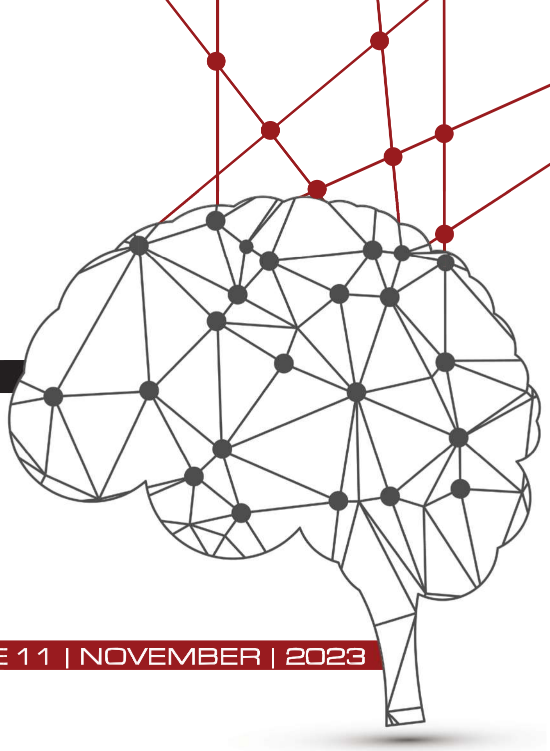
AECI® good chemistry



SPARK YOUR INVESTMENT IN RETIREMENT

GREY MATTERS NEWSLETTER

AECI DC Pension Fund

ISSUE 11 | NOVEMBER | 2023

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MESSAGE FROM THE CHAIRMAN

Heraclitus, a Greek philosopher, is quoted as saying ***"change is the only constant in life".***

As this year draws to a close we look forward to 2024 including the numerous changes needed to implement the onerous Two-Pot system on 1 March 2024. Nothing is final yet and the Fund will inform members as soon as the law is promulgated. If members were to withdraw any amount that is available to them under the Two Pot system, they need to be mindful of the fact that this would reduce the amount available to them at retirement. Read more about this later on in this newsletter.

THE AUDIT FOR 2023 HAS BEEN FINALISED AND THE VALUATOR REPORTED THAT THE FUND WAS IN A SOUND FINANCIAL POSITION. THE FUND ONCE AGAIN RECEIVED A CLEAN AUDIT, AND THE FINANCIAL STATEMENTS WERE SUBMITTED TO THE FSCA.

We hope you enjoy this edition of the newsletter and that the articles will help you prepare and plan for your eventual retirement.

The holiday season is the perfect times to acknowledge all that is good in your life and use this relaxing time to cherish and appreciate the people that are dear to you.

The Board of Trustees of the AECI DC Pension Fund, and the Management and Staff of Momentum wish you and your loved ones a peaceful and joyous festive season. We hope that 2024 will be a year filled with love, prosperity, and good health.

Trevor Starke

MARKET AND PERFORMANCE COMMENTARY TO 30 SEPTEMBER 2023

The value of the Fund as at the end of September 2023 is approximately R4.0 billion.[1] The Board of Trustees is responsible for the prudent management of the Fund's investments on behalf of its members.

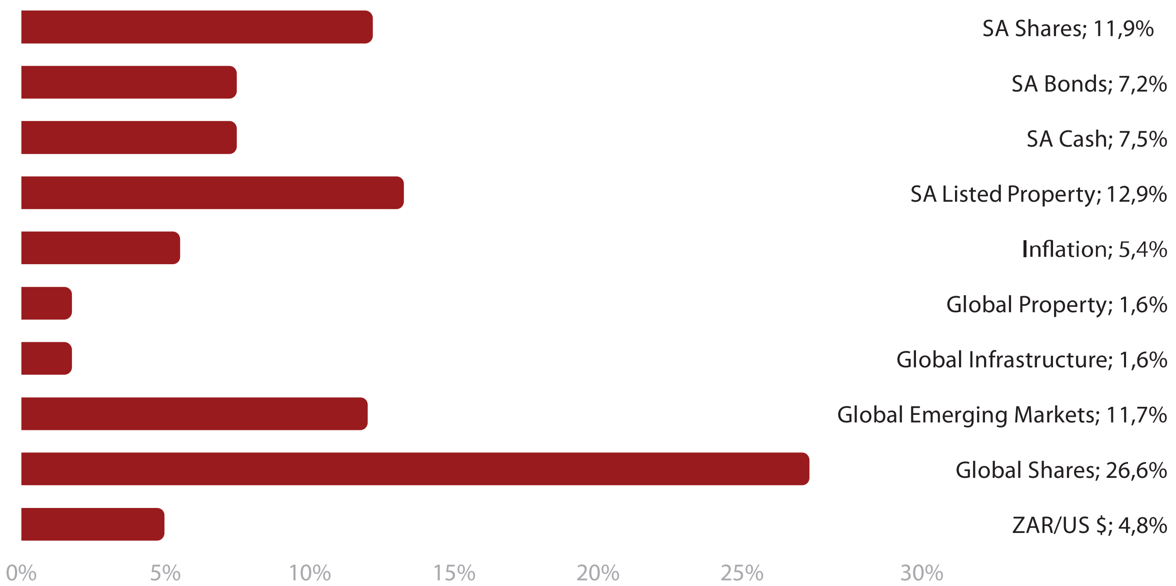
The Fund draws on a range of skills and experience to fulfil its task. It relies to a large extent on the advice of the Fund's investment consultants and outsources the investment management function to asset managers that are carefully selected and evaluated on an ongoing basis.

