PetroSA

Retirement Fund

www.petrosaretirementfund.co.za

N E W S L E T E R

ISSUE NUMBER: 4/2022

November 2022

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to the final newsletter for the year. Soon we will be saying goodbye to 2022 and as we stand on the threshold of a new year, we would like to assure you that we remain committed to our vision of providing the best possible retirement outcome for all our members, retirees, and pensioners. As a member you are assured that your Fund remains to be in a good financial position.

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. Here is to a bright New year!

INSIDE THIS ISSUE

Board of Trustees
November 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 30 September 2022. Please note that the returns are shown after deducting investment manager fees:

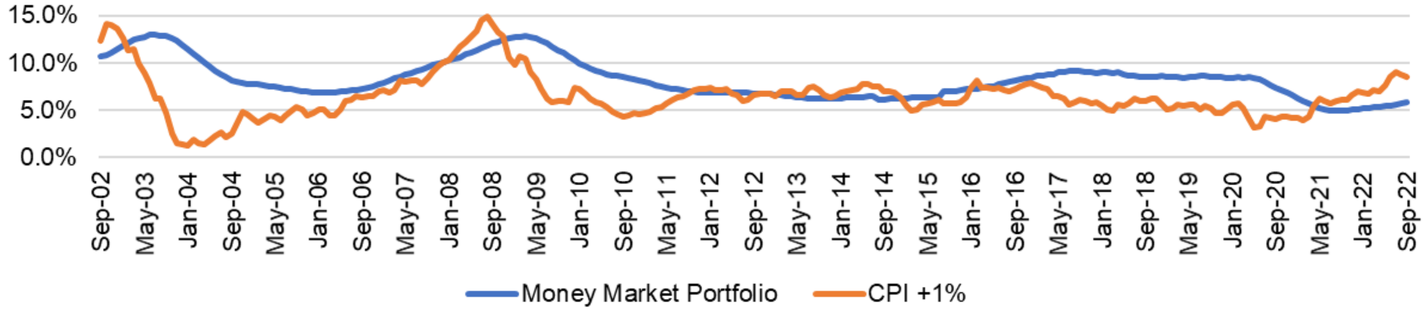
Portfolio	Investment Objective	Measurement period	Actual Return p.a.	Inflation (CPI) p.a.	Target Return p.a.
Market-Linked Portfolio	CPI + 5% p.a. net over a rolling 7-year period	7 years	7.9%	5.1%	10.1%
Stable Portfolio	CPI + 3% p.a. net over a rolling 3-year period	3 years	6.4%	5.1%	8.1%
Money Market Portfolio	CPI + 1% p.a. net over a rolling 1-year period	1 year	5.8%	7.5%	8.5%
Shari'ah Portfolio	CPI + 4% p.a. net over a rolling 5-year period	5 years	6.5%	4.9%	8.9%

MONITORING OF LONGER-TERM PERFORMANCE OF THE PORTFOLIOS

To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 30 September 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 September 2022.

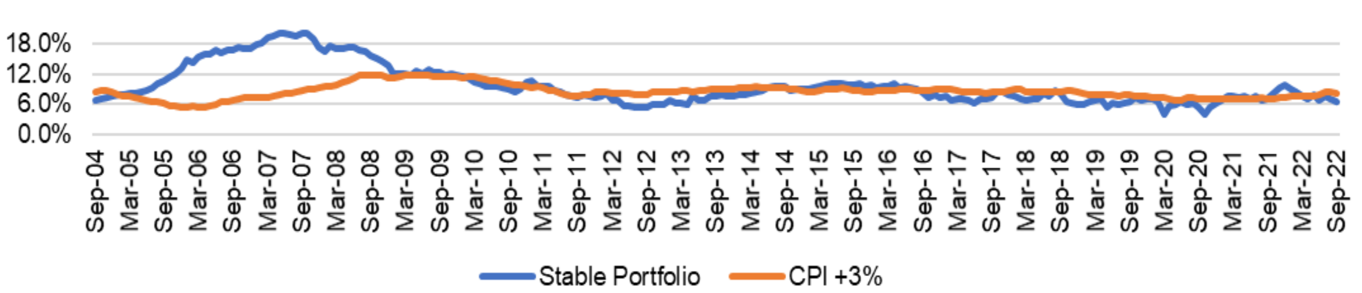
The **Money Market portfolio** has delivered some 1.7% per annum below inflation for the last year, which is below its investment objective of 1% per annum above inflation. This is illustrated below:

