PetroSA

Retirement Fund

www.petrosaretirementfund.co.za

N E W S L E T T E R

ISSUE NUMBER: 4/2023

November 2023

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to the final newsletter for 2023, the newsletter designed for you – our members. This has been a very busy year for the Fund as well as the retirement fund industry in general. In this issue we will be bringing you up to date with the ever topical "Two Pots system".

We continue 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!

Board of Trustees
November 2023

INSIDE THIS ISSUE

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 2023. Please note that the returns are shown after deducting investment manager fees and related costs and charges:

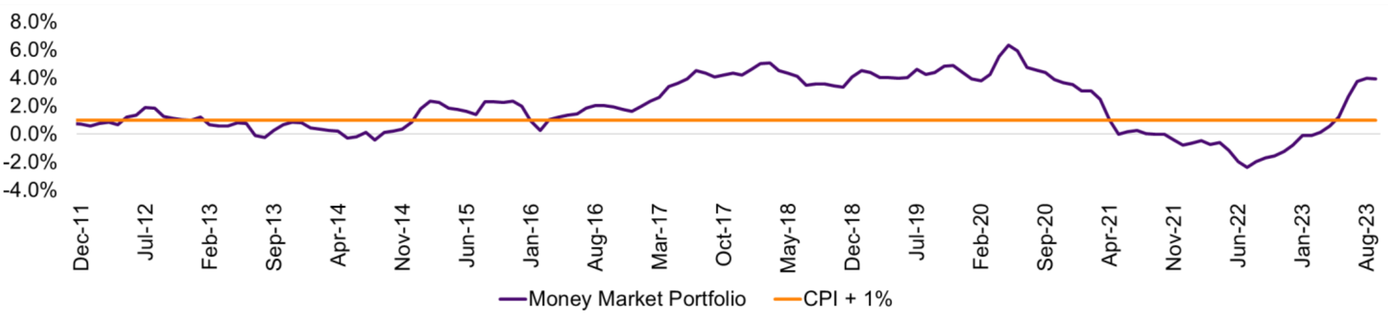
Portfolio	Investment Objective	Measurement period	Actual Return p.a.	Inflation (CPI) p.a.	Target Return p.a.
Market-Linked Portfolio	CPI + 5% p.a. net over a rolling 7-year period	7 years	8.0%	4.9%	9.9%
Stable Portfolio	CPI + 3% p.a. net over a rolling 3-year period	3 years	9.5%	5.9%	8.9%
Money Market Portfolio	CPI + 1% p.a. net over a rolling 1-year period	1 year	9.0%	5.1%	6.1%
Shari'ah Portfolio	CPI + 4% p.a. net over a rolling 5-year period	5 years	7.4%	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 2023, the charts below show the performance of each portfolio relative to its investment objective over their respective rolling periods in years to the end of September 2023.

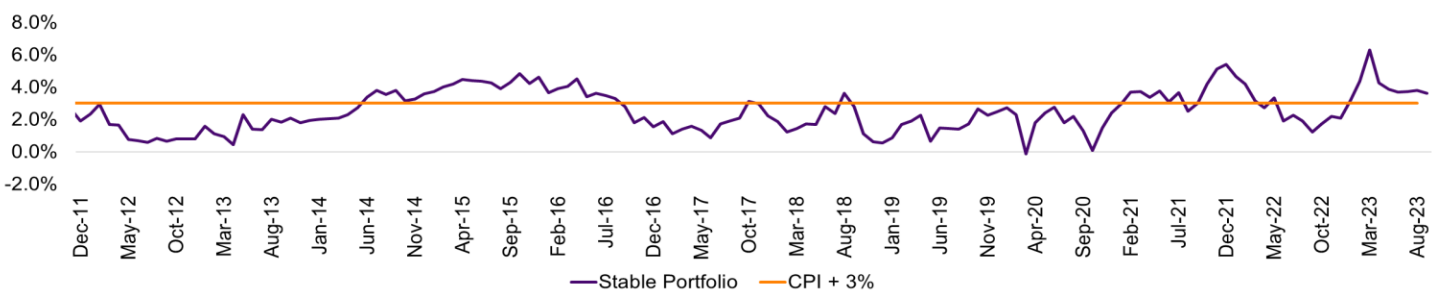
The **Money Market portfolio** has delivered some 3.9% per annum above inflation for the last year, which is above its investment objective of 1% per annum above inflation. This is illustrated below:

