DURBAN PENSION FUND
(the Fund)

EXPLANATION OF PENSION BENEFITS

FOR ACTIVE MEMBERS

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CONTENTS

PAGE

1. WHAT TYPE OF FUND DO I BELONG TO? 1
2. WHAT IS THE PURPOSE OF THE FUND? 1
3. MEMBERSHIP OF THE FUND? 1
4. WHAT ARE THE MAIN BENEFITS AVAILABLE? 1
5. HOW MUCH DO I CONTRIBUTE? 1
6. AT WHAT AGE CAN I RETIRE? 1
7. WHAT FACTORS ARE PENSION CALCULATIONS BASED ON? 1
8. WHAT IS PENSIONABLE SERVICE? 2
9. WHAT IS QUALIFYING SERVICE? 2
10. WHAT IS BONUS SERVICE? 2
11. WHAT ARE FINAL AVERAGE EMOLUMENTS? 2
12. WHAT IS DISCOUNTING FOR EARLY RETIREMENT? 2
13. IS THE GRATUITY PAYMENT ALSO SUBJECT TO DISCOUNTING FOR EARLY RETIREMENT? 2
14. HOW IS MY PENSION/GRATUITY CALCULATED? 3
15. CAN I COMMUTE A PORTION OF MY PENSION? 4
16. SHOULD I COMMUTE A PORTION OF MY PENSION? 4
17. WHAT ARE MY BENEFITS IF I WERE TO BE MEDICALLY BOARDED? 5
18. WHAT HAPPENS IF I DIE BEFORE REACHING THE NORMAL RETIREMENT AGE? 6
19. SHOULD I COMPLETE A DECLARATION OF DEPENDANTS FORM? 7
20. FOR HOW LONG ARE CHILD PENSIONS PAID? 7
21. WHAT DOCUMENTATION IS REQUIRED ON RETIREMENT? 7
22. PAYMENT OF PENSIONS TO NON-RESIDENTS 7
23. WHAT BENEFITS ARE PAYABLE ON RESIGNATION? 7
24. TAXATION OF LUMP SUM BENEFITS 7
25. WHAT HAPPENS WHEN A PENSIONER DIES? 8
26. DOES A FEMALE MEMBER RECEIVE SIMILAR BENEFITS? 8
27. WHAT IS A DEFERRED PENSIONER? 8
28. ARE PENSIONS INCREASED AFTER RETIREMENT? 8
29. HOW ARE PENSIONS PAID? 8
30. WHO MANAGES THE FUND? 9
31. PURCHASE OF PENSIONABLE SERVICE (BUY BACK) 9
32. TEMPORARY ABSENCE 9
33. MATERNITY LEAVE 9
34. IS AN ANNUAL BONUS PAYABLE? 9
35. BIRTHDAY AWARDS 9
36. RESIDUAL VALUE 9
37. DISPUTE RESOLUTION 10
38. RULES 10

INTRODUCTION

This booklet has been prepared in a question and answer format to convey to active members, in simple terms, the benefits of the Fund.

The information produced has been based on the Rules in force at 1 September 2024.

The contents of this booklet are, of necessity, brief and are not binding on the Fund and do not modify the Rules which in every eventuality will take precedence.

If you have any problems in relation to your Fund benefits which cannot be answered by your Human Resources Personnel, please direct them to:-

The Pension Fund Administrator
Alexander Forbes
10 Torsvale Crescent
Torsvale Park
La Lucia Ridge Office Estate
La Lucia
4319

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1. WHAT TYPE OF FUND DO WE BELONG TO?

The Durban Pension Fund is a Defined Benefit Fund. A Defined Benefit Fund specifies the amount of Pension that will accrue to the member on his retirement.

2. WHAT IS THE PURPOSE OF THE FUND?

The purpose of the Fund is to provide pensions and other benefits for its members and their dependants at retirement/death/withdrawal.

3. MEMBERSHIP OF THE FUND?

The Fund was closed to new members with effect from 2001-11-01.

4. WHAT ARE THE MAIN BENEFITS AVAILABLE?

(a) A Monthly Pension and an Annual Bonus - which is payable to retiring members and on death to surviving spouses and/or their minor children.

(b) A Gratuity - which is a once-off lump sum payment by the Fund to a retiring member or, in the event of his premature death, to his dependants.

5. HOW MUCH DO I CONTRIBUTE?

Members and the employer presently contribute 7.5% and 18.00% of member's pensionable emoluments to the Fund each month respectively. Further contributions of 2.21% in respect of members and 11.23% in respect of the employer are met from reserve accounts.

