

# PetroSA RETIREMENT FUND

ISSUE  
NUMBER:

4/2017

## NEWSLETTER

ALL ABOUT YOUR FUND AND WHAT IT  
DOES FOR YOU

Dear members

Welcome to your final newsletter for the year. Your trustees are determined to make sure that it is useful and informative. It is our aim to inform you through the newsletters of the following:

- Trustee decisions that relate to your Fund benefits;
- Developments in the retirement fund industry;
- Your benefits and investments.

- Investment news
- New web-site and communication update
- The importance of preservation
- Your Board of Trustees
- General information

### INSIDE THIS ISSUE



We trust you will enjoy the read.

As this is our last newsletter for the year, we would like to take this opportunity to wish all our members and pensioners a prosperous and healthy 2018.

Board of Trustees  
November 2017

#### Disclaimer:

The information contained in this newsletter does not constitute advice by either the Board of Trustees or its advisors. If you need advice you should seek the assistance of an independent professional financial advisor.

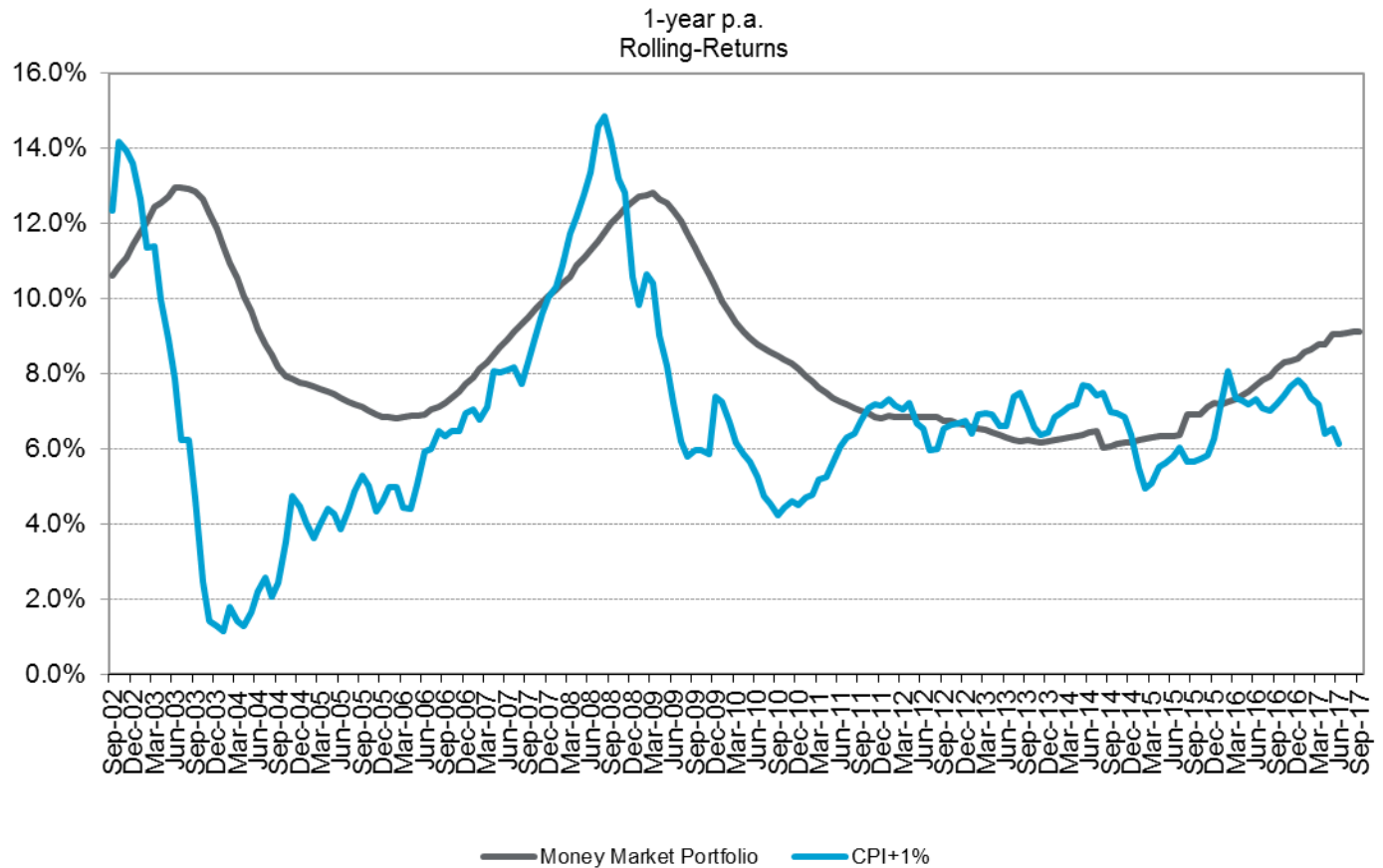
# INVESTMENT NEWS

Below are the annualised investment returns for all the portfolios over different measurement periods until 30 September 2017. Please note that the returns are shown after deducting investment manager fees:

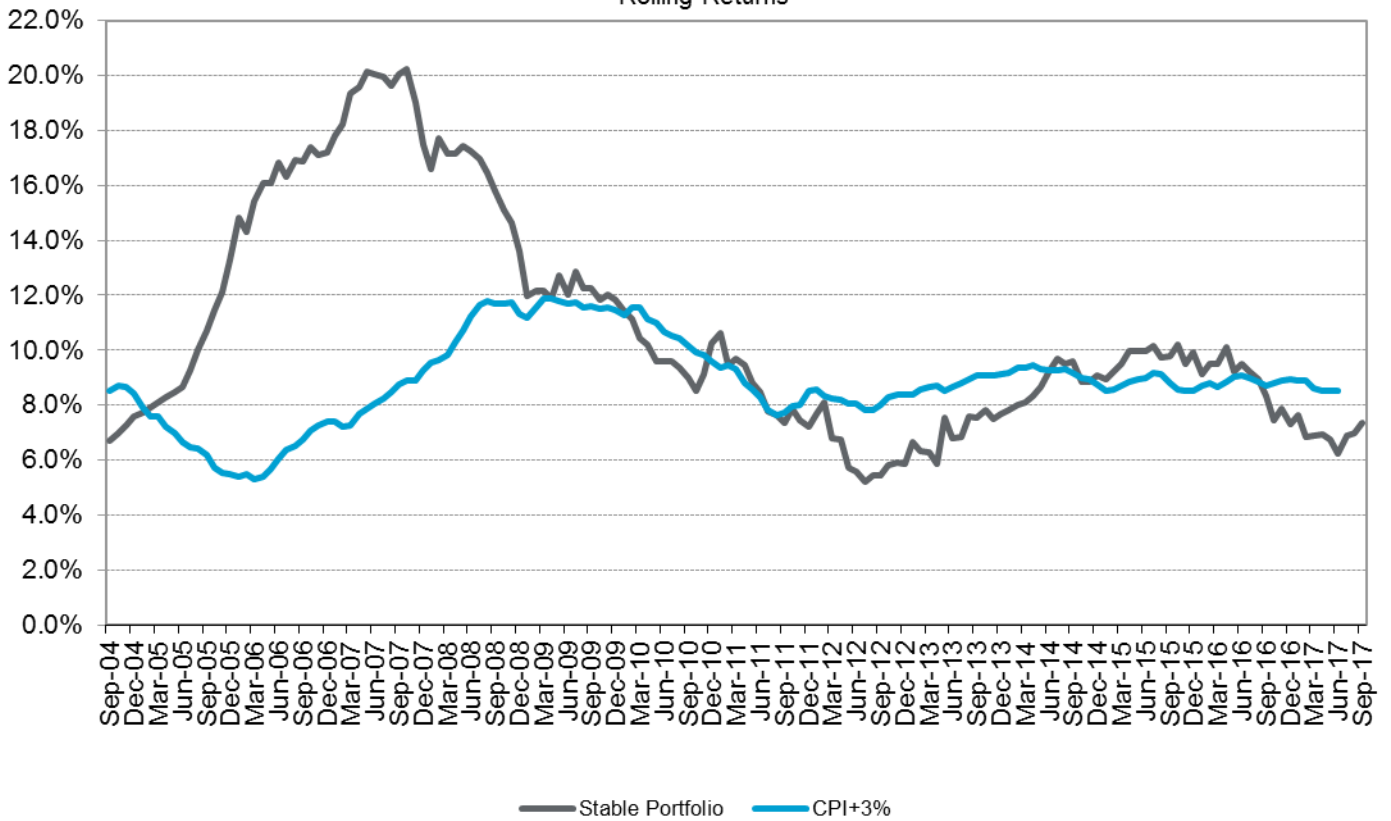
Portfolio	Investment Objective	Measurement period	Actual Return p.a.	Target Return p.a.
Market-Linked portfolio	CPI + 5% p.a. net over a rolling 7-year period	7 years	14.0%	10.8%
Stable Portfolio	CPI + 3% p.a. net over a rolling 3-year period	3 years	7.4%	8.4%
Money Market Portfolio	CPI + 1% p.a. net over a rolling 1-year period	1 year	9.1%	6.1%
Shari'ah Portfolio	CPI + 4% p.a. net over a rolling 5-year period	5 years	9.3%	9.7%

