



**PetroSA**  
**Retirement Fund**  
[www.petrosaretirementfund.co.za](http://www.petrosaretirementfund.co.za)

# NEWSLETTER

**ISSUE NUMBER: 4/2021**  
**November 2021**

## ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to the final newsletter for 2021.

While 2020 was a year we will all never forget, 2021 continued to be a difficult year for many of us living through the COVID-19 pandemic. To those that have lost loved ones, our sincere condolences go out to you and your families.


As a member, you are assured that your Fund remains to be in a good financial position and, on a positive note, the Fund's investments over the past year have been very strong. This is detailed later inside this newsletter.

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.

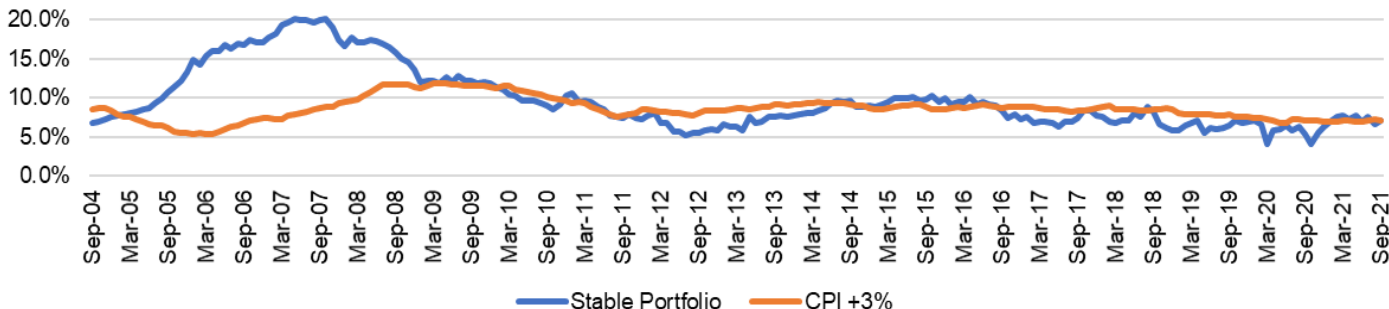
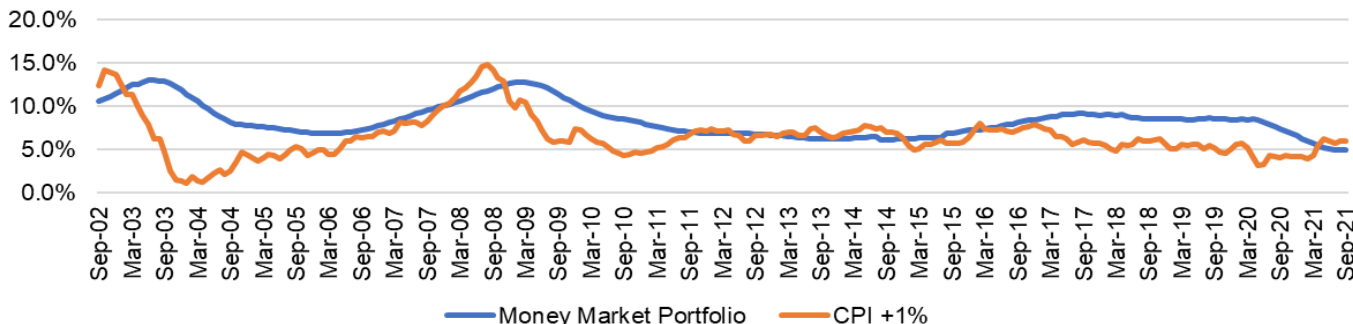
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November 2021

