



YOUR GUIDE TO THE
**CONSTRUCTION INDUSTRY
RETIREMENT BENEFIT FUND**

June 2022

This is the Construction Industry Retirement Benefit Fund's ('CIRBF') member booklet. It is your easy reference guide of information about the fund. It explains how the fund works, how much you will contribute to the fund and what benefits you will get. Keep this booklet so that you can refer to it when you need to. If you have any questions, contact your human resources department or the fund administrator.

Contents

| | |
|--|-----------|
| Benefits of belonging to the CIRBF | 3 |
| How your fund works | 4 |
| What you will get when you retire | 6 |
| What you will get if you leave the fund before you retire | 8 |
| The fund helps you if you become disabled | 9 |
| Your family will get a benefit if you die | 9 |
| Funeral benefits | 10 |
| The fund's investments | 10 |
| The rules | 11 |
| Complaints | 11 |
| Questions | 11 |



The CIRBF was established to help you with saving towards retirement. Certain benefits of the fund help you and your family if you get too sick to work or if you die.

Think about this:

- People live longer in retirement than in the past.
- You will need a large amount of money invested when you retire to keep your standard of living and to enjoy the things you have been looking forward to.
- A government pension probably will not give you enough money to live comfortably.

Benefits of belonging to the CIRBF

Your retirement fund contributions get favourable tax treatment

Favourable tax treatment is the government's way to encourage South Africans to save for their retirement and be financially independent in their old age.

You save more money

The costs of running a retirement fund are less than the costs of running similar schemes on your own, so more of your money is invested in your retirement savings.

Retirement funds are managed by trustees

The trustees must manage the fund in the best interests of its members. The trustees must also get advice from experts, so the fund's money is always in good hands.

You will not miss your money

When you get your salary in your bank account, your retirement fund contributions have already been taken off.

It is a long-term plan

A retirement fund is a long-term savings plan. Savings plans that stretch over five years or more grow better and faster than plans that last for only one or two years. This is because you earn more interest on interest over a longer period.



How your fund works

Definitions

Fund: The Construction Industry Retirement Benefit Fund ('CIRBF')

Fund credit: The total amount of your share of the fund's assets. Your fund credit is made up of the following:

- all your contributions
- all the employer's contributions towards your retirement benefit
- any amounts transferred into the fund from a previous fund
- investment returns (positive or negative) earned on these amounts
- additional voluntary contributions that you contribute into the fund

Basic salary: The salary or wages used to calculate your benefits

Trustee: A person responsible for managing the business of your fund. The board of trustees is made up of an equal number of company-appointed and fund member-elected trustees.

Defined contribution funds

Every month you and your employer contribute a fixed percentage of your pensionable salary to the fund. Investment managers invest these contributions and add the returns earned to your retirement fund. The total amount is known as your fund credit.

The amount of money you get when you retire from the fund or leave the company depends on how much you and your employer contribute and how well the fund's investments perform.

Your fund is a provident fund

As a member of a provident fund, you have compulsory annuitisation requirements at retirement, similar to pension funds. Prior to 1 March 2021, retiring provident fund members could access all of their accumulated retirement savings as a taxable cash lump sum at retirement.

After 01 March 2021 at retirement, members may take the entire vested member share as a cash lump sum and may take a maximum of one-third of the non-vested member share as a cash lump sum, the balance must be used to buy an annuity (monthly pension)

If the total value of the Non-Vested benefit is R247 500 the full value of the Non-Vested benefits can be taken as a taxable cash lump sum.

What is a vested and a non-vested benefit?

Vested benefit: All contributions made to the provident fund prior to 01 March 2021.

Members older than 55 on 01 March 2021 have vested benefits and will not be affected by the annuitisation of provident fund.

