
PSSPF NEWSFLASH - JUNE 2021

REMOVAL OF CAPPING OF SALARY FOR GROUP LIFE (DEATH) AND DISABILITY BENEFITS

Dear Member and Employer,

A rule amendment was approved by the Financial Sector Conduct Authority (FSCA) on 21 June 2021, which removes the previous capping of group life (death) and disability benefits to the Grade A salary.

As you may be aware, 2% of the member's Fund salary is credited to the self-insurance account in order to fund risk benefits (Death and Disability). The death and disability benefits used to be capped to a maximum of Grade "A" remuneration rate (R5558.00 per month). This meant that both premiums and benefits were capped at a salary of R5558.00 per month.

How did it work in the past?

If you died whilst in service and all contributions had been received by the Fund at the date of your death, your dependants received a lump sum of 3.25 times your Annual "Capped" Salary plus your Fund Credit. This benefit ceases at age 70.

Example 1: If you earn R60 000 per annum (R5000 per month)

Your beneficiaries would have received a lump sum of R195 000 (R5000.00 x 12=R60 000 x 3.25) plus your Fund Credit.

Example 2: If you earn R120 000 per annum (R10 000 per month)

Your beneficiaries would have received a lump sum of **R216 762** (R5558.00 x 12 = R66 696 x 3.25) plus your Fund Credit at the time. This was because the "Capped" salary was R5558.

How will it work now?

Example 1: If you earn R60 000 per annum (R5000 per month)

Your beneficiaries will receive a lump sum of R195 000 (R5000.00 x 12=R60 000 x 3.25) plus your Fund Credit. There will be no change to your risk cover.

Example 2: If you earn R120 000 per annum (R10 000 per month)

The "salary cap" has now been removed and your beneficiaries will now receive **R390 000** (R10 000 X 12 = R120 000 x 3.25) plus your Fund Credit. There will be an increase in your risk cover but a reduced allocation to your retirement savings.

How does it affect Disability benefits?

The same applies to the Disability Benefit where the "salary cap" is also now removed.

If you are disabled and all contributions have been received by the Fund at the date of your disability, you will receive a lump sum of 3.25 times your Annual Salary plus your Fund Credit. Please note that your Capital Disability benefit reduces by 10% per annum from age 56 and ceases at age 65. The table explains how the capital disability benefit will be reduced according to your age.

Age Prior to Normal Retirement Age	Percentage Reduction in Benefit
56	10%
57	20%
58	30%
59	40%
60	50%
61	60%
62	70%
63	80%
64	90%

What is a free cover limit?

You are automatically covered for disability and death benefits without providing medical evidence of good health up to a limit called the Free Cover Limit (FCL). Members who qualify for cover above the FCL will be required to go for medicals in order to activate this cover. If a member elects not to have medicals done then benefit will be restricted to FCL and no medicals are required.

Most members' salaries fall below the "free cover limit" and therefore will not be affected by this. The Free Cover Limit (FCL) is R1 200 000.

Please do not hesitate to contact the Fund or Administrator should you require clarity.

Going forward

Going forward, members who exceed the Free Cover Limit (FCL) will undergo an underwriting process in line with the salary scale. Members who, upon joining or receiving salary increments that place them above a "free cover limit" threshold will have to comply with the underwriting requirements. The Free Cover Limit (FCL) is R1 200 000.