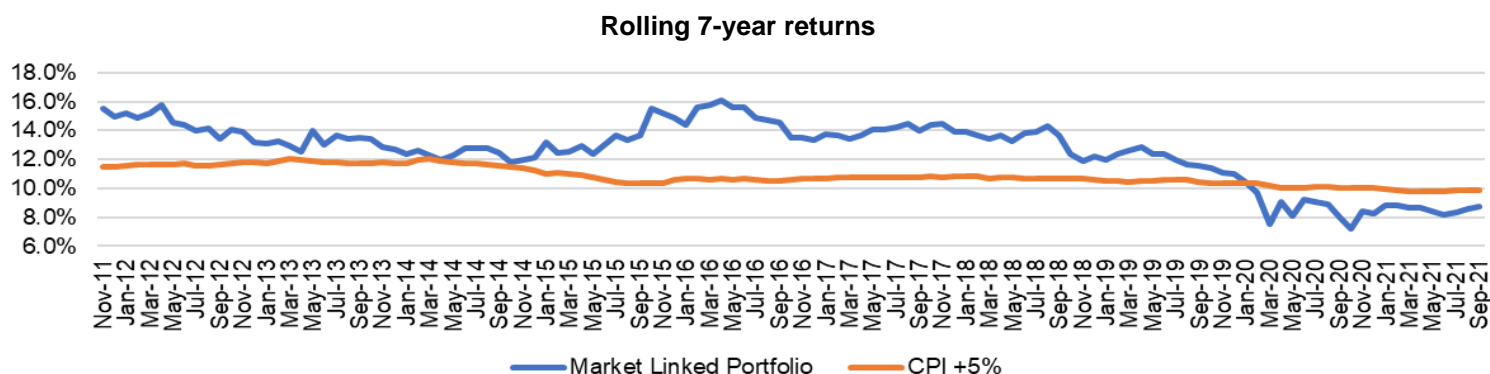
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#### Disclaimer:

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.



The **Market-linked portfolio** (which is the portfolio for the wealth-building stage of the life stage model) has delivered 4.1% 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.

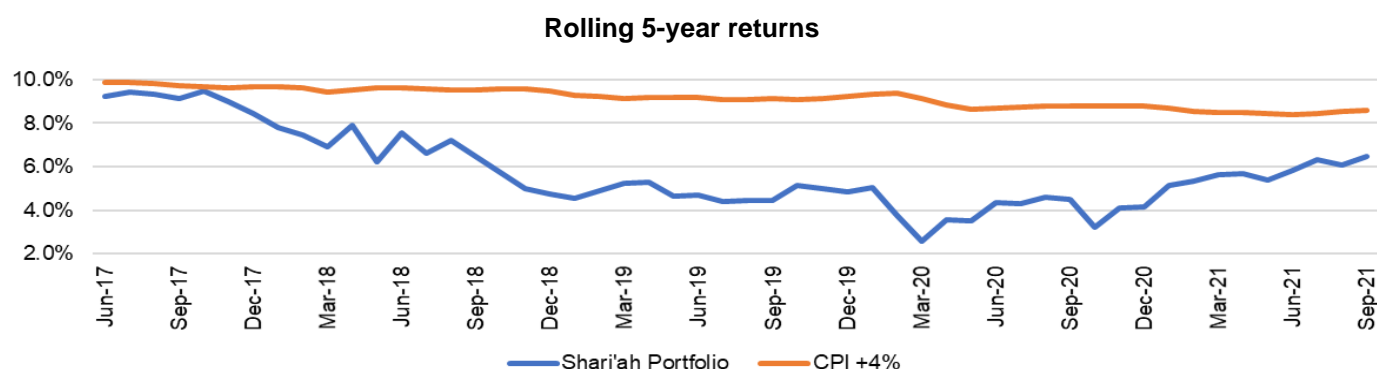


Equity markets offer the highest potential return compared to other asset classes such as bonds and cash; but the higher potential returns are associated with higher levels of risk (capital loss) and greater chances of negative returns over short periods. Based on the investment objective, the Market-linked 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 also delivered returns well in excess of CPI. More recently, investment markets have bounced back strongly from the sharp decline experienced in the first quarter of 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 (November 2021), local share markets were down for the latest quarter end.

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 2.1% per annum above 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:



27four Investment Managers have continued to deliver good returns over the last 6 months and 12 months compared to their strategic benchmark as at 30 September 2021.

## MARKET COMMENTARY

Global markets were broadly negative in September on concerns that central banks were preparing to scale back on stimulus measures and hike up interest rates. Contributing to this risk-off sentiment were events in China, as the release of weaker economic data, renewed lockdowns, power shortages and concerns over the solvency of Evergrande all contributed to slowed economic activity. Precious and industrial metals including gold, platinum, copper, palladium, and nickel were all firmly down for the month.