Rolling 1-year returns

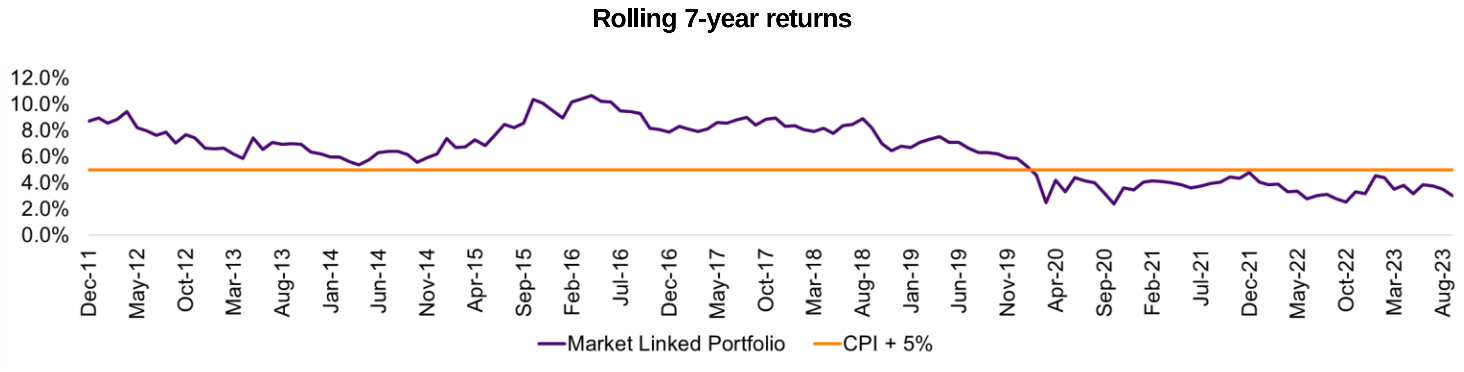


The **Stable portfolio** has delivered some 3.6% per annum above inflation for the last three years, which is above its investment objective of 3% per annum above inflation. This is illustrated below:

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 3.0% 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.

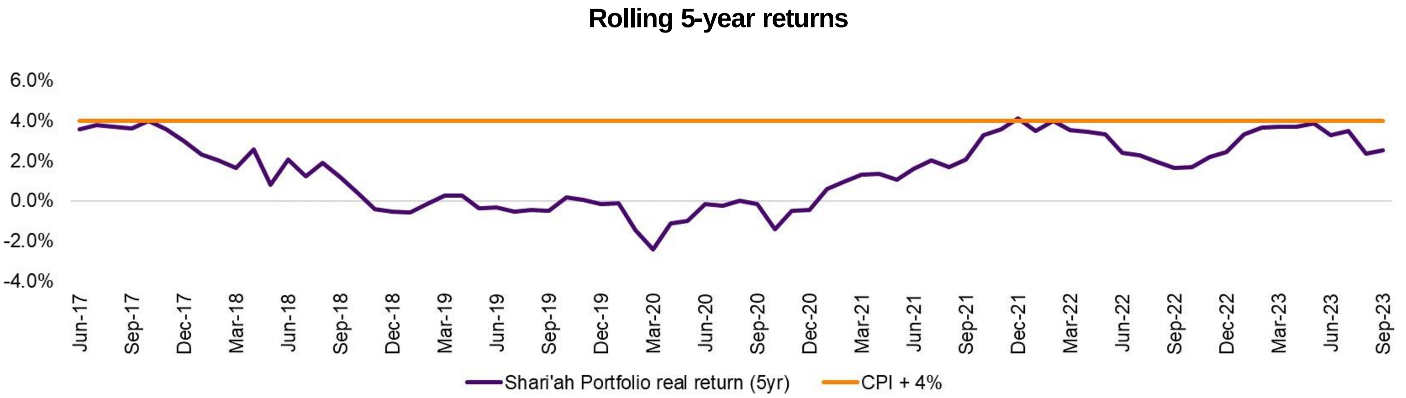


Equity markets offer the highest potential return compared to other asset classes such as bonds and cash; but the higher potential returns are associated with higher levels of risk (capital loss) and greater chances of negative returns over short periods. Based on the investment objective, the Market-linked 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, over the last 5 years domestic stocks (which are exposed to the local economy) struggled as investors became increasingly concerned about South Africa's long term economic prospects. The relaxation of exchange controls (prudential limits) in February 2022 enabled the Fund to gradually increase the Market-linked Portfolio's offshore allocation up to the 45% limit which allows the Portfolio to diversify its exposure to the South African economy through investments in companies, sectors and countries outside South Africa.

