PetroSA
Retirement Fund

www.petrosaretirementfund.co.za

N E W S L E T T E R

ISSUE NUMBER: 2/2020
AUGUST 2020

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to your third newsletter for 2020.

As a nation, we are currently continuing to go through some especially tough times. Many people are fearful and anxious about their health, and that of their loved ones, as well as possibly their jobs - and on top of this many members of the Fund will be deeply concerned to see the value of their retirement savings falling at the same time. In this newsletter our focus will be on investments but before we discuss the detail thereof, we want to wish all our members well during this difficult time and to stay safe during the lockdown.

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  - ✓ **Contributions & Benefits**
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We trust you will enjoy the read.

Board of Trustees
August 2020

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.

EXPANDING ACCESS TO LIVING ANNUITANTS

A written communique was sent to all living annuitants of the PetroSA Retirement fund in June 2020. Below is a summary of this communique.

The COVID-19 outbreak has had a significant impact on our economy. There are many individuals facing the risk of cash flow problems or significant losses as the value of asset classes in which living annuitants are invested decrease. Therefore, as part of the measures aimed at limiting the impact on South Africans, National Treasury provided living annuitants with this set of temporary measures that will allow greater flexibility over a period of four months (1 June to 30 September) to manage their income and the effects on their retirement savings during this period. The Government Notice that deals with the temporary measures for the relaxation of draw-down rules of living annuitants were published on 1 June 2020.

While these temporary measures are meant to provide relief and assistance where necessary, we urge you to consider carefully whether these measures will provide the type of relief envisaged . The flexibility offered by these temporary measures must be carefully considered and you must exercise caution and responsibility in accessing any of these relief measures.

The current position

Currently, you may change your draw-down rate **once a year** on the anniversary date of your retirement. The draw-down rate must be between 2.5% and 17.5% of the capital amount at that date.

The new position

- **For the period 1 June 2020 to 30 September 2020 ONLY**, you will be able to at any time during this period change your draw-down rate.
- The draw-down rate for this period may be between 0.5% and 20% of the capital amount at the effective date of the change. On 1 October 2020 your draw-down rate will revert back to the current (pre change) draw-down rate.
- If your anniversary falls within this period, you will on 1 October 2020 have a chance to elect a new drawdown (subject to the old limits) until your anniversary date.

Added to the above, the threshold for the lump sum withdrawal of the full residual value of a living annuity has been increased to R125,000. This amendment is a permanent change and will continue to apply after the four-month period. This means that if your living annuity capital balance is R125,000 or lower, you may take the entire amount in cash

What you need to do

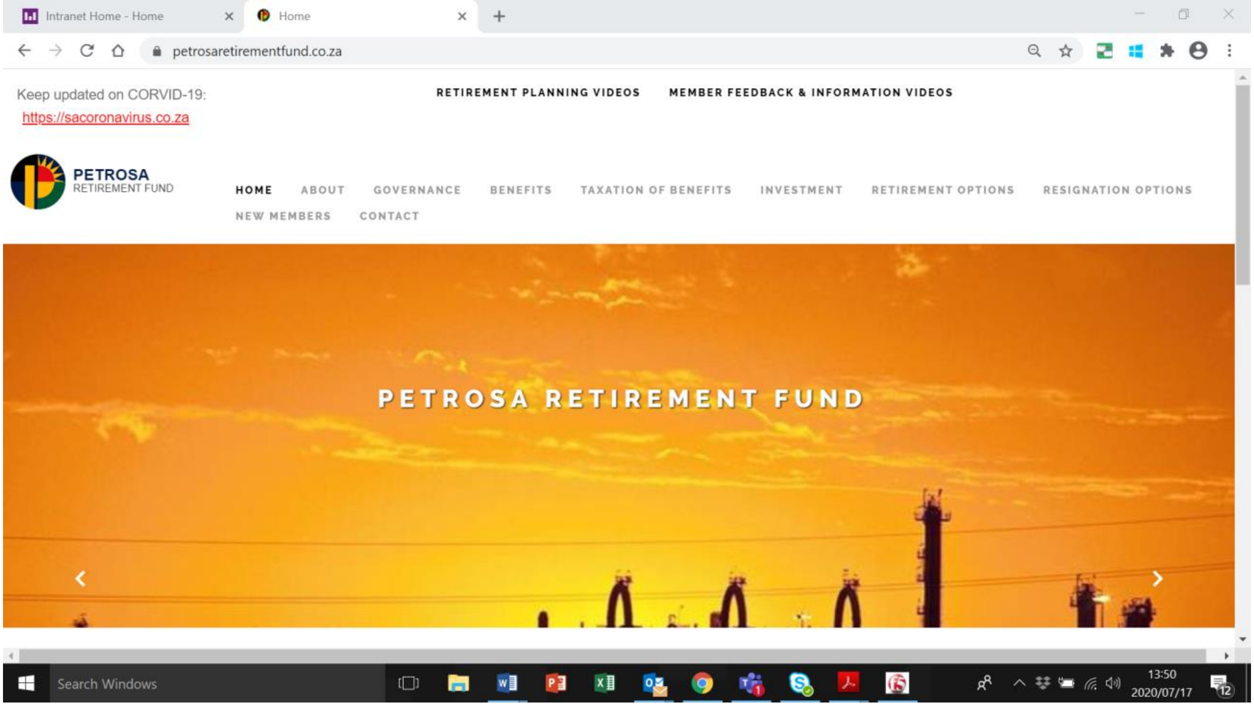
- Consider whether this is something which is unavoidable and truly beneficial to you that you would like to make use of. We would encourage you to seek financial advice in this regard in order not to jeopardise your future financial security
- Should you wish to make any changes to your draw-down for this temporary period, please send an email to PedersenT@aforbes.com with details of your request and to obtain the relevant forms. Please note that completed election forms must be sent to the Fund by the 22nd of June 2020 in order to effect the change for the following month's payroll.

