PetroSA
Retirement Fund
www.petrosaretirementfund.co.za

N E W S L E T T E R

ISSUE NUMBER: 1/2021
February 2021

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to your first newsletter for 2021.

2021 started off with a continuation of the events that occurred last year and the Covid-19 pandemic is still etched in our lives. We are hoping that all of our members and their families remain safe and healthy this coming year and that we as a nation together with the rest of the world see a remarkable turnaround for a brighter and better future.

As a member you are assured that your Fund remains in a good financial position. In this newsletter, we focus mainly on investment topics. We hope that you find the information meaningful and interesting. If there is any item you want to see in future issues, please write to us to let us know.

We wish all our members well during the upcoming festive season. Stay safe!

INSIDE THIS ISSUE

Board of Trustees
February 2021

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.

INVESTMENT NEWS

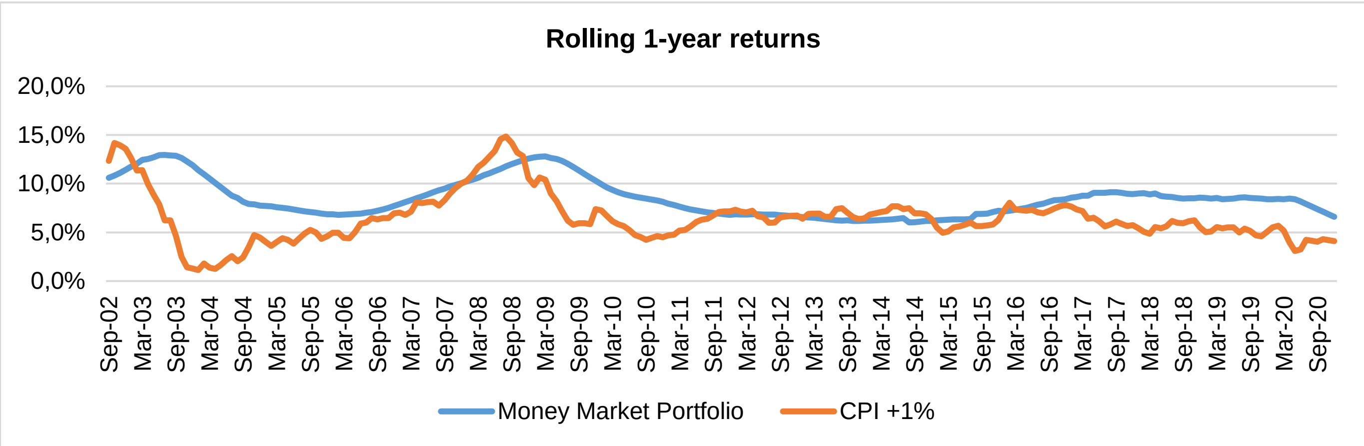
Below are the annualized investment returns for all the portfolios over different measurement periods until 31 December 2020. Please note that the returns are shown after deducting investment manager fees:

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	8.3%	10.0%
Stable Portfolio	CPI + 3% p.a. net over a rolling 3-year period	3 years	6.3%	7.0%
Money Market Portfolio	CPI + 1% p.a. net over a rolling 1-year period	1 year	6.6%	4.1%
Shari'ah Portfolio	CPI + 4% p.a. net over a rolling 5-year period	5 years	4.1%	8.8%

