

# INDUCTION GUIDE

## Welcome to the



## PetroSA

# Retirement Fund

*All about your fund and what it does for you*

#### LEGAL DISCLAIMER

- This guide is extracted from the Fund and explains how the Fund works. 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.

# INTRODUCTION

Welcome to the PetroSA Retirement Fund. All employees of PetroSA are required to belong to the PetroSA Retirement Fund, as a condition of employment. The Fund was established on 1 February 1996.

In this Fund, the most important aspect is how well your money is invested. There are people dedicated to ensuring that the utmost care is taken with the Fund's money.

## THE PURPOSE OF THE FUND IS TO PROVIDE THE FOLLOWING BENEFITS:



These benefits are explained briefly in this guide. The Fund has detailed booklets covering each section of the benefits. This is available on the Fund's website – [petrosaretirementfund.co.za](http://petrosaretirementfund.co.za)

The PetroSA Retirement Fund is a **Defined Contribution Fund**.

## WHAT IS A DEFINED CONTRIBUTION FUND?

Each member of the Fund has his or her own account (in the same way as a bank savings account). We refer to this account as your **MEMBER SHARE ACCOUNT**.

## HOW DOES YOUR MEMBER SHARE ACCOUNT WORK?

Your employer pays your **contributions to this account on a monthly basis (as deducted from your salary)**. This amount is then invested and the investment returns earned on this money are added to your account. Your Member Share Account is comprised of three components (or two components if you have no retirement fund savings prior to 01 September 2024). This also applies to members who were 55 and older on 1 March 2021 and did not participate in the two pots system.

Your Member Share Account grows, together with investment returns.

## HOW DID THINGS WORK PRE-1 SEPTEMBER 2024?

Up until 1 September 2024, all the money in the Fund was in **one** "pot" (called your Member Share Account). Contributions were made into this account. Investment returns were credited to this account. However, members had no access to this money unless a benefit was paid out - i.e. on retirement, withdrawal (resignation, dismissal, retrenchment) and on death.

## HOW THINGS WORKED PRE - 1 SEPTEMBER 2024

**This will not apply to you if this is your first time joining a retirement fund**



**NOTE: For those who joined another Fund previously, all the money in your fund was in one account called your Member Share Account. Contributions were made into this account and investment returns were credited to this account. However, members had no access to this money unless a benefit was paid out.**

If you joined another Fund prior to 1 March 2021 (and were under the age of 55), your Member Share Account was made up of two components viz. your Vested Account and your Non-Vested Account. For those members older than age 55 as on 1 March 2021, there was no change to the above – see detailed explanation below.

**Vested benefit:** Any amount in any provident fund of which you were a member as at 1 March 2021 (including the PetroSA Fund) which is ultimately transferred into the PetroSA Fund (even if it is first transferred somewhere else), plus returns thereon. Plus, if you were over age 55 and a member of the PetroSA Fund on 1 March 2021, the contributions to the PetroSA Fund after 1 March 2021, plus fund returns thereon. This amount may be taken in cash on retirement.

**Non-vested benefit:** Any amount contributed to any fund after 1 March 2021 plus returns thereon, which is ultimately transferred to the PetroSA Fund, and all contributions to the PetroSA Fund after 1 March 2021 (except for those who were over age 55 and members of the PetroSA Fund as at 1 March 2021, in which case these are vested benefits). If this amount is lower than R247,500 at retirement, it may be taken in cash. If not, a maximum of one-third may be taken in cash and the remainder must be used to purchase a pension.

**NOTE: THIS ONLY APPLIES TO MEMBERS WHO WERE PREVIOUSLY PART OF A RETIREMENT FUND. IF YOU HAVE NEVER BELONGED TO ANY FUND IN THE PAST, YOU CAN IGNORE THE ABOVE.**

## HOW DOES YOUR MEMBER SHARE ACCOUNT WORK FROM 1 SEPTEMBER 2024

What changed is that, on 1 September 2024, the amount of your Member Share Account (illustrated above) became your “VESTED POT” i.e. all the money you’ve saved for retirement up to 31 August 2024, including the August 2024 contributions, even if they were only invested in September 2024, less your “SEED CAPITAL”.

