

May 2022

Dear Member

**PPS PRESERVATION PENSION FUND
ANNUAL MEMBER COMMUNICATION**

This annual member communication covers important information relating to the PPS Preservation Pension 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 Investments Client Service Centre on 0860 468 777 (0860 INV PPS), Mondays to Fridays between 08:00 and 17:00, or at clientservices@ppsinvestments.co.za.

Yours sincerely,



Megan Young
Principal Officer

A. Retirement fund reform and legislative changes

The 'two pot' system

In December 2021, National Treasury released a discussion paper for public comment, with the aim of encouraging South Africans to save more for retirement. Many people are facing financial difficulty due to the Covid-19 pandemic, and the proposal is to allow partial access to retirement savings through a 'two pot' system. The first 'pot' (two thirds of the contributions) must be preserved until retirement. The second 'pot' (one third of the contributions) can be accessed for a pre-retirement withdrawal.

Purchase of multiple annuities

With effect from 1 March 2022, a retiring member may purchase multiple annuities with different insurers or a combination of different types of annuities, provided that the amount to purchase each annuity is at least R165 000.

Tax rate for payment of annuities

Prior to 1 March 2022, a taxpayer who received remuneration from more than one source (including a retirement fund or insurer), did not have the benefit of the tax rebates being applied, and the retirement fund or insurer had to use the tax rate provided by SARS when withholding PAYE tax.

From 1 March 2022, SARS will give retirement funds and insurers a fixed rate based on the effective tax rate of the taxpayer which takes into account all sources of income.

Transfer from preservation fund to retirement annuity fund

With effect from 1 March 2022, a member of a preservation fund who is over the age of 55 years may transfer tax free to another preservation fund or retirement annuity fund.

Increase in foreign investment exposure

Following on from the Minister of Finance's budget speech in February 2022, and a change in exchange control regulations, a member may now invest up to 45% of his or her retirement fund savings in assets outside of South Africa. The previous limit was 30%.

B. Summary of the fund rules relating to the payment of benefits

Retirement

- You may retire from the Fund at any time after reaching the age of 55 years, by notifying the Fund in writing 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' from a provident fund or provident preservation fund into the Fund, then this amount may be taken as a cash lump sum. If the value of the non-vested benefits in the Fund 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/individuals/tax-during-all-life-stages-and-events/tax-and-retirement> 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 options and a drawdown from the capital of between 2.5% and 17.5% per annum. The annuity is purchased from an insurer of your choice and is not provided by the Fund.
- The Fund has a living annuity option, provided by PPS Insurance, for members who are not comfortable with selecting the underlying investment options and drawdown levels. The drawdown rate will be based on the age and gender of the member. You can opt out of this 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, 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 make one full or one partial withdrawal, provided that you have not taken your one withdrawal from this Fund or from any other preservation fund that transferred a benefit to this Fund,
 - 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 SARS website.
- A withdrawal will be taken proportionally from your vested benefits and non-vested benefits.

Transfer to or from another retirement fund

- You may transfer your benefit from your employer pension fund and/or employer provident fund if your employment has terminated or the fund has been liquidated. 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. You may also transfer the benefit from any pension preservation fund or provident preservation fund to this Fund. This transfer is tax free.
- You may transfer your benefit in this Fund to a pension fund, provident fund, pension preservation fund, provident preservation fund or 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.

C. Important matters to review regularly

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 are 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. You can do this on the secure site at www.pps.co.za/invest, or you may contact the PPS Investments 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 will be obliged to wait for 12 months before making payment.

Consider the PPS Beneficiaries Trust

- The PPS Beneficiaries Trust is an umbrella trust created to safely and cost-effectively manage retirement and insurance benefits received by minor beneficiaries. You may nominate this Trust to receive the benefits on behalf of your minor dependants, by completing the beneficiary nomination form.
- For more information call PPS Fiduciary Services on 011 644 4200 or email fiduciary@pps.co.za.

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. Important information about the Fund

Fund registration

Registered fund name:	PPS Preservation Pension Fund
Financial Sector Conduct Authority number:	12/8/37737
South African Revenue Service number:	18/20/4/041987
Valuation exemption number:	504340
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 to Intembeko Investment Administrators Proprietary Limited.

Board of trustees

The trustees are:

Ms Prem Govender	(Independent trustee and chairperson)
Mr Hugh du Toit	(Independent trustee and deputy chairperson)
Mr James Downie	(Independent trustee)
Mr Anton Bosch	(Independent trustee)
Mr Shaylen Trikamjee	(Independent trustee)

The Principal Officer is Ms Megan Young.

The Fund has been exempted from the requirement that at least 50% of the trustees must be elected by members. For more information on the trustees, please visit <https://www.pps.co.za/invest/invest-for-your-retirement>. 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 Investments website. The Trustees adhere to a Code of Conduct, and review all policies required for good governance on a regular 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 Investments Client Service Centre.

Rule amendment number 6 was approved by the FSCA, effective 1 March 2021. A new Rule 6.6 was added to allow the Board, where an investment portfolio has been terminated, to invest the assets in a similar portfolio after giving notice to the member who may select any other portfolio of his or her choice. A new Rule 6.7 was added to provide the conditions to allow a member to retain his or her grandfather status if the member is moved to another retirement fund and the FSCA has granted an exemption in terms of Regulation 28. Rule 10.5 was amended to provide that a member may take a pre-retirement withdrawal as permitted in terms of the Income Tax Act, and that an emigration withdrawal is allowed even if the member had made a previous withdrawal. Rule 20.3.1 was amended to allow transfers to a provident fund and provident preservation fund.

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 Preservation Pension Fund
PO Box 44507
Claremont
7735

Tel: 0860 468 777 (0860 INV PPS)
Fax: 021 680 3680
Website: www.pps.co.za/invest
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
PO Box 580
Menlyn
0063

Tel: 012 346 1738
Fax: 086 693 7472
Website: www.pfa.org.za
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
PO Box 74571
Lynnwood Ridge
0040

Tel: 012 762 5000
Fax: 086 764 1422
Website: www.faisombud.co.za
Email: info@faisombud.co.za