



**UNIVERSITY OF CAPE TOWN**  
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD



UCT RETIREMENT FUND



# UCTRF and Staff Death and Disability Benefits Explained

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## 1. Summary of Benefits:

	<b>UCTRF Group Life Assurance (Death cover)</b>	<b>Income Continuation Benefit</b>	<b>Separate Group Life Assurance (Death and Disability Cover)</b>
Insurer	Capital Alliance	Sanlam Group Risk	Capital Alliance
Type of insurance	6 times DPA (Permanent Staff)	Income Continuation Benefit is calculated as a % of DPA plus contributions towards the Fund (Permanent Staff Only). *Refer to 1.2.2	1 times DPA (Permanent Staff)  3 times DPA (T2 Staff)

### 1.1 What gets paid by the Fund when I die?

#### 1.1.1 From the UCTRF

If you die before retirement, your beneficiaries will receive a benefit equal to your Accumulated Retirement Savings in the UCTRF. In addition, they will receive the death cover benefit, depending on your membership category.

If you are on the permanent staff with 10 years or less pensionable service, you will automatically receive a death benefit of 6 X annual deemed pensionable amount (DPA) cover.

If you are a member with more than 10 years pensionable service, you can reduce your death benefit on 1 January annually, but your total death benefit (accumulated retirement savings plus group life death cover) may not be less than 4 X your annual deemed pensionable amount (DPA).

#### 1.1.2 From UCT:

A lump sum benefit of 1 X annual deemed pensionable amount plus any additional voluntary cover of up to 4 X DPA that will be paid at death the UCT Group Life Assurance scheme, provided that you have not already received a disability lump sum benefit from this arrangement.

### **Ex gratia gratuity**

The University pays the dependant(s) of a deceased member of staff one twelfth of the annual cost of employment to assist with immediate expenses (this is a gratuity and is not recoverable). This gratuity is only paid if the staff member dies before the retirement age specified in his/her employment contract. This is only paid while in service and is fully taxable.

### **Medical aid subsidy**

On the death of a permanent member of staff the spouse/partner and registered dependants may continue their membership of the medical aid scheme. The University subsidises the membership for spouse/partner and dependants at the date of death according to the Council approved subsidy and policy in place at the time of death. Dependants only up to age of 21.

### **Staff tuition fees**

Dependants of deceased staff members pay staff tuition fee rates in accordance with the staff tuition fee rate policy. The amount paid is linked to the conditions of service prior to death in respect of the staff member.

### **Payments on death**

- For members who die before payday, the salary for that month is payable pro-rata, proportional to the portion of the month preceding the date of death.
- Payment of any leave due to the member and a pro-rata bonus is also paid to the estate as soon as the estate bank details are available.

Liabilities due to the University by the deceased staff member will be offset against these payments. If the liability is greater than the total of the pro rata salary and leave payments the payment of such debt will be pursued with the Estate.

### ***Temporary Staff:***

As a member of the UCTRF on T2 conditions of service you have cover of 3 X your annual deemed pensionable amount plus any additional voluntary cover of up to 2 X DPA under the UCT scheme.

## 1.2 What gets paid if I become disabled?

### 1.2.1 Permanent Disability:

1 X annual deemed pensionable amount plus any additional voluntary cover of up to 4 X DPA that will be paid at permanent disability from the UCT Group Life Assurance Scheme. T2 staff are paid out the 3 X cover plus any voluntary cover up to 2X.

### 1.2.2 Temporary Income Disability Benefit for permanent staff:

**Q.** When will I receive a disability benefit?

**A.** Disabled refers to not being able to continue with your everyday job as a UCT employee due to injury or illness. This can be temporary (where you cannot work for a few months), or permanent.

**Q.** If disabled, what benefit do I receive?

**A.** The disability income benefit is only paid once approved and the 6 month waiting period has expired. You will need to rely on your sick leave to "bridge" this 6-month period to the greatest extent possible unless the insurer waives this waiting period based on the severity of disablement.

