

**A MEMBER'S GUIDE**

**to the rules**

**of the**

**C.P.S.A. LAYWORKERS PENSION FUND**

**(Defined Contribution Fund)**



Administered by  
Specialised Corporate Consultancy  
Liberty Group Limited



## C.P.S.A. LAYWORKERS PENSION FUND

### 1. INTRODUCTION

This information brochure aims at answering in everyday terms those questions which, from experience, you are most likely to have about the C.P.S.A. Layworkers Pension Fund.

The terms, benefits and conditions of the Fund are set out in full in the official Rules of the C.P.S.A Layworkers Pension Fund and this booklet does not change or alter any part thereof. In the event of a discrepancy between this booklet and the Rules of the Fund, the Rules shall prevail.

Should you require additional information on any matter, please contact the office of the Principal Officer.

### 2. DEFINITIONS

These definitions will assist you in understanding the booklet.

**Actuary:** means the actuary appointed by the Fund to do the Fund's actuarial valuations required in terms of the Pension Funds Act.

**Board:** means the Board of Trustees constituted in terms of the Rules of the Fund to control and manage the Fund.

**Category A-Member:** means a Member who is a licenced stipendiary church worker who does not qualify for membership of the C.P.S.A. Provincial Pension Fund and whom is a Member of The Fund and the Employer makes a monthly contribution of 20% of Pensionable Emolument to The Fund.

**Category B-Member:** means a Member other than a licenced stipendiary church worker in respect of whom the Employer makes a monthly contribution of 20% of Pensionable Emolument to the Fund.

**Category C-Member:** means a Member in respect of whom the Employer makes a monthly contribution of 10% of Pensionable Emolument to the Fund.

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**Category D-Member:** means a member in respect of whom the Employer makes a monthly contribution of 15% of Pensionable Emolument to the Fund.

**Defined Contribution Fund** (The C.P.S.A. Layworkers Pension Fund) which enables a Member to purchase a pension from his accumulated contributions (the Member's Share of the Fund) made by you and on your behalf by your employer plus investment returns. The alternative is a **Defined Benefit Fund:** (The C.P.S.A. Provincial Pension Fund). This type of Fund provides retirement benefits, which are guaranteed as a fixed percentage of salary/stipend for each year of service.

**Employer** means the Principal Employer and each other employer which the Principal Employer agree to admit as an Employer from time to time. In relation to any particular Employee the word "Employer" shall mean that Employer by whom the Employee is employed, and this would include parishes, dioceses, children's homes and theological colleges, etc.

**Fund Anniversary:** means the first day of January of each year.

**Fund Interest:** means interest at a rate as determined by the Actuary from time to time.

**Member:** means any person who is a Member of the Fund in terms of the Rules of the Fund.

**Member Transfer Credit:** in regard to an Old Fund Member means the amount which was transferred from the Old Fund to the C.P.S.A. Layworkers Pension Fund to be applied in respect of the Member.

**Normal Retirement Age:** means the age of 65 years.

**Normal Retirement Date:** in regard to any Member means the last day of the month in which he/she reaches the Normal Retirement Age.

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**Old Fund:** means the Church of the Province of Southern Africa Layworkers Pension Fund, which participated under the Orion Pension Fund.

**Old Fund Member:** means a member who was a member of the Old Fund prior to 1 July 1990 and became a Member on 1 July 1990 and has remained a Member since then.

**Pensionable Emolument:** means the basic stipend, salary or wage the Member receives from the Employer, including an amount on which the Fund and the Employer agree and which does not exceed the value of other forms of remuneration which the Member receives from the Employer.

**Share of Fund:** this consists of the following:

- Any amount transferred from a former Fund, plus
- Contributions paid into your account by the Employer, less the cost of insured benefit premiums and administration fees, plus
- Any compulsory contributions paid into your account by yourself, plus
- Any additional voluntary contributions paid into your account by yourself, and
- Investment returns and income on all of the above.

