EXCELLENCE | CHOICE | ACCOUNTABILITY

UJ Pension Funds

UNIVERSITY OF JOHANNESBURG DEFINED BENEFIT PENSION FUND

Annual Trustees' Report as at 30 June 2013

CONTENTS

MESSAGE FROM THE CHAIRMAN

Planning for your retirement is something that must start when you first enter the world of work. The earlier you start to save, the better your position at retirement. This also means that if you change jobs, you must preserve your retirement savings. But this golden rule is not always applied by everyone. Some are more like slow-boiling pots, who need time to gather momentum.

Margot Fonteyn, one of the world's most renowned ballerinas, began her greatest artistic partnership with Rudolf Nureyev when she was 42 and he was 24. Benjamin Franklin signed America's Declaration of Independence when he was 70, and, closer to home, Nelson Mandela became South Africa's first democratically elected president at 76.

These icons show that it is never too late to work towards and achieve your dreams, just like it is never too late to plan and save for your retirement. The most important thing is to start. Take the first step towards the financial future you want by learning more about your retirement fund and what you can do to get to where you want to be.

This Trustees' Report follows on from the reports issued in previous years and is intended to keep you up to date on developments in your fund and to show you the financial position of your fund. Take this report and your personalised benefit statement to your financial planner. If you do not have a financial planner, please follow the guidance in this booklet to find one. Taking charge of your financial future means that you must seek appropriate professional advice.

Prof Derek van der Merwe
Chairman

YOUR BOARD OF TRUSTEES

Every retirement fund is run by a Board of Trustees. The Employer-Appointed Trustees are chosen by your employer and the Member-Elected Trustees are chosen by you, the members.

The Trustees have a duty to:

- Manage the fund according to the rules of the fund as well as pension fund and tax laws.
- Take all reasonable steps to make sure your interests are always protected.
- Act with care, diligence and in good faith.
- Avoid conflicts of interest.
- Act with fairness for all members and beneficiaries.
- Make sure proper control systems are in place.
- Make sure you get appropriate and adequate communication.
- Take reasonable steps to make sure contributions are paid on time.
- Get expert advice where they lack expertise.
- Make sure the operation and administration of the fund complies with all relevant laws.

The following Trustees made up your retirement fund's board as at 30 June 2013:

Chairman	Prof D van der Merwe
Principal Officer	Prof T Voogt
Employer-Appointed Trustees	Prof T Voogt Mr F Cooper Mr S Rossouw Vacant
Member-Elected Trustees	Prof D van der Merwe Prof W Hollander Prof J Sonnekus Prof H Alberts

The rules of the fund stipulate that the term of office for Member-Elected Trustees is five years. As the last election was held in 2009, the next election will be held in 2014.

YOUR FUND'S SERVICE PROVIDERS

The Trustees need expert advice to make sure they are managing your retirement money in the best way possible. The following companies have been appointed by your Trustees to help them manage your fund:

Service	Provider	Function
Actuaries and consultants	Alexander Forbes Financial Services	These are the mathematical and financial experts who perform the necessary calculations, such as benefit calculations, and who also make sure that your fund is in a sound financial position. They also advise the Trustees on the management of the fund, including the investment strategy.
Administrators	Alexander Forbes Financial Services	The fund's administrators handle all the day-to-day administrative duties of the fund. They make sure contributions are received on time, benefits are paid out, new members are registered, and so on.
Auditors	PricewaterhouseCoopers	The auditors examine the fund's financial statements once a year to make sure the fund's financial situation is above board and that the information reported in the financial statements is correct and accurate.
Bankers	Standard Bank	This is the bank where the fund holds its accounts, from which, and into which, fund money is paid.

FUND MATTERS

Appointment of Alexander Forbes

During 2012 the Trustees of the *University of Johannesburg Defined Benefit Pension Fund* embarked on an extensive process to review the fund's service providers. Following this process, the Trustees appointed Alexander Forbes on an initial three-year term, with effect from 1 January 2013, to provide administration, benefit consulting, actuarial, asset consulting and fund management services to the fund.

