TFG

retirement fund

you can never start too early

Member Guide

TFG Retirement Fund operates and exists solely for you and your dependants. It is your Fund, and as a member, you and the other members are the only people that will benefit from its existence.

Its main aim is to achieve superior investment returns on the assets of the Fund and to provide members with the greatest likelihood of securing a reasonable pension at retirement.

Please note: This is not a legal document.

The information in this booklet is only a summary of the rules of the Fund.

The rules of the Fund will apply in all cases.

TFG Retirement Fund - Registered under the Pension Funds Act 1956 (Reg.No 12/8/10150/2)
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What does the Fund do for me?

Most people feel they should have more control over their financial planning. One good way to start taking control is by understanding your retirement fund.

The **TFG Retirement Fund** (the Fund) has been set up to provide **you** and your **dependants** (depending on your exit type) with **benefits** –

- when you retire
- should you die while still working for the Company
- at resignation, retrenchment or dismissal
- should you become disabled

What must I do in return?

Make sure that you and your dependants understand how the Fund works. It is also very important that you keep your beneficiary nomination up to date.

Before you make any decisions that will affect your future financial security, e.g. withdrawing from the Fund or investing a lump sum, it is a good idea to speak to a financial advisor.

Read all notices sent to you from the Fund.

How will this booklet help me?

By understanding the benefits, you will be able to see whether you will be financially secure when you retire or if your dependants will have enough money should you die. You will be able to take control of your financial situation and take any additional steps to ensure your financial security.

Who may be a member of the Fund?

All Grade 9 and above full time permanent employees of The Foschini Group Limited or subsidiaries in South Africa and Lesotho will automatically become members of the Fund at the start of their employment.

Full time permanent employees Grade 10 and below, may join with immediate effect or at any time thereafter. However, membership becomes compulsory after 24 months of continuous employment.

Permanent Employees who work variable hours (flexitimers) may join provided that they have 3 months continuous service. However, membership becomes compulsory after 27 months of continuous employment.

Fixed term/contract employees, as a result of their employment contract, are not eligible to join the Fund.

All new employees must be under the age of 60 to become members of the Fund.

What kind of Fund do we have?

In its simplest form a retirement fund is just a fund of money that is built up by contributions and investment returns. This happens over your working lifetime and is then used to provide a retirement benefit for you when you retire.

Your Fund is a defined contribution fund or a fixed contribution fund. This means that each month, you and the Company must contribute a fixed percentage of your salary to the Fund.

It also means that the benefit you receive at date of exiting the Fund (be it through retirement or otherwise), depends on how much you have accumulated in the Fund.

(Note that you may voluntarily contribute additional amounts to increase your final Fund value. Refer to **How can I increase my Fund value?** on page 8.)

Trustees

Who does the Fund belong to?

As with everything in life, SOMEONE is responsible to see to it that the work gets done. In this case, the Trustees must ensure that the Fund is administered correctly so that the Fund can pay members their benefits.

The Fund is a separate legal entity from the Company. It belongs equally to you and the Company. Through the election of Trustees, both parties have a say in how the Fund is run.

Who are the Trustees and what do they do?

The Board of Trustees is responsible for the day-to-day management of the Fund. Half the Trustees are elected by the members of the Fund and the other half by the Company. The Trustees have to, amongst other duties, -

- Manage the Fund in an efficient and transparent way;
- Choose the best investment managers and investments;
- Impartially distribute death benefits to dependants and/or beneficiaries;
- Communicate regularly with members;
- Respond to disputes and prevent conflicts of interest; and
- Know and understand the Rules and any laws that may affect the Fund.

What is my responsibility as a member?

As a member, you can help elect half of the Board. Choosing a Trustee is trusting someone with one of your most valuable possessions - your **retirement savings**.

Make sure **YOU** choose member trustees who you can trust to best perform the job.

How can I keep a record of my retirement savings?

One of the ways in which the Trustees fulfil their responsibility of communicating to you regularly, is to send you a statement of your benefits each year.

You will receive a **benefit statement** from the Fund at least once a year. It gives up-to-date information on the benefits you can expect to receive from the Fund. The benefits are usually calculated up to the date of your statement and are based on basic salary as at that date. Your benefits will change from year to year as the investment return changes as well as your salary and contribution period increases.

What must I do with my statement?

- Make sure you understand the benefits detailed in your statement.
- Discuss your statement with your financial advisor to **make sure that you are making enough provision** for your future.
- Keep all your statements in a safe place.
- Discuss your retirement planning with your family as it affects them as well. Should you die or be unable to make your own arrangements due to injury or ill health, your family will at least know what to do.

