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NEWSLETTER

SEPTEMBER 2021

I. Chairman's Report

There is an old saying that it has to get worse before it gets better. I believe all of us hope what we have experienced thus far is the worst, and that it can only get better. My sincerest condolences to those members who have lost loved ones; let us also keep in our prayers those who are battling this devastating virus, to make a speedy and full recovery. I urge our members, their families and communities to keep adhering to COVID-19 health protocols.

The Fund's financial statements for the year ending 31 December 2020 were audited by Ernst & Young, who issued an unqualified audit report. The annual financial statements have been submitted to the Financial Sector Conduct Authority (FCSA).

Vaccination, which appears to be our best defence in the fight against COVID-19, is picking up pace in South Africa and this will lay the foundation for the very long road to economic and social recovery. Both developed and developing equity

markets have shown strong signs of recovery as economies reopened. Similarly, the Fund achieved excellent inflation-beating returns on its portfolios for the 12 months ending 30 June 2021.

This year there has been a number of legislative and regulatory changes which directly affect the Fund and our members. I encourage members to take time to read about the retirement reform changes (T-Day) which were implemented as from 1 March 2021, as well as the impact of the withdrawal of General Note 18. Please consult with your financial advisor on how it may impact your financial planning.

Also read about how the Fund complies with POPIA, and changes in the payment of the unapproved death benefits.

Let us all strive to stay healthy!

Best regards

Prof Niel Krige
Chairman

2. Financial statements: 31 December 2020

The audited financial statements for the year ended 31 December 2020 were submitted to the Audit and Risk sub-committee of the Board of Trustees. SURF's external auditors, Ernst & Young, issued an unqualified audit report. At the recommendation of the Audit and Risk sub-committee, the Board of Trustees approved the financial statements and submitted the statements to the FSCA.



3. Market insight

How have markets performed up to 30 June 2021?

Recent economic data released has helped support the positive global growth outlook, although the rebound in activity has ignited inflationary pressure in some regions. The Delta and Beta variants have driven an increase in the number of COVID-19 cases globally, while global vaccination rates remain uneven with the US and Europe leading and emerging economies lagging.

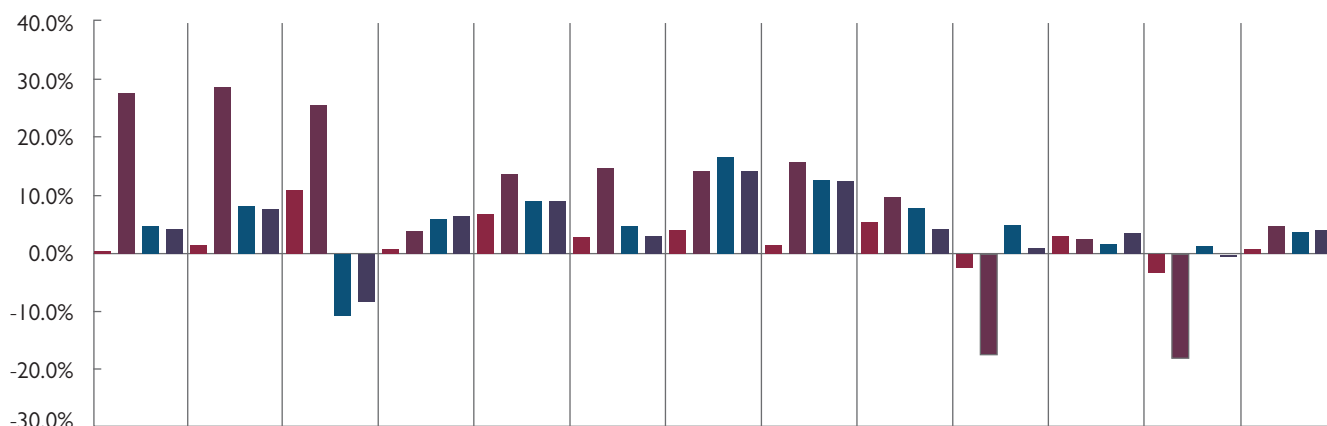
Despite the headwinds, global equities were buoyed by the reopening of economies, progress in vaccination rollouts and positive corporate earnings releases. The MSCI All Country World Index returned 7.5% in US dollar terms for the quarter up to 30 June 2021. Developed markets (DMs) outperformed their emerging market (EM) counterparts. The MSCI World Index (representing DMs) delivered a 7.9% gain in US dollar terms while the MSCI EM Index added 5.1% over the quarter. US equity markets were particularly strong and led gains within the DM component. The S&P 500 Index rose 8.5% for the quarter.

