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I. Chairman's Report

The past year provided challenges regarding slow global as well as local economic growth. The slow local economic growth can be attributed to the power cuts enforced by Eskom, policy uncertainty and ongoing corruption, while global uncertainty was due to the US-China trade war and Brexit. South African investors, however, saw a much-improved 2019, with most of the major asset classes yielding good returns for the year. You will see the effect of this coming through in the investment returns of the Growth Portfolio.

We want to thank the members who participated in the member trustee election held in the last quarter of 2019. Many thanks to the outgoing trustees, Prof Viviers and Mr Burrows, for their contributions made over the years, which were very valuable in the management and operation of the Fund. We want to extend a special word of welcome to the newly elected member trustees, Prof Pillay and Mr Bermosky, as well as the newly elected alternate member trustee, Prof Ajam.

One of most important factors affecting your retirement outcomes is the contributions you make towards retirement savings. Making additional voluntary contributions (AVCs) could put you back on course to a comfortable retirement. Read more about the impact of AVCs in Section 8.

During the year, the Fund's actuary performed the annual actuarial valuation of the Fund as at 1 January 2019. The results showed that the Fund was in a sound financial position for the period under review.

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

Regards

Prof Niel Krige
Chairman



2. Management of the Fund

The USRF Board of Trustees consists of five employer and five member trustees. The term of office of the trustees is three years. During the second half of 2019, members were given the opportunity to elect five member trustees to represent them on the Board of Trustees.

The trustees appointed by the employer are:

Name	Capacity	Background	Current term expires
Prof Niel Krige	Chair and Employer trustee	Prof Krige is extraordinary professor at USB and has served as a trustee since 18 November 2005.	17 November 2020
Prof Johann de Villiers	Employer trustee	Prof De Villiers is a professor in the Department of Business Management and has served as a trustee since 1 November 2000.	31 October 2021
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 is the Co-CEO of African Rainbow Capital and serves as a director on the boards of various other companies and has served as a trustee since 5 February 2019.	4 February 2022

The elected member trustees are:

Name	Capacity	Background	Current term expires
Mr Ché Bermosky	Member trustee	Mr Bermosky is a legal adviser at the University and has served as an alternate trustee since 1 January 2018. Mr Bermosky is now a full member trustee.	7 December 2022
Mr Peter Kirsten	Member 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.	7 December 2022
Prof Pregala Pillay	Member trustee	Prof Pillay is a professor at the School of Public Leadership and was elected as an employee trustee on 7 December 2019.	7 December 2022
Prof Wikus van Niekerk	Member trustee	Prof Van Niekerk is Dean of Engineering at Stellenbosch University and has served as a trustee since 7 December 2013.	7 December 2022
Prof Johan van Rooyen	Member trustee	Prof Van Rooyen is an associate professor in the Department of Business Management and has served as an alternate trustee and subsequently as a full trustee since 7 December 2010.	7 December 2022
Prof Tania Ajam	Alternate member trustee	Prof Ajam is a professor at the School of Public Leadership and was elected as an alternate member trustee on 7 December 2019.	7 December 2022

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

3. Actuarial valuation – 1 January 2019

The Fund's actuary performed the annual actuarial valuation of the Fund as at 1 January 2019. The results showed that the Fund was in a sound financial position for the period under review. The Fund's assets were sufficient to cover members' fund values as well as the various reserves at a funding level of 100.05%. The actuary confirmed that the Fund's investment strategy remains appropriate for the Fund's membership structure and the expected term of the Fund's liabilities. The actuarial valuation was approved by the Board of Trustees and submitted to the Financial Sector Conduct Authority (FSCA).

4. Fund investments

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

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

In addition, from age 53, members are offered investment options outside the default investment strategy. Members may choose from five investment portfolios, namely:

- 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.

The 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 the 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.

Please consult with an accredited financial adviser should you wish to make use of some of the investment options listed above.

