



Political Office-Bearers
Pension Fund

POLITICAL OFFICE-BEARERS PENSION FUND

NOTE OF ISSUES DISCUSSED AT TRUSTEE MEETING, 08 MARCH 2024

To be used by Trustees in briefing their colleagues in Parliament or their Legislatures, and to be posted on the Fund's website. This is not a full report on all issues discussed at the meeting (which are covered by the draft Minutes of the meeting), but deals with issues that will be of interest to members of the Fund.

When providing feedback to members, Trustees are again asked to remind members to complete nomination forms for the funeral benefit and Fund death benefit.

1. The rule amendment to allow the Fund to offer an "in-Fund living annuity" as a further retirement benefit option for members has been approved by the FSCA, and this option is available now. The rule amendment also allows members to split their retirement benefits between any combination of annuities. A Newsflash ("Retirement benefits – new options") has been posted on the Fund's website.
2. Pre-Election workshops are being held at the various Legislatures, and at Parliament, to ensure that members are aware of the options available and processes to follow if they do not return to office after the Election. (Many of these workshops have already taken place.) The Trustees are also continuing to plan the process for the election of a new Trustee Board after the Election, and for a handover from the current Board to the new one (noting that some existing Trustees may be re-elected and so may continue in their positions, and also that the current Board remains in office until the new Board has been constituted and meets for the first time, which will be some weeks after the Election).
3. The review by the Independent Commission for the Remuneration of Public Office-Bearers of the remuneration and benefits provided for political office-bearers remains ongoing. The Trustees still await the Commission's final report, promised in November 2023 and again in March 2024 but not yet provided. The Fund will request the Presidency to follow up with the Commission.
4. The Trustees again noted the "Two Pots" pensions reform legislation which is currently being considered by Parliament, with a proposed implementation date of 01 September 2024. The Fund Rules will have to be amended to align with the pending changes to the Income Tax Act and Pension Funds Act – this is in progress. Further information will be provided in due course, and this issue will be covered in the post-Election member workshops later in the year.
5. The Trustees have obtained a legal opinion on the reductions in the Fund's benefits that took effect in March 2016 following important changes to the tax treatment of contributions

Registration Number : 12/8/35658/1 Website : www.pobpf.co.za

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to retirement funds at that time. (The Fund benefits that ceased to accrue from March 2016 onwards were replaced by an out-of-Fund taxable gratuity payment, to be paid by Parliament and the Provincial Legislatures when a member with any service in the period between March 2016 and the 2019 Election leaves office, but this gratuity only relates to service between 2016 and 2019, i.e. was not intended to compensate members for the reduction in benefits after the 2019 Election.)

The legal opinion concluded that the 2016 benefit changes were legitimate and were appropriately communicated to members at that time, including via material available on the Fund website. The Remuneration Commission was tasked in 2014 with the project of reviewing members' "terminal benefits", a project which is still ongoing, as noted above.

The legal opinion also considered the status of the assets held in the Fund's Employer Surplus accounts. The legal opinion concluded that the only permissible use of this employer surplus is to fund a contribution holiday, as set out in the Fund Rules.

6. The net investment return credited to members for the first 11 months of the financial year, i.e. the 11 months to 29 February 2024, was +9.0%. (As noted previously, the return credited to members for the financial year ending 31 March 2023 was +9.9%.)
7. As reported previously, the Trustees have approved minor changes to the investment strategy in the run-up to the 2024 Election, including the phased build-up of a cash reserve (i.e. an increase in the money-market investments held in the main member investment portfolio) to provide funding to pay benefits as needed at the time of the Election. This is being pursued, with further money-market investments due to be made in early April and should ensure that the Fund is holding about R 1 billion of cash and money-market investments by the time of the Election – roughly 30% of the total members' retirement savings in the Fund.

Trustees and members are reminded that full details of the Fund's benefits and investment returns are provided on the Fund's website at www.pobpf.co.za. Newsletters and other useful information are also posted on the website.

Hon. M G Boroto
Chairperson
April 2024

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