How the Fund works

Where does the money come from to pay my benefits?

Monthly contributions are made by you as well as by the Company.

It is very important that the money in the Fund is invested so that it can grow faster than inflation. This growth, which is also called **investment return**, is added to your Fund value. How well your retirement savings will grow, will therefore depend on how well the Fund's investments are doing. If they do well, your Fund value increase, however, if they do not do well, your Fund value may decrease.

How much do I contribute?

You contribute 7,5% of your basic salary to the Fund each month.

This means that R7,50 of every R100 you earn is taken from your salary by the Company at the end of each month and paid over to the Fund.

How much does the Company contribute?

Your Company contributes a minimum of 7,5% of your basic salary to the Fund each month. The company also contributes 4,5% of your basic salary to cover the cost of benefits such as disability, funeral cover, death and administration costs. Any amount not used for costs is allocated to your Fund value.

How is my Fund value made up?

Your Fund value is made up of:

- The Company's contributions - ***plus***
- The contributions that you made, - ***plus***
- Any additional voluntary contribution (AVC) (if applicable) - ***plus***
- Any amount transferred into the Fund on your behalf from a previous fund you belonged to - ***plus***
- Any discretionary amounts allocated by the Trustees - ***plus***
- Investment returns earned on your total savings, which may be positive or negative depending on the investment performance.

Who pays for the administration of the Fund?

The Company pays for the administration of the Fund as well as the costs/premiums for the provision of benefits if you should die or become disabled.

Do I have a choice where my money is invested?

The bulk of members' assets are invested in the default Foschini Balanced Portfolio.

The trustees have provided a **Life Stage Model.** This means that the members that are nearing retirement have their money in a portfolio that has a lower growth with less chance of negative returns. The trustees continuously review these investment options. For more information refer to ***What is a Life Stage Model and how does it work?*** on page 9.

How can I increase my Fund value?

Additional voluntary contributions (AVC's) are extra amounts that you as a member of TFG Retirement Fund (the Fund) may elect to contribute in order to boost retirement benefits. This is on top of the monthly contribution you and the Company already make to the Fund. This facility is offered to you at no additional cost, so the full additional contribution is invested for your benefit.

What changed with effect from 1 March 2016?

The manner in which contributions to retirement savings are taxed changed from 1 March 2016. All company contributions to a retirement fund are taxed in the hands of the member as a fringe benefit. Each member, however, can deduct both the company and their own contributions to the Fund up to a limit of 27.5% of remuneration or taxable income, whichever is greater, subject to a rand cap of R350 000 per member. The good news is that as a member of our Fund, and subject to the limits, you are able to save more towards your retirement with the added benefit of it being tax deductible.

Please note that because our payroll department can only consider your TFG income, you will be responsible to determine whether your AVC will fall within the limits and therefore whether your AVC will be fully tax deductible or not.

How to start this process?

TFG Retirement Fund Department (Pension's Department) must receive your completed form before the 1st of the month that you want your first contribution from your salary.

The full amount of AVC will reflect on your IRP5 certificate.

What if I already make monthly additional voluntary contributions and I want to increase the amount?

If you want to increase or decrease the current amount that you are contributing extra, you have to complete a new form.

Should you prefer to do yearly once off contributions, you have to complete a new form for each time you want to make a contribution.

What are my options?

You have the following 2 options:

- **Option 1: Monthly contributions**

  This option allows you to make extra contributions from your monthly salary.

- **Option 2: Once off contribution (e.g. December bonus)**

  If you do not wish to make monthly AVC's, but you would still like to make extra contributions to your retirement savings, you have the option to contribute any amount of your year-end gift, commission or bonus as an ad-hoc additional voluntary contribution.

What other important points must I take note of?

- It is very important to be aware that AVC is not a deposit account which can be withdrawn or refunded at any time.
- AVC is an extra contribution towards your retirement and can therefore only be accessed when your Fund benefit becomes due to you (either at withdrawal, retirement or death). Note that AVC forms part of your fund value and therefore the same rules will apply to it on withdrawal, retirement or death as the rest of your fund value.
- Always remember that saving for your retirement is a long term goal. Make use of compound investment returns by never cashing in your retirement savings before you actually retire.

Life Stage Investment Model

What is a Life Stage Model and how does it work?