Market comment

This section gives a short overview of the performance of investment markets over the 1-year period to 30 September 2023. It is important for members to be aware of how investment markets have performed, as this is the primary driver of the performance of the Fund's investment portfolios.

Chart 1 below gives the overall market returns for the twelve months to 30 September 2023 for the major asset classes in which the Fund invests.

CHART 1: Performance of the major asset classes over 1 year to 30 September 2023



What immediately stands out from this graph is the extremely high level of return earned on global shares over the twelve months, with the total index return for an investor, when measured in Rand, being 26.6%, partly boosted by the depreciation of the Rand (4.8% relative to the US Dollar). The index return when measured in US Dollars was 20.8% - a very strong return by normal standards.

As ever, decisions made by the US Federal Reserve (the "Fed") relating to the level of US interest rates were a major driver of the markets. The Fed had started to hike interest rakes aggressively in the first half of 2022 and continued to raise interest rates throughout most of the period under review. In general, increases in interest rates are not supportive of good equity market performance, but sentiment over this period has improved as investors became more confident that the Fed was meeting its objective of getting inflation back under control, and at the same time the prospect of a severe recession in the near future seemed to be receding.

The other narrative that has been a key factor in driving recent global equity market performance has been the developments in Artificial Intelligence ("AI"), driven by the release of ChatGPT towards the end of 2022. It is generally acknowledged that AI is likely to be transformative for many industries and companies, with the challenge for investors being to try and identify the most likely "big winners" at this early stage. This has led to a sharp escalation in the share prices of the so-called "Magnificent Seven" companies (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla), expressing the current market expectation that these large technology companies stand to benefit the most from the leap forward in AI. As one example of the significant impact, Apple created a new milestone in July 2023 when it became the world's first company to have a market value in excess of three trillion dollars!

[1] *Latest available market value is 30 September 2023.*

Moving to South Africa, it is disappointing to report that the economic environment has continued to deteriorate, as the country continues to score a number of "own goals", and Government appears to be unable to take the actions that are necessary to put the economy onto a more positive footing. 2022 will be remembered as the year when the amount of load shedding escalated, with the intensity being almost five times higher than in 2021. This worsening trend has continued into 2023, with load shedding now accepted as a daily occurrence and the occasional "non load shedding day" being highlighted as the rare exception.

Other examples of the negative trajectory can be seen in the limitations in the country's transport network (which has a severely negative impact on our ability to export goods), evidence of mounting problems with water infrastructure, as well as the grey-listing of South Africa for failing to take the minimum steps that are seen as necessary by the international community to limit money laundering and the financing of terrorism.

It is perhaps not surprising from the above that foreign investors have become more reluctant to continue to invest in South African assets, and their significant levels of disinvestment from the local equity and bond markets are a major factor behind the depreciation of the Rand over the twelve months under review (by 4.8% relative to the US Dollar).

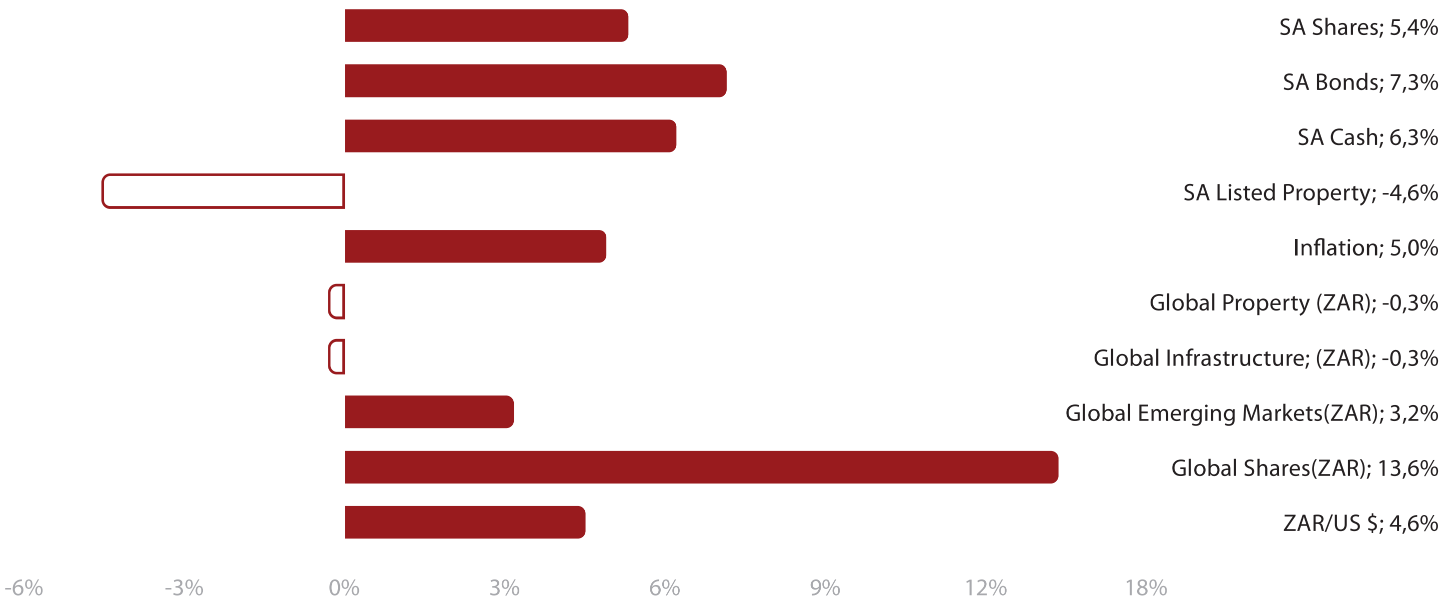
Given this negative impact, it is perhaps somewhat surprising to be able to report that the South African equity market reported a positive return of 11.9% (as measured by the "Capped SWIX" index used by the Fund), comfortably ahead of inflation, which sits at 5.4% over the period.