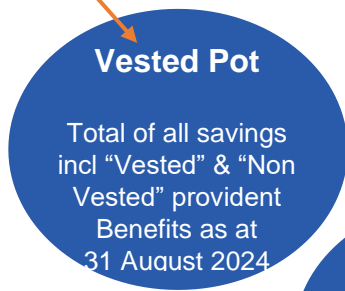
Your Vested Pot is closed to new inflows, so you won’t be able to contribute to this pot anymore, but the money you have saved in your Vested Pot will remain invested and will keep growing with investment returns until you take benefits from the Fund (after you leave employment).

**From 1 September 2024, your member share operates as follows:**

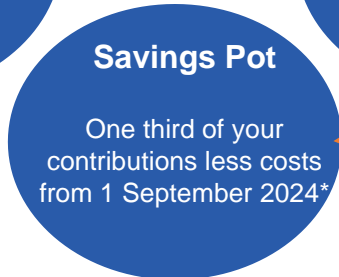
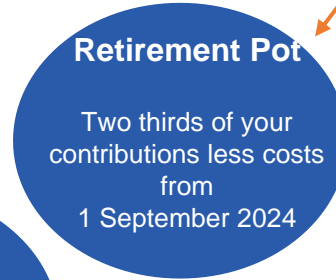
You have **three components** to your Member Share Account. (If you first became a member of a retirement fund on or after 1 September 2024, you will only have two components to your Member Share Account).

1. The **Vested component** will be your accumulated retirement savings on 31 August 2024.
2. **Retirement component** into which two thirds of a member’s monthly contribution (after deducting fees) will be paid.
3. **Savings component** into which a third of a member’s monthly contribution (after deducting fees) will be paid.

PRE-1 SEPTEMBER 2024  
(OLD RULES APPLY)



POST 1 SEPTEMBER 2024  
PRESERVED UNTIL RETIREMENT



POST 01 SEPTEMBER 2024  
ACCESS IN EMERGENCIES  
(CONDITIONS APPLY)

**\*Plus any seeding amount transferred into this pot – this only applies to members who previously belonged to a retirement fund pre 1 September 2024**

You will receive a BENEFIT STATEMENT annually, which highlights the amount of money you have in your account. Current Fund values can also be obtained from the Fund during the year (refer to AFConnect).

## HOW YOUR CONTRIBUTIONS ARE ALLOCATED

The Vested Pot is closed and cannot receive new contributions. From 1 September 2024, future contributions are split between TWO further components (Pots):

### RETIREMENT POT



- 2/3<sup>rd</sup>s of monthly net contributions goes into the "Retirement Pot".
- Members continue to earn investment returns on the monies in this Retirement Pot.
- The money in this pot **must** be preserved **until retirement**.
- On retirement, you **must** buy a pension with the entire amount in the Retirement Pot – except if the Retirement Pot plus 2/3rds of the vested pot is less than the *de minimis* amount (R165 000). all may be withdrawn as a lump sum.

### SAVINGS POT



- 1/3<sup>rd</sup> of monthly net contributions goes into the "Savings Pot"
- You can make one withdrawal per tax year from the Savings Pot
- Withdrawals from the savings pot are subject to certain conditions, outlined below
- There is also an initial once-off "seeding" amount that was transferred to this pot on 1 September 2024.

The result is that you have three components or "pots", making up your Member Share account. Unless you are a new member who joined the Fund after 1 September 2024 and never belonged to a retirement fund previously; or you were 55 years or older on 1 March 2021 and belonged to a previous Provident Fund and you did not opt into the two pots system. In this case, you will only have 2 pots – your Savings Pot and your Retirement Pot.

## MORE ABOUT THE SAVINGS POT

The Savings Pot is intended to provide access to emergency funding. How exactly will withdrawal from your Savings Pot work, and what are the conditions of withdrawals? Initially i.e. on 01 September, you had no contributions in the Savings Pot, so the Savings Pot was seeded with up to R30 000.00. The actual amount of the seed capital was calculated as 10% (ten percent) of your Member Share on 31 August 2024 BUT UP TO A MAXIMUM OF R30 000. (This money comes out of your Vested Pot – it is not an extra amount that is being credited to you.)

## WITHDRAWING MONEY FROM THE SAVINGS POT AND THE CONDITIONS OF WITHDRAWALS

- You can only withdraw cash if you have more than R2 000 in your Savings Pot (component). If you have less, you will not be eligible to make a withdrawal. (The withdrawal cannot be for less than R2 000, but if you have more than R2 000 in your Savings Pot, you don't have to withdraw the full balance.)
- You can only make one withdrawal in a tax year (a tax year runs from the beginning of March to the end of February the next year). Keep in mind that the amount you apply to withdraw is not the money you will receive – tax and a processing fee will be deducted. We cover this further on in the document.
- SARS will deduct tax from any amount that you withdraw from the Savings Pot at your current marginal tax rate, i.e. the rate at which your monthly salary is taxed.

