

We understand that dealing with administration at this time can be very stressful. You are welcome to call the Allan Gray Client Service Centre on 0860 000 654, or email info@allangray.co.za if you have any questions or if you need any explanations.

Why have we sent you this document?

The deceased was a member of one or more of Allan Gray's retirement funds. As they passed away prior to retiring from these funds, a death benefit – i.e. the value of the investment – will be paid out.

Retirement funds are governed by specific fund rules and legal requirements. These rules and requirements are different from other investment products, as shown in the table on page 3, and affect how death benefits are paid out. The process is complicated and can take a long time. This document explains some of the concepts and the process.

Who allocates the death benefit?

Every retirement fund is managed by a board of trustees. The trustees are responsible for allocating retirement fund benefits in terms of Section 37C of the Pension Funds Act* (the 'Act'). The intention of the Act is to protect dependants, even over the clear wishes of the member. At its core, the Act serves a social function, striving to ensure that no one who was financially dependent on the member is left without support.

Death benefits are expressly excluded from the member's estate, and the benefit must be dealt with according to the Act. Therefore, the member cannot leave the death benefit to a specific person via the terms of their last will, and the executor of the member's estate does not deal with the payment of these death benefits.

The difference between dependants and nominees

To understand how the trustees allocate the benefit, it is useful to understand the difference between a dependant and a nominee.

Dependant: The Act defines dependants as spouses, children, anyone proven to have been financially dependent on the member at the time of their death, anyone entitled to maintenance, as well as anyone who may in the future have become financially dependent on the member.

Nominee: A nominee is any party (natural person, trust or legal entity) whose details the member provided to the retirement fund in writing indicating that they should be considered by the trustees for a possible allocation of the death benefit. Examples would be one or more dependants, or a person who is not a dependant, such as a friend of the member.

*Copy of the Pension Funds Act

If you would like to read a copy of the relevant extracts from the Act, please send your request to:

Email: retirementproducts@allangray.co.za, Fax: 0860 000 655, or Post: Allan Gray Investment Services (Pty) Ltd, P O Box 51605, V&A Waterfront, Cape Town, 8002.

How long is the process?

The Act requires the trustees to conduct an enquiry into the member's circle of dependants at the time of their death before deciding how the benefit will be allocated.

The Act grants the trustees at least 12 months to search for dependants, but the time frame for allocating the benefit depends on the completeness of the information provided, as well as the response time of the dependants and nominees.

In all instances, the trustees aim to distribute the death benefit as quickly as possible. However, the process can be challenging and timing depends on the complexity of individual circumstances and how long it takes to find dependants.

Other factors can also influence the time taken. For example, if the member dies through unnatural causes, the trustees may not be able to make any decisions or pay any benefits, until the cause of death has been established, or the police have confirmed that no one who is to receive part of the benefit was involved in the member's death.

The process

The Act requires the trustees to conduct an enquiry into the member's circle of dependants at the time of their death before deciding how the benefit will be allocated.

- **STEP 1:** The dependants, financial adviser or executor must complete a '[Death claims form for retirement funds](#)' and the applicable 'Annexures' and submit the forms and supporting documents to Allan Gray. The forms can be found on the Allan Gray website under 'What we offer' > 'Useful resources' > 'Forms and documents' > 'Other'.
- **STEP 2:** The trustees must identify and find all dependants of the member at the time of their death. This is done by following the information provided on the 'Death claims form for retirement funds', and 'Annexures' and by doing further research and investigation. This includes making direct contact (via email or telephone) with family members, dependants and any other third party that may assist with the investigation.
- **STEP 3:** The trustees must make enquiries into the personal and financial circumstances of each dependant and nominee. This is done by gathering information and supporting documents from the various stakeholders related to the death claim. In some instances, certain information and/or documents may lead to further enquiries.

When deciding how to allocate the death benefit, the trustees are duty-bound to consider various factors, including:

- The financial position of the person
- Other sources of income and financial support available to the person
- Age of the person
- The person's future income or their ability to earn an income
- How much money the person needs
- How the person was related to the member
- The value of the death benefit that is available to allocate
- The written wishes of the member

- **STEP 4:** The trustees decide how to divide the death benefit based on the outcome of their investigations.