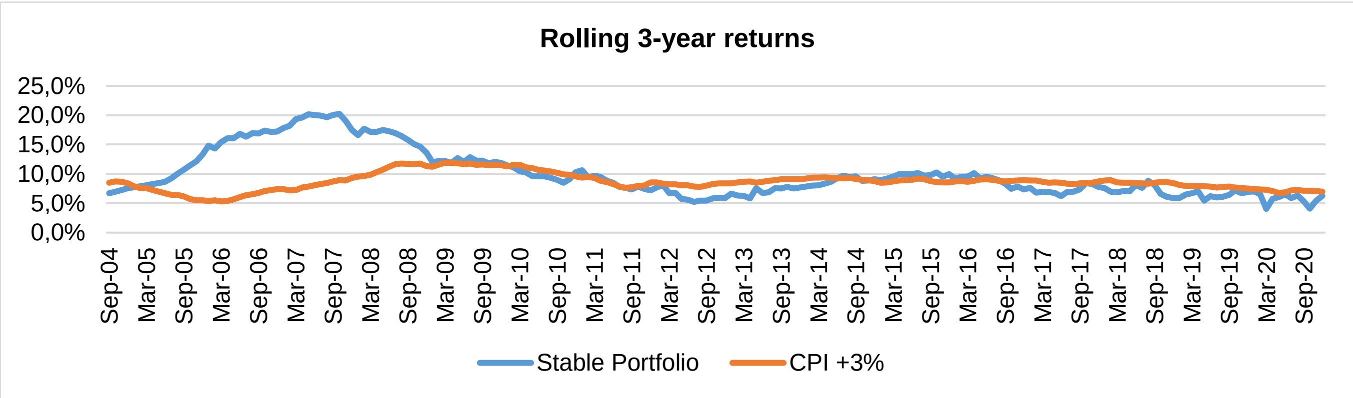
MONITORING OF LONGER-TERM PERFORMANCE OF THE PORTFOLIOS

To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 31 December 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 December 2020.

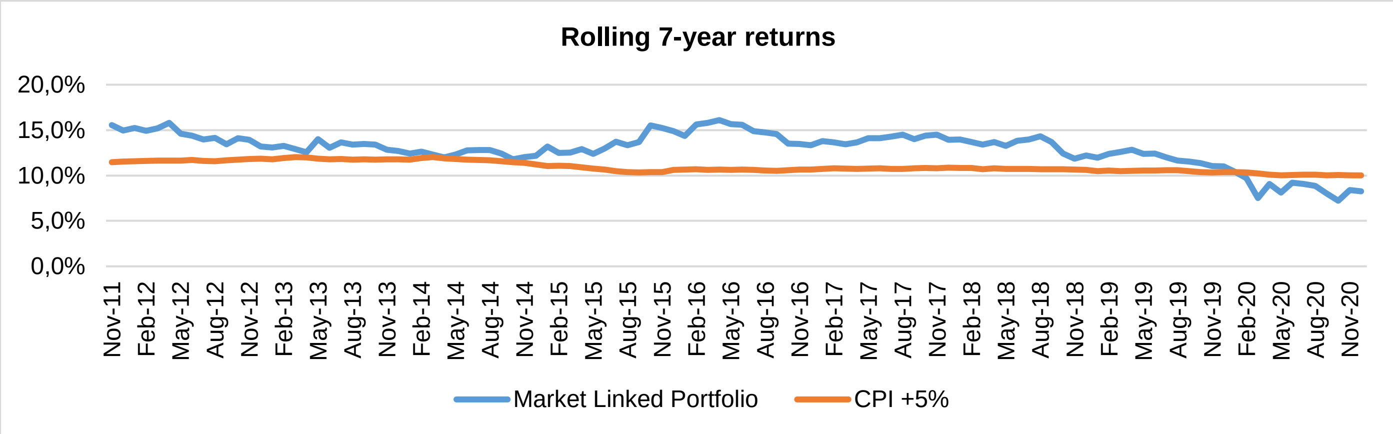
The **Money Market portfolio** has delivered some 3.5% per annum above inflation for the last year, which is well in excess of the investment objective of 1% per annum above inflation. This is illustrated below:



The **Stable portfolio** has delivered some 2.4% per annum above inflation for the last three years, which is 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 3.5% per annum above inflation over the last seven years, which is below its long-term investment objective of 5% per annum above inflation. This is illustrated below.