Listed property was the worst performing asset class over the majority of the period but managed to make up some of its previous losses, delivering a return of 12.9% over the year.

What is of course far more important for retirement funds is to consider the longer-term investment performance of asset classes and portfolios.

Chart 2 below gives the overall market returns over the seven-year period to 30 September 2023 for the major asset classes in which the Fund invests.

CHART 2: Performance of the major asset classes over 7 years to 30 September 2023



The period of seven years has been chosen because this is the period of time over which the performance objective of the Fund's Long Term Portfolio is measured. Members are reminded that the performance objective for this portfolio is to aim to deliver returns that exceed inflation by 5% a year over periods of seven years or longer.

Chart 2 shows why it has been difficult to attain an investment target at this level over this seven-year period, with the largest domestic asset class (SA equities) giving a return that is only 0.4% a year higher than inflation (5.4% a year vs inflation of 5.0% a year), and the other main "growth" asset class domestically, SA listed property, delivering a significantly worse outcome with a negative return of -4.6% a year.

Similar to the one-year figures, global equities have performed significantly better than local assets over this seven-year period. While the Fund's Long Term Portfolio has maintained the maximum exposure to this asset class for much of the period, the extent to which it can be invested offshore has, of course, been limited by exchange controls.

Despite all the uncertainties in the global and local economies as well as the investment markets, the Fund needs to take on some investment risk in order to achieve members' long-term retirement goals.

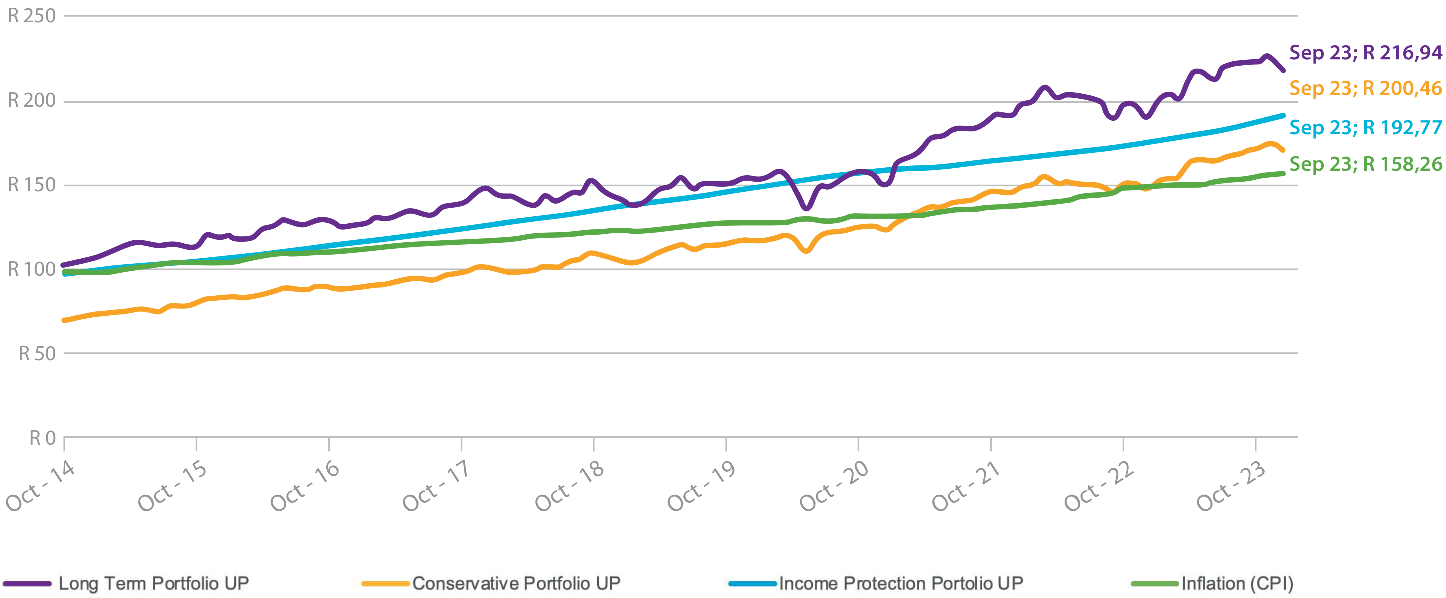
The Board of Trustees continues to believe in the benefits of a well-diversified approach, and to partner actively with its investment consultants and asset managers to increase the probability that we can continue to achieve the expected outcomes for each of the investment portfolios.

FUND PORTFOLIO PERFORMANCE

Chart 3 shows how a R100 investment in each of the Fund's investment portfolios has grown over time.