PLANNING FOR RETIREMENT WORKSHOPS AND MEMBER FEEDBACK AND INFORMATION SESSIONS

In July 2020 the plan was to have retirement planning sessions AS WELL as the member feedback and information sessions at different venues in South Africa.

Willis Towers Watson, communication consultant of the PetroSA Retirement Fund, has however submitted all of the presentations in electronic format via video tutorials. This will allow members to download and access all the modules in their own time.

The electronic presentations (two member feedback & information modules and five retirement planning modules) can be accessed either via the PetroSA Retirement Fund website at www.petrosaretirementfund.co.za (access modules by using password "retirement") – see diagram below which shows where on the website they can be found.



These videos can also be found on the PetroSA MS Teams Group.
Please note that the duration time of these presentations are about ±3.5 hours (1.5 hours for the member feedback modules and about 2 hours for the retirement planning modules). However, one can also watch these videos in your own time.

Choosing the right pension is not an easy decision to make. We encourage you to attend these retirement planning sessions in future (when they are running again) – even if you have previously attended; where you will receive in-depth education on all the options available to you. This in turn will pave the way for an easier decision-making process.

CHANGES TO THE ASSET ALLOCATION OF THE STABLE PORTFOLIO

The existing investment asset allocation of the Stable Portfolio is 50% Allan Gray and 25% Ninety One and 25% to Coronation.

This has been changed to a 1/3 split between the three managers by down-weighting the current asset allocation to Allan Gray and upweighting the allocation to Ninety One and Coronation.

RESIGNATION AND RETRENCHMENT BENEFITS

In each newsletter, we highlight certain benefits of the Fund. In the previous newsletter we gave a brief summary of the resignation and retrenchment benefits. Below, we explain each of these options in more detail.

During these very uncertain times as we are all going through right now, many people are concerned about their jobs, not just in South Africa but word-wide. However, people can change jobs throughout their working life at any time, so it is important that members understand what benefit they will receive from the Fund if they should leave before they retire.

Recap of the benefits available:

On resignation and retrenchment, a member will receive their **Member Individual Account.**

When a member leaves the Fund, they automatically become a "DEFERRED MEMBER" of the Fund – their full Member Individual Account will remain in the Fund, earning the same net investment returns as they previously received.
However, the following choices are available, either immediately or at a later stage:

- Defer their full benefits in the Fund – i.e. stay in the Fund until they decide to transfer their benefits out of or retire from the Fund
- Transfer their full benefits to another Fund
- Take the full benefit in cash (this will be subject to tax)
- Take a combination of transfer and cash

Please note that if a member does NOT make a decision, they will AUTOMATICALLY become a deferred member in the Fund (as required by legislation) and **lose the ability to take any of the benefit in cash until their retirement.**

1. DEFERRING YOUR BENEFITS IN THE FUND – become a "deferred member"

This means that your full benefit stays invested in the Fund UNTIL you decide to retire from the Fund or until you decide to transfer your benefits out of the Fund.

Your benefit in the Fund is called a **DEFERRED PENSION Account** and is equal to your member individual account at the point of deferment plus investment returns less any benefits paid out (e.g. divorce orders etc) less fees. The fees are shown on page 11.

- 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 Deferred Pension Account.
- You will still need to decide where your funds are invested. The investment options available to you are shown on page 14.
- No tax is payable on any amounts deferred in the Fund.
- Once you defer, you lose the ability to take cash from the Fund until your retirement from the Fund.

The main advantage of this option is that your costs are likely to be much lower than transferring the benefit to another vehicle. There is no commission. The investment management fees are at the level that the Fund has negotiated for all its investments, and therefore you will benefit from the economies of scale that the Fund has been able to achieve, instead of most likely paying higher fees associated with 'retail' savings options such as preservation funds or retirement annuities.

The following benefits will be payable from the Fund should you choose to defer your benefits in the Fund:

TRANSFER BENEFITS

When?	When you decide to transfer your benefits out of the PetroSA Retirement Fund before reaching normal retirement date (65 years)
What?	Your deferred pension account
How?	Your transfer benefit will be transferred to a fund of your choice.

