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## I. Chairman's Report

I have pleasure in providing an update of the past few months and in giving feedback on what has happened in the Fund. From an investment perspective, the Fund's investment returns were significantly affected by the slow-down in the global and local economy. However, despite the volatile market conditions, the USRF portfolios still performed very well against its peers.

Our auditors issued an unqualified audit report in respect of the audited financial statements for the year ended 31 December 2018. The financial statements were recently approved by the Board of Trustees and submitted to the Financial Sector Conduct Authority (FSCA).

The Board of Trustees has been focussing on enhancing the Fund's service delivery to its members

and is committed to ensuring that members' needs are considered. From 1 March 2019 USRF offers a counselling service free of charge to members who leave the employment of the University, as well as to members nearing retirement. Read more about this in section 7.

It is important that you keep your beneficiary nomination form up to date. Read more about how your benefit will be distributed should you pass away before retirement, as well as about the importance of having a Will in sections 8 and 9.

Members of USRF will be given the opportunity to participate in a member trustee election during the last quarter of the year. I urge you to participate in the election process.

Regards

**Prof N Krige**  
Chairman



## 2. Financial statements

The audited financial statements for the year ended 31 December 2018 were submitted to the Audit and Risk sub-committee of the Board of Trustees in June 2019. USRF'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 Financial Sector Conduct Authority on 1 August 2019.

## 3. Fund investments

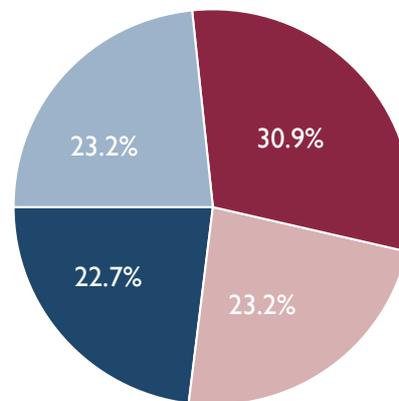
### Growth portfolio

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 Investec. 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 31 July 2019 was as follows:

### Manager allocation

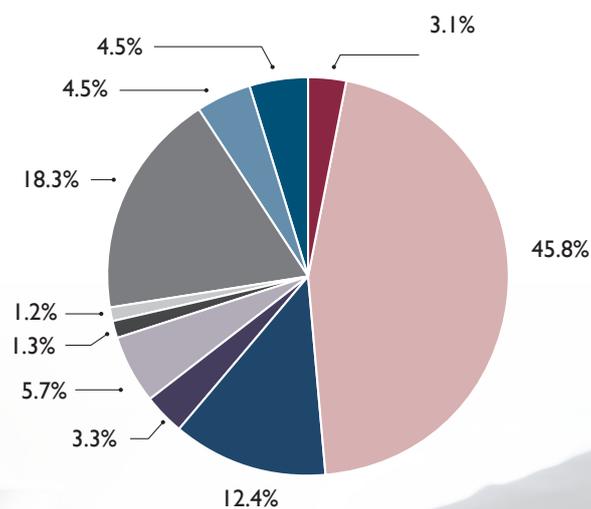
- WTW Diversified Global Balanced
- Allan Gray Domestic
- Coronation Domestic
- Investec Domestic



The composition of the Growth Portfolio per asset class as at 30 June 2019 was as follows:

### Asset allocation

- SA Equity
- SA Bonds
- SA Property
- SA Cash
- SA Hedged Equity
- SA Commodity
- Global Equity
- Global Bonds
- Global Property
- EM Equity



A summary of the Growth portfolio's returns (net of fees) to 30 June 2019 is shown in the table below:

Period	Growth Portfolio	Peer group top quartile*	Inflation plus 5%
12 months	3.5%	4.1%	9.5%
36 months	6.0%	5.1%	9.7%
60 months	7.1%	6.3%	10.0%