If, after the expiry of this 6-month period, the Insurer considers that you are still unable to perform your work with UCT in your current occupation, you will be entitled to a monthly income continuation benefit.

If, after the expiry of this 6-month period, the Insurer considers that you are still unable to perform your work with UCT in your current occupation, you will be entitled to a monthly income calculated as a percentage of your deemed pensionable amount (DPA).

After a further 12 months (i.e. 18-months after you became disabled), the Insurer will re-assess your disability, but this time against the criteria of whether you are able to perform your job, or any similar job that you could do by virtue of your experience, training, education and age, with any Employer.

**Q.** How is this benefit calculated?

**A.** Your monthly income benefit is calculated as a percentage of your deemed pensionable amount (DPA). Due to changes in the legislation governing the taxation of these benefits, with effect from 1 March 2015, the benefit had to be restructured. These benefits are no longer taxable as income in the hands of members in receipt of income continuation benefits. To adapt for this change, the benefit calculation was adjusted by introducing a "tapered" benefit based on the DPA ranges.

The monthly income continuation benefit is calculated as:

- 70% of the first R 15 000 per month of DPA,
- plus 60% of the next R 20 000 per month of DPA,
- plus 45% of any DPA in excess of R 35 000 per month,
- plus the contribution to the UCTRF.

In effect, because members won't pay any tax on the benefit, the "after tax" benefit amount will be equal or better.

This "taper" would have the effect that benefits for higher earners could be kept below the level of their pre-disablement take-home pay, without prejudicing lower earners (or employees whose DPA is a lower percentage of CoE).

**Q.** How will the insurer manage this benefit, is this assessed?

**A.** After a further 12 months (i.e. 18 months after you became disabled), the Insurer will re-assess your disability, but this time against the criterion of whether you are able to perform your own occupation and/or a similar occupation that you could do by virtue of your experience, training, education and age, with any Employer.

**Q.** Under what circumstances does this benefit cease?

**A.** If, at any time after the benefit has commenced, the Insurer considers you fit to return to work (against the definition of "own occupation" for months 6 to 18 and thereafter "own or similar occupation"), the benefit will cease and you must return to work.

The benefit will also cease if you were to die or once you reach age 65 (or age 60 if you were on this income continuation scheme before 2007) at which time you will receive your retirement benefits. Even, if in terms of your employment contract you can retire beyond age 65, the benefit still ceases at the end of the year you turn 65 and you must retire then.

## 2. Policy Conditions

### 2.1 Conditions on death benefits

**Q.** What happens if you as a member travel outside of South Africa?

**A.** *As a member you will be automatically covered when travelling to the below listed countries:*

- *Lesotho*
- *Swaziland*
- *Namibia*
- *Botswana*
- *Mozambique*

*However, should you be travelling outside the aforementioned territories you are required to complete a 'request for member to travel' questionnaire. This questionnaire must be completed for any member who is going to be outside the aforementioned territories for more than 12 months or if the member's absence from the aforementioned territories are not separated by at least 6 consecutive weeks, the absences will be added together to determine if the 12 months period has lapsed or not.*

*Please contact your HR Practitioner in this regard.*

**Q.** What are the prescribed notification periods for death or permanent disability?

**A.** *The prescribed notification period as stated in the policy is 12 months from the date of death for Death Claims and 9 months from the date of disability for Permanent Disability Claims.*

**Q.** May I choose to continue or convert the separate group life assurance insured benefit to an individual life policy at withdrawal as a UCT employee?

**A.** *Yes you may, the prescribed period in which you may convert the group life assurance to an individual life policy is from 30 days to 60 days. Members have the option to transfer their risk cover to an individual policy without undergoing any medicals or underwriting, other than a HIV test. The individual life policies are underwritten by Liberty Life.*

Please note some **exclusions** apply on the separate Group Life Assurance Scheme and the UCTRF Group Life Assurance Schemes.