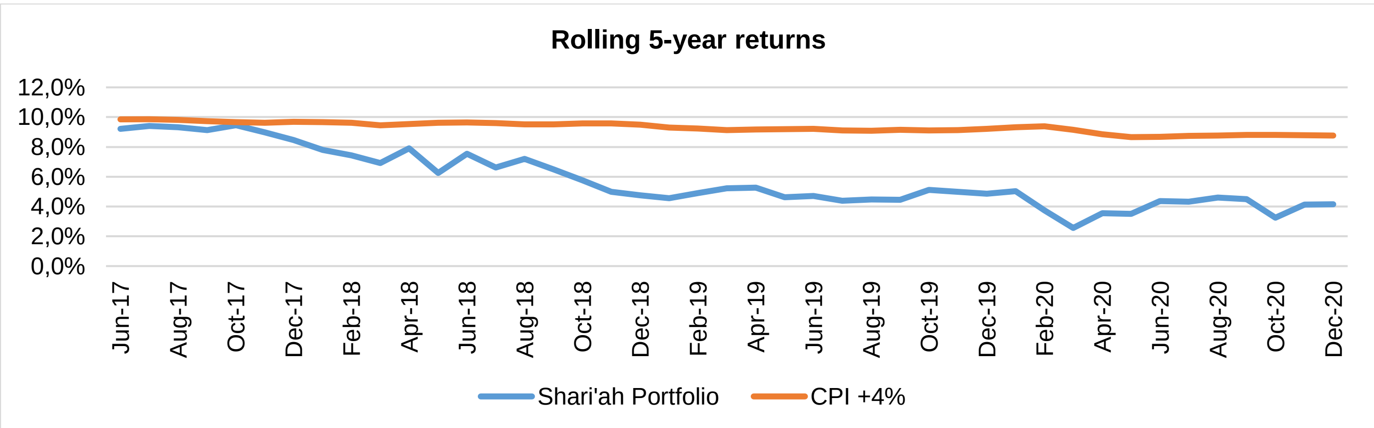


Equity markets offer the highest potential return compared to other asset classes such as bonds and cash; but the higher potential returns are associated with higher levels of risk (capital loss) and greater chances of negative returns over short periods. Based on the investment objective, the Market-linked Portfolio is primarily invested in equities (shares), both locally and offshore.

Historically, over long term periods (10 years and longer), the local equity market has delivered returns well in excess of CPI. However, over the recent short term and medium term periods (up to 5 years), the local equity market has delivered returns below CPI. More recently, investment markets fell sharply in February and March 2020, following market uncertainty on the impact of the COVID-19 pandemic on the domestic economy and on local companies. Investment markets remain volatile, particularly in the share markets, with periods of positive returns followed by periods of negative returns. At the date of writing this newsletter (February 2021), local and global share markets have rallied strongly for the month of January 2021, following the strong positive returns in November and December 2020.

The Trustees expect, over the longer term, the Market-linked Portfolio is expected to achieve its investment objective of 5% per annum above inflation, however this level of return is not guaranteed and will depend critically on investment market conditions.

The **Shari'ah portfolio** has delivered 0.5% 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:



The Board of Trustees met with 27four Investment Managers (the investment manager of the Shari'ah Portfolio) at their Board meeting held on 24 November 2020. 27four Investment Managers commented that the largest portion of the Shari'ah Portfolio is invested in local shares which has delivered low returns over the last 5 years due to the weak local economy (i.e. similar reasons as that explained above with the Market-linked Portfolio). The investment team has made some changes to the management of part of the local equities in the portfolio during May 2020, and the presenters commented that, to date, the change “has exceeded expectations by consistently outperforming the category average”. 27four Investment Managers have delivered good returns over the last 3 months and 6 months compared to their strategic benchmark as at 31 January 2021.

MARKET COMMENTARY

The COVID-19 pandemic triggered one of the most severe exogenous shocks to the global economy on record. Although global financial markets experienced a volatile 2020, driven initially by the devastating economic impact of the pandemic and thereafter by the monetary and fiscal policy responses by policymakers, investors ended the year with a reasonable return outcome.

Unprecedented monetary and fiscal policy responses across the globe drove a sharp recovery in financial markets during the second half of 2020.

Improved sentiment saw global equity markets continue their strong run over the quarter. Indeed, November was the best month on record (since 1988) for global equities. The S&P 500 Index made 33 all-time highs during 2020, including ending the year at an all-time-high. However, returns were disparate, with technology shares being the notable drivers of this return. Perhaps less well-known is that 39% of the shares in the S&P 500 Index delivered a negative return for the year.

The MSCI All Country World Index ended the year 16.8% (in US dollars) higher, after rising 14.7% (in US dollars) for the quarter. Emerging market equities outperformed developed markets during both Q4 and calendar 2020.

The graph below shows the performance of the various sectors of the market during various measurement periods ended 31 December 2020 (source: IRESS for local indices and Morningstar for offshore indices and exchange rates).