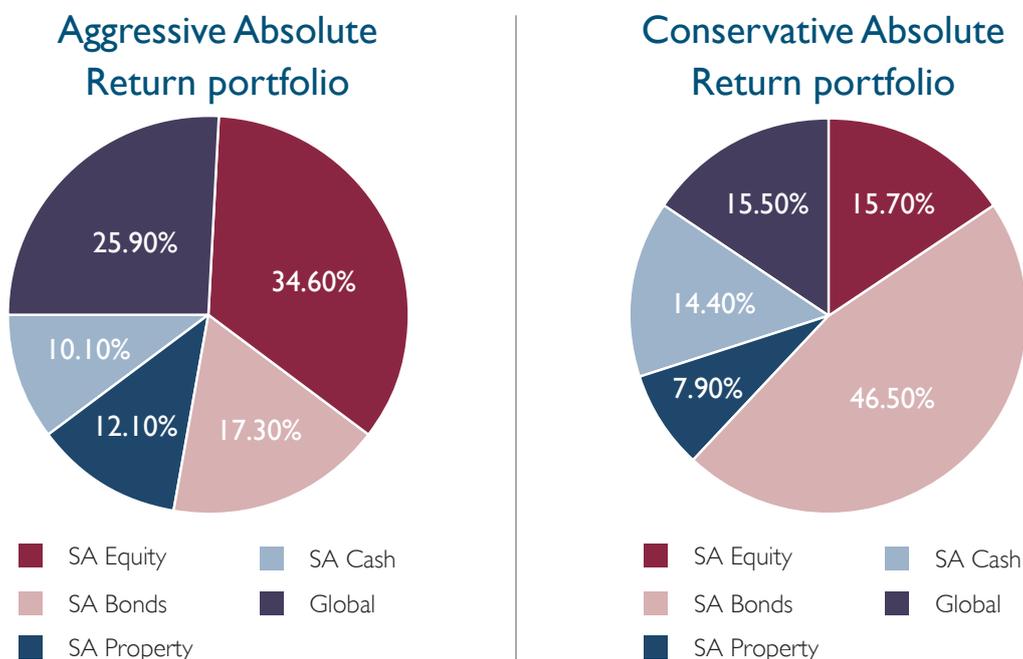
\* The peer group top quartile comprises the investment managers who outperformed three-quarters of their peer group. The peer group benchmarks are derived from the Alexander Forbes survey.

The Growth Portfolio has outperformed the top quartile peer group over the 36- and 60-months periods which is a very favourable outcome. The outperformance was largely attributable to the returns delivered by the Fund's global investment strategy.

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

## Aggressive and Conservative Absolute Return portfolios

The asset allocation of the portfolios as at 30 June 2019 were as follows:



A summary of the returns (net of fees) of USRF's other portfolios as at 30 June 2019 is shown in the table below:

Portfolio	Inception date	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	7.7%	4.5%	6.6%	5.0%
Conservative Absolute	01/02/2017	8.5%	4.5%	7.9%	5.0%
Capital Protection	01/04/2009	8.5%	4.5%	9.2%	5.2%
Shari'ah	01/12/2017	7.3%	4.5%	4.4%	4.9%

The Aggressive and Conservative Absolute Return portfolios have delivered real returns of 1.6% p.a. and 2.9% respectively over the two years, six months since inception.

## Total Expense Ratio (TER)

The estimated Total Expense Ratio (TER) for the Growth Portfolio is **0.74%**. The estimated TER for the Aggressive and Conservative Absolute Return portfolios is **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 %) 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).*

## 4. The Fund's default lifestage 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 normal retirement date. Your money is then automatically phased from a high-growth / high-risk to a low-growth / low-risk portfolio from six years before retirement.

According to the strategy, with effect from 1 January in the year of the member's 60th birthday, the full 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. This will result in the fund credit being held in equal portions (50/50) in the two Absolute Return portfolios at normal retirement date.

The lifestage strategy is explained in the chart below:



## 5. Investment options

From age 53, USRF 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.

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.

## 6. Retirement Benefit Counselling

From 1 March 2019, USRF is offering face-to-face retirement benefit counselling to members before leaving the employ of Stellenbosch University (SU).

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

In particular, explaining the process, terms and conditions of:

- The available investment portfolios;
- The preservation options available in the Fund;
- The Fund's annuity (pension) strategy;
- Any other options available to members.

Retirement benefit counselling does however **not include advice**, even on tax matters.

When a member decides to leave the service of SU before retirement, the Fund's retirement benefit counsellor will contact the member to arrange a face-to-face counselling session to explain the options available and the tax implications of taking a portion or the full fund credit in cash.

Within six months of a member's normal retirement date, the retirement benefit counsellor will send the member a retirement information document. It will explain USRF's annuity strategy and the importance of each building block and the options offered by USRF. The document will contain 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.

The retirement benefit counsellor will contact the member to arrange a face-to-face counselling session to provide factual information and to explain the Fund's retirement information document. The retirement benefit counsellors may not give financial advice. USRF offers members the option to see an advisor of one of the five preferred financial advisor firms to assist them with their final choices at retirement.