Rolling 1-year returns



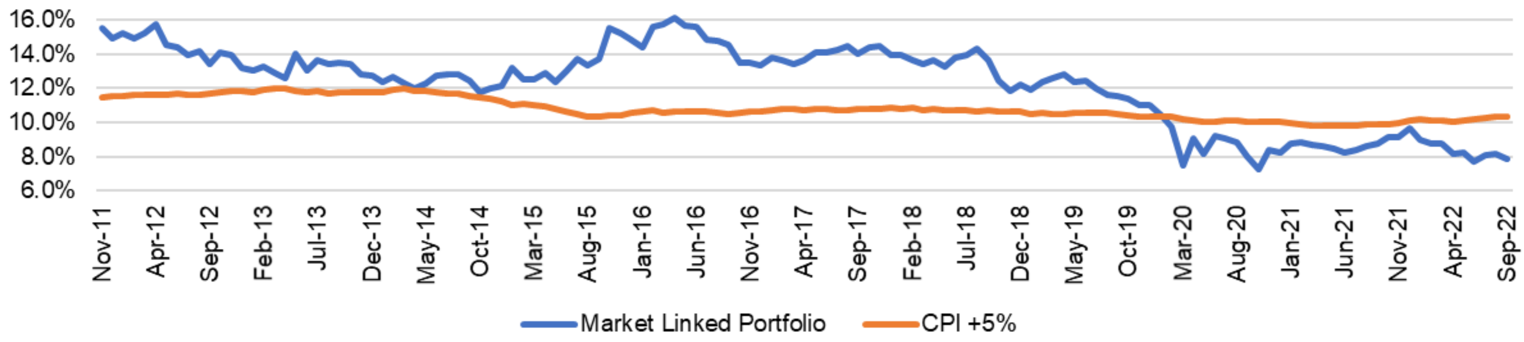
The **Stable portfolio** has delivered some 1.2% per annum above inflation for the last three years, which is below its investment objective of 3% per annum above inflation. This is illustrated below:

Rolling 3-year returns



The **Market-linked portfolio** (which is the portfolio for the wealth-building stage of the life stage model) has delivered some 2.8% 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.

Rolling 7-year returns



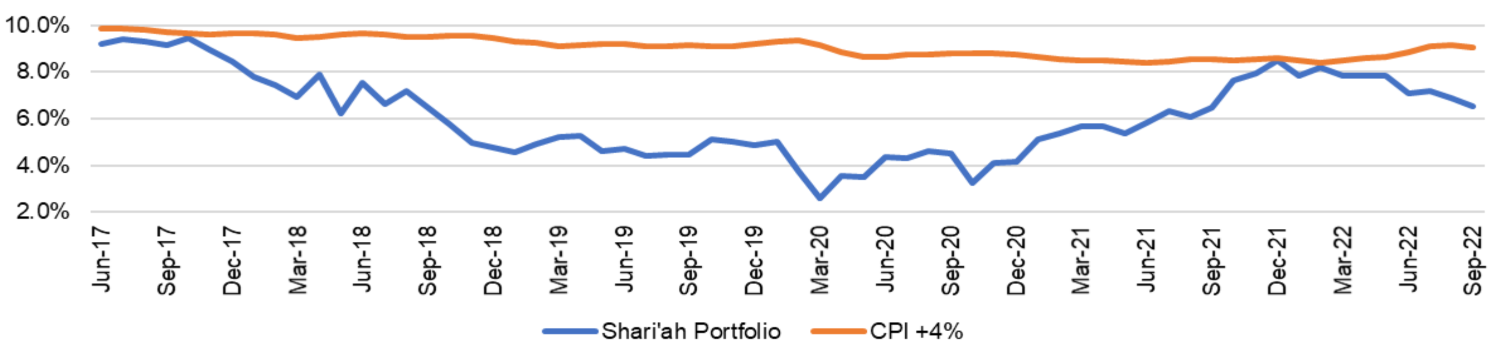
Equity markets offer the highest potential return compared to other asset classes such as bonds and cash; but the higher potential returns are associated with higher levels of risk (capital loss) and greater chances of negative returns over short periods. Based on the investment objective, the Market-linked 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, with negative returns from domestic share markets as well as offshore share markets for 2022 year to date. Some of the key themes driving short-term market volatility are the financial and economic impact of geopolitical issues (Russia-Ukraine war), China's COVID related policies, the global energy crisis, rising inflation and interest rates in the developed world economies and in SA and concerns of a global economic recession.