**The Fund:** means the Church of the Province of Southern Africa Layworkers Pension Fund. The Fund's name will change to the Anglican Church of Southern Africa with effect from 1 October 2006.

### 3. MEMBERSHIP

#### Who is eligible?

All employees qualify for membership provided that they are on the permanent staff of the Employer.

#### When do I join?

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You will join the fund automatically on the date that you qualify for membership.

### 4. CONTRIBUTIONS

#### 4.1 What do I contribute?

In terms of your category of Membership, you are required to contribute:

- 5% of your Pensionable Emolument as a Category A Member, a Category B Member or a Category F Member.
- 7.5% of your Pensionable Emolument as a Category C-Member, Category D-Member or a Category E Member.

#### 4.2 What will my Diocese/Employer contribute on my behalf?

In terms of your category of Membership, your Employer is required to contribute:

- 20% of your Pensionable Emolument as a Category A-Member or Category B-Member.
- 10% of your Pensionable Emolument as a Category C-Member.
- 15% of your Pensionable Emolument as a Category D-Member, a Category E Member or a Category F Member.

less the amount of the Employer's contributions which is payable in respect of insured benefits and administration fees.

#### 4.3 Additional Voluntary Contributions

You may apply to the Fund to make additional voluntary contributions by means of a single payment or monthly payments to secure a supplementary pension.

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### 5. INVESTMENT

#### How will the money be invested?

The monies are invested with various Fund managers to ensure that different approaches and philosophies of investment will enable the Fund to achieve its goal of consistent returns with a minimum of risk to the members.

The Board members of the Fund monitor the investment performance of these Fund managers at all times. The aim is to achieve high real rates of return (i.e. returns in excess of inflation) without exposing the Fund to undue risk.

### 6. PENSION BENEFITS

#### What is my Normal Retirement Age?

You retire on the last day of the month in which you reach the Normal Retirement Age of 65.

This date will be known as your **Normal Retirement Date**.

#### What is my pension benefit if I retire on Normal Retirement Date?

At Normal Retirement Date your retirement benefit will be equal to your Share of the Fund.

#### What options are available to me on Retirement?

You may elect:

1. Transfer your Share of the Fund to an approved Retirement Funding instrument, or
2. To purchase an annuity (known as a compulsory purchase annuity) with the full Share of the Fund, or
3. Commute a portion of your Share of the Fund to cash (taxable) up to a maximum of one third and purchase a compulsory annuity with the balance.

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### Purchasing a pension

There are a number of different options available, including built in annual escalations, pensions payable only as long as you are alive, or while both you and your spouse are alive, pensions guaranteed to be paid for a minimum number of years and so on. Bear in mind that all of these include expense and profit margins built in by the insurer.

Another option provides for the preservation of any remaining capital after the death of you and your spouse.

You are advised to take professional advice on any matters concerning your retirement to ensure that you have evaluated all the available options and have elected the option that best meets your requirements.

### Taking a lump sum

If you elect to take a lump sum from the Fund (maximum 1/3<sup>rd</sup>), a range of options are available to you. You are again advised to take professional advice on any matters concerning your retirement.

### Continuation of cover

You may also affect a life policy when you cease to be a member of the Fund prior to retirement, which continues the life cover provided by the Fund without submitting evidence of good health. The premium payable will be the same as that of a healthy individual of your age. The premium for such cover will be for your account. The amount of cover you are entitled to will be limited to the amount of cover you enjoyed when you ceased to be a Member of the Fund.

### 7. EARLY RETIREMENT

#### What happens if I wish to retire before the Normal Retirement Date?

Should you retire at any time during the ten-year period before your Normal Retirement Date, your benefit will be equal to your Share of Fund. Your choices are the same as those set out in paragraph 6.

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You can expect to receive a retirement pension less than the pension available at the Normal Retirement Date should you retire early. This is as a result of the smaller Share of Fund available at retirement and the fact that you will be on retirement for longer.

It is important to note that the revenue authorities may treat your retirement as a withdrawal (which is less favourable from a tax point of view) if you "retire" in good health before age 55.

