PetroSA Retirement Fund

www.petrosaretirementfund.co.za

N E W S L E T T E R

ISSUE NUMBER: 2/2024
June 2024

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to the second newsletter for 2024, the newsletter designed for you – our members. This year is going to be a very busy year. Since 2022, the most talked about topic in the pension industry has been the implementation of the "two-pot" retirement system. Well, a final decision has been reached with an implementation date of 1 September 2024.

In this edition, we will bring you up to speed. However, detailed communication and roadshows will take place prior to the implementation date.

We understand the importance of keeping you informed and ensuring your experience aligns with our commitment to excellence. Your voice matters to us! We encourage you to actively participate by sharing your opinions, suggestions, and even dispelling any misconceptions. A good and proper understanding of your Fund is fundamental to making sure it works well for you.

Board of Trustees

June 2024

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

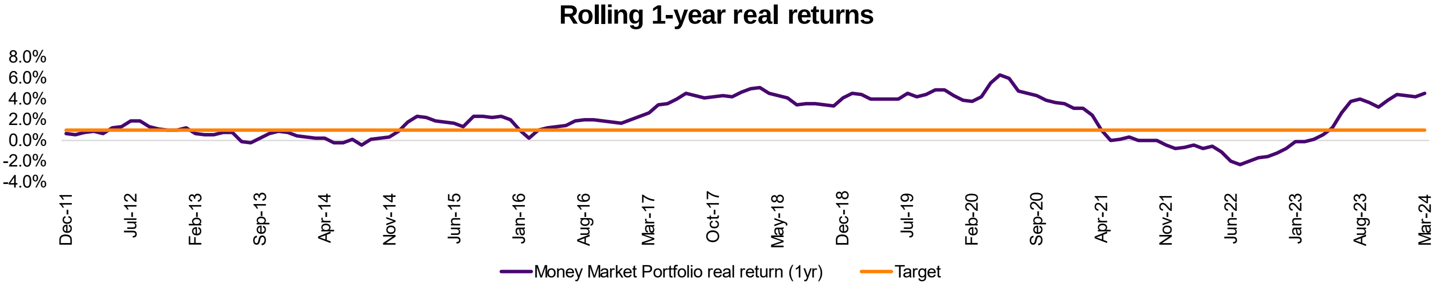
Below are the annualized investment returns for all the portfolios over different measurement periods until 31 March 2024. Please note that the returns are shown after deducting investment manager fees and related costs and charges:

Portfolio	Investment Objective	Measurement period to 31 Mar 2024	Actual Return p.a. over measurement period	Inflation (CPI) p.a. over measurement period	Return above inflation p.a.
Market-Linked Portfolio	5% p.a. (net of fees and costs) above inflation over a rolling 7-year period	7 years	9.3%	4.9%	4.4%
Stable Portfolio	3% p.a. (net of fees and costs) above inflation over a rolling 3-year period	3 years	9.5%	6.1%	3.4%
Money Market Portfolio	1% p.a. (net of fees and costs) above inflation over a rolling 1-year period	1 year	9.9%	5.3%	4.6%
Shari'ah Portfolio	4% p.a. (net of fees and costs) above inflation over a rolling 5-year period	5 years	8.6%	5.1%	3.4%

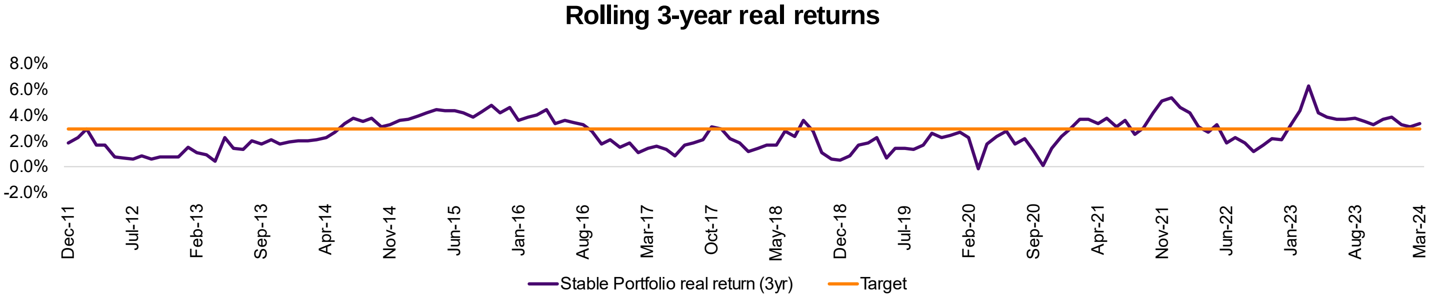
MONITORING OF LONGER-TERM PERFORMANCE OF THE PORTFOLIOS

To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 31 March 2024, the charts below show the returns above inflation of each portfolio relative to its investment objective over their respective rolling periods in years to the end of March 2024.