## 2.2 Conditions and Rehabilitation Programmes on the Income Continuation Policy

When an Insured has been on sick-leave for more than fourteen days continuously, or when an Insured has been on sick-leave for more than fourteen days in total over any period of three months, the Employer must inform Sanlam as soon as reasonably possible, but in any case within 14 days, of such absence.

This information must include the particulars that Sanlam may request from time to time, including the reasons for the absence, treatment undergone, and the provider of the treatment.

Sanlam relies on the employer to notify them timeously of employees taking extended sick-leave absences or who experience ill-health. Where applicable, a disability case manager will be assigned to support such employees with regards to treatment and suitable rehabilitation programmes that might result in them returning to work earlier.

In summary, the policy stipulates the following:

- In a case where, Sanlam is of the opinion that, an employee's functional impairment could improve with reasonable treatment and suitable rehabilitation programmes, the employee will be offered support.
- Sanlam will pay the cost for such treatment or programmes up to a maximum of 24 months' disability income (as stipulated in terms of the policy).
- Should an employee refuse to undergo or fail to complete reasonable treatment or rehabilitation programmes (for reasons other than medical reasons), the payment of the disability benefit will not commence or will be suspended, as the case may be.

**Rehabilitation Programmes** means medical and surgical treatment; occupational and medical therapy; rehabilitation and return to work programmes reasonably deemed appropriate by Sanlam with the view of improving, or preventing a deterioration of, the

Insured's ability to work, taking into account the risk and the prospect of success of the treatment, therapy or program. In deciding on the suitability or not of a rehabilitation programme, Sanlam will take into consideration the existence of appropriate services and facilities within reasonable proximity of the Insured's place of employment or place of residence.

**Q.** What happens if you as a member travels outside of South Africa?

**A.** *If you travel overseas, you will be covered for the income continuation described in the policy and there is no limit on the period outside South Africa.*

**Q.** What are the prescribed notification periods?

**A.** *The policy does not prescribe a notification period, however, it is recommended that should you as the member be on sick-leave for more than fourteen days continuously, you advise your line manager to ensure that the proper records are kept and that the insurer is notified of a possible disability claim.*

**Q.** May I choose to continue or convert the insured benefit to an individual life policy at withdrawal as a UCT employee?

**A.** *There is no continuation or conversion option on this policy.*

## 2.3 Policy Exclusions

### *Exclusions applicable to the Death Benefit:*

- Active involvement in any war, riot, civil commotion, terrorism or similar related incidents;
- Any claim that is a direct or indirect consequence of the use of atomic, biological or chemical weapons or attacks on or sabotage of such facilities.

### *Exclusions on the Income Continuation Benefit Policy:*

- No benefit shall be payable if the disability is caused by a bodily injury or an illness which directly or indirectly arises from or is traceable to military or hostile action;
- New staff members become insured from the first day of appointment, however, if you as a new member become incapable of performing your duties on the first day of employment because of injury or illness or you are found to be totally disabled then the benefit is not payable to you;
- The benefit will not be payable within the first 12 months of employment, if the disability directly or indirectly arises from or is traceable to bodily injury which occurred or a condition of which you the member were conscious or experienced symptoms or for which medical treatment were received in the 6 months prior to being an employee of UCT.

### *Exclusions applicable to the Permanent Disability Benefit:*

- Active participation in war, riot and civil commotion or terrorism;
- All claims related to atomic, biological and chemical warfare, or terrorism;

- Non-compliance with recommended medical treatment;
- Pre-existing conditions for conditions suffered in the 6 month period before joining the scheme and for which the member claims in the first year of membership;
- If the member deliberately commits a crime;
- Attempted suicide or any self-inflicted injury;
- Deliberate exposure to exceptional danger, i.e. if your house is on fire and you attempt to save your valuables either than human life (except in an attempt to save a human life).

