

INDUCTION GUIDE

Welcome to the Political Office-Bearers Pension Fund



LEGAL DISCLAIMER

- This guide is based on the Rules of the Fund. In the event of a conflict between this guide and the Rules, the Rules will apply. The Rules are available on the Fund's website at www.pobpf.co.za.
- This guide does not constitute advice either by the Trustees, or by the Fund's consultants or administrator.
- This version is dated **September 2024**.
- This version allows for the "Two Pots" pensions reforms which took effect from 01 September 2024.

ABOUT THE POLITICAL OFFICE-BEARERS PENSION FUND

- **Established** with effect from 27 April 1994, although the formal structures of the Fund were only set up in 1998.
- Membership of the Fund is **compulsory** for all members of Parliament and the Provincial Legislatures – this includes members of Cabinet (except the President) and members of the Provincial Executives.

MISSION AND CORE VALUES

Mission – To provide retirement and other benefits for Fund members, as well as for their dependents in the event of a member's death, in compliance with the Fund Rules and the Pension Funds Act.

Core Values – Transparency, Integrity, Good Governance, Honesty and Fairness

GOVERNANCE

The Fund is separate from Parliament and the Provincial Legislatures, and is managed by the Board of Trustees.

The Board of Trustees

- The Fund has 16 Trustees, 14 of whom are chosen by the members and 2 of whom are appointed by the Minister of Finance. All Trustees also have alternates, so that there are 14 alternate member Trustees and 2 alternate employer Trustees.

Each of the nine Provincial Legislatures chooses one member Trustee (and her or his alternate), and five member Trustees are chosen to represent Parliament – two are chosen by the members of the majority party in the National Assembly, two by members of the minority parties, and there is one chosen by members of the NCOP.

The two Trustees representing the Minister of Finance have 7 votes each when the Trustees have to decide on a matter by voting.

Even though Trustees are chosen or appointed by a “constituency”, each of the Trustees has a legal and fiduciary responsibility to act in the best interests of the Fund and all of its members – the Trustees may not put the interests of any particular stakeholder group ahead of the interests of the Fund and its overall membership.

- The term of office of the Board is 5 years – a new Board is chosen after each national Election.
- The Board meets 4 times a year. Sub-committees of the Board meet in between the full Board meetings.
- The Board's responsibilities are to manage the Fund in the **best interest of the members** and in terms of the **Rules and applicable laws**.

The Rules of the Fund and the names of the current Trustees and the Principal Officer (who is in effect the Fund's CEO) are available on the Fund's website www.pobpf.co.za.

HOW YOUR PENSION FUND WORKS

Your benefit in the Fund is called your **FUND CREDIT**. The Fund is a “defined contribution” pension fund – this means that it is basically a savings arrangement for members.

YOUR FUND CREDIT = YOUR TRANSFERS IN + CONTRIBUTIONS + INVESTMENT RETURNS

CONTRIBUTIONS

Contributions to the Fund (which form part of your total remuneration package) and for the insured benefits for Fund members are 30% of your monthly pensionable salary, which in turn is 60% of your total monthly remuneration package. These 30% contributions are split as follows:

- 7.5% (out of the total of 30%) is deemed to be your “member contributions” – all of this goes towards your retirement savings.
- The remaining 22.5% (out of the total of 30%) is deemed to be the “employer contributions” – out of this 22.5%, 17% goes towards your retirement savings and 5.5% is allocated towards the cost of insured benefits provided for political office-bearers (Fund members) plus the cost of operating the Fund.

So as an example:

- Imagine that your remuneration package is R 1 200 000 per year, or R 100 000 per month.
- Your pensionable salary is 60% of this, or R 60 000 per month.
- The total contributions are 30% of this. 30% of R 60 000 is R 18 000 per month.
- The contributions which go towards your retirement savings are 24.5% (which is 7.5% plus 17%). 24.5% of R 60 000 is R 14 700 per month.