Non-vested benefit: All contribution made to the provident Fund after 1 March 2021

Tax deductibility of contributions is the same across all retirement funds

- Future contributions to pension funds, provident funds and retirement annuity funds are treated in the same way for tax purposes.
- Employer contributions are included in the taxable income of employees as a fringe benefit, but are offset by your allowance (see the next point).
- Employees' tax deductibility of contributions is limited to 27.5% of the greater of remuneration or taxable income, up to a yearly limit of R350 000. This is an overall tax-deductible limit that will apply to all retirement funds you contribute to (pension, provident and retirement annuity funds). Both the employee and employer contributions form part of this tax-deductible limit. You can roll over any contributions over 27.5% or R350 000 into future tax years. You can claim these on assessment, subject to yearly tax-deductible limits.

Provident Fund members have to use at least two-thirds of their retirement benefit to buy a pension, unless the total benefit is less than R247 500.



Your contributions

You may contribute from 9% of your fund salary to the fund each month. This amount, together with your fund credit, is invested to make your money grow for your retirement.

Your employer's contributions

Your employer contributes 9% of your fund salary to the fund every month. From this amount, a portion is used to pay for:

- the insured death benefit
- the insured disability benefit
- funeral benefits
- fund expenses

Fund summary and benefits

| | |
|--|-----------|
| Employer contribution | 9% |
| Employee contribution | 9% |
| Less: costs (see above 'Your employer's contributions') | |

| Benefit type | Benefit value | Notes |
|-----------------------------|--|--|
| Lump-sum death benefit | 3 × yearly salary | |
| Lump-sum disability benefit | 3 × yearly salary | |
| Temporary income protection | 75% a month + 9% employer waiver | Payable for 5 months with a 1-month waiting period |
| Funeral benefit | R30 000 on a sliding scale | |



What you will get when you retire

Professional advice from an accredited financial adviser can help you understand what choices you have so that you can make an informed decision before you retire.

Retiring from your provident fund

When you retire at your normal retirement age of 65 or at a later date, as stated in your employment contract, you must use at least two-thirds of their retirement benefit to buy a pension from a registered financial services provider (insurer), unless the total benefit is less than R247 500. If you buy a pension with your fund credit, you will not pay tax on your retirement benefit. The insurer will pay you a monthly income for your retirement years, depending on the type of pension you choose. Your monthly pension will be taxed in line with the tax bracket you fit into.

Other options available to you before retirement

You can retire early

With your company's permission, you can retire from age 55. Your early retirement benefit is calculated the same way the normal retirement benefit is calculated. However, you will have less money saved than if you retire on your normal retirement date because your money will have less time to grow. You must make sure you have saved enough money before you decide to retire early.

You can retire early if you are too sick to work

If you become too sick to carry on working, but you do not qualify for a disability benefit, the trustees might allow you to retire early because of ill health. You will get your fund credit the same way you would get it under normal retirement age.

Invest your money wisely

Once the fund pays your fund credit to you or to a registered insurer for your pension, you will not get any more benefits from the fund. This is why it is so important for you to invest your fund credit wisely. Speak to a financial adviser to help you invest your fund credit.

Tax

This is how much tax you will pay if you take cash from your fund when you retire or are retrenched or if the fund pays out your deathbenefit.

2022 tax year (1 March 2022 – 28 February 2023)

| Taxable income | Tax |
|----------------------|--|
| R0–R500 000 | 0 |
| R500 001–R700 000 | 18% of taxable income |
| R700 001–R1 050 000 | R36 000 plus 27% of taxable income above R700 000 |
| R1 050 001 and above | R130 500 plus 36% of taxable income above R1 050 000 |

If you leave the fund before your retirement age (resignation, dismissal), the following tax table indicates how much tax you will pay:

| Taxable income | Tax |
|--------------------|--|
| R0–R25 000 | 0 |
| R25 001–R660 000 | 18% of taxable income above R25 000 |
| R660 001–R990 000 | R114 300 plus 27% of taxable income above R660 000 |
| R990 001 and above | R203 400 plus 36% of taxable income above R990 000 |

These tables change over time. Your benefit will get taxed in line with the tax tables that apply at the time you leave the fund.

You can delay taking your retirement benefit

You can choose the date you retire from your retirement fund. This means that you will retire from your employer at your normal retirement age, but you can keep your retirement savings invested in the fund until a date you choose to leave the fund. This is known as your deferral date.