The change in administrators does not have any impact on the legal entity, investments or management of the fund. The benefit structures in the fund will also not change.

Benefit statements

You recently received a benefit statement detailing the contributions paid to the fund on your behalf and the values of your withdrawal, death, disability and retirement benefits at the date of the statement. Check your details carefully and use the contact details at the end of this report to report any errors.

Nomination of beneficiaries form

The Trustees have a duty to identify all qualifying dependants and nominated beneficiaries when a member of a retirement fund dies. A dependant is any person who you are legally liable to maintain, for instance a partner or child. It may also be a person for whose maintenance you were not legally liable, but whom you were supporting, such as elderly parents. In terms of Section 37C of the *Pension Funds Act* the Trustees then take into account relevant circumstances when dividing your lump sum death benefit in an equitable and fair manner between the dependants and nominated beneficiaries.

The nomination of beneficiaries form is available on the Intranet pages for the fund.

The information you provide on the nomination of beneficiaries form is a **guideline** to the Trustees for distributing the death benefit. If you have not completed or updated a nomination of beneficiaries form and your family members are difficult to contact, there can be a delay of up to 12 months before your benefits are paid out – and this at a time when your family is most in need of financial assistance.

- Keep your nomination of beneficiaries form updated by changing it whenever your personal circumstances change because of marriage, divorce or the birth of a child.
- If you do not fill in the names of people who are financially dependent on you, it will become the Trustees' duty later on to make sure that they get a portion of your death benefit, whether you wanted them to or not.
- If you have a dependant you wouldn't like to get a part of the death benefit, you still need to name them on your nomination of beneficiaries form. Put 0% next to their name and give a valid reason why they shouldn't get any of the benefits. But remember that the Trustees are not bound by your nomination form.

It is very important to understand that any Will you put in place has no effect on how the death benefit in your fund is distributed. The law says that your Will can't specify how your fund's death benefit must be shared. If your Will says that you would like your death benefit to go to a particular person, the Trustees can still override your wishes and share out the death benefit in a way that they feel is fair and in accordance with the *Pension Funds Act.*

What happens when you retire?

If you are an Annexure D and Annexure E member of the fund, you are a defined contribution member and you will not receive a pension from your fund. What you are entitled to is a lump sum equal to your member's equitable share. You need to get appropriate professional financial advice from a qualified financial adviser who will get you quotes for a pension from registered insurers. They will then advise you on your choices. By law, at least two-thirds of your money must be used to buy this pension. By law, you may take up to one-third in cash. The decisions on what portion, if at all, to take in cash, and which pension to buy are difficult and you need to get appropriate financial advice.

If you are a Main Rules, Annexure A, Annexure B or Annexure C member of the fund, you have the option of buying a pension (annuity) from a registered insurer at retirement or receiving a pension directly from the fund. You need to get appropriate professional financial advice from a qualified financial adviser who will get you quotes for pensions from registered insurers. You then need to carefully compare that to the pension you can receive from the fund. If you get a pension from the fund, there are no further commissions or fund management fees that you will pay. The pension increase policy for the fund is also available on the UJ Intranet page. Give that to your financial adviser. Irrespective of whether you get paid a pension from the fund or buy a pension from an insurer, by law, at least two-thirds of your money must be used to buy this pension. By law, you may take up to one-third in cash. The decisions on what portion, if at all, to take in cash, and which pension to buy are difficult and you need to get appropriate financial advice.

PENSIONERS

Pension increase policy

Members in the following categories may choose to receive a pension directly from the fund at retirement: Main rules, Annexure A, Annexure B and Annexure C.

With effect from 1 April 2013 the pension increase policy of the fund is to aim to grant increases on 1 April each year equal to:

- 55% of inflation for ex-NTRF pensioners
- 65% of inflation for other pensioners

This is subject to affordability given the fund's experience of pensioners relative to the valuation assumptions, including experience with the mortality of pensioners and investment returns.

