



**A MEMBER'S GUIDE TO THE
TOWER GROUP (PTY) LTD
PROVIDENT AND GROUP RISK
FUND**

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1. Introduction

Saving for your retirement is probably one of the most important things you will do in your life. The fund takes care of more than just provision for your retirement. As a member of this fund, you are also covered for unforeseen events such as your death or disability whilst you're still a member of this fund. This provides some peace of mind, not just for you, but for your family.

This member guide is a summary of the main features of the Tower Group Provident Fund and risk benefits fund underwritten by Capital Alliance and aims to answer some of the most frequently asked questions you may have about your fund. However, it does not form part of the official Rules of the Fund.

Please read this guide carefully and if you have any questions regarding the information provided, please contact your Human Resources Department.

Important note:

Please note that should there be any conflict between this Member Guide and the official Rules, the provision of the Rules will apply. If you wish to view a copy of the Rules, you may do so by asking a staff member of the Human Resources Department at Tower Group.

2. Who may belong to the fund?

Membership of the Fund is available for all permanent staff between the ages of 18 and 64 who would like to join the fund.

Once you have joined, you must remain a Member for as long as you are in the employ of the Company and meet the above criteria.

How much do you contribute to the fund?

If you elect to join the Fund you are required to contribute a minimum of 2% of salary / wage to the Fund. No contributions are made by the Company on your behalf.

Should you wish to supplement the basic 3% minimum contribution you may increase this as detailed below. You may therefore elect to contribute to the fund on a salary sacrifice basis and choose one of the below mentioned contribution categories:

- 3%
- 5%
- 7.5%
- 10%
- 12.5%
- 15%

How much does your employer contribute to the fund?

The Company does not contribute to the provident fund on your behalf.

The above contributions exclude the costs of the death, disability and funeral benefits, as well as, the cost of administration and any other expenses in connection with the Fund. These costs are paid for by the employer.

How will the money be invested?

The Management Committee will determine the investment philosophy of the Fund and may allow the Employer to invest the retirement Funding contributions in respect of its Employees in one or more of the investment portfolios made available to the Fund by Liberty Corporate.

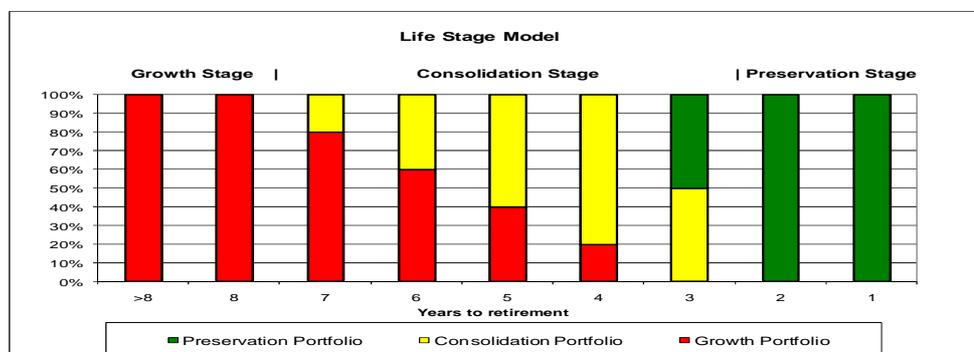
The Trustees have made available four profiles to the members from which members can choose to invest in, namely Ultra Conservative, Conservative, Moderate and Aggressive. If the Member has not selected any of the options, the default option would be the Multi Manager Life Stage Portfolio.

The typical behaviour of an investor is to want less and less exposure to risk as retirement age approaches. The Life Stage portfolio is designed in line with this profile and follows the globally accepted strategy for an investor whose retirement fund comprises their majority retirement savings. As a result, an investment in a Life Stage portfolio involves the automatic phasing from a growth-orientated long-term capital type investment, through to more stable assets, and ultimately to a pure cash component by retirement age.

Multi-Manager Fund Management is an added value service to asset management aimed at reducing risk and optimising performance by blending the skills and styles of more than one asset management house appropriately in order to:

- ✚ Avail of a combination of the best skills available.
- ✚ Apply appropriate skills and styles to achieve desired risk profiles and performance objectives.
- ✚ Provide added value to trustees and individuals using independent expertise to assign responsibility for the selection, monitoring and review of assets managers (this was traditionally the role and responsibility of retirement fund trustees and individuals). Trustees and individuals also experience difficulty in identifying adverse indications and acting timeously and appropriately in the review of managers, before performance is affected.
- ✚ Thus, multi-manager fund management aims not only at harnessing and blending the best available investment skills but also at channelling trustees and individuals into a select range of options that are easy to understand. These options are also appropriate to the risk profile or multi-profiles of either a collective fund or the individuals within a fund.