	SA Equities (ALSI)	SA Equities (Capped SWIX)	SA Listed Property (SAPY)	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	9,8%	11,5%	22,2%	23,6%	6,7%	5,5%	1,0%	0,5%	14,1%	5,5%	19,8%	-9,0%	3,3%	-11,9%	0,4%
1 year	7,0%	0,6%	-34,5%	-35,5%	8,7%	3,9%	5,4%	22,4%	16,5%	24,7%	18,7%	14,7%	9,2%	5,0%	3,1%
3 years p.a.	3,1%	-1,5%	-20,7%	-21,6%	8,9%	2,1%	6,6%	17,7%	11,1%	12,8%	6,6%	11,0%	4,8%	5,9%	3,9%
5 years p.a.	6,4%	3,2%	-8,4%	-11,3%	10,4%	3,0%	7,0%	11,6%	12,8%	12,0%	13,2%	3,7%	4,8%	-1,1%	4,6%
7 years p.a.	6,8%	4,8%	-1,8%	-3,3%	8,2%	4,2%	6,7%	15,2%	9,8%	11,8%	6,6%	8,1%	3,0%	5,0%	4,8%
10 years p.a.	9,6%		3,5%	2,6%	8,2%	6,1%	6,4%	19,7%	10,5%	12,6%	4,0%	11,4%	2,8%	8,3%	5,1%
15 years p.a.	11,5%		8,2%		8,1%	7,5%	7,2%	14,1%	7,9%	13,1%	7,0%	10,1%	4,1%	5,8%	5,6%
20 years p.a.	13,7%				9,9%		7,8%	10,2%	6,6%	13,6%	9,9%	8,3%	4,8%	3,4%	5,4%

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.

ANNUITISATION OF PROVIDENT FUNDS

The government recently made some changes to tax laws regarding what you can do with your money when you retire from a Provident Fund. The PetroSA Retirement Fund is a Provident Fund. Importantly to note, the changes will only affect you if you are going to be retiring from the Fund. The changes do not affect you if you are 55 or older on 1 March 2021 and stay to retire in the Fund, or if you are resigning from your job. The changes are explained below.

VESTED AND NON-VESTED BENEFITS

Vested benefits (also referred to as "*Protected benefits*") refer to the amount of benefit which may be taken in cash **on retirement**. The vested benefit is the balance in your provident fund on 1 March 2021 plus returns on that amount until retirement, plus if you are over 55 on 1 March 2021, any new contributions you make to the same provident fund and returns thereon.

Whatever amounts are vested in your provident fund move with you and remain vested if you move to another employer's fund i.e. you do not lose the ability to take this portion of your benefit in cash on retirement even if you change funds.

Non-vested benefits (also referred to as "*Restricted benefits*") refer to the amount of benefit which is subject to annuitisation i.e. no more than 1/3rd of this amount may be taken in cash on retirement (subject to tax) – the rest must be used to purchase a pension from an insurer (unless this amount is less than R247,500 on retirement in which case this portion may also be taken fully in cash).

All contributions made to the fund after 1 March 2021 plus returns thereon form part of your **non-vested benefits** (unless you are 55 years or older on 1 March 2021 and contribute to the same fund, in which case these are vested).

When you change employers, the non-vested benefits will move with you and remain non-vested if you move to another employer's fund.

WHAT HAPPENS WHEN YOU CHANGE JOBS?

If you resign, are retrenched or dismissed from the employer and withdraw from the Fund, you are entitled to your savings in the fund, known as your Member Individual Account. You will still be able to choose to take all of your savings in cash when you leave employment, transfer all your savings to another employer (or part cash part transfer), or leave your savings in the Fund until a later date (noting if you make no choice your money will remain held in the Fund under your name).

The new laws that are coming into effect on 1 March 2021 do not therefore, have any impact on your withdrawal benefit from the Fund upon resignation.

Please note that whatever benefits remain in the Fund or are transferred to another employer remain classified in the "vested" or "non-vested" buckets on moving these benefits across, so you do NOT lose the ability to take your vested benefits in cash on retirement if you move the money to a new employer's fund.

WHAT HAPPENS WHEN YOU RETIRE FROM A PROVIDENT FUND?