The Trustees expect, over the longer term, that the Market-linked Portfolio will 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 3.3% 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 FTSE / JSE Capped SWIX Index) was down 3.8% over the quarter thus slightly under-performing both global and emerging market equities which delivered -3.7% and -3.2% respectively. In US$ terms global and emerging market equity returns are -3.4% and -2.9% respectively as the ZAR strengthened by 0.3% against the US$.

The best local performing stocks over the period were mid cap stocks Liberty Two Degrees (+53.5%) and Montauk Renewables (+28.9%) and top 40 counter Truworths (+39.5%). Index heavyweights Anglos, Naspers and MTN were down 0.4%, 11.0% and 18.3% respectively. The only top 10 stocks to post positive returns were Standard Bank (7.4%) and Mondi (11.3%). The banking sector was the best performing area over the quarter.

Returns for global equity markets over the quarter were impacted by investor concerns about higher interest rates for longer as central bankers expressed their determination to keep inflation in check. The only sector to post a positive return over the quarter was energy stocks which were up 10.7%.

Japan and UK were the best performing countries over the quarter. The Japanese market benefitted from improving investor sentiment around the possibility of unlocking value tied up on company balance sheets and a stronger Yen to the US$. The UK market return was positively impacted by its relatively high exposure to energy and financial counters.

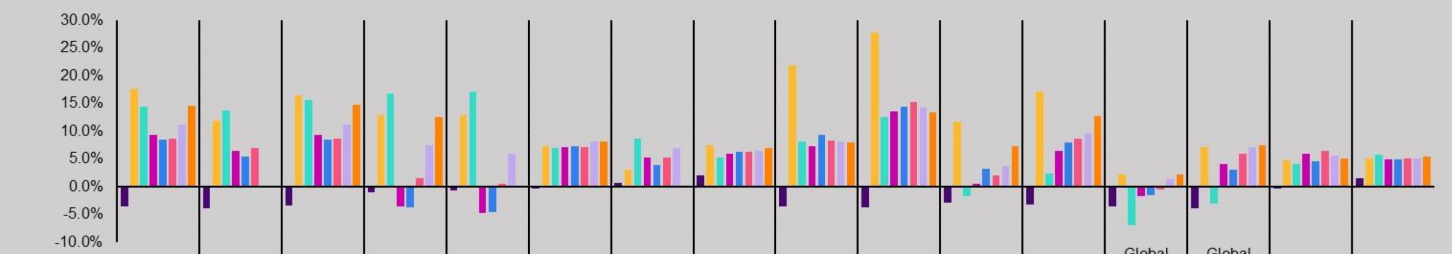
The five-year FTSE JSE Capped SWIX Index return is 6.4% p.a. out-performing inflation by a meagre 1.5% p.a. This index underperformed the FTSE JSE Capped Weighted Index (which historically has a higher weighting to Anglo American, Richemont and BHP) by a material 2.9% p.a. over the five-year period. This outcome is explained by the strong performance of Richemont (18.5% p.a.) and Anglo American (16.7% p.a.) over this five-year period. On the other hand, domestic stocks (to which the Capped SWIX has a higher weighting) struggled as investors became increasingly concerned about South Africa’s long term economic prospects.

The best performing large cap companies over this period were those with significant offshore earnings notably Richemont, Anglos and Gold Fields. Firms with significant local earnings struggled as the foreign investors exited their position based on country risk concerns.

The SA listed property sector (SAPY) was down 1% over the quarter thus out-performing SA equities. However, investors remained concerned about the long-term outlook for the sector. Over the five-year period, SA listed property has been the worst performing local asset class by a long way. This asset class is directly exposed to weak local GDP growth and the long-term impact of Covid-19 is reshaping the sector. One may have expected the offshore earnings of UK and Eastern European counters listed locally to provide some offset, but this has not been the case as global investors too have turned negative on this asset class.

SA nominal bonds delivered a return of -0.3% over the quarter. Local bond yields remain high in real terms as investors seek compensation for the high-country risk associated with being invested in this asset class. Local nominal bonds delivered a real return of 2.3% p.a. over the past five years, comfortably out-performing inflation linkers that only delivered a real return of 0.4% p.a. over the same period. Clearly, investors remain sanguine about the independence of the SARB to keep inflation in the 3.0% to 6% p.a. range.

