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April 2021

Dear Member

PROFESSIONAL PROVIDENT SOCIETY RETIREMENT ANNUITY FUND
ANNUAL MEMBER COMMUNICATION

This annual member communication covers important information relating to the Professional Provident Society Retirement Annuity Fund ('the Fund').

It is important that you understand all the information relating to your investment contract and your membership of the Fund. We urge you to go through this information carefully and to keep this document for future reference.

There are many legislative requirements relating to retirement funds, and there are a variety of investment options available to members, so you are encouraged to please seek the advice of a financial adviser before making decisions regarding your investment.

Should you have any queries or require further information, please contact the PPS Retirement Annuity Client Service Centre on 0861 777 723 (0861 PPS RAF), Mondays to Fridays between 08:00 and 17:00, or at info@ppsra.co.za.

Yours sincerely,

Megan Young
Principal Officer

A. <u>Retirement fund reform and legislative changes</u>

There are a few amendments to the Income Tax Act, affecting retirement funds, that came into effect on 1 March 2021.

Ceasing to be a tax resident

Prior to 1 March 2021, you could take a full cash withdrawal from the Fund, prior to the age of 55 years, if you had emigrated from South Africa, as recognised by the South African Reserve Bank. A new requirement has been introduced, which is based on how long a member has ceased to be a resident for South African income tax purposes. The test for tax residency is based on whether you are ordinarily resident in South Africa, or if you are not ordinarily resident in South Africa, then how many days you are physically present in the country.

From 1 March 2021, a pre-retirement withdrawal will be allowed if:

- you have emigrated as recognised by the South African Reserve Bank for exchange control purposes, or
- you have emigrated in terms of an application submitted to the South African Reserve Bank on or before 28 February 2021, and approved on or before 28 February 2022, or
- you have not been a resident for tax purposes for an interrupted period of three years or longer on 1 March 2021, or
- you left South Africa after your visiting or working visit expired.

Investment value below R15 000

Prior to 1 March 2021, you could make a full cash withdrawal from the Fund before the age of 55 years if the total investment value in the retirement fund was less than R7 000. You may now withdraw from the Fund if the investment value is less than R15 000. This limit applies to the total value of all investments in the Fund, and not per policy or investment contract.

Annuitisation of provident funds

From 1 March 2021, provident funds and provident preservation funds will be treated in the same way as pension funds, pension preservation funds and retirement annuity funds with regards to the maximum cash lump sum that may be taken at retirement. A new concept of vested benefits and non-vested benefits has been introduced.

- Members of a provident fund or provident preservation fund, who were 55 years or older on 1 March 2021, will not have to annuitise their benefits upon retirement from that fund. This means they may take the full retirement value as a lump sum (subject to tax) and are not obliged to purchase an annuity / pension income. These benefits will be referred to as 'Vested Benefits'. Vested Benefits include investment return after 1 March 2021.
- Members of a provident fund or provident preservation fund, who were younger than 55 years on 1 March 2021, will not have to annuitise their benefits accumulated in the fund prior to 1 March 2021, as these will be regarded as Vested Benefits. All contributions made to a provident fund or benefits transferred into a provident preservation fund from 1 March 2021, together with investment return, will be referred to a Non-Vested Benefits. At retirement, a maximum of one third of the Non-Vested Benefits may be taken as a cash lump sum, and the balance must be used to purchase an annuity.
- Vested and Non-Vested Benefits are recorded by each retirement fund, and these records are transferred to the transferee fund when transferring between retirement funds. If you have transferred Vested Benefits from another fund into this Fund, then when you retire no annuitisation has to take place in respect of the Vested Benefits. The balance in the Fund will be subject to the normal rule, that only one third may be taken in cash and the rest must be used to purchase an annuity of your choice.

In addition to the above tax legislation changes, National Treasury has released draft amendments to Regulation 28 of the Pension Funds Act. Regulation 28 governs the maximum amount that a retirement fund may invest in certain asset classes. Currently investment is limited to 30% in offshore investments, 75% in equity investments and 25% in property investments. This is measured at a member level and at a Fund level.

The proposed amendments will allow the Fund, and its members, to invest up to 45% in South African infrastructure projects and an additional 10% in the rest of Africa, with a limit of 25% per entity. Infrastructure projects include those for building roads and supplying water and power. It is important to note that this is not a prescribed or compulsory requirement. It is merely an option that the Board of Trustees may make available to its members if they think it is in the interest of the Fund and the members to do so.