## 7. Default preservation option in USRF

From 1 January 2019, USRF offers members the option to become a paid-up member of the Fund upon termination of service before retirement, whether it be as a result of resignation, retrenchment or dismissal. Being a paid-up member means that your money will remain in USRF until such time as you wish to withdraw it in cash, transfer it to another approved fund or finally retire from all employment. In addition, USRF will provide such members with paid-up certificates within two months of becoming a paid-up member.

As a paid-up member the following will apply:

- Your fund credit will remain invested in the portfolio that it was in when you left the service of SU and continue to earn investment returns. You will also be able to switch to the other available portfolios from the age of 53;
- You will no longer be able to make contributions to USRF, but you will still pay administration expenses whilst you are a paid-up member;
- You will not qualify for any risk benefits from the date you leave service of SU;
- In the event of your death, your fund credit will be distributed in terms of Section 37C of the Pension Funds Act;
- You will receive a benefit statement annually.

**Please note:** If USRF does not receive an instruction from you on what you want to do with your fund credit, you will automatically become a paid-up member.

It is very important to preserve your retirement fund savings when leaving employment. There are very cost-effective ways of doing so, like leaving your retirement benefit in your current fund or transferring it to your new employer's fund. This way you get to save on paying tax on the benefit and your retirement savings stay intact, and you will get closer to your retirement goals. Even if you have only been a member of USRF for a short period of time and your accumulated fund credit may seem small to you, preserving it will help you to reach your retirement goals over the longer term.

## 8. Distribution of death benefits before retirement

Upon death before retirement your USRF fund credit becomes payable. If you have decided **not to opt out** of the approved death cover offered by the Fund, a spouse's pension equal to 35% of your pensionable salary is payable, as well as a children's pension equal to 10% of your pensionable salary for each dependent child but limited to three dependent children at any given moment. Should no pension be payable to a spouse, the amount of the children's pension will be doubled. A minimum death benefit, equal to two times pensionable salary is payable.

It is the responsibility of the Board of Trustees to distribute the lump sum death benefit (fund credit and two times pensionable salary [if applicable to you]) payable from the Fund on your death, between your dependants and/or nominees in a manner and proportion that the Board deems equitable. It is important to note that your death benefit will therefore not be distributed in terms of your Will.

The following individuals will qualify as a dependant on your death:

- A person whom you were legally liable to maintain (care for), regardless of whether you in fact did or not, e.g. your spouse or your child, including a child born out of wedlock, a posthumous child or a legally adopted child;
- A person whom you were not legally liable to maintain (care for) but the person was, factually/financially dependent on you for maintenance, e.g. your permanent life partner;
- A person whom you would have become legally liable to maintain if you did not pass away, e.g. your fiancé or an unborn child.
- A nominee is any person you have nominated on your beneficiary nomination form to receive a portion of your death benefit. Your nominee must be a natural person.

In the event that you are survived by both your **dependants and nominees**, your benefit will be divided between the dependants and nominees in such proportions, as the Board of your fund may deem equitable. The distribution of your death benefit between your dependants and nominees is subject to the discretion of the Board and the Board is not required to grant a portion of the benefit to both categories or either one to a greater extent than the other.

If it happens that you are **not** survived by any dependants but you have completed a beneficiary nomination form, the Board of the Fund must pay the benefit to your nominee(s), provided that any shortfall in your estate (aggregate amount of debt in the estate of the member exceeds the aggregate amount of the assets of the estate) must first be settled before the remaining balance of the death benefit can be used to pay the nominee(s). The distribution of your death benefit will no longer be subject to the discretion of the Board of the Fund if you are only survived by a nominee(s).

If you are not survived by any dependants and you have failed to nominate any beneficiaries, your death benefit will be paid into your estate.

To ensure a fair distribution of your death benefit between your dependants and/or nominees, the Board will investigate and assess each beneficiary's status in terms of financial dependence on you at the time of your death, and importantly, the extent of that dependence. The Board will also look at other amounts paid to your beneficiaries as a result of your death (e.g. testamentary bequests); the future earning potential and prospects of the beneficiaries; the respective ages of the beneficiaries; the relationship of the beneficiaries with you at the time of your death; and the size of your death benefit.

If there is a beneficiary who is a minor, i.e. below the age of 18, your minor beneficiaries' benefits may be paid to their legal guardian or caregiver, to a beneficiary fund or to a trust, to allow the benefit to grow until the minor reaches majority age. Before funds are paid to the guardian or caregiver of your minor children, the Fund will investigate the circumstances under which such funds are likely to be administered by such person.