If you want to make additional contributions, you should first contact the “pay point” through which your monthly remuneration is paid – if the pay point can administer this, you should then contact the Fund’s Administrators (e-mail: zzPOBPen@alexforbes.com) to make the necessary arrangements.

Two-Pots: From September 2024 onwards, your contributions (including any additional voluntary contributions) and the employer’s contributions for retirement savings are split, with one-third going to your Savings Pot and two-thirds to your Retirement Pot (see below for more on these). Any retirement savings that you had in the Fund at the end of August 2024 will be fully allocated to your Vested Pot, except for a small portion (10% of your savings balance at the end of August, but with a maximum of R 30 000) that has been reallocated from your Vested Pot to “seed” your Savings Pot in September 2024.

This means that your retirement savings in the Fund will be split between the three “pots” – Savings Pot, Retirement Pot and (if you had savings in the Fund at the end of August) your Vested Pot. All three “Pots” will be invested in the same way (see below).

In the example given above, the R 14 700 monthly contributions that go towards your retirement savings would be split as R 4 900 (one-third) to your Savings Pot and R 9 800 (two-thirds) to your Retirement Pot.

(There is a short brochure, “The Two-pot System – Everything You Need to Know”, available under Member Guides on the Fund website, www.pobpf.co.za.)

TRANSFERS IN

You can transfer your retirement savings from other approved retirement funds into the Political Office-Bearers Pension Fund. If you want to do so, you should contact the Administrators (e-mail: zzPOBPen@alexforbes.com) – please provide them with any “paid-up membership certificates”

you may be holding from other funds, and indicate if you want to transfer these benefits into the Fund. There is no charge for transferring into the Fund.

Two-Pots: Any transfer amount received after 1 September 2024 will need to be split between the Vested Pot, Savings Pot and Retirement Pot – see below for more on these. Your previous fund will notify us of the correct split.

Note: Once you have transferred retirement savings across to this Fund, you cannot access the money again until a benefit is paid out to you (after you leave office), unless any part of the transfer amount is allocated to your Savings Pot – see below for more on withdrawals from the Savings Pot.

FUND COSTS

- Contributing members – Fund expenses (except for investment-related fees and costs) are funded from a portion of the monthly contributions to the Fund. Currently this portion is 0.7% of your monthly pensionable salary, which is part of the 5.5% employer contribution for costs and insured benefits, mentioned above.
- If you take a cash withdrawal from your Savings Pot, a processing fee will be charged. Please see the separate Savings Pot Withdrawal Guide, available under Member Guides on the Fund website, www.pobpf.co.za
- “Paid-up” members – there is a monthly fee for remaining as a “paid-up” member of the Fund after you leave office. Details are in the Paid-up Members Guide which is available on the Fund website. This fee will be deducted from your ongoing savings balance in the Fund (your Fund Credit).

Investment management fees and costs are discussed below.

INVESTMENTS

The Trustees have adopted a medium-term time horizon in formulating the Fund’s investment strategy. This means that the overall success of the strategy will be measured over periods of at least 5 years, which corresponds to the expected length of members’ terms of office from one Election to the next.

The investment strategy is described in more detail on the Fund’s website, but includes fairly limited exposure to shares and other high-risk investments, and significant exposure to lower-risk investments such as bonds and cash. The majority of the investments are in the South African markets, but there is some exposure to international markets (mainly shares and bonds).

The Fund does not currently provide a choice of investments for members – all members are invested in the same way.

The total of the investment fees and all related charges and expenses is currently estimated to be some 0.65% p.a., plus possible performance fees applicable to some 15% of the Fund’s total investments.

The investment returns, after allowing for these fees and expenses, are calculated each month by the Fund’s consultants. These returns (positive or negative) are then credited to your Fund Credit monthly (to all three pots – all three pots earn the same percentage return).

