

# OPTIONS FOR DEFERRED MEMBERS



## **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

### Dear Deferred Member,

A while ago you had left the service of PetroSA and decided to leave your benefits in the Fund (or made no decision at that time and were defaulted into this category).

This letter just serves to remind you what options are available to you as a deferred member.

Your options are as follows:

- Continue to defer your benefits in the Fund – i.e. stay in the Fund until you decide to transfer your benefits out of or retire from the Fund
- Transfer your benefits to another Fund (this is only available until the age of 65 years)
- Retire from the Fund (once you reach early retirement age)

These are detailed further below.

Your benefit is invested in the Fund UNTIL you decide to retire from the Fund or until you decide to transfer your benefits out of the Fund.

Your benefit in the Fund is called a **DEFERRED PENSION 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 6.

- 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 Deferred Pension Account.
- You will still need to decide where your funds are invested. The investment options available to you are shown on page 5.

The following benefits will be payable from the Fund:

### DEATH BENEFITS

<b>When?</b>	When you die while being a deferred member of the Fund
<b>What?</b>	Your deferred pension account
<b>How?</b>	The Trustees will allocate your death benefits in line with Section 37 C 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 before reaching normal retirement date (65 years)
<b>What?</b>	Your deferred pension account
<b>How?</b>	Your transfer benefit will be transferred to a fund of your choice – your new employer's fund, a retirement annuity or a preservation fund.

Transferred amounts are not subject to tax.

Please note that the option to transfer the deferred benefit to another fund falls away at the age of 65 years.

Points to note about transfers to the various alternative vehicles:

## ***New Employer's Fund***

If the new employer's Fund is a Pension Fund (and not a Provident Fund), please note that at retirement you will be able to take up to 1/3<sup>rd</sup> maximum in cash and the remainder will have to be used to purchase a pension.

The possible advantage of this option is that it is likely to be a cheaper option (e.g. no commissions are payable) than a retirement annuity or preservation fund and it allows you to consolidate all your retirement savings in one vehicle. You should find out about the investment options available and the costs thereof prior to making this choice.

## ***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 your earlier death or ill-health retirement), and similarly to a pension fund, you may only take up to one-third as a cash lump sum at retirement, with the balance paid to you as a monthly pension.

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 possible advantage of a Preservation Fund is that if the rules allow it you may make one cash withdrawal prior to your retirement. (You may even take the full amount as a cash withdrawal.) Once you have made such a withdrawal, the balance of your money must be left in the Preservation Fund until you retire. Such withdrawal is of course subject to tax. And of course, **taking any of your retirement savings in cash will affect your ability to reach a financially comfortable retirement and is in general not advised.** You can transfer from one Preservation Fund to another, but there are costs involved.

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. An additional cost of say 1% per annum over 20 years will reduce your retirement benefit by as much as 20%!

## **RETIREMENT BENEFITS**

- When?** When you choose to retire from the Fund (after reaching the age of 55 years)
- What?** Your deferred pension account
- How?** You can take the **full benefit in cash** as a lump sum (though this will be subject to tax) OR  
You can use the **full benefit to buy a pension** from an insurer or from the Fund (the pension payments will be subject to tax) OR  
You can take **some of the benefit in cash** and use the rest to buy a pension from an insurer or the Fund

## **TAKING CASH AT RETIREMENT**

Any portion of the retirement benefit which you take in cash will be subject to tax. The current tax table (effective 1 March 2019) 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>Amount taken as a lump sum at retirement</b>	<b>Tax payable</b>
<b>R0 – R500 000</b>	0%
<b>R500 001 – R700 000</b>	18% of the amount above R500 000
<b>R700 001 – R1 050 000</b>	R36 000 + 27% of the amount above R700 000
<b>Above R1 050 001</b>	R130 500 + 36% of the amount above R1 050 000

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

### **BUYING A PENSION AT RETIREMENT**

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 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

- The Fund does offer a living annuity. For further information please see the **In-House Living Annuity Guide** attached.
- Though the Fund does not offer a LIFE annuity, the Fund will obtain for you a commission free quotation from two providers for a with profits pension. For further information please see the **With Profits Annuity Guide** attached.
- Of course there are other LIFE annuities and LIVING annuities available to you. For further information please see the **Retirement Options Guide** attached. It is advisable that you speak to a financial advisor in making this choice.
- There is no tax payable on the amount used to purchase an annuity of any type, though the pension paid will be subject to income tax.

