

# OPTIONS ON RETIREMENT FROM EMPLOYMENT



## **PetroSA**

# **Retirement Fund**

*All about your fund and what it does for you*

### **LEGAL DISCLAIMER**

- This guide is a summary of the Rules of the Fund. In the event of a conflict between this guide and the Rules, the Rules will apply.
- The contents of this guide does not constitute advice either by the Trustees, or by its consultants.

# YOUR FUND – YOUR DECISIONS

## Congratulations on your retirement from PetroSA!

Now that you are retiring from employment and starting a new chapter of your life, there is one more decision which you need to make.

What are you going to do with the money invested in the PetroSA Retirement Fund?

Your options are as follows:

- Defer your benefits in the Fund – i.e. stay in the Fund until you decide to retire from the Fund
- Retire from the Fund

These are explained further below. Please note that if you do NOT make a decision, you will AUTOMATICALLY become a deferred pensioner in the Fund.

## 1. DEFERRING YOUR BENEFITS IN THE FUND – become a “deferred pensioner” – RETIRE from the Fund LATER

This means that your full benefit stays invested in the Fund UNTIL you decide to retire from the Fund or to transfer your benefits to a retirement annuity fund or a provident preservation fund.

Your benefit in the Fund is called a **DEFERRED PENSIONER ACCOUNT** and is equal to your member individual account at the point of deferment plus investment returns less any benefits paid out (e.g. divorce orders etc.) less fees. The fees are shown on page 7.

- No further contributions are paid to the Fund, though the Fund can still accept transfers from other approved funds, which will be added to your Member Individual Account.
- You will still need to decide where your funds are invested. The investment options available to you are shown on page 6.
- No tax is payable on any amounts deferred in the Fund.
- Once you defer, you lose the ability to take cash from the Fund until your retirement from the Fund.

The following benefits will be payable from the Fund should you choose to defer your benefits in the Fund:

### DEATH BENEFITS

<b>When?</b>	When you die while being a deferred pensioner of the Fund
<b>What?</b>	Your member individual account
<b>How?</b>	The Trustees will allocate your death benefits in line with Section 37C of the Pension Funds Act (but may be guided by your beneficiary nomination form)

### TRANSFER BENEFITS

<b>When?</b>	When you decide to transfer your benefits out of the PetroSA Retirement Fund into a retirement annuity fund or a provident preservation fund
<b>What?</b>	Your deferred pensioner account
<b>How?</b>	Your transfer benefit will be transferred to the retirement annuity fund or a provident preservation fund of your choice

Transferred amounts are not subject to tax. Points to note about transfers to the various alternative vehicles:

#### **Retirement Annuity Fund**

It is important to note that you can only receive a benefit from a Retirement Annuity Fund on your retirement on or after age 55 (or on death or ill-health early retirement).

You should also be aware that the cost structure of a retirement annuity will be higher than that of becoming a deferred pensioner of the PetroSA Retirement Fund.

### ***Preservation Fund***

The main disadvantage of this option is that your costs are higher compared to leaving your money in the PetroSA Retirement Fund. You could pay commission at entry and the on-going administration fee could be as high as 0,5% per annum of the market value of your assets. The investment management fee could be as high as 1,5% per annum of the market value of your investment. If you elect to invest your money in a Preservation Fund make sure that you get full details of the commission, on-going administration fee and investment fees payable. An additional cost of for example, 1% per annum over 20 years may reduce your retirement benefit by as much as 20%!

## **RETIREMENT BENEFITS**

**The retirement benefit payable when you choose to retire from the Fund is as follows:**

**When?** When you choose to retire from the Fund (which can be after retirement from employment)  
Normal retirement age is 65 years (unless you have different conditions of service)  
Early retirement is permitted from the age of 55.

**What?** Your deferred pensioner account

**How?** Please see 2 below for how much cash and pension you can take.

The Fund will provide you with quotations for a **life annuity** (pension purchased from an insurer which is guaranteed to be paid until your death). The Fund also offers a **living annuity**, which functions like a bank account where you decide where the money is invested (within certain limits); and how much pension you take (within certain limits). You also have the option to choose any other permissible annuity of your choosing. Further and more detailed information will be provided to you on retirement.

