

**Annual member investment choice process  
Information brochure**

**2013**



## INTRODUCTION

Every year, University of Johannesburg pension fund members who are invested on a **defined contribution** basis have the opportunity to review the investment portfolio that they are invested in and to move their pension fund savings to another portfolio at no cost to them.

This booklet is designed to assist these members.

## ARE YOU A "DEFINED CONTRIBUTION" MEMBER?

The university has two pension funds:

- University of Johannesburg Pension Fund and
- University of Johannesburg Defined Benefit Pension Fund.

To determine which pension fund you belong to, have a look at the top of your benefit statement that you recently received which is dated 31 December 2012.

If your benefit statement says "**University of Johannesburg Pension Fund**", you are a defined contribution member and *this booklet is for you*.

If your benefit statement says "**University of Johannesburg Defined Benefit Pension Fund**", you need to determine in which **category** you are a member. Look at the block with your personal particulars. If you are a member in the following categories, *this booklet is for you*:

- Annexure D
- Annexure E
- Annexure F



## NOW WHAT?

If this booklet is for you, please take time out to read through all of the detail. You must make an informed annual investment choice with regard to your investment in your pension fund. You are encouraged to seek financial advice on all your pension fund matters.



The booklet explains the options available to the Funds' members together with the factors members should consider when making an investment portfolio choice effective 1 July 2013.

The investment portfolio that **you are currently invested in is shown on your benefit statement** dated 31 December 2012.

Once annually you may elect to change your investment portfolio by choosing an alternative portfolio from the range of portfolios that are available within the Funds, or you may choose to remain in your current portfolio.

**If you choose to remain in your current portfolio, you do not need to complete any forms.**

The Funds offer two broad methods of investing being the **Life Stage Portfolio** or **Individual Choice Portfolios**.

You cannot invest in more than one Portfolio.

#### **THE PROCESS OF CHANGING YOUR INVESTMENT OPTION**

Your current investment portfolio choice is reflected on your 2012 benefit statement.

If you want to change your current investment portfolio choice, you need to complete the form on the last page of this booklet. If you do not want to change your investment portfolio choice, you do not need to complete the form.

**If you want to change your current investment portfolio choice, your completed “Investment Option Form” must reach Ms Maggie Langedyk of UJ HR by Friday, 31 May 2013. Please allow for sufficient time for your form to reach Ms Langedyk via internal mail or email ([magteldl@uj.ac.za](mailto:magteldl@uj.ac.za)).**

**Only valid completed option forms will be processed. Forms that reach Ms Langedyk after 31 May 2013 will not be processed.**

The rest of this booklet is devoted to the investment portfolio choices available to you.

## MAKE TIME TO INVEST IN YOUR FUTURE

In order to retire comfortably, we need to ensure that we have sufficient money saved to maintain our current standard of living. Therefore it is important for you as a member to ensure that you are able to mirror your pre-retirement lifestyle to your post-retirement lifestyle.

***So how do we ensure we have enough money saved for retirement?***



**The answer is simple; the key to successful retirement lies in your hands. You need to take time out to plan for your retirement. This booklet provides you with the tools to make an informed decision about your investment choices.**

- ✓ Invest your retirement fund savings in the investment portfolio best suited to your personal circumstances.
- ✓ Consider additional savings, over and above your retirement fund savings.

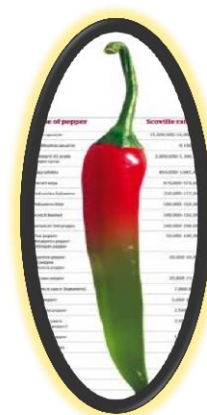
The investment portfolios described in this booklet are the investment portfolios available to you as member of your Fund. Your Board of Trustees together with its accredited consultants have carefully considered the range of investment options which are available. These portfolios were selected to target and/or better certain inflation objectives in the long-term.

## PORTFOLIOS AVAILABLE TO CHOOSE FROM

The size of your targeted retirement benefit will depend mostly on the investment portfolios you choose during your membership of your Fund and the returns earned on each. The Trustees, with the assistance of its consultants, set up a range of portfolios for members to choose from. These portfolios were carefully researched and chosen to suit the diverse needs of members.