The fund further aims to grant additional catch-up increases for pension increases to be:

- At least equal to 55% of inflation, subject to affordability, for ex-NTRF pensioners since 1 July 2008 or retirement date if later.
- At least equal to 65% of inflation, subject to affordability, for other pensioners since 1 January 2003 or retirement date if later.

Inflation is defined as the increase in the CPI inflation index over the preceding year. Pro rata increases will apply to pensioners who retired during the preceding year. The increase will be limited, in consultation with the valuator, such that the value of pensioner liabilities following an increase does not exceed the actuarial value of the assets held in the pensioner reserve account.

The reason for the differentiation between the ex-NTRF pensioners and the other pensioners is that the transfer value received from the *National Tertiary Retirement Fund* was based on a post-retirement rate which is higher than the post-retirement rate used in the fund. The assets received therefore support lower expected increases over the long term.

Set out below is a summary of the increases granted by the fund over the last number of years relative to inflation for the fund's previous year end:

Effective date	Increase granted	Annual inflation
1 April 2005	4.5%	3.6%
1 January 2006*	8.0%	-
1 April 2006	5.5%	3.8%
1 April 2007	6.0%	5.5%
1 April 2008	6.0%	10.1%
1 January 2009*	6.9%	-
1 April 2009	4.5%	10.3%
1 April 2010	4.1%	6.3%

** These increases relate to the minimum inflationary catch-up increases required every three years in terms of the Pension Funds Act.*

Pensioners who transferred from the NTRF were also granted increases from this fund from 1 March 2011 onwards.

Effective date	Increase granted		Annual inflation
	Non-NTRF pensioners	NTRF pensioners	
2011	3.5% (April 2011)	3.5% (March 2011)	3.5%
2012	4.0% (April 2012)	3.4% (March 2011)	6.1%
2013	5.7% (April 2013)	5.7% (April 2013)	5.68%

The fund has distributed letters to all pensioners with confirmation of the latest increases.

Who to contact?

Should you have any query related to your pension, including queries related to payment, pensioner cards and the updating of your details, you are welcome to contact Alexander Forbes at:

Pension payment division / Client interaction centre:
Tel: 0800 122 992 / 0800 112 157 / 011 269 0974
Fax: 011 263 2120
Email: PensionerQueries@aforbes.co.za

ECONOMIC COMMENT – QUARTER 2, 2013

Save for your future

The economy in South Africa is facing a number of challenges like the weakening Rand and rising fuel prices. This together with difficult labour relations and the uncertain global economic recovery put constraint on South Africa's growth.

In these tough economic times it is important to recognise the importance of saving for your future. Your 'savings goals' could be as ambitious as saving up for a house, the educational needs of your children or ensuring that you are fully independent and not financially reliant on either the government or your children when you retire one day.

If more South Africans saved, it could even improve some of our macroeconomic challenges like unemployment. One way of building up a savings culture, is when people start investing their savings into small business opportunities.

World economic problems

The Eurozone is still in recession with its economy shrinking and unemployment rising especially among the youth. The MSCI ratings agency downgraded Greece to emerging market status – the first developed country to suffer this fate – after Greece's stocks plunged 91% since 2007.

In the United States, markets reacted sharply when the Fed chairman, Ben Bernanke, indicated they may cut back quantitative easing (QE).

> Quantitative easing is when new money is printed and introduced into the money supply by a central bank.

Growth in emerging markets such as Brazil, India and China has slowed. China has experienced a 'cash crunch' as a result of rising interbank borrowing rates. This was done deliberately to curb excessive borrowing by limiting credit growth to achieve long-term sustainable economic growth.

India has suffered severe flooding and Brazil, the seventh largest economy in the world, has experienced political and economically motivated uprisings. Egypt has also been dealing with intense political unrest.

