INVESTMENTS

PPS House, Boundary Terraces
1 Mariendahl Lane, Newlands, 7700
PO Box 44507, Claremont, 7735
Tel: 0860 468 777 | Fax: +27 (0) 21 680 3680
clientservices@ppsinvestments.co.za
www.pps.co.za/invest

July 2023

Dear Member

PPS PRESERVATION PROVIDENT FUND
ANNUAL MEMBER COMMUNICATION

This annual member communication covers important information relating to the PPS Preservation Provident 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 the trustees strongly encourage you to 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 email us at clientservices@ppsinvestments.co.za.

Yours sincerely,

Megan Young
Principal Officer

A. Retirement fund reform and legislative changes

The 'two pot' system

There are proposed changes to the Income Tax Act, from 1 March 2024, that will allow members to have partial access to their retirement savings before retirement, through a 'two pot' regime.

This new regime proposes the creation of three components within the retirement fund:

- '*Savings component*' – one third of all the member contributions to the Fund from 1 March 2024 will be accounted for in the savings component, which will become available for withdrawal before retirement. A member will be able to make a single withdrawal from this component per tax year, which may be subject to a minimum amount and which will be taxed at the member's marginal tax rate.
- '*Retirement component*' – two thirds of all the member's contributions to the Fund from 1 March 2024 will be accounted for in the retirement component, and preserved until the member retires from the Fund at any time from reaching the age of 55 years old. Upon retirement, the amount in the retirement component must be used to purchase an annuity.
- '*Vested component*' – the value of a member's investment interest in the Fund immediately prior to 1 March 2024 will remain in the vested component. This amount will be subject to the current rules regarding vested rights and non-vested rights that were brought into effect on 1 March 2021 as a result of annuitisation reform.

The proposals are still in draft form and the financial services industry has been invited by National Treasury to make comment, as there are many changes that retirement fund administrators will need to make to their administration systems.

SARS tax tables for lump sum payments

The tax tables for the taxation of lump sums paid from retirement funds have changed on 1 March 2023. Previously, the first R500 000 of all lump sums paid at retirement or death was tax free. This amount has now been increased to R550 000. Previously the first R25 000 of all lump sums paid as a pre-retirement withdrawal was tax free. This amount has been increased to R27 500.

For the updated tables, please visit the SARS website: https://www.sars.gov.za/tax-rates/income-tax/retirement-lump-sum-benefits/

Partial section 14 transfers

Members who want to transfer only some of their investment contracts held by the Fund to another retirement fund in terms of s14 of the Pension Funds Act will now be subject to new limits. The value of the contracts being transferred must exceed R371 250 and the value of the contracts not being transferred must exceed R371 250. There is no monetary limit on the transfer of all the contracts in the retirement fund to another fund. This amendment to the Income Tax Act was effective from 1 March 2023.

B. Summary of the current 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 old, by notifying the Fund of your intention to retire from the Fund.
- When you retire, you may take the full value of the vested benefits as a cash lump sum. The balance must be used to purchase an annuity from an approved provider of your choice. A maximum of one third of the non-vested benefits may made be taken in cash, and the balance must be used to purchase an annuity. 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 R550 000 is tax free, and thereafter a sliding scale is applied.
- 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 an insurer 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. If you select this option, you can choose a drawdown rate based on your age and gender, or a lower rate. You don't need to choose the investment portfolio. You can opt out of this option at any time, 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 of practising your own occupation due to illness, through infirmity of mind or body.
- 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 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 R550 000 is tax free, and thereafter a sliding scale is applied.

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 R27 500 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, 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.

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 may be able to 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 Provident Fund
Financial Sector Conduct Authority number:	12/8/37738
South African Revenue Service number:	18/20/4/041989
Valuation exemption number:	564377
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 may 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.

There were no amendments to the Fund rules in 2022.

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 Provident 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: 012 748 4000
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