



Political Office-Bearers
Pension Fund

January 2023

Letter to members of the Political Office-Bearers Pension Fund

Dear colleagues,

This Newsletter deals with the following issues:

1. Insured benefits – changes with effect from 01 January 2023
2. Recent investment performance
3. Pensions reform – National Treasury's "Two Pots" proposals
4. Financial statements and actuarial valuation – year ending 31 March 2022
5. Reminder – funeral benefit nomination forms
6. 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 new year.

SENT ELECTRONICALLY AND THEREFORE NOT SIGNED

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1. Insured benefits – changes w.e.f. 1 January 2023

A “Newsflash” was sent to Parliament and the Provincial Legislatures in September, for distribution to members, and was posted on the Fund’s website. In the Newsflash, we advised members that:

- Following recent sharp increases in the premium rates paid by the Fund for the insured death benefits, the very high premiums are no longer affordable.
- The insured benefit payable on the death of a serving member will therefore be **reduced from 5 times the member’s yearly pensionable salary, to 3.5 times the yearly pensionable salary, with effect from 1 January 2023**. This is in addition to the member’s “Fund credit” (the member’s retirement savings balance in the Fund).
- The benefit normally payable on the death of a member’s spouse will also be **reduced from 1 times the member’s yearly pensionable salary, to 0.5 times the yearly pensionable salary**, again with effect from 1 January 2023.
- However, the level of the **funeral benefit will increase to R 100 000**, also with effect from 1 January 2023. (Note that a lower benefit applies on the death of a child under 14 years old.)

Further details are set out in the Newsflash (available on the Fund’s website).

2. Investment performance (investment growth)

We advised previously that the net return (the investment growth) for the financial year that ended on 31 March 2022 was **+11.0%** - this is after all fees and charges, and this is the return reflected on benefit statements for the year.

The more challenging investment conditions noted previously persisted through the third quarter of 2022. However, returns for October and November were quite strong. As a result, the net return credited to members over the first 9 months of the financial year that began on 01 April 2022 have been **+5.50%**.

The Fund’s investment returns are posted on the Investment Performance tab of the Fund’s website, www.pobpf.co.za.

3. Pensions reform – National Treasury’s “Two Pots” proposals

National Treasury has recently published a draft Revenue Laws Amendment Bill, which sets out its proposed changes to the South African pensions regime. At this time a second draft of the Bill is awaited, together with Treasury’s formal feedback on the various comments made on the first draft – some fairly significant changes to the Bill are expected.

Treasury’s pensions reform programme aims to balance two conflicting objectives:

1. Currently, if an employee (who is a retirement fund member) is in financial distress and needs emergency finance, the only way they can access any part of their retirement savings is by resigning from employment. This is not ideal – Treasury’s reforms will aim



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to give employees **limited** access to part of their future retirement savings while they are still in employment.

On the other hand,

2. Too many employees “cash in” their retirement savings when they change jobs, and are left with too little in their retirement fund to provide for their old age, when they eventually retire. This is also not ideal - Treasury’s reforms will also require employees to **preserve** a significant part of their future retirement savings, until they reach retirement age – i.e. employees will **not** be able to “cash in” this portion when they change jobs.

In broad terms, one-third of **future** contributions for retirement saving will be invested in the so-called “savings pot”. Members will be able to withdraw cash from this “pot” (account) once a year – amounts withdrawn will be taxed as income. The other two-thirds of **future** contributions for retirement saving will be invested in the so-called “retirement pot” – members will not be able to 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).

The target launch date for these reforms is 01 March 2024, although this seems rather ambitious.

Whatever **existing** savings balance the member has in their retirement fund on 01 March 2024 (plus future investment growth on this amount) will remain subject to “today’s rules”, and will be called the “vested pot”. The member will be able to cash in the “vested pot” balance in full when changing jobs – when the member retires, they will need to use at least two-thirds to buy a pension (but up to one-third can be taken in cash, less tax).

At this time it seems that only very limited access to the “vested pot” will be allowed, while the member is still in employment.

Fund members should keep in mind that, as things stand today, the Fund cannot let you withdraw any part of your Fund savings while you remain in office – you can only take a withdrawal or retirement benefit when you leave office. This is a legal requirement – the Fund cannot break the law!

4. Audited financial statements and actuarial valuation, for the year ending 31 March 2022

These can be found on the Fund’s website. The auditors have again issued an unqualified opinion on the financial statements (i.e. a “clean” audit report), and the actuary has found that the Fund is financially sound.

5. Further reminder – Funeral Benefit nomination forms

A Newsflash was issued to members during March 2022, highlighting the need for eligible members to complete and return nomination forms for the funeral benefit that would be payable if a member passes away while in office. (Funeral benefits are also payable on the death of a family member.)



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The Newsflash can be found on the Fund's website, together with the nomination form. **Members who have not yet completed and returned the nomination form (and the nomination form for the death benefit payable by the Fund on the death of a member), are asked please to do so.** Forms and other information can be found on the website.

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@forbes.com.

There is also a **"Guide to the allocation of death benefits"** available on the website. Members are encouraged to read this and to share this with their families, as this explains how the Fund will deal with the Fund benefit payable on the death of a member – the Fund has to comply with the Pension Funds Act in this regard. (The funeral benefit, which is provided outside the Fund and is therefore not subject to the Pension Funds Act, will be paid to the person nominated by the member on the nomination form.)

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

Please contact the Fund's administrators, Alexander Forbes – Ms Colleen Daniels (e-mail zzpobpen@forbes.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 website, together with other useful information.

For new members, the website has an **"Induction Guide"** which gives a brief introduction to the Fund.

Members can also register for access to **Alexander Forbes' online system** for details of your Fund benefits, including your latest available Fund values. Information is available on the website.

For members leaving office, the 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 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 website, together with nomination forms for the Fund death benefits and also the funeral benefit payable if a member dies while in office.

Financial advisors

Members are again reminded that the Fund has arrangements in place with Alexander Forbes and Liberty Life, to help members who want to take a retirement benefit from the Fund and need help in setting up a pension. Details of how to access these firms are in the Leavers' Pack which is available on the Fund's website. The Fund does not endorse any other advisory service or firm of financial advisors.