The Fund uses a life-stage investment model to gradually move members approaching retirement out of the Active Member Balanced Portfolio. The Active Member Balanced Portfolio is designed for members who are still some years away from retirement. Members have an option to commence a de-risking phase at five years prior to retirement. The life-stage investment model consists of five increments of risk-reducing portfolios - each based on the number of years to a member's normal (or elected early) retirement date.

Portfolio Name	Years to retirement	Active Member Balanced	De-risking Portfolio	Prescient Positive Return	Banker Cash
1. Balanced	More than 5 years	100%	-	-	-
2. **Default** De-risking 20 Portfolio	5-4 years	80%	20%	-	-
3. **Default** De-risking 40 Portfolio	4-3 years	60%	40%	-	-
4. **Default** De-risking 60 Portfolio	3-2 years	40%	60%	-	-
5. **Default** De-risking 80 Portfolio	2-1 years	20%	80%	-	-
6. **Default** Prescient Positive Return Fund	Less than 1 year	-	-	100%	-
OPTIONAL: Investment Solution Banker Portfolio (Cash)	2 – 0 years	-	-	-	100%

It is typically not gainful to invest in a conservative (low risk) portfolio over an extended period of time before retirement, because it means that one will generally lose out on greater returns available from portfolios that have a higher exposure to equities over a longer time period. The reduction in expected investment return increases the risk of a member not building an adequate retirement benefit. *(See the section on **General investment principles** below for more information.)*

What do the different portfolios mean?

Active Member Balanced: It is a balanced portfolio of shares, property, cash, bonds and offshore investments designed by the Trustees to achieve performance greater than inflation over time. The Trustees, using professional advice, combine the portfolios of top quality investment managers to succeed in this objective without exposing the members to undue risk. A secondary objective of the Trustees is to perform better than the average South African retirement fund.

De-risking Portfolio: This is a conservatively managed balanced portfolio of asset classes (shares, property, bonds, cash and offshore investments) designed to provide the member with greater capital stability in the years approaching retirement. The De-risking portfolio aims to generate a return greater than inflation over time albeit with a lower expected return target than the Active Member Balanced portfolio.

Prescient Positive Return Fund: A conservatively managed portfolio that aims to protect capital while providing the prospect of generating a return greater than that achieved on cash over a 12 month rolling period. The portfolio is designed to participate in market returns during periods of strength and aims to protect capital over a 12 month rolling period, in weak markets.

Optional

Investment Solutions Banker Cash Portfolio: A 100% cash portfolio is available to members approaching retirement (i.e. who are within 24 months of retirement). The *Investment Solutions Banker* portfolio may be particularly attractive to members retiring in the near future who do not wish to have any exposure to market volatility and who may therefore choose to switch their fund value into this portfolio. (For other members, it would not be advisable to be invested in the cash portfolio for prolonged periods of time, as it offers no real growth.) ***Please note that switching to the cash portfolio will only be allowed within 24 months of a member's actual retirement date.***

What are the General Investment Principles?

As a member of a defined contribution fund, **you carry the investment risk.** It is therefore important that you are aware of the different types of risk to which you will be exposed, as you may end up with less money than you expected as a result of it. What may be regarded as the 'safest' investment option may NOT be the safest for you.

No matter how your money is invested, **it will always be exposed to some level of risk** - in other words, the possibility of a poor return. So, even though you are aiming to grow your money, there is always a chance that you may lose value, or that your money may not grow as much as you expect.

There are many kinds of investment risk. The two main types that you should be concerned about are:

- **Inflation risk:** This refers to the chance of your investment not growing enough to beat inflation. It is the primary risk that all members face and which investment funds aim to manage.
- **Volatility risk:** This refers to the variability, or "ups and downs", of the market that affects the value of your member share. Volatility risk can be reduced by switching to asset classes that yield more reliable returns - i.e. returns with lower variability - such as cash. However, investors are generally rewarded with higher returns for bearing higher variability, which is why investment in more conservative asset classes will reduce your potential of earning higher returns.

These risks usually "work against each other"'. By reducing volatility risk, you may be increasing your inflation risk, and the other way around.