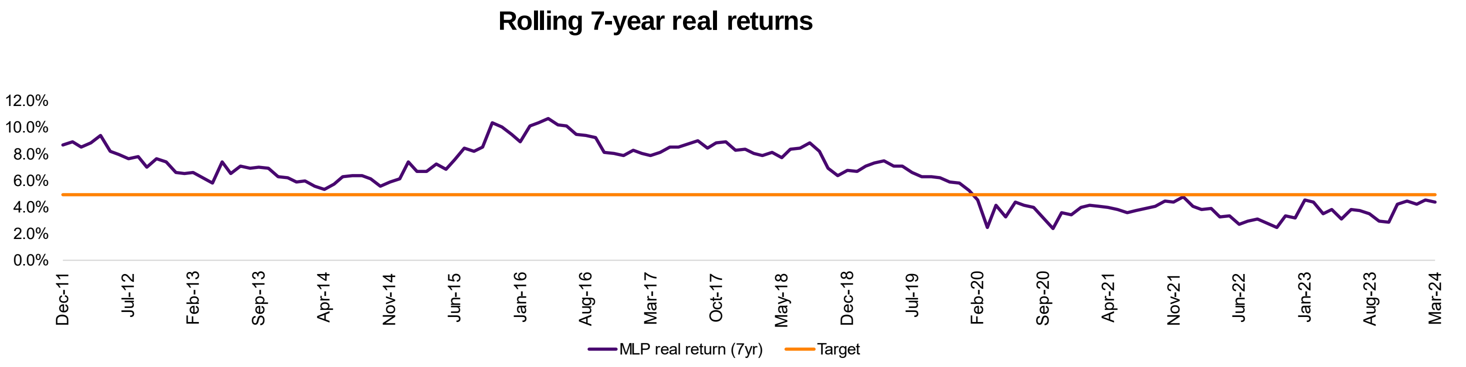
The **Money Market portfolio** has delivered some 4.6% per annum above inflation for the last year, which is above its investment objective of 1% per annum above inflation. This is illustrated below:



The **Stable portfolio** has delivered some 3.4% 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 some 4.4% 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.

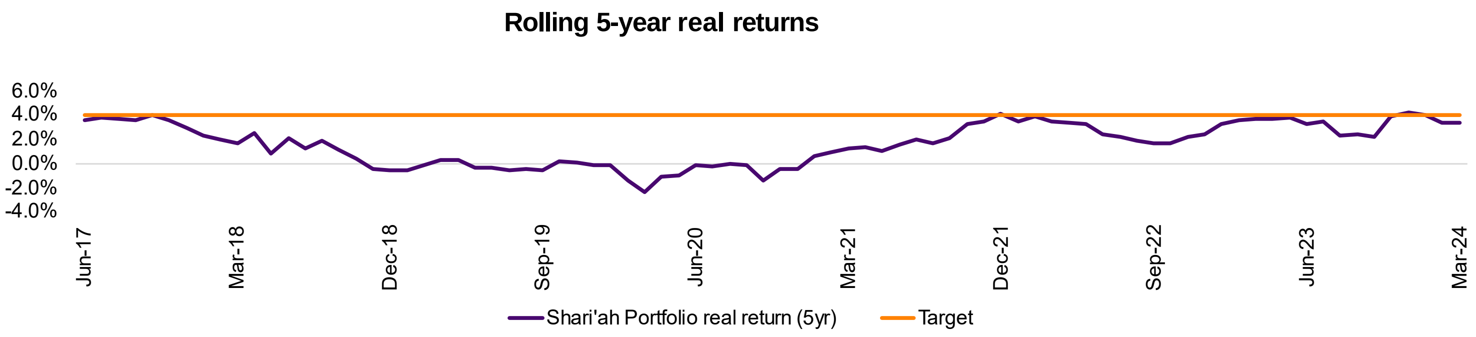


Equity markets offer the highest potential return compared to other asset classes such as bonds and cash; but the higher potential returns are associated with higher levels of risk (capital loss) and greater chances of negative returns over short periods. Based on the investment objective, the Market-linked 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 3.4% 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 2.3% over the quarter, underperforming both global and emerging market equities which delivered ZAR returns of 12.0% and 6.0% respectively. In US$ terms, global and emerging market equity returns were 8.2% and 2.4% as the ZAR weakened by 3.5% against the US$.

