

OPTIONS ON RETIREMENT FROM EMPLOYMENT



PetroSA

Retirement Fund

All about your fund and what it does for you

LEGAL DISCLAIMER

- This guide is a summary taken from 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.

INTRODUCTION

Congratulations on your retirement from PetroSA!

Now that you are retiring from employment and starting a new chapter of your life, 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 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. Furthermore, a separate guide called “**Retirement Options Guide**”, which explains all the options in detail is available on the Fund’s website – petrosaretirementfund.co.za.

Important note:

At the time of retirement, you will remain a deferred member until you elect in writing to receive your retirement benefit. What this means is that your benefit will stay in the Fund until you decide to retire from the Fund. Another term often used for this is that you become a “deferred pensioner” in the Fund.

TIMING OF RETIREMENT

Your normal retirement age is 65, but you are allowed to retire early from age 55 onwards.

YOUR RETIREMENT BENEFIT

With effect from 1 September 2024, there were some major changes affecting retirement funds in South Africa. It is therefore important to explain how things operated prior to this date. How the benefits work after 1 September 2024, is explained later.

Up until 1 September 2024, the Fund operated as follows:



NOTE: 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 the 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 at 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.

Retirement benefit that applied prior to 1 September 2024:

You could use the **full benefit to buy a pension** from an insurer and / or from the Fund (the pension payments will be subject to tax) OR

You could take **a maximum of your full vested benefit plus one third of the non-vested benefit in cash** as a lump sum (though this will be subject to tax) and **use the rest to buy a pension** from an insurer and / or the Fund (the pension payments will be subject to tax)

What changed after 1 September 2024

On 1 September 2024, your Member Share became what we now call your VESTED POT. The Vested Pot includes all the money you saved up until 31 August 2024, less the seed capital. Your Vested Pot is now closed to new inflows, so you won't be able to contribute to this pot anymore. The good news is that the money you've saved in your vested pot will be invested and will keep growing with investment returns until you exit the Fund.

NOTE: The VESTED POT (whenever it is mentioned), includes the Vested portion and Non-vested portion (if you joined the Fund prior to 1 March 2021 and were under the age of 55). For those members older than age 55 as at 1 March 2021, there was no change as at 1 September 2024. Members in this category have an option to participate in the two pots system if they wish. They have one year (until 1 September 2025) to make a final decision regarding their participation in the two pots system.

Contributions payable after 1 September 2024, are paid as follows:

RETIREMENT POT



- 2/3rd of future net contributions from 1 September 2024 goes to the "Retirement Pot".
- Members will 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 retirement pot plus 2/3 of vested pot is less than *de minimis* amount (R165 000), in which case all may be withdrawn as a lump sum.

SAVINGS POT



- 1/3rd of future net contributions from 1 September 2024 goes into the "Savings Pot"
- You can withdraw (up to) once per year (tax year) from the Savings Pot
- Withdrawals from the Savings Pot are subject to certain conditions (taxation at marginal tax rate as well administration fees).
- There is also an initial once-off "Seed capital" amount that was transferred from your Vested Pot to the Savings Pot on 1 September 2024.

Retirement benefit applicable from 1 September 2024:

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



The balance of your money to purchase a pension, which is referred to above, 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.)

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 bi-annually for all members aged 55 and older.

TRUSTEES PREFERRED OPTION

The Trustees are required to look at the options available to members and select a preferred option for the membership in general. We would note that this option may not be appropriate to you and as such you should consider both the reasons provided below for selecting this option as well as the other options available.

The Trustees preferred option is a with profit life annuity at retirement. The reasons for this are provided below:

- Annuity is guaranteed for life for you and your spouse (if spouse option selected), and as such there is no risk of running out of money before passing on;
- Spouse is able to be provided for upon death and member is able to select the level of this protection;
- No complicated investment decisions are required by the member, these are done by the insurer;
- Annuity cannot reduce, but still has access to potential investment growth; and
- Pension cannot decrease (unless in unlikely event that the insurer defaults).

The member should consider the amount of cash lump sum required, but you should not take more money than you can afford. You should consider the minimum amount required as an income and then only consider taking cash if the pension available to purchase is above that. There are tax considerations that the member should also consider outlined below.

CASH LUMP SUM TAX IMPLICATIONS

Any amount of your retirement benefit that you take in cash is subject to tax. The Tax-Exempt (tax-free) portion is: Up to R550 000 of the retirement benefit will be exempt from tax.

This tax-exempt amount of R550 000 will be reduced by any tax-exempt amounts that you have received previously on withdrawal from a Pension or Provident fund. Any contributions that have been made by the member that were not previously tax-exempt will also be taken into account and will be added to the R550 000, thus increasing the tax-free portion of R550 000.

If a member has previously received lump sum cash payments from a Retirement Fund, these amounts will be taken into account (at the tax rates applicable at retirement) thereby reducing the R550 000 tax-exempt portion.

Any amount of the retirement benefit that is taken in cash and that exceeds the limits stated above, will be taxed as follows:

Lump sum death or retirement benefit	Tax liability
R0 to R 550 000	0%
From R550 001 to R770 000	18% of taxable income exceeding R550 000
From R770 001 to R1 150 000	R 39 600 plus 27% of taxable income exceeding R770 000
Exceeding R1 150 001	R143 550 plus 36% of taxable income exceeding R1 155 000

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).

The differences between a Life Annuity and a Living Annuity are shown in the table below:

	Life Annuity – Insurer	Living annuity – CPUTRF 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
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

If you are thinking of retiring from the Fund, please consult the other documents provided:

- The **Retirement Options Guide** outlines all of the main considerations which you need to bear in mind when making this decision so please read this carefully.
- The Fund does offer a LIVING annuity. For further information please see the **In-House Living Annuity Guide**.
- Though the Fund does not offer a LIFE annuity, the Fund has/will obtain for you a commission free quotation from one provider for a with profits pension. For further information please see the **With Profits Annuity Guide**.
- If you have no idea what a LIFE and LIVING annuity are, please read the Retirement Options guide!
- Please come to a retirement workshop to discuss these in more detail.
- It is always advisable to speak to a **trusted** financial advisor.

COSTS

Administration and Fund costs (applicable from 1 June 2024) applicable to deferred pensioners and living annuitants

- Deferred pensioners – Administration costs of R 54.61 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R1 255.89 plus VAT. Administration costs of R127.60 pmpm plus VAT deducted from living annuity balance.

Switching costs (cost of changing investment decision) – One switch in a year is free. Thereafter, the cost is R497.51 plus VAT, and is deducted from your account.

QUESTIONS OR QUERIES- PLEASE CONTACT:

The Principal Officer: Rochelle Swart*

Telephone: 0849412329

E-Mail: rochelleswart20@gmail.com

*Ms Swart is an independent Principal Officer

ADMINISTRATOR CONTACT DETAILS: 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

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