There are two circumstances, which would allow the Board to pay your death benefit into a trust on behalf of your minor dependant(s):

- If the trust was nominated by you (by way of a testamentary trust) or by the guardian of your minor dependant(s); and
- If the trust stipulates that the benefit paid into the trust is for the exclusive benefit of the minor dependant(s), and that the minor dependant(s) shares/share in the same proportion in the benefit as determined by the Board of your fund.

**Important Note:** A beneficiary nomination form is an expression of your wishes on which you indicate who you wish your fund death benefit must be paid to in the event of your death while still in service of your employer.

Even if you do not have any dependants, you should still complete a beneficiary form and nominate someone who your benefits should be paid to. If you do not do so, your benefit will be paid to your estate. This will incur executor's fees, which would ordinarily not apply to a payment made directly to a nominee. It should be noted that the trustees are bound by law to settle any shortfall in your estate before paying your nominee(s).

**Remember to update your beneficiary nomination form, especially after life events such as marriage, divorce, getting a child, the death of a beneficiary etc. You can update your beneficiary nomination form on the Oracle self help system.**

## 9. Estate planning

Like anything in life, having no plan in place makes any task so much more difficult. This remains true for estate planning. The simplest way of understanding what estate planning is, is to think of it as leaving things in order for your loved ones, when you move on from this life.

Your estate comprises everything you own, such as your car, home, other property, furniture, personal possessions, money in bank accounts, investments and even personal life insurance you may have. No matter how big or small, everyone has an estate and something we all have in common is that we cannot take it with us when we die.

Two of the most important things regarding your estate are to ensure that you have a valid and up-to-date Will, and to ensure that you have sufficient liquidity in your estate for the payment of the various costs and duties, which may be due as part of executing your estate after you have died.

Your Will is a roadmap of what you wish to happen when you are no longer around. In drafting your Will, you would have considered some of the following questions:

- Who to leave your general estate to;
- Whether you had any specific things you wanted to leave to someone;
- Whether a testamentary trust is required to protect the inheritances of your children;
- Who you would nominate as guardian to look after your minor children, if you have any;
- Whether you wish to be buried, cremated or whether you have other wishes for your remains, e.g. organ donation etc.;
- Who you would appoint as executor or joint executors to wind up your deceased estate in terms of your Will.

In addition, an important consideration that many people neglect is the costs borne by the deceased estate.

You should allow for sufficient cash assets to cover expenses such as:

- **Executor's fees** – for the person/financial institution responsible for handling the final financial and legal affairs of the deceased person;
- **Conveyancing attorney fees** – for ownership of a property to change hands, it needs to go through a registration process at the deeds office;
- **Estate duty** – a tax levied against the estate if the value of the estate exceeds a certain amount;
- **Settling of liabilities** – e.g. bond, credit card debt and administration costs;
- **Testamentary trust fees** – if applicable;
- Any other **taxation liabilities** that may arise at death, such as capital gains tax.

Should your estate not be liquid enough at death, your family members and dependants may suffer hardship, as they may have to provide cash themselves or agree to the sale of an asset to generate the cash needed.

Without a valid Will, your estate will be distributed according to the laws of succession, and may not be aligned according to your wishes.

Having a valid Will in place together with an updated nomination of beneficiary form will go a long way in ensuring that your possessions are distributed in the way you intended. You then leave your loved ones with greater financial peace of mind.

**Please note** that the information above should not be construed as financial advice. It is merely for information purposes. We highly recommend that you consult your financial advisor in order to obtain holistic estate planning advice.

## 10. Employee Trustee Election

The USRF Board of Trustees consists of five employer and five employee trustees. The term of office of the employee trustees elected in December 2016 will expire in December 2019. During September and October 2019 members will be given the opportunity to elect five employee trustees to represent them on the Board of Trustees.

Be on the lookout for communication regarding the election and ensure that you use your vote wisely. Remember, the persons you elect should be keen to represent their colleagues in managing the affairs of the Fund.

## 11. 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, 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 Retirement Fund Web?

- Visit [www.sanlam.co.za](http://www.sanlam.co.za). Click on Login (top right) and select Secure Services.
- elect 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.

- 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 USRF information.

## 12. 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 1028 / 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.

## 13. 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

#### Benefit Consultant

#### Alfreda April

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

**Fax:** +27 (0)21 912 3341

**Email:** 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

#### Pension Funds Adjudicator (PFA)

**Email:** 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.