### **3. How will my benefit be distributed?**

#### **3.1 From the Fund:**

Section 37C of the Pension Funds Act 24 of 1956 and the rules of the UCT Retirement Fund state that in the event of your death, your benefit in the Fund must be distributed as follows:

- To financial dependants; or
- Financial dependants and nominees; or
- If there are no financial dependants, to nominees (but any deficit in your estate first has to be settled); or
- If there are no dependants or nominees, to your estate.

Although the Trustees will follow members' wishes in terms of their nomination of beneficiary form as far as possible, the final decision of who will receive the Fund death benefits rests with the Trustees, who must abide by the Rules of the Fund as well as Section 37C of the Pension Funds Act.

#### **3.2 Who do I list on my form?**

The Trustees of the Fund are bound, by law, to ensure that all your financial dependants are first taken care of before any money is paid to nominees who are not dependants. The Fund has to first trace all of your dependants, as defined by the Pension Funds Act, and by listing them on your form, this makes this process easier for the Trustees.

Financial dependants may include your children (including illegitimate and adopted children) your spouse or spouses, your partner, your parents, siblings and any other person who is financially dependent on you at the time of your death.

Our lives are constantly changing. Did you get married or have you had any children since you joined the UCT Retirement Fund? Perhaps you adopted a child or now have a person who is financially dependent on you, who was not when you initially joined the Fund? Maybe you have lost a child or a spouse or got divorced since becoming

a member of the Fund? If these or other changes of circumstances apply to you, you should update your nomination form as soon as possible.

### **3.3 From the separate Group Life Scheme:**

The benefit payable from the Group Life Scheme will be distributed according to your latest **Nomination of Beneficiary Form**. In the absence of a nomination by you, the benefit will be paid as decided by the employer, UCT, in consultation with the Fund Trustees.

## **4. Nomination of Beneficiary form?**

The Nomination of Beneficiary Form is a form on which you indicate to whom your death benefit should be paid. This can be downloaded from the Fund website, or is available from the HR department.

### **4.1 Can I nominate a trust?**

A payment for the benefit of a dependant or nominee contemplated in this section shall be deemed to be a payment to such dependant or nominee, if payment is made to a trustee contemplated in the Trust Property Control Act, 1988, nominated by the member; a major dependant or nominee, or a person recognised in law or appointed by a Court as the person responsible for managing the affairs or meeting the daily care needs of a minor dependant or nominee.

### **4.2 What happens if I have no dependants?**

You still need to complete the Nomination of Beneficiary Form. You will therefore not list any dependants on the form, but only nominees. If you have no dependants or nominees, the benefit will be paid to your estate.

If you have designated a valid nominee, the benefit may only be paid to the nominee once the fund has ascertained that the estate is not in debt. If the estate liabilities exceed the assets in the estate, the fund must transfer a portion equivalent to the debt to the estate, and pay the nominee the remainder only.

### **4.3 Can I nominate e.g a charity, scholarship fund, etc.?**

No, a nominee must be a human person. However, if there is no dependant, and if there is no legally-valid nominee, then the death benefit can (and must) be paid to the member's estate.

## 5. Further Information

### *Important issues to note:*

- The disability income and lump sum benefits are insured. The Insurer may require members who have disability cover in excess of a certain amount to provide evidence of health. If you are affected by this limit, you will be required to provide such medical evidence; otherwise your benefit is restricted to the amount determined by the Insurer.
- To qualify for the disability benefit, you must actively be at work on the first day of your employment. This means no disability benefit will be paid if you were appointed by UCT, but never spent time at work.
- When you join the Fund, if you suffer from a condition that may give rise to a disability claim in the future, you must disclose this information. The Insurer may exclude payment of a benefit if this condition results in a claim within 12 months of you joining the Fund.

*The UCT HR website, [www.hr.uct.ac.za](http://www.hr.uct.ac.za), and the UCTRF website, [www.uctrf.co.za](http://www.uctrf.co.za) and member booklet provides information on these benefits.*

*You can also contact the UCTRF office: [uctrf-enquiries@uct.ac.za](mailto:uctrf-enquiries@uct.ac.za) or (021) 650 2934*