PetroSA

Retirement Fund

www.petrosaretirementfund.co.za

N E W S L E T T E R

ISSUE NUMBER: 2/2022

May 2022

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to your second newsletter for 2022.

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.

INSIDE THIS ISSUE

Board of Trustees
May 2022

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

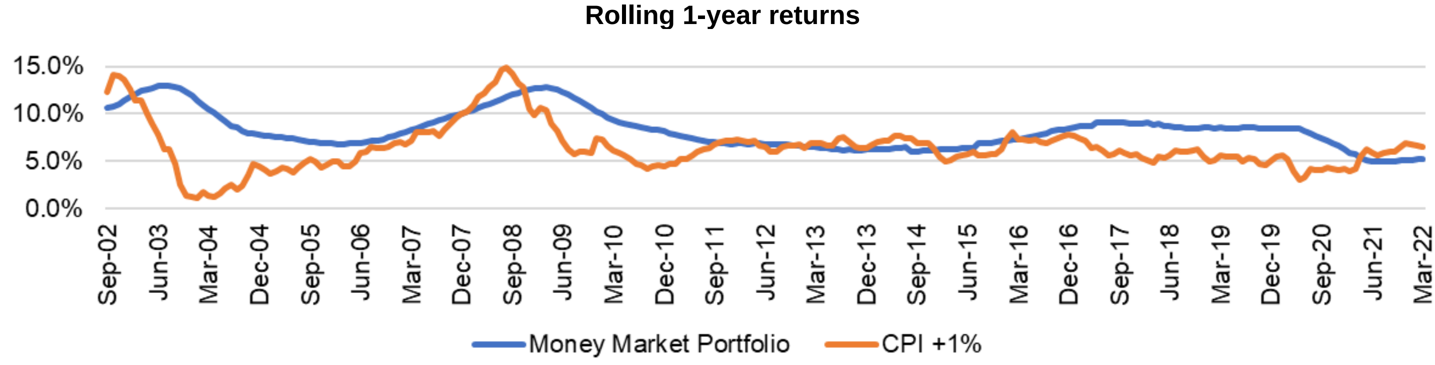
Below are the annualized investment returns for all the portfolios over different measurement periods until 31 March 2022. Please note that the returns are shown after deducting investment manager fees:

Portfolio	Investment Objective	Measurement period	Actual Return p.a.	Inflation (CPI) p.a.	Target Return p.a.
Market-Linked Portfolio	CPI + 5% p.a. net over a rolling 7-year period	7 years	8.8%	4.8%	9.8%
Stable Portfolio	CPI + 3% p.a. net over a rolling 3-year period	3 years	7.6%	4.3%	7.3%
Money Market Portfolio	CPI + 1% p.a. net over a rolling 1-year period	1 year	5.2%	5.4%	6.4%
Shari'ah Portfolio	CPI + 4% p.a. net over a rolling 5-year period	5 years	7.8%	4.2%	8.2%

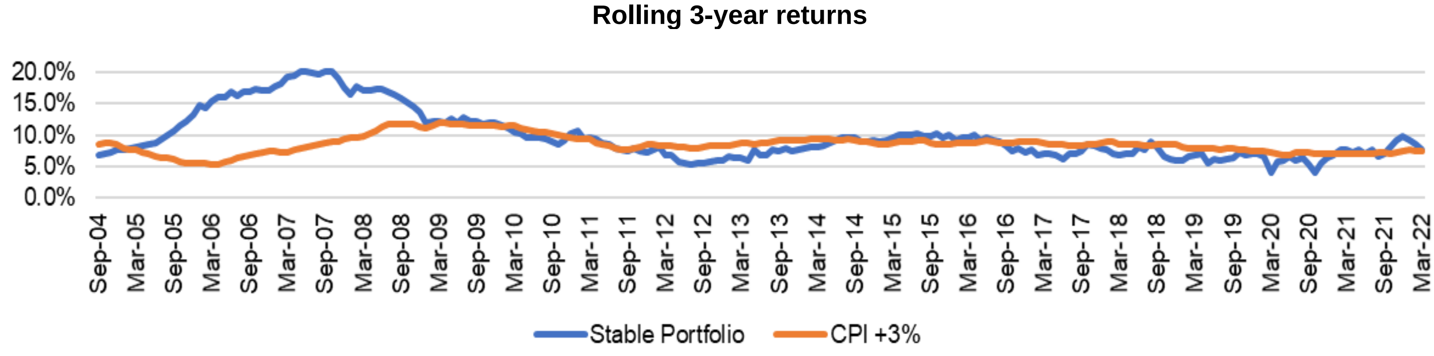
MONITORING OF LONGER-TERM PERFORMANCE OF THE PORTFOLIOS

To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 31 March 2022, 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 March 2022.

