

OPTIONS FOR DEFERRED PENSIONERS



PetroSA

Retirement Fund

All about your fund and what it does for you

LEGAL DISCLAIMER

- This guide is extracted 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.

YOUR FUND – YOUR DECISIONS

Dear Deferred Pensioner

A while ago you had retired from the service of PetroSA and decided to leave your benefits in the Fund.

This letter just serves to remind you what options are available to you as a deferred pensioner.

Your options are as follows:

- Continue to defer your benefits in the Fund – i.e. stay in the Fund until you decide to retire from the Fund or transfer your benefits out of the Fund into a retirement annuity fund or a provident preservation fund
- Transfer your benefits to a retirement annuity fund or a provident preservation fund of your choice
- Retire from the Fund (start taking a pension)

These options are explained further below.

CONTINUE DEFERRING YOUR BENEFITS IN THE FUND – staying a “deferred pensioner” – RETIRE LATER

This means that your full benefit stays invested in the Fund UNTIL you decide to retire from the Fund or transfer your benefits to a retirement annuity fund or a provident preservation fund.

Your benefit in the Fund is called a **DEFERRED PENSIONER ACCOUNT** and is equal to your Member Share Account at the point of deferment, plus investment returns, less any benefits paid out (e.g. divorce orders etc.) less fees. The fees are R 56,14pmpm plus VAT.

Note: Your MEMBER SHARE ACCOUNT is made up of 3 different pots. These are:

- Your Vested Pot – may include your Vested and non-Vested portion.
- Your Savings Pot
- Your Retirement Pot

For more information regarding the Two pots system and an explanation of the different pots, please go to the PetroSA Retirement Fund web-site and click on “Two Pots”

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 Member Share Account.

You will still need to decide where your funds are invested. The investment options available to you and can be found on the web-site under the Investment section and called “Investment Choice”.

The following benefits will be payable from the Fund:

DEATH BENEFITS

When?

When you die while being a deferred pensioner of the Fund

What?

Your deferred pensioner account

How?

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)

TRANSFER BENEFITS

When?	When you decide to transfer your benefits out of the PetroSA Retirement Fund into a retirement annuity fund or a provident preservation fund of your choice
What?	Your deferred pensioner account
How?	Your transfer benefit will be transferred to the retirement annuity fund or a provident preservation fund of your choice

Transferred amounts are not subject to tax. Points to note about transfers to the various alternative vehicles:

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).

You should also be aware that the cost structure of a retirement annuity is likely to be higher than that of becoming a deferred pensioner of the PetroSA Retirement Fund.

Preservation Fund

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%!

RETIREMENT BENEFITS

The retirement benefit payable when you choose to retire from the Fund is as follows:

When?	When you choose to retire from the Fund (which can be after retirement from employment) Normal retirement age is 65 years (unless you have different conditions of service) Early retirement is permitted from the age of 55.
What?	Your deferred pensioner account
How?	A detailed explanation is provided in the documents available on the PetroSA Retirement Fund website under the section called: RETIREMENT OPTIONS→ “Options available when you retire” as well as the “Options on retiring from the Employer”.

The Fund will provide you with quotations for a **life annuity** (pension purchased from an insurer which is guaranteed to be paid until your death). The Fund also offers an in-fund **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). You of course, also have the option to select any other permissible annuity of your choosing. Further and more detailed information will be provided to you on retirement.

TAKING CASH

Any portion of the retirement benefit which you take in cash will be subject to tax as follows.

Taxable Amount	Rate of Tax
R0 to R550 000	0%
From R550 001 to R700 000	R0 plus 18% of taxable income exceeding R50 000
From R700 001 but not exceeding R1 050 000	R36 000 plus 27% of taxable income exceeding R700 000
Exceeding R1 050 001	R130 500 plus 36% of taxable income exceeding R1 050 000

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). Though they sound the same, they are very different. The differences are briefly shown in the table below:

	Life Annuity - Insurer	Living annuity – PetroSA 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 or life annuity
Risks	Loss of capital on early death	Risk of outliving your capital

- The Fund does offer a living annuity. For further information please see the **In-House Living Annuity Guide** attached.
- Though the Fund does not offer a LIFE annuity, the Fund will obtain for you a commission free quotation from a provider (Old Mutual Platinum Pension 2003) for a with profits pension. For further information please see the **With Profits Annuity Guide** attached.
- Of course there are other LIFE annuities and LIVING annuities available to you. For further information, please see the **Retirement Options Guide** attached. It is advisable that you speak to a financial advisor in making this choice.
- There is no tax payable on the amount used to purchase an annuity of any type, though the pension paid will be subject to income tax.

QUESTIONS OR QUERIES- PLEASE CONTACT:

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CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Capital department in writing:
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