In the past, when you retired from a Provident Fund such as yours, you had a choice of how much cash you wanted to take from your Member Individual Account and how much you wished to use to purchase a pension (if any). In other words, you were allowed to take all your money in cash when you retired.

So, what happens with effect from 1 March 2021?

If you are younger than 55 years on 1 March 2021 and retire from the fund after 1 March 2021 the following will apply:	On retirement: You will still be allowed to take all your vested benefits (i.e. savings on 1 March 2021 plus returns) in cash (or part cash/part pension) (subject to tax). In terms of non-vested benefits, i.e. amounts contributed after 1 March 2021, you 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 (unless the non-vested benefits are less than R247,500 in which case this whole amount may be taken in cash).

If you are already 55 years or older on 1 March 2021:

You will not be affected by the new laws if you stay in the PetroSA Retirement Fund until retirement. This means you can still take all your savings in your Member Individual Account in cash when you retire (subject to tax).

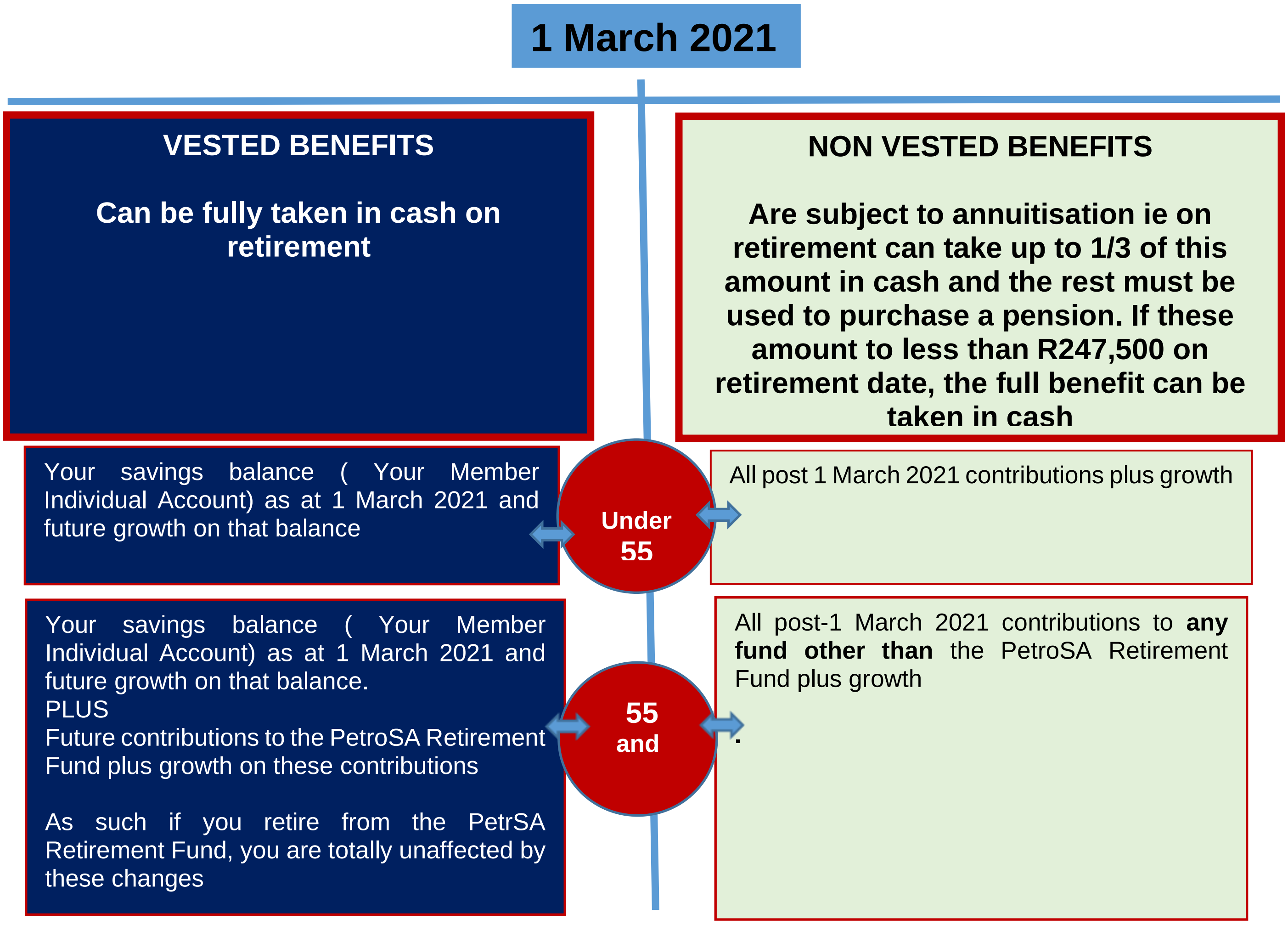
If you move to a new fund, The PetroSA Retirement Fund amount moved to the new fund (vested benefits) can still be taken fully as cash on retirement. Any savings made to the new fund (non-vested benefits) will need to be partly used to purchase a pension (in line with the one third cash, two-thirds pension split above (unless the non-vested benefits are less than R247,500 in which case this whole amount may be taken in cash). .