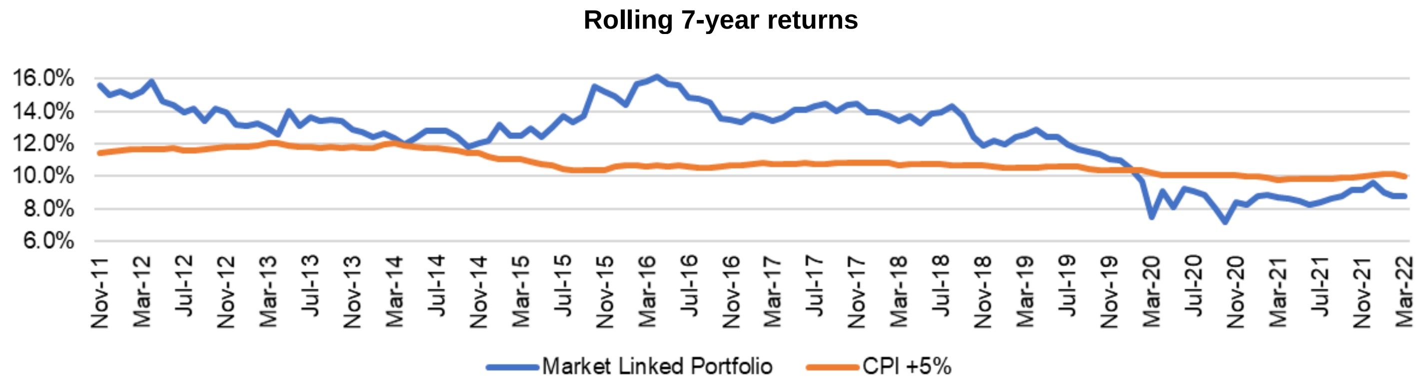
The **Money Market portfolio** has delivered some 0.2% per annum below inflation for the last year, which is below its investment objective of 1% per annum above inflation. This is illustrated below:



The **Stable portfolio** has delivered some 3.3% per annum above inflation for the last three years, which is above its 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 4.0% 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.

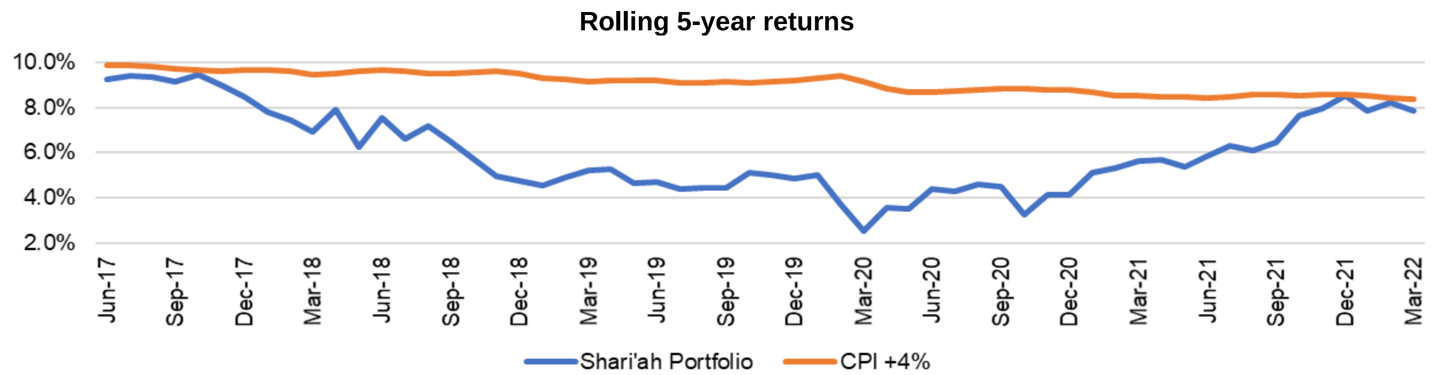


Equity markets offer the highest potential return compared to other asset classes such as bonds and cash; but the higher potential returns are associated with higher levels of risk (capital loss) and greater chances of negative returns over short periods. Based on the investment objective, the Market-linked 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, investment markets remain volatile over the short to medium term periods, particularly in the share markets. Some of the key themes driving short-term market volatility are the financial and economic impact of geopolitical issues (Russia Ukraine war), structural headwinds from the COVID-19 pandemic, a sharp pullback in the share prices of technology company shares (particularly USA technology companies), rising inflation and interest rates in the developed world economies and rising commodity prices..