***You can choose from the following portfolios:***

Portfolio	Nature of portfolio
○ Wealth Creation Portfolio	○ Aggressive balanced
○ Wealth Preservation Portfolio	○ Moderately aggressive balanced
○ Capital Protection Portfolio	○ Moderately low, focussing on protecting capital
○ Guarantee Portfolio	○ Low risk of capital loss
○ Money Market Portfolio	○ Low risk of capital loss
○ Life Stage Portfolio	○ Optimal mix of Wealth Creation, Wealth Preservation and Capital Protection
○ Shari'ah Portfolio	○ Moderate balanced



## Wealth Creation Portfolio

The Wealth Creation Portfolio has a high level of expected future investment return, but with a high level of associated risk. This is because a large proportion of the portfolio will be invested in equities, which historically have produced higher returns than any other asset classes over the long term. ***This portfolio aims to achieve a return of CPI+7% per annum over a rolling 3 year period.***

The Wealth Creation Portfolio consists of a mix of equities, bonds, property and cash. Members who choose to invest in this portfolio will share directly in the performance of the financial markets.

As a result, the portfolio may yield negative returns in certain market environments and cycles, and the returns may be volatile over periods of time. It may be that on exit from the Fund the member's benefit is being withdrawn when the markets are down. The member may not recover the full capital invested.

The portfolio's expected future investment returns are likely to outperform the level of future inflation over the long term and as such would offer a member protection against assets being eroded by inflation. In general, and unless you have specific personal circumstances, this portfolio is suitable for members who have a long time-horizon to retirement.

## Wealth Preservation Portfolio

The Wealth Preservation Portfolio has a medium level of expected future investment return, with a medium level of associated risk. ***This portfolio aims to achieve a return of CPI+5% per annum over a rolling 3 year period.***

The portfolio's expected future investment returns are likely to outperform the level of future inflation over the long term and as such would offer a member protection against assets being eroded by inflation. However, the returns are likely to be lower than that of the Wealth Creation Portfolio over the long term.

The portfolio may yield negative returns and the returns may be volatile over periods of time, though less so than in the Wealth Creation Portfolio. The structure of the Portfolio is such that a large proportion of the assets are used to reduce the probability of a negative return and the effect of volatility. The portfolio is thus structured to optimise returns in positive market cycles and to protect capital in negative periods. It is however possible that on exit from the Fund the member's benefit is being withdrawn when the markets are down. The member may not recover the full capital invested.

## Capital Protection Portfolio

***The Capital Protection Portfolio aims to achieve a return of CPI+3% per annum over a rolling 3 year period.*** The product is designed to remove the volatility associated with investing in either the Wealth Creation or Preservation Portfolios. It should be noted that 100% of capital and growth declared (book value) is guaranteed on Retirement, Retrenchment, Resignation, Death and Disability.

A maximum of 10% (per annum) of the total assets of the Funds invested in the Old Mutual Coregrowth portfolio will be allowed to be switched at book value, in the event that the market value is lower than the book value.

The portfolio is suitable for risk-averse investors such as members close to retirement who want to lock in their returns or want to avoid the volatility of full market-linked investments.

The Capital Protection Portfolio is a low risk portfolio. The portfolio provides protection of the capital value of members' assets with a low, positive expected future investment return.

### Guarantee Portfolio

The Old Mutual Coregrowth portfolio is used as a guarantee portfolio in the underlying Funds. This portfolio is a smoothed bonus portfolio and aims to provide competitive, inflation-beating growth in the long-term while protecting returns against the volatility associated with market-linked portfolios. ***The objective of the portfolio is to achieve a return of inflation (CPI) plus 3.5% in the longer term.***

The portfolio offers a fixed guarantee on capital, contributions and declared positive returns. Investment return is allocated in the form of bonuses which is declared monthly in advance. Once declared it vests fully. The guarantee is applied on withdrawal and retirement and specified other events. Members who want to switch from this portfolio in terms of an individual member choice decision can switch at book value. A maximum of 10% (per annum) of the total assets of the Funds invested in the Old Mutual Coregrowth portfolio will be allowed to be switched at book value, in the event that the market value is lower than the book value.

### Money Market Portfolio

Money Market Portfolios are conservative portfolios that comprise of quality securities from banks, government, parastatals and corporations. The instruments include cash, short-term debt and credit. The volatility risk of the money market portfolios is much lower compared to equity and bonds. The instruments within the money market portfolio are also more liquid and short-term in nature. They are therefore suitable for investors who have a low appetite for volatility risk, investors with short-term investment horizons and investors who aim to preserve capital in the short-term.

