

Legal update

No. 14 of 2014 • September 2014

Retirement and insurance benefits during temporary absence from employment

We often get questions about the impact of temporary absence from employment on a member's retirement benefits and whether he continues to be covered for insurance benefits. This legal update discusses the implications of temporary absence and whether or not cover continues during such time.

Provisions of the General Rules of the FundsAtWork Umbrella Pension and Provident Funds (the Funds)

The General Rules of the Funds provide for different scenarios. These scenarios can be illustrated as follows:

Scenario 1: If a member is absent from employment *with pay*

The employer must continue paying full contributions to the Fund. The Fund will continue debiting the relevant expenses, fees and costs from the member's retirement savings account. All insurance cover remains intact.

Scenario 2: If a member is absent from employment *without pay*

The employer must decide whether or not the member's insurance benefits should continue during the member's absence from employment and whether to continue with or stop paying retirement benefit contributions.

1. Employer chooses that insurance benefits must continue
 - a. If the employer decides to continue with the payment of retirement fund contributions during the member's absence, the employer must pay both his and the member's contributions toward the member's retirement benefits, as well as all the fund expenses, fees and costs. This includes the costs of the insurance benefits.
 - b. If the employer decides not to continue with the payment of retirement fund contributions, the employer must still pay all the fund expenses, fees and costs, including the costs of the insurance benefits.
2. Employer chooses that insurance benefits must not continue
 - a. If the employer decides to continue with the payment of retirement fund contributions during the member's absence from employment, the employer must pay both the employer's and member's contribution towards the member's retirement benefits, as well as all the fund expenses, fees and costs, less the costs of the insurance benefits.

Conditions for use

The information in this document is not professional advice. You rely on the contents of this note at your sole discretion. Momentum is not liable for any form of damage that may be caused by the use of this note. Momentum does not make any warranty about the contents of this note. Registration number 1904/002186/06
Momentum, a division of MMI Group Limited, an authorised financial services and credit provider

- b. If the employer decides not to continue with the payment of retirement fund contributions, the employer must still pay all the fund expenses, fees and costs, less the costs of the insurance benefits.

As a general rule, should the employer not choose one of the options above, then option 2b will apply.

The different scenarios are illustrated on the last page.

Where the Fund contribution includes standalone (unapproved) insurance benefit premiums

Where the employer contribution to the Fund includes the premiums for unapproved insurance benefits provided through a separate Momentum insurance policy, the Fund will only pay over the premiums for the unapproved insurance benefits to Momentum if they have actually received the premiums from the employer. The Fund cannot deduct the premiums for unapproved insurance benefits from the member's retirement savings account and pay it to Momentum. The member will then effectively lose his cover for the unapproved insurance benefits. The Fund merely acts as an agent for the employer and has no responsibility to pay the premiums should no premiums have been received. Most importantly, the Fund is not responsible for the paying of the unapproved insurance benefits when there is a claim.

Unapproved insurance benefit provided by Momentum

A member will continue to be covered for 12 consecutive months at the level at which he was covered immediately before his absence, as long as Momentum receives payment of the premiums and the member has not yet reached the age at which the cover terminates. After 12 consecutive months' absence, the member's cover will automatically terminate, unless Momentum has agreed to a longer period of absence, subject to the conditions as specified by Momentum. If a member's cover has terminated and he returns to work, his cover will start again as if he were a new member. If a member is absent from work more than once, and there is not at least 3 consecutive months between his absences, it will be deemed that those periods of absence are continuous. This means that those periods of absence will be added together to determine whether it is more than 12 months. If it is, then the member's cover will terminate.