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 3.6% per annum above inflation for the last five years, which is below its investment objective of 4% per annum above inflation. This is illustrated below:



MARKET COMMENTARY

The SA equity market (as measured by the Capped SWIX) was up 6.7% over the quarter. It was one of the few equity markets to deliver a positive return (in US$) over the quarter as the local bourse benefitted from its high weighting to commodity shares and South Africa's geographic distance from the Russian Ukrainian war.

Unsurprisingly, the best performing stocks over the quarter were resource companies (Thungela Resources, Exxaro, Kumba Iron Ore and Sasol), followed by the banks. On the other hand, index heavyweights, Richemont, Naspers and Prosus (three locally listed companies with significant exposure to China) were down 21.6%, 32.7% and 39.2% respectively. In the case of Naspers and Prosus the key drivers of returns are investor concerns about the Chinese regulatory environment. These woes were compounded by worries that China could become uninvestable, given its tacit support to Russia.

The one-year equity return (20.4%) was underpinned by the strong performance of the banking and commodity shares. In addition, MTN was up 122.2% over the year. Naspers and Prosus were the worst performers over the year, both being down over 51%.

The SA listed property sector (ALPI) took a breather, being down 1.6% over the quarter, however, the sector was up 26.3% over the year. The best performing property companies over the year were Vukile (+84%), followed by the Resilient, Redefine and Investec Property Funds which were all up over 40% The sector has returned -5.7% p.a. over the past five years driven by the unwind of financial engineering in some counters (e.g. raising capital to pay dividends), the bleak outlook for the local economy and structural headwinds flowing from the Covid-19 pandemic.

SA nominal bonds delivered a return of 1.9% for the quarter as the yield curve flattened. SA nominal bonds were the second best performing local asset class over five years (+8.9% p.a.). Inflation-linked bonds were up 0.2% over the quarter as investors became less concerned about higher-than-expected inflation. The asset class was up a moderate 5.0% p.a. over five years.

Global equity markets (MSCI World) delivered a return of -5.2% in US$ over the quarter. Unsurprisingly, the energy sector was the best performer being up 21.2%. The two other sectors to print positive returns were materials (2.8%) and utilities (1.2%). The technology and consumer discretionary sectors were both down over 10%. The key driver of returns was the prospect of higher interest rates as US inflation surged to over 6%, which affected companies with long dated cash flows most. Higher inflation has arisen mainly as a consequence of supply chain issues, but the Russian Ukrainian conflict pushed energy and food prices higher, particularly in Europe. The market consensus is that the war theatre is unlikely to escalate and so its impact at this time is reflected mainly via inflationary pressures.

At the same time the ZAR strengthened against the US$ by 8.4% over the quarter as the higher than expected tax revenues from commodity companies allowed the government to reduce its debt. Remarkably, over each of the three month, one year, three year and five year periods, the ZAR has depreciated less against the US$ than purchasing power parity, noting that intra-period there were times when the ZAR weakened significantly.

Global equities have delivered exceptional returns over the past five years, being up over 12% p.a. in US$ (and 15.0% p.a. in ZAR). This return has been driven by US equity market returns and specifically the technology sector (+23.6%). The next best global performing sector over the five year period was consumer discretionary which was up 12.4% p.a. and well behind the technology sector. Despite the recent pullback, high expectations are embedded into the market prices of large cap technology companies.

Global bonds were down 6.2% in US$ over the quarter driven by investor concerns about “high for longer” inflation and the concomitant likelihood of higher interest rates, as traditional monetary policy is used to curb it.

	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	3.8%	6.7%	-1.3%	-1.6%	1.9%	0.2%	1.0%	-13.1%	-5.0%	-14.8%	-6.9%	-14.1%	-6.2%	-8.4%	1.3%
1 year	18.6%	20.4%	27.1%	26.3%	12.4%	10.8%	3.9%	9.5%	10.6%	-12.0%	-11.1%	-7.4%	-6.4%	-1.0%	5.4%
3 years p.a.	14.2%	11.9%	-3.8%	-4.7%	8.4%	7.1%	5.2%	16.1%	15.5%	5.8%	5.3%	1.1%	0.7%	0.4%	4.3%
5 years p.a.	11.4%	8.1%	-4.9%	-5.7%	8.9%	5.0%	6.1%	15.0%	13.0%	8.2%	6.4%	3.5%	1.7%	1.7%	4.2%
7 years p.a.	8.9%	6.3%	-2.7%	-3.8%	7.8%	4.8%	6.4%	13.9%	10.9%	7.9%	5.1%	4.3%	1.6%	2.7%	4.8%
10 years p.a.	11.9%	10.6%	5.0%	4.4%	8.1%	6.1%	6.1%	18.9%	11.5%	10.6%	3.7%	7.8%	1.0%	6.7%	4.9%
15 years p.a.	10.3%		7.5%		8.3%	7.8%	6.9%	12.6%	7.5%	9.1%	4.1%	7.7%	2.8%	4.8%	5.6%
20 years p.a.	13.6%		15.1%		9.8%		7.5%	9.7%	8.3%	10.3%	9.0%	5.5%	4.1%	1.3%	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.

