

How Sentinel creates value

Business model

Sentinel creates value for our members, pensioners and other stakeholders through a business model developed over decades of retirement fund management.

The Fund is one of the largest self-administered, defined-contribution, umbrella pension funds in South Africa, actively managing R85 billion as at 30 June 2016.

It is structured as a type 'A' umbrella pension fund that offers in-house self-insured risk benefit cover (death and disability) and monthly pensions.

Sentinel actively pursues fund growth through world-class investment management underpinned by advanced IT systems and specialist skills. The Fund has 41 113 active and deferred members and 110 participating employers.

Monthly pensions are paid to 34 644 former members and beneficiaries.

Sentinel's long-term investment strategy makes a meaningful contribution to the communities where its members and pensioners reside.



Inputs



Financial capital

Sentinel's assets are available for use in the provision of benefits

- Member contributions
- Investment returns and income
- Reserves
- Assets



Intellectual capital

The intangibles that sustain the quality of our product and service offering, which provide Sentinel's competitive advantage

- Policies, systems, procedures, controls and standards
- Legal and statutory compliance measures
- IT backbone and supporting software
- Driven by service approach



Human capital

The skills and experience invested in our employees that enable us to implement our strategy and deliver our products and services, thereby creating value for Sentinel's stakeholders

- Employees
- Outsourced professionals/service providers
- Training
- Remuneration and policies



Social and relationship capital

The key and long-term relationships that Sentinel has cultivated with key stakeholders and service providers

- Members
- Pensioners
- Participating employers
- Service providers
- Government at various levels
- Business partners

Values

Vision and mission

Risk management

Strategy

Resource allocation

Components of value creation

- We act with **prudence and reasonable care**
- We act with **skill, competence and diligence**
- We act in the **best interest** of all our members and beneficiaries
- We **abide by** applicable laws, regulations and rules
- We **communicate with all stakeholders** in a timely, transparent and accurate manner
- We **review on a regular basis** the efficiency and effectiveness of our success in **meeting our principal goals**

Vision: To position and grow Sentinel to **continually provide sustainable retirement solutions** to all its members in a **socially responsible manner**.

Mission: Sentinel Retirement Fund is dedicated to **providing innovative and sustainable retirement solutions to all its members** by delivering **cost-effective, superior investment returns and quality service**. We will continue to be **pioneers in the industry** for the benefit of stakeholders on our lifelong journey together.

Sentinel operates **within a prudent risk framework** that complies with the Pension Funds Act (Act No 24 of 1956) to generate **consistent returns over the long term**.

Our risk model has been **well tested** by all the 'boom and bust' cycles of the past 70 years.

Sentinel's broad strategic objectives are to:

- **Maintain and enhance** excellence in management and governance
- **Maintain and enhance** the Fund's investment risk management performance
- **Retain and grow** the membership and participating employer base
- **Transform** the Fund to be more representative of the South African demographics at Board, management and employee levels

Resources flow through Sentinel in the form of the **four capitals pertinent to our operations**, being the **financial, social and relationship, human and intellectual capitals** as defined by the integrated reporting <IR> framework. The Board and management decide on the **mix and quantities** of these capitals to be allocated to ongoing operations and new endeavours.

Business activities and services

Contributions, investments, benefits and annuities

Sentinel's business activities are to manage:

- **Members** (contributions and benefits)
- **Assets** (investments)
- **Pensioners** (annuities paid)

These activities are **underpinned by impeccable administration and member services**. In simple terms, **how Sentinel works**.

Retirement and risk fund contributions are received monthly from contributing members and their employers.

Members' contributions are invested into selected asset classes, through our investment managers, in the local and international investment markets.

Over time, the invested pool of funds grows, enhancing the financial balance (fund credit) for each contributing member.

When the contributing member reaches retirement age and becomes a pensioner of the Fund, a monthly pension benefit (annuity) is provided from the Fund using the accumulated fund credit.

Governance

Sentinel is a recognised world leader in integrated reporting for retirement funds. Although not compelled by legislation, Sentinel chooses to govern itself in accordance with the King III code and reports to its stakeholder universe in terms of the international integrated reporting <IR> framework. As good corporate governance underpins our long-term reputation in the sector, Sentinel continues introducing best term practices in its <IR> report. We will also closely examine the King IV code likely to be adopted in 2017.

Key products, solutions and impacts

- Fund management
- Benefit payments
- Death benefits
- Pension Income Choice
- Member Investment Choice
- Annuity payments
- Asset management

Outputs

Outcomes



Financial capital

- Sentinel manages assets of approximately **R85 billion** as at 30 June 2016
- **R3,92 billion** pensions paid
- **R3,86 billion** benefits paid



Intellectual capital

- The **trust** and **confidence** of members and pensioners
- Continual **performance improvement**
- **Quality standards** maintained and improved
- **Leadership** in pension fund management and performance



Human capital

- Qualified, experienced and motivated workforce
- **8 employees** assisted to Bachelor degrees
- **2 employees** assisted to Master's degrees



Social and relationship capital

- **EE plan**
- **9** incubator programme graduates
- **7,3%** exposure to high impact investments

What happens to my savings in the event of ...?

Dismissal/resignation/retranchment

- **Deferred membership option**
- **Fund Credit paid out**
- **Fund Credit transferred to approved fund.**

Death

Fund Credit plus cover amount (if applicable) paid as follows:

- **50% to provide spouse pension**
- **50% paid as lump sum in terms of Section 37C of the Pension Funds Act (No 24 of 1956) to dependants and/or nominees.**

Disability

Fund Credit plus cover amount (if applicable) paid as a retirement benefit.

Retirement

- **Maximum one-third lump sum**
- **Monthly with profit pension payable for life (member and spouse):**
 - **Spouse pension payable at 75% or 100% in event of death of retiree**
 - **Term certain guarantee period of 5, 10, 15, 20 or 25 years**
- **If a minimum R150 000 annual pension from the above, then an option of receiving a living annuity pension.**

Significant rule changes during the past financial year

The general rules of Sentinel were amended so that the Fund remains relevant and sustainable, as well as being able to attract new employers from other industries. To this end, the following significant amendments were registered and approved by the Financial Services Board (FSB):

- To provide new employers, who joined Sentinel after 1 July 2013, an option to contribute to the Fund at a rate of less than 17% of fund salary, excluding risk benefits
- To allow a member who reaches his/her normal retirement age with effect from 1 March 2015, and no longer in the service of his/her employer, to defer his/her retirement benefit
- The different death and disability cover options were revised including the default option from three times to 2,5 times of average annual fund risk salary due to adverse claims experience, particularly on the disability benefits. The total risk cover premium split was also revised, although the total risk premium remains unchanged.