

Making every day better

Small Business Provident Fund for the
small business and home employees and
employers

Small Business Provident Fund

Pay it forward. **Prosper.**

This unique employee benefits solution offers retirement, withdrawal, death, capital disability and funeral benefits in one comprehensive package. Administered by Absa Consultants and Actuaries, this fund is ideal for small business and home employees.

By registering your employees as members of the fund, your social responsibilities towards them at retirement, in the case of disablement or unforeseen death and the resulting funeral costs and financial assistance required by dependants afterwards, decrease significantly.

Plans that put you in control

The Absa Small Business Provident Fund offers the small business and home employees a choice of plans, all of which have their own benefit structure.

It is important to note that the normal retirement age is 65 and that the risk benefits (death, capital disability and funeral cover) cease at the age of 65.

Contributions and separate group scheme structures from 1 July 2017 to 30 June 2018

Plan	SM1	SM2	SM3	SM4	SM5	SM6	SM7	SM8	SM9	SM10
Contribution	R230	R230	R310	R450	R620	R780	R1 070	R1 500	R1 850	R2 500
Death cover	-	R15 000	R25 000	R50 000	R55 000	R75 000	R100 000	R150 000	R200 000	R220 000
Capital disability	-	R15 000	R25 000	R50 000	R55 000	R75 000	R100 000	R150 000	R200 000	R220 000
Member	-	R12 500	R15 000	R15 000	R15 000	R15 000				
Spouse	-	R12 500	R15 000	R15 000	R15 000	R15 000				
Child (14 – 21)	-	R6 250	R7 500	R7 500	R7 500	R7 500				
Child (0 – 13)	-	R4 375	R5 250	R5 250	R5 250	R5 250				
Less total cost	R25,11	R61,46	R80,57	R114,55	R129,44	R150,24	R176,24	R228,24	R280,24	R301,04
Net retirement savings	R204,89	R168,54	R229,43	R335,45	R490,56	R629,76	R893,76	R1 271,76	R1 569,76	R2 198,96

Plan SM1 is a basic savings plan with retirement benefits only, making it an investment plan for retirement. The other plans offer retirement, death, capital disability and funeral benefits. Employees can therefore be placed on plans that provide benefits in accordance with their income.

The flexible structure of the fund allows the small business and home employees to contribute more than the specified contribution for each plan if they wish to do so. This option is especially recommended for older employees for whom no retirement provision has been made. The additional contribution will be allocated to the member's investment account to create additional retirement funding.

All permanent employees from the ages of 16 to 65 may join the fund. You do not have to put all of your employees on the same plan – you choose whichever plan best suits the employees' individual needs and salary. When you join the Absa Small Business Provident Fund, your current employees have the option to join the fund within the first twelve months. All new permanent employees employed on or after the date on which you become a participating employer in the fund will have to join the fund in terms of the Income Tax Act and as specified by your employment contracts.

A unique feature of the Absa Small Business Provident Fund is that you can change your employees' plan option at any time. This flexibility enables you to accommodate the changing circumstances of employees. Furthermore, benefits will not be eroded by inflation as the fund makes provision for annual inflation-related contribution increases. The board of management determines these increases, which come into effect on 1 July annually.

How the contributions are invested

The costs of providing the death, capital disability and funeral benefits and an administration fee approved by the board of management are deducted from the monthly contribution. The board of management invests the balance of the contribution with investment managers to provide for retirement funding.



Costs

The following costs are deducted from the monthly contribution before it is invested:

- **Risk costs:** The cost of providing death, capital disability and funeral benefits
- **Administration costs:** A portion of the cost of administration, including consulting and advisory services.

Any auditor and Financial Services Board costs, Pension Funds Adjudicator levies, Fidelity Guarantee cover, the balance of the monthly administration fee, and any other authorised costs are recovered from accrued assets in the fund.

We realise that costs are always a factor and keeping them as low as possible is a priority for us. The most cost-effective way to recover contributions is by debit order, which is why it is the only payment method provided for. Any other means of collecting contributions results in a direct cost component, which will increase the administration fees. Debit order deductions allow the fund to service its members on a sound financial and administrative basis.

Absa Consultants and Actuaries does regular market research on death, capital disability and funeral benefits in order to offer you the most competitive rates and the best policy conditions applicable and suited to the fund and its membership profile. This way, we keep costs manageable, thus maximising the portion of the monthly contributions invested for retirement funding. Because we take care of administration only, we are totally independent and are, therefore, in a position to design the best possible solution for your business. This ensures that an optimal portion of the employees' contributions is invested for their benefit at retirement.



Communication

Each employer will be issued with a certificate of participation and each member will be issued with a membership certificate once the first contributions have been received successfully.

Members will also receive an annual benefit statement reflecting the member's fund value as well as the cover for death, capital disability and funeral benefits under the associated separate group schemes. The benefit statements will be forwarded to the participating employer via his or her financial adviser, where applicable, for distribution among members. A circular covering important aspects will also be sent to participating employers on an annual basis.