## **2. RETIRING FROM THE FUND NOW**

**When?** Now

**What?** Your member individual account

**How?** You can use the **full benefit to buy a pension** from an insurer and / or from the Fund (the pension payments will be subject to tax) OR  
You can take **a maximum of your full vested benefit plus one third of the non-vested benefit in cash** as a lump sum (though this will be subject to tax) and **use the rest to buy a pension** from an insurer and / or the Fund (the pension payments will be subject to tax)

**Vested benefit:** Any amount in any provident fund of which you were a member as at 1 March 2021 (including the PetroSA Fund) which is ultimately transferred into the PetroSA Fund (even if it is first transferred somewhere else), plus returns thereon. Plus, if you were over age 55 and a member of the PetroSA Fund on 1 March 2021, the contributions to the PetroSA Fund after 1 March 2021, plus fund returns thereon. This amount may be taken in cash on retirement.

**Non-vested benefit:** Any amount contributed to any fund after 1 March 2021 plus returns thereon, which is ultimately transferred to the PetroSA Fund, and all contributions to the PetroSA Fund after 1 March 2021 (except for those who were over age 55 and members of the PetroSA Fund as at 1 March 2021 in which case these are vested benefits). If this amount is lower than R247,500 at retirement, it may be taken in cash. If not, a maximum of one-third may be taken in cash and the remainder must be used to purchase a pension.

## **TAKING CASH**

Any portion of the retirement benefit which you take in cash will be subject to tax. The current tax table (effective 1 March 2023) is as follows (please note that any previous amounts taken in cash from a retirement fund will be taken into account in this calculation):

<b>Lump sum death or retirement benefit</b>	<b>Tax liability</b>
<b>R0 to R 550 000</b>	0%
<b>From R550 001 to R770 000</b>	18% of taxable income exceeding R550 000
<b>From R770 001 to R1 150 000</b>	R 39 600 plus 27% of taxable income exceeding R770 000
<b>Exceeding R1 150 001</b>	R143 550 plus 36% of taxable income exceeding R1 155 000

**The more cash you take, the less is available to fund your pension.**

## **BUYING A PENSION**

You can choose to take a LIFE annuity (from an Insurer) or a LIVING annuity (from the Fund or from an external provider such as an insurer or asset manager). Though they sound the same, they are very different. The differences are briefly shown in the table below:

	<b>Life Annuity – Insurer</b>	<b>Living annuity – PetroSA OR Insurer OR asset manager</b>
<b>Vehicle</b>	Insurance Policy	“Bank account”
<b>Payable</b>	As long as you live	Until living annuity balance is depleted
<b>Pension amount</b>	Set by insurer depending on type of pension, increases and terms	You decide this on an annual basis (within certain limits)
<b>Investment choice</b>	None	You decide how the living annuity balance should be invested – from the portfolios on page 5.
<b>Decision making</b>	At point of purchase for terms	Annual – amount of pension and investment
<b>Inheritability</b>	None (except where agreed)	Remaining living account balance
<b>Ability to change later</b>	Not permitted	Permitted – can purchase another living annuity of life annuity
<b>Risks</b>	Loss of capital on early death	Risk of outliving your capital

If you are thinking of retiring from the Fund, please consult the other documents provided:

- The **Retirement Options Guide** attached outlines all of the main considerations which you to bear in mind when making this decision so please read this carefully.
- The Fund does offer a LIVING annuity. For further information please see the **In-House Living Annuity Guide**.
- Though the Fund does not offer a LIFE annuity, the Fund has/will obtain for you a commission free quotation from one provider for a with profits pension. For further information please see the **With Profits Annuity Guide**.
- If you have no idea what a LIFE and LIVING annuity are, please read the Retirement Options guide!

- Please come to a retirement workshop to discuss these in more detail.
- It is always advisable to speak to a **trusted** financial advisor.

