



UNIVERSITIES RETIREMENT FUND Member Communique: Flexible Risk Benefits

As a member of the Fund you would by now know that the Trustees continuously strives to optimize the benefits that could be derived for the members of the Fund and to make it as financially attractive as possible.

One such area that was extensively investigated by the Trustees over the last couple of years was the **death benefits** currently being provided by the Fund as there is a measure of discrimination in terms of the existing design. Together with the Fund's Actuaries and Consultants an alternative design was developed, which was approved by the Trustees for implementation.

It was initially envisaged that the revised death benefit design should have been implemented during the course of 2020, but unfortunately as a result of the impact of COVID 19, the Fund was unable to arrange the required communication sessions with the different stakeholders to launch the revised design and it was therefor decided to rather postpone the introduction to 2022.

Existing Death Benefit Design (Option 1)

In terms of the Fund's existing design if a member should die before his/her normal retirement age, their dependants will receive a lump sum as well as a monthly pension for the spouse and minor children (children under the age of 18 or if they are enrolled as a student, until age 21.)

The **lump sum** will be equal to **5 times annual pensionable salary plus Fund Credit**. The monthly **spouse's pension** payable will be equal to **40% of the deceased member's monthly pensionable salary** at date of death. Should the deceased leave one minor child at death, said child will be entitled to a monthly **children pension** equal to **20% of his/her monthly pensionable salary** at date of death, **two children** will share **30%** of his/her monthly pensionable salary and **three and more children** will share **40%** of his/her monthly pensionable salary.

If the member was not married at date of death, the monthly pension payable to the minor children will double.

Members who are not married, or who do not have children, can rightly argue that they are paying for something (in terms of the insured costs) from which they will not benefit and it was then for this reason that the Trustees decided on the introduction of the following additional alternative design.

Alternative Death Benefit Design (Option 2)

A **lump sum** of **five times annual pensionable salary plus Fund Credit** only payable to your financial dependants and/or nominees as stipulated in terms of the provisions of the Pension Fund's Act in the event of death.

This alternative option is probably more suited in respect of those members without financial dependants, or whose accrued Fund Credit is sufficient to meet their individual needs. Members opting for this design (Option 2) will be compensated for the “reduction” in death benefits by means of a higher allocation to retirement savings as illustrated below which addresses the issue of potential discrimination in respect of marital status and / or number of dependent children.

Existing Death Benefit Design Cost Structure (Option 1)

Total Employer Contribution	18.00%
<u>Less:</u> Death benefits re-insurance	2.325%
Disability benefits re-insurance	0.560%
Funeral benefits re-insurance	0.070%
Administration costs	<u>0.574%</u>
Employer Retirement Contribution	14.471%

Alternative Death Benefit Design Cost Structure (Option 2)

Total Employer Contribution	18.00%
<u>Less:</u> Death benefits re-insurance	1.162%
Disability benefits re-insurance	0.560%
Funeral benefits re-insurance	0.070%
Administration costs	<u>0.574%</u>
Employer Retirement Contribution	15.634%

The introduction of this alternative option then further also gives you the flexibility in structuring your benefits provided by the Fund according to your own circumstances and needs.

Next Steps

As an existing member of the Fund you now have the opportunity to decide between the two benefit options as presented.

Should you wish to move from the existing Death Benefit Design (Option 1) to the alternative Death Benefit Design (Option 2) as from 1 January 2022 you will need to inform the Fund in writing of your intentions in this regard by completing the enclosed option form and return said to the Office of the Principal Officer by 15 November 2021.

Please note that if the Office of the Principal Officer do not receive a direct written instruction from you in this regard as indicated you will retain the existing Death Benefits Design (Option 1). No further action is thus required from you should you wish to retain your existing Death Benefit Design for the time being.

As an existing member of the Fund you will further in future on an annual basis as at 1 July each year have the option to move from the existing Death Benefit Design (Option 1) to the alternative Death Benefit Design (Option 2).

It is important to note that in order to ensure that members do not anti-select against the Fund you will only be allowed to move back from Option 2 to Option 1 in the event you got married, or if there were children born during the preceding year. There might also be some further underwriting conditions being imposed in this regard by the Insurers.

All new employees who join the Fund on or after 1 January 2022 will only be entitled to the death benefits as provided in terms of Option 2 i.e. lump sum of five times annual pensionable salary plus Fund Credit payable in the event of death to the financial dependants and / or nominees with NO monthly pensions payable to a spouse and/or minor children.

Conclusion

Please note that the introduction of this alternative design does not at all infringe on your existing conditions of employment as it only provides you with a voluntary alternative option that you can exercise now, or in future as your own individual needs and circumstances warrants.

The Fund will be hosting a couple of online communication sessions early in November where these options will be discussed in more detail and which will also give you the opportunity to address any further questions you might have in this regard.

Please feel free to contact the Office of the Principal Officer should you require any additional information.

Yours sincerely


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Antoinette de Greeff
Principal Officer