Locally, the economic recovery remains fragile as COVID-19 induced lockdowns continue to dampen economic activity. Standard & Poor's and Fitch reaffirmed SA's sovereign credit rating at BB- and maintained their negative outlook during a review in May. Moody's opted not to update its Ba2 rating on the country's sovereign debt, leaving it firmly in junk territory.

The local equity market ended the quarter in positive territory with the Capped SWIX up by 0.6%. The SA listed property sector continued its recovery path with the All Listed Property Index (ALPI) being up 11.1% over the quarter and 25.6% for the past 12 months. SA nominal bonds delivered a strong return of 6.9% for the quarter as investors were prepared to take on more duration risk given the steepness of the yield curve. The carry trade resumed with global investors looking to harvest the much higher yields of SA bonds compared to developed world bonds. Inflation-linked bonds were up a lesser 3.0% as investors remain optimistic that inflation will remain in the 4% to 6% p.a. range. SA nominal bonds are the best performing local asset class over the five-year period.

The table below shows the major index returns in SA rands over various measurement periods ended 30 June 2021.

Major Index returns periods up to 5 years



	SA equity (Capped SWIX)	SA equity (CAPI)	SA property	SA cash	SA bonds	SA ILB	Global equity DM	Global equity EM	Global property	Global bonds	Africa ex-SA equity	USD / ZAR	Inflation
3 months	0.6%	1.6%	11.1%	0.9%	6.9%	3.0%	4.2%	1.6%	5.6%	-2.4%	3.1%	-3.3%	1.0%
1 year	27.6%	28.6%	25.6%	4.0%	13.7%	14.8%	14.3%	15.8%	9.8%	-17.2%	2.7%	-17.8%	4.9%
3 years	4.8%	8.3%	-10.7%	6.0%	9.2%	4.9%	16.6%	12.8%	7.9%	5.0%	1.8%	1.4%	3.8%
5 years	4.3%	7.8%	-8.3%	6.6%	9.2%	3.2%	14.2%	12.5%	4.4%	1.1%	3.7%	-0.5%	4.2%

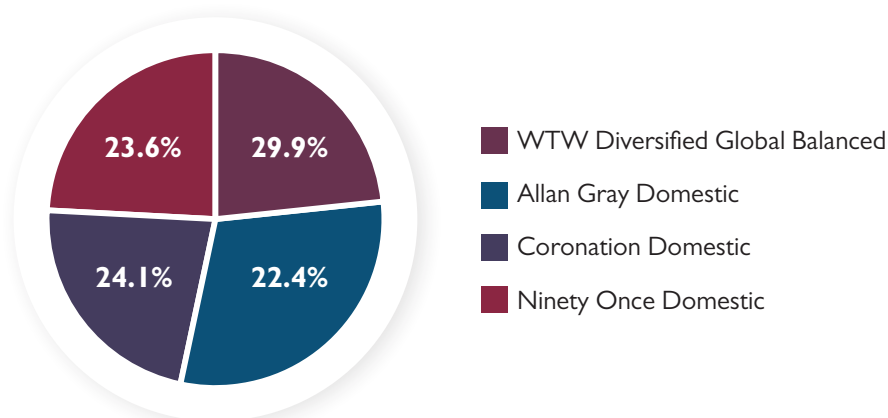
4. Fund investments

Growth Portfolio

The Growth Portfolio consists of both a local and an offshore component. The local component is split in equal portions between the following investment managers: Allan Gray, Coronation and Ninety One. It should be noted that differences in investment returns of the managers result in changes in manager allocations from time to time. The offshore component is managed by Willis Towers Watson.