## MONITORING OF LONGER TERM PERFORMANCE OF THE PORTFOLIOS

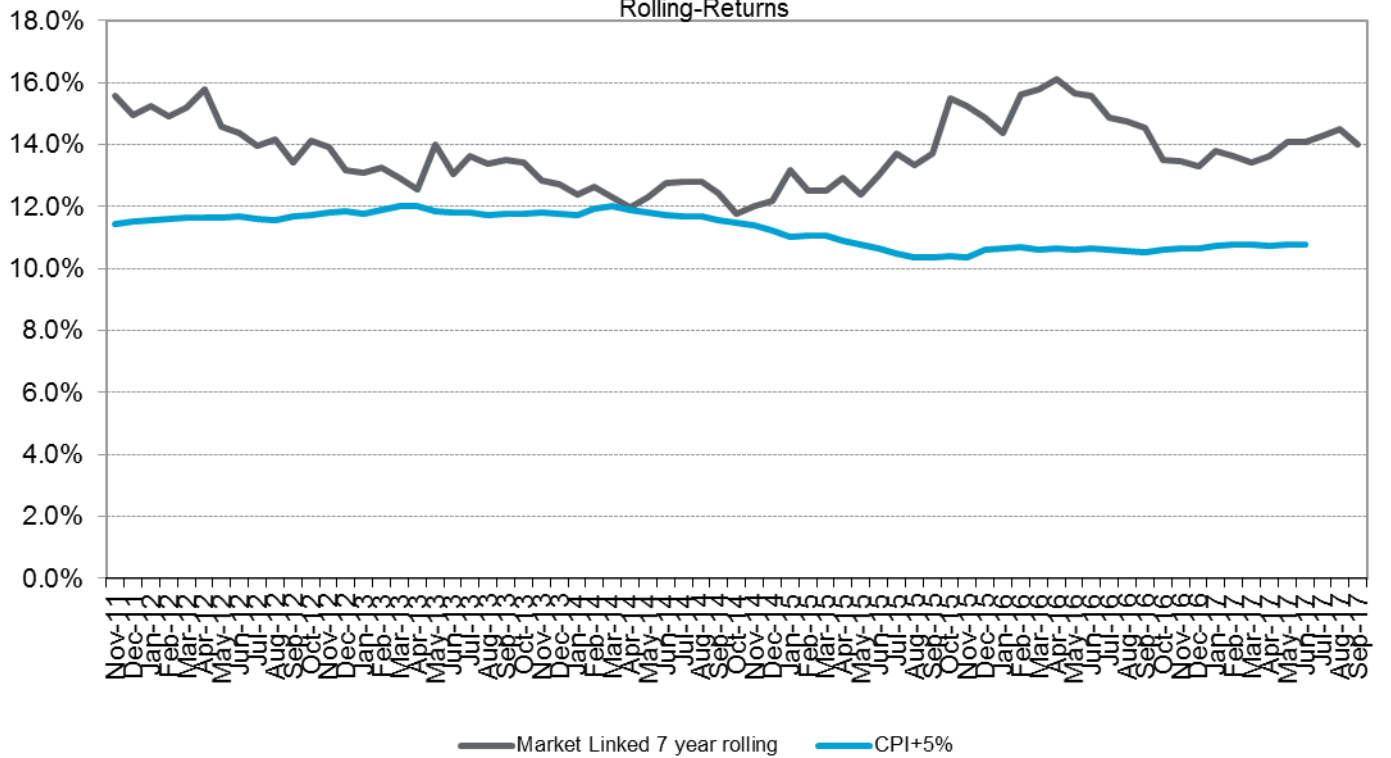
To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 30 September 2017, the chart below shows the performance of each portfolio relative to their investment objective over their respective rolling periods in years to the end of September 2017. The Shari'ah Portfolio was implemented on 1 July 2012 and therefore a 5-year period has not been completed as at 30 September 2017.