2. TRANSFERRING YOUR BENEFITS TO ANOTHER FUND

Alternatively, you can choose to transfer the entire benefit, or a portion thereof (taking the rest in cash) to your next employer's fund, a preservation fund or a retirement annuity.

Transferred amounts are not subject to tax.

Points to note about transfers to the various alternative vehicles:

New Employer's Fund

If the new employer's Fund is a Pension Fund (and not a Provident Fund), please note that at retirement you will be able to take up to 1/3rd maximum in cash and the remainder will have to be used to purchase a pension.

The possible advantage of this option is that it is likely to be a cheaper option (e.g. no commissions are payable) than a retirement annuity or preservation fund and it allows you to consolidate all your retirement savings in one vehicle. You should find out about the investment options available and the costs thereof prior to making this choice.

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), and similarly to a pension fund, you may only take up to one-third as a cash lump sum at retirement, with the balance paid to you as a monthly pension.

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

Preservation Fund

The possible advantage of a Preservation Fund is that if the rules allow it you may make one cash withdrawal prior to your retirement. (You may even take the full amount as a cash withdrawal.) Once you have made such a withdrawal, the balance of your money must be left in the Preservation Fund until you retire. Such withdrawal is of course subject to tax. And of course, **taking any of your retirement savings in cash will affect your ability to reach a financially comfortable retirement and is in general not advised.**

You can transfer from one Preservation Fund to another, but there are costs involved.

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%!

3. CASH

Alternatively, you can choose to take the entire benefit, or a portion thereof (transferring the rest to another fund) as a cash lump sum.

The portion taken in cash will be subject to tax. The current tax table (effective 1 March 2019) is as follows (please note that any previous amounts taken in cash from a retirement fund will be taken into account in this calculation):

Amount taken as a lump sum at resignation	**Tax payable**
R0 – R25 000	0%
R25 001– R660 000	18% of the amount above R25 000
R660 001 – R990 000	R114 300+ 27% of the amount above R660 000
Above R990 001	R203 400+ 36% of the amount above R990 000

Please note that taking any of your retirement savings in cash will affect your ability to reach a financially comfortable retirement and is in general not advised.

INVESTMENT NEWS

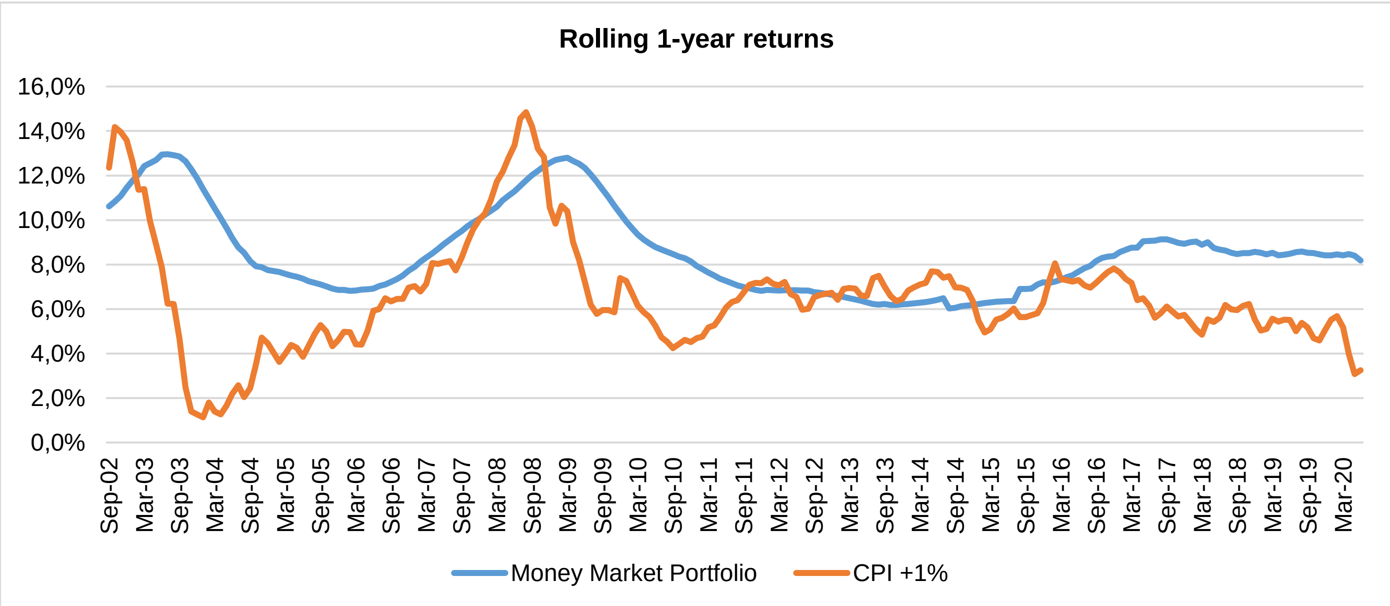
Below are the annualized investment returns for all the portfolios over different measurement periods until 30 June 2020. Please note that the returns are shown after deducting investment manager fees:

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	9.2%	10.1%
Stable Portfolio	CPI + 3% p.a. net over a rolling 3-year period	3 years	6.5%	6.8%
Money Market Portfolio	CPI + 1% p.a. net over a rolling 1-year period	1 year	8.2%	3.2%
Shari'ah Portfolio	CPI + 4% p.a. net over a rolling 5-year period	5 years	4.4%	8.7%

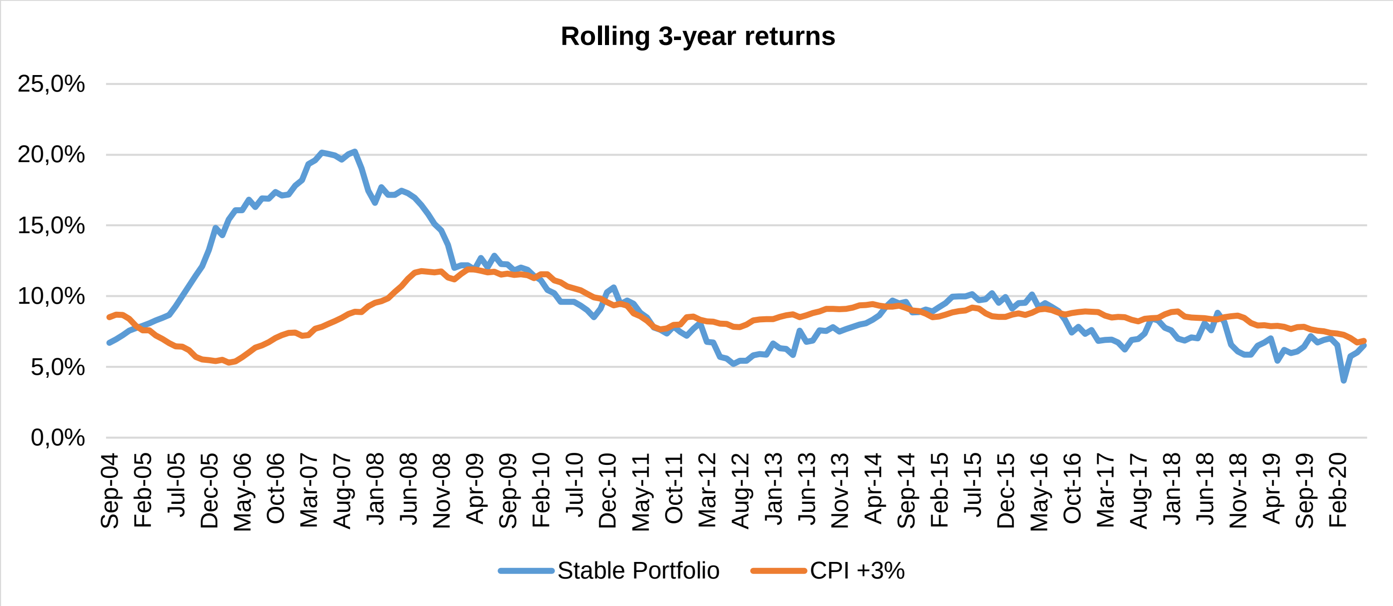
MONITORING OF LONGER-TERM PERFORMANCE OF THE PORTFOLIOS

To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 30 June 2020, 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 April 2020.