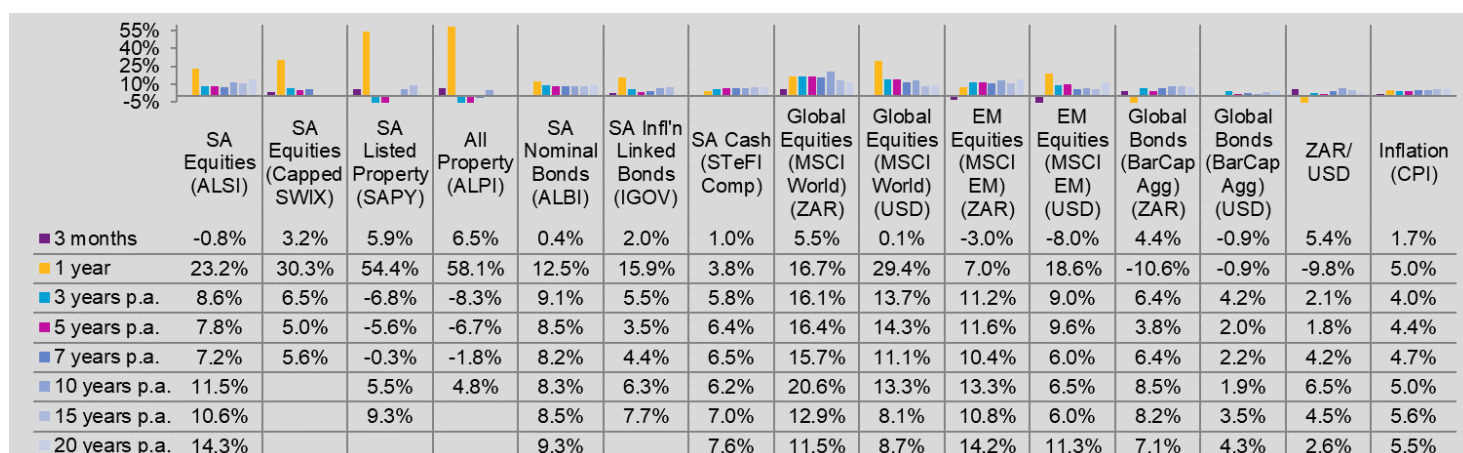
The MSCI World Index (representing Developed Markets) returned -4.1% and the Emerging Markets index returned -3.9%, both in US Dollar terms. The Bloomberg Global Aggregate Bond Index (in US Dollars) returned -1.8%, while the EPRA/NAREIT Global Property REIT Index (in US dollars) returned -5.7%. US equities were sharply lower, with the S&P500 Index down 4.7% and major US indices registering their worst month since March 2020. The US Federal Reserve kept interest rates and bond purchases steady over the month. However, sentiment weakened after the Fed signalled that a rise in interest rates may follow sooner than expected. On the back of these comments US 10-year treasury yields spiked, placing downward pressure on bond markets.

In South Africa, better-than-expected GDP growth for Q2 and widening of the trade surplus were not enough to offset the global risk-off sentiment, which was further compounded by a weaker Resources sector.

The South African Reserve Bank kept the repo rate unchanged, noting that the overall risks to the medium-term growth outlook remained balanced, while the risks to the short-term inflation outlook were assessed to being on the upside. Inflation rose to 4.9% in August from 4.6% in July, marginally above market expectations of 4.8%.

The FTSE/JSE Capped SWIX returned -1.4% in September. Resources lost 9.3%, Industrials lost 0.8% and the ALPI was down 0.2%. The Financial sector was up 2.1%. The All-Bond Index delivered -2.1%.

The Rand depreciated against all the major currencies in September, losing 4% against the US Dollar, 1.9% against the British Pound and 2.1% against the Euro.



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.**

## WORKSHOPS HELD FOR MEMBERS WHO TOOK THE VSP

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During the last week of October, virtual sessions were held for all members who took the VSP with PetroSA. These sessions were provided for on behalf of the PetroSA Retirement Fund and covered the following:

- Summary of choices available
- Summary of retrenchment benefit options
- Summary of retirement options (for over 55s only)
- Taxation of benefits with examples

## FLEXIBLE CONTRIBUTION RATES

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On page 10 of this newsletter you will find the current contribution category scale. You, as a member, can choose how much you want to contribute to the Fund (as a percentage of your pensionable salary).

The Employer has requested that the Board of Trustees consider introducing a 2.5% and 5% contribution category to assist those members struggling financially.

Importantly for all members to note, is that the role of the Fund is to provide for a meaningful retirement savings, which these contributions would not allow for. However, the Board has agreed that these 2 contribution categories would be implemented **BUT** would be subject to the **discretion of the Board**.