3-year p.a.  
Rolling>Returns



7-year p.a.  
Rolling>Returns



## COMMENT ON INVESTMENT PERFORMANCE

The Market-linked portfolio (which is the portfolio for the wealth-building stage of the life stage model) has delivered an exceptional 8.4% per annum above inflation over the last seven years, compared with the long-term investment objective of 5%. Such performance is not expected to be sustainable in the long-term, and we caution members to expect more moderate performance in this portfolio over the next seven to ten years. Effectively the returns over the past few years have been “borrowed” from the future.

The Stable portfolio has delivered some 2.1% per annum above inflation for the last three years, which is well short of the investment objective of 3% per annum. The Trustees have been keeping a close watch on the performance of this portfolio and after reviewing alternative asset managers, decided to replace one of the asset managers. Therefore, with effect from 3 August 2017, the trustees replaced the Prescient Positive Return Fund with the Investec Cautious managed Fund and the Coronation Inflation Plus Fund. We will explain these changes and the reasons in more detail in next quarter’s newsletter.

Looking at performance of various asset classes over the last 5 years SA equities (which comprise the major part of retirement fund assets) delivered some 6.6% per annum above inflation. The other sectors that delivered returns significantly above inflation were global shares (16.8% p.a. above inflation – in Rand terms), global bonds (5.1% p.a. above inflation – in Rand terms), and SA listed property (6.8% p.a. above inflation).

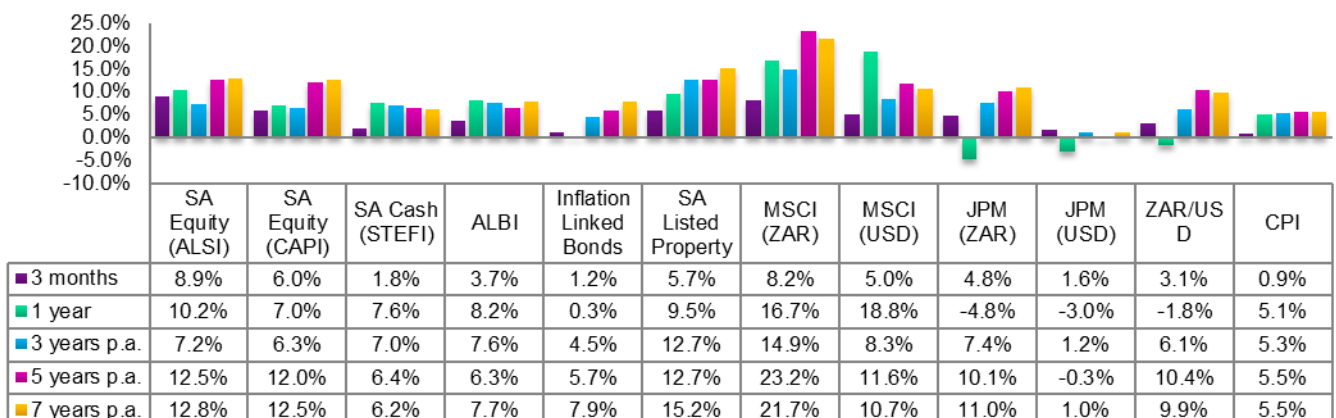
If you need to start living on your retirement benefit within say the next 3 to 7 years, you are likely to be more focused on preserving the capital you have accumulated up to now. Generally speaking, if you are within 3 to 7 years of retirement you should be invested in the Stable Portfolio in the life stage range. However this depends on individual circumstances and, as always, we strongly encourage members to seek expert advice on their retirement planning. Ask the principal officer if you would like assistance in finding a reputable and expert independent financial advisor.

