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UNIVERSITY
OF
JOHANNESBURG

UNIVERSITY OF JOHANNESBURG PENSION FUND

NEW MEMBER BOOKLET AND INVESTMENT CHOICE GUIDE

UNIVERSITY OF JOHANNESBURG PENSION FUND

UJ EXCELLENCE | CHOICE | ACCOUNTABILITY
Pension Funds



Please note:

Everything possible was done to ensure the accuracy of this booklet. However, the official rules in terms of which the benefits are provided will apply at all times if discrepancies arise. The rules of the fund may be found on the UJ Intranet.

WELCOME!

We welcome you as member of the University of Johannesburg Pension Fund!

This booklet provides you with a summary of your benefits as member of the University of Johannesburg Pension Fund and sets out the investment choice options that you have to instruct the fund on how to invest your pension fund savings.

EXPRESSIONS USED IN THIS BOOKLET

The following expressions, used in the booklet, are explained below:

Dependant:

A person for whom you are or would be legally liable for maintenance if you had not died, or for whose maintenance you are not legally liable, but whom you in fact support financially.

Your spouse is also a dependant.

This definition of Dependant is as defined in the Pension Funds Act and not in accordance with the UJ Conditions of Service.

Equitable Share:

The total value of your benefits in the UJ Pension Fund, is made up of:

- the full value of your own contributions plus
- the university's contributions towards retirement savings plus
- voluntary contributions (if any) plus
- any amount you transferred to the Fund plus
- the investment earnings on all these amounts
- less any expenses.

Retirement Contributions:

Your member contributions, plus employer contributions, less an allowance for the Fund's operational expenses, less the cost of benefits payable on death prior to retirement and the cost of benefits under the University of Johannesburg Disability Reserve Fund.

Transfer Credit:

The value of the assets transferred into the Fund from a previous fund on your behalf.

Pensionable Remuneration:

That portion, which may not exceed 100% of your monthly remuneration, including your annual service bonus and any other regular remuneration, as agreed between you and your employer as being pensionable.

MEMBERSHIP

If you are a new permanent employee of the University of Johannesburg or are employed on a long term, fixed-term contract or specialist basis for a minimum period of 5 years, you will become a member of the Fund if you have attained the age of 16 years.

Your membership will cease only on the earliest of:

- your death, or
- your withdrawal from the employer before you retire, or
- your retirement, or
- the dissolution of the Fund.

Please note that you may not withdraw from the Fund while you are employed by the University of Johannesburg

CONTRIBUTIONS

Member Contributions:

You contribute 7.5% of your monthly Pensionable Salary to the Fund.

Employer Contributions:

Your employer contributes 13.00% of your monthly Pensionable Salary to the Fund. This contribution is reduced by the Fund's operational costs and death and disability benefit costs.

Additional Contributions:

In addition to the monthly contributions received by the Fund on your behalf, you also have the option of making additional voluntary contributions (AVCs) to the Fund. These AVCs should be arranged through the UJ Payroll department and must be processed with your monthly contributions to the Fund. In order to make the arrangements, you are directed to the Intranet page for the Fund where you will find a standard form for AVCs. The form contains an explanation of the process.

RETIREMENT

It is important for all members to realise the importance of planning for retirement. It is recommended that you speak to a professional financial advisor at least five years before you retire. But, financial planning for your retirement must be a continuous process that must start when you enter the world of work.

Retirement Age:

Subject to the written consent of your employer, you may retire at any stage on or after your 55th birthday but the normal retirement date of the university is the last day of the calendar year in which you turn 65. You should consult the UJ "Policy on Retirement" which was approved by Council on 25 November 2011.

Retirement Benefits:

On retirement you will receive your Equitable Share in the Fund and you will purchase a pension with a registered insurer.

You will have the choice to:

Utilise your full Equitable Share to purchase a pension from a registered insurer of your choice. The benefit that is utilised to purchase a pension will be transferred to the insurer tax-free; the monthly pension income from the insurer will be taxable.

OR

Receive up to one third of your Equitable Share as a cash lump sum payment, subject to taxation, and thereafter utilise the balance to purchase a pension from a registered insurer of your choice as above.

As this is a defined contribution fund, you will not receive a pension directly from the Fund.

Getting ready for Retirement:

When you retire, there is a set process that must be followed. UJ HR will send you a retirement information pack well in advance of your retirement.