The composition of the Growth Portfolio per manager allocation as at 30 June 2021 was as follows:

Manager allocation



Period	Growth Portfolio (per annum)	Reference portfolio (per annum)	Inflation plus 5% (per annum)
12 months	20.5%	18.2%	9.9%
36 months	8.8%	7.5%	8.8%
60 months	8.3%	6.6%	9.2%
Since 01/04/2009	12.7%	12.6%	9.9%

The Growth Portfolio has outperformed the reference portfolio over the 12-, 36- and 60-month periods, which is a very favourable outcome. The Growth Portfolio's one-year return was an excellent 20.5% while it has achieved a very good real return of 7.8% p.a. since 01/04/2009.

For further information on all the returns achieved by the underlying portfolios, please visit <http://www.retirementfundweb.co.za>.

Other investment portfolios

A summary of the returns (net of fees) of SURF's other portfolios up to 30 June 2021 is shown in the table below:

Portfolio	Inception date/ Start date of reporting	Return over 12-month period	Inflation over 12-month period	Return since inception (p.a.)	Inflation since inception (p.a.)
Aggressive Absolute	01/02/2017	20.3%	4.9%	9.5%	4.2%
Conservative Absolute	01/02/2017	15.1%	4.9%	9.1%	4.2%
Capital Protection	01/04/2009	5.0%	4.9%	7.3%	4.9%
Shari'ah	01/12/2017	17.5%	4.9%	6.4%	4.1%

Although not shown in the table above, the Inflation-Linked Bond Portfolio has returned 10.6% over the nine-month period since its inception to the report date.

The Aggressive Absolute Return Portfolio's one-year return of 20.3% was only slightly behind that of the Growth Portfolio. The real return of this portfolio has been 5.3% p.a. over the period since inception (four years and five months), which is an excellent outcome over this period given the tough market conditions.

The Conservative Absolute Return Portfolio's one-year return of 15.1% was excellent given the risk profile of the portfolio. Its real return of 4.9% p.a. since inception is outstanding.

Given the low interest rate environment, the Capital Protection Portfolio only marginally outperformed inflation over the past year, returning 5.0%. The portfolio's real return of 2.4% p.a. since 01/04/2009 is very good.

The Shari'ah Portfolio's one-year return of 17.5% was pleasing. The portfolio has delivered a real return of 2.3% p.a. over the period since inception.

Total Expense Ratio (TER) for the one-year period ended 30 June 2021

The estimated Total Expense Ratio (TER) for the Growth Portfolio is 0.71% p.a. The estimated TERs for the Aggressive and Conservative Absolute Return Portfolios are 0.88% p.a. and 0.87% p.a. respectively.

The TER is an annualised value (typically measured over a rolling three-year period or since inception and expressed as a %) and includes the following:

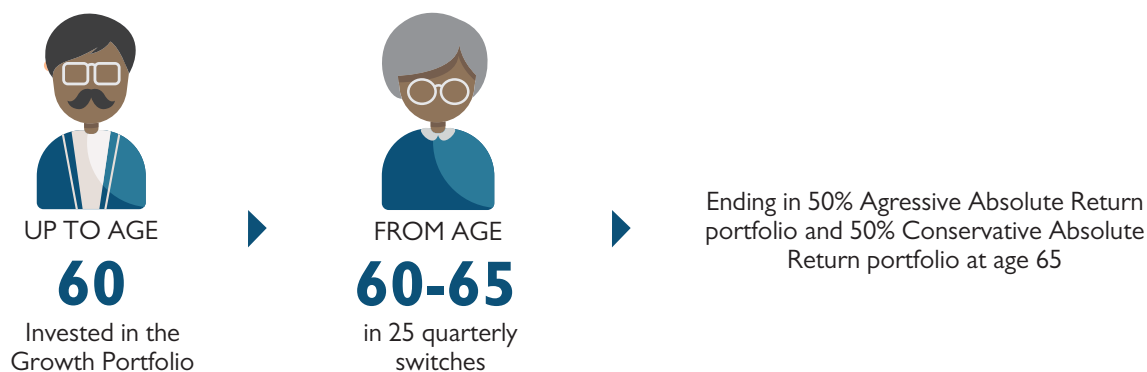
Annual asset management fees, asset manager performance fees (if any), bank charges, audit fees, taxes (e.g. VAT), custodian and trustee fees, and costs related to script lending (if any).