The Money Market Portfolio aims to earn a higher level of income than fixed deposits and call deposits over time, while aiming to protect capital and provide investors with immediate liquidity. ***The portfolio targets returns in excess of the STeFI 3-month money market index, measured over one year periods. The target is to achieve a return of inflation (CPI) plus 1.5% in the longer term.***

### Shari'ah Compliant Portfolio

Shari'ah investments are investments that are made in accordance with Islamic Law. The advent of Shari'ah-compliant investments has been a more recent development and is set to grow strongly over the coming years.

The underlying investments of the Shari'ah-compliant portfolio are managed in accordance with the principles of Shari'ah Law, the sacred law of the religion of Islam. In compliance with Shari'ah Law, the investment managers screen all investments according to industry type and by means of financial ratios. Investing in enterprises with core business activities or sources of revenue associated with alcohol, tobacco, pork-related products, financial services, defense/weapons, gambling and pornography is prohibited. Also excluded are enterprises with levels of debt or interest income that are unacceptable according to Shari'ah Law. Any interest income received from companies that pass the above screening processes is distributed by the managers to charity organisations on behalf of the investors.

In addition, many of the portfolios have further guidelines as set out by their Shari'ah boards. The Shari'ah board is an integral part of the investment process as all the shares have to be approved by the board prior to being added to the investment universe. On a quarterly basis the entire share universe is reviewed by the board to see if there have been any changes to a company's operations or the debt and asset ratios which are acceptable. These compliance rules also reduce the risk of reckless trading by the portfolio managers.

The portfolio selected by the Trustees has been designed to target an investment return, over the long term, broadly comparable to that of a Balanced Fund. This portfolio satisfies the principles of Islamic Law while remaining Regulation 28 compliant. ***The long term target is to give an investment return comparable to a traditional balanced portfolio. The target is to achieve a return of inflation (CPI) plus 5% in the longer term.***

### Life Stage Portfolio

This portfolio is a mix of first three specific portfolios mentioned above. This portfolio is an active choice option for members and is also used as the portfolio for members who have not exercised an investment choice, or are unsure what choice to make.

The allocation of investment types is not fixed and changes as the member ages. When you are 53 years or younger, your retirement savings will be invested in the Wealth Creation Portfolio (see details above) with high potential share/equity exposure. Every year from then onwards, as you age, your share/equity exposure is decreased. At age 55 your money is fully invested in the Wealth Preservation Portfolio (see details above) and at age 60 you are fully invested in the Capital Protection Portfolio where 100% of your capital is guaranteed. Your money will be switched automatically on your birthday and you will not be required to complete an option form as you grow older.

The following table shows how the assets in the Life Stage Portfolio are invested:

Age	Wealth Creation	Wealth Preservation	Capital Protection
Up to 53	100.0%	0.0%	0.0%
53 to 54	66.7%	33.3%	0.0%
54 to 55	33.3%	66.7%	0.0%
55 to 58	0.0%	100%	0.0%
58 to 59	0.0%	66.7%	33.3%
59 to 60	0.0%	33.3%	66.7%
60 to 65	0.0%	0.0%	100.0%

Please note that the Life Stage Portfolio is constructed on the assumption that members will retire on average at age 62. If you are planning to retire at an earlier age, this portfolio might not necessarily be suited for you as you approach your planned retirement age. Equally if you retire at the University's normal retirement date; this portfolio may not necessary be suited for you.