NB You will still be able to access your savings in full as cash on exit after 1 March 2021

On exit (other than retirement), you still have a choice to take all the money in your Member Individual Account (including that saved after 1 March 2021) in cash if you wish but (as usual) tax will apply. This is unaffected by the changes above. However, taking all your money in cash is not encouraged whatsoever.

This note is for information purposes only and we would recommend members access retirement benefits counseling or get financial advice before making any big financial decisions.

Below is a diagram summarizing the main points as discussed above:



INFRASTRUCTURE INVESTMENTS (PRESCRIBED ASSETS)

Prescribed assets continue to be topical and widely debated. This was discussed in the previous newsletter – December 2020. In a nutshell. it refers to what was described in the ANC's 2019 manifesto as the intention to "Investigate the introduction of prescribed assets on financial institutions' funds to mobilise funds within a regulatory framework for socially productive investments (including housing, infrastructure for social and economic development and township and village economy) and job creation while considering the risk profiles of the affected entities."

This caused concerns from members of retirement funds because of the possible implications it could have on investment portfolios should this indeed come into effect.

A more recent update shows that Government continues to be keen to raise funding for infrastructure investment to benefit South Africa. In October 2020, National Treasury stated that: "*Government has initiated a process to review Regulation 28 [of the Pension Funds Act] to make it easier for retirement funds to increase their investment in infrastructure, should their boards opt to do so".* The Renewable Energy funding programme is a successful example of this, in the past. This should not be seen as a "tax" on retirement funds – the aim is to earn a good return for members while also supporting infrastructure development.

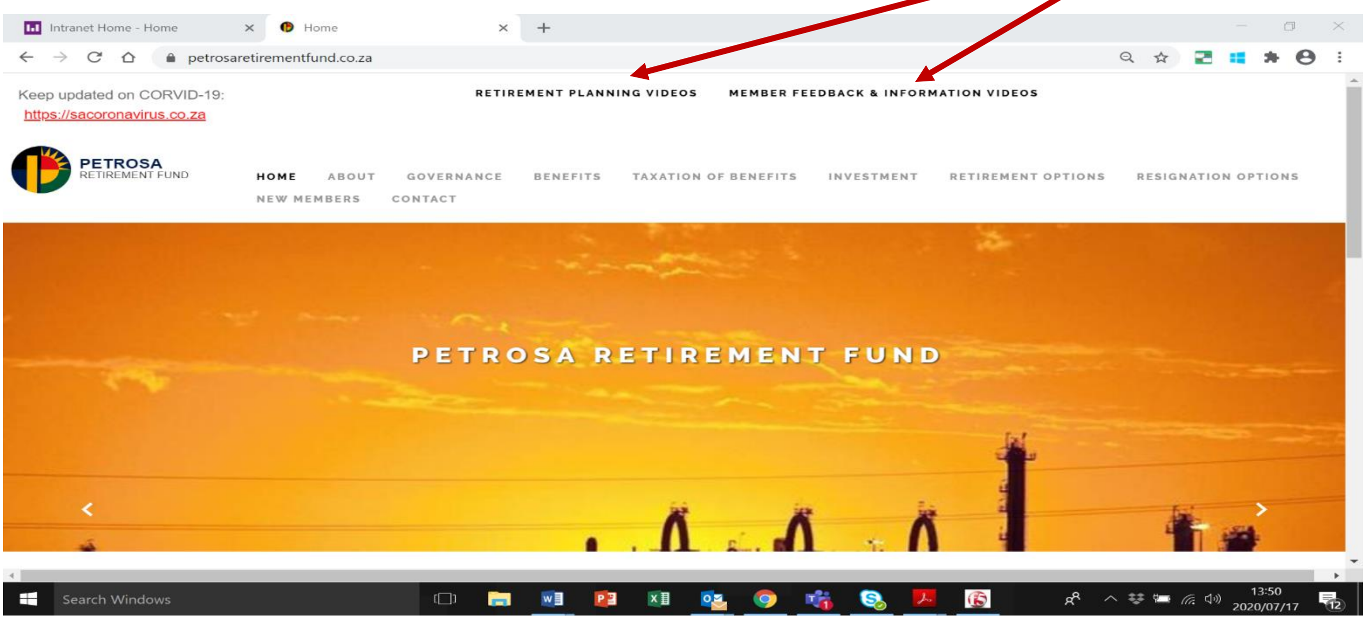
Should anything change, or if there is any notable update on this matter, we will immediately communicate with you.