The Trustees expect, over the longer term, that the Market-linked Portfolio 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 some 1.7% 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:

Rolling 5-year returns



MARKET COMMENTARY

The SA equity market (as measured by the Capped Index) was down 2.0% over the quarter. The market was mainly driven by concerns about a global slowdown as the US Federal Reserve Bank raised interest rates aggressively to curb the inflation rate. The observed high inflation rates in many advanced economies arise as a consequence of supply chain bottlenecks, labour shortages and the energy and food prices following from the Russian / Ukrainian war. The local market was further depressed by another bout of grinding load-shedding.

The best performing stocks over the quarter were Montauk (+88.3%), Massmart (+73.2% on the back of corporate action) and Thungela (+69.8%). The best performing large cap counter was Absa (+18.5%) followed by Shoprite (+11.5%). Capitec was down 21.6%, with Sasol delivering -19.2%. Index heavyweights Naspers and Prosus returned -4.4% and -

10.0% respectively.

The five year SA equity return is 6.8% p.a. thus out-performing inflation by 1.9% p.a. The return was boosted by the strong performance of index heavyweights Richemont (10.2% p.a.), Anglo American (24.4% p.a.) and BHP Billiton prior to its restructuring. The observed modest return probably reflects investor concerns about the fragility of the country.

Nevertheless, SA equities have out-performed their emerging market counterparts by a good margin over all measurement periods shown. This outcome arises almost entirely from the fact that South Africa is a commodity rich country. Absent the commodity sector, the returns from the local equity market would have been closer to 1.7% p.a. over the past five years.

Unsurprisingly, the best performing stocks over five years are all commodity companies – Implats (+47.1% p.a.), Royal Bafokeng (+41.2%) and Amplats (+38.9%). However, Sasol has delivered – 3.4% p.a. over this period, with Shoprite returning -0.4% p.a.

The SA listed property sector (SAPY) was down 3.5% over the quarter as investors remain concerned about growth in the domestic economy. This sector has been the worst local asset class over all measurement periods of up to 5 years.

SA nominal bonds delivered a return of 0.6% over the quarter despite the significant headwinds the economy faced. On the face of its investors are of the view that they are being fairly compensated for the risk of investing in this asset class. Local nominal bonds delivered a real return of 2.2% p.a. over the past 5 years, out-performing inflation linkers by the same 2.2% p.a. Clearly, investors have been sanguine about inflation remaining low over the past five years.

Global equity markets (MSCI ACWI) delivered a return of -7.5% in US$ over the quarter driven mainly by recession concerns. It is worth highlighting that year to date global equity markets have returned -25.6% in US$, with global bonds returning -21.3% over the same period.

The conventional wisdom was that global bonds represent a safe haven in times of market stress. Clearly global bonds have not been the “flight to quality” asset class in this downturn, an outcome many would have expected given the extent to which advanced economy central bankers had held interest rates low. This highlights an important point that bond prices are heavily influenced by actions of central bankers and large financial institutions that invest in this asset class to hedge their liabilities. Both these participants have different objectives than return maximisation which creates a market inefficiency.