### 8. LATE RETIREMENT

#### What happens if I wish to work after the Normal Retirement Date?

Should you retire after your Normal Retirement Date, your benefit will be equal to your Share of Fund. Your choices are the same as those set out in paragraph 6.

You can expect to receive a retirement pension greater than the pension available at the Normal Retirement Date should you retire late. This is as a result of the greater Share of Fund available at retirement and the fact that you will be on retirement for a shorter period.

It is important to note that death and disability benefits cease at the Normal Retirement Date.

### 9. CASH/COMMUTATION OPTION ON RETIREMENT

#### On retirement, can I take a portion of my Pension in Cash?

Yes, under current Revenue regulations you may commute up to one-third of your pension for a taxable cash lump sum. If you elect to do this, your pension will be reduced accordingly.

#### Tax on Retirement

Member's retirement benefits paid in the form of a lump sum (maximum 1/3<sup>rd</sup>) are tax-free up to certain limits (in terms of current

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legislation) according to a formula, with an overall maximum as shown here:

#### Tax-free Formula

The greater of:

- (i)  $\frac{N}{10} \times HAS$  Subject to a maximum of R120 000.00  
N = Number of completed years of pensionable service, subject to a maximum of 50 years.  
HAS = Highest Average Salary over any five consecutive years, subject to a maximum of R60 000.00 per annum, or
- (ii) R4 500 times the number of completed pensionable year's service in a retirement fund at the date of retirement.

Note that if you elect to take a portion of your benefit as a lump sum, income derived from the investment of that lump sum will be taxable under most circumstances.

The monthly pension you receive will be taxed as if it were income.

### 10. DEATH BENEFITS

#### 10.1 Death before or on the Normal Retirement Date

If you die in service before your Normal Retirement Date, the Pension Fund will, subject to the approval of the Board, pay the following to your dependants or nominees:

An amount equal to your Share of the Fund, plus

- a) Five times your annual Pensionable emolument In the case of a Category A Member, or
- b) Two times your Pensionable emolument In the case of a Category B Member, a Category C Member a Category D Member, or a Category F Member, or
- c) Three times your annual Pensionable Emolument In the case of a Category E Member.

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### 10.2 Death after Normal Retirement Date but whilst still in service?

If you die after the Normal Retirement Date your Share of the Fund will, subject to the approval of the Board, be paid to your dependants or nominees.

### 10.3 Death after Normal Retirement Date

This will depend on the provisions you made when you purchased your pension.

### 10.4 Tax on Death Benefits

The tax-free benefit calculated for death benefits will be reduced by the amount of the tax-free benefit previously granted in terms of paragraph 9:

The greater of:

- (i)  $\frac{N \times HAS}{10}$  Subject to a maximum of R120 000.00  
N = Number of completed years of pensionable service, subject to a maximum of 50 years.  
HAS = Highest Average Salary over any five consecutive years, subject to a maximum of R60 000.00 per annum, or
- (ii) R4 500 times the number of completed pensionable year's service in a retirement fund at the date of retirement.

## 11. WITHDRAWAL BENEFIT

If your service is terminated before the Normal Retirement Date (whether voluntarily by you or as a result of retrenchment, redundancy, dismissal or any other reason), and you are not entitled to retirement benefits from the Fund, you may exercise one of the following options:

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### Cash Benefit

You may choose that a cash benefit be paid. This cash benefit is equal to your Share of the Fund.

#### Tax on Cash Benefit

The following amount is allowed tax-free:

- i) R1 800.00, plus
- ii) Any additional contributions made by you or transferred into the Fund which did not qualify for tax relief.

### Transfer Benefit

You may choose that your Share of the Fund be transferred to another approved retirement funding instrument.

#### Tax on Transfer Benefit

This transfer will take place tax-free provided that it is transferred to an approved "pension" fund instrument.