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. This did not take place due to COVID -19. Member retirement planning sessions were due to take place once again at the end of January 2021. Again, due to COVID-19 this did not take place.

As Highlighted in previous newsletters, Willis Towers Watson's, 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.

We will, however, aim to do some live virtual workshops during the course of this year and hoping to resume the face-to-face sessions as soon as the Covid-19 pandemic is more under control.

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.

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	0.1% 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. 0.552% p.a. for the underlying manager fees.
Stable	Allan Gray Global Stable	0.40% p.a. on portion managed by Allan Gray Life plus 20% of the out-performance of the benchmark (AF 3 Month Deposit Index), subject to a 1.8% overall fee. A fee between 0.5% and 2.5% per annum is paid to Orbis Mutual Funds for their portion.
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 a maximum of the **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 remainder to purchase a pension from an insurer

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)

Vested benefit: Any amount in your provident fund of which you were a member on 1 March 2021 (even if this is subsequently transferred) plus returns thereon. This amount may be taken in cash on retirement.

Non-vested benefit: Any amount contributed post 1 March 2021 plus returns thereon (unless you were 55 on 1 March 2021 and the contributions are going to the same provident Fund of which you were a member on 1 March 2021, in which case this is also vested). 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 ust be used to purchase a pension from 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

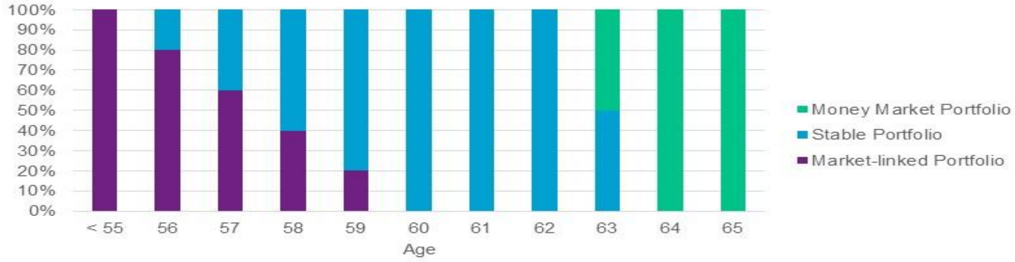
GENERAL INFORMATION ON INVESTMENTS

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 9).

Portfolio name	Target return and comment	Asset allocation (as at 31 December 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 Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%)) 30% offshore (various managers across bonds (15%); equity (67.5%), listed infrastructure (7.5%) and listed property (10%))
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. 17.6% SA equity + 1.5% SA property 41.3% SA bonds + 8.4% SA cash 28.3% offshore + 2.8% other (commodities and hedge funds) (managed by Allan Gray (33.3%), Coronation (33.3%) and Ninety One (33.3%)
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 Ninety One)
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 38% SA equities + 5% commodities 31% SA cash 19% offshore equities + 5% offshore sukuk 2% offshore listed property (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 taxpayers 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.