### Important note:

**Members who are a long way from retirement are encouraged to adopt a long-term investment strategy. Don’t be deflected by short-term market changes and ultimately your overall objective, which is to build retirement capital. To get out of the market when things get tough is not the way to build wealth.**

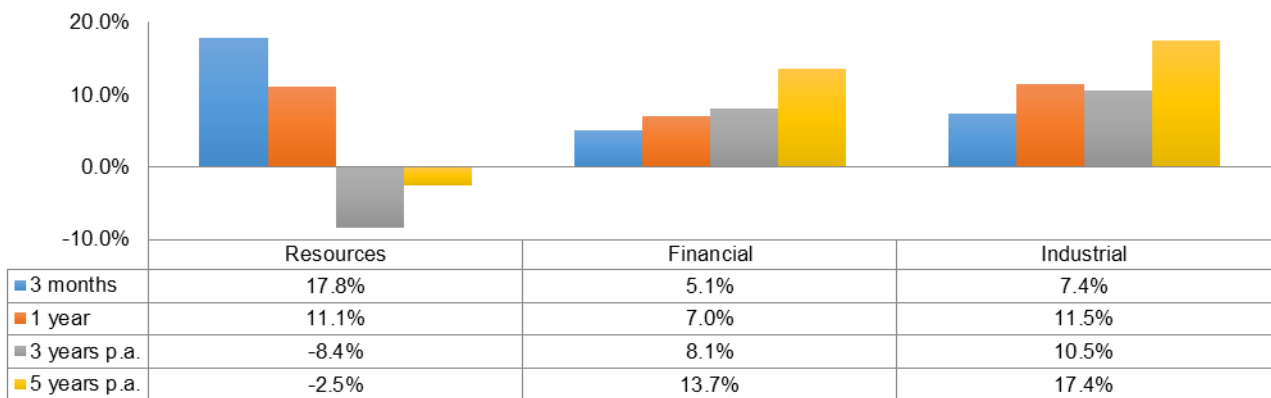
The following chart shows the return on the major indices for the period to 30 September 2017 (source: Micropal).