5. The Fund's default investment strategy

The Fund offers you a default lifestage investment portfolio where your money is invested in the Growth Portfolio up to six years before the normal retirement date. Your money is then automatically phased from a high-growth / high-risk to a low-growth / low-risk portfolio during the period up to the normal retirement date.

According to the strategy, with effect from 1 January in the year of the member's 60th birthday, the fund credit is transferred from the Growth Portfolio to the Aggressive and Conservative Absolute Return Portfolios. This will be done in equal portions, via 25 quarterly transfers, resulting in the fund credit being held in equal portions (50/50) in the two Absolute Return Portfolios at the normal retirement date.

The lifestage strategy is explained in the chart below:



If you are turning 60 in 2022, you will receive communication from SURF with regard to your options in October 2021.

6. Investment options

From age 53, SURF offers members investment options outside the default investment strategy.

If you opt for the Investment Choice option, from age 53, you may choose to invest your fund credit in the following portfolios:



Please note: This model is suitable for members who are comfortable with investment concepts and making their own investment decisions. You are advised to obtain financial advice from a certified financial advisor before exercising your investment choice or switching portfolios.

SURF also offers members who wish to invest their fund credit according to Islamic principles, the option to invest in the Old Mutual Albaraka Balanced Shari'ah Portfolio. Members opting for the Shari'ah Portfolio cannot participate in the lifestage investment strategy. However, members are entitled at any time to switch back to the lifestage investment strategy from the Shari'ah Portfolio.

7. Protection of Personal Information Act (POPIA)

A few important questions and answers on this Act.

What is POPIA?

The Protection of Personal Information Act 4 of 2013 (POPIA) came into force on 1 July 2020. POPIA aims to promote the right to privacy in the Constitution, while at the same time protecting the flow of information and advancing the right of access to and protection of information.

Why does SURF need to be compliant with POPIA?

The Fund must collect and process some of your personal information to effectively administer your member record. Therefore, retirement funds and similar entities had to be fully compliant with POPIA by 30 June 2021.

What type of personal information of members does the Fund collect and process?

Active member	Deceased member: Estate/beneficiaries/dependants
Name & surname	Estate details:
Date of birth	Name of executor and contact details
Identity number	Estate bank account
Gender	Tax number
Nationality	
Occupation	Dependants'/Beneficiaries' details:
Residential address	Names & surnames of dependants/beneficiaries
Postal address	Dates of birth
Telephone numbers	Identity numbers
Income tax number	Financial details
Total-cost-to-company salary	Residential addresses
Period of service	Employment details
Bank account number	Contact details
Email address	Bank account numbers

Please note these lists are not complete and serve as an indication only.

Does this also mean you have to give consent every time the Fund collects or processes information?

Personal information is collected by the Fund in accordance with a legal obligation, and therefore does not require prior consent from you as a member. There are limited instances where your prior consent will be required before personal information can be shared. Please rest assured that the Fund has put the required controls in place to ensure that prior consent is obtained.

Example of when your consent would be needed:

- Upon your resignation or retirement, when you request the assistance of a financial advisor other than the Fund-appointed benefit counsellor/advisor; or
- Where your beneficiaries are assisted by a financial advisor upon your death.

Are you allowed access to your information the Fund has collected?

The Promotion of Access to Information Act 2 of 2000 (PAIA) gives effect to the constitutional right of access to information held by any private or public body that is required for the exercise or protection of the requester's rights. The Fund has submitted a PAIA manual to the South African Human Rights Commission. The manual provides an overview of the records held and the process which needs to be followed to access such records.

Click [here](#) to download the Promotion of Access to Information Act Manual.

Members are reminded that, should their personal information reflected on any Fund communication – such as benefit statements – be incorrect or has to be changed, they should contact the Human Resources Department at sun-e-hr@sun.ac.za.

8. How to lodge a POPIA complaint

If you have any concerns regarding a specific process/situation where you feel that your personal information was collected/shared without your consent, or if you have a complaint which relates to the processing of your personal information or a violation of your rights, you are encouraged to contact the Information Officer directly to give the Fund the opportunity to swiftly and efficiently address the matter internally.

Name of Information Officer: Jacob Johannes Sarel Kotzé

Email: jjsk@sun.ac.za

Telephone number: +27 (0) 21 808 2754

Should your complaint remain unresolved, you may submit a complaint to the Information Regulator in the prescribed manner and form alleging interference with the protection of your personal information.

