death of the pensioner. On death, the original capital will be paid as a tax free amount to his/her beneficiary (ies) and/or nominee (s).

Additional benefits such as pension increases can be added thereto.

❖ **Living or Linked Annuity:**

The capital at retirement will be invested in a certain portfolio (unit trusts, guaranteed funds, etcetera) from which the pensioner can withdraw between 5% and 20% as an income. On the death of the pensioner the balance of the investment portfolio will normally be repaid over a 5 year period. The investment manager usually requires a minimum capital amount due to the investment risk associated with this product.

IMPORTANT. As the decision made by your dependants will be final and irrevocable, it is important that they obtain professional advice

4. WHAT BENEFITS WILL BE PAID SHOULD I BECOME DISABLED BEFORE RETIREMENT?

If you have been disabled due to an accident or illness, and your disablement lasts **three** months or longer, the insurer will pay the following benefits:

- 75% of the first R 12,000 monthly pensionable salary, plus
- 60% of the next R 20,000 monthly pensionable salary, plus
- 40% of the balance

subject to an overall maximum benefit of R 23, 000 per month.

The benefit will be paid in respect of temporary or permanent disablement.

Please take note of the following:

- You must be **medically** disabled to pursue your **own or similar** occupation in accordance with your training, education or status. Payment will be made for as long as you are disabled, but will automatically cease on death or reaching age 65. **Payment is made subject to the terms and conditions of the policy.**
- **No benefit will be paid should you become disabled within 12 months of joining the Fund if the cause of disablement is due to a problem of which you were aware or for which you received treatment during the 6 months before joining the fund.**
- You are covered 24 hours a day, 7 days per week, on duty or off duty.
- In general no additional medical examinations will be required by the insurer when you join the scheme. **Comprehensive medical information will however be required at the time of lodging a claim.**
- Your benefit will increase by 8 % per annum for as long as you are medically disabled subject to an overall increase equal to the inflation rate.
- Whilst in receipt of a disability benefit, you will remain a member of the Pension Fund. Therefore, should you die whilst on disablement, the benefit as per section 3 will be paid, if you recover before age 65, the benefit in section 5 will be paid and if you remain disabled until age 65, the benefit as per section 6 will be paid.

CONTINUATION OPTION:

Should you leave the laboratory's employ prior to age 55 then you will be entitled to continue the cover you enjoyed without submitting any evidence of good health although an AIDS test will be required. **The responsibility to effect the cover lies with you and the option must be exercised within 30 days after leaving service, whereafter it will lapse.** The contributions will be calculated in accordance with your age, personal habits (smoking, drinking, hobbies) as well as the occupation you wish to follow.

5. WHAT WILL I RECEIVE SHOULD I RESIGN OR BE RETRENCHED FROM SERVICE?

Voluntary Resignation.

Should you resign from service, your Equitable Share will be paid (see section 6).

Retrenchment:

Should you be retrenched in terms of the Labour Relations Act, your Equitable Share (see section 6) will be paid.

The benefit can be taken as follows:

- As a lump sum: The amount in excess of R1 800 will be taxed at your "average" tax rates, or
- It can be transferred tax free to another pension fund, (including preservation pension fund) or retirement annuity fund.
- A combination of the above.

CONTINUATION OPTION;

Should you leave your laboratory's employ before age 65, you will be entitled to continue your cover without submitting any evidence of good health although an AIDS test will be required. **The responsibility to effect the cover lies with you and the option must be exercised within 30 days after leaving service whereafter it will lapse.** The contribution will be calculated in accordance with your age, personal habits (smoking, drinking, hobbies) as well as the occupation you will follow.

6. WHAT WILL I RECEIVE WHEN I RETIRE?

6.1 You will become entitled to your Equitable Share as at the date of retirement date should you retire:

- Early - from age 55
- Normal - age 65

Your Equitable Share, less any amount taken in a lump sum (maximum one-third) will be used to purchase a lifelong pension from an insurer of your choice. The options are as indicated below.

Your Equitable Share consists of the following:

- Your contributions as per section 9, plus
- Your voluntary contributions, if any, plus
- The “employer’s” net contributions as per section 9, plus
- Investment growth earned on the assets of the fund

Investment Return/ Bonus Rate:

Currently the assets are invested with Advantage Asset Managers, a multi-managers. As a multi-manager, they will allocate a portion of the assets to Allan Gray, Oasis, Old Mutual, Sanlam, African Harvest, etcetera. Your assets are therefore not all in one basket. Annually the full investment returns achieved on the investment portfolio will be allocated to members as soon as the financial statements for the preceding year have been finalised. Bonuses are “smoothed”, thus ensuring that members’ benefits are not eroded due to fluctuations in the investment markets.