The portfolio that has a substantial allocation to growth assets, the Long Term Portfolio has shown good growth over this period, despite the very challenging market environment. Members should be invested in this portfolio for the longest possible duration throughout their working lives, as per the Fund's default lifestage investment strategy.

CHART 3: R100 accumulated from 1 June 2014 (1 August 2014 for Conservative and Income Protection Portfolios) to 30 September 2023



The Board regularly evaluates the Fund's investment portfolios by comparing their performance to benchmarks and the Fund's stated objectives outlined in the Statement of Investment Principles ("SIP"). Additionally, peer group comparisons are used, particularly during market crises, to provide context and assess relative performance among similar investment strategies. This comprehensive approach ensures that the Fund's investments are meeting their goals and adapting to changing market conditions effectively.

Looking at how the Fund is doing compared to other funds can be helpful. It can be particularly helpful during tough times when the portfolios are not meeting their objectives.

The table below shows the performance (before fees) of the investment portfolios relative to the median of the WTW survey and the WTW Global Balanced Benchmark. The WTW survey represents all of the large managers within the industry that are managing a diversified global portfolio (which can be considered similar to the Fund's Long Term Portfolio). The Global Balanced Benchmark represents the return that could be achieved by passively investing in the different asset classes. The performance of the Conservative Portfolio and Income Protection Portfolio are shown for comparison purposes.

Portfolio	1 year to 30 Sep 2023	3 years to 30 Sep 2023 (annualised)	5 years to 30 Sep 2023 (annualised)	7 years to 30 Sep 2023 (annualised)
Median	14.1%	11.5%	8.0%	7.8%
WTW Global Balanced Benchmark	15.7%	12.0%	8.5%	8.2%
Inflation	5.4%	5.9%	5.0%	5.0%
Long Term Portfolio[4]	**15.9%**	**13.1%**	**9.1%**	**8.9%**
Conservative Portfolio[4]	**13.7%**	**9.3%**	**8.4%**	**8.3%**
Income Protection Portfolio[4]	**9.2%**	**6.6%**	**7.2%**	**7.7%**

The survey consists of 10 of the largest managers in South Africa. The Long Term Portfolio compares favourably to the median of the peer group over all periods. What is interesting is that the peer group appears to under-perform the benchmark on a consistent basis.

Please note that the Long Term Portfolio is best suited for those members who are more than seven years away from retirement as it can experience short-term volatility.

The Board continues to monitor and develop the Fund's investment strategy with the aim of increasing the probabilities that the goal of each Portfolio is achieved with a high degree of certainty.

Disclaimer

The information in this note is issued for the general information of the members of the AECI DC Pension Fund. It is not intended as a substitute for specific legal or other advice in considering the implications for each member's particular circumstances. Members are reminded that past investment performance cannot be relied on as a guide or guarantee to future investment performance and that members are strongly encouraged to seek advice from an accredited financial adviser when considering financial planning for the future.

[2] *WTW are the Fund's appointed investment consultants.*

[3] *As at 30 September 2023, the Global Balanced Benchmark comprises: 32% SA equity, 2% SA property, 14% SA nominal bonds, 5% SA inflation linked bonds, 7% SA cash,4% global bonds, 3% global property, 33% global equity.*

[4] *Gross returns shown.*

CHANGES IN GROUP LIFE AND DISABILITY INCOME PREMIUMS

Group insurance premiums are reviewed annually. Insurers base premium rates on the expected cost of claims for the next 12 months. In determining the expected cost of claims, they consider three main factors:

- They consider a scheme's past claims experience.
- They also look at the claims experience of their overall portfolio of schemes (their risk book), tailored specifically for the unique membership profile and industry of the scheme.
- Other factors that may influence future risk and claims experience.

Group life (death benefit) premiums reduce
There is an improvement in mortality from the levels experienced at the peak of the 2nd and 3rd waves of Covid-19. However, while Industry experience, in general, normalised to pre Covid-19 levels; the industry is still recovering from significant underwriting losses and premium rates are still above the pre Covid-10 levels.

As there is still a considerable amount of uncertainty in the industry regarding mortality experience, the insurer is taking a cautiously optimistic approach in setting rates over the next review period.

Rates are therefore coming down from 1.244% to 1.117% effective from 1 March 2024.

Income disability premiums increase
The insurer has seen a significant increase in the costs of disability claims. This is driven by a number of factors, such as the poor state of the South African economy, financial and other pressures faced by members and employers, as well as a general worsening in disability rates as a remnant of the Covid-19 pandemic.

Rates are therefore increasing from 1.508% to 1.732% (by 15%) from 1 March 2024.

The new Contribution Rates are as set out below:

	1 March 2024
Member contribution*	7.500%
Employer contribution	9.000%
Less: PHI premium	(1.117%)
Less: Contribution to Admin Costs and ad-hoc admin expenses	(0.500%)
Less: GLA Premium	(1.732%)
Net contribution towards retirement	**13.151%**

** Member choices include: 6%,7.5% (default), 9%, 10.5%, 12%, 13.5%, 15% or 16.5%*

10 FREQUENTLY ASKED QUESTIONS ABOUT THE NEW TWO-POT SYSTEM IMPLEMENTATION ON 1 MARCH 2024

1. What is the Two-Pot system?
Two-Pot system refers to the proposed changes to the Pension Law in South Africa that are intended to marry the opposing concepts of access and preservation of retirement fund benefits. On the one hand, ensuring that members retire better, preserving their benefits until retirement (not taking their benefits in cash when they leave employment) and thus ensuring that members have a pension income at retirement. On the other hand, Treasury recognises that members may under certain circumstances need access to their retirement savings while they are still employed and members of a fund.