Different kinds of investments (called investment classes) vary when it comes to inflation versus volatility risk:

- **Cash** - Cash usually offers the lowest investment return and has no volatility risk (i.e. its value is not dependent on market forces). Other forms of investment require a trade-off between higher returns than that which you can earn in the money market (loosely described as "cash") and volatility risk.
- **Bonds** - Government bonds usually offer a higher return than cash. Since they are subject to market movements if they are traded, they do carry some volatility risk. The value of bonds also varies with interest rate levels in the market - the longer the term of the bond, the more sensitive it will be to changes in the interest rate. However, investors who are willing to face these risks are usually rewarded with returns that are higher than those of cash.
- **Equities** - When you buy equities, you are buying a "share" or part of the underlying company. As a shareholder, you should earn dividends, which are your portion of the distributable profit of the company. In order to compensate investors for accepting the risk that a company might fail to deliver earnings in excess of a risk free rate, shareholders in companies receive returns (in the form of dividends and capital growth) that are generally higher than the returns they could expect if they invested in long-term government bonds. However, the price of these higher returns is increased volatility. Shares rise and fall on the various stock exchanges on which they are traded according to supply and demand in the market place. If you are forced to sell shares when the market is down, you could get less than you would expect from the long-term trend. There are occasions when these losses may be considerable (balanced by other times when the gains could be considerable). Although it is almost impossible to predict when significant market shifts will happen, it is also important to note that the effect of volatility is reduced over the long term, which means that the longer you remain invested in a particular share the less risky it becomes.

Remember that even though you may choose a portfolio which seems safer because it carries less investment risk (for example a portfolio invested more in cash than equities), you may have to face the possibility that your investment does not keep up with inflation.

How are divorce benefits calculated?

It depends on the provisions of a divorce order. Normally a non-member spouse (the member's former spouse) is awarded a portion/percentage of the member's Fund value. This is called the "pension interest".

"Pension interest" is defined in the Divorce Act as the benefit to which a member would have been entitled in terms of the rules of the fund if his fund membership would have been terminated on date of the divorce.

Note:

The Supreme Court of Appeal recently ruled in the matter of Eskom Pension and Provident Fund v Krugel Elizabeth Maria and De la Rey E M that a ***pension interest does not exist where the member has elected to defer his/her benefit and it is still held in the fund.***

When will the divorce settlement be paid?

The non-member spouse may claim and receive the portion of the member's interest that is assigned in terms of the divorce order or the order for the dissolution of a customary marriage, soon after the order concerned has been granted. The non-member spouse does not have to wait until the member exist the Fund.

Who is responsible for paying the tax?

The non-member spouse is responsible for paying the tax.

What important information must be in the divorce order?

- It must state the correct name of the Fund.
- It must state that a portion of the member's pension interest in the Fund be paid to the non-member spouse (member's former spouse).
- It must order that the Fund's records be endorsed.

Retirement

When can I retire?

The Rules of the Fund provide for the payment of the following Retirement Benefit types:

NORMAL	Normal retirement age is **60 years**. If you joined the Fund prior to 1 November 1995, you have, with the consent of your Company, the option of a normal retirement age of 65 years.
EARLY	You may retire from age **55** with the consent of your Company. There is no penalty for retiring early. Bear in mind that, if you retire earlier, your money will have to last you much longer.
ILL HEALTH EARLY	Where you do not qualify for Disability Benefits, but the Trustees have decided that you are in Ill Health, regardless of whether you have reached a retirement age, you may retire from the Fund.
LATE	You may retire at any age between **60 and 65** with the consent of your Company. Your contributions to the Fund will continue to the date of your late retirement, but disability benefits fall away after you have turned 60 (or 65 if you joined before 1 November 1995). Subject to the approval of the Company, a member may retire after normal retirement age, but no later than the age of 70 years.

The pension is payable from the 1st day of the month following your retirement date.

What do I receive when I retire?

When you retire, you will be paid a benefit calculated by using your **full gross Fund value in the Fund** at the date of retirement.

What options do I have?

The following options are available to you when you **retire**:

- A full monthly pension (no lump sum); or
- Up to ⅓ of your Fund value may be taken in cash and the ⅔ balance may be used to calculate a monthly pension payable by the Fund; or
- Up to ⅓ of your Fund value may be taken in cash and the balance may be transferred to another approved Fund (Life or Living Annuity only); or
- Up to ⅓ of your Fund value may be taken in cash, part of the balance may be transferred to another approved Fund (Life or Living Annuity only) and the balance being used to calculate a monthly pension payable by the Fund; or
- The full Fund value may be transferred to an approved fund (Life or Living Annuity only); to purchase a compulsory non-commutable pension. Once payment has been made to the insurer, the Fund will have no further liability to you or your dependants; or
- The full Fund value may be taken in cash if the amount is (currently) less than R247 500.
- With effect from 1 March 2015 a member who retires from the Company, but do not need a pension straight away, will not be compelled to retire from the Fund. The member therefore becomes a Deferred Retiree.