6.2 Your retirement benefit can be paid as follows:

- The full amount can be paid as a lifelong annuity of your own choice, or
- A portion of the pension (maximum one-third) can be taken in a lump sum and the balance be paid as a lifelong annuity.
- The following pension options and variations thereof are currently available:

❖ Single Life Pension:

It will be paid for as long as you are alive and will cease on your death. Capital will be retained by the insurer.

Additional benefits such as pension increases and minimum guarantee periods (5 years, 10 years, etceteras) can be added thereto.

❖ Joint Life Pension:

A pension will be paid for as long as you or your spouse are alive and will only cease on the death of the last survivor. Any remaining capital at death will revert to the insurer.

Additional benefits such as pension increases and minimum guarantee periods (5 years, 10 years, etceteras) can be added thereto.

❖ **Pension with Capital Guarantees:**

A lifelong pension will be paid to the pensioner and will cease on the death of the pensioner. On death, the original capital will be paid as a tax free amount to his/her beneficiary (ies) and/or nominee (s).

Additional benefits such as pension increases can be added thereto.

❖ **Living or Linked Annuity:**

The capital at retirement will be invested in a certain portfolio (unit trusts, guaranteed funds, etceteras) from which the pensioner can withdraw between 5% and 20% as an income. On the death of the pensioner, the spouse can continue on a similar manner and on the death of the spouse, the balance of the investment portfolio will normally be repaid over a 5 year period. The investment manager usually requires a minimum capital amount due to the investment risk associated with this product.

IMPORTANT:

Prior to retirement will it be required to make a decision and aspects such as income tax and your needs at retirement will influence your decision. The decision at retirement will be irrevocable and final and therefore it is important that you obtain professional advice prior to retirement.

7. CAN THE EMPLOYER BENEFIT IN ANY WAY?

The employer can only receive some tax relief on his contributions. In no other way can he benefit financially. However, if you are indebted to the employer in terms of the Pension Funds Act, he may deduct the amount owing from your resignation/retrenchment/retirement benefit. It relates mostly to debts incurred in respect of:

- Housing
- Theft or similar offence and to which the member must admit guilt in writing
- Theft or similar offence and for which the member was found guilty in a Court of Law and where the Court dictated that the member should pay the debt from his/ her pension/ provident benefit

8. WHAT HAPPENS IF THE SOUTH AFRICAN DENTAL TECHNICIAN EMPLOYEES PENSION FUND CEASES TO EXIST?

All assets in the Fund are paid proportionately to each member. If no replacement fund is established by the new employer, a liquidator will be appointed in terms of section 28 of the Pension Funds whereafter the assets will be allocated to the members in accordance with his/her Equitable Share in the fund. In such an even, the members will be entitled to take the full benefit as described in section 4. If a replacement fund is established, a transfer to the new fund in terms of section 14 of the Pension Funds Act will take place and members may not receive the benefits in cash. It will have to be transferred to the new fund.

9. HOW MUCH DOES EACH PARTY CONTRIBUTE?

9.1 The Member:

7.0% of your pensionable salary

The member will receive tax relief on his contributions at **marginal rates**.

9.2 The Employer:

7.0% of your pensionable salary from which the average cost of the benefits mentioned below will be deducted:

- Death Benefits 1.05 %
- Disability Benefits 1.9341%
- Administration expenses 1.12%
- Reserves 0.89% (to take care of interim cost increases. Annually any excess contributions are returned to the remaining members)

IMPORTANT:

Approximately **9.0%** of your pensionable salary is therefore allocated to your retirement benefits. Annually you will receive a benefit statement which will help you to establish whether you need to supplement your retirement benefits by making additional contributions. **The responsibility to make sufficient provision for retirement lies with every individual and members must therefore monitor their situation on a regular basis in order to take corrective measures timeously.**

Note: Refer to the comments made previously that the responsibility to declare the correct pensionable salary lies with you and by understating your pensionable salary, will lead to an understatement of your benefits on resignation, retrenchment, death, disablement or retirement)