information booklet

Introduction to YOUR RETIREMENT FUND

MINE EMPLOYEES
PENSION FUND

SENTINEL
Mining Industry Retirement Fund
Safeguarding Your Future

Sentinel Mining Industry
Retirement Fund (Sentinel)
Reg No 12/8/1215
www.sentinelretirement.co.za

MPF House
32 Sunnyside Drive
Sunnyside Park
PARKTOWN 2193

P O Box 61172
MARSHALLTOWN 2107
Johannesburg . South Africa

e-mail info@mpf.co.za
Tel (27)(11) 481-8000
Fax (27)(11) 481-8111

Mine Employees
Pension Fund (MEPF)
Reg No 12/8/1216
www.minepensions.co.za

Wisdom on Wealth can transcend ordinary retirement!!

This booklet serves as an introduction to a range of booklets in your "financial tool kit". It aims at giving you, as a member, wisdom about the Fund and its operations in the hope that it will assist you in understanding your Fund and ultimately, in creating personal wealth.

As a member you need to take responsibility for your and your dependants' financial well-being, from your current status as an employee, right through retirement, until death.

Your retirement savings will probably be one of the biggest assets you will own. The booklets in your "tool kit" introduce you to the Funds that will grow and safeguard your retirement capital for you, until you have to rely on it for an income.

Booklets are designed to take you on a guided tour on THE ROAD TO RETIREMENT and explain your options in possible events that might occur before you reach retirement. Please take time to study its content and ensure that you are empowered with the wisdom you need to transcend ordinary retirement!

Your Funds have financial advisors to assist you with your financial affairs. These consultants can provide you with objective information and advice.

WHY SAVE FOR RETIREMENT?

For most of us, retirement is something we will start thinking about when we are older, when the "time is right" and we can no longer postpone it. This normally only happens when we are in our 50's.

Unfortunately, this mind-set creates enormous problems the day we decide that we are old enough to start thinking about retirement, as we then realise that we have lost valuable planning time that could have been used to design and manage a proper financial, retirement and estate plan.

We should not think about retirement provision as something that will be needed when we get older, but rather view it as an income replacement that will deliver the day we can no longer work to earn an income. Your retirement fund will hopefully only start paying a lifelong income from the day you retire, but you may become permanently disabled to continue your career, or die before you reach retirement and at that stage, your Fund will start paying an income either to yourself or your spouse. Your income requirement from your Fund may therefore start much earlier than expected.

To maximise your retirement savings, you will require:

- Discipline to handle your financial affairs in an organised manner and preserve your retirement savings throughout your working career.
- A savings career of more than 35 years, with meaningful contributions throughout your career of more than 15% of your income per month towards your retirement provision.
- Accumulated growth over the entire period, of at least 5% per annum above inflation over the long term.
- A reliable, stable, compliant, properly structured and flexible Fund that will earn the investment returns for you, without excessive costs being charged.

I am still young, so, why must I start now?

To provide for a comfortable retirement, you will need sufficient retirement capital to purchase a livable monthly income after retirement. By starting early, you can ensure that you maximise the benefits of compounded growth on the money that you save. This means that you will earn growth on your contributions and capital AND on the growth that you have already earned. Did you know that if you constantly earn about 15% per year on your investment, your capital will double every five years? Now let's do the calculation: say you have R20, 000 invested in your Fund and you are 25 years old: how much could you have at the age of 60 if you earn the required return? Yes, you are right!!! R2, 56 million! In addition to this, the contributions that are made from age 25 onwards must be added, together with growth earned thereon, which will also enjoy the "snow-ball" effect illustrated above. Can you now see why it is important to start early?

Case study

R200 p.m. invested escalated @ 8% p.a. growth earned @10% p.a.

@ 65, if started at:

Starting age	30	35	40	45
Estimated value at age 65	R1,833,516	R1,003,714	R534,611	R273,723

You might think that you can do better by investing in alternative products or assets? Financial advisors will tell you that you need all of these in your personal portfolio. You need a retirement fund to create the biggest asset in your retirement plan, you need fixed property in your estate to live in or rent out and simultaneously benefit from capital appreciation, you need policies and investments in your financial plan to cater for life events such as children's tertiary studies, life cover over debts, funeral policies, additional savings, etc. With all of this in your portfolio, retirement should be comfortable AND possible life changing events before and after retirement will be catered for, without affecting your financial independence.

What retirement fund options exist?

Employers normally participate in either pension or provident funds, or both. By participating, employers gain access to retirement funds for their employees. Membership of a Fund is normally compulsory and regulated by an employee's conditions of employment.