Major Index Returns: up to 7 years

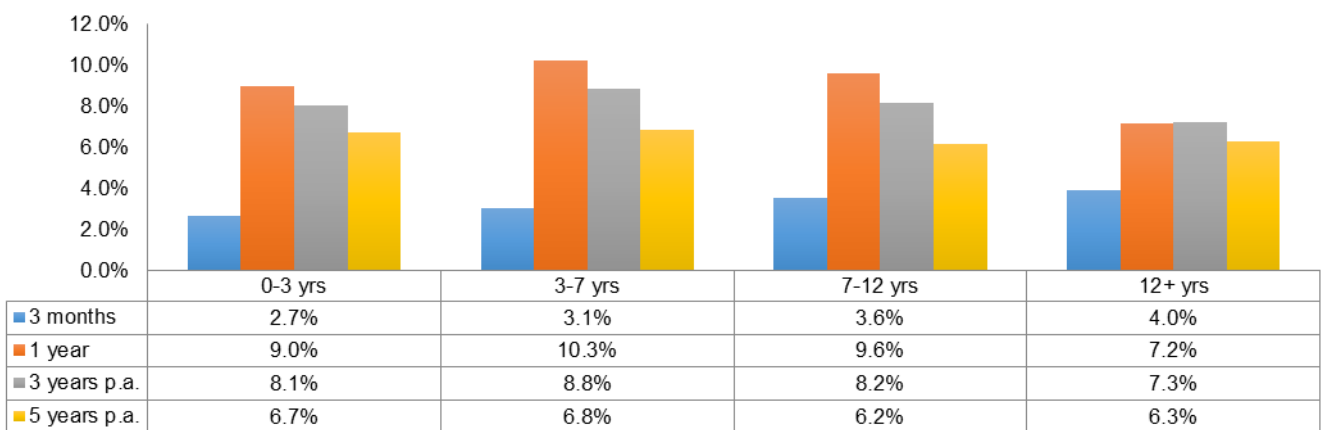


CPI: South African inflation rate  
 ZAR/USD: Rand investment in US Dollars (positive number shows a weakening Rand).  
 JPM: JP Morgan - Government bonds in developed overseas markets – performance measured in Rands  
 MSCI: Morgan Stanley Capital Index – equities in developed overseas markets – performance measured in Rands  
 ALBI: All Bond Index - South African bonds  
 SteFI: South African short-term interest-bearing investments – South African cash  
 CAPI: All Share Index with a maximum contribution of 10% for any one share. The weightings are rebalanced monthly  
 ALSI: All Share Index - South African equities

The following chart shows the performance of the broad sectors of the SA equity market for periods to 30 September 2017:



The chart below shows the performance of the different sectors of the SA bond index for periods ended 30 September 2017:



# NEW WEB-SITE AND COMMUNICATION UPDATE PLANNED FOR MARCH 2018

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A new web-site is currently being designed for the PetroSA Retirement Fund. The site will no longer be an intranet site, but an internet set. The existing intranet site is therefore no longer operational.

Essentially the new website's communication material will be easy to understand and relevant. The content that will be provided will be very similar to that which was provided on the intranet site that was originally set up a few years ago, but much improved. In a nutshell the new site will include the following communication material:

- **Publications:** With links to the following:
  - Newsletters
  - Other documents, such as the Rules of the Fund and any other information the trustees wish to upload for members' information
- **An overview of the Fund and Governance**
- **The benefits provided by the Fund**
- **Ancillary Benefits** (insured death and disability benefits)
- **Taxation of benefits**
- **Investment Strategy**
- **Investment Choice**
- **Investment Performance**
- **Retirement Options**
- **Option Forms** – A section whereby forms may be downloaded by members for completion and returned to administrator

Furthermore, a set of communication modules for all members of the Fund is currently being drafted. Once finalized, all members of the Fund will receive a copy of the pack via e-mail. These modules have been broken down into similar categories as the new web-site).

We hope that this will make a difference in understanding the workings of your Retirement Fund.

## THE IMPORTANCE OF PRESERVATION

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This article was featured in the previous newsletter. However, due to the importance thereof we have summarised it again for you perusal.

Research has shown that it is most important for members not to take their retirement benefit in cash when they change jobs, but rather to preserve it as part of their provision for retirement. Younger members in particular are often tempted to take their benefit in cash at termination of employment, because they believe they still have lots of time to save for retirement. Research shows that if a member with 10 years' service takes their benefit in cash at termination of employment, that member will have to increase future contribution rates quite substantially (by more than 10% per month) over the remaining term in order to yield a pension equalling 75% of their pensionable salary at retirement, which is an ideal target for members to try and reach.



As a member of the PetroSA Retirement Fund, the contributions you pay are based on what you choose on an annual basis. Many members of the Fund are still paying way too little and nowhere near the “ideal 15%” over the long term.

## YOUR BOARD OF TRUSTEES

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Member Elected Trustees	Employer Appointed Trustees
JP Rhode	W Fanadzo
A Futter	O Mohapanele
L Moser (Chairperson)	M Sebothoma
MM Nene	Vacant

The Board of Trustees is there to assist members. Members must feel free to contact them if necessary.

## GENERAL INFORMATION

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Due to the importance of the following items, they are standard features and are repeated in subsequent newsletters.

### 1. EXITS FROM THE FUND

#### A. DEATH

##### The importance of completing beneficiary nomination forms

**If you have already submitted a beneficiary nomination form in the past and your personal situation has altered, it is necessary for you to submit a new form to replace the old one.**

In the event of your death, the benefit paid by the PetroSA Retirement Fund is allocated as follows:

The Trustees will have complete discretion as to how the benefit payable by the PetroSA Retirement Fund (i.e. your Member Individual Account) will be allocated to your dependents. This Trustee power is derived from Section 37C of the Pension Funds Act, which requires the Trustees to allocate any Retirement Fund benefit to those persons that were most financially dependent on you (usually your spouse and children).