6. AT WHAT AGE CAN I RETIRE?

The normal retirement age for all members is 63 years. Members who have had at least 10 years pensionable service may apply for early retirement from the age of 55 in which case the benefits will be based on the appropriate discounted pension factor. Note you can apply for late retirement provided the Employer approves.
(See notes 12 and 14)

A member who has had at least 40 years continuous service with eThekwini Municipality or 40 years qualifying service may retire without any discount in the pension factor.

For every five years that a Fireman serves in the three platoon systems he may retire a year earlier.

7. WHAT FACTORS ARE PENSION CALCULATIONS BASED ON?

There are three factors which vary for each member:

(a) the length of pensionable service;
(b) the final 12 months average pensionable emoluments; and
(c) the age at retirement.
(See note 14).

8. WHAT IS PENSIONABLE SERVICE?

This is the length of time that you have been contributing to the Fund (including pensionable service transferred in from another pension fund) plus bonus service.

It is possible to purchase additional pensionable service to enhance your pension at retirement. It should be noted that the South African Revenue Services allows for a tax deduction for members purchasing additional pensionable service.

9. WHAT IS QUALIFYING SERVICE?

This is your pensionable service excluding bonus service and any pensionable service purchased.

10. WHAT IS BONUS SERVICE?

On completion of 20 years qualifying service, a member is entitled to 1 year of bonus service and, thereafter, a second and third year of bonus service at 25 years and 30 years qualifying service, respectively. Bonus service is not taken into account when calculating gratuity.

Example : A member retiring with 27 years qualifying service will receive a pension calculated on 29 years' service (27 years plus 2 bonus years).

11. WHAT ARE FINAL AVERAGE EMOLUMENTS?

This is the average rate of salary of a member for the final twelve completed months of service, excluding overtime payments and fringe benefits but including long service allowance.

12. WHAT IS DISCOUNTING FOR EARLY RETIREMENT?

The pension factor for normal retirement which is 63 years is 2.25% for each year of pensionable service. This pension factor is reduced proportionately depending on the age at retirement with a minimum factor of 1.48% if a member chooses to retire at the age of 55. Refer to point 6 for members who have at least 40 years of service. (See note 14 for all factors).

13. IS THE GRATUITY PAYMENT ALSO SUBJECT TO DISCOUNTING FOR EARLY RETIREMENT?

Yes, the Gratuity factor is also reduced proportionately from 7% applicable at age 63 to 4,335% applicable at age 55. (See note 14 for all factors.)

14. HOW IS MY PENSION/GRATUITY CALCULATED?

Your benefit is calculated by multiplying your final average emoluments (see note 11) by your length of pensionable service (see note 8) and the factor applicable to your age as set out below:

AGE AT RETIREMENT	PENSION FACTOR	COMMUTATION FACTOR (Revised Annually)	GRATUITY %
55	1.48	13,67	4.335
56	1.56	13,37	4.668
57	1.66	13,07	5.001
58	1.75	12,76	5.334
59	1.84	12,45	5.667
60	1.93	12,13	6.000
61	2.04	11,81	6.333
62	2.14	11,49	6.666
63	*2.25	11,16	*7.000

*Applicable at any age after completion of 40 years qualifying service

EXAMPLES

A member retires at age 63 with 36 years qualifying service and final average emoluments of R120 000 (Example A). A member retires at age 57 with 27 years qualifying service and final average emoluments of R120 000 (Example B). Note with effect from 1 September 2024 a member who withdraws money from their savings pot will have their service reduced accordingly.

PENSION CALCULATION		EXAMPLE A	EXAMPLE B
(1)	Length of service	36 years	27 years
(2)	Bonus Service	3	2
(3)	Pensionable Service	39	29
(4)	Final Average Emoluments	R120 000.00	R120 000.00
(5)	Pension Factor	2.25%	1.66%
(6)	Annual Pension ((4) x (3) x (5))	R105 300.00	R57 768.00
(7)	Monthly Pension ((6) ÷12)	R8 775.00	R 4 814.00

GRATUITY CALCULATION		AGE 63	AGE 57
(8)	Gratuity Factor	7%	5.001%
(9)	Gratuity Payable ((4) x (1) x (8))	R302 400.00	R162 032.40

15. CAN I COMMUTE A PORTION OF MY PENSION?

Yes, with the consent of the Board of Trustees a retiring member may elect to commute (convert to a lump sum) up to 33.33% of his/her pension for a one-time lump sum payment.