B. <u>Summary of the fund rules relating to payment of benefits</u>

Retirement

- You may retire from the Fund at any time after reaching the age of 55 years old, by notifying the Fund of your intention to retire from the Fund.
- When you retire, you may take up to one third of the investment value as a cash lump sum. The balance must be used to purchase an annuity from an insurer of your choice. If you have transferred any Vested Benefits into the Fund (see section A above for an explanation), then this amount may be taken as a cash lump sum. If the value of the Non-Vested Benefits is less than R247 500, this may be taken as a cash lump sum and an annuity need not be purchased.
- The cash lump sum may be subject to tax. The first R500 000 is tax free, and thereafter a sliding scale is applied. The retirement lump sum tax tables may be found at https://www.sars.gov.za/Tax-Rates/Income-Tax/Pages/Retirement-Lump-Sum-Benefits.aspx
- The tax-free portion is cumulative, meaning that it is determined by taking into account the lump sums paid from all retirement funds that you belong to or had belonged to. The Fund must apply to SARS for a tax directive before paying a lump sum or before the purchase of an annuity.
- The annuity that you choose may be a life annuity, which provides a guaranteed income for your lifetime, or may be a living annuity where you can choose the underlying investment portfolio and a drawdown from the capital of between 2.5% and 17.5% per annum. The annuity is purchased from a provider of your choice and is not provided by the Fund.
- The Fund has a default living annuity option, provided by PPS Insurance, for members who are not comfortable with selecting the underlying investment portfolios and drawdown levels. The drawdown rate will be based on the age and gender of the member. You can opt out of this default annuity option should you later wish to do so and replace it with another annuity option.
- Retirement benefit counselling is provided to all members when they retire, however it is still important to seek the advice of your financial adviser on the various options available.

Early retirement

- You may retire from the Fund before the age of 55 years old, if you have medical evidence to prove that you have become permanently incapable due to illness, through infirmity of mind or body, of practising your own occupation.
- In the case of early retirement, the same requirements relating to normal retirement, as explained above, will apply.

Death

- In the event of your death before retirement from the Fund, the allocation of the benefit will be made by the Trustees, who will distribute the benefit in such proportions that they deem fair and equitable based on the information provided to them.
- The Trustees have 12 months in which to decide, but the claim can be processed much quicker if all the information is readily available, and accessible by family members in the event of death.
- The beneficiaries must select whether they wish to receive the benefit as a cash lump sum or as an annuity of their choice. The cash lump sum may be subject to tax in the member's name. The first R500 000 is tax free, and thereafter a sliding scale is applied. The tax-free amounts are cumulative, and lump sums from all retirement funds are taken into account. The tax tables for death benefits may be found on the SARS website.

Withdrawal

- You may not withdraw any benefit before your retirement from the Fund. There are two exceptions:
  - you may withdraw the full amount, if the total investment value is below R15 000, or
  - you may withdraw the full investment value if you have emigrated, if you have applied to emigrate before 1 March 2021 and that application has been granted before 1 March 2022, if you have ceased to be a tax resident for an uninterrupted period of at least three years on or after 1 March 2021, or your working or visiting visa has expired.
- Withdrawals that are allowed, may be subject to tax. The first R25 000 is tax free, and thereafter a sliding scale is applied. The withdrawal lump sum tax tables may be found on the SAS website.

Transfer to or from another retirement fund

- You may transfer your benefit from your employer pension fund or provident fund to this Fund, if your employment has terminated. If you have retired from employment, and the employer fund rules allow this, you may transfer your retirement benefit to this Fund without having to take a retirement benefit from the employer fund. This transfer is tax free.
- You may transfer your benefit in this Fund to another retirement annuity fund, should you so wish. The transfer will be tax free, although the Fund is still required to apply to SARS for a tax directive. You may not transfer the benefit to your employer pension or provident fund, nor to a preservation fund.