The Life Stage Concept



When can you retire?

Your Normal Retirement Age is 65. Should your Employer and the Management Committee agree in writing, you may remain a Member after reaching this age. The maximum age for belonging to the Fund is 70 years of age. They may also allow you to retire early after attaining age 55, or earlier if your retirement is due to ill health and you are not eligible to receive a benefit from the Disability Income Plan.

3. Your Benefits

What benefits will you receive when you retire?

On retirement you will receive a benefit equal to your Share of Fund calculated at your date of retirement. The longer you are a Member, the greater your Share of Fund.

On retirement the benefit can be taken in one of the following ways:

- (i) Utilise your full Share of Fund to provide a pension
- (ii) Take a portion of the benefit as cash and utilize the balance of the benefit to provide a pension.

What benefits will you receive if you leave your Employer's service?

If you leave your Employer's service before you reach Normal Retirement Age you will receive an amount equal to your Share of Fund.

The benefit can be taken in any of the following ways:

- (i) as a cash lump sum; or
- (ii) payment into a single premium retirement annuity; or
- (iii) payment into a Pension Preservation Fund, or
- (iv) transfer to your new Employer's Fund subject to agreement between the Funds.

What benefits will your dependants receive if you die?

If you die in service, whilst a member of the management category of contribution, your dependants will receive an amount equal to 3 times your Fund Salary as a lump sum. Death benefits may be paid as a pension to your dependants or as a cash lump sum.

and

Funeral (Family) Benefit

In the event of the death of a member a members spouse or a members children, a benefit in terms of the policy is payable as indicted below:

Member	R20 000
Spouse	R20 000
Children aged 14 - 21	R20 000
Children aged 6 - 13	R10 000
Children aged 1 - 5	R 5 000
0 - 11 months and stillborn	R 5 000

With respect to the repatriation of mortal remains within South Africa, Namibia, Lesotho, Swaziland, Botswana, Mozambique and Zimbabwe the following is applicable:

- When a member's death occurs more than 100km from their normal place of residence / place of burial, the deceased will be transported to the place of burial irrespective of where the death
- occurred, or where the burial will take place, provided that the repatriation is within the defined territory

- Funeral assistance service

- 24 hour client and claims assistance service

4. Other important information

How will you know what your benefits are?

You will receive a personal benefit statement on joining the fund and at yearly intervals. This will be provided to you approximately 6 to 8 weeks after the Fund's Revision Date.

Can you take a loan against your benefits?

Unfortunately not. Current legislation precludes the Fund from making personal or other loans to Members.

Are housing loans available?

Unfortunately not.

Are you allowed to continue your insurance cover if you leave service or retire?

Yes, you may continue the insurance cover you enjoyed as a Member of the Fund on leaving service or retirement.

Once you leave the company, your insurance cover ends. By selecting a continuation option, cover is continued under an individual policy.

In order to exercise this option, you will need to:

- i) take up the option within 60 days of leaving service;
- ii) fulfill certain medical requirements, e.g. HIV test.

The availability of such options will always be subject to any policy conditions applicable at the date of exercising such option. You are advised to discuss any decision in this regard with the Consultant.

Taxation of benefits

In terms of the tables, a taxpayer who receives a withdrawal or resignation lump sum benefit will enjoy a tax free portion of R 22 500. The balance of the benefit will thereafter be taxed as follows:

Taxable income from lump sum benefits	Rate of tax
Not exceeding R 22 500	0% of taxable income
Exceeding R 22 500 but not exceeding R 600 000	18% of taxable income exceeding R 22 500
Exceeding R 600 000 but not exceeding R 900 000	R 103 950 plus 27% of taxable income exceeding R 600 000
Exceeding R 900 000	R 184 950 plus 36% of taxable income exceeding R 900 000

A taxpayer in receipt of a retirement or retrenchment benefit will enjoy a tax free portion of R 315 000. The balance of the benefit will thereafter be taxed as follows:

Taxable income from lump sum benefits	Rate
Not exceeding R315 000	0% of taxable income
Exceeding R315 000 but not exceeding R630 000	18% of taxable income exceeding R315 000
Exceeding R630 000 but not exceeding R945 000	R56 700 plus 27% of taxable income exceeding R630 000
Exceeding R945 000	R141 750 plus 36% of taxable income exceeding R945 000

5. Definitions

The following definitions may assist you in understanding this guide.

Administrator (Risk Benefits): This is the organisation chosen by the Fund to provide risk benefits. The Administrator is Capital Alliance.