Market performance

The MSCI World Index, returned 9.12% (in Rands) for quarter 2, outperforming the MSCI Emerging Markets, which returned -0.40% (in Rands) for the quarter. The 1 year numbers of global returns converted to Rands highlight significant Rand weakening over the period, with 21.5% depreciation over the 1 year period to end June. The Citi WGBI returned 4.99% (in Rands). Locally, the FTSE/JSE All Share Index returned -0.22% (in Rands) for the quarter, with the BESA All Bond Index returning -2.27% (in Rands). South Africa's inflation, measured by the Consumer Price Index, came in at 5.6% year-on-year in May 2013 which decreased by 0.3 of a percentage point from February 2013. GDP growth for the first quarter 2013 revealed that the economy grew by 0.9% quarter on quarter, down from 2.1% in the fourth quarter 2012.

The Monetary Policy Committee decided, at its meeting held in May 2013, to keep the repo rate at 5%.

The repo (repurchase) rate is the rate at which the Reserve Bank lends money to commercial banks.

Asset class performance for periods ended 30 June 2013:

Asset class	Index	Q2 2013	1 Year	3 Years	5 Years	2012
Local shares	FTSE/ JSE All Share Index	-0.22%	21.01%	18.11%	8.55%	26.68%
Local bonds	BESA All Bond Index	-2.27%	6.24%	10.66%	12.17%	15.99%
Local cash	SteFi Index	1.27%	5.25%	5.70%	7.17%	5.55%
Global shares	MSCI World Index	9.12%	44.77%	24.65%	8.32%	22.47%
Global bonds	Citi WGBI	4.99%	15.92%	11.96%	8.05%	6.82%
Global cash	US 3 month Treasury Bill	8.22%	21.48%	9.09%	5.11%	5.17%

Source: Bloomberg
[The returns for the global asset classes have been converted from dollars to rands.]

Sources: The Economist, Bloomberg, Investment Solutions, SARB, Fin24, Bureau for Economic Research, Statistics South Africa, South African Reserve Bank, Alexander Forbes Asset Consulting, Alexander Forbes Research & Product Development

YOUR FUND'S INVESTMENT PERFORMANCE

All the money that is put into the fund makes up the fund's assets. To make the fund's assets grow, your Trustees appoint investment managers to invest the money. If markets perform well, the fund's assets can earn good investment returns, but if the markets perform poorly, the investment returns earned will be poor.

The assets of Main Rules, Annexure A, Annexure B and Annexure C members are invested in the Trustee portfolio. Annexure D, Annexure E and members with a medical lump sum have the option of investing in any of the investment portfolios, excluding the Trustee portfolio.

The range of portfolios available to Annexure D and Annexure E members, as well as members with a medical lump sum allows them to choose from various risk profiles. The aim is to give members access to a portfolio appropriate to their personal risk profiles and investment objectives. Members are allowed to review their investment choice on an annual basis and change to another portfolio if they want. Members are provided with this option each year on 1 July.

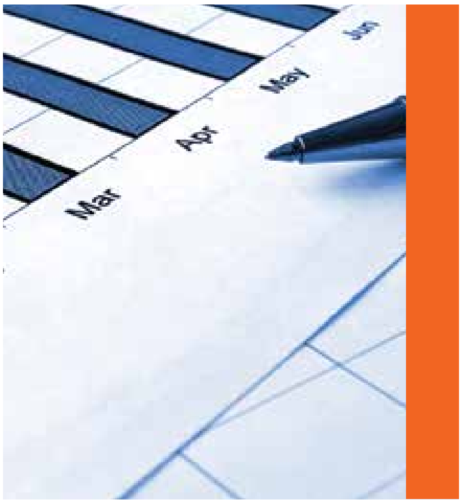
The following table gives you the gross percentage returns earned on your funds assets:

Invested in the following portfolios	Returns earned 12 months to 31 December 2012	Returns earned 36 months to 31 December 2012	Returns earned 12 months to 31 March 2013	Returns earned 36 months to 31 March 2013
UJ Wealth Creation	18.7%	14.2%	19.6%	14.0%
CPI +7% objective	*12.6%*	*12.1%*	*12.9%*	*12.3%*
UJ Wealth Preservation	14.8%	11.3%	14.7%	10.9%
CPI +5% objective	*10.6%*	*10.1%*	*10.8%*	*10.3%*
UJ Capital Protection	12.1%	9.3%	11.3%	8.9%
CPI +3% objective	*8.6%*	*8.1%*	*8.6%*	*8.3%*
UJ Money Market	5.4%	6.2%	5.1%	7.4%
CPI +1.5% objective	*7.1%*	*6.6%*	*5.7%*	*6.8%*
UJ Capital Guarantee	10.9%	8.8%	12.5%	9.4%
CPI +3.5% objective	*9.1%*	*8.6%*	*9.5%*	*8.8%*
UJ Shari'ah	6.2%	6.8%	7.5%	10.9%
CPI +5% objective	*10.6%*	*10.1%*	*7.4%*	*10.3%*
Trustee portfolio	19.37%	14.6%	22.0%	10.9%
CPI +5% objective	*10.6%*	*10.1%*	*15.7%*	*10.3%*

MEMBERSHIP DETAILS

The following table shows you the membership movements for the year under review:

Active members as at 1 January 2012	**312**
New members	-
Less:	
Withdrawals	(6)
Retrenchments	-
Adjustments	(6)
Retirements	(8)
Deaths	(1)
Active members as at 31 December 2012	**291**



Financial statements

The following are extracts from the audited financial statements for the period ended 31 December 2012:
Statement of net assets and funds as at 31 December 2012:

	2012 R	2011 R
ASSETS		
Non-current assets	1 258 579 814	1 105 087 424
Investments	1 258 579 814	1 105 087 424
Current assets	3 100 997	3 876 170
Accounts receivable	809 294	2 236 790
Cash at bank	2 291 703	1 639 380
Total assets	**1 261 680 811**	**1 108 963 594**
FUNDS AND LIABILITIES		
Members' funds and surplus account	788 489 460	660 542 878
Accumulated funds	739 732 819	595 159 215
Members' individual accounts	48 756 641	65 383 663
Reserves	424 084 166	391 557 697
Reserve accounts	424 084 166	391 557 697
Total funds and reserves	1 213 293 626	1 052 100 575
Non-current liabilities	44 790 899	46 211 134
Employer surplus account	40 906 152	40 906 152
Unclaimed benefits	3 884 747	5 304 982
Current liabilities	3 596 286	10 651 885
Benefits payable	3 427 276	8 380 111
Accounts payable	169 010	2 271 774
Total funds and liabilities	**1 261 680 811**	**1 108 963 594**

Statement of changes for net assets and funds for the period ended 31 December 2012:

	Accumulated funds R	Surplus and reserves R	Total current period R	Total previous period R
Contributions received and accrued	31 154 617	-	31 154 617	22 937 086
Reinsurance proceeds	1 530 076	-	1 530 076	-
Net investment income	139 819 212	60 092 773	199 911 985	96 684 745
Other income	2 262 510	-	2 262 510	-
Less:	(1 562 407)	-	(1 562 407)	(1 331 847)
Reinsurance premiums	(985 762)	-	(985 762)	(609 376)
Administration expenses	(576 645)	-	(576 645)	(722 471)
Net income before transfers and benefits	**173 204 008**	**60 092 773**	**233 296 781**	**118 289 984**
Transfers and benefits	**(45 257 424)**	**(26 846 304)**	**(72 103 728)**	**(345 162 374)**
Transfers from other funds	-	-	-	22 674 311
Transfers to other funds	(382 365)	-	(382 365)	(295 282 876)
Benefits	(44 875 059)	(26 846 304)	(71 721 363)	(72 553 809)
Net income after transfers and benefits	**127 946 584**	**33 246 469**	**161 193 053**	**(226 872 390)**
Funds and reserves				
Balance at beginning of period	660 542 876	391 557 697	1 052 100 573	1 275 521 811
Employer surplus account	-	-	-	3 451 152
Balance at end of period	**788 489 460**	**424 804 166**	**1 213 293 626**	**1 052 100 573**

RULE AMENDMENTS

Retirement fund rules must be registered under the *Pension Funds Act* and approved under the *Income Tax Act.* Changes made to the rules are called amendments and must be registered and approved by the Financial Services Board (FSB).