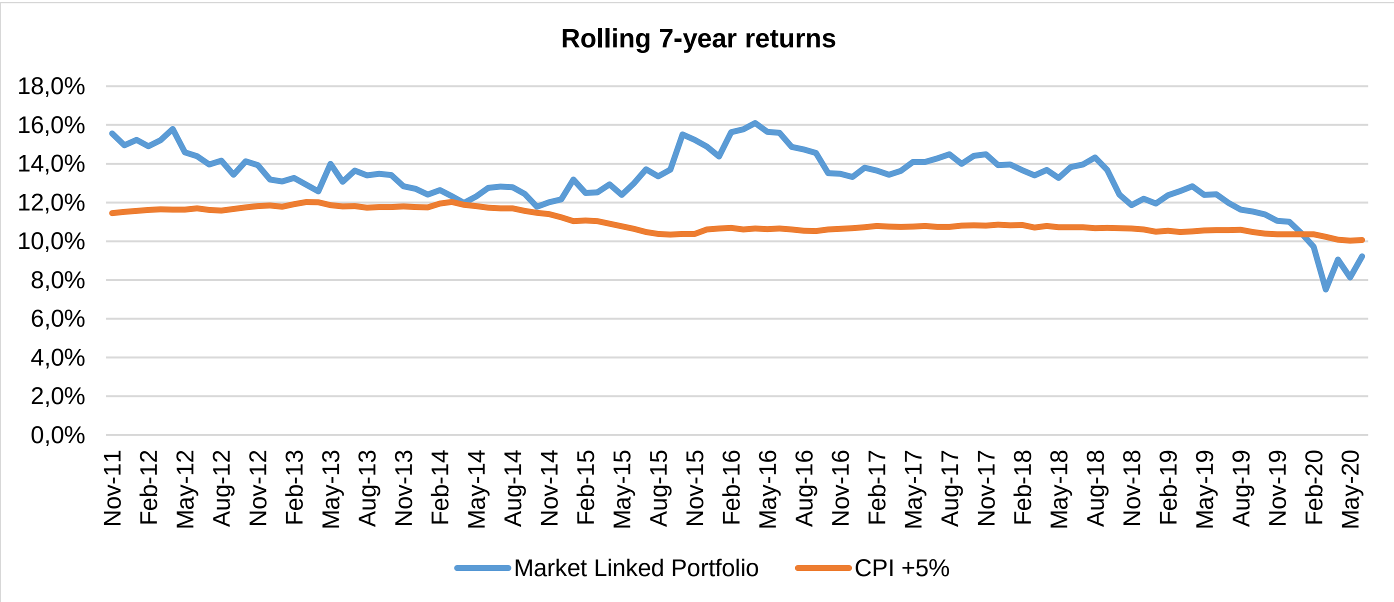
The **Money Market portfolio** has delivered some 6.0% per annum above inflation for the last year, which is well in excess of the investment objective of 1% per annum above inflation. This is illustrated below:



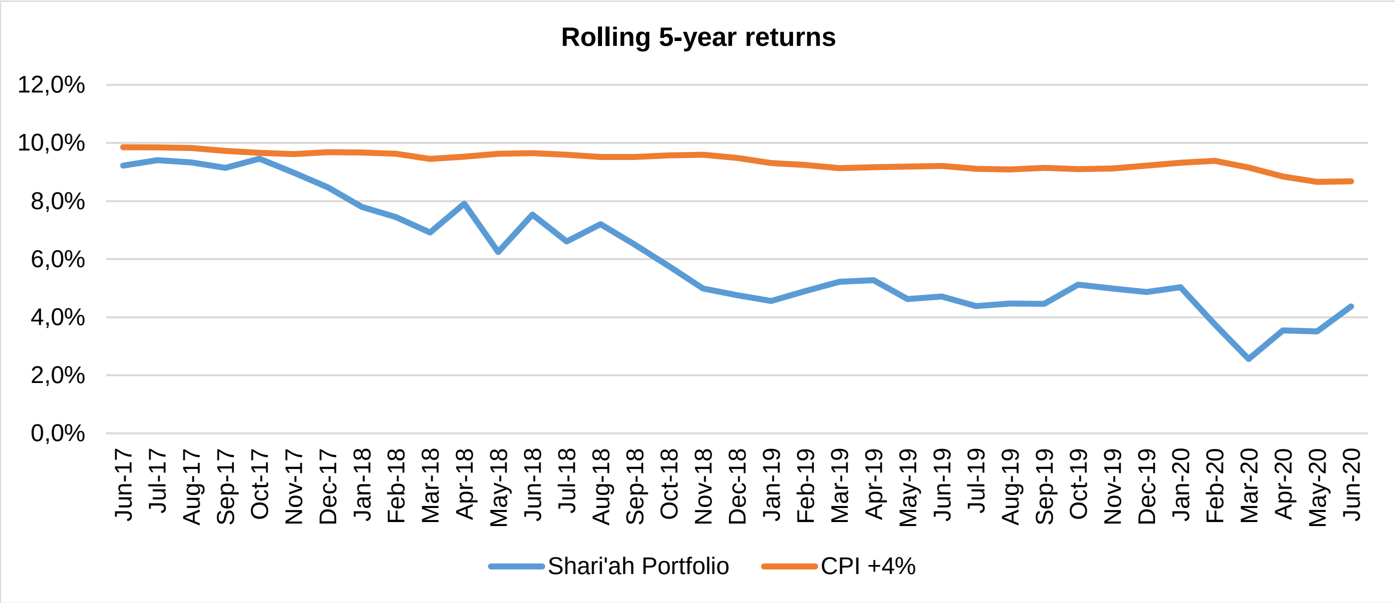
The **Stable portfolio** has delivered some 2.8% per annum above inflation for the last three years, which is slightly below the investment objective of 3% per annum above inflation. This is illustrated below:



The **Market-linked portfolio** (which is the portfolio for the wealth-building stage of the life stage model) has delivered 4.4% per annum above inflation over the last seven years, compared with the long-term investment objective of 5% above inflation. This is mainly due to the local share market delivering lower returns above inflation over the last 7 years compared to what it has delivered over the long term (10 years and longer). This is illustrated below.



