



PURPOSE OF THE COMMUNICATION

This communication explains the changes in the administration and operational fees that apply from **1 September 2024**

In newsletters issued and Fund member webinars held to date, the Fund has provided information on the “Two-pot system” that starts on 1 September 2024. All the laws that officially enable the Two-pot system have now been signed into law by President Ramaphosa. These are not just changes in laws, but a complete overhaul of the retirement landscape. As such, extensive changes and development has been required to give effect to this significant reform.

Due to the significance of these changes, and the impact on the underlying administration, operations and management of the Fund, the costs of administration and management have increased. The Board of Trustees carefully considered the reasons for, and the amount of the increase. The increase has been kept to that required to take the additional costs into account.

The main considerations for the administration and operational fee increases are outlined below:

1. The Two-pot system imposes changes that affect all retirement fund members, not only members who withdraw money from their savings pot.
2. All member records must be split into the respective pots at inception, be maintained and reported on going forward. Therefore, all transactions that take place are affected.
3. All members have access to communication that shows the various pots and the different ways in which these can be accessed and taxed.
4. The digital platforms and tools available to all members must be adjusted. The two-pot system affects how withdrawal and retirement claims are processed and how certain sections of the Pension Funds Act and Income Tax Act affect such claims.

Based on the significance of these changes, the fees will increase by 4% with effect from 1 September 2024.

Additionally, a transactional fee will be applied on all withdrawals from the savings pot, which will be paid by those members who make a savings withdrawal benefit from their savings pot.

Administration fees

The administration fee, paid to Alexforbes, will change as follows on 1 September 2024:

Current fee	New fee
For members where only the employer contributes and at a rate of 5% of Fund salary, the fee is 0.60% (including VAT) of Fund salary to a maximum of R70.00 per month.	For members where only the employer contributes and at a rate of 5% of Fund salary, the fee is 0.624% (including VAT) of Fund salary to a maximum of R72.80 per month.
For all other members, the fee is 0.60% (including VAT) of Fund salary to a maximum of R153.00 per month.	For all other members, the fee is 0.624% (including VAT) of Fund salary to a maximum of R159.12 per month.
The minimum fee payable is R40 per month.	The minimum fee payable is R41.60 per month.

Operational expenses fees

The operational and management expenses fees were last increased in April 2022. These fees will increase on 1 September 2024 as follows:

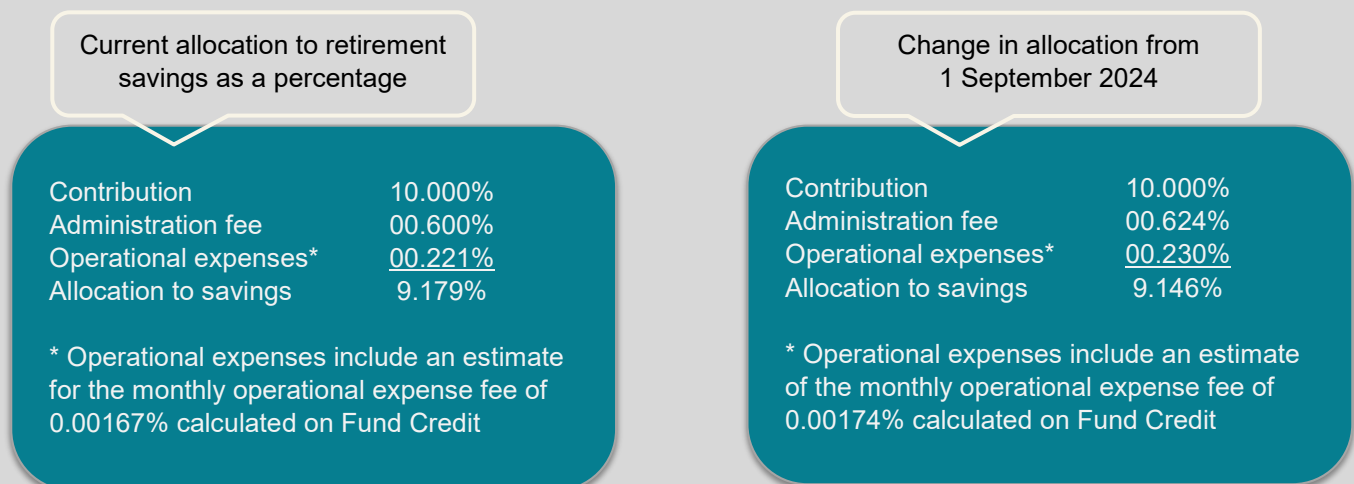
Current fee	New fee
0.22% fee calculated on Fund Salary	0.229% fee calculated on Fund Salary
0.00167% fee calculated monthly on Fund Credit	0.00174% fee calculated monthly on Fund Credit

Risk administration fee and Investment fees

There will be no impact on the risk administration fee, which remains R28.35 per member per month, as applicable. There is also no change in the investment fees.

Example illustrating the impact of the administration and operational expenses fee increases on the allocation to retirement

To illustrate the impact of this change on the allocation to retirement savings, we have used an example of a fictional member contributing at a rate of 10% of Fund salary as follows:



To illustrate the change in Rand terms, our fictional member with a monthly Fund salary of R10 000, has a Fund credit of R100 000:

Fee	Before the change	After the change	Impact
Administration fee	R60.00	R62.40	R2.40
Operational expense fee calculated on Fund salary	R22.00	R23.00	R1.00
Operational expense calculated monthly on Fund credit*	R1.67	R1.74	R0.07

*Note that your Fund credit value changes every day. The fee calculation is based on Fund credit applicable on the day of the deduction.

Transaction fee if you withdraw from your savings pot

If you withdraw from your savings pot, you will pay a transaction fee to Alexforbes for processing the claim. Alexforbes is required to:

- Validate your ID and bank account details.
- Apply for a tax directive.
- Pay the claim.

The following transaction fee will apply:

- If you withdraw between R2 000 and R5 000 the fee is R100
- If you withdraw between R5 000 and R30 000 the fee is equal to 2% of the pre-tax withdrawal amount
- A transaction fee of R600 applies to withdrawals of more than R30 000.

We have set out some examples below:

Savings pot withdrawal amount	Transaction fee
R2 000	R100
R3 000	R100
R7 000	R140
R10 000	R200
R15 000	R300
R22 000	R440
R30 000 and above	R600

Questions

For Administration matters
(such as claim payments, Fund
statements, forms, etc contact:
zzlpfadmin@alexforbes.com



For any other Fund related
matters contact:
legalprovidentfund@alexforbes.com

Fund Website: www.legalprovidentfund.co.za



The Fund's website gives you access to retirement fund news and information at the click of a button. You can also access the member booklet, claim forms and news from the Trustees when you need it.

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Legal Provident Fund