

PetroSA Retirement Fund

COMMISSION FREE WITH PROFIT PENSION QUOTATIONS

It is very important for you to first read the guide titled “**OPTIONS AVAILABLE TO YOU WHEN YOU RETIRE**”. From that guide you will note that, when you reach retirement, you will face a difficult decision as to what pension to purchase with your retirement savings in the **PetroSA Retirement Fund**. There are many different types of pensions available and this can be a daunting experience for some members and very often members are unable to access good advice.

The **PetroSA Retirement Fund** has therefore negotiated special arrangements with two registered Insurance Companies. These arrangements may allow you to access pensions at a better rate than you would be able to secure if you approached these Insurance Companies in your personal capacity.

To assist you in making your decision, the **PetroSA Retirement Fund** will, if you would like them to, arrange for two commission-free quotations to be provided to you. From these you will be able to see the amount of pension your retirement savings could purchase.

The information in this document can also be used to assist you in assessing the relative value of any other pension quotations that you may obtain.

These pensions have the following features:

- They are with profit pensions **payable for the rest of your life** and the life of your wife/husband if she/he outlives you.
- **A lump sum is paid to your heirs** if you (and your wife/husband if you are married) die within 5 years after retirement.
- Your **monthly pension will never decrease** (as may be the case for a living annuity).
- Your pension will continue at the full monthly amount for the rest of your life even if you live longer than the average person (which may not be the case for a living annuity).
- **Annual pension increases** should help offset the effects of inflation although the level of these pension increases is not guaranteed.
- The amount of your monthly pension is determined on retirement and increases with pension increases each year - you do not have to make difficult decisions each year as to how much pension to draw and where to invest your retirement capital (as is the case with a living annuity).
- The pensions are **commission free** resulting in more of your money going toward your pension which will increase your monthly pension amount.

THE TRUSTEES RECOMMEND THAT YOU ASK FOR THESE QUOTES TO BETTER UNDERSTAND YOUR OPTIONS. THERE IS NO OBLIGATION TO ACCEPT THE QUOTES.

COMMISSION FREE WITH-PROFIT PENSION QUOTATIONS

DETAILS OF THE COMMISSION FREE WITH-PROFIT PENSION ARRANGEMENTS

The Trustees have negotiated with **Momentum Employee Benefits** (a division of MMI Holdings Limited) and **Old Mutual Corporate** (a division of the Old Mutual Life Assurance Company (SA) Limited) to offer you preferential rates on their **Golden Income With-Profit Annuity** (underwritten by Metropolitan Life Limited) and **Platinum Pension 2003** (underwritten by Old Mutual Life Assurance Company (SA) Limited) pension products respectively.

Old Mutual and Momentum have agreed to provide quotations based on your personal information. It is important to ensure that you have an understanding of these companies before making any decision to trust them with your retirement savings. (The detailed communicate sets out detailed information on each of these two companies).

Further information on the two Insurance Companies can be found on their respective websites:

	Momentum	Old Mutual
Further information	www.momentum.co.za or www.mmiholdings.co.za	www.oldmutual.co.za

How a With-Profit annuity works was discussed in the guide titled “**OPTIONS AVAILABLE WHEN YOU RETIRE**”. If you choose this option, it is important to note that this pension will not be paid by the **PetroSA Retirement Fund**. It will be paid by the Insurer that you ultimately choose. As this is an arrangement between the **PetroSA Retirement Fund** and Momentum/Old Mutual, the costs will be lower as no broker commission will be payable.

The pension quotations from both Momentum and Old Mutual are based on the standard characteristics set out in section 1.1. below.

If the standard quotations do not meet your needs, but you would still like to access a preferential pension rate, you may consider a pension based on different parameters as set out in section 1.2. below.