The US$ has been the flight to quality asset over the course of 2022. One can see evidence of this in that the ZAR has depreciated by 19.5% against the US$ over the past year. Over the past five years, the ZAR has depreciated by 5.9% p.a. against the US$, whereas the inflation differential between the two countries has only been 1.1% p.a. In our opinion part of this outcome can be explained by the current strength of the US$ as a safe haven asset, but we also take the view that global investors have become more skittish about allocating capital to South Africa.

We point out that over the 10-year period the ZAR has depreciated against the US$ by 8.1% p.a. On a purchasing power parity basis, the ZAR should have depreciated by some 2.7% p.a. over the past 10 years. In addition, the real exchange rate has typically weakened by an additional 1% to 1.5% p.a. reflecting the variable demand and supply for a small country’s currency. Thus, investors could have reasonably expected the ZAR to depreciate by some 4.0% p.a. against US$; the fact that it has depreciated by 8.1% p.a. over the past 10-years strongly suggests that global investor risk aversion has increased.

Notwithstanding the very poor last seven years, the observed 20-year real return from SA equities (8.5% p.a.) is above its long-term average (7.5% p.a.). The 20-year real return for SA bonds (3.7% p.a.) is also well above its long-term average (1.8% p.a.). Over this period the local bond market benefitted from inflation expectations reducing significantly as the SARB successfully implemented inflation targeting monetary policy.

Despite its dismal performance over the past ten years, SA listed property is the best performing asset class over twenty years. The performance of this asset class is an archetype of the capital cycle and how the returns of an asset class can be depressed because of large investor flows.

SA equities out-performed global equities by a healthy 2.9% p.a. over the 20-year period. As described above, the early 2000’s was a particularly good period for South African investors as the stock market benefitted from a peace dividend, falling interest rates, a healthy national balance sheet and high commodity prices. All these factors combined to deliver economic growth that exceeded 5% p.a. between 2003 and 2007.

Over the 20-year period the USD/ZAR exchange rate movement (2.7% p.a.) is almost exactly equal to the inflation differential between the two countries and the usual risk premium for volatility and illiquidity has been absent. It is, however, a story of two decades, the first where South Africa’s balance sheet was strong and the country experienced strong economic growth, and the second where government policy failed, and economic growth was lackluster.

	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	-1.9%	-2.4%	-3.5%	-4.1%	0.6%	-1.2%	1.3%	3.0%	-6.1%	-2.8%	-11.4%	2.1%	-6.9%	9.7%	1.8%
1 year	3.5%	1.1%	-8.7%	-10.0%	1.5%	7.3%	4.6%	-3.5%	-19.2%	-13.8%	-27.8%	-4.9%	-20.4%	19.5%	7.5%
3 years p.a.	9.2%	7.8%	-8.7%	-9.1%	5.7%	6.7%	4.9%	11.2%	5.1%	4.0%	-1.7%	-0.2%	-5.7%	5.8%	5.1%
5 years p.a.	6.5%	4.2%	-9.0%	-9.8%	7.1%	4.9%	5.8%	12.1%	5.8%	4.4%	-1.4%	3.4%	-2.3%	5.9%	4.9%
7 years p.a.	7.0%	4.8%	-4.8%	-6.5%	7.4%	4.7%	6.3%	12.6%	8.5%	8.2%	4.3%	3.1%	-0.6%	3.8%	5.1%
10 years p.a.	9.5%	8.1%	1.2%	0.7%	6.7%	5.3%	6.1%	17.5%	8.7%	9.6%	1.4%	7.1%	-0.9%	8.1%	5.2%
15 years p.a.	8.5%		5.7%	4.2%	8.0%	7.7%	6.7%	12.1%	5.2%	7.2%	0.6%	8.1%	1.4%	6.6%	5.6%
20 years p.a.	13.5%		13.5%		9.0%		7.3%	11.6%	8.7%	12.0%	9.1%	5.5%	2.7%	2.7%	5.3%

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.

