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## 1. Chairman's Report

The past year has been challenging as market performance has come under pressure amid extreme global volatility. This past December alone saw financial and political events collide to create one of the worst years since the global financial crisis of 2008. South African stocks were not spared from the extreme global market volatility and sentiment driven investing. The All Share Index (ALSI) ended the year on -8.53%. You will see the effect of this coming through in the investment returns of the Growth Portfolio.

Good retirement planning is dependent on the contributions you make, the investment returns (or interest) earned on your contributions and the period of investment. We've

included some tips on how to increase your retirement savings to ensure that you are on track to a comfortable retirement.

The Board of Trustees remained focused on managing costs so that a greater portion of members' contributions is allocated to retirement savings. As part of the annual market review of the costs of the risk benefits, we were able to obtain a small saving.

Strategies have also been developed by the Board of Trustees to ensure that USRF complies with the default regulations from 1 March 2019.

Regards

Prof Niel Krige  
**Chairman**

## 2. Financial Statement

Your fund value is invested in the Growth Portfolio until you reach age 60. From age 60, USRF offers a default lifestage investment portfolio where members' money is automatically phased from a high-growth / high-risk to a low-growth / low-risk portfolio over a six-year period.

From age 53, members have the option to choose from five investment portfolios, namely the:

- Growth Portfolio (the default investment portfolio until age 60);
- Multi-managed Aggressive Absolute Return Portfolio;
- Multi-managed Conservative Absolute Return Portfolio;
- Capital Protection Portfolio; and
- A portfolio offering hedging against interest rate fluctuations.

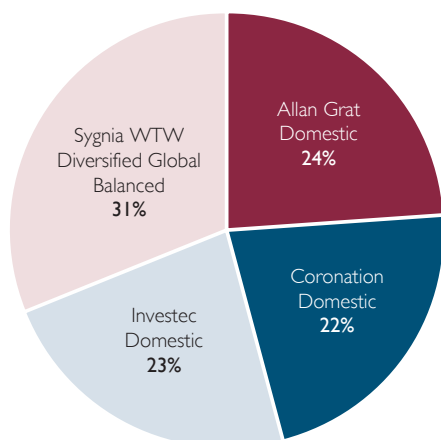
USRF also offers members who wish to invest their fund credit according to Islamic principles, the option to invest in the Old Mutual Albaraka Balanced Shari'ah Portfolio. Members opting for the Shari'ah portfolio cannot participate in the lifestage investment strategy. However, members are entitled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

The Board of Trustees monitors and assesses the investment strategy of USRF on an ongoing basis. This process includes assessing the investment portfolios, strategic asset allocation as well as the performance of all the underlying asset managers.



## Growth Portfolio

The composition of the Growth Portfolio as at 31 December 2018 was as follows:



A summary of the Growth Portfolio's returns to 31 December 2018 is shown in the table below:

Period	Growth Portfolio	Peer group median*	Peer group top quartile**	Inflation	Inflation plus 5%
12 months	-2.17%	-2.14%	-1.59%	5.18%	10.18%
36 months	7.10%	3.91%	4.29%	5.48%	10.48%
60 months	7.22%	6.36%	7.04%	5.39%	10.39%

\* The peer group median is the investment manager that performed in the middle of its peer group, consisting of the 12 largest investment managers in South Africa. This is indicative of the performance of other retirement funds over these periods.

\*\* The peer group top quartile comprises the investment managers who outperformed three-quarters of their peer group. The peer group benchmarks are derived from the Alexander Forbes survey.

It is important to remember that saving for retirement is a long-term investment. You are therefore urged not to focus too much on short-term investment returns. However, it is pleasing to note that the Growth Portfolio comfortably outperformed the peer group top quartile over 3- and 5-year measurement periods to 31 December 2018. Over the shorter 1-year measurement period it performed in line with the peer group median manager.

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

## 3. Benefit and projection statements as at 31 December 2018

Your benefit statement confirms your fund value as at 31 December 2018, as well as your retirement fund contributions from 1 January to 31 December 2018, and retirement, death and disability benefits. Please check the information on your benefit statement and contact the Human Resources Client Services Centre (+27 (0) 21 808 2753 / [sun-e-hr@sun.ac.za](mailto:sun-e-hr@sun.ac.za)) if any details on the statement are incorrect.