However, in the event of there being no spouse or financially dependent children, your benefits will be paid to your financially independent children, or your nominated beneficiaries. A nomination in your will is not sufficient to indicate how you wish your retirement savings to be allocated in the event of your death.

**By completing the forms (and keeping them updated), you will be advising the Fund to act according to your wishes in the event of your death (subject to Section 37C above). This information will also help to speed up the pay-out process in the event of your death. Forms are available from the PetroSA Human Capital Department and the Retirement Fund Intranet Website.**

#### B. RESIGNATION

##### How to speed up the benefit payment when leaving the Fund

When you leave the Fund, an income tax number is required in order to pay out or transfer your benefit. All members of the Fund who are not registered as tax-payers and thus do not have a personal income tax number must register and obtain a personal income tax number. It is important to do so in order to avoid unnecessary delays when a benefit needs to be paid out.

##### **Note:**

Just a reminder to members that if you resign there are other alternatives available to you rather than taking the benefit as a cash lump sum. These include the following:

- You can transfer your benefit to the Fund of your new employer;
- You can transfer your benefit to an approved Preservation or Retirement Annuity Fund; or
- You can preserve your benefit in the PetroSA Retirement Fund.

In all these cases, your benefit will not be taxed at the point of resignation.

## 2. COMPLETION OF CLAIM FORMS

Claim forms that are not completed correctly will result in unnecessary delays. It is therefore important that you read the claim form thoroughly, fill in all relevant information and then submit the claim to your Human Capital department who in turn will submit this to Alexander Forbes by no later than the 3<sup>rd</sup> working day of the month following your termination of employment. If this is not adhered to, the benefit will remain in the Fund and will be invested in the underlying portfolio for another month. We ask you to please insert your contact details on these forms e.g. cell numbers, so that Alexander Forbes is able to contact you if necessary.

## 3. TAX TREATMENT OF LUMP SUMS ON RETIREMENT, RETRENCHMENT AND DEATH

The following table summarises the tax treatment of lump sums payable in terms of the rules of a retirement fund on retirement, retrenchment or death. It is based on our current understanding of the tax scales in the Income Tax Act. The application of the tax laws is complex, and **if you want to properly understand your potential tax liability you should not rely on this table, but you should consult an expert financial planner.**

Lump sum death or retirement benefit	Tax liability
R0 to R 500 000	0%
From R500 001 to R700 000	18% of taxable income exceeding R500 000
From R700 001 to R1 050 000	R 36 000 plus 27% of taxable income exceeding R700 000
Exceeding R1 050 001	R130 500 plus 36% of taxable income exceeding R1 050 000

## 4. TAX TREATMENT OF LUMP SUMS ON WITHDRAWAL

The following table summarises the tax treatment of lump sums payable in terms of the rules of a retirement fund on withdrawal (other than retirement, retrenchment or death). It is based on our understanding of the tax scales in the Income Tax Act. The application of the tax laws is complex, and **if you want to properly understand your potential tax liability you should not rely on this table, but you should consult an expert financial planner.**

Lump sum resignation benefit	Tax liability
R0 to R 25 000	0%
From R25 001 to R660 000	18% of amount above R25 000
From R660 001 to R990 000	R 114 300 plus 27% of amount above R660 000
R990 001 and above	R203 400 plus 36% of amount above R990 000

The tax-threshold of R25 000 is cumulative and applies to the aggregate amount of a member's resignation over the member's lifetime.

The R 25 000 tax-free amount plus the resignation lump sum(s) taken will reduce the R500 000 tax-free amount at retirement.



## **5. ALEXANDER FORBES ON-LINE FACILITY**

In order to access the Alexander Forbes on-line facility, a pin-code is required. This is available from Alexander Forbes. Should you require any further administrative assistance please contact:

Selfie Lotz:	021 809 3737	e-mail: lotzS@forbes.co.za
Tracy Pedersen:	021 809 3721	e-mail: pedersenT@forbes.co.za

**IF YOU HAVE ANY QUESTIONS on the Retirement Fund, please contact the Principal Officer:  
Mr R Buhr on (021) 929 3133.**