PSPF

INGCAMU

PUBLIC SERVICE PENSIONS FUND

Rule Booklet

PREFACE

The Fund's objective is to provide you and your dependant with the best possible benefits in return for the contributions brought by you and the Government.

This booklet briefly explains the benefits offered by the Fund on a question and answer basis and also provides examples for calculating the benefits. Please keep in mind that this is only a summary and that full particulars are contained in the King's Order in Council No. 13 of 1993 which is available for inspection at any time. If there should be any discrepancy between the contents of this booklet and the Order, the provisions of the Order shall prevail.

This booklet also highlights key provisions of the Retirement Funds Act 2005 which impact on members.

If anything is not clear or if you require further information please contact **The Public Service Pensions Fund (Ingcamu).**

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PROFILE

The Public Service Pensions Fund is a parastatal organization that was established for the management and administration of pensions for government (public sector) employees.

Membership

The Fund's membership profile consists of active (contributing) members, pensioners and dependants (spouses and children).

Scheme

The Fund Scheme is run as a defined benefit scheme.
A defined benefit scheme is one in which a member's benefit on retirement is determined by a set formula, rather than depending on investment returns.

Contributing Rates

The scheme is financed through employer and employee contributions of 15% and 5% of basic monthly salary respectively.

Products and Services

The Fund offers the following benefits which are dependant on the nature of exit from the civil service; Normal Retirement, Early Retirement, Forced Medical Retirement, Abolishment of Office, Disability, Resignation, Deferred Retirement and Death.

Management Board

The Fund is managed by a Board of Trustees made up of Employer and Employee representatives.

Other Committees

Reporting to the main Board are three statutory committees;

- Investment Committee
  The investment Committee advices the Board of Trustees on investment strategies. The Committee consists of Chairman of the main Board, four other persons appointed by the Minister of Public Service in consultation with the Board for their expertise in investment matters.

- Remuneration Committee
  The Remuneration Committee consists of four Board members. The role of the Committee is mainly to assist the Board in fulfilling its objective to ensure that the Fund has effective polices, processes and practices for appropriately attracting remunerating and retaining staff who will add value to the Fund.

- Audit Committee
  In line with best practices, the audit committee comprises of four Board members appointed to enhance the overall effectiveness of internal controls at the Fund through the internal audit and risk department.

SUMMARY OF THE MOST IMPORTANT PROVISIONS OF THE PUBLIC SERVICE PENSIONS FUND (Hereinafter referred to as the Fund)

PART 1 - CONTRIBUTIONS

1.1 On what part of my salary are my contributions and benefits calculated?
On your basic salary or wages; these will be referred to as “pensionable salary” in this booklet.

1.2 If my pensionable salary is adjusted, when will my contributions and benefits be adjusted?
Your contributions and benefits are calculated as soon as your pensionable salary has been adjusted.

1.3 How much do I contribute?
You contribute an amount equal to 5% of your monthly pensionable salary to the Fund.

PART 1 - CONTRIBUTIONS

1.4 **How much does the government of Eswatini (the Government) contribute for me?**

The Government contributes 15% of your monthly salary.

1.5 **What happens if I am seconded to a non-pensionable office?**

A member who has been confirmed in a pensionable office who is temporarily seconded to a non-pensionable office without a break in service may, with the consent of the Fund, continue to be a member, provided he makes the required 5% member and 15% employer contributions.

If the member in the circumstances above elects not to continue his membership in the Fund or is not permitted to do so, he shall be treated as having separated from the Fund and shall be entitled to the appropriate benefit, depending upon his age and service.

PART 2 - RETIREMENT BENEFITS

2.1 **What is the normal retirement age?**

The normal retirement age is 60 years for everyone else except for judges who retire at 75 years.

2.2 **What is my normal retirement date?**

It is the last day of the month following on, or coinciding with the date on which you attain your normal retirement age.

2.3 **What will my benefit be if I retire on my normal retirement date?**

2.3.1 If you have completed less than 10 years pensionable service, you will receive an amount equal to your own contributions to the Fund, together with interest accrued your own contributions at a rate determined by the Fund.

2.3.2 If you have completed 10 or more years of pensionable service, you will receive a monthly pension equal to one-twelfth of 2% of your final salary multiplied by the number of years of pensionable service.

[2% x final salary x years of pensionable service x 1/12]

SUMMARY (continued)

Final salary is your annual pensionable salary on the day on which you attain your normal retirement age except that if you have been promoted once or more during the 36 months immediately preceding your normal retirement age, your final salary shall be the average of your annual pensionable salary during that 36 months, provided that such result is not less than the rate of pensionable salary applicable on your retirement day for the salary grade you held at the beginning of the said 36 month period.