Accessibility of benefits

The fund is registered in accordance with the provisions of the Pension Funds Act and the rules of the fund, which state that members are only allowed access to their value in the fund in the event of the following:

- Retirement at age 65 (or early retirement at age 55)
- Death of the principal member of the fund (prior to retirement)
- Resignation of the employee from the employment of the employer (prior to retirement).



Retirement benefit

At retirement – at any age from 55 to 70 – the member will receive his or her fund value. The member's risk benefits, i.e. death, capital disability and funeral cover, will cease. The benefit payable is subject to tax in terms of the Income Tax Act.



Withdrawal benefit

On termination of service with an employer, the member's risk benefits, i.e. death, capital disability and funeral cover, will cease. The member will receive his or her fund value as a cash benefit or the benefit can be transferred to any other approved fund. The benefit payable is subject to tax in terms of the Income Tax Act.



Death benefit

Death of member before retirement

- **Provident fund**
The dependants of the deceased will receive a benefit equal to the member's fund value. This benefit will be payable to the member's dependants as prescribed in section 37C of the Pension Funds Act. Section 37C requires that the fund, through the employer, trace all dependants and evaluate their degree of dependency on the member before any benefit can be paid. The benefit payable is subject to tax in terms of the Income Tax Act.
- **Separate group schemes**
From the separate group schemes, the dependants and/or beneficiaries will receive the death and funeral benefits equal to the chosen plan. These benefits are paid as directed by the employer.



Death of spouse or child

In the event of the death of a member's spouse or child (under the age of 21), a funeral benefit will be payable to the member equal to the chosen plan from the separate group scheme.



Total and permanent disability benefit

If an employee becomes totally and permanently disabled (as determined by the insurer based on detailed medical evidence submitted) before the age of 65, the member will receive benefits from the fund and the separate group scheme as follows:

- **Provident fund**
The member will receive his or her fund value. The benefit payable is subject to tax in terms of the Income Tax Act.
- **Separate group schemes**
The member will receive a benefit equal to the disability cover offered by the chosen plan on approval of the claim by the insurer, after a waiting period of six months. If the onset of disability occurs within five years prior to the member's attainment of age 65, the amount payable will be reduced by 20 per cent of the disability benefit offered by the chosen plan for each year or part thereof by which the onset of such disability precedes the member's 65th birthday.

Please note that pre-existing conditions apply. This means that a member cannot claim for a medical condition that existed six months prior to his or her commencement date in the fund within a 12-month period after this commencement date. The pre-existing condition also applies should a member increase his or her disability cover. This means that a member cannot claim on the higher disability cover for a medical condition that existed six months prior to the date of increase of the disability cover within a 12-month period after the date of increase of the disability cover.

Important notices

- **Participation in an approved fund**
Once you have become a participating employer in the fund, you are not permitted by law to withdraw from the fund. You are, however, permitted to transfer membership to another approved fund or, in certain circumstances, have your participation in the fund liquidated.
- **Payment of contributions**
The payment of contributions to the fund is prescribed by law. The onus is on the employer to ensure that monthly contributions are paid via the debit order system and that funds are available for the successful allocation of contributions. If your payments via the debit order system are rejected for whatever reason, you, as employer, will be liable for the payment of interest at a rate determined by the Minister of Finance from time to time. The fund will correspond directly with you should this be necessary.

Please note that all communication about changes to membership must be received by the fund in writing before the 20th of the month. The relevant changes will then be made to the system before the debit order run on the first day of the next month.

- **Risk cover**
If a monthly contribution is not received in any one month, the risk cover will terminate if the overdue contribution is not paid by a double debit order the following month. If the double debit order is rejected, those members will not be covered for death, capital disability or funeral benefits as from the first day of the first month for which no contributions were received. Absa Consultants and Actuaries will issue an 'off-risk' letter to the employer confirming the cessation of risk. Contributions and risk benefits cannot be reinstated retrospectively.



Administration

The administration of the fund and the associated separate group schemes is done by Absa Consultants and Actuaries as contracted by the board of management of the fund. We also handle the day-to-day member administration, which includes loading new members, processing withdrawals and paying benefits. Any amendments to member records or requests to withdraw or add members can only be made in writing – no telephonic requests will be accepted. This is done to protect the members, the employer and the fund against any claims arising from incorrect transactions.

Important: You should at all times provide your participating employer reference number (BTP number) and the relevant member reference numbers, where applicable.

How to apply for membership

Applying for fund membership is simple. All you have to do is complete and sign the application form and either email it to the Absa Small Business Provident Fund at smallbusinessfund@absa.co.za or fax it to **086 528 6119**.

Please note that we must receive the application form before the 20th of the month for the implementation date to be the first day of the following month and for members to be covered for risk benefits. If the application form is received after the 20th of the month, the implementation date will only be the first day of the second month following and members will only be covered for risk benefits from that date.

Once the fund has received the application and your participation has been approved, you will receive an administration manual as well as individual membership certificates for all of your enrolled employees.

If you wish to communicate with the fund, you can address your enquiries as follows:

- By phone on 011 846 3719 or 011 225 8340
- By email to smallbusinessfund@absa.co.za
- By fax to 086 528 6119
- By post to Absa Small Business Provident Fund, PO Box 4167, Fourways, 2055

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