FUND COSTS

The costs of running the Fund are funded from a portion of the contributions which members pay to the Fund.

The allocation of contributions towards Fund expenses (including administration fees) has increased from 0.45% to 0.75% of pensionable salaries with effect from 1 March 2022. The increase in the allocation results not from an increase in costs, but from a reduction in the membership of the Fund which has resulted in a similar cost being spread over fewer members. The Trustees are sensitive to the increased expense allocation and will be conducting a cost benchmarking exercise to determine the competitiveness of the Fund and value offered to members relative to other funds.

RETIREMENT REFORM - DISCUSSION PAPERS RELEASED BY NATIONAL TREASURY

As previously communicated to you, on 14 December 2021, National Treasury released two discussion papers for public comment. These papers are the latest development in the implementation of retirement reforms which started in 2012. As mentioned previously these are proposals only, and in very early stages, so it is likely that changes are made prior to their finalisation.

The one that could affect you as a member of the Fund (if implemented) is the paper entitled "Encouraging South African households to save more for retirement". There are several proposals contained in the paper, but we will focus here on the proposed "Two-pot" system.

The government sees **"DUAL AND OPPOSING NEEDS"** facing all of us as individuals. The first need is for everyone in South Africa to lock in savings for retirement, while the second need is to have access to emergency funding, to take care of unforeseen expenses that may arise. The way government aims to balance the two opposing needs is explained in their proposal, as summarized below.

- To enable individuals to access some of their retirement fund savings while they are still in employment and therefore still Fund members, it is proposed that a portion of a member's **future** retirement savings be accessible while still an in-service member of a fund. To provide for this in a responsible way, **future** retirement savings are proposed to be split between an **"access pot"** and a **"retirement pot"**. This is the main item that we unpack in this communication.

  - ✓ **Access pot:** One-third of contributions made towards retirement savings from the implementation date, plus investment returns on these will be in the "access pot". Members will be able to withdraw the amounts building up in the "access pot" on an annual basis, if they want to, without leaving employment. (It is not yet clear how such withdrawals will be taxed.)
  - ✓ **Retirement pot:** The other two-thirds of contributions made towards retirement savings from the implementation date, plus investment returns on these will be in the "retirement pot" and **must** be preserved until retirement. This portion **must** then be used to provide a pension (**no** cash amount may be taken out of the "retirement pot" when you retire, or indeed before that, even when you change jobs and join a new employer).

- The paper proposes that **existing** retirement savings (i.e., the accumulated retirement savings that members have built up in the Fund up to the implementation date, plus future investment returns on these) can still be withdrawn entirely in cash if the member so chooses, on leaving employment before retirement. This portion constitutes a **third pot,** called the **"vested pot"** (because, as the member, you have "vested rights" in respect of this amount).

  - ✓ **Vested pot**: All retirement savings accrued in the Fund up to the implementation date, plus future investment returns on these. The current rules will continue to apply to this amount - so this can be taken 100% in cash (less tax) when changing jobs, or a member can take up to one-third in cash (less tax) when retiring.

- National Treasury will consider allowing members to transfer part of their "vested pot", i.e., part of their existing savings at the implementation date of the new regime, to the "access pot" (from which it could then be withdrawn in cash) – **but** the suggestion is that this will be limited to no more than 10% of the "vested pot", capped at R 25 000. How much immediate access to the "vested pot" should be given to members remains a contentious point.

The various "pots" are illustrated in the tables on the next page.

BEFORE – i.e., what is permitted under CURRENT legislation	**Benefit available on resignation**	**Benefit available/accessible *during* employment**	**Benefit on retirement**
Pension Fund savings arising from contributions up to 1 March 2021	Up to 100% *can* be taken in cash, less tax (Transfers and preservation are also options)	None	Up to 1/3 *can* be taken in cash, less tax (rest must be used to buy a pension) At least 2/3 <u>must</u> be used to buy a pension
Provident Fund savings arising from contributions up to 1 March 2021			Up to 100% *can* be taken in cash, less tax (rest must be used to buy a pension)
Savings arising from contributions (to either a pension or a provident fund) after 1 March 2021			Up to 1/3 *can* be taken in cash, less tax (rest must be used to buy a pension) At least 2/3 <u>must</u> be used to buy a pension[1]

[1] This does not apply to provident fund members who were aged 55 or over on 1 March 2021, and who remain members of the same provident fund (of which they were members on 1 March 2021) up to their eventual retirement. These members have the right to take (up to) the full provident fund retirement benefit in cash.