Pension funds differ from provident funds in the following areas:

- During the "build-up" phase, i.e. the contributory years of membership, the difference is centered in the tax treatment of contributions. A member's contributions to a pension fund are tax deductible when the contributions are made (limited to 7,5% of pensionable remuneration) whilst in a provident fund, member contributions do not qualify for a tax deduction when it is made, but only when a benefit is paid. Employer contributions to both fund types are tax deductible.
  In addition to normal contributions made through the employer, members of pension funds can make additional voluntary contributions which are also tax deductible up to a maximum of R1 800 per year (R150 per month).
- At retirement, pension fund members are entitled to convert a maximum of one third of their capital into a lump sum payment whilst the remaining two thirds must be utilised to provide for a guaranteed life long monthly income (pension or annuity).
- Provident fund members can withdraw the total capital in a lump sum at retirement. Tax is levied on the taxable portion of benefits.

Retirement Annuity Funds are private arrangements through which supplementary provision for retirement can be made in a tax-effective manner. The products are normally offered by life assurance companies.

If I have a choice, how do I decide which retirement fund type is best for me?

The most important aspect to remember when selecting a retirement fund is that this is not a "one size fits all" decision. Every person's circumstances are different. Some have dependants, others not; some have a solid base of additional savings, others not; some are old, some are young; some will be affected by tax, others not; some are financially organised and can manage their own financial affairs, others not.

Government encourages people to purchase a lifelong income (pension) at retirement. With this in mind, as well as the favored tax treatment of contributions, a pension fund should be favored by most employees.

How do I discipline myself to preserve my retirement savings?

This is perhaps one of the most critical aspects of retirement provision in the modern defined contribution retirement environment.

As a member, you have "ownership" of your retirement savings. This does not mean that it forms part of your estate as it is protected from creditors and the laws of inheritance, but it means that you can access it the day you leave the service of your employer.

It so often happens that a lack of personal financial discipline leads to too much debt, for which an almost automatic solution seems to be to access retirement savings to solve the short-term problem. Cognisance of the long-term effect is ignored and only at a later stage in life, the real impact of the action is realised, when it is, unfortunately, too late to change it.

To prevent this, a properly compiled financial, retirement and estate plan is required. These plans must be based on specific goals and the ultimate goal should be:

1. To live a comfortable but affordable life,
2. To ensure that matters such as the accumulation of assets, sufficient retirement, insurance and assurance provision is made timeously and not postponed until retirement or thereafter.

YOUR RETIREMENT FUNDS

Sentinel Mining Industry Retirement Fund (Sentinel) and the Mine Employees Pension Fund (MEPF) are two of the largest retirement funds in the country and have a heritage of securing the retirement fund benefits of employees in the mining industry in South Africa, dating back to the 1940's.

The Funds are structured as pure defined contribution pension funds, which means that contributions paid on your behalf by your employer accumulates with returns earned, in your Fund Credit which is a personal savings-type of account held in the Funds that will be applied to provide benefits the day you leave your employer's service. In addition to the retirement savings plan, the Funds also offer risk benefit cover in the event of death or permanent disability before retirement.

The investment strategy either provides for a life stage model for members who do not want to become involved in investment decisions, or Member Investment Choice, which provides for individual choice between a number of different investment portfolios. Switches between portfolios can be executed on a daily basis.

A unique feature of the Funds is that it offers a sensibly structured pension model, known as Pension Income Choice, to members who retire from employment and spouses of deceased members. Through this model post retirement income can be structured to best suit an individual's financial needs.

HOW DO THE FUNDS OPERATE?

As mentioned earlier, the Funds operate on pure defined contribution principles.

In a defined contribution fund, the fund receives contributions from the employer, adds this to the money already held in the fund and invests all this money in such a way that sufficient investment returns are earned to beat the eroding effect of inflation. In this manner, growth is earned on money invested, which will accumulate until the day that benefits become payable, in terms of the rules of the Fund, which is usually when you leave the service of your employer.

Essential fund elements are negotiated between employees and employers and accepted by the Fund. These elements form the basis of a member's membership:

Contribution rates

SENTINEL
Mining Industry Retirement Fund

A minimum contribution rate of 20% of pensionable salary (12.5% by the employer and 7.5% by the member) is required by Sentinel of which 2.25% is allocated towards additional risk benefit cover, in the event of death or disability before retirement.