Points to remember if you choose to defer retirement

- You decide on the date you want to collect your benefit from the fund.
- You and your employer will not contribute to your retirement fund.
- You will not be covered by the fund’s insured benefits.
- Your retirement investment will stay in the fund.
- There will still be investment fees and administration costs.
- Positive or negative investment returns will be added to or deducted from your investment in the fund until your deferral date.



What you will get if you leave the fund before you retire

If you resign or are retrenched or dismissed, you will get your full fund credit.

Stick to your strategy

Alexander Forbes research has shown that only about 6% of retirement fund members in South Africa retire with enough money. This is mainly because members do not save their retirement fund benefits when they change jobs.

Changing jobs does not change that you have a limited number of years to save up for your retirement. If you move to a new company, you can save your retirement fund money for your retirement to make sure that you reach your retirement savings goal. Your immediate needs might seem more important but you might have many years to solve your current financial concerns. In retirement, it is not easy to earn an income that will meet your financial needs for the rest of your life.

Options available to you when you leave the fund before retirement

You can transfer your money to a preservation fund

- You keep your savings for your retirement.
- The transfer is tax free.
- You can take one cash withdrawal if you ever need emergency money but you will lower your savings if you take an emergency withdrawal.
- You might have investment choice and be able to switch portfolios.
- You cannot make extra contributions.

You can transfer your money to a retirement annuity fund

- You keep your savings for your retirement.
- The transfer is tax free.
- You cannot withdraw any money until you retire from the fund.
- You can retire from a retirement annuity fund from age 55.
- You can take up to one-third of your savings as cash when you retire. You have to use the rest to buy a pension.
- You can make extra contributions.

You can transfer your money to your new employer's retirement fund

- You keep your savings for your retirement.
- The transfer is tax free, except if you transfer from a pension fund to a provident fund.
- You might not have investment choice.
- If you transfer from a pension fund to a provident fund, you will pay tax.

You can take cash

The trustees do not recommend this option. You should always keep your retirement savings for their real purpose: to provide you with a retirement benefit.

Tax

If you leave your fund before retirement and take cash, the amount of tax you will pay depends on the amount you take.

Withdrawal and retirement tax-free amounts are combined over the years of your working lifetime.

The fund helps you if you become disabled

What would you do if you could never work again? How would your family cope?

You would be considered disabled as a result of sickness or an accident if you cannot carry on with your job or another similar job that you have been trained for or have experience in. The Construction Industry Retirement Benefit Fund protects you and your family with a disability arrangement.

If you become disabled before you retire and while you are still working for the company, and if the insurer accepts your disability claim, you will get a lump sum disability equal to 2 x your annual salary. The Fund has a temporary disability benefit that will replace 75% of your monthly income, payable for 5 months whilst the insurer is still assessing the lump sum disability benefit. The temporary disability benefit is also payable if the insurer accepts your disability claim.

Speak to your human resources department to see if you need to go for a medical check-up or blood tests.

Important notes

- This disability benefit may change in the future, depending on the cost of the benefit.
- You will only get the disability benefit once the insurance company accepts your claim.

Your family will get a benefit if you die

Definitions

Dependants: These are the people you are legally or financially responsible for looking after, such as your spouse or life partner, children and maybe elderly parents.

Nominated beneficiaries: These are the dependants and people or organisations you choose (nominate) on your nomination of beneficiaries form to receive a portion of your death benefit.

Beneficiaries: These are the people who actually get a portion of your death benefit.

A portion of the company's contribution to your retirement fund is used to help your dependants and loved ones financially if you die while you are working for the company.

Death before retirement age

Your dependants will get a lump-sum death benefit equal to two times yearly salary plus your fund credit if:

- you die before you retire and while you are still working for the company
- the insurer accepts your death claim

Tax

The death benefit will be taxed the same way your retirement benefit is taxed.

Death after retirement age

If you die after your retirement age, while still working for the company, your dependants will only get your fund credit as a lump sum.

The trustees distribute the death benefit according to the law

The fund's trustees must investigate anyone claiming to be or qualifying as your dependant or beneficiary. This is a legal requirement. They must take all reasonable steps to identify, trace and contact all your dependants and nominated beneficiaries and then decide what percentage of the benefit each person will get. The entire process can take up to 12 months.