Implementation is set for 1 March 2024.

Promulgation of the final version of the statute is being awaited. Nothing is final yet and the Fund will inform members as soon as the law is promulgated.

2. When will this come into effect?
If these proposals are promulgated, on 1 March 2024.

3. What happens on 1 March 2024?
Members of the AECI DC Pension Fund, who are active members of the Fund on 29 February 2024 will be protected and their current benefit value in the Fund will be ring-fenced in a "vested pot". The benefit option rights of the vested pot is protected and at retirement members will be allowed to take one third in cash and must use two-thirds to buy a pension (annuity) at retirement.

From 1 March 2024 all new contributions to the Fund will be split between the new "savings pot" and the new "retirement pot".

4. What is the "Savings Pot?"?
From 1 March 2024 members will be required to contribute an amount of one-third (about 33%) of their total future contributions, after all deductions have been made, to the "savings pot".

The amounts contributed to the "savings pot", together with fund return/growth, will be available for withdrawal by the fund member in the form of a "savings withdrawal benefit" once a tax year before retirement.

Members will be able to make a "savings withdrawal" form the "savings pot" without having to resign from employment or retire from the fund.

Members will be allowed to make a single withdrawal once per tax year. The minimum withdrawal amount is R2 000 and there is no limit on the maximum amount a member is allowed to withdraw.

This "savings pot" may be paid in cash when you resign or retire (provided that you did not make a "savings withdrawal" in the preceding 12 months).

5. Will I pay tax on "savings withdrawals"?

Yes, withdrawals from the "savings pot" will be added to fund members' taxable income and taxed as normal income at their marginal rates.

6. How long will I have to wait to make my first "savings withdrawal" from the Fund?

On 1 March 2024 you will start making contributions to the "savings pot" and one third of your contributions will go to this pot. So it will take some time before you have the minimum withdrawal amount of R2 000.

It is for this reason that Government is proposing that 10% of your vested Pot to a maximum of R30 000 be seeded or transferred from your "vested pot" to your "savings pot" on 1 March 2024, so that you can immediately have available funds in your 'saving pot' in case of an emergency.

7. Can I make a R30 000 "savings withdrawal" after 1 March 2024?

The amount available to you will be determined based the value accumulated in your savings pot. The maximum amount that will be available on 1 March 2024 will be R30 000.

8. Can I make a R2000 "savings withdrawal" after 1 March 2024?

The minimum savings withdrawal amount is R2 000. Should the value in your savings pot be less than R2 000 you will not be able to make a withdrawal.

9. So I can make a "savings withdrawal" once per tax year?

Yes, but you are cautioned to think carefully before making a withdrawal as it could have a negative impact on your expected amount of money available as a lump sum at retirement, as you will forfeit compounded investment return on the amounts withdrawn. Also remember that you will pay tax at marginal rates on each withdrawal.

10. What is the "retirement pot"?

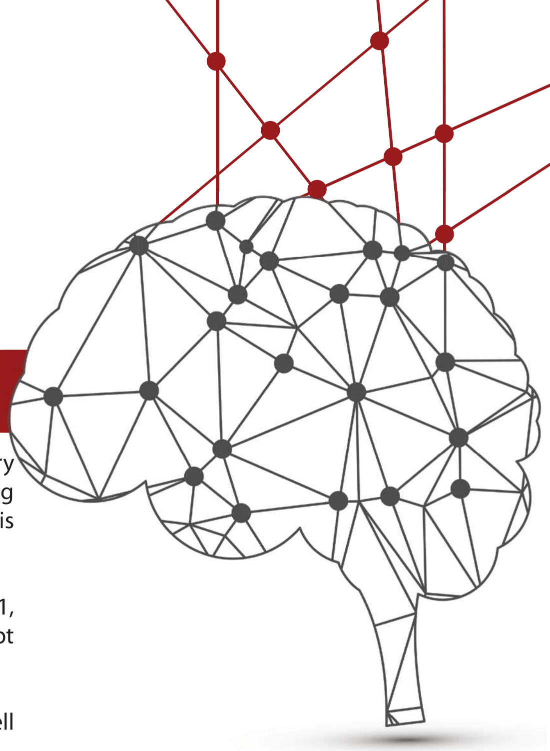
Two-thirds (about 67%) of your contributions from 1 March 2024, after all deductions have been made, must be allocated to your "retirement pot". **The "retirement pot" may only be accessed at retirement and may not be paid in cash.**

The "retirement pot" (contributions plus investment returns/growth) will have to be transferred to an annuity or new employer's "retirement pot" should a member resign from their employer, as **it may not be taken in cash. At retirement it must be invested in a pension plan/annuity to pay a monthly pension to the member.**

The full amount in the "retirement pot" may however be commuted as a lump sum if its full value, plus two-thirds of the value in the member's "vested pot" does not exceed R165 000. This amount will be calculated on a "per fund" basis. In such an instance, the lump sum accruing to the member will be taxed as a retirement fund lump sum benefit.