MINE EMPLOYEES
PENSION FUND

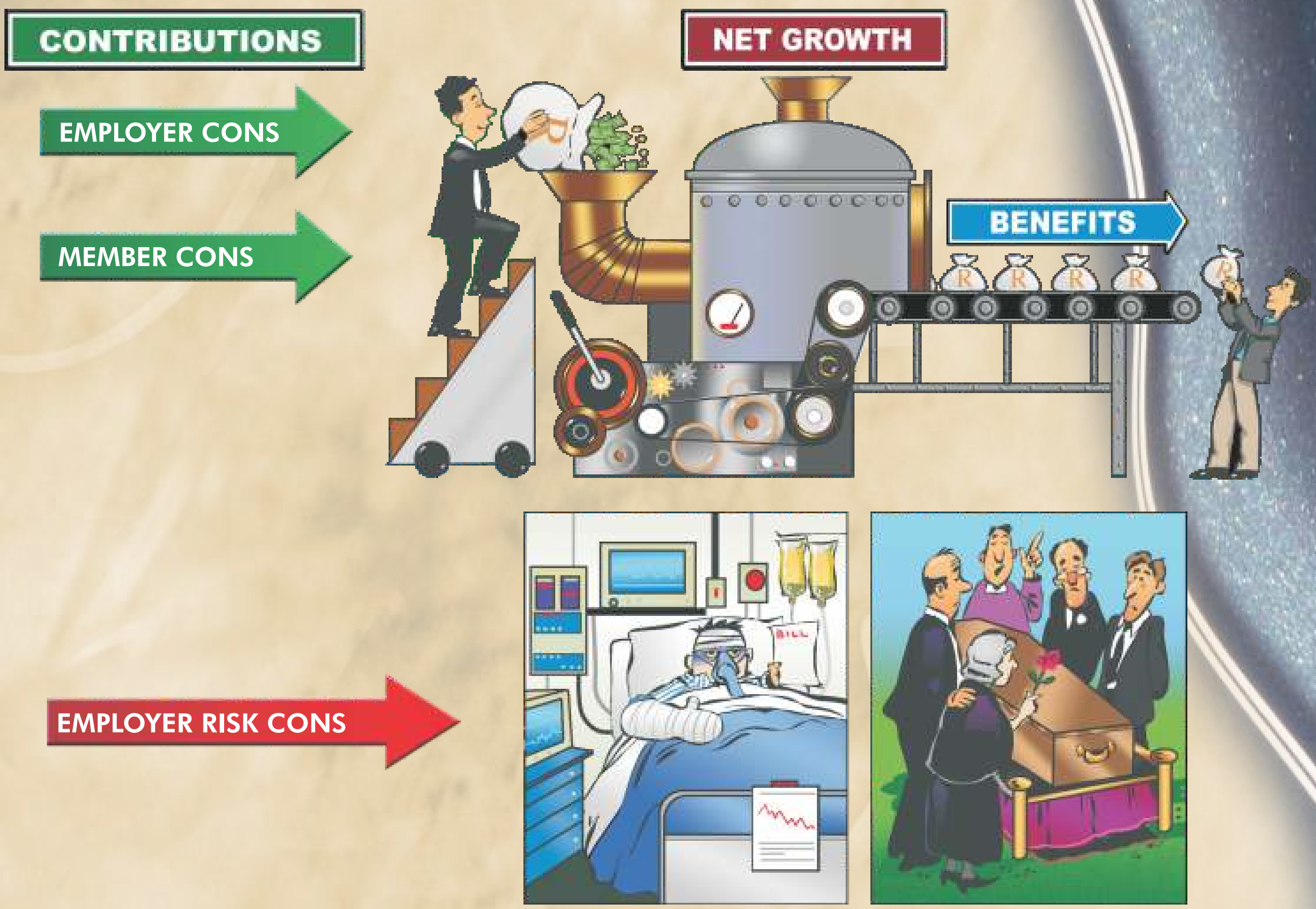
MEPF requires a minimum contribution rate of 10%, of which 5% is allocated towards risk benefit cover, in the event of death or disability before retirement.

Contributions made by both the employer and the member qualify for a tax deduction, at marginal tax rates at the time that the contribution is made.

Additional voluntary contributions by the employer and/or the member can be made in a tax efficient manner.

TIP:
Additional voluntary contributions are tax deductible, up to a maximum of R1800 per year.
By instructing your payroll department to deduct R150 per month and pay it to the Fund, you can increase your retirement saving without realising it, as the tax deduction pays part of the contribution.

YOUR SAVINGS MACHINE



Pensionable income

Contributions are based on your pensionable income, which relates to those elements of your total remuneration package on which pension fund contributions are based.

Provision is made for differing pensionable income levels that are applied to retirement funding contributions and risk benefit contributions.

TIPS
It is advisable to base your contributions on your full package. You may increase cashflow in the short term if you reduce your contributions, but on the long term your retirement provision will be reduced as it is based on the contributions made during your career.