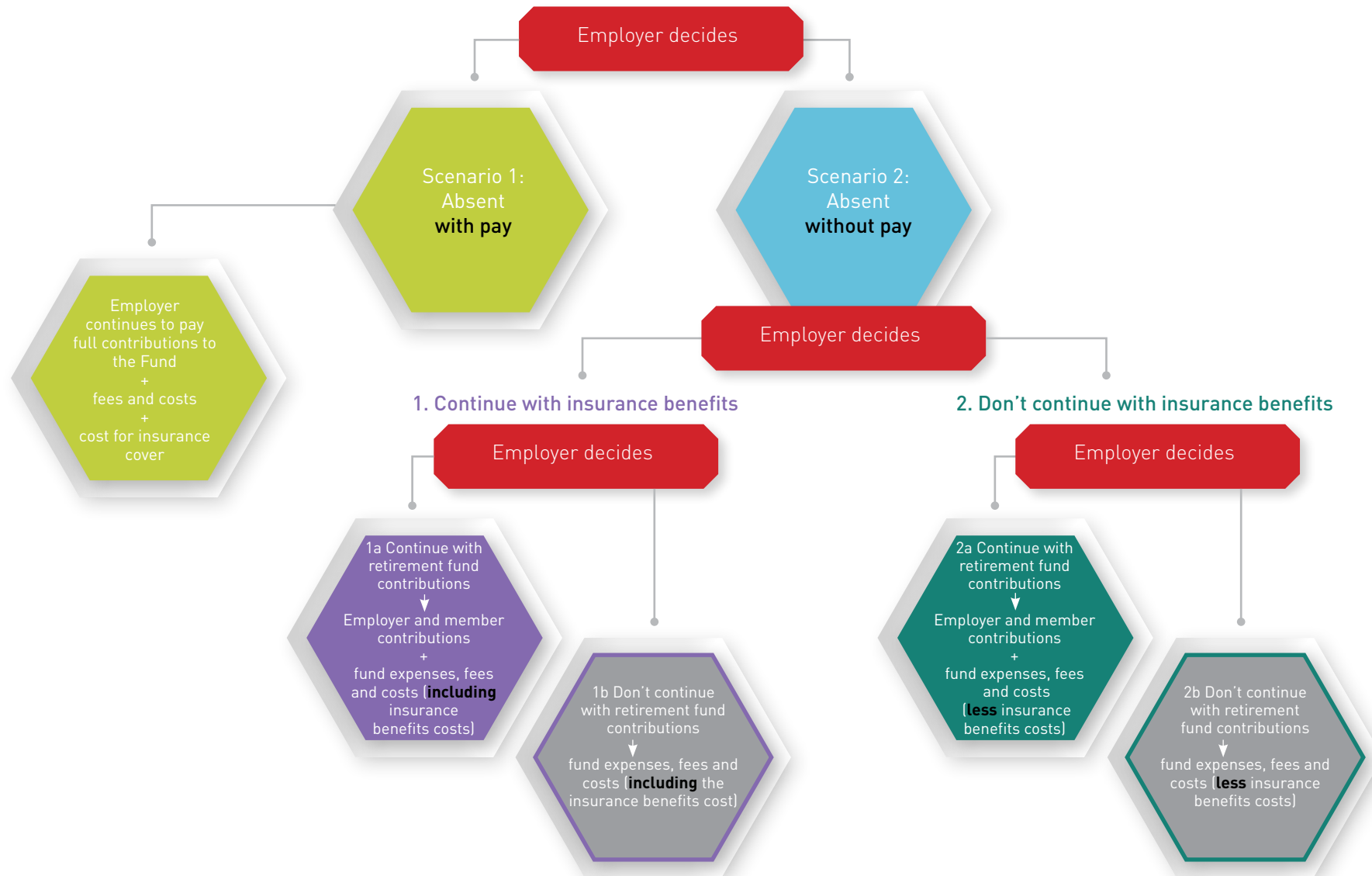
Shameer Chothia

Legal Specialist: Products

Momentum Employee Benefits – FundsAtWork

Continuation of retirement and insurance benefits during temporary absence from employment

Provisions of the General Rules of the FundsAtWork Umbrella Funds



As a general rule, should the employer not choose one of the options above, then option 2b will apply.