



Political Office-Bearers
Pension Fund

January 2026

Letter to members of the Political Office-Bearers Pension Fund

Dear colleagues,

This Newsletter deals with the following issues:

1. Housing loans – “the myths and the facts”
2. Two Pots – savings withdrawals
3. Insured benefits – cut-offs for claims
4. Investment performance
5. Audited financial statements as at 31 March 2025, and actuarial valuation
6. Reminder – 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.

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

SENT ELECTRONICALLY AND THEREFORE NOT SIGNED

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Chairperson, Board of Trustees

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1. Housing loans – the myths and the facts

Until Ithala SOC's ability to operate as a bank was cancelled by the Reserve Bank, the Fund had an agreement with Ithala under which a Fund member could apply to Ithala for housing loans (that met the conditions specified in the Pension Funds Act), backed by a guarantee given by the Fund that was secured against part of the member's retirement savings in the Fund. A small number of members took advantage of this facility, over the years.

Now that the arrangement with Ithala has ended, the Fund is in negotiation with First National Bank to try to put a similar housing loan facility in place. The negotiation process is complex and frustratingly slow.

Meanwhile, the following should help members to understand better what these housing loan facilities are, and what they are not!

- Members may see pension-backed loans as an easy way to access their retirement savings, even while they are still in office. **This is not correct – by law, the Fund cannot allow you to withdraw your retirement savings while you are still in office** (except for limited withdrawals from your “savings pot” – see the next item below).
- You will therefore have to apply for a bank loan (for housing purposes, as specified in the Pension Funds Act). **The Bank will assess you in terms of the National Credit Act** – if the Bank decides that you are “over-indebted” and that you cannot afford to service the loan (i.e. you will not be able to make the monthly repayments, because of your other financial commitments), **the Bank will turn down your loan application** – even if you have a Fund guarantee. The Fund cannot force the Bank to grant you a loan – the Bank is regulated by the National Credit Act!
- In principle the Fund will give a guarantee of up to **one-third** of your retirement savings balance in the Fund, for housing loan purposes. Of course, this means that if you are a new member who only joined the Fund recently (e.g. at the 2024 Election), you will have very small retirement savings in the Fund, and the guarantee amount will be too small to help you very much.
- Importantly though, the Fund needs to have a suitable agreement in place with the lending Bank. As noted above, the Trustees are negotiating with FNB to replace the lapsed arrangement with Ithala.
- Of course this is just an **option** which is available to members. Members will not be forced to approach FNB for housing loans – you can apply to any bank of your choosing, for a loan! Members should be aware though that they may be able to get better loan terms from another bank (other than FNB), even without the Fund's guarantee. **Members are therefore encouraged to “shop around”** when looking for housing finance.
- Very few banks are still active in the pension-backed lending market. Members are therefore asked to be patient while the Trustees try to finalize the negotiations with FNB – we cannot give a firm timetable for this, unfortunately.



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2. Two Pots – savings withdrawals

As we explained in earlier newsletters, Government's "Two Pots" pensions reforms came into effect in September 2024:

- In broad terms, one-third of post-September 2024 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 contributions for retirement saving are invested in the so-called "Retirement Pot" – members **cannot** access this money before retirement (even when they leave office, before age 50), 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 had in their retirement fund on 1 September 2024 (plus future investment growth on this amount) remains subject to the pre-September 2024 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 leaving office – 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 any balance in the Savings Pot, can be taken in cash, minus tax on the current "retirement" tax basis.

In the period from September 2024 to February 2025, 38 Fund members opted to take cash withdrawals from their Savings Pots. The average amount taken was R 36 400 (before tax), and the average tax rate applied was just over 40%.

In the current tax year (up to late November), 51 members have opted to take Savings Pot cash withdrawals – the average amount before tax was R 57 900, and the average tax rate was again just over 40%. 19 of these 51 members had also taken cash withdrawals in the previous tax year.

Members are reminded that **Savings Pot cash withdrawals are meant to be used for emergency needs only** – if you routinely "empty out" your Savings Pot every tax year, this will have a negative effect on your eventual retirement benefits. At the extreme, your post-September 2024 retirement savings will only be two-thirds of what they could have been, if you had left your Savings Pot untouched until you reached retirement (and then your ability to take any cash lump sum at retirement would also be affected – remember, you **must** use your Retirement Pot balance to provide a pension - you cannot take any part of this in cash, at any stage).

Members should also note that, if you take a Savings Pot cash withdrawal and then you leave office in the same tax year, it is likely that you will not be able to access any balance left in your Savings Pot until the start of the following tax year. The tax laws governing the Two Pots system are complicated!



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3. Insured benefits – cut-offs for claims

Members are asked please to keep in mind that the cut-off for submitting an insurance claim on death (of a member, a member's spouse, or a family member qualifying for the funeral benefit) is **six months** after the date of death. Claims must be notified in writing together with supporting documents required by the insurer, e.g. the death certificate.

In the case of the disability income benefit payable if a member (below age 65) becomes disabled and unable to continue in office, the cut-off for a disability insurance claim is **three months after the last date on which the member was able to attend to their normal duties** (i.e. three months after the day before the member became disabled and unable to continue in office) – again, the claim must be notified in writing together with supporting documents required by the insurer, including medical evidence of the disability. A member who believes that she or he may qualify for the disability benefit **should act as soon as possible** to notify the insurer and check what documents are required.

More information on these benefits can be found on the Fund's website, www.pobpf.co.za .

4. Investment performance (investment growth)

The Fund's investment returns are posted on the Investments > Investment Performance page of the Fund's website. 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. Members should however not be panicked by such losses – the reason the Fund has these investments (especially the investments in local and foreign equities, i.e. shares listed on the JSE and foreign stock exchanges) is that they are expected to be the drivers of long-term inflation-beating growth.

The Investment Sub-committee of the Trustee Board is continuing with the process of reviewing the investment strategy that is currently in place. This review includes possible changes to the overall asset allocation (mix between shares, bonds and other investment types, as well as the mix between local and foreign investments) and also possible changes to the investment managers used by the Fund.

It is pleasing to report that the net return credited to members over the first 8 months of the financial year that started on 01 April 2025 (i.e. the period from April until November, inclusive) was **+16.4%**. The net return for the previous financial year (the 12 months ending 31 March 2025) was **+11.6%**.



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5. Audited financial statements as at 31 March 2025, and actuarial valuation

The Fund again received a clean audit for the year ending 31 March 2025 – 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 2025, which confirms that the Fund was financially sound as at that date. This report will also be posted to the Fund’s website.

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

Members who have not yet done so, are kindly asked to complete the “Expression of Wish” (nomination) form for the Fund death benefit, and also the nomination form 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 Funeral Benefit will identify the person to whom the funeral benefit should be paid, in the event of your death (R 100 000 on your own death) – **if there is no valid nomination form, the funeral benefit will have to be paid to your estate**, which means the money will not be available to cover funeral costs.

The “Expression of Wish” 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.

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

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 “Expression of Wish” 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 .

7. 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.) You can also use AF Connect to



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update your nomination for the **death benefit payable by the Fund** (but **not** the funeral benefit nomination – see above).

Cash withdrawals from your “Savings Pot”, as provided under the Two-Pots legislation, must also be made by the Alexforbes online system, AFConnect. There is a How-to guide (Savings Benefit Withdrawals) on the fund website, which members should refer to – on the Member Guides page.

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 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.