### **A PROCESSING FEE (SEE BELOW) WILL BE PAYABLE TO THE FUND'S ADMINISTRATOR - THIS WILL ALSO BE DEDUCTED FROM THE WITHDRAWAL AMOUNT THAT YOU APPLY FOR**

- Saving component withdrawals between R2,000 and R5,000 will incur the minimum transaction fee of R100.
- Saving component withdrawals between R5,000 and R30,000 will incur a fee equal to 2% of the pre-tax withdrawal amount.
- Saving component withdrawals above R30,000 will incur the maximum transaction fee of R600.
- Minimum and Maximum fee limits will be subject to annual inflationary adjustments.

**IMPORTANT NOTE: You should really only withdraw money from your Savings Pot in financial emergencies – ideally, you should otherwise not touch this money until you retire from employment. You are taxed on any amount you withdraw, and you will also pay an admin fee on the amount you withdraw. The more you “dip into” your Savings Pot while you are working, the lower your retirement savings will be when you eventually retire.**

# YOUR BENEFITS

## Contributions payable

You need to decide how much you want to contribute to the Fund (as a percentage of your pensionable salary (which is typically 80% of your total guaranteed package)) from the categories as highlighted in the table below.

Contribution rate	Comment
7.5%; 10%; 12.5%	<b>WARNING:</b> Consistent choice of these three categories will result in inadequate retirement savings. If you are contributing at this level, you will need to catch up and contribute more later, to be able to save enough for a comfortable retirement.
15.0%	Default - if you do not make a choice.
17.5%; 20%; 22.5%; 25%; 27.5%	As a general rule of thumb, a 15% contribution over 35 years of service will provide a reasonable retirement benefit. If you have contributed less than this in the past, you will need to contribute at a higher rate in future.

- You can change the contribution every year on the salary review date (August); or any other date as determined by the EMPLOYER.
- The contributions are tax deductible (subject to certain limits).

Go to the retirement fund calculator on the **AFCconnect** ([www.alexanderforbes.co.za](http://www.alexanderforbes.co.za)) to check the impact that your contribution rate choice has on your expected retirement benefit.

## Your retirement age

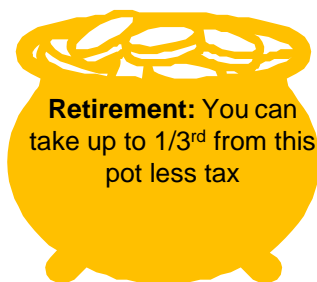
Your normal retirement age is **65**. You may however retire at any time from age **55** onwards.

## Your retirement benefit

When you retire the amount in your Member Share Account will be paid to you as follows:

- You can select to receive your full vested portion of your vested pot in cash and up to one-third of your non-vested portion of your Vested Pot as a cash lump-sum, plus the full amount of any transfer in of a protected portion from a provident fund, plus the balance of your savings component.
- The balance of your money which will include the full balance in your retirement component must be used to provide a monthly pension either in the form of a Life annuity and/or a Living annuity (This is a choice you will make once you are ready to retire).

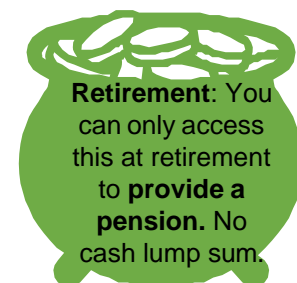
### VESTED POT



### SAVINGS POT



### RETIREMENT POT



You can choose to receive the Living annuity from the Fund and/or from an external insurer (If you elect to use an external insurer, certain conditions apply).

**\*\*For members who have transferred funds into the PetroSA Retirement Fund from a Provident Fund the following will apply:**

For members who previously transferred from a provident fund and who were younger than age 55 on 1 March 2021:

On retirement, those members will still be allowed to take all their vested benefits (i.e. savings accrued up until 1 March 2021 plus returns) in cash (or part cash/part pension) (subject to tax).

In terms of non-protected portion of the vested benefits, i.e. amounts contributed after 1 March 2021, they will only be able to take a maximum of one-third of these savings as cash (subject to tax), and the remaining two-thirds will need to be used to purchase a pension.

