

etfSA Retirement Annuity Fund

Death Benefit Distribution Policy

Prepared by:

Board of Trustees

Month Year

CONFIDENTIAL

1. INTRODUCTION

The following is a policy that sets out the distribution of death benefits under the Rules of the Fund.

The policy includes the process that is to be followed by the Board of Trustees concerning the investigation and recommendations in respect of the distribution of death benefits arising from the fund..

2. PROCESS TO BE TAKEN

The Board of Trustees agree that the following steps must be taken by the fund when dealing with the distribution of any death benefits.

2.1. Process

- i) The fund has established the procedure whereby the principal officer undertakes to obtain the required documents and to undertake the initial investigation into the distribution of death benefits in terms of the guideline provided under The Manual on South African Retirement Funds and other Employee Benefits by GL Marx and K Hanekom. The principal officer then makes a recommendation to the Board of Trustees, with regard to the distribution of a benefit arising from the Fund. Such recommendation shall be bound by the provisions and requirements of Section 37C of the Pension Funds Act, 1956.
- ii) Following the recommendation, the Trustees are required to approve or amend the recommendation prior to the finalisation of the death benefit claim, i.e. payment to dependants/beneficiary fund/trust/beneficiaries.

The final distribution of the death benefit shall be incorporated in a detailed Trustee resolution approved by the Board of Trustees.

2.2. Expert Advice

It is agreed that, should expert advice be required in the event of a complicated claim, the recommendation is to be submitted to the Board of Trustees, or any other person with specialist skills, who can assist the Board in reaching a conclusion.

2.3. Factors to Consider

The following factors are to be considered by the Trustees when disposing of the benefits:

- i) The ages of the dependants/beneficiaries;
- ii) Their relationship with the deceased member;
- iii) The extent of dependence, i.e. age, education, physical and mental disability and how long were they dependent;

- iv) The financial affairs of the dependants/beneficiaries;
- v) Future earning capability/potential of dependants/beneficiaries;
- vi) The nomination of beneficiary form/the deceased's will;
- vii) The mode of payment, i.e. monthly/annually/trust;
- viii) Suitability of guardian to manage the benefits on behalf of minor dependants/beneficiaries. For example, where the benefit is awarded to a minor, the Trustees are required to assess the competency of the guardian to manage the financial affairs of the minor, the Trustees can take account of the guardian's level of education, own income, own savings, residence, credit worthiness and assets acquired.

2.4. Beneficiary Funds

The following factors are to be considered by the Trustees when transferring a benefit to a registered Beneficiary Fund:

- i) Agreement must be reached with regards to the Beneficiary Fund to be used.
- ii) Confirmation that a Beneficiary Fund is needed and for what purpose with special reference to the decision made to pay benefits to a beneficiary fund as opposed to the guardian of a minor beneficiary.

2.5. Trusts

The following factors are to be considered by the Trustees when transferring a benefit to a Trust

Review of the trust deed to ensure its suitability to manage the benefits on behalf of the dependants/ beneficiaries

Confirmation that the trust is needed and for what purpose with special reference to the decision made to pay benefits to a trust as opposed to the guardian of a minor beneficiary or beneficiary fund.

Payment may be made to a Trust nominated by

- i) the deceased member;
- ii) a major beneficiary; or
- iii) a guardian or caregiver.

2.6. Handling of Death Benefits

2.6.1 Notification of Death

The Administrator must be advised of a death in writing. The notification should include:

- The name and identity number of the deceased.
- A certified copy of the death certificate.
- The etfSA Retirement Fund member account number.

2.6.2 Determination of Death Benefits

In the event of a member's death, the Trustees will apply Section 37(c) of the Pension Fund Act. This gives the Trustees full discretion concerning who would receive the death benefits.

The nominated Beneficiaries would not automatically receive the benefits, as the Act gives dependants preference. If you have dependents and you have nominated beneficiaries who are not dependents, the Trustees will use their discretion to decide who will receive the benefits.

If the member does not have any dependents, and has not nominated any beneficiaries, the death benefit will be paid to the member's estate.

2.6.3 Payment of Death Benefits

Once the Trustees have determined who receives the death benefit and the proportion to be paid, the beneficiaries can exercise the following options:

- Purchase a compulsory annuity.
- Receive a cash sum.
- Elect a combination of cash and an annuity.

2.6.4 The Administration Process

Following the Trustees' decision on the distribution of death benefits, the Fund will:

- Apply for a tax directive from South African Revenue Services, if any dependents or beneficiaries receive cash benefits.
- Follow the instructions of the tax directive.
- Pay the dependant/s and/or beneficiaries and/or the provider of the annuity.
- The Administrator and/or the Trustees can levy a fee, should the establishment of death benefits generate substantial costs.

2.6.5 Processing of Death Benefits

- The administrator must calculate the final amount due for distribution within 60 days.
- Upon receipt of the Trustee resolution, the administrator will pay out the beneficiaries/ dependants/trust within 30 days.
- Late payment interest is to be paid on benefits that remain outstanding from longer than 60 days and shall be calculated at the fund rate of interest.

3. CONCLUSION

This document sets out the policy in respect of the distribution of the death benefits of the fund.

This policy has been formulated to guide the Trustees. However, the Trustees are required to consider each death claim on its own merits and are to apply their minds accordingly.

Signed on the _____ day of _____ 20

Chairman

Principal Officer

Trustee

Trustee

Trustee