The following rule amendments were approved and registered during the period under review:

Rule amendment number 5

The main reason for this rule amendment is:

To provide for late retirement and to make provision for lump sum post-retirement medical aid contributions to be paid into the fund.

Rule amendment number 6

The main reasons for this rule amendment are:

- The definition of approved fund is amended to comply with tax legislative changes.
- The definition of employer is amended to remove the reference to associated institutions.
- The definition of normal retirement date is amended to refer to the end of the calendar year in which a member reaches age 65.
- The definition of pensionable remuneration is reworded to clarify that the pensionable remuneration for disabled members is based on salary and not benefit.
- The definition of pensionable service is amended to provide for the deduction of divorce orders and costs.
- The definition of pensioner is amended to only include persons receiving a pension from the fund.
- To remove the reference to "illegitimate child" in the definition of qualifying child.
- To expand the definition of qualifying partner to a spouse or civil union partner in accordance with the *Marriage Act,* the *Recognition of Customary Marriages Act,* the *Civil Union Act* or the tenets of a religion.
- Reference to acting principal officer is removed, as the Act does not make provision for acting principal officer.
- To specify that an investment manager's contract should also terminate in the event that he/she is no longer FAIS approved.
- To clarify the additional contributions rule for such contributions to be handled as a defined contribution benefit to protect the fund against anti-selection from members who expect large salary increases.
- Rule 9 is amended to comply with recent tax legislative changes.
- References in Rule 10 to Rule 9.1 are changed to Rule 9 to encompass all withdrawal benefits.
- Requirement of approval from the Commissioner where the greater benefit exceeds 10% of the original value of the benefit is removed.
- Rule 12.4 is updated to reflect the current legislation.
- Rule 12.14 is amended to reflect the fund's unclaimed benefits policy.
- Annexure B is amended to include pensionable service plus additional five years in the calculation of the retirement benefit.
- Annexure D and E are amended to provide for unitisation.
- To clarify that the post-retirement medical aid benefits being paid into the fund by the employer, shall be paid additionally to members in the same mode as the benefit that becomes payable.

Rule amendment number 7

The main reasons for this rule amendment are:

- To provide in the name and inception date paragraph that defined contribution benefits are still paid for certain categories.
- To provide for unclaimed benefits to be dealt with in terms of the fund's unclaimed benefits policy.
- To clarify that Annexure D members may buy a pension only from an insurer.
- To remove the provision for death benefits after retirement for Annexure D and E members as pensions are bought outside of the fund.

All of these rule amendments have been uploaded on the UJ Intranet pages for the fund. You can also view the rules at the fund's registered address, which is:

University of Johannesburg
Auckland Park Kingsway Campus
Cnr University and Kingsway Avenue
Auckland Park

LEGISLATIVE UPDATE

This section of your Trustees' Report gives you information on any important legislative changes that can affect your retirement savings.

How the national budget affects your retirement savings

Finance Minister Pravin Gordhan's 2013 national budget speech had very little immediate impact on retirement funds. There was no change to the retirement and withdrawal tax tables and the older persons' grant was increased slightly. But the minister announced far-reaching proposals to reform the retirement industry. These proposed changes should improve fund governance, encourage you to preserve when you change jobs and buy a pension when you retire rather than take cash.

A quick summary of the proposals:

- Individual contributions to all retirement funds, and employer contributions which constitute a fringe benefit, will be tax deductible up to a limit of 27.5% of the greater of salary or taxable income.
- There will be a yearly tax-deductible limit of **R350 000.**

Defining vested rights: When a right has vested, the person is legally entitled to what has been promised and can take it up with the courts if they do not get the benefit promised to them.