Normal retirement age (NRA)

The normal retirement age of a member is determined by his/her conditions of employment, which is negotiated with the employer and accepted by the Funds.

Early retirement becomes available 10 years before NRA, with a minimum early retirement age of 50.

TIPS
The early retirement possibility before the age of 55 years is unique to Sentinel and MEPF. If you leave your employer before the age of 55 and want to retire with the associated tax treatment, Sentinel and MEPF gives you this opportunity.

INVESTMENTS

The investment philosophy of the Funds is: "to maximise members' retirement benefits, having due regard to the term and nature of the members' obligations, and the associated investment risks".

The Funds follow a multi-portfolio approach whereby each investment portfolio is designed for specific member circumstances and different risk profiles.

Professional asset managers are utilised to manage the assets of these portfolios and the selection of the managers, as well as the managers themselves, are in turn dynamically managed by the Fund for maximum performance efficiency.

The Funds provide members with two investment avenues.

Members can follow a Life Stage Model whereby they are automatically moved from one investment portfolio to the next based on the number of years remaining until normal retirement. A member who opts to follow the Life Stage Model is therefore not required to make any investment decisions.

Where a member elects not to follow the Life Stage Model, the member is able to select an investment portfolio into which retirement savings are invested and also a portfolio into which monthly contributions are invested. These options are available with certain restrictions.

Members are able to switch between portfolios daily and investment into the Capital Protection Portfolios is made every quarter for a 12 month period.

Life Stage switches and the first two optional switches per annum are free of charge. A nominal fee is levied on any additional investment portfolio switches.

BENEFITS

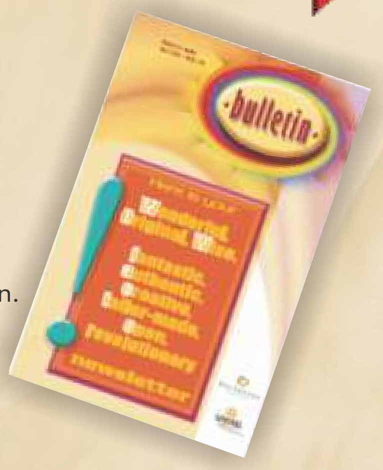
Benefits become payable when a member leaves the service of the employer (either due to resignation, dismissal, retrenchment, permanent disability or retirement) or in the event of death.

All benefits are paid in terms of the Rules of the Fund and are subject to existing tax legislation. Claims procedures are explained with the benefit application forms.

OPEN FLAP

COMMUNICATION

The Funds maintain web-sites, www.sentinelretirement.co.za, and www.minepensions.co.za, through which members can access relevant information about the Funds. An inter-active component is also available that allows members access to their own Fund records.



The Funds also provide:

- Benefit statements are distributed annually and provide individual member information.
- The "Bulletin" is the Funds' official newsletter and is published twice a year.
- Newsflashes are published to communicate important changes and news-worthy messages.

WHERE DO I GO FOR HELP?

You may contact your Fund at any time if you need information.
The administrator operates from the following offices:

Sentinel Mining Industry Retirement Fund (Sentinel)
Reg No 12/8/1215

www.sentinelretirement.co.za

Tel (27)(11) 481-8000

MPF House
32 Sunnyside Drive, Sunnyside Park
PARKTOWN 2193

P O Box 61172
MARSHALLTOWN 2107
Johannesburg . South Africa

e-mail info@mpf.co.za

Mine Employees Pension Fund (MEPF)
Reg No 12/8/1216

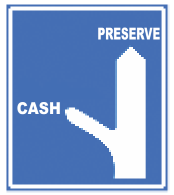
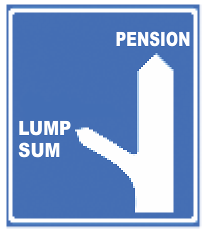
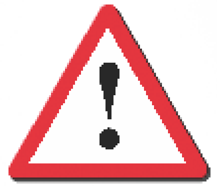
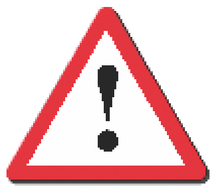
www.minepensions.co.za

