



TRUSTEE REPORT

UNIVERSITY OF JOHANNESBURG
DEFINED BENEFIT PENSION FUND

»» DECEMBER 2015 ««

UJ PENSION FUNDS
UNIVERSITY OF JOHANNESBURG

RETHINK. REINVENT.



University of Johannesburg Defined Benefit Pension Fund Annual Trustees' Report as at 31 December 2015

Message from the Chairman

Dear Member

Make it your goal to know about retirement planning and how it affects you. Learn more about your savings and the steps you can take now to meet your dreams in the future. This will allow you to own your retirement plan by contributing what you need to reach the retirement income you want.

Your retirement journey is yours and yours alone. Empower yourself to start thinking about your future differently. Avoid dipping into your retirement savings or withdrawing cash when you change jobs so that you can gain more at retirement.

Consider speaking to a financial adviser this year to make a plan on how to own your retirement.

Mr. J van Schoor
Chairman

Fund Matters

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 March 2007 the pension increase policy of the Fund is to aim to grant increases on 1 April each year at least 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 aims to grant additional catch-up increases for pension increases to be 100% of inflation over each 3 year period when affordable.

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 interest rate which is higher than the post-retirement interest rate used in the Fund. The assets received therefore support lower expected increases over the long term.

Below is a summary of the increases granted by the Fund over the last number of years relative to inflation:

Effective date	Increase granted		Annual inflation
	Non-NTRF Pensioners	NTRF pensioners	
2012	4.00% (April 2012)	3.40% (March 2011)	6.1%
2013	5.70% (April 2013)	5.70% (April 2013)	5.68%
2014	5.40% (April 2014)	5.40% (April 2014)	5.4%
2014*	2.13% (April 2014)	2.75% (April 2014)	5.4%
2015	5.30% (April 2015)	5.30% (April 2015)	5.3%
2016	5.20% (April 2016)	5.20% (April 2016)	5.2%

*These increases relate to the minimum inflationary catch-up increases required every three years.

Benefit statements

Every year you receive 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. These statements are e-mailed directly to you from Infoslips. You can use this information to make sure you're on track for the retirement you want. Check your details carefully and use the contact details at the end of your benefit statement to report any errors.

Pension Fund Website

A website has been launched for the Fund. The website contains useful information and links regarding Fund benefits, investments and much more. The website address is: <http://pension.uj.mobi/>

Communication Sessions

The Fund hosts various sessions for members including member education sessions, pre-retirement seminars, an AGM and sessions providing updates on Fund benefits and the performance of the Fund's investments. The dates for these sessions are on the Fund's website. You will also receive email reminders for these sessions.

Please contact the Principal Officer if you have any suggestions or comments regarding the communication sessions.

Your Board of Trustees

A Board of Trustees manages your retirement Fund. Your employer chooses the Employer-appointed Trustees, while you as members choose the Member-elected Trustees.

The Trustees have a duty to:

- take reasonable steps to make sure your interests in the Fund are always protected
- act with care, diligence and in good faith
- act with fairness towards all members and beneficiaries
- make sure you get the right information at the right time.

The following Trustees make up your retirement Fund's Board:

Chairperson	Mr J van Schoor
Principal Officer	Ms E Vanrenen-Linford
Employer-appointed Trustees	Mr F Cooper Mr S Rossouw Mr J van Schoor To be confirmed
Member-elected Trustees	Prof A Swart Dr S Nalla Prof J Sonnekus Prof HL Alberts

The Rules of the Fund stipulate that the term of office for Member-elected Trustees is five years. Elections are held as and when required to replace Member-elected Trustees whose terms of office has expired. Please participate by nominating and electing Member-elected Trustees when invited to do so by the Fund.

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.

Membership Movement

The following tables show you the membership movements for the year under review:

Active members as at 1 January 2015	181
Less:	
<i>Withdrawals</i>	3
<i>Transfers to other funds</i>	3
<i>Retirements</i>	5
Active members as at 31 December 2015	170

The number of active members has reduced from 312 on 1 January 2012 to 170 on 31 December 2015.

Pensioners as at 1 January 2015	274
New pensioners	10
Re-instatement of suspended pensioners	9
Less:	
<i>Deaths</i>	14
<i>Settled in full</i>	1
<i>Suspension of pensioners</i>	9
Pensioners as at 31 December 2015	269

The number of pensioners increased from 257 on 1 January 2012 to 269 on 31 December 2015

Financial Statements

The following are extracts from the audited financial statements for the period ended 31 December 2015:

Statement of Net Assets and Funds as at 31 December 2015:

	2015 R	2014 R
ASSETS		
Non-current assets		
Investments	1 554 271 693	1 489 060 132
Current assets		
Accounts receivable	7 500	19 558 501
Transfers receivable	0	446 703
Contributions receivable	1 628 467	1 310 795
Cash at bank	5 223 470	13 794 297
Total Assets	<u>1 561 131 130</u>	<u>1 524 170 428</u>
FUNDS AND LIABILITIES		
Accumulated funds	852 268 635	799 976 069
Members' individual accounts	42 520 923	56 703 467
Reserves	606 029 374	583 706 997
Total Funds and reserves	1 500 818 932	1 440 386 533