Over the first quarter of 2024, global equity returns followed the trend of 2023 in terms of market leadership. Over the quarter, the communication services and information technology sectors returned 11.4% and 12.1% respectively. These sectors include five of the "Magnificent Seven" stocks – Microsoft, Apple, Nvidia (IT), Meta, and Alphabet.

Japan and USA 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 USA market return was again driven by its high exposure to technology companies.

The five-year FTSE/JSE Capped SWIX Index return is 7.6% p.a. out-performing inflation by 2.5% p.a. This index underperformed the FTSE/JSE Capped All-Share Index (which historically has a higher weighting to Anglo American, Richemont and BHP) by a material 2.4% p.a. over the five-year period. This outcome is explained by the strong performance of Richemont (26.4% 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 SA listed property sector (SAPY) was up a strong 3.8% over the quarter and is the best performing local asset class over the year, as the market prices in a decline in long term interest rates and companies report better results than expected. The sector continues to trade at a discount of some 30% to net asset value reflecting investor concerns 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 economic growth in these countries has also been weak.

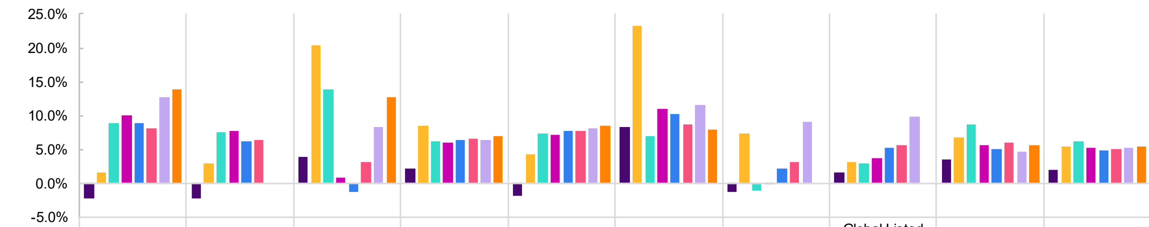
SA nominal bonds delivered a return of -1.8% over the quarter. Local bond yields rose over the quarter as investors seek compensation for the high-country risk associated with being invested in this asset class. Local nominal bonds delivered a real return of 1.9% p.a. over the past five years, out-performing inflation linkers that only delivered a real return of 1.2% p.a. over the same period. 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 positive return of 8.2% in US$ over the quarter as declining inflation and the outlook for a gradual easing of monetary policy in advanced economies, continue to support stock prices. Global equities (in ZAR) have out-performed local equities (as measured by the Capped SWIX Index) by a material 28.6% over the past year, with 6.7% thereof being driven by the US$/ZAR appreciation.

Global listed property delivered a return of 7.3% in US$ over the year lagging global equities by a significant margin, highlighting the point that the sector's return remains highly correlated to cyclical economic growth over a long measurement period. Investors remained concerned about higher debt costs as property companies refinance their debt and the long-term impact of Covid-19.

Global listed infrastructure delivered a return of 3.2% in US$ over a one-year period. This is clearest data point that investors remain concerned about a slowdown in global economic growth. Unlike the equity asset class which has a high exposure to firms whose returns are largely unrelated to GDP growth (i.e., IT, health care), this sector is heavily exposed to economic growth prospects. The sector also has a higher exposure to European and UK companies, countries where investor concerns about economic growth and possibly a recession, are more acute.

An explanation of the different sectors appears below:



	SA Equity (CAPI)	SA Equity (CSWIX)	SA Property (SAPY)	SA Cash (STEFI Comp)	SA Bonds (ALBI)	Global Equity (DM) USD	Global Listed Property (USD)	Global Listed Infrastructure (USD)	ZAR/USD	Inflation (CPI)
3 months	-2.3%	-2.3%	3.8%	2.1%	-1.8%	8.2%	-1.4%	1.5%	3.5%	1.9%
1 year	1.5%	2.9%	20.5%	8.4%	4.2%	23.2%	7.3%	3.2%	6.7%	5.3%
3 years	9.0%	7.5%	13.9%	6.1%	7.4%	7.0%	-1.2%	2.9%	8.6%	6.1%
5 years	10.0%	7.6%	0.7%	6.0%	7.0%	10.9%	-0.2%	3.8%	5.6%	5.1%
7 years	8.9%	6.2%	-1.4%	6.4%	7.8%	10.2%	2.1%	5.3%	5.1%	4.9%
10 years	8.1%	6.4%	3.1%	6.5%	7.7%	8.7%	3.0%	5.6%	6.1%	5.0%
15 years	12.7%		8.4%	6.4%	8.1%	11.6%	9.0%	9.8%	4.7%	5.2%
20 years	13.9%		12.7%	7.0%	8.4%	7.8%			5.7%	5.5%