The implementation of these contributions will only take effect when the rule amendment has been approved by the Financial Service Conduct Authority. We will inform you once this has been approved.

## PLANNING FOR RETIREMENT WORKSHOPS AND MEMBER FEEDBACK AND INFORMATION SESSIONS

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Member retirement planning sessions took place virtually during May and June 2021. Live virtual member feedback sessions are planned for September, and an updated video tutorial will be posted on the website. We are hoping to resume the face-to-face sessions as soon as the Covid-19 pandemic is more under control.

The next retirement workshops will take place towards the end of January 2022. We will inform you closer to the time of the specific dates as well. These will re than likely be performed virtually.

**Choosing the right pension is not an easy decision to make. We encourage you to attend these retirement planning sessions– 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
Mr LE Moser	Mr PO Taylor	Ms GN Tyandela	Ms KJ Beeka
Mr JP Rhode	Mr W Kruger	Mr J Lichaba	Ms N Cairncross-Chinnapye
Ms AJ Futter (current Chairperson)	Ms NM Jwaai	Ms A de Lange	Ms SL Wessels
Mr H Rauch	Mr KE Meleloe	Ms GN Gumede	Mr PW Marriday

### COMMUNICATION

More information is provided via the following:

- **Fund Website** for all Fund information: [www.petrosaretirementfund.co.za](http://www.petrosaretirementfund.co.za)
- **Newsletters** will be issued quarterly
- **Presentations and workshops** are held regularly. Please attend these to learn more!
- **Benefit statements** showing your benefits will be issued annually towards the end of March
- **Projection statements** showing the expected pension that your retirement savings are likely to provide will be issued annually with your benefit statements towards the end of March
- **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](http://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](mailto:reinhard.buhr@petrosa.co.za)

## PENSION FUND ADJUDICATOR:

Call Centre: 086 066 2837  
Telephone: (012) 748 4000; (012) 346 1738  
E-Mail: [enquiries@pfa.org.za](mailto:enquiries@pfa.org.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

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

## COSTS

### Administration and Fund costs (applicable from 1 June 2021)

- Active members – Fund costs are funded from a deduction from the contribution rate – 0.45% of pensionable salary (This includes an allowance for administration cost of R 58.43 pmpm (per member per month) plus VAT)
- Deferred members – Administration costs of R44.05 pmpm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R44.05 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R 1 068.56 plus VAT. Administration costs of R 106.85 pmpm plus VAT deducted from living annuity balance.

**Switching costs** (cost of changing investment decision) – first switch in the year is free. Thereafter R 467.49 plus VAT is deducted from your account per switch.

### Investment management fees

The table below shows the estimated portfolio fees and charges (inclusive of VAT) for the 12-months ended 31 March 2021. Note that the portfolio investment returns quoted are net of the fees and charges estimated below.

Portfolio	Manager fees		Other investment-related fees and charges		Transaction costs		Total fees & charges	
	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021
Market-linked	0.43%	0.40%	0.06%	0.06%	0.12%	0.13%	0.61%	0.59%
Stable	0.57%	0.56%	0.06%	0.06%	0.05%	0.05%	0.68%	0.68%
Money Market	0.09%	0.09%	0.01%	0.00%	0.00%	0.00%	0.10%	0.09%
Shari'ah	0.86%	0.81%	0.14%	0.06%	0.10%	0.19%	1.10%	1.06%

The Fund has performance fee arrangements in place with Allan Gray Domestic Equity, Coronation Houseview Equity, Coronation Active Bonds, Ninety One Flexible Bond and with Hosking Partners on the Sygnia Life platform (Market-linked Portfolio) and Allan Gray Global Stable (Stable Portfolio), and collectively these managers make up 51% of the Market-linked Portfolio and 34% of the Stable Portfolio based on asset values as at 31 March 2021. The total fees and charges for the Market-linked Portfolio and Stable Portfolio will vary from time to time, depending on how these managers perform compared to their performance fee benchmarks.



# 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:

<b>7.5%; 10%; 12.5%</b>	<b>WARNING:</b> 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.
<b>15%</b>	Automatic - if you do not make a choice
<b>17.5%; 20%; 22.5%; 25%; 27.5%</b>	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](http://www.alexanderforbes.co.za)) to check the impact that your contribution rate choice has on your expected retirement benefit.