The amount of the commutation is calculated by multiplying your annual pension by the percentage commuted and then by the commutation factor.

If the members in Examples A and B (see note 14) elect to commute the maximum amount of 33.33% of their pension, they would receive:-

COMMUTATION		**EXAMPLE A**	**EXAMPLE B**
(1)	Annual Pension	R105 300.00	R57 768.00
(2)	% of Pension Commuted	33.33%	33.33%
(3)	Commutation Factor (See note 14)	11,16	13.07
(4)	Commutation Lump Sum ((1) x (2) x (3))	R391 676.83	R251 650.75
(5)	Monthly Pension after Commutation ((1) x (100% - (2)) ÷ 12)	R5 850.29	R3 209.49

16. SHOULD I COMMUTE A PORTION OF MY PENSION?

You should take the following into account:-

(a) Your ability to make sound investments and particularly investments which will give you capital growth over a period of years to offset at least some of the effects of inflation. (Your pension is at least partially inflation-proofed by the annual increases paid by the Fund).

(b) The need to monitor your investments on a continuous basis in case the need arises to switch out of one of the investments into another in order to protect your capital.

(c) The affect of the payment of tax on your investment earnings. This will depend on your tax bracket and nature of your earnings.

(d) The fact that the commutation of your pension does not affect the pension payable to your spouse.

You should think very carefully before investing in any interest bearing type of investment (e.g. fixed deposit, participation bond, mortgage bond, Government stocks, tax free deposits, etc.), where the income from the investment and the capital value of the investment may not increase over the years, and where taxation and inflation absorb a part of what otherwise looks like an attractive investment.

Whilst you may initially be well off with this type of investment, the return may not increase in line with your living costs which increase with inflation, making it more difficult as the years go by to meet your living expenses from the income.

You are strongly advised to seek the advice of a reputable registered financial adviser to assist you in the above regard.

17. WHAT ARE MY BENEFITS IF I WERE TO BE MEDICALLY BOARDED?

A member who, in the opinion of the Board of Trustees of the Fund, is incapacitated from discharging his duties for medical reasons is entitled to receive a pension from the Fund.

The pension shall be based either on his actual service or on 60% of his potential service, whichever is the greater.

For example if a member who is prematurely retired for health reasons at age 50 after 20 years pensionable service with final average emoluments of R120 000 will receive the benefits based on the greater of actual or potential service calculated as follows:-

PENSION		**ACTUAL SERVICE**	**POTENTIAL SERVICE**
(1)	Length of service	20 years	33 years
(2)	Bonus Service	1	3
(3)	Total Service	21	36
(4)	Final Average Emoluments	R120 000.00	R120 000.00
(5)	Pension Factor	2.25%	1.35% (2.25% x 60%)
(6)	Annual Pension ((4) x (3) x (5))	R56 700.00	R58 320.00
(7)	Monthly Pension ((6) ÷ 12	R4 725.00	R 4 860.00
(8)	Gratuity Factor	7%	
(9)	Gratuity Payable ((4) x (1) x (8)	R168 000.00	-

The member would get an ill-health pension of R58 320.00 per annum (R4 860.00 per month) based on potential service and a gratuity of R168 000.

The ill-health retirements are categorised as follows:

CATEGORY 1	CATEGORY 2	CATEGORY 3
Terminal Condition (Life Threatening) (i.e. Cancer, Aids etc.)	Non-Life Threatening Member cannot be gainfully employed	Non-Life Threatening Member can be gainfully employed

No commutation is permitted for a Category 3 ill-health retirement.

18. WHAT HAPPENS IF I DIE BEFORE REACHING THE NORMAL RETIREMENT AGE?

(a) A pension is payable to your dependants i.e. your spouse and/or minor children. The size of the pension is based on 60% of the member's potential service.

(b) A lump sum death benefit based on potential service and a gratuity based on actual service are also payable to your dependants.

For example If a member aged 40 years with 10 years service and final average emolument of R120 000.00 dies in service, his dependants will receive the following:-

		ACTUAL	POTENTIAL SERVICE
(1)	Length of service	10 years	33 years
(2)	Bonus Services	0	3
(3)	Total Service	10	36
(4)	Final Average Emoluments	R120 000.00	R120 000.00
(5)	Pension Factor		1.35% (2.25% x 60%)
(6)	Annual Pension ((4) x (3) x (5))		R58 320.00
(7)	Monthly Pension ((6)÷12))		R4 860.00
(8)	Age Dependant Factor (Revised annually)		16.35
(9)	Death Benefit ((⅓ x (6) x (8))		R317 844
(10)	Gratuity Factor	7%	
(11)	Gratuity ((4) x (1) x (10))	R84 000.00	

In this instance the member's dependants would receive a once off Death Benefit of R317 844, a Gratuity of R84 000.00 and a spouse pension of R4 860.00 per month.