YOUR FUND BENEFITS

The Fund will provide benefits as follows – all of these are explained in more detail on the Fund’s website, www.pobpf.co.za

RESIGNATION BENEFITS

When? When you leave office, **at any age**. Note that if your office changes, for instance if you move from a Provincial Legislature to Parliament, you continue in office for the Fund’s purposes and cannot take a benefit.

(If you are aged 50 or over, you can also choose to take a retirement benefit, as detailed below. This may be more tax-efficient than taking a resignation benefit.)

What? As from 1 September 2024, the new Two-Pots pensions regime applies:

- Whatever you may have in your **Vested Pot**, you can take in cash (minus some tax), if you so wish – and see below for other options.
- Whatever you may have in your **Savings Pot**, you can also take in cash (minus tax), but **NOT** if you have made a Savings Pot Withdrawal in the same tax year, unless the balance remaining in your Savings Pot is below R 2 000. (If this restriction applies and you cannot take an immediate cash withdrawal, you can wait until the next tax year and make a cash withdrawal at that stage.)
- You may **NOT** take your **Retirement Pot** balance in cash – the Retirement Pot is only available when you take a retirement benefit (see below), and **MUST** then be used to provide you with a pension (unless the amount is less than a prescribed minimum, which will not apply in most cases).

How? When you leave office, you will automatically become a “paid-up member” of the Fund – your full Fund Credit (all three “Pots”) will remain in the Fund, earning the same net investment returns as other members receive.

However, you can make the following choices, either immediately or at a later stage.

- You can leave the full benefit in the Fund (all three “Pots”), and remain a “paid-up member”
OR
- You can transfer the full benefit (all three “Pots”) to another retirement fund, immediately or at a later stage
OR
- You can take the maximum available cash benefit, as explained above, as a lump sum (though this will be subject to tax, and will reduce your ability to enjoy a financially comfortable retirement, and is generally not a good idea) – you can then leave your Retirement Pot as a “paid-up” benefit in the Fund, or transfer it to another fund
OR
- You can choose a combination of part cash (less than the maximum) and leave everything else in the Fund – you will then continue as a “paid-up member”
OR
- You can choose a combination of part cash (less than the maximum) and transfer everything else to another fund
OR
- When you are **over 50**, you can take a retirement benefit, as explained below.

Further and more detailed information is in the “**Leavers’ Pack**” which can be found on the Fund’s website.

SAVINGS POT WITHDRAWALS (w.e.f. September 2024 onwards)

- When?** You may apply for a Savings Pot Withdrawal at any time while you are still in office (or if you continue as a Paid-up Member after you leave office), but there are some restrictions on this:
- You can withdraw (up to) the full balance in your Savings Pot, as long as you withdraw at least R 2 000. If your Savings Pot balance is less than R 2 000 then no withdrawal is possible (until the balance has built up again).
 - You may only make one Savings Pot Withdrawal in any tax year (1 March to 28/29 February).
- What?** (Up to) the full balance in your Savings Pot, but not less than R 2 000. (See earlier for an explanation of your Savings Pot.) **Note that tax (at your marginal tax rate) will be deducted from the amount that you withdraw, as well as a processing fee** – see the Savings Pot Withdrawal Guide for details.
- How?** Please refer to the separate Savings Pot Withdrawal Guide, available under Member Guides on the Fund website, www.pobpf.co.za

DEATH BENEFITS

- When?** If you die while a member of the Fund (contributing member or “paid-up” member).
- What?** Your Fund Credit (all three “Pots”)
PLUS
If you are still in office as a contributing member (not a “paid-up” member) aged below 89, an insured lump sum amount, currently equal to 4.0 times your yearly pensionable salary. (Your pensionable salary is 60% of your total remuneration package.)
- How?** The Trustees will allocate your death benefits in line with Section 37C of the Pension Funds Act (but may be guided by your beneficiary nomination form). Please ensure that you complete and sign a beneficiary nomination form and e-mail this to zzPOBPen@alexforbes.com. More details are provided on the Fund’s website, including an explanation of how the death benefits will be allocated.
- Funeral costs** Family funeral insurance is provided for members and their immediate families, while you are in office. Details are provided further below. You will need to complete a nomination form to indicate who should receive the funeral benefit in the event of your own death – this is available on the Fund’s website.