CALL TO ACTION
THE FUND WILL KEEP YOU UPDATED ON THE FINAL APPROVAL OF THESE PROPOSALS. NO ACTION IS REQUIRED FROM MEMBERS AT THIS STAGE.

AECI® good chemistry



REMEMBER TO UPDATE YOUR PERSONAL/ CONTACT INFORMATION

Personal information that is inaccurate or out of date can lead to frustrations and unnecessary wasted time for you and your loved ones. This may further cause a delay in the processing and payment of benefits if the Fund needs to obtain the corrected information. If the Fund is unable to trace you, your benefit may be transferred to an unclaimed benefit fund.

The Protection of Personal Information Act of 2013, which became effective from 1 July 2021, also requires the Fund, as the responsible Party, to ensure that personal information is kept up to date and accurate.

You are urged to report any relevant changes in your personal/contact information (cell phone number, email address, physical address) to your employer.

Remember to complete the Beneficiary Nomination Form for your Fund Death Benefits

You must regularly (at least once a year) complete or update the Nomination of Beneficiary form. Nomination of Beneficiary forms are circulated annually with benefit statements and can also be requested on the Fund's website or through your employer. The purpose of the Beneficiary Nomination Form is:

1. To make it easier to trace dependants by contacting family members using the contact details you have provided; and
2. To speed up the process of assessing who your dependants are and the extent to which they were dependent on you.

BOARD OF TRUSTEES

The Board of Trustees contact numbers are provided here:

The **AECI** Employees Provident Fund newsletter

November 2023

IN THIS NEWSLETTER

momentum retirement administrators

AECI®

> ***Love has nothing to do with what you are expecting to get - only with what you are expecting to give - which is everything***
>
> *– Katharine Hepburn*

A word from your Chairperson and Festive Season message

As the end of the year draws near, we would like to take this opportunity to thank you for your continued support throughout 2023. The holiday season is the perfect time to acknowledge all that is good in your life and to use this relaxing time to cherish and appreciate the people that are dear to you.

Big changes are on the cards for 2024 with the possible implementation of the Two-Pot system on 1 March 2024. **Nothing is final yet and the Fund will inform members as soon as the law is promulgated.**

Although members will be able to access Fund savings without having to resign the Fund cautions members to think carefully before making a withdrawal as it could have a negative impact on their expected amount of money available as a lump sum at retirement, as members will forfeit compounded investment return on the amounts withdrawn. Also remember that you will pay tax at marginal rates on each withdrawal.

We hope you enjoy this edition of the newsletter. Remember to update your Beneficiary Nomination form on an annual basis to ensure that the Fund has the correct information about your dependants and beneficiaries.

The Board of Trustees of the Funds, Management and Staff of AECI wish you and your loved ones a peaceful and joyous festive season. If you are going away, please travel safely. We hope that 2024 will be a year filled with love, good health and prosperity!

Kind Regards

Jonathan Gounden

JONATHAN GOUNDEN
CHAIRPERSON OF THE TRUSTEE BOARD

Investment update and your **Retirement Savings**

The purpose of this communication is to update you with the developments that we have seen in the markets and how it affects your retirement savings.

The period under review is 1 year to the end of September 2023.

Volatility remains in the market….however, don't lose focus on the long-term goal of saving for retirement.

The end of 2022 (the 4th quarter to be exact) saw a big upswing in markets, easing some of the pain experienced earlier in the year. This resulted in most South African asset classes delivering cash-like returns for the year – bonds and equities returned just above 4%, marginally underperforming cash. While this is not enough to generate the real returns required by investors, they were remarkably better than what was achieved by global asset classes, both equities and bonds, which delivered double digit losses. This despite a weaker rand over the period.

Current valuations across asset classes offer broad value and the potential to generate real returns for investors over time. In the near term, however, higher interest rates present challenges. Economies have so far performed stronger than expectations and have been fairly resilient, including South Africa. However, growth is expected to slow, and the uncertainty of the path for growth and interest rates will likely remain a source of volatility in markets.

Now more than ever, offshore exposure is becoming one of the most important investment decisions one can make, and the timing thereof is tricky. Whilst it is common cause that offshore exposure around the 40% mark seems to strike a good balance between risk and return for local investors, balanced fund returns will show more and more dispersion as views diverge on the optimal current positioning.

The offshore bulls point out all the economic and political challenges in South Africa, as well as the fantastic diversification the global equity and bond markets can provide. But those in favour of a lower offshore allocation point out how attractively valued local equity and bond markets are right now, with the rand being at a very weak extreme. Certainly, switching views now and jumping the fence could be an extremely risky endeavour. It appears that one should certainly pay attention to the rand's current weakness, as sudden currency strengthening is not uncommon and can quickly erode returns without warning.

What does all of this mean for me as an investor?

- Local equity (Capped SWIX) was up 12% and ahead of cash and inflation (4.8%) but boosted by base effects as Sep 2022, Aug and Sep 2023 saw big sell-offs.
- Local bonds up 7% and global bonds are on track for a record 3rd consecutive negative year. Local property up 13% and a low base also means global property is marginally positive at 1%.
- Weakness of the rand has boosted the returns of the offshore allocations (particularly equity).
- Resources finished the year flat, compared to the strong gains from Industrials (30%) and Financials (22%).

In general, despite rising interest rates and higher inflation (which has come down), 2023's performance has improved from 2022.