Section 37C of the Act sets out how the trustees must allocate the death benefit:

- If there are only dependants, the benefits will be distributed among these dependants at the discretion of the trustees.
- If there are dependants and nominees, the benefits are distributed among these dependants and nominees at the discretion of the trustees. A nomination does not guarantee that the person will receive all, or a part, of the death benefit, as the trustees cannot merely follow nominations.
- If no dependants are found and only nominees are listed, the trustees must establish whether or not the member's estate has enough money to pay its debts. If the estate is able to pay its debts, the benefit will be paid to the nominees in the proportions in which they were nominated. However, if the estate is insolvent (i.e. the value of the liabilities is more than the value of the assets), the death benefit must be used to pay the shortfall first and the remaining benefit (if any) will be paid to the nominees. The payment can only be made 12 months after the death. This is a legal waiting period that is applied to give untraced dependants a chance to come forward.
- If there are no dependants and no nominees, the trustees will pay the benefit to the member's estate after the 12-month waiting period.

The trustees may decide that it is fair to allocate a nil portion to specific dependants and/or nominees. All decisions are based on the unique merits of each claim.

How the decision is communicated:

Once finalised, the trustees' decision and the reasons for this decision, along with the options available to the beneficiaries to whom a portion of the benefit was allocated, is communicated to the nominees and dependants (and/or any party claiming dependency but who did not qualify as a dependant) via email. If no email address is available, a letter is sent via courier to the respective nominee or dependant's residential address.

- **STEP 5:** Beneficiaries decide on how they wish to receive their benefit.

There are various options available to beneficiaries in terms of how they can receive their benefit. They may wish to speak to an independent financial adviser who should be able to help them carefully consider the income tax implications before making decisions.

For more information, please refer to the '[Lump sum payments and tax directives](#)' document, which can be found on the Allan Gray website under 'Other' in 'Forms and documents'.

The options are:

- Purchase a compulsory annuity (i.e. a living or guaranteed life annuity) in their name from a South African registered insurer of their choice.
- Take the full benefit as a cash lump sum (from which tax may be deducted).
- Take a combination of a cash lump sum (from which tax may be deducted) and a compulsory annuity.

If the beneficiary is a minor or legally incapacitated adult, the trustees may pay the benefit to a beneficiary fund or to the parent or other person who has a legal responsibility for that person. The benefit may also be paid to a trust, if nominated by the member, and approved by the board of trustees.

- **STEP 6:** Nominees and dependants not in agreement with the trustees' decision may object.

Complaints:

If nominees and dependants do not agree with the trustees' decision, they may submit a complaint to the principal officer of the Fund. Complaints should be submitted in writing via email to info@allangray.co.za or posted to P O Box 51605, V&A Waterfront, Cape Town, 8002.

PFA complaints:

If nominees and dependants are not satisfied with the principal officer's response, or if they do not receive a response within 30 days of the Fund receiving the complaint, they may submit their complaint to the Pension Funds Adjudicator at enquiries@pfa.org.za or www.pfa.org.za. Alternatively, it can be posted to P O Box 580, Menlyn, 0063.

How death benefits are handled

	Retirement funds	Life and savings products	Estate administration
Which Allan Gray products are impacted?	<ul style="list-style-type: none"> Allan Gray Retirement Annuity Fund Allan Gray Pension Preservation Fund Allan Gray Provident Preservation Fund Allan Gray Umbrella Pension Fund Allan Gray Umbrella Provident Fund 	<ul style="list-style-type: none"> Allan Gray Living Annuity Allan Gray Endowment Allan Gray Tax-Free Investment 	Allan Gray unit trusts and other unit trusts from the Allan Gray local and offshore platforms as assets of the estate
Which Act applies?	<ul style="list-style-type: none"> Pension Funds Act Income Tax Act 	<ul style="list-style-type: none"> Long Term Insurance Act, 1998 Income Tax Act 	Administration of Estates Act
How are the payouts determined?	According to Section 37C of the Act: distribution of death benefits	The conditions set out in the policy contract issued by the insurance / investment company	The provisions set out in the last will or according to Intestate Succession Act
Who makes the decision regarding who will receive payment?	Board of trustees of the Fund	The investor	The executor
Types of beneficiaries	Dependants (as defined in the Act) and nominees (as nominated by the member)	Beneficiaries appointed by the policyholder	Heirs listed in the last will or family members according to the Intestate Succession Act
Typical timelines to payment	Trustees have up to 12 months to conduct their investigation	Once the death certificate and other documents have been received (typically about two weeks)	This will vary, depending on the complexity of the deceased estate