PLANNING FOR RETIREMENT WORKSHOPS

Retirement workshops recently took place in October and November 2022 and were well attended. The final workshop for the year will be held on 29th November 2022. We will have another set of workshops in the first 6 months of next year. 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.

RETIREMENT REFORM – “TWO POTS” SYSTEM

Earlier this year, we communicated the latest developments regarding the implementation of retirement reforms viz the discussion papers released on 14 December 2021, by National Treasury for public comment. The proposal in this discussion document was to ***“Encourage South African households to save more for retirement”.***

On 29 July 2022, National Treasury released draft tax legislation, including a draft Revenue Laws Amendment Bill and Taxation Laws Amendment Bill, for public comment. There are several proposals contained in the discussion papers, but the subject matter of this communication deals with the **Revenue Laws Amendment Bill (RLAB) – the proposed “Two Pots” retirement regime.** The purpose of the draft RLAB is to implement the “Two Pots” system.

The target date for implementation, was set for 2023 , but has subsequently been moved to 1 March 2024.

The policy issues can briefly be summarised as follows:

The proposals, when implemented, will make fundamental changes to the current retirement fund system. It will force preservation up to retirement of a large part of future retirement savings. At the same time, it will also allow members to make cash withdrawals of a (smaller) portion of their future retirement savings for non-retirement purposes. Such withdrawals will be permitted at any time (but limited to once annually) and not only when resigning. Retirement savings already accumulated will retain their previous rights, in the so-called “vested pot”. Contributions from 1 March 2024 will then be split in two - a “retirement pot and a “savings pot”. A maximum of one-third of contributions from 1 March 2024 will be allocated to the “savings pot” with no less than two-thirds to the retirement pot. In other words, a member’s retirement savings will in future be divided into three “pots”, with a different set of tax-driven rules and principles applying to each pot.

An explanation of the various pots and how they work is explained below.

VESTED POT

All retirement savings accrued in the Fund up to the implementation date (1 March 2024), including fund returns, form part of this “vested pot”. Note however that within this “vested pot”, there may be “protected rights” and “restricted benefits” amounts already (from members who previously belonged to a Provident Fund). The current rules will continue to apply to this amount and will continue to operate exactly as it currently does. An easy way to think about this is - *old money, old rules.* We summarise this below.:

On leaving employment (Resignation):
The entire “vested pot” can be taken in cash. This withdrawal will be taxed according to the current withdrawal tax table.

On retirement:
Up to one third of the “restricted benefits” within the “vested pot” may be taken in cash (again taxed according to the retirement tax table). The remainder must be used to purchase an annuity. (This is subject to a “de minimis” provision - if the total amount is less than R247,500 it may be fully taken in cash). Any “protected benefits” amount within the “vested pot” can be taken 100% in cash. Such amounts will be taxed on the current retirement tax table.

Transfers o u t of the "vested pot":
This will be permitted only to another "vested pot" in any other fund. It is important to note that no transfers will be permitted between this "vested pot" and the "savings pot", which means that no immediate access will be granted to savings already accumulated.

Note: No further contributions after 1 March 2024 will be permitted into this pot – so this is effectively the balance of the savings as at 1 March 2024, plus fund returns.

SAVINGS POT

All future contributions after 1 March 2024 (or implementation date) will be split between the "savings pot" and the "retirement pot" . *New money, new rules.*

Contributions into the savings pot:
Not more than 1/3rd of the future retirement funding contributions (i.e., net of risk and expense deductions) must be allocated to the "savings pot" . It is proposed that a ceiling of one-third of the yearly tax-deductible amount (i.e., one-third of the lower of R350,000 and 27.5% of remuneration or taxable income) be implemented. The remaining 2/3rd's must be allocated to the "retirement pot".