## 12. DISABILITY BENEFIT

### What benefit is payable should I become disabled before the Normal Retirement Date?

If you are (for a period of six months) totally and permanently unable to do your own job, or any other similar or suitable job offered to you by your Employer, you will need to submit a claim for a disability benefit. In addition your Doctor, a Specialist and your Employer will need to complete a disability claim form, which will be assessed by medical assessors.

### Benefit payment

Once the claim is admitted you will receive:

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- 75% of the first R12 000.00 of your monthly Pensionable Emolument; plus
- 50% of the next R12 000.00 of your monthly Pensionable Emolument.

Subject to a maximum of R15 000.00 per month.

Whilst in receipt of a disability benefit, contributions by and in respect of yourself must continue to be paid to the C.P.S.A. Layworkers Pension Fund based on the Pensionable Emolument at the date of the disability.

### When does the Disability Benefit Cease?

The disability benefit will cease at the first of the following occurrences:

- Should you die;
- Should you recover sufficiently to allow for the resumption of your normal or similar duties;
- On your retirement.

## 13. INDIVIDUAL MEMBER BENEFIT STATEMENTS

You will receive an annual statement setting out the benefits to which you are entitled in terms of the Rules of the Fund. The annual benefit statement should be read in conjunction with this booklet.

Please ensure that you keep this annual statement in a safe place for future reference.

## 14. HOUSING LOANS

### Are housing and other loans available?

Yes, with effect from 1 January 2007, subject to the approval of the loan by your Bishop and the Trustees, the loan will be available through an approved banking institution loan scheme and is subject to the terms and conditions imposed by such an institution. The loan will be secured by your cash commutation benefit in the Fund and

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may not be more than your cash commutation benefit on retirement less any tax payable on it.

In terms of the Section 19(5)(a) of the Act, the Fund may grant a loan to a member to enable the member:

- i) to redeem a loan granted to the member by a person other than the fund, against security of immovable property which belongs to the member or his or her spouse and on which a dwelling has been or will be erected which is occupied or, as the case may be, will be occupied by the member or a dependant of the member;
- ii) to purchase a dwelling, or to purchase land and erect a dwelling on it, for occupation by the member or a dependant of the member; or
- iii) to make additions or alterations to or to maintain or repair a dwelling which belongs to the member or his or her spouse and which is occupied or will be occupied by the member or dependant of the member.

The amount of the loan is limited to a percentage of your anticipated cash commutation of retirement, for which the Fund will stand surety. The Trustees will determine the percentage available from time to time. Monthly repayments are your responsibility and will be deducted from your monthly salary.

Should you terminate your service, retire or die, any loan amount still outstanding will be deducted from your benefit.

### Are personal or other loans available?

No, according to current legislation the C.P.S.A. Layworkers Pension Fund may not make personal and other loans.

## 15. CONTRIBUTIONS AND TAXATION

### Do I get tax relief from my contributions?

Yes. You may deduct up to 7.5% of your remuneration from retirement funding employment or R1 750.00, whichever is the



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greatest. In addition up to R1 800.00 per annum is deductible for past pensionable service from trade or non-trade income.

### **Do I pay tax on my benefits?**

Yes. A part of your lump sum benefit may be taxable. Moreover, your pension payments are taxed in the same way as your stipend.

## **16. CONTACT PERSONS**

Should you have any queries, please contact:

Mr. Rob Rogerson , Principal Officer - (021) 797-8324  
- 082 8941524

Should you have any queries, which the office of the Principal Officer cannot resolve, please contact:

David Griesel, Client Services Manager - (011) 408 2960

## **17. LEGAL PROVISIONS**

The legal provisions governing your fund and the benefits payable are set out in the registered rules of the C.P.S.A. LAYWORKERS PENSION FUND. These rules together with the current financial statement and the latest actuarial valuation may be inspected at the registered office of the Fund at LIBERTY CENTRE, 1 AMESHOFF STREET, BRAAMFONTEIN, JOHANNESBURG, 2001. The Fund is registered with the Financial Services Board and the Commissioner for Inland Revenue Services under reference numbers 12/8/26724/1 and 18/20/4/9503 respectively.

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