C. <u>Important matters to review regularly</u>

Review your beneficiary nomination

- The payment of death benefits from a retirement fund is governed by Section 37C of the Pension Funds Act. This means the Trustees must determine who your dependants and nominees are, and based on the circumstances of each individual, pay the benefit in such proportions that they deem fair and equitable.
- A beneficiary nomination made by the member is not binding on the Trustees, however they will take it into account when determining a fair and equitable distribution. Your personal and financial circumstances may have changed over the last year, so it is important to review your beneficiary nomination and update it if necessary. You can do this on the secure site at www.ppsra.co.za, or you may contact the PPS Retirement Annuity Client Service Centre.
- Your nominated beneficiary must be a natural person. You may nominate a trust to receive and hold the benefits on behalf of that person, but this is not binding on the Trustees. Please do not nominate your estate as a beneficiary as the Trustees may pay benefits to the estate only in the event that there are no dependants and no other nominees, and may be obliged to wait for up to 12 months before paying.

Review your savings goals

- With the assistance of your financial adviser, you should regularly review whether you are saving enough to meet your retirement needs.
- The tax deductibility for contributions to retirement funding (including the Fund), up to 27.5% of taxable income or remuneration, is a great way of saving more towards your retirement and reducing your tax.

Review your planned retirement date

- You may elect to retire from the Fund at any time after the age of 55 years. The longer your retirement capital remains invested in the Fund, the more it can grow.
- Investments within the Fund are exempt from income tax, capital gains tax and dividend withholding tax.

Review your investment options

- With the assistance of your financial adviser, you should regularly review whether your selected investment options are appropriate for your age and personal financial circumstances. Younger members can tolerate the risks in a more aggressive portfolio over a longer term of investment, whilst older members approaching retirement may consider a strategy that minimises the potential for capital loss.
- Be aware that if your current investment enjoys a 'grandfathered' status in terms of Regulation 28, you will lose this status if you switch to another portfolio.

D. <u>Important information about the Fund</u>

Fund registration

Registered fund name:	Professional Provident Society Retirement Annuity Fund
Financial Sector Conduct Authority number:	12/8/404
South African Revenue Service number:	18/2/4/030135
Valuation exemption number:	525241
Registered office:	PPS House, Boundary Terraces, 1 Mariendahl Lane, Newlands, 7700

Fund administration

The Fund has outsourced its administration in terms of Section 13B of the Pension Funds Act. Sanlam Life Insurance Limited is the administrator in respect of the Sanlam underwritten section of the Fund and Intembeko Investment Administrators Proprietary Limited is the administrator in respect of the PPS Investments section of the Fund.

Board of trustees

The trustees are:

Mr James Downie	(Independent trustee and chairperson)
Ms Prem Govender	(Independent trustee and deputy chairperson)
Ms Doris Dondur	(Independent trustee)
Mr Hugh du Toit	(Independent trustee)

Dr Sybil Seoka (Independent trustee)
Mr Shaylen Trikamjee (Independent trustee)

The Principal Officer is Ms Megan Young and the Deputy Principal Officer is Mr Wesley Davids.

The Fund has been exempted from the requirement that at least 50% of the trustees may be elected by members. For more information on the trustees, please visit www.ppsra.co.za. The Fund is further exempted from having to appoint a valuator and undergo statutory valuations.

A copy of the Fund's Investment Policy Statement may be viewed on the PPS website. The Trustees adhere to a Code of Conduct, and review all policies required for good governance on an annual basis.

Fund rules and amendments

The Fund's rules are registered with the FSCA and govern your membership of the Fund as well as the Fund's management and operation. A copy may be requested from the PPS Retirement Annuity Client Service Centre.

No rule amendments were made during 2020.

E. Complaints procedure

If you are not satisfied with this investment or the services from the Fund, a written complaint can be submitted to the Principal Officer using the contact details below. The Fund must respond to your complaint within 30 days.

PPS Retirement Annuity Fund	Tel: 0860 468 777 (0860 INV PPS)
PO Box 44507	Fax: 021 680 3680
Claremont	Website: www.pps.co.za/invest
7735	Email: clientservices@ppsinvestments.co.za

If you are not satisfied with the response from the Fund, or if you have received no response within 30 days, you have the right to lodge a written complaint with the Pension Funds Adjudicator.

The Pension Funds Adjudicator	Tel: 012 346 1738
PO Box 580	Fax: 086 693 7472
Menlyn	Website: www.pfa.org.za
0063	Email: enquiries@pfa.org.za

If you have a complaint about the advice given by your financial adviser, you have the right to address your complaint in writing to the Ombud for Financial Services Providers.

The Ombud for Financial Services Providers	Tel: 012 762 5000
PO Box 74571	Fax: 086 764 1422
Lynnwood Ridge	Website: www.faisombud.co.za
0040	Email: info@faisombud.co.za