A summary of the Growth Portfolio's returns to 31 December 2019 is shown in the table below:

Period	Growth Portfolio	Peer group	Inflation plus 5%
top quartile*	Inflation plus 5%	12.9%	9.0%
12 months	12.5%	12.9%	9.0%
36 months	7.2%	7.0%	9.4%
60 months	7.7%	6.8%	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 Willis Towers Watson Industry Median 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 outperformed the peer group top quartile over 3- and 5-year measurement periods to 31 December 2019.

A summary of the returns (net of fees) of the USRF's other portfolios as at 31 December 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	14.7%	4.0%	7.5%	4.3%
Conservative Absolute	01/02/2017	11.1%	4.0%	8.1%	4.3%
Capital Protection	01/04/2009	8.4%	4.0%	7.5%	5.1%
Shari'ah	01/12/2017	8.9%	4.0%	4.5%	4.3%

5. Investment Policy Statement

The Investment Policy Statement of the USRF was reviewed and redrafted during 2019. The new Investment Policy Statement consists of two sections, namely the Founding Principles and the Implementation sections. Under the Founding Principles section, more detail is provided about the Fund's mission, the core investment beliefs adopted by the Board of Trustees, the investment model, portfolio construction, manager selection, choice of indices (benchmarks), ESG (environmental, social and governance) policy, fee principles and conflicts of interest. Under the Implementation section, more detail is provided about each of the Fund's member investment choice portfolios as well as the lifestage model.

It is important to note that some changes have been made to the investment objectives of the underlying investment portfolios. The main changes to the respective investment objectives were:

1. Changing the respective peer groups;
2. Introducing a secondary real return objective;
3. Introducing a third return objective called the Reference Portfolio. This is a composite passive portfolio benchmark to objectively measure whether the active managers add value; and
4. Changing the measurement period of the investment objective (going forward, there will only be longer-term measurement periods for the respective investment objectives).

Below is a brief summary of the investment objectives of each investment portfolio:

Portfolio	Primary objective	Secondary objective	Reference Portfolio (refer to the relevant fact sheet or IPS for its composition)
Growth Portfolio	Achieve 75th percentile performance relative to the 'Global Balanced' peer group as represented by the Willis Towers Watson Industry Median Survey (previously the Alexander Forbes Best Investment View Survey) over a measurement period of five years	Deliver a real return of 5% p.a. net of fees over rolling seven-year periods.	Target outperformance of the Reference Portfolio is 1% p.a. net of fees over periods of seven years and longer.
Aggressive Absolute Portfolio	Deliver a real return of 6% p.a. net of fees over rolling three-year periods.	Avoid capital loss over any 24-month period.	Target outperformance of the Reference Portfolio is 1% p.a. net of fees over periods of seven years and longer.
Conservative Absolute Portfolio	Deliver a real return of 3% p.a. net of fees over rolling three-year periods.	Avoid capital loss over any 12-month period.	
Capital Protection Portfolio	Deliver a real return of 1.5% p.a. net of fees over any 12-month period.		Target outperformance of the Reference Portfolio is 0.75% p.a. net of fees over any 12-month period.
Shari'ah Portfolio	Perform in line with Reference Portfolio over rolling three-year periods.	Deliver a real return of 4% p.a. net of fees over any five-year period.	

Note: Real return is the return above inflation.

6. Investing for the long term

When investment markets become unstable and unpredictable, it may be tempting to invest in low-risk investment portfolios. This option has its disadvantages, such as the risk of not keeping up with inflation. One of the most important aspects to consider when investing is the time horizon of the investment.

Saving for retirement is a long-term investment. Your money will be invested for many years before you need the cash. Investments with medium to high growth potential and moderate to higher risk should therefore be considered.

Asset classes which meet these requirements are:

(a) Listed equities

This asset class includes all classes of listed equities – local and global listed equities, local and global listed property, and listed emerging market and frontier market equities. The expected real return of listed equities is between 4% p.a. and 7.5% p.a. over the next ten years or so, depending on the type of listed equity asset class. These expected returns are much higher than the expected real returns of money market instruments and most fixed interest investments over the same period.