The **Shari'ah portfolio** has delivered 0.1% per annum below inflation for the last five years, which is well below the investment objective of 4% per annum above inflation. Comment around the performance of the Shari'ah portfolio was provided in the June 2019 newsletter on page 3. In addition, the local share market delivered lower returns above inflation over the last 5 years compared to what it has delivered over the long term (10 years and longer). This is illustrated below:



MARKET COMMENTARY

Synchronised and record levels of global monetary and fiscal stimulus, the low base-effect from the Q1 weakness in financial markets, as well as improving economic data in notably the USA and China, drove a strong quarter of returns for global and local asset classes.

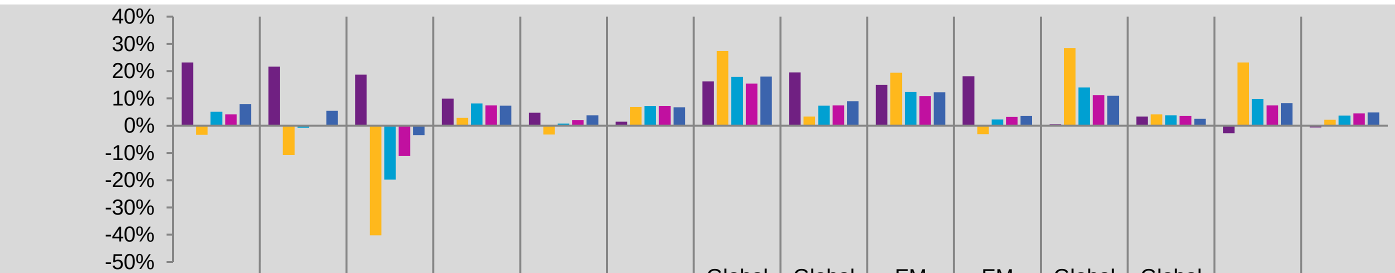
The MSCI All Country World Index gained 19.4% (in US dollars) in the second quarter, with strong gains from both developed and emerging markets.

Locally, equities, listed property and bonds enjoyed strong returns over the quarter. The Capped SWIX returned 21.6% and listed property returned 18.7%. However, one-, three- and five-year returns for domestic equities and listed property remain poor.

Domestic bonds recovered from the steep losses seen in March. The JSE All Bond Index rose 9.9% in the quarter.

The rand appreciated 2.7% against the US dollar, 3.1% against the British pound and 0.4% against the euro.

The graph below shows the performance of the various sectors of the market during various measurement periods ended 30 June 2020 (source: INet).



	SA Equities (ALSI)	SA Equities (Capped SWIX)	All Property (ALPI)	SA Nominal Bonds (ALBI)	SA Infl'n Linked Bonds (IGOV)	SA Cash (STeFI Comp)	Global Equities (MSCI World) (ZAR)	Global Equities (MSCI World) (USD)	EM Equities (MSCI EM) (ZAR)	EM Equities (MSCI EM) (USD)	Global Bonds (BarCap Agg) (ZAR)	Global Bonds (BarCap Agg) (USD)	ZAR/ USD	Inflation (CPI)
3 months	23,2%	21,6%	18,7%	9,9%	4,7%	1,5%	16,3%	19,5%	15,0%	18,2%	0,5%	3,3%	-2,7%	-0,6%
1 year	-3,3%	-10,8%	-40,2%	2,8%	-3,3%	6,9%	27,4%	3,4%	19,5%	-3,0%	28,4%	4,2%	23,2%	2,2%
3 years p.a.	5,1%	-0,8%	-19,8%	8,1%	0,7%	7,2%	17,9%	7,3%	12,4%	2,3%	14,0%	3,8%	9,9%	3,7%
5 years p.a.	4,2%	0,1%	-11,0%	7,5%	2,1%	7,2%	15,5%	7,5%	10,9%	3,2%	11,3%	3,6%	7,4%	4,5%
7 years p.a.	7,9%	5,5%	-3,5%	7,3%	3,9%	6,8%	18,1%	9,0%	12,2%	3,6%	11,0%	2,5%	8,3%	4,8%

An explanation of the different sectors appears below:

ALSI:	South African equities as measured by the All Share Index
Capped SWIX	South African equities Shareholder Weighted Index (Each share capped at 10%)
ALPI:	South African listed properties as measured by the All Property Index

IGOV:	South African Inflation-linked Bond Index
SteFI:	South African short-term fixed interest investments (cash)
ALBI:	South African All Bond Index
MSCI:	Morgan Stanley Capital Index – equities in developed overseas markets
BarCap:	Barclays Capital Global Aggregate Bond Index
ZAR/USD:	Rand investment in US Dollars (positive numbers show a “Weakening” rand).
CPI:	South African inflation rate

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

ANNEXURE 1: GENERAL INFORMATION

The information contained below are standard items that will appear in every newsletter going forward.