## INVESTMENT OPTIONS

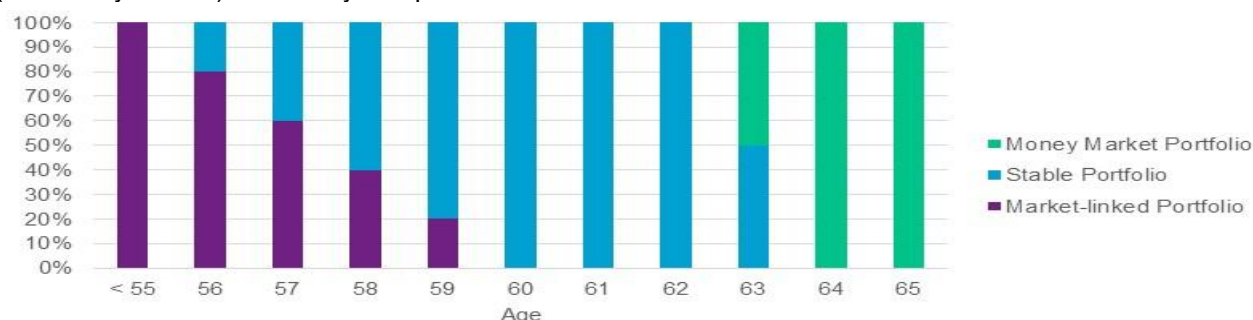
### INVESTMENTS

The Fund offers you **MEMBER INVESTMENT CHOICE**. You need to decide which portfolios you want your member individual account or living annuity balance to be invested in from a range of portfolios (combinations are also permitted) as highlighted in the table below.

Portfolio name	Target return and comment	Asset allocation (as at 30 June 2023)
<b>Market Linked Portfolio</b>	Target return <b>CPI + 5%</b> per annum over a rolling 7 year period Highest potential return; highest volatility; highest chance of negative returns over short periods Most appropriate for long term investing (>10 years)	Strategic asset allocation determined by the Board. <b>40.6% SA equities</b> (managed equally by Allan Gray, Coronation and Abax) <b>21.8% SA bonds</b> (managed by Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%)) <b>37.7% offshore</b> (various managers across bonds (15%); equity (67.5%), listed infrastructure (7.5%) and listed property (10%))
<b>Stable Portfolio</b>	Target return of <b>CPI + 3%</b> per annum over a rolling 3 year period Lower volatility than the Market Linked portfolio	Actual asset allocation determined by the managers. <b>12.0% SA equity + 0.7% SA property + 35.4% SA bonds + 14.1% SA cash + 35.1% offshore + 2.6% other (commodities and hedge funds)</b> (managed by Allan Gray (33.3%), Coronation (33.3%) and Ninety One (33.3%))
<b>Money Market Portfolio</b>	Target Return of <b>CPI + 1%</b> per annum Least appropriate for long term investing Most chance of capital preservation	<b>100% SA cash and money market instruments</b> (managed by Ninety One)
<b>Shari'ah Portfolio</b>	Target returns of <b>CPI + 4%</b> per annum over a rolling 5 year period Adheres to Shari'ah principles of the ban of interest and the ban on investment in certain sectors – e.g., conventional financial, alcohol and tobacco; non-halaal food production; some entertainment (e.g., casinos) and arms manufacturing.	Strategic asset allocation determined by the manager <b>36.3% SA equities + 4.7% commodities + 26.5% SA cash &amp; Islamic fixed term deposits + 3.1% SA Sukuk + 24.5% offshore equities + 4.8% offshore sukuk</b> (managed by 27four Investment Managers)

You can change the investment choice at any time (costs of changing are shown in the next section).

If you become a deferred pensioner and do not make an investment choice, your member individual account will remain invested in the same portfolios as current (if currently in Lifestage, will continue to be transitioned in the lifestage model). The Life Stage Model transitions you from the most aggressive portfolio (the Market Linked) to the least aggressive portfolio (the Money Market) in the 10 years prior to retirement as follows:



If you choose to take a living annuity from the fund and do not make any investment choice, your living annuity balance will be invested in the Stable Portfolio.