CAPI:	SA equities as measured by the All-Share Index (each share capped at 10%)
Capped SWIX	SA equities as measured by the Shareholder Weighted Index (each share capped at 10%)
SAPY:	SA listed properties as measured by the SA Property Index
SteFI:	SA short-term fixed interest investments (Cash)
ALBI:	SA All Bond Index (Nominal Bonds)
Global Equity (DM):	MSCI ACWI ND USD (Developed Markets)
Global Listed Property:	FTSE NAREIT Dev Net USD
Global Listed Infrastructure:	FTSE GLI (50/50) Net USD
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.

BUDGET SPEECH 2024/2025 - RETIREMENT FUND CHANGES AND HOW THEY AFFECT OUR MEMBERS

The 2024 budget speech was delivered by Finance Minister, Enoch Godongwana in February 2024. From a retirement funds perspective, there were no big announcements, and the Revenue Laws Amendment Bill containing the amendments to give effect to the two-pot system was the only big item affecting members from 1 September 2024. This is explained in the next article below.

RETIREMENT REFORM- TWO POT SYSTEM UPDATE

In every newsletter since 2022, we have been featuring articles on this very topical change in legislation. During the 2024 Budget speech, which took place on the 21st of February 2024, it was announced that the "two-pot" retirement system is now envisioned to be implemented effective 1 September 2024. We can now confirm that this is definitely going ahead, and the final implementation date is set for 1 September 2024.

How the "two pots" system applies to members of provident funds who were present prior to 1 March 2021?

Members who were 55 years or older on 1 March 2021 and who are still members of the same provident fund? →

These members will have the option to participate in the two-pot system. If these members don't choose to participate in the new system, then all their contributions after 1 September 2024 will be allocated to the vested component and they will not have a savings component or retirement component.

These members will be given 12 months from 1 September 2024 to elect to opt in to the two-pot system.

Their seed capital will be 10% of their fund credit, subject to a maximum of R30 000, calculated on the value of their fund credit on the last day of the month in which they opt into the two -pot system.

Members who were under age 55 years on 1 March 2021 and who are still members of the same provident fund? →

These members will participate in the new "Two pots system". However, the monies accrued up until 1 March 2021 will be kept in a separate account – as is at the moment and will continue to grow with investment returns. The rules existing at that time (1 March 2021) will apply until you exit the Fund)

How the "two pots" system applies to members of provident funds who joined after 1 March 2021?

They participate in the new "Two-pots" system.

So how will this impact you?

From the date of implementation on 1 September 2024, the two-pot system will change the future of retirement planning in South Africa. The two-pot system seeks to provide a balanced solution by aiming to address retirement fund members' needs for longer-term financial security and short-term financial relief.

This applies to ALL FUNDS in South Africa – it is "LAW" and is and not a Fund decision!

All contributions after 1 September 2024 will be split between the "savings pot" and "retirement pot". We reiterate that although we talk about the "two pots" system, there are actually three components to the two-pot system:

- Savings Component
- Retirement Component
- Vested Component.

The changes allow you to take a portion of your Fund savings in cash, before you exit the Fund - previously, you only had this option at exit, through resignation, retrenchment, or retirement. However, at the same time it aims to also help improve members' retirement outcomes by requiring increased preservation before retirement.

Your fund is a "Provident Fund" – your Vested Component consists of your Protected Portion (if you have one!) and your Non-Protected Portion (if you have one!) These different pots (components) will all be discussed in detail later.

What is the objective of the two-pots system?

To refresh your memory, the proposed changes allow you to take a portion of your Fund savings in cash before you exit the Fund. Previously, you only had this option at exit, through resignation, retrenchment, or retirement. In a nutshell, the “two-pot” retirement system will allow for pre-retirement access to a portion of your retirement savings without you having to resign.

To allow you to access a **PORTION** of your retirement savings if you are experiencing a financial emergency;

AND

To make sure that the **BULK** of your savings remain invested, so that you will have an income when you reach retirement age.

