

# OPTIONS ON RESIGNATION



# 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 member,**

We are sorry to see you leaving PetroSA and wish you the very best on your journey. Before you leave however, 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 full 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 full benefits to another Fund
- Take the full benefit in cash (this will be subject to tax)
- Take a combination of transfer and cash

These are detailed further below.

Please note that if you do NOT make a decision, you will AUTOMATICALLY become a deferred member in the Fund (as required by legislation) and **lose the ability to take any of the benefit in cash until your retirement.**

## 1. DEFERRING YOUR BENEFITS IN THE FUND – become a “deferred member”

This means that your full benefit stays 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.
- 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 main advantage of this option is that your costs are likely to be much lower than transferring the benefit to another vehicle. There is no commission. The investment management fees are at the level that the Fund has negotiated for all its investments, and therefore you will benefit from the economies of scale that the Fund has been able to achieve, instead of most likely paying higher fees associated with 'retail' savings options such as preservation funds or retirement annuities.

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

### TRANSFER BENEFITS

- When?** When you decide to transfer your benefits out of the PetroSA Retirement Fund before reaching normal retirement date (65 years)
- What?** Your deferred pension account
- How?** Your transfer benefit will be transferred to a fund of your choice.

Please see 2 below for more details on various transfers.

## 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)

## RETIREMENT BENEFITS

<b>When?</b>	When you choose to retire from the Fund (after reaching the normal retirement age of 65 years or on ill health)
<b>What?</b>	Your deferred pension account
<b>How?</b>	You can take the <b>full benefit in cash</b> as a lump sum (though this will be subject to tax) OR You can use the <b>full benefit to buy a pension</b> from an insurer or from the Fund (the pension payments will be subject to tax) OR You can take <b>some of the benefit in cash</b> 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).

Further and more detailed information will be provided to you on retirement.

## 2. TRANSFERRING YOUR BENEFITS TO ANOTHER FUND

Alternatively you can choose to transfer the entire benefit, or a portion thereof (taking the rest in cash) to your next employer's fund, a preservation fund or a retirement annuity.

Transferred amounts are not subject to tax.

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%!

### 3. CASH

Alternatively you can choose to take the entire benefit, or a portion thereof (transferring the rest to another fund) as a cash lump sum.

The portion taken 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 resignation	Tax payable
R0 – R25 000	0%
R25 001– R660 000	18% of the amount above R25 000
R660 001 – R990 000	R114 300+ 27% of the amount above R660 000
Above R990 001	R203 400+ 36% of the amount above R990 000

**Please note that taking any of your retirement savings in cash will affect your ability to reach a financially comfortable retirement and is in general not advised.**

### YOUR BENEFIT IF YOU ARE DISMISSED

If you have been dismissed and have a pending case with the employer, your benefit may be retained in the Fund until the court case is finalised (and the benefit may be reduced).

# INVESTMENT OPTIONS

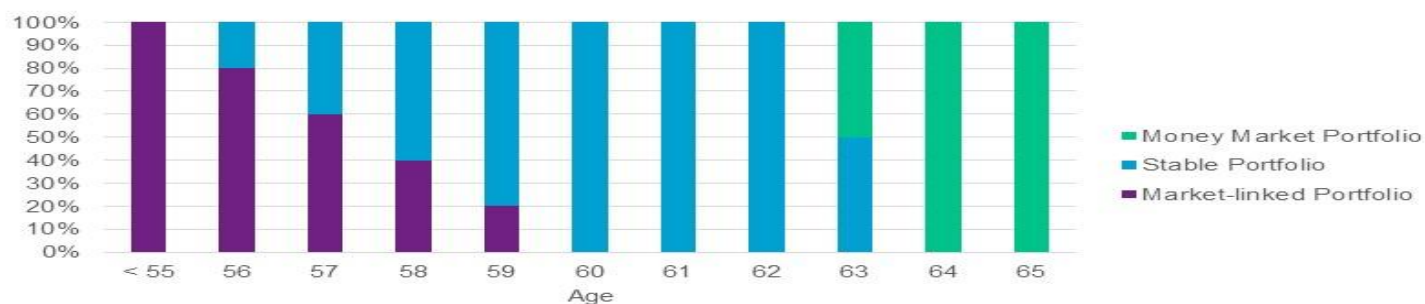
## INVESTMENTS

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>	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%))
<b>Stable Portfolio</b>	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%))
<b>Money Market Portfolio</b>	Target Return of CPI + 1% per annum Least appropriate for long term investing Most chance of capital preservation	100% SA cash (managed by Investec)
<b>Shari'ah Portfolio</b>	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 become a deferred member and do not make an investment 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 435.15 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](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