From a pension fund perspective, there are two forms that you need to complete. These forms are available on the dedicated Intranet page for the Fund and are:

- Retirement – Form 1 of 3.
- Retirement – Indemnity – Pension from Insurer – Form 3 of 3.

DEATH BEFORE RETIREMENT

If you were to die while still employed by the University of Johannesburg, but prior to the normal retirement age, the following benefits are payable:

- Your Equitable Share as at date of death; plus
- 4 times your annual Pensionable Salary as at date of death.

The Trustees will decide on the distribution of the death benefit to your dependents and/or nominees in terms of Section 37 (C) of the Pension Funds Act. The Trustees have 12 months in which to trace any dependents. You will be required to complete a Beneficiary Nomination Form which clearly sets out your dependents when you join the Fund. Please note that as part of the distribution process, the Trustees will consider your nomination form, but are ultimately guided by the Section 37 (C) process. When you complete the Beneficiary Nomination Form, please make sure that you read all of the notes and explanations.

RESIGNATION

If you leave the service of the University of Johannesburg for any reason (including resignation, dismissal or retrenchment) before you retire, a lump sum equal to your Equitable Share will be payable. You have the choice of:

- Receiving the total benefit in cash, or
- Receiving the total or any part thereof in cash and transferring the balance to a retirement annuity, or
- Transferring the total benefit to a preservation fund, where after you have a once-off option to take any part of it in cash, or
- Transferring the total benefit to the retirement fund of your new employer.

When you withdraw your Equitable Share, you should be aware of the tax consequences of the options above. It is always best to seek professional financial advice.

Members are encouraged to rather preserve their lump sum benefits in a preservation pension fund, a retirement annuity fund or another pension fund.

DISABILITY

If you become disabled and you provide medical proof of your disability to the satisfaction of the insurer of the benefits under the University of Johannesburg Disability Reserve Fund, you will, after a 6-month waiting period, receive a disability income equal to:

- 82.5 % of your monthly Pensionable Salary.

From this benefit, an amount equal to 7.5 % of this reduced monthly Pensionable Salary will be paid to the Fund on your behalf as your member contribution to the University of Johannesburg Pension Fund. Employer contributions to the Fund will continue while you are in receipt of the disability benefit. You therefore continue to be a contributing member of the Fund and will still be entitled to all the benefits provided by the Fund.

The insurer of the benefits under the University of Johannesburg Disability Reserve Fund will require regular proof of your continued disability. If you recover or recover partially and can continue an occupation, the disability income will cease or be reduced.

The disability income will cease on your death, or when you reach your normal retirement age, whichever occurs first.

GENERAL

Benefit Statements:

You will receive an annual benefit statement indicating the benefits payable in the case of your withdrawal, death or disability, and a projection of the benefits you will receive on retirement. The Fund's year end is 31 December. Benefit statements are distributed approximately three months after the Fund's year end.

Tax Implications:

The lump sum cash benefits you receive will be subject to tax as determined by the Income Tax Act.

Any amount that you transfer to an approved pension or retirement annuity fund on termination of employment before you retire will be tax-free.

Summaries of your benefits:

The Trustees of the fund regularly and continuously update the summaries of benefits. The summaries of benefits are available on the dedicated Intranet page for the Fund.

FINANCIAL PLANNING

It is strongly advised that you appoint a qualified financial advisor or financial planner to assist you with your financial planning. Should you not have a financial advisor, you are welcome to visit the Financial Planning Institute's website www.fpi.co.za for a list of accredited financial advisors in your area.

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

You may also contact Gina Benney, a certified financial planner from Alexander Forbes, who has been assigned to the university's funds. Her email address is benneyg@forbes.co.za.

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

WHERE TO FIND INFORMATION ABOUT YOUR FUND

The rules of the Fund, trustee reports, rule amendments and other useful information may be found on the UJ Intranet.

The direct link is:

<https://findit.uj.ac.za/sites/hr/pension>

Alternatively, when you log on to the Intranet, you will be directed to the information by clicking on the prominently displayed red button on the left hand side of the opening screen "Pension and Provident Funds".

DEDICATED PENSION FUND CALL CENTRE

The administrator of the Fund is Alexander Forbes. Alexander Forbes has set up a dedicated call centre for fund members. The number of the call centre is: **0860 042 837**

You are encouraged to direct your questions and queries to the call centre.