- **Vested rights** in retirement funds will be protected. Amounts accumulated including future growths on such amounts, at the date of the legislation (called **P Da**y) can be taken in cash upon exit from the fund.
- From **P Day** all retirement funds will have to have a preservation section or align with a preservation fund and transfer the benefit into the preservation fund when a member withdraws from the fund before retirement.
- Divorce settlements also have to be preserved.
- The minimum requirements for **annuitisation** will increase from R75 000 to **R150 000**.
- The government is looking at increasing retirement fund coverage for all workers.

Defining annuitisation: The process of converting your retirement savings into a pension – a series of periodic (usually monthly) income payments.

Retirement reform in a little more detail

The reform proposals follow from discussion papers issued by National Treasury in 2012 and extensive consultation with the formal and informal sectors. These proposals are still under discussion, with extensive development still to come.

Taxation of retirement funds

From an effective date, on or after 2015 (called **T Day)**, employer contributions to retirement funds will become fringe benefits in the hands of employees for tax purposes. This will enable individuals to receive a tax deduction on both the employee and employer contributions to retirement funds. This will be capped at 27.5% per year, with an overall cap of R350 000 per year. Excess contributions may be carried forward to future tax years, with the remaining balance being deductible on retirement.

Governance

Pension Fund Circular 130, which deals with retirement fund governance, will be re-issued as a Directive. The duties of Trustees to act independently and free of conflict will be included in this Directive, which will be issued later this year for comment. The Financial Services Board (FSB) will add and monitor ‘Fit and Proper’ requirements for trustees. The FSB’s current trustee tool kit may be made compulsory for trustees. The minister will convene a trustees’ conference to strengthen governance in retirement funds.

Preservation

Vested rights in retirement funds will be protected when members withdraw or retire. Members can take amounts in retirement funds at the date of implementation of the legislation (called **P Day**) – and any growth – in cash when they leave the fund before retirement. After **P Day**, all retirement funds will have to identify a preservation fund and transfer the benefit into the preservation fund when a member leaves the fund before retirement. Existing rules on preservations will be relaxed to allow one withdrawal every year, but the amount of the withdrawal will be limited. Pension interest payable to a non-member spouse after divorce will also have to be paid into the preservation fund.

Annuitisation

Annuitisation requirements for pension and provident funds will be streamlined and standardised. These new annuitisation requirements will only apply to new contributions paid to the fund after **P Day** and existing balances will not be subject to such regime. It will not apply to you if you have reached age 55 on **P Day**. To lessen the impact for provident fund members, the means test will be phased out by 2016 and the commutation threshold will increase from R75 000 to **R150 000.** Trustees will be able to guide members and living annuities will be allowed as a default option. Trustees who give commission-free financial advice will be protected if members choose the default option. Providers other than life offices will be allowed to sell living annuities and this will increase competition.

Broader reforms

The government is looking at increasing retirement fund coverage for all workers. This is a complex issue because most uncovered workers earn below the tax threshold. The government wants all public sector funds (including the *Government Employees Pension Fund)* to fall under the *Pension Funds Act.*

UNDERSTANDING FINANCES IN SOUTH AFRICA

The Financial Services Board (FSB) did a survey with the Human Sciences Research Council (HSRC) in 2011 to study financial literacy levels across South Africa. The study shows how South Africans save, manage budgets, spend, borrow and plan financially for the future.

Household budgets

51% of the population do not have a household budget.
This is one of the first steps to financial security. It might be scary to face the facts but it's much worse to deny them. Make sure you know your regular expenses, what you need to save up for and how much you need to save – and make sure you can afford it with the income you get. Once you have a clear picture you can start planning how to improve your situation.

Making ends meet

The majority (77%) of South Africans always or often carefully consider whether they can afford something before they buy it.
Good news! Saving up to buy something is definitely the wiser choice than buying what you can not afford and having to repay it later. This careful consideration is probably why only a small number of South Africans (11%) do not manage to pay their bills on time and why 43% even manage to set long-term financial goals. Sadly, 36% of South Africans are going without food and 12% without shelter. When in financial trouble, 41% will borrow money or food from family.