Note: The smaller your cash lump sum, the greater your ongoing monthly pension will be.

What about tax?

All cash lump sum benefits payable on retirement are taxable when they exceed certain levels (currently R500 000). Any cash lump sum taken before retirement will reduce the tax-free amount at retirement. The monthly pension may also be taxed according to the tax tables at the time of payment.

Retirement Lump Sum Tax Tables

A maximum of one third of your Fund value may be taken in cash.

Lump sum on Retirement	Tax
R0 – R500 000	R0
R500 001 – R700 000	R0 + 18% of amount exceeding R500 000
R700 001 – R1 050 000	R36 000 + 27% of amount exceeding R700 000
R1 050 001 and above	R130 500 + 36% of amount exceeding R1 050 000

Retirees with a fund value of R247 500 or less will have the option to take their full Fund value in cash.

Do I get increases on my pension?

Your monthly pension is subject to annual increases. The pension policy aims to provide increases equal to 100% of inflation over a 3 year period and is dependent on Fund performance.

What guarantee do I have regarding payment of my monthly pension?

Monthly pensions are paid for your lifetime and that of your qualifying spouse.

Do I have a capital guarantee?

Yes, refer to **What is a Capital Guarantee?** on page 14

Death After Retirement

What happens if I die within 5 years after retirement?

<u>If you were married at the date of your retirement</u>

Your pension will be paid to your designated (nominated/chosen) spouse (that you were married to at date of retirement) for the rest of the 5 year period, after which it will reduce to 75% of the pension at that date.

<u>If you were single at date of retirement</u>

If you had no qualifying spouse at the date of your retirement, no monthly pension will be payable to your dependants. The positive difference (if any) between your Fund value at retirement and all the amounts paid to you will be paid to your dependants and/or beneficiaries as per Section 37C of the Pension Funds Act.

What happens if I die after 5 years of retirement?

<u>If you were married at the date of your retirement</u>

Your designated spouse will be paid a spouse's pension of 75% of the pension at the date of your death.

<u>If you were single at date of retirement</u>

The positive difference (if any) between your Fund value at retirement and all the amounts paid to you will be paid to dependants and/or beneficiaries as per the provisions of Section 37C of the Pension Funds Act.

What is a Capital Guarantee?

The rules provide for a capital guarantee, i. e. any positive difference between your Fund value (at date of retirement) and amounts paid out to you or your spouse, which will be paid out to your beneficiaries as per the provisions of Section 37C of the Pension Funds Act at the death of you or your spouse, which ever happens last.

Do pensioners qualify for a funeral benefit?

No, but a post retirement death benefit of R5 000 *(w.e.f. 1 January 2013)* is payable. This could be used to assist with funeral expenses. No benefit is payable on the death of your spouse or children.

Withdrawal Benefits

Why is it important to think carefully when I make a decision regarding my withdrawal benefits?

The decision you make regarding your withdrawal benefits will have a long term impact on your provision for retirement.

It is advisable that you contact the pensions department to discuss the different options that you have regarding preserving your money. You may also consult with your financial advisor before you reach a decision.

What are the different options that I have when my employment with the Employer ends?

The Fund rules allow for the withdrawal benefit to be:

- Preserved
- Transferred
- Taken in cash
- A combination of any or all the above

How can I preserve/save my money?

By becoming a DEFERRED Member

Your full or part of your withdrawal benefit may be deferred. Refer to **How can I preserve/save my money?** under Deferment on page 17 for more details.

By transferring to another Fund

Your full or part of your withdrawal benefit may be transferred to another approved pension, provident, retirement annuity or pension preservation Fund.

Where can I transfer my money to?

- You may transfer to any approved Pension Fund, Preservation Fund or Retirement Annuity. This benefit is not taxable.
- You may also transfer to a Pension Fund at your new employer. This benefit is not taxable.
- You may transfer to a Provident Fund at your new employer. This benefit is taxable.

Please note that a retirement fund may be a pension or a provident fund and your new employer should advise you of the type of fund.

May I take all my money in cash?

Yes, you may make a full cash withdrawal. This, however, may be taxable in excess of limits as per the Income Tax Act, and will be determined by a tax directive received from SARS.

It is important to note that should you elect to make a cash withdrawal, you may not have enough money to support you and/or your family when you do retire.

How much tax will I pay?