Withdrawals from the savings pot:
The savings pot may be partially or entirely withdrawn prior to retirement, as a "savings withdrawal benefit", at any time (not only when resigning as is currently the case). This is subject to a maximum of one withdrawal within a 12-month cycle and a minimum withdrawal amount of R2,000. Such a "savings withdrawal benefit" will be taxed as normal income on marginal tax rates. There is still uncertainty surrounding the tax implementation of this.

On emigration:
The "savings pot" will be payable as a lump sum and taxed at personal income marginal tax rates.

At retirement:
Any withdrawal made from the "savings pot" at retirement will be taxed on the current retirement tax tables and counts towards the R500,000 tax free amount plus any additional tax-free benefit you are entitled to if you joined the fund prior to 1 July 1998.

On death:
Any amount in the "savings pot" will be paid as a lump sum and taxed according to the current retirement tax tables.

Transfers:
A member can transfer their "savings pot" to their "retirement pot" in their existing Fund. However, when transferring the different "pots" across to another fund (on resignation), the pots must **both** be transferred. In other words, both the "savings pot" and "retirement pot" must be transferred to the new fund. Therefore, a member cannot only have a "savings pot" in any fund.

RETIREMENT POT

Contributions into the retirement pot:
The balance of the future retirement funding contributions (net of risk and expense deductions), i.e., not less than 2/3rds of these, **must** be allocated to the "retirement pot" and **must** be preserved until retirement.

Withdrawal prior to retirement:
The retirement pot balance may never be withdrawn (except on emigration, in which case it will be taxed as a withdrawal benefit).

At retirement:
The balance must be used to purchase an annuity at retirement (which may be a life or living annuity), subject to the de minimis provision referred to earlier under the "vested Pot" section. The de minimis amount in this case will be R165,000. This is in addition to the de minimis amount applying to the "vested pot".

Transfers:
The balance may be transferred to a "retirement pot" in another fund. Transfers to a "savings pot" are not permitted.

THE FOLLOWING TABLE ILLUSTRATES HOW THE TWO POTS SYSTEM WOULD WORK:

	Benefit available/accessible on leaving employment (resignation / retrenchment)	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 Taxed on withdrawal tax table (Transfers and preservation are also options) This is the "vested pot" [1]	None	Up to 1/3 *can* be taken in cash (rest used to buy a pension[2]) 2/3 must be used to buy a pension[2]
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 1 March 2023			Up to 1/3 *can* be taken in cash (rest used to buy a pension[2]) 2/3 must be used to buy a pension[2,3]
Savings arising from contributions (to either a pension or a provident fund) after 1 March 2023	Up to 1/3 - *can* be taken in cash (while in employment, or on leaving employment including at retirement) – this is the "savings pot"[4] Cash taken before retirement taxed as personal income tax on normal tax scales.		2/3 must be used to buy a pension2 – this is the "retirement pot If any cash is taken at retirement (from the "savings pot"), it will be subject to the retirement tax table.

1 NO transfers from the "vested pot" to the "savings pot" will be permitted.

2 Subject to the "de minimis" provision – i.e., member may be able to take full benefit in cash, if the amount is below the applicable de minimis limit.

3 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.

Importantly, this is a **draft legislation and has not been implemented**. Currently, members are not permitted to withdraw any portion of their savings in a fund, whilst employed.
There are many concerns surrounding certain aspects of such changes once implemented and all comments have been sent to Treasury – we trust that Treasury will consider these issues and address them via changes or additions to the draft legislation.
Your retirement savings could be your single largest asset that will support you in your retirement years – ensuring that you are financially independent in retirement. Once this legislation comes into effect, your savings pot should be responsibly accessed (for example during emergencies) and preservation of as much of your overall retirement savings as possible will always be encouraged.

We will continue to communicate to you over the coming months, should there be further developments. Please also visit your website regularly, where we will be posting updates on this matter. If you have any specific questions after reading this, please let us know and we will respond.