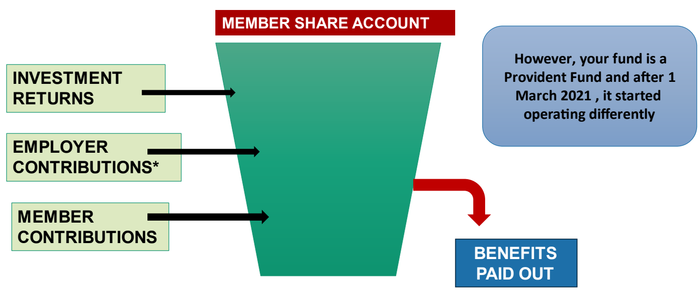
These retirement reforms are important in addressing the current outcomes in retirement. Statistics show that only about 6% of members can expect a replacement ratio of 75% or more of pensionable salary when they retire. This is mainly due to a staggering 91% of members taking cash withdrawals when changing jobs during their working life. Considering various assumptions, the two-pot system is likely to improve new members’ retirement outcomes by 2 to 2.5 times, compared to those under the current system.

Members will have the option to take limited cash withdrawals before retirement (if needed for a financial emergency) without leaving an employer. The delicate trade-off between these two objectives was considered in formulating the two-pot retirement system. Members’ retirement savings will actually be apportioned to three separate pots or components.

HOW THINGS WORK AT THE MOMENT

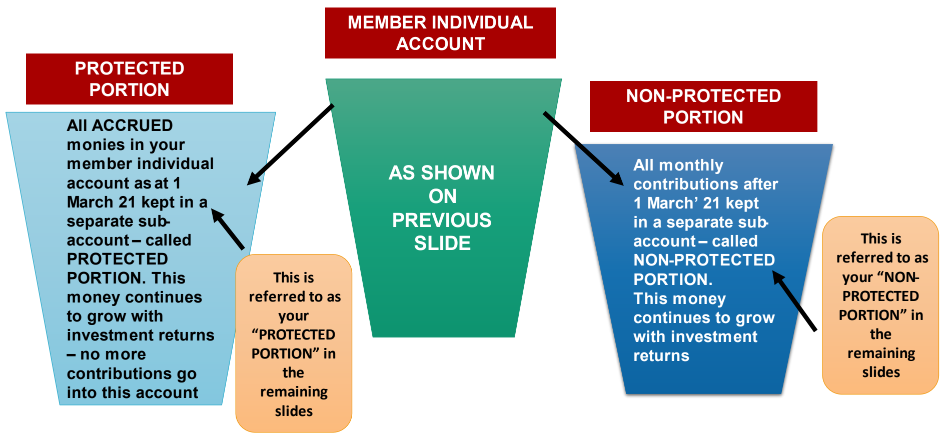
Let’s start at the beginning. Up until 1 September 2024, your Fund operated/operates as follows:

All the money in your fund was in one account called your Member Share Account. Contributions were made into these accounts by both the employee and the employer. Investment returns were credited to this account. However, members had no access to this money unless a benefit was paid out at retirement, resignation or as a death benefits.



*The employer contributions are net of insured benefit premiums as well as fund expenses

WHAT HAPPENED ON 1 MARCH 2021– for members under age 55 at the time

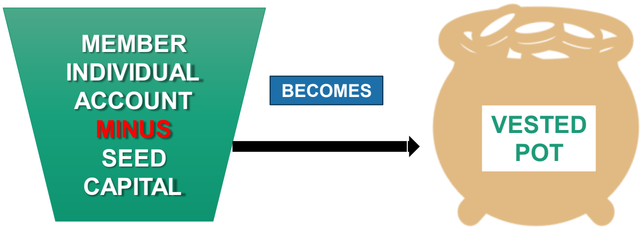


MEMBER SHARE ACCOUNT TO VESTED POT – WHAT HAPPENS ON 1 SEPTEMBER 2024

- Your Member Individual Account as at 1 September 2024 will be called your **"VESTED POT"** in future - this includes all the money you've saved for retirement up to 31 August 2024*
- Your vested pot will be closed, so you won't be able to contribute to this pot any more
- The good news is that the money you've saved in your vested pot will be invested and will keep growing with investment returns until you leave your employer or retire

***Remember that this will be divided into the Protected Portion and Non-Protected Portion**

All your monies in the Fund i.e. your MEMBER INDIVIDUAL ACCOUNT minus the "SEED CAPITAL" will become your **VESTED POT**



Existing rules apply (and will continue to apply) to this amount, allowing full (or partial) cash withdrawals on resignation (taxed on the current withdrawal tax table) The vested component protects vested rights that exist for members of funds as at 31 August 2024. Vested rights mean that members' existing rights apply to retirement savings before a change in regime. In other words, the tax and access to the Fund credit (Member Share Account) that exists now. will apply to the vested component.