	2015 R	2014 R
Non-current liabilities		
Employer surplus account	57 057 015	54 364 323
Unclaimed benefits	224 372	1 720 650
Current liabilities		
Benefits payable	481 420	25 529 425
Accounts payable	2 549 391	2 169 497
Total Funds and liabilities	1 561 131 130	1 524 170 428

Statement of Changes for Net Assets and Funds for the period ended 31 December 2015:

	Accumulated funds	Surplus and reserves	Total current period	Total previous period
	R	R	R	R
Contributions received and accrued	17 188 288	269 025	17 457 313	20 132 823
Contributions transferred from surplus account	5 411 791	0	5 411 791	0
Reinsurance proceeds	0	0	0	317 825
Net investment income	66 028 360	42 009 751	108 038 111	157 715 604
Net income before expenses	88 628 439	42 278 776	130 907 215	178 166 252
Less:				
Reinsurance premiums	0	269 025	269 025	428 265
Administration expenses	1 361 072	0	1 361 072	1 275 768
Net income before transfers and benefits	87 267 367	42 009 751	129 277 118	176 462 219
Transfers and benefits				
Transfers from other funds	4 610 148	0	4 610 148	446 703
Transfers to other funds	(9 094 075)	0	(9 094 075)	(35 670 527)
Benefits	(15 973 906)	(39 638 916)	(55 612 822)	(89 063 298)
Net income before funds and reserves	66 809 534	2 370 835	69 180 369	52 175 097
Funds and reserves				
Balance at beginning of period	856 679 536	583 706 997	1 440 386 533	1 391 692 989
Prior period adjustments	(15 921 134)	15 921 134	0	0
Net investment return allocated				
Benefits payable current members	(229 435)	0	(229 435)	(600 190)
Unclaimed benefits	(39 345)	0	(39 345)	(118 688)
Transfers to other funds	(374 707)	0	(374 707)	0
Surplus and reserve accounts	(3 494 335)	0	(3 494 335)	(5 456 953)
Employers surplus apportionment	0	0	0	2 694 278
	903 430 114	601 998 966	1 505 429 080	1 440 386 533
	Accumulated funds	Surplus and reserves	Total current period	Total previous period
Transfer between reserve accounts and				
Accumulated funds	(19 951 542)	19 951 542	0	0
Transfer from other funds	(4 610 148)	0	(4 610 148)	0
Balance at end of period	894 789 558	606 029 374	1 500 818 932	1 440 386 533

The Total Expense Ratio for the Fund over the year ending 31 December 2015 was 0.6246%.

Statutory Valuation Report

The Fund's Actuary completes a valuation report annually to report on the financial position of the Fund. This report also determines the adequacy of the employer contributions towards risk benefits and fund expenses. It further determines the funding level of the fund. The funding level at 31 December 2014 was 122.2%.

Economic Commentary

The first quarter of 2016 saw the unwelcome return of the market volatility and uncertainty that had plagued the markets for most of 2015. A 13-year low oil price in January, coupled with renewed fears around China's slowing growth, resulted in one of the worst starts to a new year for global markets.

Slower growth in emerging markets, falling commodity prices, and rising interest rates resulted in the International Monetary Fund cutting its global economic forecast for 2016 by 0.2% to 3.4%.

Fast forward to the end of the quarter and we have:

- much higher commodity prices
- a less aggressive increasing interest rate hike cycle in the United States
- more economic stimulus from the central banks of China, Europe and Japan.

Our local outlook

- **The much anticipated Budget speech:** Finance Minister Pravin Gordhan revealed plans for reducing government spending, raising taxes and consolidating the public sector wage bill to increase growth and avoid South African debt being downgraded to junk status.
- **Slowing economic growth:** Downward revisions for local economic growth this year point to a weakening and slowing economy. A 0.8% growth rate would be the weakest rate since the 2009 recession.
- **Further interest rate hikes expected:** The latest comments from the South African Reserve Bank point to further interest rate hikes this year to keep inflation below the targeted 6%.

Market performance

Global shares delivered muted positive returns, as the volatility in January allowed for recovery from late February as risk appetite increased. Emerging markets recovered as investors reacted positively to the news of further economic stimulus (China, Japan, Europe) and a slower than expected monetary policy tightening in the United States. Japan's markets were the worst performers of the quarter.

Emerging market shares outperformed developed world ones. The rand appreciated, benefiting from dollar and euro weakness, increased risk appetite for emerging markets and two interest rate hikes. The strengthening rand was good news for local importers and investor sentiment, but affected the performance of rand hedge stocks and global assets negatively. The resources sector (gold) and listed property accounted for local shares ending the quarter on a positive note.