AFTER – i.e., what is proposed now by National Treasury	**Benefit available on resignation**	**Benefit available/accessible *during* employment**	**Benefit on retirement**
Pension Fund savings arising from contributions up to 1 March 2021	Up to 100% *can* be taken in cash (Transfers and preservation are also options) This is the “**vested pot**”[2]	None	Up to 1/3 *can* be taken in cash (rest used to buy a pension) 2/3 <u>must</u> be used to buy a pension
Provident Fund savings arising from contributions up to 1 March 2021			Up to 100% *can* be taken in cash (rest used to buy a pension)
Savings arising from contributions (to either a pension or a provident fund) between 1 March 2021 and the implementation date of the new proposals			Up to 1/3 *can* be taken in cash (rest used to buy a pension) 2/3 <u>must</u> be used to buy a pension (but see footnote no. 1)
Savings arising from contributions (to either a pension or a provident fund) after the implementation date of the new proposals	Up to 1/3 *can* be taken in cash at any time (i.e., while in employment, or on leaving employment including at retirement) – this is the **“access pot”**		2/3 <u>must</u> be used to buy a pension – this is the “**retirement pot**” Any amount remaining in the “access pot” can either be taken as a cash sum or also used towards a pension

[2] Some transfers from the “vested pot” to the “access pot” are likely to be permitted

The target date for implementation, as it stands now, is 2023 (although we are not convinced that this is realistic).

PLANNING FOR RETIREMENT WORKSHOPS

Retirement workshops took place in March 2022 and was well attended. The next workshops will be held end of July/beginning August’22. We will inform you closer to the time on the specific dates and times.

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	vacant
Mr JP Rhode	Mr W Kruger	Mr J Lichaba	Ms N Cairncross-Chinnapyel
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
- 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

PENSION FUND ADJUDICATOR:

Call Centre: 086 066 2837
Telephone: (012) 748 4000; (012) 346 1738
E-Mail: 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

COSTS

Administration and Fund costs (applicable from 1 June 2022)

- Active members –Costs are funded from a deduction from the contribution rate – 0.75% of pensionable salary from 1 March 2022. (This includes an allowance for administration cost of R 61.88 pmpm (per member per month) plus VAT)
- Deferred members – Administration costs of R46.65 pmpm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R46.65 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R1 1131.61 plus VAT. Administration costs of R113.15 pmpm plus VAT deducted from living annuity balance.

Switching costs (cost of changing investment decision) – first switch in the year is free. Thereafter R495.07 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:

7.5%; 10%; 12.5%	**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.
15%	Automatic - if you do not make a choice
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, 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)

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 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:

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 the Fund (the pension payments 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)

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

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

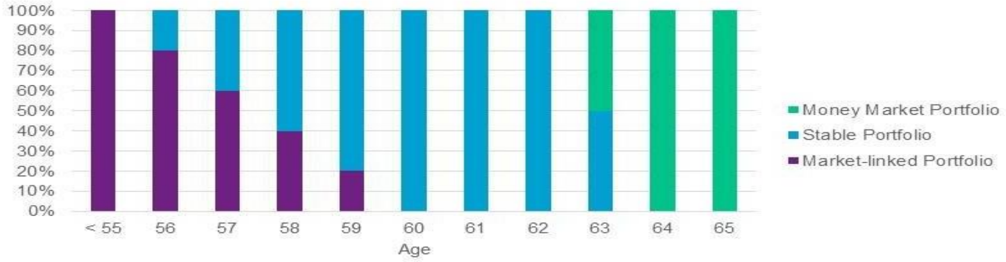
GENERAL INFORMATION ON INVESTMENTS

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 31 March 2022)
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. 48.1% SA equities (managed equally by Allan Gray, Coronation and Abax) 24.8% SA bonds (managed by Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%)) 27.1% 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. 21.3% SA equity + 1.7% SA property 38.7% SA bonds + 8.4% SA cash 27.2% offshore + 2.7% 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 – 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 38.5% SA equities + 4.0% commodities + 32.6% SA cash + 21.0% offshore equities + 3.9% offshore sukuk (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 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 can 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.