- About the Petro SA Retirement Fund
- Contributions and Fund benefits
- Investments
- Other general information

ABOUT THE PETROSA RETIREMENT FUND

- Established on 1 February 1996.
- Membership of the Fund is compulsory for all employees

MISSION AND VALUES

- Honesty – the Fund will always act towards its members in a transparent and honest manner
- Empowerment – the Fund has a focus on providing members with education which aims to empower members to understand their benefits and make the right decisions
- Innovation – the Fund aims to be at the forefront of developments in the retirement fund industry

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 at least 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

Your Board of Trustees are:

Member Elected Trustees	Member Elected Alternates	Employer Appointed Trustees	Employer Appointed Alternates
S August	JP Rhode	O R Mohapanele	KE Meleloe
A Futter (Chairperson)	H Rauch	N Tyandela	N Jwaai
W Kruger	L Tofu	N Gumede	J Lichaba
L Moser	Vacant	A de Lange	T Manne

COMMUNICATION

More information is provided via the following:

- Fund Website for all Fund information: 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
- Alexander Forbes Online facility where you can check your own information on a real time basis and access various tools and calculators: www.alexanderforbes.co.za
- Fund Rules can be obtained from the principal officer (details below) or from the Fund website.

QUESTIONS OR QUERIES- PLEASE CONTACT:

The Principal Officer:	Reinhard Buhr
Address:	151 Frans Conradie Drive, Parow, 7500, Cape Town
Telephone:	(021) 929 3133
E-Mail:	reinhard.buhr@petrosa.co.za

CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Capital department in writing.

Cape Town (and Tzaneen, Bloemfontein and SFF):
Reinhard Buhr
(021) 929 3133
reinhard.buhr@petrosa.co.za

Mossel Bay (and offshore and Voorbaai):
Dorothy Cedras
(044) 601 2540
dorothy.cedras@petrosa.co.za

COSTS

Administration and Fund costs (applicable from 1 June 2020)

- Active members – Fund costs are funded from a deduction from the contribution rate – 0.35% of pensionable salary (This includes an allowance for administration cost of R 56.62 pmpm (per member per month) plus VAT)
- Deferred members – Administration costs of R42.68 pmpm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R42.68 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R 1 035.43 plus VAT. Administration costs of R 103.54 pmpm plus VAT deducted from living annuity balance.

Switching costs (cost of changing investment decision) – first switch in the year is free. Thereafter R 452.99 plus VAT is deducted from your account per switch.

Investment management fees are deducted from the return earned on the investments as follows:

Portfolio	Manager	Fee charged
Market linked	Allan Gray Equity	0.5% p.a. plus 20% of the out-performance of the benchmark (FTSE/JSE All Share Index) capped at 2%
Market linked	Coronation Equity	0.2% p.a. plus 20% of out-performance of benchmark (FTSE/JSE Capped Shareholder Weighted Index) over preceding 12 months capped at 1% (base fee reduced to 0.1% p.a. from 1 Oct 2018 until a performance fee becomes payable)
Market linked	Abax Equity	0.45% p.a. plus VAT
Market linked	Ninety One Bonds	0.35% p.a. changes to 0.4% on out-performance of All Bond Index (ALBI)+2%
Market linked	Coronation Bonds	0.2% p.a. plus 10% of out-performance over ALBI over preceding 12 months capped at 1%
Market linked	Futuregrowth IDB	0.5% p.a. plus VAT
Market linked	Sygnia (WTW Diversified Global Balanced)	The Sygnia Life administration fee (based on total WTW client funds) is 0.09% p.a. for the first 4 billion, 0.04% p.a. for the next 2 billion and 0.02% p.a. thereafter. The AMX platform fee is 0.08% p.a fee plus approx. 0.575% p.a. for the underlying manager fees).
Stable	Allan Gray Global Stable	0.4% p.a. plus 20% of the out-performance of the benchmark (AF 3 Month Deposit Index) subject to a 1.8% overall fee
Stable	Coronation Inflation Plus	0.70% p.a.
Stable	Ninety One Cautious Managed	0.65% p.a.
Money Market	Ninety One Money Fund	0.09% p.a.
Shari'ah	27Four	the 27four underlying weighted manager fees are 0.41% p.a. excl. VAT (based on underlying manager weights) from 1 May 2020. The 27four multi-manager, administration and life policy fees remain 0.30% p.a. excl. VAT.

YOUR CONTRIBUTIONS AND FUND BENEFITS

CONTRIBUTIONS

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 following categories:

7.5%; 10%	**WARNING**: Consistent choice of these two 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.
12.5%	Automatic - if you do not make a choice
15%; 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.

- You can change the contribution every year on the salary review date (August)
- The contributions are tax deductible (subject to certain limits)

Go to the retirement fund calculator on the **Alexander Forbes online facility** (www.alexanderforbes.co.za) to check the impact that your contribution rate choice has on your expected retirement benefit.