The address of the Information Regulator is as follows:

The Information Regulator (South Africa)

33 Hoofd Street

Forum III

3rd Floor

Braampark

PO Box 31533

Braamfontein

Johannesburg

2017

Complaints email: complaints.IR@justice.gov.za

General enquiries email: infoereg@justice.gov.za

9. How to increase your replacement ratio at retirement

You have received a projection statement from the Fund earlier this year. If your estimated pension ratio (EPR) is 50% or less of your pensionable salary at retirement, it means that when you retire you will receive a pension income of less than half of the pensionable salary you earned just before you retired (and which might be less than 40% of your total cost to company).

So what can you do to increase your replacement ratio?

You can elect a higher contribution rate (increases in contribution rates are in increments of 2.5%), thus saving more towards retirement and increasing your EPR in the process.

If you increase your contribution rate to 35%, the option to make an additional voluntary contribution (AVC) of any amount towards your retirement savings is also available. These additional contributions towards your retirement fund will be deducted directly from your salary via the employer's payroll.

AVCs allow you to boost your retirement savings and carry no administration fee, which means it costs you nothing to make AVCs to SURF. You will benefit from the favourable investment fees because of the economies of scale achieved with the collective size of the Fund's investment. The AVCs will be invested in the same investment portfolio as your fund contributions and therefore earn the same investment returns. You will thus benefit from solid investment returns which are tax free.

REMEMBER:

Contributions to retirement savings vehicles are tax deductible up to 27.5% of "remuneration" or "taxable income", whichever is the greater, subject to a maximum of R350 000 per year. SURF allows members to contribute up to 35% of pensionable salary. Pensionable salary is 75% of total cost to company and therefore is approximately the same as 27.5% of remuneration or taxable income as allowed by SARS.

Use the **Retirement Calculator** on the Sanlam Retirement Fund Web to see the effect your *contribution rate*, *investment choice* and *retirement age* will have on your pension when you reach normal retirement date, which is expressed as your estimated pension ratio.

Saving for your retirement is a long-term plan. Make the most of compound investment returns by never cashing in your retirement savings before you retire. Although retirement may seem many years away, investing just a little bit extra via an AVC can have a huge impact on your future pension.



ANNUITISATION OF PROVIDENT FUNDS

Since 1 March 2016, provident fund members qualify for tax deductions on their contributions as has always been the case for pension fund members.

This is the second leg in harmonising pension and provident funds and takes effect 1 March 2021.

The annuitisation of provident funds will align the treatment of the payment of retirement benefits from a provident fund to the rules that apply to a pension fund.

WHAT DOES ANNUITISATION MEAN?

THIS IS WHEN A LUMP SUM RETIREMENT BENEFIT OR PART THEREOF IS USED TO PURCHASE A PENSION THAT IS PAID IN MONTHLY AMOUNTS

THE IMPACT ANNUITISATION OF PROVIDENT FUNDS WILL HAVE ON YOUR RETIREMENT BENEFIT DEPENDS ON YOUR AGE AS AT 1 MARCH 2021

SCENARIO 1:

You are **younger than 55 years** on 1 March 2021

SCENARIO 2:

You are **55 years or older** on 1 March 2021

SCENARIO I

Younger than 55 years on 1 March 2021

ONLY CONTRIBUTIONS INCLUDING INVESTMENT GROWTH MADE TO YOUR PROVIDENT FUND AFTER 1 MARCH WILL BE AFFECTED



All contributions including investment growth until 1 March 2021.



All contributions including investment growth after 1 March 2021 until you retire.

WHEN YOU RETIRE



You may take your full vested portion of your retirement benefit in cash.

You will have to purchase a pension with a minimum of two-thirds of the non-vested portion at retirement.



WHEN YOU TRANSFER TO ANOTHER FUND AFTER 1 MARCH 2021

Your vested portion as at 1 March 2021 will still be protected.



01 March 2021
You are younger than 55.

Your vested and non-vested portions will be maintained in the new fund - all future contributions including investment growth from date of transfer will be allocated to your non-vested portion.



2022
You transfer to a new fund.

You will have to purchase a pension with a minimum of two-thirds of the non-vested portion at retirement, you may take your full vested portion in cash.