Lump sum on Withdrawal	
R0 – R25 000	R0
R25 001 – R660 000	R0 + 18% of amount exceeding R25 000
R660 001 – R990 000	R114 300 + 27% of amount exceeding R660 000
R990 001 and above	R203 400 + 36% of amount exceeding R990 000

May I split my money up?

Yes, you may defer a part of your Fund value (not taxable), take a part in cash (taxable) and transfer a part (not taxable).

How can I preserve/save my money when I resign from the Company?

If you choose to become a DEFERRED member is means that you have chosen to leave (preserve) your Fund value until you retire.

The following is applicable to Deferred Members:

- The Fund value at the date that you leave service from your company will form the opening balance of your Fund value account.
- No further contributions will be payable by you.
- Investment returns will be credited or debited to your Fund value account in terms of the Fund Rules.
- A monthly administration fee is payable and will be deducted from your Fund value.
- Life Stage Investment switch options may continue. (See ***Life Stage Investment Model***.)
- Annual Benefit Statements will be issued to you.
- Transfer to Living or Life annuities (monthly pensions) are allowed at retirement age. (See ***What options do I have?*** on page 12.)
- All risk benefits such as disability and funeral benefits cease.

Withdrawal Benefit

- You may request a lump sum withdrawal before your elected retirement date from the Fund, although not more than one withdrawal per tax year will be permitted.
- Cash withdrawals are subject to tax.
- Transfers to any approved Preservation pension funds or Retirement annuities are allowed.
- An administration fee of R375 will be charged per withdrawal or transfer.

Retirement Benefit

- When you retire from the Fund, you will have the same options as the active members.
- Deferred members must start drawing a pension by no later than the end of the month during which they reach the age of 70 years.

Death Benefit

- Should you die before electing your retirement date, your Fund value will be paid out and distributed in exactly the same way as that of any other member of the Fund, i.e. Section 37C of the Pension Fund Act will apply to the payment of the Fund benefit.

May I defer my retirement benefit when I retire?

If you choose to become a Deferred Retiree it means that you retired from the company but you wish to delay making a decision about your retirement benefit and are deferring that decision to a later date.

The following is applicable to Deferred Retirees:

- The Fund value at the date of retirement from your company will form the opening balance of your Fund value account.
- No further contributions will be payable.
- Investment returns will be credited or debited to your Fund account in terms of the Fund Rules.
- A monthly administration fee is payable and will be deducted from your Fund value.
- Life Stage Investment switch options may continue. (See ***Life Stage Investment Model***.)
- Annual Benefit Statements will be issued to you.
- All risk benefits such as disability and funeral benefits cease.

Retirement Benefit

- Deferred retirees must make a decision regarding their retirement benefit no later than the end of the month during which they reach the age of 70 years.
- You will have the same options as the active members available to you, when you decide to retire from the fund.

Death Benefits

- Should you die before electing your retirement date, your Fund value will be paid out and distributed in exactly the same way as that of any other member of the Fund, i.e. Section 37C of the Pension Fund Act will apply to the payment of the benefit.

What happens if I die in service?

In the event of your death, your family will continue to receive financial help from your the Fund. Money will be provided to your **DEPENDANTS** (that is your wife or husband, children or any other person who were financially dependent on you).

If you do not have any dependants, then your benefits will go to your **BENEFICIARIES** (that is the person or people whom you have nominated to receive your benefits).

The Trustees have to act in accordance with Section 37C of the Pension Funds Act which governs the payment and treatment of death benefits.

What must I do?

KEEP YOUR FUND IN THE PICTURE

It is VERY **IMPORTANT** for your family's security to keep the Fund notified of the details of your dependants.

Every year you will be sent a Benefit Statement so that you can check that the information is correct.

How is the benefit calculated?

If you die while you are still employed by the Company, the Fund will pay your **DEPENDANTS** a benefit which consists of 4.5 times annual basic salary PLUS your Fund value.

If you have dependants, the benefit will usually be paid in the form of a monthly pension to ensure a regular income to them.

Will my death benefit be taxed?

Yes, your benefit will be taxed in accordance with the tax laws applicable at the time of your death.

Funeral Benefits

Do I have Funeral benefits?