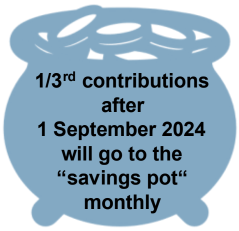
However, there is a "seed capital" that will be deducted from your Fund credit before it is transferred into the Vested Pot. This seed capital will be discussed in detail, later on.

WHAT HAPPENS TO FUTURE CONTRIBUTIONS?

From 1 September 2024 future contributions are split between TWO further components (Pots):

RETIREMENT POT

SAVINGS POT



- 2/3rds of future net contributions after 1 September 2024 will go to the "retirement pot".
- Members will continue to earn investment returns on the monies in this retirement pot.
- The money in this pot **must** be preserved **until retirement.**
- On retirement, you **must** buy a pension with the entire amount in the retirement pot – except if the retirement pot plus 2/3rds of the vested pot is less than the *de minimis* amount (R165 000), all may be withdrawn as a lump sum.

- **1/3rd of future net contributions from 1 September 2024 will go to the "savings pot"**
- **You can make one withdrawal per tax year from the Savings Pot**
- **Withdrawals from the savings pot are subject to certain conditions**
- **There is also an initial once-off "seeding" amount**

WITHDRAWING MONEY FROM YOUR SAVINGS POT AND THE CONDITIONS OF WITHDRAWALS

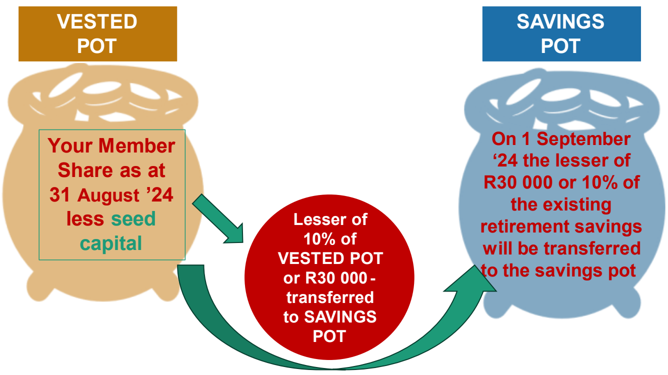
- You can withdraw your seed capital immediately on 1 September 2024 (if more than R2 000 - there will be a process for this, so payment will not be immediate or automatic).
- You can only make one withdrawal in a tax year (from the beginning of March to the end of February the next year). This is before tax and fees are deducted. The amount you apply to withdraw is therefore not the money you will receive – tax and fees will be deducted.
- You can only withdraw cash if you have more than R2 000 in your savings pot. If you have less, you will not be eligible to make a withdrawal.
- On resignation a second withdrawal is allowed in the same tax year if the amount left in the savings component is less than R2 000. If you have less than R2 000 in their savings component they must take it all in cash or transfer or preserve the full amount.
- SARS will deduct tax from any amount that you withdraw, at the highest rate that applies to you i.e. the same way your monthly salary is taxed.

HOW THE SEEDING AMOUNT WILL WORK

The maximum seed capital that will go to the Savings Pot on 1 September 2024, is the **lesser of R30,000 or 10%** of existing retirement savings on the implementation date. **You will then be allowed to withdraw this amount, if you so wish** (if more than R 2,000).

Only one withdrawal from the Savings Pot can be made per tax year (March), with a minimum withdrawal amount of R2,000. The maximum will be whatever is in your **SAVINGS POT.**

With effect from 1 September 2024 the following will happen:



Withdrawals from the savings pot are **taxed** at the member's marginal tax rate. There is no limit on or requirement about when a member can access their seed capital – they don't have to access the money in the first tax year. It will be available from the first tax year, starting 1 September 2024 and will be available in all subsequent tax years, i.e. 1 March until retirement from the fund.

Note that seed capital is not 'free money, but money transferred from the vested component (in other words, the retirement savings or fund credit a member has accumulated up to 31 August 2024).

IMPORTANT NOTE: Whatever you decide to take out in cash – <u>tax</u> will be deducted, <u>and</u> administration fees will be charged.

EXAMPLE OF THE SEED AMOUNT AS AT 1 SEPTEMBER 2024

Member Share = R 50 000	Member Share = R 500 000	Member Share = R 2 000 000
10% = R5 000	10% = R 50 000	10% = R 200 000

So what finally goes into the SAVINGS POT on 1 September 2024 ?