# INVESTMENT OPTIONS

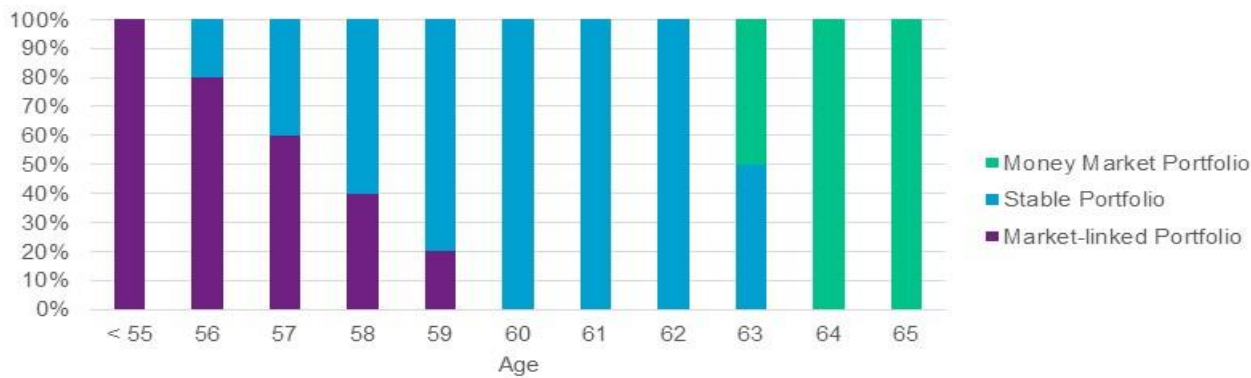
## INVESTMENTS

The Fund offers you **MEMBER INVESTMENT CHOICE**. You need to decide which portfolios you want your deferred pension account 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 31 December 2018)
<b>Market Linked Portfolio</b>	<p>Target return CPI + 5% per annum over a rolling 7 year period</p> <p>Highest potential return; highest volatility; highest chance of negative returns over short periods</p> <p>Most appropriate for long term investing (&gt;10 years)</p>	<p>Strategic asset allocation determined by the Board.</p> <p>46% SA equities (managed equally by Allan Gray, Coronation and Abax)</p> <p>24% SA bonds (managed by Investec (37.5%), Coronation (37.5%) and Futuregrowth (25%))</p> <p>30% offshore (various managers across bonds (15%); equity (70%) and listed property (15%))</p>
<b>Stable Portfolio</b>	<p>Target return of CPI + 3% per annum over a rolling 3 year period</p> <p>Lower volatility than the Market Linked portfolio</p>	<p>Actual asset allocation determined by the managers.</p> <p>18.8% SA equity + 3.7% SA property</p> <p>33.0% SA bonds + 12.8% SA cash</p> <p>28.0% offshore + 3.6% other</p> <p>(managed by Allan Gray (50%), Coronation (25%) and Investec (25%))</p>
<b>Money Market Portfolio</b>	<p>Target Return of CPI + 1% per annum</p> <p>Least appropriate for long term investing</p> <p>Most chance of capital preservation</p>	<p>100% SA cash (managed by Investec)</p>
<b>Shari'ah Portfolio</b>	<p>Target returns of CPI + 4% per annum over a rolling 5 year period</p> <p>Adheres to Shari'ah principles of the ban of interest and the ban on investment in certain sectors – eg conventional financial, alcohol and tobacco; non-halaal food production; some entertainment (eg casinos) and arms manufacturing.</p>	<p>Strategic asset allocation determined by the manager</p> <p>40% SA equities + 5% commodities</p> <p>30% SA murabahah contracts</p> <p>18% offshore equities + 5% offshore sukuk</p> <p>2% non-interest bearing cash</p> <p>(managed by 27Four Investment Managers)</p>

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

If you do not make a choice, your deferred pension 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:



## COSTS

### Administration and Fund costs (applicable from 1 June 2019) applicable to deferred members

- Deferred members – Administration costs of R41.00 pmpm plus VAT deducted from deferred pension account

**Switching costs** (cost of changing investment decision) – first switch in the year is free. Thereafter R435.15 plus VAT is deducted from your account per switch.

**Investment management fees** are deducted from the return earned on the investments as follows:

Portfolio	Manager	Fee charged
<b>Market linked</b>	Allan Gray Equity	0.5% p.a. plus 20% of the out-performance of the benchmark (FTSE/JSE All Share Index) capped at 2%
<b>Market linked</b>	Coronation Equity	0.2% p.a. plus 20% of out-performance of benchmark (FTSE/JSE Capped Shareholder Weighted Index) over preceding 12 months capped at 1% (base fee reduced to 0.1% p.a. from 1 Oct 2018 until a performance fee becomes payable)
<b>Market linked</b>	Abax Equity	0.45% p.a. plus VAT
<b>Market linked</b>	Investec Bonds	0.35% p.a. changes to 0.4% on out-performance of All Bond Index (ALBI)+2%
<b>Market linked</b>	Coronation Bonds	0.2% p.a. plus 10% of out-performance over ALBI over preceding 12 months capped at 1%
<b>Market linked</b>	Futuregrowth IDB	0.5% p.a. plus VAT
<b>Market linked</b>	Sygnia(WTW Diversified Global Balanced)	0.695% p.a. (0.073% p.a. for Sygnia administration plus 0.08% p.a. AMX platform fee plus approx. 0.542% p.a. for the underlying manager fees).
<b>Stable</b>	Allan Gray Global Stable	0.4% p.a. plus 20% of the out-performance of the benchmark (AF 3 Month Deposit Index) subject to a 1.8% overall fee
<b>Stable</b>	Coronation Inflation Plus	0.70% p.a.
<b>Stable</b>	Investec Cautious Managed	0.65% p.a.
<b>Money Market</b>	Investec Money Fund	0.09% p.a.
<b>Shari'ah</b>	27Four	0.75% p.a. plus VAT approximately but depends on underlying manager allocation.

# 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: Reinhard Buhr  
Address: 151 Frans Conradie Drive, Parow, 7500, Cape Town  
Telephone: (021) 929 3133  
E-Mail: [reinhard.buhr@petrosa.co.za](mailto:reinhard.buhr@petrosa.co.za)

## CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Capital department in writing.

Cape Town (and Tzaneen, Bloemfontein and SFF):	Mossel Bay (and offshore and Voorbaai):
Reinhard Buhr	Dorothy Cedras
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Approved: BOT 26 March 2019  
Fees updated October 2019