(c) A child pension is payable when there is no surviving spouse and is based on a percentage of the spouse pension.

(d) A pension may be paid to the parents of a deceased member if they were dependent on the deceased member and if there is no spouse or child pension payable.

(e) If the deceased member has no dependents or nominees, lump sums representing the deceased minimum individual reserve will be paid to the deceased's estate

19. SHOULD I COMPLETE A DECLARATION OF DEPENDANTS FORM?

Yes. To avoid unnecessary delays in the pay out of any benefits, all members are strongly advised to complete a Declaration of Dependants Form in which they specify to whom they wish their benefits from the Fund to be paid and the sharing ratio. The Board of Trustees has, subject to the Fund's rules and relevant legislation discretion in determining to whom the lump sum benefits shall be paid but are guided by the members' declaration of dependants. These forms are sent out each year with the annual benefit statements.

20. FOR HOW LONG ARE CHILD PENSIONS PAID?

On a death of a member child pensions are payable until the eligible child reaches the age of 18 years or up to 24 years of age whilst in continuous in continuous full time study or not be employed on a full time basis if studying through correspondence at a registered institution and subject to successful educational progress.

21. WHAT DOCUMENTATION IS REQUIRED ON RETIREMENT

Retiring members must contact the HR / Liaison Officer at least 6 weeks prior to retirement with the following documents/details:-

1. Certified Member's Identity Document
2. Certified Spouse's Identity Document
3. Certified Marriage Certificate/Certificate of Customary Union
4. Certified Children's Identity Documents
5. Current Bank Statements not older than 3 months or banking details on the banks letterhead into which pension is to be paid (see Note 22 for the payment of pensions to non-residents)
6. Postal and Residential Address
7. Tax Number
8. Contact Details (Telephone, Mobile Number, Email address)
9. If a medical aid member arrange for a "Continuance of Medical Aid Form" to be submitted.

22. PAYMENT OF PENSIONS TO NON-RESIDENTS

When a pension is required to be paid in a foreign currency it will be necessary for the pensioner to open a "non-resident" account with a South African bank into which the Fund will pay the monthly pension. The non-resident pensioner will then make arrangements directly with his South African bank for withdrawals in the foreign currency of choice. In the event of the pensioner predeceasing his/her spouse the non-resident widow/er will be required to open her/his own "non-resident" account with a South African bank into which her/his pension will be paid. To avoid difficulties and delays associated with the opening of a "non-resident" account from outside the borders of South Africa it may be advisable for the member's spouse to also open a "non-resident" account in her/his name prior to leaving South Africa. These arrangements should be discussed with your bank.

23. WHAT BENEFITS ARE PAYABLE ON RESIGNATION?

On resignation or termination of service from the Municipality a member (who chooses to take his benefit out of the fund) will receive the greater of his minimum individual reserve as calculated by the Fund's Actuary or a lump sum equal to his total contributions to the Fund plus 5/12 percent for each month of pensionable service and, in addition, a further 5 percent for each completed year up to a maximum of 100 percent of this figure. Before taking a resignation benefit in cash members should consider the tax and other long term benefits of preserving their pension. You are strongly advised to seek advice from a certified financial advisor.

Note: a member resigning from the Fund after 1 September 2024, will have to preserve 2/3^{rds} of the value of service accrued after 1 September 2024.

24. TAXATION OF LUMP SUM BENEFITS ON RETIREMENT

It must be noted that lump sum benefits in respect of service prior to 1 March 1998 is tax free (vested rights) and only the lump sum benefits in respect of service after 1 March 1998 will be taxable. The taxable portion of lump sums benefit will be taxed as indicated in the table below (updated with effect from 1 March 2023):

Taxable Amount	Rate of Tax
R0 – R550 000	0%
R550 001 – R770 000	18%
R770 001 – R1 155 000	27%
Amount exceeding R1 155 001	36%

As the Fund is obliged to seek a tax directive from South African Revenue Services it is important that members ensure that their tax affairs are in order to avoid unnecessary delays in the issuing of a tax directive. In calculating the tax payable SARS will take into account any previous lump sum benefits received from a retirement fund.

