



Political Office-Bearers
Pension Fund

January 2025

Letter to members of the Political Office-Bearers Pension Fund

Dear colleagues,

This Newsletter deals with the following issues:

1. A new Trustee Board
2. National Election – membership changes
3. Pensions reform – “Two Three Pots” now in place for Fund members
4. Investment performance
5. Enhancement to members’ benefits as at 31 March 2024
6. Paid-up member fees
7. Financial statements – year ending 31 March 2024
8. Recent rule amendments
9. Reminder – nomination forms
10. Website - where to get further information about the Fund and its benefits

I hope that this provides interesting reading and useful information.

The Board wishes members and their families all the best for the coming year.

SENT ELECTRONICALLY AND THEREFORE NOT SIGNED

(Ms) K A Ramolobeng, MP
Chairperson, Board of Trustees

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

Registered Address :

- Parliament, Plein Street, Cape Town, 8001 •
- PO Box 2164, Cape Town, 8000 •

- Principal Officer : Ms Belinda Burger •
- Tel : 083 267 3963 E-mail : belindaburger1406@outlook.com •

- Chairperson: Ms K A Ramolobeng, MP •
- Tel : (021) 403 2911 (Parliament) •



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1. A new Trustee Board

Following the recent National Election, Parliament and the Provincial Legislatures were asked to elect Trustees and alternate Trustees to serve on the Board of the Fund for the coming parliamentary term. The Minister of Finance was also asked to appoint or reappoint the two Trustees who, together with their alternates, represent him on the Board.

The new Board convened for the first time on 12 September – this was preceded by a final meeting of the outgoing Board, to adopt the financial statements for the year ending 31 March 2024, and a joint meeting of the old and new Boards at which the outgoing Chairperson, Ms M G Boroto, presented the old Board's handover report.

The names of the new Trustees and their alternates are posted on the Fund's website, at <https://www.pobpf.co.za/trustees.html> . The office-bearers of the new Board are as follows:

- Chairperson: Hon. K A Ramolobeng (who also chairs the Management Sub-committee)
- Deputy Chair: Hon. N C Klaaste
- Governance Sub-committee Chair: Hon. M Z Rosho
- Investment Sub-committee Chair: Hon. C H H Hunsinger
- Death Claims Sub-committee Chair: Hon. N L Ndungane

2. National Election – membership changes

Following the recent Election, there are some 926 in-service members of the Fund of whom 431 (47%) are new members who took office at or after the Election, while the other 495 (53%) were returned to office. There are now only 6 remaining members who have been in office continuously since April 1994.

In total, members' retirement savings in the Fund were some R 3.7 billion on the eve of the Election. By the end of October, some R 1.5 billion had been paid out in benefit payments for members who left office at the Election, with some further payments still expected. The investment strategy chosen by the Trustees in the period leading up to the Election ensured that the Fund had sufficient liquidity to pay benefit claims as they arose.

3. Pensions reform – “Two Three Pots” now in place for members

Government's “Two Pots” pensions reforms took effect on 1 September 2024 and represent a major change in the operation of retirement funds in South Africa, especially for people entering the workforce for the first time after 1 September. Previous newsletters have included some information on these changes.

In broad terms, one-third of **future** (post-1 September) contributions for retirement saving are invested in the so-called “savings pot”. Members are able to withdraw cash from this “pot” (account) once in each tax year – any amounts withdrawn are taxed as income.

The other two-thirds of **future** (post-1 September) contributions for retirement saving are invested in the so-called “retirement pot” – members **cannot** access this money before retirement (even when they change jobs), and when they retire, they will need to use the full balance in the retirement pot to buy a life-time pension (which could be a so-called “living annuity” **or** a fixed pension).



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Whatever **existing** savings balance the member had in their retirement fund on 1 September 2024 (plus future investment growth on this amount) remains subject to the pre-1 September rules, and is called the “vested pot” (so it is more correctly a “Three Pots” system). Members can cash in the “vested pot” balance in full (if they so choose) when changing jobs – when the member retires, they will need to use at least two-thirds of the “vested pot”, together with the full “retirement pot”, to buy a pension - but up to one-third of the “vested pot”, together with the “savings pot”, can be taken in cash, minus tax on the current “retirement” tax basis.

On 31 August 2024, there was a **transfer** from the member’s “vested pot” to the “savings pot”, as “seed capital” so that there would be some money available for early withdrawal in case of emergencies. This transfer was restricted to the **lower** of R 30 000 or 10% of the member’s 31 August 2024 retirement savings balance (“vested pot” balance).

The Fund Rules have been amended to incorporate the Two Pots (or Three Pots) pensions regime – Rule Amendment 7 giving effect to this as from 1 September was registered by the FSCA (Financial Sector Conduct Authority, which serves as the pensions regulator) on 14 August. A set of the Fund Rules incorporating this amendment is available on the Fund’s website, www.pobpf.co.za, under the heading Fund Documents.

There is a “**Guide to Savings Benefit (‘Savings Pot’) Withdrawals**” on the website, under Member Guides. This guide explains the process for taking a cash withdrawal from your Savings Pot, and the rules and restrictions around this process. Please note that cash withdrawals will reduce your eventual retirement benefit, and we encourage members only to take cash withdrawals for emergency purposes.

As at 4 November, 18 members had applied to make Savings Pot withdrawals.

4. Investment performance (investment growth)

The Fund’s investment returns are posted on the Investments > Investment Performance page of the Fund’s website, www.pobpf.co.za. The page is updated each month with the latest monthly return credited to members’ retirement savings accounts.