If you elect to take cash and/or purchase an annuity outside of the Fund, you leave the Fund. This means that you and your dependants have no further claim for benefits against the Fund. This is not the case if you elect to be paid a "living annuity" from the Fund.

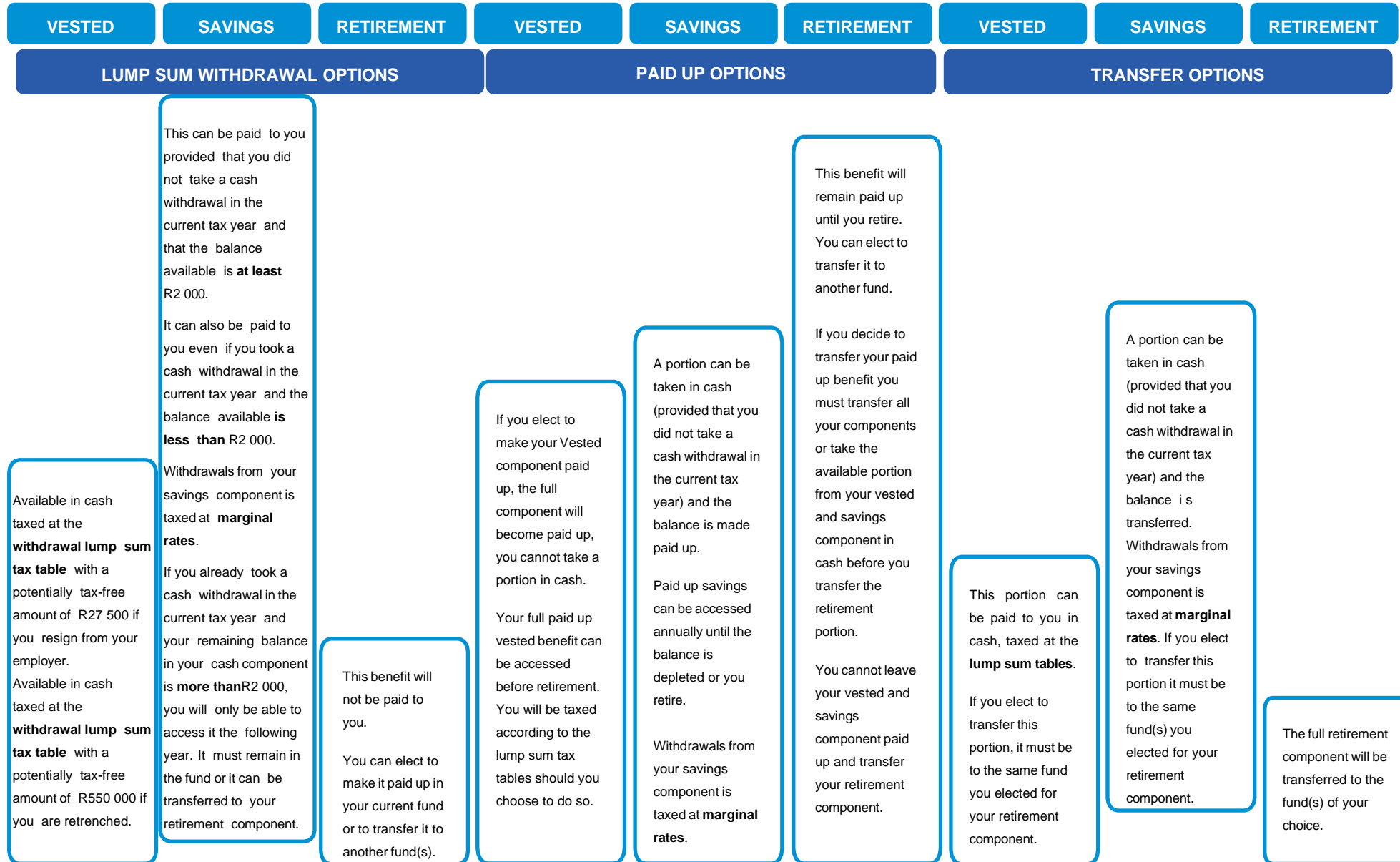
At retirement, you thus face two important choices, namely:

- How much of your benefit you should take in cash; and
- What type of pension you should receive at retirement.