Fax (27)(11) 481-8111

SENTINEL

BENEFITS IN A NUTSHELL

MINE EMPLOYEES PENSION FUND

EVENT	QUALIFYING CRITERIA	BENEFIT COMPOSITION	OPTIONS	TAX IMPLICATIONS	BITS & TIPS
Leaving your employer 	A withdrawal benefit becomes payable when you leave the service of your employer, either due to resignation, retrenchment or dismissal, before you reach normal retirement age.	Your total Fund Credit becomes payable as a lump sum. 	Once the qualification criteria has been met, you may either: 1. Defer your membership in your Fund, with all existing options, until you retire, or 2. Transfer your benefit to another approved Fund, or 3. Withdraw your benefit. If your conditions of employment changed, you may select either option 1 or option 2. 	The option to defer your benefit until retirement, as well as a transfer to another approved Fund, will be done free of tax. In the event of a cash withdrawal, the benefit will be taxed as follows: • First R22,500 is tax free • From R22,501 to R600,000 at 18% • From R600,001 to R900,000 at 27% • Balance, above R900,001 at 36%.	It will be wise to preserve your money until you retire. A cash withdrawal may be attractive at this stage, but it will definitely influence your retirement plans later in life. Tax treatment of withdrawal benefits are based on accumulated / aggregate values
Retirement 	A retirement benefit becomes payable when you leave the service of your employer, either due to retirement, resignation, retrenchment or dismissal and you are within 10 years from your normal retirement age and over 50 years old.	Your total Fund Credit becomes available to finance your retirement benefit. 	You may convert one-third of your Fund Credit to a lump sum. The remaining balance will be used to finance a pension, with the following features and options: 1. Pensions are guaranteed for the life of the primary pensioner and the spouse thereafter, 2. A spouse pension at a level of 75% or 100% of the primary pension at death can be selected 3. The purchasing power of pensions is maintained on a "with profit" principle 4. A term certain guarantee option between 5 and 25 years ensures the payment of the pension, irrespective of whether the pensioner is alive or not, for the elected term after retirement.  If a retiree provides a monthly pension of at least R12, 500 p.m, a second and/or third pension may be selected from the following options: • A second guaranteed pension, with similar features as explained above, but with variations on the spouse pension options; and/or • A flexible pension which allows the retiree to decide annually on the level of income required (between 2,5% and 17,5% of capital) as well as choice of the investment portfolio in which capital is invested.	A lump sum, if elected, will be taxed as follows: • First R300,000 is tax free • Next R300,000 at 18% • Next R300,000 at 27% • Balance, above R900,000 at 36% Tax on retirement lump sums are based on the aggregate values of all lump sum benefits (including withdrawals after 1/3/2009) received during a person's life time. Pensions are taxed in terms of the income tax tables for individuals and fall within PAYE regulations. 	The Funds provide a very competitive retirement benefit, which can be accessed without any additional costs. 
Disability retirement 	To qualify for a disability benefit, the Trustees must be satisfied that you are totally and permanently incapable to perform your own and similar occupations. Medical evidence to support your claim must be submitted.	Once approved, the value of your Fund Credit will be enhanced by an age related multiple of average Fund Risk Salary from the disability benefit pool. A retirement benefit will then be awarded.  RISK COVER			In the event of an application for disability retirement being unsuccessful, you may opt for one of the options described above, provided that you have in fact left the service of your employer and qualify for the benefit. 
Death in service 	To qualify for this benefit the member must have passed away while in service of an employer and the Funds must have been notified thereof.	The value of the deceased member's Fund Credit will be enhanced by an age related multiple of average Fund Risk Salary from the death risk benefit pool. From this total, a spouse or spouses pension will be provided with 50% of the total available funds and the remaining 50% will be paid in lump sums to dependants, nominees or the estate. If there is no spouse or spouses, the total value of the benefit will be paid in lump sums to dependants, nominees or the estate.  RISK COVER	In the event of a spouse receiving an allocation of the lump sum in his/her capacity as a legal dependant, any portion of the lump sum allocation may be used to increase the spouse's pension payable. Spouse pensions are guaranteed for life and the purchasing power of pensions are maintained on a "with profit" principle. A term certain guarantee option between 5 and 25 years may be elected which ensures the payment of the pension, irrespective of whether the spouse pensioner is alive or not, throughout the elected term. Allocations from the lump sum made to minor children may be invested and managed on their behalf in a Trust, which can be set up through the Funds.	Any lump sum payment is deemed, in terms of tax legislation, to have accrued to the deceased member before he/she passed away and will therefore be taxed in his/her hands in exactly the same manner as a retirement lump sum (refer to explanation above). Pensions are taxed in the hands of the spouse according to the income tax tables for individuals and fall within PAYE regulations. 	Members are reminded to update their nomination forms regularly to prevent unnecessary delays in the administration of death benefits. Tax affairs must at all times be up to date as any lump sum benefit pay-out by a retirement fund is subject to tax clearance by SARS. Once minimum requirements have been met, an advance of R10,000 from the lump sum can be applied for by a dependant. 

Road Map to Retirement