The Fund’s investment strategy aims to combine the objective of good long-term investment growth (relative to inflation, and after all fees and costs) with a desire to avoid large losses over short-term periods, especially when we get nearer to an Election. The strategy is fairly conservative compared to the strategies favoured by other retirement funds (at least for their younger members).

Even so, there is the possibility of negative returns in particular months, or even over longer periods – although the greater allocation to cash and money-market investments should dampen these down to some extent. Members should however not be panicked by such losses – the reason the Fund has these investments (in shares and bonds) is that they are expected to be the drivers of long-term inflation-beating growth.

It is pleasing to report that the net return credited to members over the first 9 months of the financial year that began on 01 April 2024 (i.e. the 9 months ending 31 December 2024) has been **+10.5%**. The net return for the previous financial year was +10.0%.

5. Enhancements to members' benefits as at 31 March 2024

Following the 31 March 2024 year end, the actuary recommended that the Trustees enhance members' Fund Credits (members' retirement savings balances) by an allocation of part of the assets held in the Fund's Data Reserve account, which he judged to be in excess of the balance that needs to be held in this account.

The Trustees therefore resolved that the Fund Credits of all members as at 31 March 2024 (including paid-up members) should be enhanced by 0.7%. The total amount allocated to members in this way was some R 27 million.

The allocations were processed towards the end of 2024. Members who exited and took benefits from the Fund after 31 March 2024 (before the enhancements were processed) will therefore receive an additional amount, paid separately. The administrator is processing these further payments.

6. Fees charged to "paid-up" members

If you leave office and do not take benefits from the Fund immediately, you will become a Deferred Beneficiary or "paid-up" member (no contributions are payable, but your retirement savings will remain invested in the Fund – remember that you are no longer eligible for the insured death and disability benefits once you leave office).

Since April 2021, a fee has been charged to "paid-up" members, as a monthly deduction from their Fund Credits (their savings balances in the Fund). This is to ensure that the "paid-up" members make a contribution to the costs of operating the Fund.

This fee will increase from R 235 per month, to **R 242.50 per month**, as from 1 April 2025. (The fee is reviewed every year.)

7. Fund's financial statements and actuary's valuation report as at 31 March 2024

The Fund again received a clean audit for the year ending 31 March 2024. The financial statements are available on the Fund's website at Home > Fund Documents.

The actuary has also tabled a valuation report as at 31 March 2024, confirming that the Fund was financially sound as at that date. This report is also available on the Fund's website.

8. Recent rule amendments

Rule Amendment 6 was registered on 21 February 2024, with an effective date of 1 March 2024, and introduces the option for retiring members to take their benefit (or part thereof) in the form of a Living Annuity pension paid from the Fund.

Rule Amendment 7 was registered on 14 August 2024, with an effective date of 1 September 2024, and gives effect to the Two (or Three) Pots pensions reforms.



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Rule Amendment 8 was registered on 12 June 2024, with an effective date of 1 June 2024, and clarifies the meaning of “majority party” as applicable to the election of member Trustees.

Members are reminded that a consolidated set of the Fund Rules is available on the Fund website, at Home > Fund Documents.

9. Reminder – nomination forms for Funeral Benefits and Fund death benefits

Members who have not yet done so, are kindly asked to complete the nomination form for the Fund death benefit and also for the Funeral Benefit payable on your death. (Funeral benefits are also payable on the death of a family member.)

The nomination form for the Fund death benefit will help us to understand your wishes in respect of the (possibly large) benefit that the Fund will pay out to your dependants, in the event of your death.

The nomination form for the Funeral Benefit will identify the person to whom the funeral benefit should be paid, in the event of your death – if there is no valid nomination form, the funeral benefit (R 100 000 on your own death) will have to be paid to your estate, which means the money will not be available to cover funeral costs.

Both forms are available on the Fund’s website, www.pobpf.co.za – see Home > Forms (or else the New Members page). Copies are also attached to this Newsletter.

The nomination form for the **funeral benefit** should be submitted to the **Members’ Affairs department at your legislature**, who have been asked to hold these forms for the Fund.

The nomination form for the **death benefit payable by the Fund** on the death of a member should however be sent to the administrator, at zzpobpen@alexforbes.com.

10. What to do if you have questions about the Fund and its benefits

Please contact the Fund’s administrators, Alexforbes (e-mail zzpobpen@alexforbes.com) – tel. 021 401 9300. There is also detailed information on the Fund and its benefits on the Fund website, www.pobpf.co.za. Summaries of the quarterly Trustee meetings are posted on the Newsletters & Updates page of the website, together with other useful information.

The New Members page of the fund website has an “**Induction Guide**” which gives a brief introduction to the Fund.

Members can also register for access to **Alexforbes’ online system** (AF Connect) for details of your Fund benefits, including your latest available Fund values. Information on how to do this is available on the fund website – see the Member Online Registration page. (Please do **not** try to register via the Fund website – the “Trustee Login” link is for Trustee use only.)

For members leaving office, the Member Guides page of the Fund website has a “**Leavers’ Pack**” with key information, including information on the Living Annuity options suggested by the Trustees for those members who are considering such investments after retirement, together with contact



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details for the firms providing these pension products. These firms will be able to support members who do not have their own financial advisors. **We encourage members leaving office to read carefully through the “Leavers’ Pack”.**

Withdrawal and retirement forms are also available on the Forms page of the Fund website, together with nomination forms for the Fund death benefits and also the funeral benefit payable if a member dies while in office.