**There is a detailed retirement guide available which explains the various options you have at retirement. Workshops are also held quarterly, for all members aged 55 and older.**

# RESIGNATION / WITHDRAWAL BENEFITS

On resignation, you become a paid-up member in respect of the **full amount in your Member Share Account**. This means that your money remains in the Fund and your money continues to grow with investment returns until such time as you make a final decision on how you wish your resignation benefit to be paid out. The election of how you wish to receive your benefit can be made at any stage. The options available to you are:





## **YOUR RETRENCHMENT BENEFIT**

On retrenchment, the full amount in your Member Share account is payable excluding your retirement pot.

## **YOUR BENEFITS SHOULD YOU DIE IN-SERVICE**

If you die in service on or before you reach age 65, your dependants will receive a cash benefit equal to:

- Your Member Share Account (as described above)

The Trustees will allocate your death benefits in line with Section 37C of the Pension Funds Act (but may be guided by your beneficiary nomination form).

## **BENEFICIARY NOMINATION FORMS**

It is very important that you list all your beneficiaries and keep this information up to date. This nomination will assist the Trustees in the allocation of the benefit payable in the event of your death. A Beneficiary is anyone who is financially dependent on you at the time of your death.

## **IMPORTANT NOTE ON TAX**

Please note that tax will be payable when you receive a benefit from the Fund.

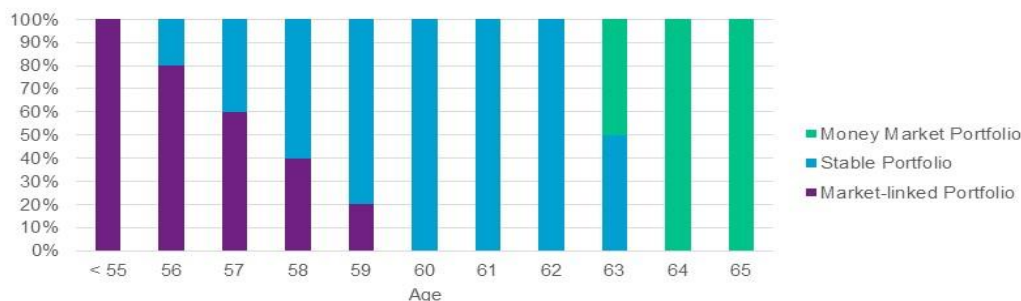
## INVESTMENTS

The Fund offers you **MEMBER INVESTMENT CHOICE**. You need to decide which portfolios you want the contributions 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
<b>Market Linked Portfolio</b>	Target return <b>CPI + 5%</b> 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)
<b>Stable Portfolio</b>	Target return of <b>CPI + 3%</b> per annum over a rolling 3 year period Lower volatility than the Market Linked portfolio
<b>Money Market Portfolio</b>	Target Return of <b>CPI + 1%</b> per annum Least appropriate for long term investing Most chance of capital preservation
<b>Shari'ah Portfolio</b>	Target returns of <b>CPI + 4%</b> 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 – e.g., conventional financial, alcohol and tobacco; non- halaal food production; some entertainment (e.g., casinos) and arms manufacturing.

You can change the investment choice at any time. **Switching costs** (cost of changing investment decision) – first switch in the year is free. Thereafter, R497.51 plus VAT is deducted from your account per switch.

If you do not make this choice or want the Trustees to choose the investment portfolio for you, your contributions will be invested according to the **LIFE STAGE MODEL** (which is the default). 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 like this model, you can also choose to be invested in it by selecting this option.



**For more information about the portfolios, refer to your Member Investment Guide.**

**Should you wish to invest your money in a manner different from the Life Stage Model, you will need to complete the Investment choice option form. All information is available on the Fund's website.**

## 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
- **Projection statements** showing the expected pension that your retirement savings are likely to provide will be issued annually with your benefit statements towards the end of March – this is not necessarily done annually as it must be determined by the Trustees.
- **AFConnect**: where you can check your own information on a real time basis and access various tools and calculators
- **Fund Rules** can be obtained from the principal officer (details below) or from the Fund website.

### QUESTIONS OR QUERIES- PLEASE CONTACT:

The Principal Officer: Rochelle Swart\*

Telephone: 0849412329

E-Mail: [rochelleswart20@gmail.com](mailto:rochelleswart20@gmail.com)

\*Ms Swart is an independent Principal Officer

ADMINISTRATOR DETAILS: [zzPetroSA.Admin@alexforbes.com](mailto:zzPetroSA.Admin@alexforbes.com)

### CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Capital department in writing:

Dorathy Cedras

(044) 601 2540

[dorathy.cedras@petrosa.co.za](mailto:dorathy.cedras@petrosa.co.za)

Updated: September 2024