Savings Pot Example 1	Savings Pot Example 2	Savings Pot Example 3
R 5 000	R 30 000	R 30 000

LET US SUMMARISE THE DIFFERENT POTS

From 1 September 2024 you have THREE Pots

VESTED POT

Savings before 1 September 2024 minus seeding plus investment return

No change:
Old Money/Old rules

SAVINGS POT

1/3rd contributions after 1 September 2024 plus seeding plus investment return

Accessible once annually for emergency

RETIREMENT POT

2/3rd contributions after 1 September 2024 plus investment return

Can only access this at retirement and only to buy a pension

REMEMBER!

Your Vested Pot will be divided into the Protected Portion and Non-Protected Portion (for members under age 55 as at 1 March 2021

No change:
Old Money/Old rules

WHAT WILL I GET IN CASH WHEN I RESIGN AFTER 1 SEPTEMBER

While it is not recommended that members withdraw their retirement savings when leaving their employment, the two-pot system will continue to allow members to have lump sum access to their retirement savings accumulated before 1 September 2024 (this is known as the vested component).

Furthermore, members may take all the money remaining in the saving pot in cash, less tax.

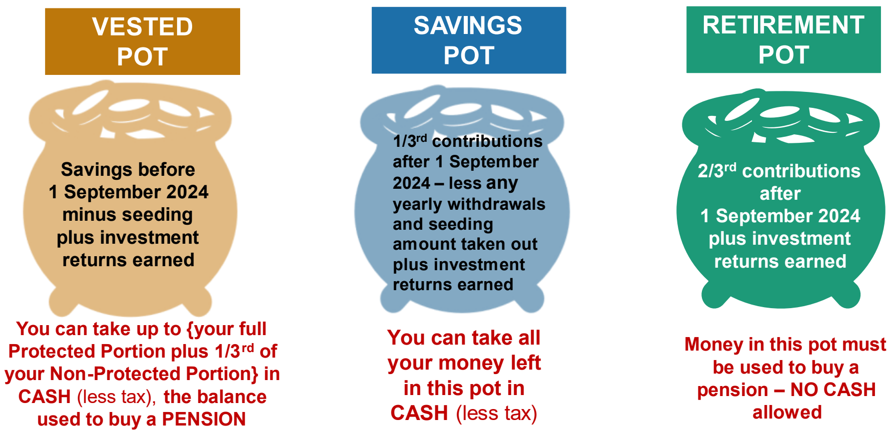
However, if you have already taken money out in that tax year, you will not be permitted to touch this money. You will have to wait until the next tax year to access this money in cash.

Do members have to resign before the effective date (1 September 2024) to access their retirement savings?

No, members must not resign! The amount in the vested pot will always be available to them in cash, should they resign at a later date, after 1 September 2024.

Tax applies to all lump sum withdrawals.

WHAT WILL I GET IN CASH WHEN I RETIRE AFTER 1 SEPTEMBER 2024



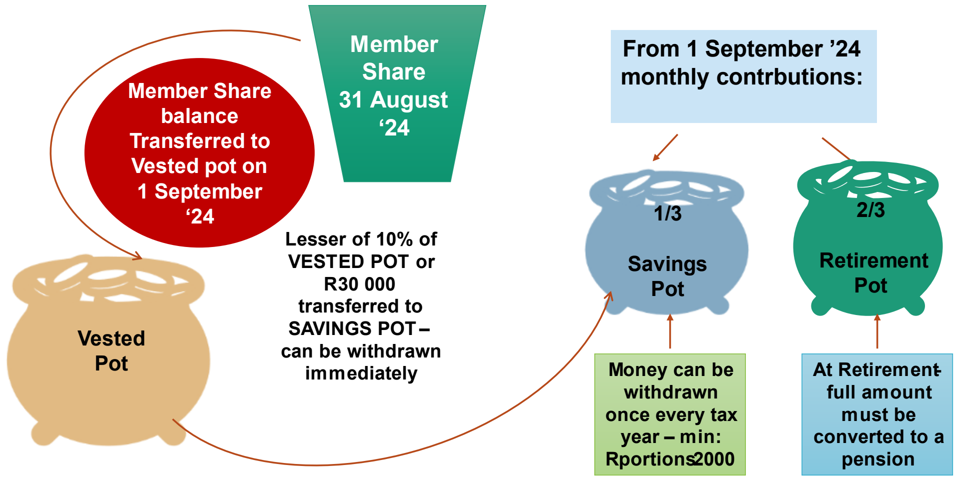
Will the implementation of the Two Pot system have an effect on my end retirement benefit?

