



Political Office-Bearers
Pension Fund

July 2023

Letter to members of the Political Office-Bearers Pension Fund

Dear colleagues,

This Newsletter deals with the following issues:

1. Insured benefits – premium rate reduction with effect from 01 July 2023
2. Recent investment performance
3. Pensions reform – National Treasury's "Two Pots" proposals
4. Actuary's valuation report as at 31 March 2022
5. Fund Rules and rule amendments
6. Further reminder – funeral benefit nomination forms
7. Website - where to get further information about the Fund and its benefits

I hope that this provides interesting reading and useful information.

SENT ELECTRONICALLY AND THEREFORE NOT SIGNED

(Ms) M G Boroto, MP
Chairperson, Board of Trustees
mboroto@parliament.gov.za

www.pobpf.co.za

Registration Number : 12/8/35658/1

Registered Address :

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

- Principal Officer : Ms Belinda Burger •
- belindaburger1406@outlook.com – tel. 083 267 3963 •

- Chairperson: Ms M G Boroto •



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1. Insured benefits – premium rate reductions w.e.f. 1 July 2023

A “Newsflash” was sent to Parliament and the Provincial Legislatures in September 2022, and was posted on the Fund’s website. In the Newsflash, we advised members that, following sharp increases in the premium rates being paid by the Fund for the insured death benefits, the very high premiums are no longer affordable. As a result, benefit changes were made as follows

- The insured benefit payable on the death of a serving member was **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 was also **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 has been increased 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.)

The Trustees are very pleased to announce that **the cost of the insured death benefits has begun to fall quite significantly**, as the effects of the Covid-19 epidemic have abated. The premium rates that will apply for the coming year are summarized as follows:

Benefit	Insurer	Current premium rate (% of members’ pensionable salaries)	Renewal date	New premium rate
Members’ death benefit	Sanlam	5.317%	1 July	2.923%
Spouses’ death benefit	Sanlam	0.423%	1 July	0.398%
Members’ disability income benefit	Momentum	0.570%	1 September	0.570%
Family funeral benefit	Momentum	0.284%	1 September	0.231%
Total		6.594%	>>>	4.122%

The Fund has a “budget” of 4.8% of members’ pensionable salaries, which is allocated towards these insurance costs. The reduced premium rates will clearly be below the level of this “budget”. The Trustees did therefore consider whether there was scope for a small increase in the members’ and spouses’ death benefits that were reduced in January. However, the Trustees have decided **not** to increase these benefits at this time, but instead to let the margin between the 4.8% contribution inflows and the premium outflows of some 4.1% build up in the Fund’s Risk Reserve account, as a small safety margin against the possibility that premium rates will start to rise again in the next year or two.

2. Investment performance (investment growth)

We are pleased to advise that the net return (the investment growth) for the financial year that ended on 31 March 2023 was **+9.0%** - this is after all fees and charges, and this is the return reflected on benefit statements for the year. This is the return that will be reflected on members’



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2023 benefit statements. The net return for the previous financial year (ending 31 March 2022) was +11.0%.

The net return credited to members over the first 3 months of the financial year that began on 01 April 2023 was **+2.6%**.

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.

3. Pensions reform – National Treasury's "Two Pots" proposals

In June 2023, National Treasury published the second draft Revenue Laws Amendment Bill, which sets out its proposed changes to the South African pensions regime. Draft changes to the Pension Funds Act, needed for consistency with the proposed changes to the Income Tax Act, were also tabled. Public comments had to be submitted by 15 July, after which the two Bills will be introduced in Parliament.

At this stage the targeted implementation date for these reforms is **1 March 2024** – assuming that the Parliamentary processes have been completed and the two Bills signed into law by then.

As we stated in the previous newsletter, 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 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 in each tax 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).

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



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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 on the current “retirement” tax basis).

The latest proposal however is that, on 1 March 2024, there will be a **transfer** from the member’s “vested pot” to the “savings pot”, as “seed capital” so that there will be some money available for early withdrawal in case of emergencies. This transfer will be restricted to the **lower** of R 25 000 or 10% of the member’s 1 March 2024 retirement savings balance (“vested pot” balance) – although we are aware that Labour is lobbying for this “seed capital” transfer to be larger.

We repeat 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. Actuary’s valuation report as at 31 March 2022

The valuation report can be found on the Fund Documents page of the Fund’s website. The actuary has certified that the Fund was in a sound financial condition as at 31 March 2022, and was likely to remain so for the foreseeable future, given that there are steps available to the Trustees to manage the increasing cost of the insured benefits.

The 2023 financial statements and actuary’s report will be posted on the website in due course, when they are available.

5. Fund Rules and rule amendments

The Rules can be found on the Fund Documents page of the Fund’s website. There have been no amendments to the Rules since Amendment 5 which was registered in April 2022, and which was discussed in the July 2022 member newsletter.

6. 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.)

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.



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

Please contact the Fund's administrators, Alexforbes – Ms Colleen Daniels (e-mail zzpobpen@aforbes.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.

For new members, the Member Guides page of the website has an **“Induction Guide”** which gives a brief introduction to the Fund.

Members can also register for access to **Alexforbes' online system** for details of your Fund benefits, including your latest available Fund values. Information is available on the website – see Member Online Registration. (Please do **not** try to register via the website – the “Login” link, now relabelled Trustee Login, is intended for Trustees only.)

For members leaving office, the Member Guides page 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 Forms page of 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 Alexforbes 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 and the advisory services that they provide, are in the recently updated Leavers' Pack which is available on the Fund's website. The Fund does not endorse any other advisory service or firm of financial advisors.