Retirement planning

Relying on family members to provide for retirement is an option for only about 1 in 10 South Africans.
44% of the respondents are confident that their retirement income will give them the standard of living they hope for in retirement. That is not even half. If only 10% can get help from family and friends, what will the rest do? While 47% plan to draw on a government pension, that is only R1 200 a month. Would that be enough to give you a comfortable retirement? If not, it might be time to speak to a financial adviser and look at your options.

Going forward

The study admits that many South Africans have very low levels of financial literacy, but very few will ask experts for advice and guidance. Make sure you understand, budget, plan and live within your means to have a financially secure today and tomorrow. And if you are not sure, ask!

The study will be repeated in the next five years. More information will be available on www.fsb.co.za.

Source: Financial Literacy in South Africa: Results of a national baseline survey 2012, FSB

FUND DETAILS

If you have any questions, comments or suggestions about the fund, your benefits, investments or any other fund-related issues, please contact one of your Trustees or your Principal Officer.

The fund's Principal Officer is Prof Thea Voogt.
You can email all of your questions to tlvoogt@uj.ac.za

The UJ HR representative dealing with pension fund matters is Ms Maggie Langedyk. You are welcome to contact her on 011 559 3643 or email magteldl@uj.ac.za.

You can also contact Alexander Forbes' dedicated UJ call centre line. The number is 0860 042 837.

Fund name:	*University of Johannesburg Defined Benefit Pension Fund*
Registered address:	University of Johannesburg Auckland Park Kingsway Campus Cnr University and Kingsway Avenue Auckland Park
Financial Services Board registration number:	12/8/30806

If there are any conflicts between the information given to you in this annual Trustees' Report and the official rules of the fund, the rules of the fund will always apply.

FINANCIAL ADVICE

The *Financial Advisory and Intermediary Services (FAIS) Act* came into effect in 2004. The *FAIS Act* gives you protection against poor advice, and will help prevent scam operators selling you a bogus 'financial' product.

In terms of the Act, anyone and any institution selling a financial product or giving you financial advice for a fee or commission must, in dealing with you, meet certain minimum requirements; behave honourably, professionally and with due diligence; provide you with appropriate advice and be subject to disciplinary procedures if they do not adhere to the *FAIS Act.*

The legislation, however, does not mean that people with ill-intent will not try to con you. You still have an obligation to protect yourself, and to make sure the person or institution giving you advice or selling you a financial product is properly licensed and behaves according to the law.

Questions to ask your financial planner and broker:

- Are you registered with the Financial Services Board as a Financial Services Provider (FSP)?
- Do you have indemnity insurance?
- Which company's products are you licensed to sell?
- What products are you licensed to sell?
- What are your qualifications?
- Will you do a financial analysis for me?
- Will you provide me with my risk profile?
- How will you be paid and how much? What other incentives do you receive?
- How often will I see you?

It is strongly advised that you discuss the various options available to you upon withdrawal with your financial planner. If you do not have a financial planner, you are welcome to visit the Financial Planning Institute's website www.fpi.co.za for a list of accredited financial planners in your area.

Alternatively, you may contact the administrators, Alexander Forbes, on the dedicated call centre line for the university. The number is: **0860 042 837.**

You may also contact Gina Benney, a certified financial planner (CFP) from Alexander Forbes, who has been assigned to the university's funds. Her email address is benneyg@aforbes.co.za. She is not remunerated by the fund and earns commission.

The Trustees specifically record that it remains the sole responsibility of a member to seek professional advice and any advice or communication between an adviser, planner, broker and member remains a personal matter for the member.

Disclaimer

Please note that while every care has been taken in compiling this report, any dispute regarding the interpretation of conditions will be settled in accordance with the official rules of the fund, provisions of the *Pension Funds Act* and the relevant policies of insurance.

7767-2013-09