25. WHAT HAPPENS WHEN A PENSIONER DIES?

If the deceased pensioner leaves a qualifying spouse to whom he was married before retirement the qualifying spouse will receive the same pension as the deceased for a period of 3 months and thereafter will qualify for a pension representing 60% of his uncommuted pension. If the deceased pensioner married a qualifying spouse after the deceased pensioner's retirement date the percentage applicable will be 40%

In certain circumstances minor children of the deceased will also qualify for pension benefits.

26. DOES A FEMALE MEMBER RECEIVE SIMILAR BENEFITS?

Yes. The Fund does not discriminate between male and female members. Furthermore, the widower of a female member is entitled to the same benefits as those of the widow of a male member.

27. WHAT IS A DEFERRED PENSIONER?

A member (who chooses not to take his benefit out of the fund) who resigns from the Fund does not have to accept a resignation benefit. Such a member is given an option of becoming a deferred pensioner. The contributions are retained in the Fund and the member will be entitled to receive a pension from the Fund based upon his salary and service at the date of his resignation. This pension and gratuity will become payable at age 63 but a deferred member may elect to take early retirement or resign.
(Notes 12 and 23 refers).

The pension and gratuity that the member will receive on attaining the age of 63 years, will be the benefits as calculated when he deferred, augmented by any increases granted to other Fund pensioners after his date of deferring his pension.

A deferred pensioner retains the same death and ill-health retirement benefits as he was entitled to prior to resignation.

28. ARE PENSIONS INCREASED AFTER RETIREMENT?

Yes. Pensions are currently increased on 1 July each year by 100% of the increase in inflation based on the March annual Consumer Price Inflation.

29. HOW ARE PENSIONS PAID?

A pension is paid direct to the pensioner’s Bank account each month.

30. WHO MANAGES THE FUND?

The management of the Fund is vested in a Board of Trustees which consists of twelve trustees, six are appointed by the employer and six are elected by members (active members, pensioners and deferred pensioners). The elected member trustees consist of active members and/or pensioner members.

With effect from 2015-06-01 Alexander Forbes was appointed as the Fund Administrator.

31. PURCHASE OF PENSIONABLE SERVICE (BUY BACK)

Members may purchase additional pensionable service in the Fund which will enhance the pension and gratuity that they will receive at retirement.

The cost of such purchase is based on the salary and the age of a member.

Pensionable service may be purchased by means of lump sum payments. Members may only purchase service back to the age of 16 years.

32. TEMPORARY ABSENCE

When a member is granted leave on less than full pay, the member shall continue to contribute on the basis of his full pensionable emoluments. Any shortfall in contributions shall be recovered not later than 6 months after the member returns to duty.

33. MATERNITY LEAVE

When a female member is on maternity leave she may elect to:

(a) pay the normal rate (7.5%) of contributions on her full pensionable emoluments;

(b) defer payment until she returns to work and make up the arrear contributions over a period of 6 months; or

(c) make no contribution during this period, and receive no benefits in respect of this period.

34. IS AN ANNUAL BONUS PAYABLE TO PENSIONERS?

Yes. In terms of the rules an annual bonus is paid in November each year. The bonus paid is equal to the actual pension paid in that month. The first bonus payable is in proportion to the number of months that the member has been on pension in the preceding 12 month period.

35. BIRTHDAY AWARDS

Birthday awards are payable in the month a pensioner or surviving spouse turns 70, 80, 90 and 100 years of age.

36. RESIDUAL VALUE

In all instances a minimum benefit amount is payable by the Fund. The value of this benefit is equivalent to twice the member's contributions less any amount paid in the form of a commutation and/or monthly pension.

37. DISPUTE RESOLUTION

Disputes regarding the Fund may be addressed to the Pension Fund Administrator, Alexander Forbes Place, 10 Torsvale Avenue, Torsvale Park, La Lucia Ridge Office Estate, Umhlanga Rocks. 4320, or to the Principal Officer, P O Box 305, La Lucia, 4053 or davidson@wylie.co.za or to the Pension Funds Adjudicator, P O Box 580, Menlyn, 0063.

38. RULES

The purpose of this booklet is to indicate in simple terms the main benefits available from the Fund for the information of each member. The Rules will always prevail in the event of any dispute. Members are requested to contact the offices of the Fund's administrator should they require further information on any aspect of the Rules.

Administrator:	Sharitha Nyar
Telephone:	(031) 573 8297
Email:	**NyarS@alexforbes.com**