1.1 Standard pension quotations

Type of pension	With-profit life pension payable until your death (or the later date of death of your husband/wife if a spouse’s pension is included in the pension purchase amount)
Second life pension	Spouse’s pension of 75% of your monthly pension commencing at the later of the date of your death and the expiry of the guarantee period (only applicable to members married at retirement)
Guarantee period	If you (and your husband/wife if you are married) die within 5 years of retirement) the pension payments for the balance of the 5 year period will be paid as a lump sum to your estate

Pricing basis and pension increases	3.5% per annum net interest rate. Annual pension increases are declared by the Insurance Company to help counter the effects of inflation (the level of increases are not guaranteed)
Pension increase date and first pension increase	Increases are effective on 1 April each year. The first increase after retirement is proportionate to the number of months your retirement date is before 1 April
Pension payments	The pension is paid monthly on the 25 th day of the month
Payments in the month of death	A full pension payment is payable in the month of your death and in the month of death of your husband/wife if you are married
Commutation on retirement	You may elect to take up to 100% of your Fund Credit in cash at retirement with the balance of your Fund Credit used to purchase the pension. It is important to note that the less you take in cash at retirement, the higher will be the pension that you can buy on retirement. Note: from 1 March 2015, changes to the tax laws limit the amount of benefit that may be taken as cash at retirement.

1.2 Alternative pension quotations

The Trustees are aware of the fact that the above standard quotations may not be appropriate for all retirees – each individual is different and only you can decide what is best for your specific needs.

If the standard quotations do not meet your needs, but you would still like to access preferential pension rates, Momentum and Old Mutual have set up websites which you can visit if you want to consider a pension based on a different ‘spouse’s pension percentage’. The alternative pension quotations can be on either a single life or a joint life basis.

Details of these websites and the process for accessing them are set out on each of the standard quotations provided by Momentum and Old Mutual.

The Trustees strongly recommend you to obtain financial advice when considering the standard quotations and the various options available on the websites.

2. PENSION INCREASE METHODOLOGY

As a pensioner, one of your main concerns is how much your pension will increase each year. Ideally, you would like your pension to keep pace with inflation to ensure that you can maintain your standard of living in retirement.

The philosophy used by both Momentum and Old Mutual in declaring pension increases is to ensure stable increases over time, so that market volatility is absorbed as far as possible and not passed on to you as the policyholder. The two insurance companies, however, do this in very different ways and this is explained in the other detailed communique (Annexure 1).

2.1 Historical pension increases

The pension increases granted by Momentum and Old Mutual on their 3.5% pricing basis (refer to the Annexure for explanation) category of pension over the last 10 years are set out below. These are compared to the increase in inflation over the same period – inflation is measured as the year-on-year increase in the Consumer Price Index over the year to 31 December in the year before each increase was granted.

Year of pension increase	Momentum Golden Income WPA ¹	Old Mutual Platinum Pension 2003 ²	Inflation
2008	9.02%	8.50%	8.9%
2009	2.62%	2.50%	9.5%
2010	3.05%	2.50%	6.3%
2011	3.23%	3.00%	3.5%
2012	5.70%	2.50%	6.1%
2013	5.22%	4.50%	5.7%
2014	4.73%	7.00%	5.4%
2015	5.70%	6.00%	5.3%
2016	3.96%	5.50%	5.2%
2017	2.22%	5.00%	6.8%
Total pension increases as a percentage of total inflation:			
5 years: 2013 to 2017	74.77%	98.40%	
10 years: 2008 to 2017	66.74%	69.50%	

1 This is a new bonus series. The pension increases shown in the table for 2008 to 2011 have been based on an existing (Golden Growth) bonus series which commenced in 2008. The increase for 2017 is therefore the sixth actual increase on the new bonus series.

2 This bonus series commenced in 2003.

It is important to note that past pension increases are not necessarily a good guide to determine pension increases that will be granted in future.

Users should be aware that short-term performance can be volatile and that past performance is not necessarily indicative of future performance. Every effort has been made to ensure that the information contained in this document is accurate.