Global equity markets (MSCI ACWI) delivered a negative return of 3.2% in US$ over the quarter as investor frothiness around the IT sector waned and investors worried about sustained higher interest rates in the developed world for longer. Global equities (in ZAR) have out-performed local equities (as measured by the Capped SWIX Index) by 14.7% over the past year, with 4.8% thereof being driven by the US$/ZAR appreciation.



	SA Equity (ALSI)	SA Equity (CSWIX)	SA Equity (CAPI)	SA Listed Property (SAPY)	SA All Property (ALPI)	SA Bonds (ALBI)	SA ILBs (IGOV)	SA Cash (STEFI Comp)	Global Equity (DM) USD	Global Equity (DM) ZAR	Global Equity (EM) USD	Global Equity (EM) ZAR	Global Bonds (BarCap Agg) USD	Global Bonds (BarCap Agg) ZAR	ZAR/USD	Inflation (CPI)
3 months	-3.5%	-3.8%	-3.4%	-1.0%	-0.6%	-0.3%	0.7%	2.1%	-3.5%	-3.7%	-2.9%	-3.2%	-3.6%	-3.9%	-0.3%	1.6%
1 year	17.7%	11.9%	16.4%	12.9%	12.9%	7.2%	3.0%	7.5%	22.0%	27.8%	11.7%	17.1%	2.2%	7.2%	4.8%	5.1%
3 years	14.5%	13.8%	15.6%	16.8%	17.1%	7.0%	8.6%	5.3%	8.1%	12.6%	-1.7%	2.3%	-6.9%	-3.1%	4.1%	5.9%
5 years	9.3%	6.4%	9.3%	-3.5%	-4.8%	7.2%	5.3%	5.9%	7.3%	13.6%	0.6%	6.5%	-1.6%	4.2%	5.9%	4.9%
7 years	8.6%	5.4%	8.5%	-3.6%	-4.6%	7.3%	4.0%	6.3%	9.3%	14.3%	3.2%	8.0%	-1.5%	3.0%	4.6%	4.9%
10 years	8.6%	6.9%	8.6%	1.5%	0.5%	7.2%	5.2%	6.3%	8.3%	15.3%	2.1%	8.7%	-0.4%	6.0%	6.5%	5.1%
15 years	11.2%		11.3%	7.5%	5.9%	8.1%	6.9%	6.5%	8.1%	14.2%	3.8%	9.6%	1.4%	7.1%	5.6%	5.1%
20 years	14.5%		14.8%	12.5%		8.2%		7.0%	7.9%	13.4%	7.3%	12.8%	2.2%	7.4%	5.1%	5.4%

An explanation of the different sectors appears below:

ALSI:	South African (SA) equities as measured by the All-Share Index
Capped SWIX	SA equities as measured by the Shareholder Weighted Index (each share capped at 10%)
ALPI:	SA listed properties as measured by the All-Property Index
IGOV:	SA Inflation-linked Bond Index
SteFI:	SA short-term fixed interest investments (cash)
ALBI:	SA All Bond Index (nominal bonds)
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.

TWO-POT SYSTEM – LATEST UPDATE

In previous newsletters, we have mentioned National Treasury's discussion papers on Retirement Reform – ***"the Two-Pot system"*** - which were issued in December 2021. Draft legislation was then issued in late July 2022 and again in early July 2023. This was also discussed at this year's member feedback sessions at the end of July.

On 25 October 2023, National Treasury made a presentation to Parliament's Standing Committee on Finance on these two Bills as well as other draft legislation. In summary, the **proposed** changes by treasury were:

- **Delaying the implementation of the two-pot retirement system by one year until 1 March 2025, to give the pension fund industry time to implement systems needed to administer the changes. This has recently changed once again to 1 March 2024. However, a final date is still to be confirmed and finalised.**
- **Raising the so-called "seed capital" amount to R 30 000** (or 10% of your Fund savings on 1 March 2025, if this is less than R 30 000) **- the portion of their pension savings that employees can immediately access when the system comes into effect, now scheduled for 1 March 2025.**

This is discussed in more detail below.

We highlight that the term "Two Pots" has been retained in this note, although there are in fact "three pots" or components to consider (namely the savings component, the retirement component, and the vested component), as we have noted previously.

Legislation was introduced in Parliament on 1 November, in line with the presentation to the Finance Committee on 25 October. It is now up to Parliament to consider and ultimately to vote on this legislation – Parliament does have the right to amend the legislation before it goes to the President to be signed into law.

IMPLEMENTATION OF THE "TWO POTS" REGIME – PUSHED BACK TO 2025? TO REMAIN AT 2024?