The projection statement accompanying your benefit statement only serves as a guideline to determine the estimated monthly pension as at the normal retirement date. Therefore, it is important to consult a financial adviser before you make any retirement decisions. The actual value of the monthly pension can only be determined at the time when the pension is purchased at retirement. Please note that the estimated monthly pension is reflected as a percentage of your monthly pensionable income. It is important to note that the pensionable income used for the projections amounts to 75% of cost of employment for most staff members.

The assumptions applied to the projection statements are the same as those used by the *Retirement Calculator* on Sanlam Retirement Fund Web.

In calculating the estimated pension at retirement, the 31 December 2018 projection statements also take into account the post-retirement medical fund subsidy some members qualify for. This is a valuable benefit and demonstrates the difference it makes to your retirement projections.

## 4. How to increase your retirement savings

Your projection statement shows your estimated pension ratio (EPR), which is a guide to show you what level of pension you can expect at retirement. It is recommended that you aim to earn at least 80% of your annual pensionable salary (75% of total cost of employment) at retirement in order to have the same standard of living after retirement. In other words, you need an 80% EPR.

Here are some tips on how to increase your retirement savings to ensure that you are on track to a comfortable retirement:

- **INCREASE your contribution rate.**

USRF allows you to choose from various contribution rates between 15% and 35% of pensionable salary. You have the opportunity to restructure your remuneration package annually and increase your contribution rate to USRF at no extra cost. The more you contribute, the better your chance of reaching your retirement goal.

Importantly, these contributions are tax deductible up to certain limits. In addition, members who already contribute at a rate of 35% of pensionable salary also have the opportunity to make additional member contributions. The additional contributions to USRF are made on a post-tax basis as an ordinary deduction. Refer to point 5 to see how the tax deduction is dealt with in respect of these additional contributions.

- **PRESERVE your savings.**

When you change jobs, you should avoid cashing in your retirement benefit and spending it at that point. You can leave your money in USRF to grow until retirement and benefit from the effect of compound interest. Avoid retiring early. If you can work after retirement, consider the deferred retirement option when you retire from the University.

When joining Stellenbosch University, transfer retirement savings in other funds to USRF at no additional cost and enjoy the low administration and investments fees levied by the Fund.

- **SELECT a suitable investment portfolio.**

From the age of 53, you can exercise investment choice in USRF to ensure that your money is invested in a investment portfolio which is appropriate for your needs.

Remember, the longer you contribute to your retirement savings, the higher your estimated pension ratio will be. Although retirement may seem many years away, investing just a little bit extra by increasing your contribution rate or making additional member contributions, will have a huge impact on your pension one day.

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

## 5. Tax treatment of contributions made to USRF

From 1 March 2016, you are entitled to a tax deduction of up to 27.5% of your 'remuneration' or 'taxable income' (whichever is the greater) on contributions made to a retirement fund, such as USRF, or a retirement annuity, subject to a maximum of R350 000 in any tax year.

USRF allows you to make contributions of up to 35% of pensionable salary (or 27.5% of total cost of employment). Members who already contribute at a rate of 35% of pensionable salary also have the opportunity to make additional member contributions on a post-tax basis as an ordinary deduction. Although contributions exceeding the limits in a tax year will not receive a tax deduction in that specific tax year, the tax deduction will roll over on an annual basis until retirement. This means that the amount of excess contributions can be used to increase the value of any tax-free lump sum you take before or at retirement, or to reduce the taxable portion of your annuity income in retirement.

Deferred retirees who are re-employed by the University on a temporary basis after retirement are allowed to make contributions to USRF on a post-tax basis. The tax deduction for these contributions will only be calculated upon the assessment of your tax return by the South African Revenue Service (SARS) at the end of the tax year.

## 6. Cost implications of risk benefits

Every year the University and USRF test the insurance market with the aim of obtaining cheaper insurance premiums for your existing risk benefits.

Momentum's rate for the insured Spouse's and Children's pension cover in USRF remained unchanged for 2019. However, they offered a lower rate for Group Life Assurance for active members.

Although Old Mutual increased the rate for the unapproved Spouse's cover slightly, it is still a very cheap rate. The rates for the Disability Income cover and Funeral cover remained unchanged for 2019.

The overall effect of the changes was a monthly saving of 2.8% in the premiums for risk benefits for some members.