## COSTS

### Administration and Fund costs (applicable from 1 June 2023) applicable to deferred pensioners and living annuitants

- Deferred pensioners – Administration costs of R49.96 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R1 192.68 plus VAT. Administration costs of R121.18 pmpm plus VAT deducted from living annuity balance.

**Switching costs** (cost of changing investment decision) – One switch in a year is free. Thereafter, the cost is R455.18 plus VAT, and is deducted from your account .

### Investment management fees

The table below shows the estimated portfolio fees and charges (inclusive of VAT) for the 12-months ended 31 March 2022. Note that the portfolio investment returns quoted in member communication are net of the fees and charges estimated below

Portfolio	Manager fees		Other investment-related fees and charges		Transaction costs		Total fees & charges	
	31 Mar 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022
Market-linked	0.40%	0.53% <sup>1</sup>	0.06%	0.06%	0.13%	0.11%	0.59%	0.71%
Stable	0.56%	0.55%	0.06%	0.07%	0.05%	0.05%	0.68%	0.67%
Money Market	0.09%	0.09%	0.00%	0.00%	0.00%	0.00%	0.09%	0.09%
Shari'ah	0.81%	0.75% <sup>2</sup>	0.06%	0.04%	0.19%	0.11%	1.06%	0.90%

The Fund has performance fee arrangements in place with Allan Gray Domestic Equity, Coronation Houseview Equity, Coronation Active Bonds, Ninety One Flexible Bond and with Hosking Partners on the Sygnia Life platform (Market-linked Portfolio) and Allan Gray Global Stable (Stable Portfolio), and collectively these managers make up 51% of the Market-linked Portfolio and 33% of the Stable Portfolio based on asset values as at 31 March 2022. The total fees and charges for the Market-linked Portfolio and Stable Portfolio will vary from time to time, depending on how these managers perform compared to their performance fee benchmarks.



# ABOUT THE PETROSA RETIREMENT FUND

- **Established** on 1 February 1996.
- Membership of the Fund is **compulsory** for all employees

## MISSION AND VALUES

- **Honesty** – the Fund will always act towards its members in a transparent and honest manner
- **Empowerment** – the Fund has a focus on providing members with education which aims to empower members to understand their benefits and make the right decisions
- **Innovation** – the Fund aims to be at the forefront of developments in the retirement fund industry

## GOVERNANCE

The Fund is separate from the Employer and is managed by the Board of Trustees.

The Board of Trustees =

- 4 individuals elected by members of the Fund + 4 individuals appointed by the Employer
- Term of 3 years
- Meets 4 times a year
- Responsibilities are to run the Fund in the **best interest of the members** and manage the Fund in terms of the **Rules and applicable laws**

The Rules of the Fund can be obtained from the Principal Officer on request – details below

## COMMUNICATION

More information is provided via the following:

- **Fund Website** for all Fund information: [www.petrosaretirementfund.co.za](http://www.petrosaretirementfund.co.za)
- **Newsletters** will be issued quarterly
- **Presentations and workshops** are held regularly. Please attend these to learn more!
- **Benefit statements** showing your benefits will be issued annually towards the end of March
- **Alexander Forbes Online facility** where you can check your own information on a real time basis and access various tools and calculators: [www.alexanderforbes.co.za](http://www.alexanderforbes.co.za)
- **Fund Rules** can be obtained from the principal officer (details below) or from the Fund website.

## QUESTIONS OR QUERIES- PLEASE CONTACT:

The Principal Officer: Rochelle Swart\*

Telephone: 0849412329

E-Mail: [rochelleswart20@gmail.com](mailto:rochelleswart20@gmail.com)

**\*Ms Swart is an independent Principal Officer**

## CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Capital department in writing:

Dorathy Cedras (044) 601 2540

[dorathy.cedras@petrosa.co.za](mailto:dorathy.cedras@petrosa.co.za)

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