Pensionable service is the period during which you have been a contributing member of the Fund and any other period recognised as pensionable service by the Fund prior to your retirement age.

Example 1

a) Vusi attains his normal retirement age (60yrs) after he has completed 30 years of pensionable service.
b) His final salary is E150 000

If he decides to take a quarter of his pension in cash at retirement he will receive the following benefits:-

i) He will receive a lump sum equal to:-

2% x E150 000 x 30years x 25% x 15 = E337 500

ii) He will then receive a reduced pension equal to:-

2% x E150 000 x 30years x 75% = E67 500 per annum
= E5 625 per month

If he decides not to take a portion of his pension in cash at retirement, he will receive the following pension:

2% x E150 000 x 30years = E90 000 per annum
= E7 500 per month

2.4 Can I retire before my normal retirement date, and if so, what will my benefit then amount to?

Yes, you may retire at Forty-Five (45) years or more if you have completed ten years or more of continuous service.

Your pension shall be reduced by 0.333% for each month that you retire early until you are sixty (60) years.

Example 2

Sabelo retires early at 55 years, having worked for 25 years and his final salary is E110 000. He retires 5 years (60 months) earlier than normal.

His benefits would be computed as follows:

i)	Gratuity		
	2% x E110 000 x 25 x 15 x 25%	=	E206 250.00
	Less Penalty E206 250 x 60 x 0.333%	=	E41 208.75
		=	E165 041.25
ii)	Monthly Pension		
	2% x E110 000 x 25 x 75%	=	E41 250.00 per annum
	Less penalty E41 250 x 60 x 0.333%	=	E8421.75
iii)	Annual pension	=	E41 250.00 - E8421.75
		=	E32 828.25
	Monthly pension	=	E2735.69

2.5 What happens if I am forced to retire due to medical unfitness or in the public interest?

You will receive a retirement benefit as calculated in paragraph 2.3, regardless of your age or the number of year's pensionable service you have completed in the Public Service.

Example 3

Mandla is forced to retire on medical grounds after having worked for 8 years and has not reached the normal retirement age (60 years). His final pensionable salary is E150 000.

His benefits shall be computed as follows:

Gratuity
2% x E150 000 x 8 x 15 x 25% = E90 000.00

Monthly Pension
2% x E150 000 x 8 x 75% = E18 000 per annum
= E1 500 per month

N.B. Mandla faces no penalties even though he has not reached the normal retirement age no has he worked for more than 10 years.

2.6 What happens if the office held by me is abolished by way of re-organisation or re-structuring of the Public Service?

2.6.1 You will receive a retirement benefit as calculated in paragraph 2.3, regardless of your age or the number of years pensionable service you have completed in the Public Service.

2.6.2 If however, you are offered a transfer or appointment to a similar position in the Public Service but you declined the appointment, your age and the number of pensionable years you have completed in the service, will apply as set out in paragraph 2.4.

Example 4

Mandla retires early at the age of 55 years through abolition of office, having worked for 20 years and his final salary is E110 000. His benefits would be computed as follows:

Gratuity	
2% x E110,000 x 20 x 15 x 25%	= E165,000.00
Additional gratuity	
20/180 x E110,000 x 15 x 25%	= E45,833.33
Total gratuity	= E210,833.33
Monthly Pension	
2% x E110,000 x 20 x 75%	= E33,000.00 per annum = E2,750.00 per month
Additional Pension	
20/180 x E110,000 x 75%	= E9,166.66 (p/a) (763.88 p/m)
Total Monthly Pension	= E2,750.00 + E 763.88 = E3,513.88

PART 3 - DEATH PRIOR TO RETIREMENT

What benefits are payable should I die before my normal retirement date while I am still in service?

3.1 A death gratuity shall be paid. It is a lump sum equal to twice your annual pensionable salary.

3.2 Prior to the enactment of the Retirement Funds Act of 2005, a deceased member's benefit was transmitted to the office of the Master of the High Court in terms of the Pensions Order 1993 for distribution and therefore formed part of the assets of the estate. The Retirement Funds Act (2005) specifically excludes the benefit from forming part of the assets of the estate, which in essence means that the distribution of the gratuity is now placed solely in the hands of the Fund and is payable to the deceased's dependants.

3.3 Monthly Pension

3.3.1 If you leave behind a spouse she/he will receive a monthly pension until her/his death or until she/he remarries, whichever occurs first, equal to 50% of the pension you would have received, had you not died but retired normally , as per paragraph 2.3.