The Two-pot system does not need to impact your retirement savings. If you do not access money from the Emergency Savings pot, you will have the same amount of money at retirement than you would have had before the Two-pot system was introduced. This requires a disciplined approach, if you do not have any financial emergencies. However, members who are used to withdrawing their member share when they resign from an employer, will have a better retirement outcome than they would have had, because they are forced to preserve a portion of the money, while having access to emergency funds.

WHAT IS THE PROCESS FOR MAKING A WITHDRAWAL? CASH

Withdrawal from your savings pot will be an online process. You will have to register on AFConnect to make application for a withdrawal from your savings account. The AFConnect application process is available on the Fund's website.

SUMMARY OF THE ENTIRE PROCESS



Note: Vested Pot is divided into two portions

Savings withdrawal benefits are meant for financial emergencies! "Emptying out" your savings pot each year will mean your eventual retirement benefit is lower and may result in you not having enough money when you want to retire.

A detailed communique will follow in the next 2 months and we will also be holding road shows to explain to members exactly how all this works. We will keep you posted and up to date.

THE IMPORTANCE OF COMPLETING BENEFICIARY NOMINATIONS FORMS

If you have already submitted a beneficiary nomination form in the past and your personal situation has changed, 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. Whilst many of our members adhere to this, there are also many who do not and the following has been noted:

- There is often no last will and testament in place,
- No fund death benefit distribution forms have been completed, or
- Fund death benefit distribution forms are older than 5 years (in some cases older than 20 years).

The above (lack of) action causes unnecessary problems / stress to those left behind. It can also complicate the process of determining the distribution of an individual's remaining fund value. Therefore, the Board of Trustees urges you to regularly review and update your beneficiary nomination form. To obtain a copy of the latest beneficiary nomination form to complete, please contact the Human Capital department or the Fund's Principal Officer, whose contact details can be found on the page 14 of this newsletter.

PLANNING FOR RETIREMENT WORKSHOPS

The Fund will be holding another round of pre-retirement workshop sessions later this year. At the workshops, the different pension options available at retirement and the pros and cons of each option are discussed in detail.

If you are over the age of 50, we urge you to attend these upcoming workshops - even if you have previously attended - you will receive an in-depth education on all the options available to you.

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)	Vacant	Ms GN Tyandela	Vacant
Mr JP Rhode	Mr R Constance	Mr J Lichaba	Vacant
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

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 leamore!
- Benefit statements showing your benefits will be issued annually towards the end of March
- Projection statements showing the expected pension that your retirement savings is 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 FUNDS 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.

1

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 website (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 37C 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 37C 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

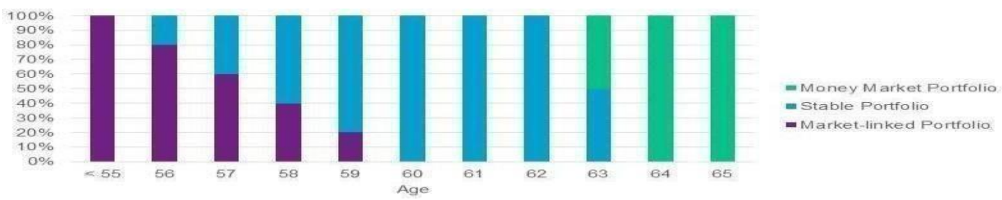
The Fund website (petrosaretirementfund.co.za) summarises the tax treatment of lump sums payable in terms of the rules of a retirement fund on retirement, retrenchment, or death. It is based on our current understanding of the tax scales in the Income Tax Act. The application of the tax laws is complex, 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 15).

Portfolio name	Target return and comment	Actual Asset allocation (as at 31 March 2024)
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.	36.8% SA equities (managed by Allan Gray (26.3%, Coronation (26.6%), Abax (19%) and Satrix (28.1%)) 19.4% SA bonds (managed by Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%)) 43.8% offshore (various managers across bonds (13.2%); equity (59.1%), listed infrastructure (8.6%) and listed property (8.4%))
Stable Portfolio	Target return of CPI + 3% per annum over a rolling 3-year period Lower volatility than the Market Linked portfolio Strategic asset allocation determined by the managers.	9.1% SA equity + 0.5% SA property + 19.1% SA bonds + 10.5% SA cash + 59.1% 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.	32.7% SA equities + 4.9% commodities + 2.1% SA cash & Islamic fixed term deposits + 4.5% SA Sukuk + 25.8% offshore equities + 5.0% 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

See page 13 for details.

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 Principal Officer.

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.