✓ The AECI Employees Provident Fund is up **12.0%** from September 2022 to Sep 2023.

✓ OM Absolute Smooth Growth & Coronation Houseview delivered positive returns for the year with the latter's contribution superior.

The Fund Returns to the end of **September 2023** are as follows:

FUND PORTFOLIO	1 Year		3 Years		5 Years		10 Years	
	Return %	Target %	Return %	Target %	Return %	Target %	Return %	Target %
Coronation Houseview (30%) (Return Target is CPI+5%)	**15.5**	10.6	**12.0**	11.2	**9.3**	10.2	**8.7**	10.4
OM Absolute Smooth Growth (70%) (Return Target is CPI+6%)	10.5	11.7	**10.9**	12.3	**7.3**	11.3	**9.3**	11.5
AECI Employees Provident Fund (Return Target is CPI+5.5%)	12.0	11.2	**11.2**	11.8	**7.9**	10.8	**9.3**	10.9
Alexforbes Global Large Manager Watch Survey (MEDIAN)	14.2		**11.9**		**7.8**		**8.3**	

Lessons from the past year and looking forward

1. Your Fund is split between two balanced portfolios - Coronation Houseview (30%) and Old Mutual Absolute Smooth Growth (70%).

2. Your Fund is fully diversified (investment in various asset classes therefore spreading your risk) with approximately 75% in growth assets. Given that the benchmark is CPI+5.5% this is to be expected.

3. Coronation's decision to be overweight offshore (close to the 45% limit) has contributed favourably towards the short-term performance. Old Mutual has taken a more conservative offshore stance. When the March 2020 return (the worst COVID impact on the markets) fell out of the 3-year rolling return profile, the performance improved considerably.

4. Inflation has come down from the highs seen last year and this has put less pressure on the returns relative to the target.

5. Over one year, the Fund's performance is ahead of the target as well as the median of the market (as per the Alexforbes Large Manager Watch survey). The 3-year performance is slightly behind the target (by 0.6%) but ahead of the market. The same applies (Fund is ahead of the market) over the long-term.

6. There is undoubtedly a lot of uncertainty in the current environment and no one can predict the future. However this is precisely the time when a cool head and patience is required in order to reap the rewards in the long-term.

7. It is essential to stick to your long-term investment strategy and keep your eye on the end target, which is to retire comfortably!

As the Board of Trustees we are pleased to report that your money continues to be invested and has grown despite the uncertainty of the investment markets.

Your Fund is in a sound financial position

The audit for 2023 has been finalised and once again the Fund received a clean audit report from Deloitte's, the external auditors of the Fund. The financial statements for the Provident Fund were approved by the Board and submitted to the Financial Sector Conduct Authority.

Decrease to Group Life Insurance and Funeral premiums

As a Fund member, you are entitled to a death benefit, disability income benefit, and a funeral benefit. These benefits, collectively known as "risk benefits", are currently insured by Momentum. Group insurance premiums are reviewed annually. Insurers base premium rates on the expected cost of claims for the next 12 months. In determining the expected cost of claims, they consider three main factors:

- They consider a scheme's past claims experience.
- They also look at the claims experience of their overall portfolio of schemes (their risk book), tailored specifically for the unique membership profile and industry of the scheme.
- Other factors that may influence future risk and claims experience.

We are pleased to advise that the Lump sum Death and Funeral benefit rates will decrease from 1 March 2024 as we are seeing improvements in mortality and have an optimistic view on the recovery from the Covid epidemic.

The Disability Income premiums however remain unchanged.

If you have any questions or concerns you may contact the Fund at:

Tel: **+27 11 587 8151**

Facsimile: **+27 11 587 8384**

Email: **AECIEPF@momentum.co.za**

	Current	**New** (from 1 March 2024)
Death benefit premium	0.825%	0.758%
Disability income benefit premium	0.993%	0.993%
Funeral costs	0.072%	0.070%
Administration and fund expenses	0.269%	0.269%
Total cost deductions	**2.159%**	**2.090%**

Funeral benefit structure	
Benefit payable on death of:	
Member	R30,000
Spouse	R30,000
Children aged 14 years and over	R30,000
Children aged 6 - 13 years	R15,000
Children aged 1 - 5 years	R7,500
Still-born to 11 months	R7,500

Questions and Answers about the new **Two-Pot system** that was postponed to 1 March 2024

Question: **What is the Two-Pot system?**

Answer: Two-Pot system refers to the proposed changes to the Pension Law in South Africa that are intended to marry the opposing concepts of access and preservation of retirement fund benefits. On the one hand, ensuring that members retire better, preserving their benefits until retirement (not taking their benefits in cash when they leave employment) and thus ensuring that members have a pension income at retirement.

On the other hand, Treasury recognises that members may under certain circumstances need access to their retirement savings while they are sill employed and members of a fund.

Nothing is final yet and the Fund will inform members as soon as the law is promulgated. Implementation is set for 1 March 2024.

Question: **When will this come into effect?**

Answer: If these proposals are promulgated, on 1 March 2024.

Question: **What happens on 1 March 2024?**

Answer: The benefits of members of the AECI Provident Fund, who are active members of the Fund on 29 February 2024 will be ringfenced in a “vested pot”. The benefit option rights of the vested pot is protected and at retirement members will be allowed to take their entire vested benefit in cash.

From 1 March 2024 all new contributions to the Fund will be split between the new “savings pot” and the new “retirement pot”.