The Company pays the insurance premium on your behalf and while you are employed by TFG, a member of the Fund and under normal retirement age, the following amounts are payable towards the cost of a funeral:

Member and qualifying spouse	R25 000
Children age 14 – 21	R12 500
Children age 6 – 13	R5 000
Children under age 6	R2 500

If you took out the SAFRICAN Insurance **Additional Voluntary Funeral Assurance** benefit with a premium of R19,70 per month and while you are employed by TFG, a member of the Fund and under normal retirement age, the following extra amounts are payable towards the cost of a funeral:

Member and qualifying spouse	R15 000
Children age 14 – 21	R15 000
Children age 6 – 13	R7 500
Children under age 6	R3 000

Both these funeral benefits ceases at resignation, dismissal, retrenchment or retirement. It is also not applicable to members who have passed their normal retirement age.

Disability Benefits

What is disability?

If you are unable to do your own occupation or any reasonably similar occupation due to ill health, then you are regarded as being disabled.

What will I get if I am disabled?

You will receive 75% of your total guaranteed package (TGP) up to a maximum benefit.

For how long will I get this benefit?

You will receive the monthly benefit until normal retirement age as long as the Insurer regards you as being disabled.

What else should I keep in mind?

You and the Insurer, on behalf of your Company, will continue to make contributions to the Fund.

All disability benefit claims will be subject to the approval of the Insurer.

Increases to your benefit will be in terms of the policy provisions.

You will have to go for regular medical examinations, for which the Insurer will pay.

What about tax?

Your monthly benefit will not be taxed.

What must I do when I want to apply for a housing loan?

You may use your TFG Fund value as security to borrow from First National Bank (FNB) for housing purposes. This is subject to certain conditions. Contact your HR Manager for more detail. You can also get more information, as well as an application form from the Company Intranet.

Unclaimed Benefits

What are unclaimed benefits?

The Pension Fund Act defines an unclaimed benefit as a benefit from a retirement fund that has become legally due and payable, but has not been paid for a period exceeding 24 months after termination.

Benefits may be unpaid for a number of reasons, for example:

- No claim form is received to pay the benefit;
- A tax directive application is declined by SARS due to the member's tax affairs not being in order;
- Benefits paid are returned due to incorrect banking details and dormant or frozen bank accounts;
- The Fund does not have sufficient information, for example, about the deceased member, qualifying spouse or beneficiaries, to pay the benefit.

Although the Fund does everything in its power to pay benefits as soon as possible, it cannot always do so in the absence of the necessary information.

How can I assist?

You can assist by ensuring that your personal information and contact details are regularly updated with the Company.

You must also keep your Beneficiary Nomination updated on HR Connect.

Ensure that your tax affairs with SARS are in order at all times. Failing to do so will result in the Fund not being able to obtain a tax directive to effect payment when a benefit is claimed.

You must also educate your dependants about the benefits to which they may become entitled in the event of you passing away.

What if I have a complaint against the Fund?

If you feel that –

- the Fund made a decision outside of its powers, **or**
- you were prejudiced as a result of poor Fund administration, **or**
- there was a dispute of fact or the law, **or**
- your employer has not fulfilled its duty in terms of the rules,

you can send your complaint, in **writing**, to your Board of Trustees or your Company (TFG). You should submit as much information as possible so that the Board of Trustees can respond to you, in writing, within 30 days.

What must my complaint be about?

You can complain about any of the following:

- the administration of the Fund
- the investment of the Fund's money
- the interpretation and application of the Fund's rules.

What if I am still not satisfied?

If you are not satisfied with the response you receive from your Board of Trustees, you can then take your complaint to the **Pension Funds Adjudicator**.

- Send your complaint, in writing, together with your personal details, all important information and supporting documents, to the Pension Funds Adjudicator, P O Box 580, Menlyn, 0063.
- A meeting may be set up with you or a representative of your Fund, if necessary.
- The adjudicator will make his decision and both you and the Fund have six weeks in which to appeal against his decision.
- After six weeks, the decision is binding.

Explanation of Terms

What if I don't understand some of the terms?

Some of the terms used in this booklet are seldom used in everyday life and are therefore not always easy to understand. Here are explanations of some of the terms for you.