Most notably, Treasury had acceded to pressure from the pensions industry to delay the implementation of these reforms (previously timetabled for 1 March 2024). ***Government proposed an implementation date of 1 March 2025*** in the hope of providing sufficient time for funds and trustees to consult fund members and to communicate clearly to members what the impacts on their future contributions will be.

As highlighted above this has once again been changed to 1 March 2024, due to ongoing pressure form different parties. However, final confirmation still needs to be given.

It therefore remains important for Trustees to engage with their Fund's administrator, to assess the administrator's state of readiness as 1 March 2024 approaches. The Fund is already in the process of setting up administrative structures and processes to accommodate such changes, should they indeed be implemented on 1 March 2024.
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Furthermore, the rules of the Fund will need to be amended to allow for this. .

"SEED CAPITAL" FOR THE SAVINGS POT

The other issue on which there is disagreement between Treasury and COSATU is the "seed capital" for the savings pot (more correctly called the "savings component").

This is the portion of a member's existing retirement savings (the so-called "vested component") that will be available for immediate cash withdrawal, via a transfer to the "savings component" as soon as the Two Pots system comes into effect. The draft legislation originally set this "seeding" amount at the lower of R 25 000 and 10% of the 1 March 2024 (or 2025) vested balance. Treasury is now proposing to change this to the lower of 10% and **R 30 000**. COSATU is still arguing for a higher Rand minimum, possibly R 50 000.

OTHER CHANGES TO THE PROPOSALS SET OUT IN THE PREVIOUS DRAFT BILLS – TAXATION OF "SAVINGS POT" BENEFITS

Treasury also announced some changes to the previous proposals, based on stakeholder comments regarding the taxation of cash withdrawals from the "savings pot" when these are paid out. The practicality of requiring a tax directive for every cash withdrawal from the "savings pot" has been addressed. Treasure is proposing, as a concession here, that the system will instead use the "withholding method" whereby SARS tells the fund administrator the correct tax rate (percentage) to apply. Overall, though, it remains the case that "savings pot" withdrawals will be taxed at the member's marginal income tax rates.

NOTE: We reiterate that the final legislation is pending, and parliamentary approval is required before implementing the "two-pot" system. We will keep you updated on any new developments.

HOUSING LOANS

For quite a few years, members have been asking why the Fund does not offer housing loans. We gave a detailed explanation in one of our newsletters a few years ago. Below is a further note on this matter.

"The Pension Funds Act allows, but does not compel, a retirement fund to furnish guarantees for housing loans made to members by third parties (Section 19(5)). The purpose of the loan must be for one of the following reasons:

- to repay an existing loan in respect of a property owned by the member and/or spouse and occupied by the member or a dependent;
- to acquire a home or land on which a home will be erected, or to erect a home on land owned by the member and/or spouse, for occupation by the member or a dependent; or
- to make additions/alterations/repairs to a house owned by the member and/or spouse, and occupied by the member or a dependent.

These are strict requirements, and clearly the use of loan finance guaranteed by the Fund needs to be monitored to ensure there are no abuses which would put the Fund in contravention of the law.

This monitoring would have to be done by an outside organization contracted by the Fund, at a cost (to be recovered from the members). The Trustees considered the likely cost and complexities involved, and decided that this was not justifiable.

Another consideration was that the central purpose of the Fund is to provide reasonable benefits on retirement of its members. The provision of housing loan guarantees is not consistent with this purpose, in that the potential retirement benefit would be reduced by the amount of any housing loan. It was the view of the trustees, reaffirmed at a recent Board meeting, that this is not a desirable outcome.

PLANNING FOR RETIREMENT WORKSHOPS

The Fund held three virtual pre-retirement workshops at the end of July 2023. At the workshops, the different pension options available at retirement and the pros and cons of each option were discussed in detail. We are happy to report that a total of 200 members attended the sessions.

If anyone is interested in watching these sessions, video recordings were made and are available from Dorathy Cedras – see her contact details on the last page.

If you are over the age of 50, we urge you to attend these workshops when they are presented once again early in 2024.

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

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 **Trustees** are:

Member Elected Trustees	Member Elected Alternates	Employer Appointed Trustees	Employer Appointed Alternates
Mr LE Moser (Chairperson)	Mr P Manikivana*	Ms GN Tyandela	Vacant
Mr JP Rhode	Mr R Constance	Mr J Lichaba	Ms N Cairncross-Chinnapyel*
Dr W Kruger	Ms NM Jwaai	Ms A de Lange	Ms SL Wessels
Mr H Rauch	Mr I Loff	Ms GN Gumede	Mr PW Marriday

*Both these alternate trustees have recently resigned. As soon as we know who the new alternate trustees are, we will inform you.