Asset class returns for periods ended 31 March 2016:

Asset classes	Index	1 month	3 months	1 year	3 years	5 years
Local shares	FTSE/JSE All Share Index	6.4%	3.9%	3.2%	12.8%	13.6%
Listed properties	SA Property Index (SAPI)	9.5%	10.1%	4.6%	14.4%	19.8%
Local bonds	All Bond Index (ALBI)	2.6%	6.6%	-0.6%	4.0%	7.8%
Inflation-linked bonds	Inflation-Linked Bond Index	1.0%	2.2%	5.7%	5.2%	9.6%
Local cash	STeFI Index	0.5%	1.5%	5.9%	5.2%	5.2%
Global shares	MSCI All Countries World Index	0.1%	-4.7%	16.8%	24.2%	23.6%
Global bonds	Citi WGBI	-4.3%	1.6%	28.6%	17.6%	18.2%

* The returns for the global asset classes have been converted from dollars to rands

Sources: INET BFA, DataStream, Bloomberg

Your Fund's investment performance

All the money in 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 can be poor. However, remember that retirement saving is a long-term investment.

The following table gives you the gross percentage return earned on your Fund's assets:

Invested in the following portfolios	Returns earned quarter to 31 March 2016	Returns earned 1 year to 31 March 2016	Returns earned 3 years to 31 March 2016
UJ Wealth Creation	3.2%	10.1%	12.8%
CPI+7%	4.5%	13.3%	12.5%
UJ Wealth Preservation	2.6%	5.8%	9.4%
CPI+5%	4.0%	11.3%	10.5%
UJ Capital Guarantee	1.8%	9.3%	12.5%
CPI+3.5%	3.7%	9.8%	9.0%
UJ Capital Protection	2.7%	3.4%	7.1%
CPI+3%	3.6%	9.3%	8.5%
UJ Money Market	1.8%	7.1%	6.5%
CPI+1.5%	3.3%	7.8%	7.0%
UJ Trustee Portfolio	3.5%	6.4%	13.2%
CPI+5%	4.0%	11.3%	10.5%

*Annualised returns

Please note: The most recent returns for 31 March 2016 are provided to keep you abreast with the performance of the portfolios you could be invested in. The overall "fund return" after deducting all expenses, costs and fees for the period 1 January 2015 to 31 December 2015 was 7.52% for the Trustee portfolio.

How reform changes affect you

Retirement reform has been on the horizon for a few years to encourage a better savings culture in South Africa and address issues in the retirement system. This year on 1 March a number of changes went ahead as part of retirement reform. Here's a list of the changes and how they will affect you.

1. Tax deductions are the same for all retirement fund contributions

The new tax law that came into effect on 1 March 2016 will allow you a tax deduction for all your combined retirement fund contributions. The tax benefit is up to 27.5% of the greater of taxable income or remuneration, up to a maximum of R350 000 per year.

2. Estate duty will apply to after-tax contributions to funds

With effect from 1 January 2016, any amount contributed to a retirement annuity fund or to a pension or provident fund after 1 March 2015, which was not tax deductible will be estate deductible in the estate of a person who died on or after 1 January 2016.

Take note!

Keep this change in mind when you're doing your estate planning with your financial adviser.

3. Options at retirement for pension fund members

Pension fund members must use two-thirds of their retirement benefit to buy a pension – this applies before and after 1 March 2016. So nothing has changed for pension fund members, except that they don't have to buy a pension if their total retirement savings are less than R247 500.

The government has put these changes on hold until 1 March 2018:

1. Tax-free transfers from pension to provident funds
2. Provident fund members to use two-thirds of their retirement savings to buy a pension at retirement

For more information, visit National Treasury's page on retirement reform: www.treasury.gov.za/publications/RetirementReform

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).

No Rule Amendments have been registered during the period under review. The Trustees have however reviewed and consolidated the Rules. These Rules have been submitted to the Financial Services Board for approval.

The current Rules of the Fund have been uploaded on the UJ Intranet pages for the Fund. You can also view the Rules by appointment at the Fund's registered address which is:

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

Fund contact 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 Ms Evette Vanrenen-Linford. You can email all of your questions to evettevl@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

The Trustees of the Fund aim to make sure members are confident in the Fund and its service providers. The Trustees of the Fund aim to make sure members are confident in the Fund and its service providers. According to the Fund's complaints policy, a written complaint should be lodged with the office of the Principal Officer. You will be notified of the receipt of your complaint within 72 hours. The steps taken on your complaint as well as the expected date of resolution of your complaint will be made known to you. The final outcome of the complaint will be advised four weeks from the date the complaint has been lodged.

If, however, you are not satisfied with the outcome, you can lodge a complaint with:

Pension Funds Adjudicator

Telephone: 087 942 2700

Fax: 087 942 2644

Email: enquiries-jhb@pfa.org.za

FAIS Ombud

Telephone: 012 470 9080

Fax: 012 348 3447

Email: info@faisombud

All complaints from the office of the Pension Funds Adjudicator will be referred to the Fund's consultant or Alexander Forbes Legal Department.

If there are any conflicts between the information in this 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 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 Marlise Kotze, a certified financial planner (CFP) from Alexander Forbes, who has been assigned to the university’s Funds. Her email address is kotzema@aforges.co.za. She is not remunerated by the Fund and earns commission.

The Trustees specifically record that it remains the sole responsibility of each 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.

Alexander Forbes Communications 10506-2015-07