Is your nomination of beneficiaries form up to date?

If you have not completed a nomination of beneficiaries form, it could be difficult for the trustees to trace your family members, which could cause a delay in the final benefit payment. While they do not legally have to follow your nomination of beneficiaries form, it is a very useful guide as it shows them who you would like to receive some or all of your death benefit.

According to the law, the trustees can override your wishes in your will and nomination of beneficiaries form when they distribute your retirement fund death benefit. They must distribute the benefit in a way that they see as fair, considering each situation individually. This allows them to take into account any changes in your circumstances since you last completed a nomination of beneficiaries form.

That is why it is important to update your nomination of beneficiaries form whenever your circumstances change, for example after marriage, divorce, or the birth of a child. You can get these forms from your human resources department.

Remember to add as much detail as necessary. For example, if you have a beneficiary or dependant you do not want to receive a portion of your death benefit, you need to name them on your nomination of beneficiaries form as receiving 0% with a valid reason for your decision.

Funeral benefits

If someone in your immediate family dies while you are a member of the Construction Industry Retirement Benefit Fund, you will receive a benefit to help you pay for the funeral. If you die while you are a member of the fund, previously your family would receive the benefit. Unfortunately, this is not the case anymore, in the absence of a completed nomination form the benefit will be paid into the deceased employee's estate. This is not ideal as the money would not be easily accessible for the deceased's family and can be taxed.

As a member of the group benefit, what can be done from your side?

- **Complete a nomination of beneficiary form - naming the person/s you would like the benefit to be paid to in the event of your death.**
- **Ensure that the form is kept up to date and on record with your HR department.**

| If this person dies | You will get this much |
|---------------------------|------------------------|
| Member or spouse | R30 000 |
| Child aged 14 to 21 years | R30 000 |
| Child aged 6 to 13 years | R15 000 |
| Child aged 1 to 5 years | R10 000 |
| Child aged 0 to 11 months | R10 000 |
| Stillborn | R10 000 |

The fund's investments

The trustees do not manage investments themselves but employ asset managers to do this. The portfolios are managed on an active management basis. Alexander Forbes asset consultants advises trustees on how to best invest and manage the fund's assets on behalf of the members.

10

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The rules

Every retirement fund must, by law, be run in line with a set of rules registered and approved by the Registrar of Pension Funds and the Financial Sector Conduct Authority (FSCA).

If there are any conflicts between the information in this member booklet and the official rules of the fund, the rules of the fund will always apply. If there is a dispute, the dispute resolution mechanism detailed in the rules of the fund will apply.

If you want to see a copy of the rules, the financial statements or any other fund document, they are all available at the fund's registered office:

Alexander Forbes
115 West Street
Sandton

Complaints

The Office of the Pension Funds Adjudicator exists to hear and adjudicate retirement fund members' complaints.

The adjudicator deals with complaints about fund administration, investments or how fund rules are interpreted and applied.

If you have a problem with the fund, you are encouraged to first send your complaint in writing to either the fund or your employer. If the fund or your employer does not reply to you within 30 days, or if you are not satisfied with the reply, then you can send your complaint to the adjudicator.

After hearing both parties' cases, either in writing or in a hearing, the adjudicator will make a ruling.

Pension Funds Adjudicator

Block A 4th Floor Riverwalk Office Park
41 Matroosberg Road
Ashlea Gardens
Pretoria
0181

Telephone: 012 346 1738 or 012 748 4000

Fax: 086 693 7472

Email: enquiries-jhb@pfa.org.za

Website: www.pfa.org.za

FSCA

Registered fund name: Construction Industry Retirement Benefit Fund

Registration number: 12/8/26805

Registered address of the fund: 115 West Street, Sandown, 2196

Email: constructionIndustryretirementbenefitfund@aforbes.co.za

Questions

It's important for you to understand what benefits are available to you as a member of the Construction Industry Retirement Benefit Fund. If you have any questions about your retirement fund benefits, please speak to someone in your human resources department, one of the trustees or the principal officer of the fund.