Remember that if you are a single member with no spouse or children, you can opt out of the insured Spouse's and Children's pension cover in USRF. You also have the option to take out additional cover of twice pensionable salary via the Group Life Assurance scheme. Contact the Human Resources Client Service Centre at +27 (0)21 808 2753 / sun-e-hr@sun.ac.za for more information on how to exercise these options.

If you do exercise the option of no insured death benefit in USRF, and get married and/or have children at a later stage, you will have to select the insured Death benefit in USRF to ensure that your spouse's and/or children's needs are catered for in the event of your death.



## 7. Sanlam Retirement Fund Web and Sanlam app – your access to USRF

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, see where your money is invested and the investment portfolio returns, as well as your up-to-date fund credit and risk benefits, all at the click of a button, 24/7. The *Retirement Calculator* can assist you to check whether you are saving enough for retirement. 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](http://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 / user name.
- 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.**

### 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 USRF information.

## 8. Rule amendments

During 2018 the Fund rules of USRF have been amended as follows:

- Rule amendment no. 10 makes provision for:
  - a. Payment of the death benefit of a deferred retiree in terms of section 37C of the Pension Funds Act.

The rule amendment was registered and approved for tax purposes on 8 May 2018.

- Rule amendment no. 11 makes provision for:
  - a. The alignment of the Fund rules to the Financial Sector Regulation Act of 2017.
  - b. An in-fund preservation option to be available upon exiting the employer before retirement, in terms of the default regulations.
  - c. Retirement benefit counselling to be available upon exiting the employer.
  - d. The transfer of a retirement benefit at retirement date to a retirement annuity, in line with the amendment to the Income Tax Act of 2017.
  - e. Members who have chosen not to join the Fund within 12 months after joining the employer, to join the Fund at any time.
- The rule amendment was registered and approved for tax purposes on 29 November 2018.

## 9. Default regulations

In terms of the default regulations all retirement funds, including USRF, will have to implement three default strategies with effect from 1 March 2019. The aim of the regulations is to improve members' retirement outcomes by ensuring that they get good value for their retirement savings.

From 1 March 2019, retirement benefit counselling must be offered to all members upon the following events:

- Members exiting the employer before retirement and who either choose to transfer their benefit to another retirement savings product offered by a registered financial institution, or request that their benefit be paid as a cash lump sum.
- At least three months before their normal retirement age.

**Retirement benefit** counselling refers to the disclosure and explanation in clear and understandable language of the risks, costs and charges of any fund options available to members.

### Let's take a look at how USRF complies with these regulations.

- **DEFAULT INVESTMENT PORTFOLIO**

USRF already meets the requirement of offering a default investment portfolio into which members will automatically be enrolled when they join USRF. The investment strategy is regularly reviewed by the Board of Trustees to ensure that members pay reasonable fees and receive optimal investment returns.

Members' contributions are invested in the Growth Portfolio until age 60. From the age 60, USRF offers a default lifecycle investment portfolio where members' money is automatically phased from a high-growth / high-risk to a low-growth / low-risk portfolio over a six-year period. From age 53, members have the option to exercise investment choice outside the default.

- **DEFAULT PRESERVATION STRATEGY**

From December 2018, USRF offers members exiting the service of the employer the option to remain invested in USRF in terms of the in-fund preservation option and to become a paid-up member. This allows members to remain invested in the investment portfolio they were invested in upon exit from employment, while still enjoying the benefits of economies of scale that the retirement fund offers, such as low administration and investment fees. Members will also have the option to exercise investment choice from the age of 53, as is the case for active contributing members. Furthermore, in line with the regulations, paid-up members may instruct USRF at any time to make payment of or transfer their benefit to another service provider.

USRF will facilitate face-to-face retirement benefit counselling to provide factual information and explain the options available to all members exiting the employer.

- **ANNUITY (PENSION) STRATEGY**

The Board of Trustees of USRF has endorsed an annuity strategy that complies with regulatory requirements. The Board recognised that members have different needs in retirement and agreed that the annuity strategy for Fund members will include both an inflation-linked life annuity option and the existing in-fund living annuity for members to consider.

The inflation-linked life annuity is suitable to cover members' basic needs (such as rent, medical aid, living expenses etc.) and the in-fund living annuity is suitable to cover additional needs over and above basic needs (such as holidays, hobbies etc.). It is important to note that this will not be an automatic default arrangement – members will have to make an active choice, i.e. 'opt in' to the strategy.