Principal Officer: 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:

The Principal Officer: Rochelle Swart*
Telephone: 0849412329.
E-Mail: rochelleswart20@gmail.com

*Ms Swart is an independent Principal Officer

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 2023)

- Active members – Costs are funded from a deduction from the contribution rate – 0.70% of pensionable salary. (This includes an allowance for administration cost of R 66.27 pmpm (per member per month) plus VAT)
- Deferred members – Administration costs of R49.86 pmpm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R49.96 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R1 192.68 plus VAT. Administration costs of R121.18 pmpm plus VAT deducted from living annuity balance.

Switching costs (cost of changing investment decision) – first switch in the year is free. Thereafter R455.18 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 2023. The 2022 figures are shown in brackets and italics for comparison. Note that the portfolio investment returns quoted in member communication are net of the fees and charges estimated below.

Portfolio	Investment manager fees (Base Fee)	Investment manager fees (Performance Fee)	Other investment-related fees and charges[1]	Transaction costs	Total Fees and Charges
Market-linked	**0.43%** *(0.42%)*	**0.06%** *(0.12%)*	**0.12%** *(0.06%)*	**0.10%** *(0.11%)*	**0.70%** *(0.71%)*
Stable	**0.53%** *(0.55%)*	**0.14%**[2] *(0.00%)*	**0.12%** *(0.07%)*	**0.04%** *(0.05%)*	**0.83%** *(0.67%)*
Money Market	**0.09%** *(0.09%)*	**0.00%** *(0.00%)*	**0.02%** *(0.00%)*	**0.02%** *(0.00%)*	**0.13%** *(0.09%)*
Shari'ah	**0.71%** *(0.75%)*	**0.00%** *(0.00%)*	**0.05%** *(0.04%)*	**0.09%** *(0.11%)*	**0.85%**[3] *(0.90%)*

[1] Includes Sygnia investment administration fee of 0.06% for multi-manager portfolios (Market-linked and Stable portfolios) and 0.02% for single-manager portfolios (Money Market and Shari'ah portfolios).

[2] Performance fee from the Allan Gray Global Stable portfolio, based on the performance of both the Allan Gray portfolio and Orbis Fund. Specifically, in the 12 months to the end of March 2023, the Orbis Fund (25.3%) outperformed the FTSE World Index (13.4%).

[3] Reduction as a result of a change in the underlying manager weightings over the period (the underlying manager fees have remained the same).
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 50% of the Market-linked Portfolio and 33% of the Stable Portfolio based on asset values as at 31 March 2023. 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 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 Fund web-site (petrosaretirementfund.co.za) 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**.

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

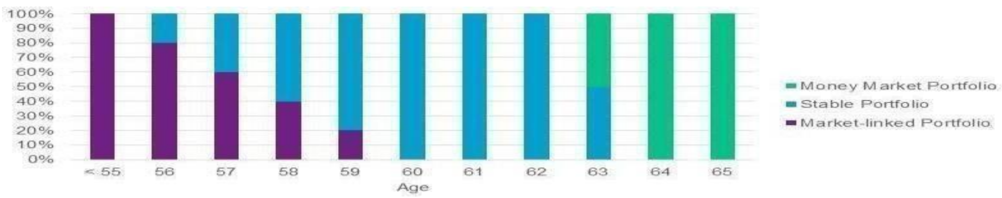
The Fund website (petrosaretirementfund.co.za) summarises the tax treatment of lump sums payable in terms of the rules of a retirement fund on retirement, retrenchment, or death. It is based on our current understanding of the tax scales in the Income Tax Act. The application of the tax laws is complex, 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**.

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 11).

Portfolio name	Target return and comment	Asset allocation (as at 30 September 2023)
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)	Actual asset allocation determined by the Board. 38.7% SA equities (managed by Allan Gray (27.5%, Coronation (27.5%), Abax (20%) and Satrix (25%)) 21.8% SA bonds (managed by Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%)) 39.4% 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. 11.6% SA equity + 0.8% SA property + 35.1% SA bonds + 15.1% SA cash + 34.9% offshore + 2.5% 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 34.3% SA equities + 4.6% commodities + 28.0% SA cash & Islamic fixed term deposits + 3.2% SA Sukuk + 25.1% offshore equities + 4.9% 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 number and e-mail address, 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 Website.

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.