RESIGNATION, RETRENCHMENT and DISMISSAL BENEFITS

When? When you leave employment, are retrenched or dismissed

What? Your member individual account

How? You can leave the **full benefit in the Fund** (become a deferred member) and transfer it or retire from the fund later (This option is not available on certain dismissals)

OR

You can **transfer the full benefit** to another Fund

OR

You can take the **full benefit in cash** as a lump sum (though this will be subject to tax, will materially affect the ability for you to reach a financially comfortable retirement and is in general not advised)

OR

You can choose a **combination of cash and transfer**

* ***Please note that though the benefit paid from the fund on resignation and retrenchment is the same, this benefit is taxed differently***

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.	

Further and more detailed information will be provided to you on exit.

DEATH BENEFITS

When? When you die while being a member of the Fund (active member or deferred member or pensioner)

What? Your member individual account

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

RETIREMENT BENEFITS

When you retire from service, you can choose to remain a deferred pensioner in the Fund i.e. stay invested in the Fund **until you choose** to retire from the Fund. (Should you die prior to retiring from the Fund, your benefit will be allocated in terms of Section 37 C of the Pension Funds Act). **OR you can choose to immediately retire from the Fund.**

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 member individual account

How? You can take the **full benefit in cash** as a lump sum (though this will be subject to tax)

OR

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

OR

You can take **some of the benefit in cash** and use the rest to buy a pension from an insurer or the Fund

The Fund will provide you with quotations for a **life annuity**, which is purchased from an insurer and guaranteed until your death. The Fund also offers a **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).

Further and more detailed information will be provided to you on retirement.

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

This tax free amount is a once in a life-time amount so, if you have previously taken a tax free amount, this will be deducted from your R500 000 tax free amount at the time when you retire.

NOTE: The following benefits are not paid by the Fund but are provided for by a separate insurance policies. For the sake of completeness we have listed them in this guide. For more details on these benefits please go to the website at www.petrosaretirementfund.co.za

- **Funeral benefits**
- **Benefits should you be regarded as disabled**
- **Spouses cover**
- **Personal accident benefits**

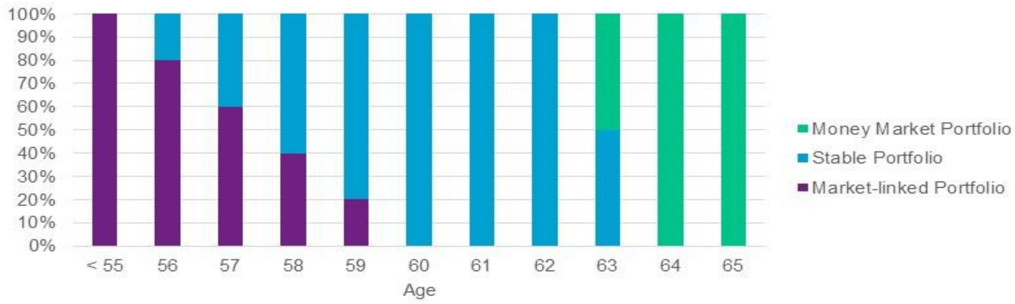
GENERAL INFORMATION ON INVESTMENTS

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.
You can change the investment choice at any time (costs of changing are shown on page 6).

Portfolio name	Target return and comment	Asset allocation (as at 30 June 2020)
Market Linked Portfolio	Target return CPI + 5% 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)	Strategic asset allocation determined by the Board. 46% SA equities (managed equally by Allan Gray, Coronation and Abax) 24% SA bonds (managed by Investec (37.5%), Coronation (37.5%) and Futuregrowth (25%)) 30% offshore (various managers across bonds (15%); equity (70%) and listed property (15%))
Stable Portfolio	Target return of CPI + 3% per annum over a rolling 3 year period Lower volatility than the Market Linked portfolio	Actual asset allocation determined by the managers. 19.4% SA equity + 2.1% SA property 36.1% SA bonds + 10.9% SA cash 29.5% offshore + 2.0% other (managed by Allan Gray (50%), Coronation (25%) and Ninety One (25%)
Money Market Portfolio	Target Return of CPI + 1% per annum Least appropriate for long term investing Most chance of capital preservation	100% SA cash and money market instruments (managed by Investec)
Shari'ah Portfolio	Target returns of CPI + 4% 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 – eg conventional financial, alcohol and tobacco; non-halaal food production; some entertainment (eg casinos) and arms manufacturing.	Strategic asset allocation determined by the manager 37% SA equities + 5% commodities 29% SA murabahah contracts 19% offshore equities + 4% offshore sukuk 2% offshore listed property + 4% non-interest bearing cash (managed by 27Four Investment Managers)

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 for in-service members). 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 on the option form.

If you make no investment choice when you become a deferred member, you will remain invested in the portfolio in which you were invested in prior to becoming deferred – if this is the Lifestage model you will continue to be transitioned as usual.

If you make no investment choice on becoming a living annuitant, you will be invested in the Stable portfolio.

. OTHER GENERAL INFORMATION

COMPLETION OF CLAIM FORMS ON LEAVING THE FUND

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 3rd 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.

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 Web-site.

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.