RETIREMENT BENEFITS

- When?** When you choose to retire from the Fund (either when you leave office, or at a later date if you remain as a “paid-up” member), as long as you are **aged 50 or older**. (If you are below 50 but you are leaving office because of poor health, you can also apply for a retirement benefit – see below.)
- What?** Your Fund Credit (all three “Pots”).
- How?** The Fund is a Pension Fund, which means that if you take a retirement benefit (your Fund Credit) from the Fund when you leave office or later, you may take up to a maximum of 1/3rd of your Vested Pot plus the full balance in your Savings Pot as a cash lump sum (subject to some tax). The rest of your retirement benefit (which will include your full Retirement Pot plus at least 2/3rds of your Vested Pot) **must** be used to buy a pension from an insurance company.

Further and more detailed information is in the “Leavers’ Pack” which you should read carefully when you leave office (if you are over 50) or when you later ask for a retirement benefit. The Fund will help with suggestions if you do not know where to buy a suitable pension. The Leavers’ Pack can be found on the Fund’s website.

ILL-HEALTH EARLY RETIREMENT – IF YOU DO NOT QUALIFY FOR AN INSURED DISABILITY BENEFIT

- When?** If, after considering medical evidence, the Trustees are satisfied that you have become permanently and totally incapable of continuing with your duties as a political office-bearer, but you are not covered by the Disability Benefit insurance, you may retire early before the normal minimum retirement age of 50.
- What?** Your Fund Credit (all three “Pots”).
- How?** Same as for “Retirement Benefits” above..

NOTE: The following benefits are not paid by the Fund, but are provided by separate group insurance policies for Political Office-Bearers. For the sake of completeness, we list them here. For more details on these benefits, please go to the website at www.pobpf.co.za

- **Funeral benefits – in the event that you die, or your spouse or a child of yours dies, while you are in office.**
The funeral benefit is R 100 000 on your own death or that of your spouse or a child aged 14 and over, with lower amounts applicable on the death of a younger child. You must fill in a nomination form specifying to whom the benefit must be paid, if you die while in office – see “Forms” on the website home page.
- **A disability income benefit - should you become disabled and therefore unable to continue in office, and your age is less than 65.**
- **A benefit payable to you in the event that your spouse (husband or wife) dies while you are in office.**
The current benefit is 0.75 times your yearly pensionable salary.

The definition of “spouse” in the insurance policies is broad, and would usually include a permanent long-term partner.

These three benefits are provided outside the Fund (i.e. not in terms of the Fund Rules, but through insurance policies owned by the State) - they are compulsory for all members below the maximum age in each case. The cost of these benefits is funded from the 22.5% Employer contributions which form part of your remuneration package. These benefits (and the insured Fund benefit on the death of a member, detailed earlier) all fall away IMMEDIATELY when you leave political office.

COMMUNICATION AND FURTHER INFORMATION

More information is provided via the following:

- **Fund Website** for all Fund information: www.pobpf.co.za
- **Newsletters** and **Newsflashes** will be issued several times a year.
- **Presentations and workshops** are held as required.
- **Benefit statements** showing your benefits as at each 31 March will be issued in mid-year each year.
- **Fund Rules** and other documents can be obtained from the Fund website.
- **Your local Trustee(s)** can also provide you with information. Trustees' names are on the website.

QUESTIONS OR QUERIES - PLEASE CONTACT:

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

Administrator: Alexander Forbes Administration Services
e-mail: zzPOBPen@alexforbes.com
Tel: 021 401 9300

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