2029
You retire from new fund.

IF YOUR NON-VESTED PORTION IS LESS THAN R247 500, YOU WILL NOT HAVE TO PURCHASE A PENSION AND YOU MAY TAKE YOUR FULL RETIREMENT BENEFIT IN CASH

SCENARIO 2

55 years or older
on 1 March 2021

WHEN YOU RETIRE

THERE IS NO NON-VESTED PORTION, IT IS ALL REGARDED AS YOUR **VESTED PORTION**

YOU WILL STILL BE ABLE TO RECEIVE YOUR FULL RETIREMENT BENEFIT INCLUDING INVESTMENT GROWTH IN CASH



WHEN YOU TRANSFER TO ANOTHER FUND AFTER 1 MARCH 2021

You are 56 and a member of a provident fund (1st fund).

You transfer to new fund.

You retire from new fund.

1 March 2021



In 2022



In 2029



All contributions including investment growth as at 2022 (transfer date) may be taken in cash at retirement.

Your vested portion will be maintained in the new fund – all future contributions including investment growth will be allocated to your non-vested portion in the new fund.

You will have to purchase a pension with a minimum of two-thirds of your non-vested portion at retirement

IF YOUR NON-VESTED PORTION IS **LESS THAN R247 500**, YOU WILL NOT HAVE TO PURCHASE A PENSION AND YOU MAY TAKE YOUR FULL RETIREMENT BENEFIT IN CASH



Withdrawal benefits

Annuitisation does not apply to withdrawal benefits. If you withdraw prior to reaching your retirement age you will not be denied access to your full retirement savings, both the vested and non-vested portions.

11. Changes in the payment of your unapproved group life assurance cover

Previously, the Insurance Act allowed the insurer to pay the death benefit from the unapproved group life policy to the policyholder, which is the employer. The employer then identified the beneficiaries and allocated the benefits in terms of section 37C of the Pension Funds Act.

However, changes to the Insurance Act (Act 18 of 2017) now require that payment of unapproved death cover be made directly to beneficiaries, according to the deceased member's beneficiary nomination form. The insurer has updated the unapproved group life assurance scheme policy with a new payment clause which aligns with the change in legislation from 1 August 2021.

What does this change mean?

From 1 August 2021, all claims for the death benefit from the unapproved group life policy will be paid out according to the deceased member's beneficiary nomination form. Where a minor child is nominated to receive benefits under the unapproved group life assurance scheme, the benefit will be paid to the parent or the legal guardian of the child, or to a trust if the member/parents has/have indicated to do so.

Where the deceased member has not nominated a beneficiary, or where the nomination is invalid, the insurer must pay the benefit to the deceased member's estate. This is not ideal, as it will mean that beneficiaries then have to endure the lengthy and expensive process of reporting the deceased estate to the Master of the High Court for winding up. This includes the appointment of an executor, who will have to draw up a distribution account that must be advertised and be open for inspection. This protracted process is not necessary if members clearly identify their beneficiaries by completing the nomination form. In short, payments to the employer, who is not the end beneficiary, are no longer allowed by the Insurance Act.

What is required from you?

In a nutshell, it means that it's more important than ever that you complete a beneficiary nomination form for the unapproved group life (death benefit) cover. The employer will keep the completed beneficiary nomination form. In the event of the member's death, the nomination form must be submitted with the claim.

Also remember to update your beneficiary nomination form whenever any major life-changing event (such as divorce, birth/adoption of a child, death of a nominee) occurs.

Contact Human Resources Client Service Centre at +27 (0)21 808 2753 / sun-e-hr@sun.ac.za for more information on how to update your beneficiary nomination form.

12. Withdrawal of General Note 18 (GN18) on 1 March 2021 means more options for retirees

In terms of GN18, a member could not choose a combination of an annuity provided by the Fund (in-fund annuity) and an annuity purchased from an insurer, i.e. outside the Fund. The withdrawal of GN18 on 1 March 2021 means that the above is no longer disallowed, and that a member can now choose a combination of an annuity provided by the fund and an annuity purchased from an insurer. This will be subject to the conditions specified by regulation.