Actuary	A person who values a fund to determine whether it has sufficient assets to pay benefits.
Adjudicator	The Adjudicator's purpose is to dispose of complaints lodged in terms of section 30B of the Pension funds Act in a procedurally fair, economical and expedient manner. The office of the Pension Fund Adjudicator is established in terms of the Pension Funds Act.
Administrator	A company appointed by a fund in terms of an administration agreement who the trustees delegate to assume all the administrative functions of a fund. Administrators are not permitted to control the assets of the fund other than operating the fund's bank account and keeping safe custody of documents.
Basic Salary	The amount of money a member earns per month, on which the contribution is based.
Beneficiary	A person who is or becomes entitled to receive a benefit in terms of the Rules and/or Trustees' discretion.
Commutation	A portion of a pension or annuity that can be taken as a cash lump sum.
Company	The Foschini Group Limited or subsidiaries (the Company).
Compound interest	Also known as "interest on interest". Interest is earned on the initial amount, but also on interest earned earlier.
Contributions	Amounts paid or payable by a member and/or his company in terms of the rules of the Fund.
Deferred Member	A deferred member who has terminated his services with the Company prior to reaching retirement age and is preserving/saving his money in the Fund.
Deferred Retiree	A member who retires from the company, but do not need a pension straight away, will not be compelled to retire from the Fund. The member therefore becomes a Deferred Retiree.
Defined Contribution (DC) fund	A fund where contributions are defined, but where there is no formula to calculate benefits. On leaving, the benefit consists of the total of all contributions made on their behalf, together with the investment returns earned (less costs). In DC funds, members receive either the upside or the downside of investment returns.
De minimis	De minimis is a Latin expression meaning *about minimal things*. Therefore, in terms of the pension fund it means that if a retiree's Fund value is less than a certain amount, they have the option to take their full Fund value in cash.
Dependant	A person who, in the opinion of the Trustees, is completely or almost completely dependent on the member for maintenance and support. This includes a member of the deceased member's family who inherits the liabilities and responsibilities of the deceased. (Full definition in the Pension Funds Act.)

Financial Services Board (FSB)	A statutory body that functions as the regulator for the financial services industry.
Fund Value	The total of the member credit/contributions plus the Company credit/contributions. This includes the investment returns.
Pension Supported Housing Loan	In terms of Section 19(5) of the Pensions Funds Act, a fund may grant housing loans to members using their share of fund as collateral, normally through a third party service provider.
Insured Benefits	A portion of the employer's contributions used to provide members with death, disability and funeral benefits.
Interest Rates and Fund Returns	The Fund's actuary calculates the investment return from the information received from the Fund's investment managers on a monthly basis.
Membership of the Fund	All Grade 9 and above full time permanent employees of The Foschini Group Limited or subsidiaries in South Africa and Lesotho will automatically become members of the Fund at the start of their employment. Full time permanent employees Grade 10 and below, may join with immediate effect or at any time thereafter. However, membership becomes compulsory after 24 months of continuous employment. Permanent Employees who work variable hours (flexitimers) may join the Fund provided that they have 3 months continuous service. However, membership becomes compulsory after 27 months of continuous employment. Fixed term/contract employees, as a result of their employment contract, are not entitled to join the Fund. All new employees must be under the age of 60 to become members of the Fund.
Non-member spouse	The ex-spouse (ex-husband/wife) of a current member.
Normal Retirement Date	The first day of the month following or coinciding with the member's normal retirement age.
PF Circular	A Pension Fund Circular issued by the Financial Services Board. It is a practice note which has no binding power in law. A practice note is issued by SARS.
Pensioner	A person that receives a pension from the Fund.
Pension Fund	A fund as defined in the Pension Funds Act which provides pension and/or benefits for members on retirement. A maximum of one-third of the retirement benefit may be taken in cash and at least two-thirds must be taken as a pension as per the Income Tax Act.
Preservation Fund	Used to preserve or "park" retirement money without it being taxed when people move between jobs. A preservation fund may be either a pension or provident fund. You may only transfer to a Pension Preservation Fund.

Principal Officer	A person appointed in terms of Section 8 of the Pension Funds Act that may also be a member of the trustee board of the fund. The Principal Officer is the interface between the Financial Services Board and the fund, and holds duties similar to a company secretary.
Provident Fund	A fund approved by the South African Revenue Service and registered under the Pension Funds Act. The total benefit at retirement may be taken as a cash lump sum.
Registrar of Pension Funds	The executive and deputy executive in terms of Section 1 of the Financial Services Board Act. The Registrar regulates the industry and required fund reports regularly, on a variety of topics.
Trustee	An elected or appointed member of a board of trustees whose responsibilities are outlined in the Pensions Fund Act and the rules of the fund.

Things to keep in mind

- Consider topping up your Fund value by putting a little extra away for your retirement.
- Keep yourself informed.
- Save your retirement money only for your retirement.

- Don’t put off saving for retirement.
- Don’t cash in retirement savings before you retire.