## A QUICK SUMMARY ON INVESTMENT DEFINITIONS

<b>Assets</b>	Something you own that can be sold for cash or exchanged for another item of value. Your house, car, furniture, jewellery, savings and any other investments are all assets.
<b>Asset Classes</b>	Another word for <i>Investment Types</i> . Refers to shares, bonds, cash, property etc.
<b>Bond</b>	A bond is basically an “I owe you” certifying that the bondholder has loaned money to a corporation or government and describing the terms of the loan (repayment period and interest rate). Government bonds, or gilts, are issued to raise money for the government and offer a fixed rate of interest over a fixed period of time. Placing money in government bonds is similar to having money in cash form. However, government bonds can incur capital losses or gains if traded before their maturity date. A bond usually pays interest at regular intervals. The principal amount of the bond (the amount you loaned) is repaid at maturity.
<b>Capital</b>	Any assets or money which can be invested.
<b>Diversify</b>	To spread your assets amongst different types of investment vehicles (e.g. bonds, fixed interest) and/or different Investment Managers.
<b>Equities</b>	Another name for shares.
<b>Guaranteed Portfolios</b>	These portfolios follow the market growth of the underlying assets directly but certain guarantees are provided in order to prevent capital losses in a declining market.
<b>Investment Manager</b>	An investment manager is an investment house or insurer who invests your assets. The Trustees delegate the responsibility of managing the assets to investment managers who have the expertise to invest the assets wisely, and within the constraints of legislation.
<b>Liquidity</b>	The measure of the ease with which the respective asset may be bought or sold. An asset is said to be liquid when it is easy to sell and obtain the cash value for the asset.
<b>Market-related Portfolio</b>	A portfolio where a portion of the money is invested in shares. Market-linked portfolios differ from guarantee portfolios in the sense that there are no guarantees of capital preservation. Members who choose to invest in a market-linked portfolio will share directly in the performance of the financial markets including possible declines in market values resulting in the partial loss of capital.
<b>Portfolio</b>	Portfolio is the name used to describe a group of different types of investments. For example, if you had R10 000 to invest, your portfolio might be made up of R4 000 in shares bought on the stock market, R1 000 in property, R4 500 in government bonds and R500 in cash. If the portfolio has a portion invested in shares bought on the stock market, it would be said to be a market-related portfolio, because the performance of your investment would be related to that of the share market. Likewise, a cash portfolio is one in which your money is invested mostly in bank deposits.
<b>Equitable Share</b>	The total value of your benefits in the UJ Pension Fund, is made up of: <ul style="list-style-type: none"> <li>○ the full value of your own contributions plus</li> <li>○ the company’s contributions towards retirement savings plus</li> <li>○ voluntary contributions (if any) plus</li> <li>○ any amount you transferred to the Fund plus</li> <li>○ the investment earnings on all these amounts</li> <li>○ less any expenses.</li> </ul>
<b>Shares</b>	Also known as equity. Shares represent ownership in a company. The price of a given share is based on investors' collective view of a company’s future. The price of shares can fluctuate dramatically as this view changes. Investments in shares give you the opportunity to achieve high returns over the long-term but your investment is affected by short-term market and currency fluctuations.
<b>Volatility</b>	The tendency of an investment to experience price swings. A highly volatile investment experiences dramatic price movement over short periods of time.



**If you want to change your current investment portfolio choice, your completed “Investment Option Form” must reach Ms Maggie Langedyk of UJ HR by Friday, 31 May 2013.**

**Please allow for sufficient time.**

Please return the **INDIVIDUAL INVESTMENT OPTION FORM** (found on the last page on this booklet) to:

Ms Maggie Langedyk  
Human Resources  
Resourcing Division  
B5-Building  
APK

Or via email to:

[magteldl@uj.ac.za](mailto:magteldl@uj.ac.za)

**Only valid completed option forms will be processed. Forms that reach Ms Langedyk after 31 May 2013 will not be processed.**

In order to select a qualified financial planner, please log onto the Financial Planning Institute’s website ([www.fpi.co.za](http://www.fpi.co.za)) to access a listing on financial planners

**UNIVERSITY OF JOHANNESBURG PENSION FUND  
&  
UNIVERSITY OF JOHANNESBURG DEFINED BENEFIT PENSION FUND  
INDIVIDUAL INVESTMENT OPTION FORM  
2013**

**FULL NAME and SURNAME** : \_\_\_\_\_

**IDENTITY NUMBER** : \_\_\_\_\_

**PERSONNEL NUMBER** : \_\_\_\_\_

I, the undersigned, hereby instruct my pension fund to invest my equitable share in the portfolio as indicated below from 1 July 2013. I acknowledge that I am entitled to choose one portfolio.

***Tick one box to instruct your fund:***

- Wealth Creation Portfolio
- Wealth Preservation Portfolio
- Capital Protection Portfolio
- Guarantee Portfolio
- Money Market Portfolio
- Shari'ah Compliant Portfolio
- Life Stage Portfolio

By completing this form and signing it I declare that:

- The election was made out of my own free will and I was not coerced into making the decision by any other person.
- I understand the implications of the choice that I have made and agree that the Fund or any other party will not be liable for any damage suffered by me as a result of the investment choice exercised.
- I understand that the onus is on me to ensure that this option form is physically received by Ms Maggie Langedyk (B5 Building, APK; or via email [magteldl@uj.ac.za](mailto:magteldl@uj.ac.za)) by 31 May 2013.
- I understand that should the form be incomplete or inaccurately completed, the switching instruction may not be actioned by the administrator.
- I understand that the onus is on me to obtain financial advice from a certified financial planner regarding my investment choices.

***Thus done and signed at*** \_\_\_\_\_ ***on this the*** \_\_\_\_\_ ***day of*** \_\_\_\_\_ ***2013.***

\_\_\_\_\_  
**SIGNATURE**