The inflation-linked life annuity will be provided as a policy in the name of the member, by one of the Fund's preferred service providers. The in-fund living annuity offers a trustee option and a customised option. The trustee option offers fixed drawdown rates per age group and two underlying investment portfolios without investment choice. The customised option offers flexible drawdown rates which are restricted per age band, and access to five underlying investment portfolios.

The trustees recognise that individual members' financial requirements are unique and are impacted by various factors. The size of a member's fund credit at retirement will thus be used as a guideline to determine which annuity is suitable for the member. Since members will have more than one option available to consider, the trustees believe it is necessary to provide members with retirement planning information and advice to help members make holistic and informed decisions regarding their retirement benefit in USRF. Members will receive individual, face-to-face retirement benefit counselling sessions at the premises of the University. USRF also facilitates and pays for individual advice before retirement, which will assist members in this regard.

**Life annuity** – an insurance policy or a contract between you, the member, and an insurance company. A capital amount is paid over by the Fund to an insurance company in return for a monthly income that is guaranteed to be paid to you until death.

**Living annuity** – an investment product in which the income is not guaranteed. Pension payments are dependent on the performance of the underlying investments of the pensioner's portfolio.

## So how will the annuity strategy work?

- **Financial advice at retirement**

USRF will provide you with two consultations with one of the preferred financial advisers of your choice (free of charge). The first consultation may be scheduled any time from age 53, and the second one in the year of your retirement, to assist you in making a decision taking your personal circumstances into account.

- **Retirement information document**

Within six months of your normal retirement date, you will be provided with a retirement information document. It will explain USRF's annuity strategy and the importance of each building block, the options offered by USRF, and access to retirement benefit counselling and individual financial advice. It will also include illustrative quotations for an inflation-linked annuity from four preferred service providers, namely Old Mutual, Momentum, Sanlam and Just SA, as well as illustrative drawdown rates of the in-fund living annuity.

- **Retirement benefit counselling**

Within six months of their normal retirement date, each member will receive face-to-face retirement benefit counselling, to provide them with factual information and to explain the retirement information document.

Group information sessions will be held to explain the information in the document.

***The Retirement Benefit Counsellor and the Financial Adviser will be assisting members with the final annuity quotations for purchasing an annuity and help with the applicable documentation.***

The USRF Board of Trustees will review the Fund's annuity strategy annually.

## 10. Management of the Fund

The USRF Board of Trustees consists of five employer and five employee trustees. The term of office of the trustees is three years. At the end of October 2018, Prof Prieur du Plessis resigned as an employer trustee. He was replaced by Mr Johan van der Merwe from February 2019.

### Let's take a look at the trustees:

Name	Capacity	Background	Current term expires
Prof Niel Krige	Chair and Employer trustee	Prof Krige is chairman of the Development Office and has served as a trustee since 18 November 2005.	17 November 2020
Mr Ché Bermosky	Secundus employee trustee	Mr Bermosky is a legal adviser at the University and has served as a Secundus trustee since 1 January 2018.	6 December 2019
Mr Le Roux Burrows	Employee trustee	Mr Burrows is a senior lecturer in the Department of Economics and has served as a trustee since 24 December 2002.	6 December 2019
Prof Johann de Villiers	Employer trustee	Prof De Villiers is a professor in the Business Management Department and has served as a trustee since 1 November 2000.	31 October 2021
Mr Peter Kirsten	Employee trustee	Mr Kirsten is working in the Remuneration and Benefits division of the Human Resources Department and has served as a trustee since 7 December 2016.	6 December 2019
Mr Manie Lombard	Employer trustee	Mr Lombard is Chief Director: Finance and has served as a trustee since 5 May 2011.	4 May 2020
Mr Victor Mothobi	Employer trustee	Mr Mothobi is Chief Director: Human Resources and has served as a trustee since 1 January 2018.	31 December 2020
Mr Johan van der Merwe	Employer trustee	Mr Van der Merwe serves as a director on the boards of various companies and has served as a trustee since 5 February 2019.	4 February 2022
Prof Wikus van Niekerk	Employee trustee	Prof Van Niekerk is Dean of the Engineering faculty and has served as a trustee since 7 December 2013.	6 December 2019
Prof Johan van Rooyen	Employee trustee	Prof Van Rooyen is an associate professor in the Department of Business Management and has served as a trustee and Secundus trustee since 7 December 2010.	6 December 2019
Prof Suzette Viviers	Employee trustee	Prof Viviers is a professor in the Business Management Department and has served as a trustee since 7 December 2016.	6 December 2019

Mr Japie Kotzé, a director in the Department of Human Resources, has been the principal officer of the Fund since 1 December 2012.