3.3.2 If, apart from your spouse, you also leave behind one or more dependant child(ren), a monthly pension equal to 10% of the pension will be paid to each child.

3.3.3 Should you leave behind more than one spouse, the pension payable in terms of 3.3.1 above, will be divided equally among the spouses.

PART 3 - DEATH PRIOR TO RETIREMENT

(continued)

3.3 Monthly Pension

3.3.4 The pension paid to your child will be double the amount referred to above if there is no spouse or your spouse dies later.

3.3.5 Should you leave behind more than five dependant children, the total pension payable will be calculated as if there were five dependant children and such total will be divided among the children.

Example 5

Themba, a married member, dies at age 50 years, before his normal retirement and having worked for 20 years. His pensionable salary at time of death is E96 000 per annum.
He leaves behind his wife and two dependant children.

The following benefits are then payable:-

i) Lump sum: 2x E96 000 = E192 000

ii) Spouse's pension:
(2% x E96 000 x 20) x 50% = E19 200 per annum
= E1 600 per month.

iii) Children's pension per child:-
(2% x E96 000 x 20) x 10% = E3 840 per annum
= E320 per month

If he had more than 5 children, say 8, their pension is calculated thus,
2% x E96 000 x 20 x 50% = E19 200
E19 200/8 = E2 400 per annum
= E200 per month (per child)

PART 4 - DEATH AFTER RETIREMENT

4.1 The pension you received at the time of your death will cease. If you leave behind a spouse, she/he will receive a monthly pension equal to 50% of the monthly pension you received at the time of your death, until her/his death or until she/he remarries, whichever occurs first.

4.2 If you, apart from your spouse, also leave behind one or more dependent child(ren), a monthly pension equal to 10% of the monthly pension that you received at the time of your death will be paid to each child from the date of your death.

4.3 Should you leave behind more than one spouse, the pension payable will be divided among them in such proportion as determined by the Fund.

4.4 The pension that will be paid to your child or children, will be double the amount stated above if your spouse dies later.

4.5 Should you leave behind more than five dependant children the total pension paid out will be calculated as if there were five dependant children and such pension will be divided among all the dependent children.

A dependant child is an existing child or a child that is unborn at the time of death of member who:

a) Is unmarried and under the age of 21 years; or

b) Is unmarried, under the age of 25 years, and a full-time student at a public educational institution, including an illegitimate child and a stepchild if legally adopted.

PART 5 - GROWTH IN PENSIONS

Does my pension increase in the course of time?

Yes. Any pension that will be payable to you or your dependants will be increased by the Fund from time to time.

PART 6 - DISABILITY BENEFITS

What happens if, while in the actual discharge of my duty, I am injured or I contract a disease which I am exposed to, owing to the nature of my duty?

6.1 If you are forced to retire or if you have to retire much earlier as a result of the injury, you will receive a pension on the basis of your actual pensionable service up to the date of early retirement.

6.2 If you were injured while on duty, you will receive an additional pension equal to a proportion of your annual pensionable salary from the date of your injury, depending on the degree to which your capacity to contribute to your own support is impaired:-

Degree of impairment	Proportion
Slightly impaired	five - sixtieths
Impaired	ten - sixtieths
Materially impaired	fifteen - sixtieths
Totally destroyed	twenty - sixtieths

PART 6 - DISABILITY BENEFITS (continued)

Example 6

Mandla retires early at 55 years, having worked for 25 years and his final salary is E110 000. His degree of disability is classified as impaired. His benefits would be computed as follows:

Gratuity

10/60 x E110 000 x 25 x 15 x 25% = E68,749.99

Monthly Pension

10/60 x E110 000.00 x 75% = E13, 749.99 per annum
= E1, 145.83 per month

It should be noted that this benefit is in addition to the gratuity and monthly pension he will get from the forced medical retirement benefits.

What happens if I am injured or contract a disease while travelling on official duty?

You will receive the benefits as per 6.1 and 6.2 above, but the proportion of your annual pensionable salary applicable will be as follows:

Degree of impairment	Proportion
Slightly impaired	seven and half - sixtieths
Impaired	fifteen - sixtieths
Materially impaired	twenty two and half - sixtieths
Totally destroyed	thirty - sixtieths

Are there factors that may result in the non-payment of my disability benefit?

Yes, if the injury is wholly or mainly due to, or seriously aggravated by, your own serious and culpable negligence or misconduct, the benefits described above will not be paid.

PART 7 - WITHDRAWAL BENEFITS

7.1 What happens if I resign?

7.1.1 If you have completed less than 10 years pensionable service you will receive an amount equal to your own contributions to the Fund, together with interest on your own contributions at a rate as determined by the Fund.