The Fund's endorsed annuity strategy has three tiers and, depending on a member's fund credit, the following are the guidelines provided by the strategy:

Tier 1 – Members with a low fund credit (guideline of less than R2 million):

An inflation-linked life annuity which aims to provide a pension for the member's basic needs for life. The life annuity is to be purchased outside the Fund.

Tier 2 – Members with a medium-sized fund credit (guideline of between R2 million and R5 million):

A combination of an inflation-linked life annuity and a living annuity, which offers guaranteed income for basic needs for life, and an investment account for further capital growth and additional income above basic needs. With the withdrawal of GN18, a member can now combine the in-fund living annuity with an inflation-linked life annuity outside the Fund. Members may also purchase both the living annuity and life annuity outside the Fund.

Tier 3 – Members with a high fund credit (guideline of more than R5 million):

A living annuity is appropriate. The Fund offers an in-fund living annuity which includes investment building blocks for capital growth and income. Members may also purchase the living annuities outside the Fund.

Furthermore, the Fund provides retirees with a document containing quotations from three preferred insurers in addition to a quotation for the in-fund living annuity.

Please speak to your financial advisor to establish which option would work best for you, or should you have further questions on the options available to you at retirement.

13. Sanlam Retirement Fund Web and Sanlam app – your access to the SURF

We encourage you to register on Sanlam's Retirement Fund Web and the Sanlam app so that you are able to access your personal details, view the investment portfolio returns as well as your up-to-date fund credit, all at the click of a button, 24/7. You will also be able to see all your Sanlam insurance and savings products via one portal.

How do I access the Retirement Fund Web?

- Visit www.sanlam.co.za. Click on *Login* (top right) and select *Secure Services*.
- Select *Register* and use your fund membership number (which is reflected on your benefit statement) or your identity number.
- Confirm your mobile number and email address.
- Select a user code / username.
- A temporary password will be sent to your mobile.

Use this temporary password to gain access. Change the temporary password, as it may only be used once.

- Save the website as a favourite in your browser for easy access.

How do I access the app?

Download the **Sanlam My Retirement** app from the Google Play Store or Apple App Store. Use your Sanlam Secure Services user code and password to access your SURF information.

14. Financial advice available to members aged 53 and older

You are reminded that the SURF offers a financial advisory service free of charge to members aged 53 and older, provided by a panel of five preferred service providers. Members who are considering retirement or want to exercise individual investment choice are encouraged to make use of the advice service.

The service providers are:

Alexander Forbes Financial Planning Consultants:

+27 (0) 21 809 3750 | wesselsw@forbes.co.za

Efficient Wealth:

+27 (0) 21 914 8030 | andrew@efw.co.za

FinFocus:

+27 (0) 21 861 7000 | usafadvies@finfocus.co.za

Graviton:

+27 (0) 21 883 9192 | arissik@gravitonwm.com

Sanlam Financial Advice:

+27 (0)21 947 1028 | hanlie.wethmar@sanlam.co.za

SURF will pay for two consultations with one of the preferred service providers. The first consultation may be scheduled any time from age 53, and the second one in the 12 months prior to retirement.

Using the benefit is easy – just follow these steps:

1. Select a service provider.
2. Contact HR Client Services Centre (+27 (0) 21 808 2753 | sun-e-hr@sun.ac.za) to obtain a consultation voucher.
3. Make an appointment with your chosen service provider and take the voucher as proof that you are entitled to use the service.

15. Important contact details

If you need more information on SURF you may contact the Remuneration and Benefits Department or the benefit consultant.

Please contact the principal officer if you have any complaints about SURF.

Principal Officer	Japie Kotzé t. +27 (0)21 808 2754 e. jjsk@sun.ac.za
Information Officer	Japie Kotzé t. +27 (0)21 808 2754 e. jjsk@sun.ac.za
Benefit Consultant	Alfreda April t. +27 (0)21 912 3316 e. alfreda@simekaconsult.co.za
Remuneration and Benefits division	Peter Kirsten t. +27 (0)21 808 3740 e. pkirsten@sun.ac.za
Pension Funds Adjudicator (PFA)	e. enquiries@pfa.org.za Members are entitled to contact the PFA if their complaints have not been dealt with satisfactorily by the Fund. Please consult the PFA's website (www.pfa.org.za) for more details.