Owning listed or unlisted equities is the best way to get exposure to and benefit from a range of human innovations and mankind's great ideas. One limitation is that returns of listed equities have historically been volatile and are expected to continue to be volatile in the future. An investment in listed equities is unlikely to be a smooth ride. However, it is expected to be one of the best asset classes from a return perspective in the long run. The investment portfolios in the USRF have exposure to these listed equity asset classes to various extents (note that the money market portfolio has no exposure to equities).

(b) Unlisted alternative growth assets

This asset class includes private equity, unlisted real estate and infrastructure assets. The real returns on these unlisted assets are expected to be high and in some cases higher than those of listed equities – mainly to compensate investors for the illiquidity of the assets. Illiquidity refers to the fact that the asset cannot be easily sold or exchanged for cash without a loss of value, because of fewer investors who are willing to purchase the asset. The value of these unlisted assets is also usually only unlocked over time. Therefore, an investment in unlisted assets typically extends over a long period, often five to ten years.

This is a more complicated asset class in the sense that there are typically minimum investment requirements for investors, investors are 'locked' into the investment for a specific term, and fee structures are typically complicated. The investment portfolios in the USRF do not currently have exposure to these unlisted assets. However, the Board of Trustees is continually evaluating opportunities in this space and will allocate investments to unlisted growth assets when the right opportunity arises.

7. Electronic benefit and projection statements

From this year, the USRF will be distributing both benefit and projection statements electronically via InfoSlips. Members will be able to access their statements via an attachment emailed to them. The statements are password protected by your identity number or your passport number. Hard copies of statements will still be provided to members who do not have access to email or the internet.

Remember, the projection statement accompanying your benefit statement only serves as a guideline to determine the estimated monthly pension as at 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. 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 the Sanlam Retirement Fund Web.

In calculating the estimated pension at retirement, the 31 December 2019 projection statements also take into account the post-retirement medical fund subsidy, which some members qualify for. This is a valuable benefit and demonstrates the difference it makes to your retirement projections.

Your benefit statement confirms your fund value as at 31 December 2019 and your retirement fund contributions from 1 January to 31 December 2019, as well as 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) if any details on the statement are incorrect.

8. Additional voluntary contributions (AVCs)

As a member of the USRF, you can make monthly AVCs or a lump sum AVC towards the Fund upon receipt of a bonus or an increase. These are additional contributions towards your retirement fund and are 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 the USRF. 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.

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. The USRF 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.

It is very important to be aware that an AVC is not a deposit account which can be withdrawn or refunded at any time.

AVCs are extra contributions towards your retirement and can therefore only be accessed when your fund benefit becomes due to you (on either withdrawal, retirement or death). Note that AVCs form part of your fund value and therefore the same rules will apply to AVCs on withdrawal, retirement or death as those applicable to the rest of your fund value.

Always remember that 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, by investing just a little bit extra via an AVC can have a huge impact on your future pension.

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.

9. Cost of risk benefits

Every year the University and the 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 the USRF was reduced for 2020. In addition, they also offered a slightly lower rate for Group Life Assurance for active members.

Old Mutual's rate for the Funeral cover has been reduced for 2020 and although the rates for the unapproved Spouse's cover and Disability Income cover increased slightly, these rates remained the most competitive.

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

REMEMBER!

If you are a single member with no spouse and/or children, you can opt out of the insured Spouse's and Children's pension cover in the USRF. You also have the option to take out additional cover of twice pensionable salary via the Group Life Assurance scheme.

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

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.

10. Sanlam Retirement Fund Web and Sanlam app – your access to the USRF

We encourage you to register on Sanlam's Retirement Fund Web and the Sanlam app. This will enable you 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. 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.

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.

11. Financial advice available to members aged 53 and older

You are reminded that the USRF 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@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

The 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 within 12 months of your retirement. Using this service is easy – simply follow these steps:

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

12. The service providers of the Fund

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

13. Important contact details

If you need more information on the USRF you may contact the Remuneration and Benefits division or the Benefit Consultant. Please contact the Principal Officer if you have any complaints about the USRF.

Principal Officer

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Remuneration and Benefits division

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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) for more details.