7.1.2 If you are under the age of 45 years and you have completed 10 or more years pensionable service, you will be entitled to a retirement benefit as calculated in the example below. This benefit will then be payable as from your normal retirement date. Such retirement is known as deferred retirement.

You may apply that payment of such benefit commences before your normal retirement date, in which case the retirement benefit shall be calculated as per example below:

Example 7

Had Thandi decided to retire at 42 years, with a service of 14 years, she would not have qualified for early retirement but would have been forced to defer until she is 45 years old. At 45 years her benefits would be computed as follows:

a) Thandi still had 18 years to retirement but decided to retire early
b) Her pensionable service is 14 years
c) Her final salary at the time of deferrement was E120 000

Annual Pension	0.02 x 120 000.00 x 14	E33,600.00
Penalty	0.333 x 0.01 x 33 600 x 180	E20,139.84
Reduced Pension		E13,460.16
Less Commuted Amount	25% of Reduced Pension)	E3,365.04
Reduced Annual Pension		E10,095.12
Gross Monthly Pension		E841.26
Gratuity	(15 x Commuted Amount)	**E50,475.60**

PART 7 - WITHDRAWAL BENEFITS (continued)

7.1.3 If you hold a non-pensionable office and have completed five or more years' service, you will receive a lump sum for each completed year of service equal to (but not exceeding the amount of one year's pay)-

i) One week's pay for each of your first five years of service;

ii) Two weeks' pay for each of your next five years of service;

iii) Four weeks' pay for each additional year of service you have completed

Example 8

Mandla was holding a non pensionable office for 11 years. His final annual salary was E20 000.00. His temporal gratuity will be calculated as follows:

E416.67 x 5 x1	=	E2 083.30
E416.67 x 5 x 2	=	E4 166.67
E416.67 x 1 x 4	=	E1 666.67
Total		**E7 916.64**

Therefore his gratuity will be **E7 916.64.**

7.2 What happens if I am dismissed owing to disciplinary proceedings against me?

You shall receive an amount equal to your own contributions to the Fund, together with interest on your own contributions to the Fund at a rate as determined by the Fund only. You shall receive no share of the employer contribution.

PART 8 - KEY PROVISIONS OF THE RETIREMENT FUNDS ACT 2005

In 2005, legislature enacted the Retirement Funds Act (the Act). The intention of the Act is to protect members' benefits and regulate retirement funds. Below are highlights of some of the key provisions of the Act.

8.1 Interpretation

In the interpretation section, the Act defines Dependant in relation to a deceased member as follows:

a. "A person in respect of whom the member is legally liable for maintenance"

b. A person in respect of whom the member is not legally liable for maintenance if such person-

   i) Was in the opinion of the management board dependant on the member for maintenance;

   ii) is the spouse of the member and shall include a spouse as a result of any customary or religious union;

   iii) is a child of the member and shall include a posthumous child, and an adopted child;

   iv) A person, in respect of whom the member would have become legally liable for maintenance, had the member not died".

8.2 Registration

Amongst the important compliance factors required by the Financial Services Regulatory Authority (FSRA) is the registration of a retirement fund.

The Public Service Pensions Fund has duly complied with the above requirement and a Certificate of Registration has been issued to the Fund by the Registrar in terms of Section 5(3) of the Retirement Funds Act.

PART 8 - KEY PROVISIONS OF THE RETIREMENT FUNDS ACT 2005 (continued)

8.3 Statutory Restrictions on Disposal of Retirement Fund Benefit

A member's benefit is protected by the Act, from any form of deduction. The Act imposes a penalty on anyone who contravenes the provisions herein.

Section 31 (1) provides that

"Save to the extent permitted by this Act and the Income Tax Order 1975, no benefit...shall be capable of being reduced, transferred, ceded, pledged or hypothecated or be liable to attachment or subject to any form of execution under judgement or order of court or capable of being taken into account in the determination of a judgement debtor's financial position."

8.4 Allowable Deductions from Retirement Benefits

There are exceptions to the rule above. Section 32 provides for the deduction from a member's benefit in certain cases:

i) In respect of a debt arising from a housing loan in terms of Section 19.

8.5 Distribution at the Death of a Member

Applicable provisions in distribution:

Section 33(1) of the Act specifically states that a benefit..." shall not form part of the assets in the estate of the member."

Section 33(2) – (9) illustrates how the gratuity will be distributed, to whom and what factors are to be taken into consideration in distribution.

All the provisions of the Act are of importance and none should be read to the exclusion of the others.

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