Question: **What happens to members who were 55 years and older on 1 March 2021?**

Answer: Provident Fund members who were older than 55 years on 1 March 2021 will also have their Fund Credit ring-fenced in a "vested pot". But these members will be able to continue to make contributions to their "vested pot". It is proposed that these members will have the right to opt in to the two pot provisions effectively meaning the two pot will then apply to them.

Question: **What is the "Savings Pot"?**

Answer: From 1 March 2024 members will be required to contribute an amount of one-third (about 33%) of their total future retirement fund contributions, after all deductions have been made, to the "savings pot".

The amounts contributed to the "savings pot", together with fund return/growth, will be available for withdrawal by the fund member in the form of a "savings withdrawal benefit" once a tax year before retirement.

Members will be able to make a "savings withdrawal" from the "savings pot" without having to resign from employment or retire from the fund.

Members will be allowed to make a single withdrawal once per tax year. The minimum withdrawal amount is R2 000 and there is no limit on the maximum amount a member is allowed to withdraw.

This "savings pot" may be paid in cash when you resign or retire (provided that you did not make a "savings withdrawal" in the preceding 12 months).

Question: **Will I pay tax on "savings withdrawals"?**

Answer: Yes, withdrawals from the "savings pot" will be added to fund members' taxable income and taxed as normal income at their marginal rates.

Question: **How long will I have to wait to make my first "savings withdrawal" from the Fund?**

Answer: On 1 March 2024 you will start making contributions to the "savings pot" and only one third of your contributions will go to this pot. So it will take some time before you have the minimum withdrawal amount of R2 000.

It is for this reason that Government is proposing that 10% of your vested pot to a maximum of R30 000 be seeded or transferred from your "vested pot" to your "savings pot" on 1 March 2024, so that you can immediately have available funds in your "saving pot" in case of an emergency.

Question: **Can I make a R30 000 "savings withdrawal" after 1 March 2024?**

Answer: The amount available to you will be determined based the value accumulated in your savings pot. The maximum amount that will be available on 1 March 2024 will be R30 000.

Question: **Can I make a R2 000 "savings withdrawal" after 1 March 2024?**

Answer: The minimum savings withdrawal amount is R2 000. Should the value in your savings pot be less than R2 000 you will not be able to make a withdrawal.

Question: **So I can make a "savings withdrawal" once per tax year?**

Answer: Yes, but you are cautioned to think carefully before making a withdrawal as it could have a negative impact on your expected amount of money available at retirement, as you will forfeit compounded investment return on the amounts withdrawn.

Also remember that you will pay tax at marginal rates on each withdrawal.

Question: **What is the "retirement pot"?**

Answer: Two-thirds (about 67%) of your contributions from 1 March 2024, after all deductions have been made, must be allocated to your "retirement pot". **The "retirement pot" may only be accessed at retirement and may not be paid in cash.**

The "retirement pot" (contributions plus investment returns/growth) will have to be transferred to an annuity or new employer's "retirement pot" should a member resign from their employer, as **it may not be taken in cash. At retirement it must be invested in a pension plan/annuity to pay a monthly pension to the member.**

The full amount in the "retirement pot" may however be commuted as a lump sum if its full value, plus two-thirds of the value in the member's "vested pot" does not exceed R165 000. This amount will be calculated on a "per fund" basis. In such an instance, the lump sum accruing to the member will be taxed as a retirement fund lump sum benefit.

Important note:

Nothing is final yet.

The Fund will keep you updated on the final approval of these proposals.

No action is required from members at this stage.

Caution is key!

You should understand that the "two-pot" retirement system will be in place to ensure that you preserve your savings for retirement while at the same time being granted access to a portion of your savings for emergency purposes. Be aware that frequent withdrawals from your "savings pot" will reduce your retirement savings at retirement and will attract tax.

Nomination of Beneficiaries

Remember to complete the Beneficiary Nomination Form for your Fund Death Benefits

You must regularly (at least once a year) complete or update the Nomination of Beneficiary form. Nomination of Beneficiary forms are circulated annually with benefit statements and can also be requested on the Fund's website or through your employer.

The purpose of the Beneficiary Nomination Form is:

1. To make it easier to trace dependants by contacting family members using the contact details you have provided; and
2. To speed up the process of assessing who your dependants are, and the extent to which they were dependent on you.

New nomination form for funeral benefits

Members are now required by law to complete a Nomination of Beneficiary Form for funeral benefits. In the event of your death, the funeral benefit will be paid to the person (beneficiary) that you nominated in your nomination form. Please ensure that the person you nominate as a beneficiary for the funeral benefit, is over the age of 18 years, and can be responsible for the full organisation of your funeral.

Should you not have completed a nomination form, then the benefit will be paid into your estate. Please note that your estate may take up to 12 months to be opened and your family may not have the money to bury you should a completed form not be available.

Remember that unlike your provident fund benefits, where the Trustees have the final say on how your benefits are paid, funeral benefits are paid directly to the person/s you nominated. It is therefore extremely important to update this nomination form if your personal circumstances change (marriage, divorce, birth of a child/ren).

Important note:

Ensure that you update your nomination form annually or if your personal circumstances change (marriage, divorce, birth of a child/children).

A Final Word

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There is no passion to be found in playing small - in settling for a life that is less than the one you are capable of living.

-Nelson Mandela

Fund info and contact details

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