

OPTIONS FOR DEFERRED PENSIONERS



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 Pensioner

A while ago you had retired from the service of PetroSA and decided to leave your benefits in the Fund.

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

Your options are as follows:

- Continue to 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.

1. CONTINUE DEFERRING YOUR BENEFITS IN THE FUND – staying a “deferred pensioner” – RETIRE LATER

This means that your full benefit stays invested in the Fund UNTIL you decide to retire from the Fund.

Your benefit in the Fund is called a **MEMBER INDIVIDUAL 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 Member Individual 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

- When?** When you die while being a deferred pensioner of the Fund
- What?** Your member individual account
- How?** 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)

RETIREMENT BENEFITS

- When?** When you choose to retire from the Fund
- What?** Your member individual 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

The Fund will provide you with quotations for a **life annuity**, which is purchased from an insurer and guarantees payment 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).

These retirement options are the same options as are available should you choose to retire from the fund now (further outlined below), you just make this decision later when you choose to continue to defer.

2. RETIRE FROM THE FUND NOW

When?	Now
What?	Your member individual 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

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):

Amount taken as a lump sum at retirement	Tax payable
R0 – R500 000	0%
R500 001 – R700 000	18% of the amount above R500 000
R700 001 – R1 050 000	R36 000 + 27% of the amount above R700 000
Above R1 050 001	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

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:

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

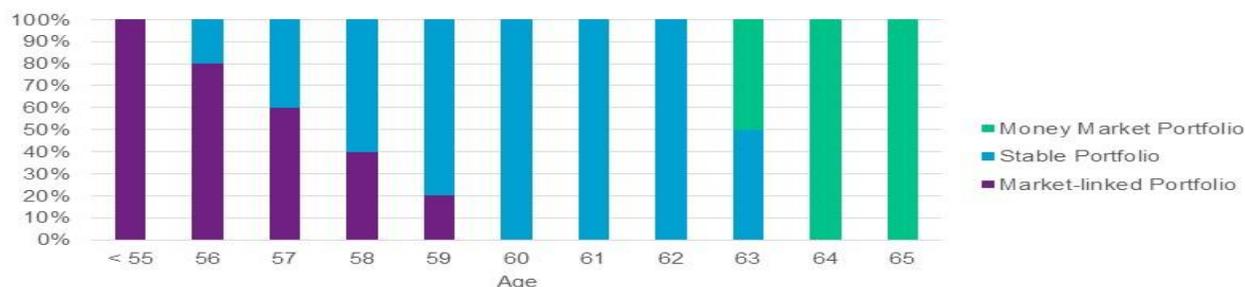
INVESTMENTS

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

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 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 not make an investment choice, your living annuity balance will be invested in the Stable Portfolio.

COSTS

Administration and Fund costs (applicable from 1 June 2019) applicable to deferred pensioners and living annuitants

- Deferred pensioners – Administration costs of R41.00 pmppm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R994.65 plus VAT. Administration costs of R 99.46 pmppm plus VAT deducted from living annuity balance.

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:

Potfolio	Manager	Fee charged
Market linked	Allan Gray Equity	0.5% p.a. plus 20% of the out-performance of the benchmark (FTSE/JSE All Share Index) capped at 2%
Market linked	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)
Market linked	Abax Equity	0.45% p.a. plus VAT
Market linked	Investec Bonds	0.35% p.a. changes to 0.4% on out-performance of All Bond Index (ALBI)+2%
Market linked	Coronation Bonds	0.2% p.a. plus 10% of out-performance over ALBI over preceding 12 months capped at 1%
Market linked	Futuregrowth IDB	0.5% p.a. plus VAT
Market linked	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).
Stable	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
Stable	Coronation Inflation Plus	0.70% p.a.
Stable	Investec Cautious Managed	0.65% p.a.
Money Market	Investec Money Fund	0.09% p.a.
Shari'ah	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
- **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
- **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

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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