## RESIGNATION, RETRENCHMENT and DISMISSAL BENEFITS

<b>When?</b>	When you leave employment, are retrenched, or dismissed
<b>What?</b>	Your member individual account
<b>How?</b>	<p>You can leave the <b>full benefit in the Fund</b> (become a deferred member) and transfer it, take cash or retire from the fund later (Once you reach normal retirement age as a deferred member, there are restrictions on transfers and the ability to take cash falls away)</p> <p>OR</p> <p>You can <b>transfer the full benefit</b> to another Fund</p> <p>OR</p> <p>You can take the <b>full benefit in cash</b> 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)</p> <p>OR</p> <p>You can choose a <b>combination of cash and transfer</b></p>

**\* 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

<b>When?</b>	When you die while being a member of the Fund (active member or deferred member or pensioner)
<b>What?</b>	Your member individual account
<b>How?</b>	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 or transfer the benefit to a retirement annuity or preservation fund. (Should you die prior to leaving 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:**

<b>When?</b>	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.
<b>What?</b>	Your member individual account
<b>How?</b>	You can take a maximum of the <b>full vested benefit plus one third of the non-vested benefit in cash</b> as a lump sum (though this will be subject to tax) and use the remainder to purchase a pension from an insurer or the Fund (the pension payments will be subject to tax)  OR You can use the <b>full benefit to buy a pension</b> 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 must be used to purchase a pension.

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 policy. 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](http://www.petrosaretirementfund.co.za)

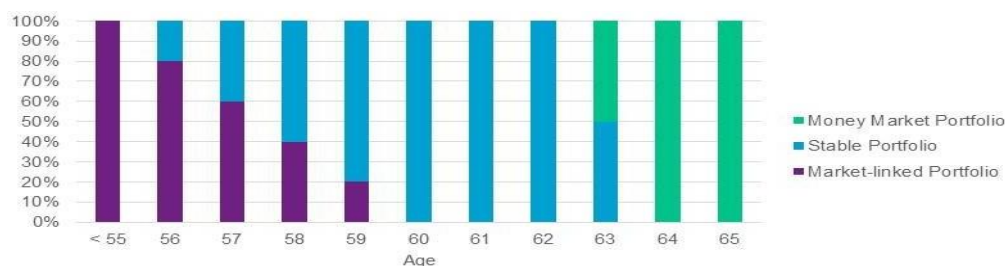
- Funeral benefits
- Benefits should you be regarded as disabled
- Spouse's cover
- Personal accident benefits

## 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 30 September 2021)
<b>Market Linked Portfolio</b>	Target return <b>CPI + 5%</b> per annum over a rolling 7 year period Highest potential return; highest volatility; highest chance of negative returns over short periods Most appropriate for long term investing (>10 years)	Strategic asset allocation determined by the Board. <b>46.1% SA equities</b> (managed equally by Allan Gray, Coronation and Abax) <b>23.4% SA bonds</b> (managed by Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%)) <b>30.5% offshore</b> (various managers across bonds (15%); equity (67.5%), listed infrastructure (7.5%) and listed property (10%))
<b>Stable Portfolio</b>	Target return of <b>CPI + 3%</b> per annum over a rolling 3 year period Lower volatility than the Market Linked portfolio	Actual asset allocation determined by the managers. <b>19.4% SA equity + 1.9% SA property</b> <b>40.6% SA bonds + 7.1% SA cash</b> <b>28.3% offshore + 2.6% other (commodities and hedge funds)</b> (managed by Allan Gray (33.3%), Coronation (33.3%) and Ninety One (33.3%))
<b>Money Market Portfolio</b>	Target Return of <b>CPI + 1%</b> per annum Least appropriate for long term investing Most chance of capital preservation	<b>100% SA cash and money market instruments</b> (managed by Ninety One)
<b>Shari'ah Portfolio</b>	Target returns of <b>CPI + 4%</b> per annum over a rolling 5 year period Adheres to Shari'ah principles of the ban of interest and the ban on investment in certain sectors – e.g., conventional financial, alcohol and tobacco; non-halaal food production; some entertainment (e.g., casinos) and arms manufacturing.	Strategic asset allocation determined by the manager <b>38.6% SA equities + 4.4% commodities + 33.4% SA cash + 23.5% offshore equities</b> (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 Life Stage 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 3<sup>rd</sup> 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.