ANNEXURE 1: GENERAL INFORMATION

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

- About the PetroSA 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 (Chairperson)	Vacant	Ms GN Tyandela	Vacant
Mr JP Rhode	Vacant	Mr J Lichaba	Ms N Cairncross-Chinnapyel
Dr W Kruger	Ms NM Jwaai	Ms A de Lange	Ms SL Wessels
Mr H Rauch	Vacant	Ms GN Gumede	Mr PW Marriday

Dr AJ Futter resigned from the employ of PetroSA and as chairperson of the PetroSA Retirement Fund Board of Trustees at the end of May 2022. She has been replaced in her position as trustee by DR. W Kruger. The following two alternate member elected trustees have also resigned: Mr PO Taylor as well as Mr KE Meleloe. These positions must still be filled.

Furthermore, Mr Reinhard Buhr also resigned from the employ of PetroSA at the end of July 2022 and is no longer the Principal Officer of the PetroSA Retirement Fund. This position has recently been filled by Ms Rochelle Swart.

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: Details to be inserted

The Principal Officer: Rochelle Swartz
Address:
Telephone:
E-Mail:

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:
Dorathy Cedras
(044) 601 2540
dorathy.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.

Portfolio fees and charges

The table below shows the estimated portfolio fees and charges (inclusive of VAT) for the 12-months ended 31 March 2022. 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 2021	**31 Mar 2022**	*31 Mar 2021*	**31 Mar 2022**	*31 Mar 2021*	**31 Mar 2022**	*31 Mar 2021*	**31 Mar 2022**
Market-linked	*0.40%*	**0.53%**	*0.06%*	**0.06%**	*0.13%*	**0.11%**	*0.59%*	**0.71%**
Stable	*0.56%*	**0.55%**	*0.06%*	**0.07%**	*0.05%*	**0.05%**	*0.68%*	**0.67%**
Money Market	*0.09%*	**0.09%**	*0.00%*	**0.00%**	*0.00%*	**0.00%**	*0.09%*	**0.09%**
Shari'ah	*0.81%*	**0.75%**	*0.06%*	**0.04%**	*0.19%*	**0.11%**	*1.06%*	**0.90%**

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. The increase in the manager fees in the Market-linked Portfolio is mainly due to a performance fee paid to Coronation in October 2021 in respect of the SA Equity mandate for the period ending 30 June 2021 (the performance fee was 0.12% of the Market-linked Portfolio).

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 three 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, or 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.

OR

You can choose to immediately retire from the 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).

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

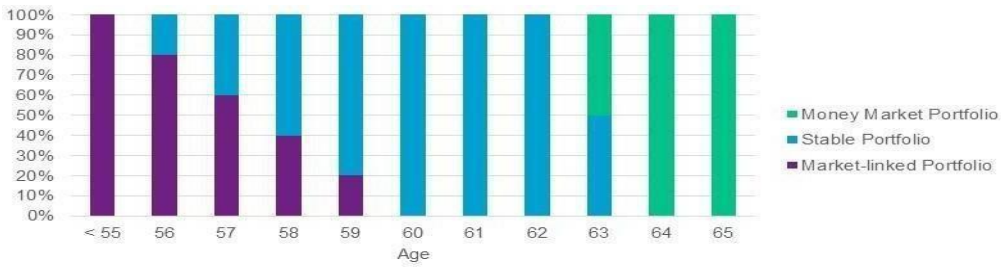
- **Funeral benefits**
- **Benefits should you be regarded as disabled**
- **Spouse’s cover**
- **Personal accident benefits**

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 10).

Portfolio name	Target return and comment	Asset allocation (as at 30 September 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. 48.5% SA equities (managed equally by Allan Gray, Coronation and Abax) 24.5% SA bonds (managed by Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%)) 29.7% 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. 16.3% SA equity + 1.1% SA property + 38.3% SA bonds + 14.1% SA cash + 28.3% offshore + 1.8% 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 – 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 35.0% SA equities + 4.2% commodities + 36.7% SA cash + 0.1% offshore cash + 19.7% offshore equities + 4.4% 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 number and e-mail address, so that Alexander Forbes can contact you if necessary.

EXITS FROM THEFUND

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.