The term of office of the member trustees elected in December 2016 will expire in December 2019. During the second half of the year, members will be given the opportunity to elect 5 employee trustees to represent them on the Board of Trustees.

## I 1. Financial wellness information sessions to members aged 53 years and older

From age 53 onwards, as a member you can exercise individual investment choice in USRF. The Fund will invite you to a quarterly financial wellness information session to provide more information about the investment choices available to you. Information will also be provided to assist you in preparing for the choices you have to make before and after retirement. Eligible members will soon receive an invite to these sessions via email.

It is also advisable to make use of the financial advisory service as soon as you qualify for this (from age 53).

## I 2. Financial advice

You are reminded that USRF offers a financial advice service to members that is free of charge. Members aged 53 and older have access to this service. In particular, members who are considering early retirement and want to exercise individual investment choice, are encouraged to make use of the advice service.

**The panel of preferred service providers comprises:**

**Alexander Forbes Financial Planning Consultants:**  
+27 (0) 21 809 3750 / wesselsw@aforbes.co.za

**Efficient Wealth:**  
+27 (0) 21 914 8030 / martin@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 83 375 9831 / Hanlie.Wethmar@sanlam.co.za

USRF 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.

## I 3. The service providers of the Fund

USRF reviewed the service providers during 2018. The following service providers have been appointed by the Board of Trustees to assist with the management of the Fund. Their duties are set out below:



Service Provider	Service	Functions performed
Simeka Consultants & Actuaries	Benefit and actuarial advice	<ul style="list-style-type: none"> <li>• Advice on the Fund's benefit structure and changes in legislation.</li> <li>• Assistance with member communication.</li> <li>• Assistance with corporate governance compliance.</li> <li>• Producing an annual actuarial valuation to determine the financial soundness of the Fund.</li> </ul>
Willis Towers Watson	Investment advice (appointed from 1 March 2019)	<ul style="list-style-type: none"> <li>• Advice on the Fund's investment strategy.</li> <li>• Providing support with selection and evaluation of investment managers.</li> </ul>
Sanlam Retirement Fund Administrators	Fund administration	<ul style="list-style-type: none"> <li>• Monthly capturing of contributions.</li> <li>• Transfer and withdrawal of funds to and from the asset managers.</li> <li>• Payment of claims.</li> <li>• Issuing benefit statements.</li> <li>• Daily bookkeeping and preparation of the annual financial statements.</li> </ul>
ABSA Bank	Bankers	<ul style="list-style-type: none"> <li>• All fund transactions take place via the Fund's banking account.</li> </ul>
Momentum	Insurer	<ul style="list-style-type: none"> <li>• Insures the Death benefit (spouse's and children's cover) as defined in the Fund rules.</li> </ul>
Sygnia Allan Gray Coronation Investec Investment Solutions Sanlam Old Mutual	Asset managers	<ul style="list-style-type: none"> <li>• Managing the investments of the Fund according to the mandates agreed with the Board of Trustees.</li> </ul>
Ernst & Young Inc	Auditors (appointed from 1 January 2019)	<ul style="list-style-type: none"> <li>• Performing external audits.</li> </ul>

## 14. Important contact details

If you need more information on USRF you may contact the Remuneration and Benefits Division or the benefit consultant. Please contact the principal officer if you have any complaints about USRF.

### Principal Officer

#### Japie Kotzé

**Tel:** +27 (0)21 808 2754

**Fax:** +27 (0)21 808 2484

**Email:** [jjsk@sun.ac.za](mailto:jjsk@sun.ac.za)

### Benefit Consultant

#### Alfreda April

**Tel:** +27 (0)21 912 3316

**Email:** [alfreda@simekaconsult.co.za](mailto:alfreda@simekaconsult.co.za)

### Remuneration and Benefits division

#### Peter Kirsten

**Tel:** +27 (0)21 808 3740

**Fax:** +27 (0)21 808 2484

**Email:** [pkirsten@sun.ac.za](mailto:pkirsten@sun.ac.za)

### Pension Funds Adjudicator (PFA)

**Email:** [enquiries@pfa.org.za](mailto: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](http://www.pfa.org.za)) for more details.