Administrator (Day to Day): The day to day administration of the fund is undertaken by Hereford Financial Services and in particular Sailesh Parbhoo who can be contacted on saleshp@herefordgroup.co.za / 011 463 3092

Consultant: This is the person, or organisation, that the Employer has chosen to provide specialist consulting services to the Employer and its Members with regard to the operation of the Fund and the provision of benefits. Your current consultants are Shaina Singh who can be reached on shainas@herefordgroup.co.za / 083 276 0761 and Shan Nissiotis who can be reached on shann@herefordgroup.co.za / 083 459 3444

Dependant: This is your spouse either by law, by customary union or by religious tenet; your children, including adopted children; anyone for whom you are legally liable for maintenance and anyone you are actually maintaining at the time of your death.

Employer: This means The Tower Group (Pty) Ltd, registration number 2003/010291/07.

Fund Salary: This is your annualised basic salary. Your Employer may also decide to include any other amounts earned such as allowances and bonus. In general, however, your Fund Salary will normally be less than your total remuneration package.

6. In conclusion

We hope this guide has proven useful to you. Please contact your manager or the Finance / Human Resources department if you have any questions relating to the information in this guide. This member booklet becomes valid once the rules / amendment is registered.

7. Frequently Asked Questions & Answers

This document is intended to assist with your understanding of the Tower Group Employee Benefit Risk Scheme, and how this affects your own financial planning. The Questions & Answers below should address most queries, but you are welcome to contact Hereford directly if required.

Q. What is the Tower Group Employee Benefit Scheme?

A. Every staff member will have **(a)** A Life Assurance benefit, whereby their Beneficiaries (or Estate) will receive a lump sum payment in the event of death, and **(b)** a Disability Income benefit, whereby you will receive a disability monthly income, with annual increase of 5%, to retirement age (65) if you are disabled and unable to work. This programme has been implemented by Tower Group for the benefit of all employees.

Q. How much cover is provided by the Tower Scheme?

A. **(a)** Life Cover is a multiple of your Annual Salary/Pensionable Salary. There are three categories: Category 1 = one year's salary, Category 2 = two years' salary, Category 3 = three times annual salary. You will receive statements as your salary and cover increases, or on request. **(b)** Disability income will be paid monthly after a 3 month waiting period at a rate of 75% of your current salary. Such income will increase on a yearly basis by 5% normal retirement age 65.

Q. Is there any money for me in this Scheme?

A. No, this is not a retirement scheme and there are no cash values on resignation, retirement, or retrenchment. This is a risk only scheme. This scheme is designed to protect employees and their families/beneficiaries in the event of death or disability only. It is not a Retirement Fund,

Q. Will I receive a policy document?

A. No, the relevant policy documents are owned by Tower Group (Pty) Ltd, as Tower pay the premiums for you, but you are able to obtain a member benefit statement, or address any queries to Hereford whenever required. This cover should be taken into account when completing your own estate and financial planning.

Q. If I am deceased or disabled, are these benefits taxable?

A. (a) If deceased, your beneficiaries (or your Estate if no beneficiary nominated) will receive a lump sum payment of your GLA (*Group Life Assurance*) benefit, free of any taxation.

(b) If you are disabled, you will receive 75% of current salary with annual increases to age 65, and this money is taxable, just like your salary.

Q. Am I covered, even when I am not at work?

A. Yes, you are covered at all times, while employed by Tower Group.

Q. If I am deceased or disabled, who gets my money?

A. On deceasing, your accumulated benefit is paid to your Estate or nominated beneficiaries. It is important to record beneficiary nominations, as delays and costs are avoided. If disabled, your income is paid to your bank account, or via the appropriate trustee and/or administrator where necessary.

Q. Can I use this benefit as collateral for a loan?

A. No, it has no cession value, and cannot be used to raise a loan.

Q. Who is the underwriter for my cover?

A. Capital Alliance, a division of Liberty Life, specialising in employer group schemes of this nature.

Q. Will I have to pay for this Scheme?

A. Yes, unless it is agreed by the Company in writing at which point it will be paid by Tower Group, although you may make personal arrangements to increase your cover on a voluntary basis. The costs of any medical examinations or pathology tests, if required, are paid by Capital Alliance.

Q. Where can I send any queries?

A. Queries may be sent to Candyce Clark at Tower or Hereford as listed below.

Who To Contact:

Administrator (Day-to-Day): The day-to-day administration of the fund is undertaken by Hereford Financial Services and in particular Sailesh Parbhoo who can be contacted on saleshp@herefordgroup.co.za / 011 463 3092.

Consultant: Your current consultants are Shaina Singh who can be reached on shainas@herefordgroup.co.za / 083 276 0761 and Shan Nissiotis who can be reached on shann@herefordgroup.co.za / 083 459 3444.

Tower Group: Bryan van Niekerk (011) 750-1900 / bryanv@towergroup.co.za