YOUR INVESTMENT CHOICE OPTIONS

The University of Johannesburg Pension Fund is a defined contribution pension fund which means that you select the most appropriate investment strategy for your pension fund savings when you join the fund. Thereafter, you have an annual switch opportunity to change your investment choice. The Fund will provide you with the necessary information and forms every year. There will be no cost involved for you in switching your investment choice during the annual window period.

The rest of this booklet is devoted to introducing you to the investment options available to you.

Remember, going forward, your investment portfolio choice will be shown on the benefit statement that is distributed to you annually.

The Fund offers two broad methods of investment being the **Life Stage Model** and **Individual Choice Portfolios**.

You cannot invest in the Life Stage Model and another portfolio. You either invest 100% of your Equitable Share in the Life Stage Model or you select one individual choice portfolio to invest in.

MAKE TIME TO INVEST IN YOUR FUTURE

Most of us will reach retirement one day (whether at UJ or another employer). 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 risk profile and retirement funding objectives.
- Consider additional savings, over and above your retirement fund savings.

The investment portfolios as listed hereunder are the investment portfolios available to you as member of the Fund. Your Board of Trustees together with the accredited service providers to whom your Fund is affiliated have carefully considered the range of investment options which are available. These portfolios were selected to target and/or better inflation in the long-term.

PORTFOLIOS AVAILABLE TO CHOOSE FROM

The size of your retirement benefit will depend mostly on the investment portfolios you choose during your membership of the Fund and the returns earned on each. The Trustees, with the assistance of 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
○ Wealth Preservation Portfolio	○ Moderately aggressive/balanced
○ Capital Protection Portfolio	○ Moderately low
○ Guarantee Portfolio	○ Low
○ Money Market Portfolio	○ Low
○ Life Stage Portfolio	○ Optimal mix of Wealth Creation, Wealth Preservation and Capital Protection
○ Shari'ah Portfolio	○ Moderate



Wealth Creation Portfolio – Option 1

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 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.

Wealth Preservation Portfolio – Option 2

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 – Option 3

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 – Option 4

The Old Mutual Coregrowth portfolio is used as a guarantee portfolio under the 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 – Option 5

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 Trustees have decided to make the Investec Money Fund available to a member who wishes to make use of a Money Market Portfolio.

The Investec Money Market Fund 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.***

Shari’ah Compliant Portfolio – Option 6

Shari’ah investments are investments that are made in accordance with Islamic Law. It forms part of the broader group termed Socially Responsible Investments (“SRI’s”). 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 the Shari’ah, the sacred law of the religion of Islam. In compliance with Shari’ah, 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 Trustees have decided to make the Symmetry Islamic Fund available to members who wish to make use of a Shari'ah Compliant Portfolio. This portfolio has been designed to target an investment return, over the long term, 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.***

Life Stage Portfolio– Option 7

This portfolio is a mix of three specific portfolios mentioned above, and is used as the portfolio for members who have not exercised an investment choice, or are unsure what choice to make or would prefer to be invested in the Life Stage portfolio. 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 once a year on 1 July (not 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 Model 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 Model 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

Assets	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.
Asset Classes	Another word for <i>Investment Types</i> . Refers to shares, bonds, cash, property etc.
Bond	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.
Capital	Any assets or money which can be invested.
Diversify	To spread your assets amongst different types of investment vehicles (e.g. bonds, fixed interest) and/or different Investment Managers.
Equities	Another name for shares.
Guaranteed Portfolios	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.
Inflation	Inflation is a measure of the rise in the cost of living. Your investment needs to at least keep pace with inflation to preserve its purchasing power.
Investment Manager	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.
Liquidity	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.
Market-related Portfolio	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.
Portfolio	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.

Equitable Share	The total value of your benefits in the UJ Pension Fund, is made up of: <ul style="list-style-type: none"> ○ the full value of your own contributions plus ○ the company's contributions towards retirement savings plus ○ voluntary contributions (if any) plus ○ any amount you transferred to the Fund plus ○ the investment earnings on all these amounts ○ less any expenses.
Shares	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.
Short-term	Short-term refers to a period of time between three months and three years.
Tactical Asset Allocation	When the investment manager is permitted to change a portfolio's asset allocation (between equities, bonds & cash) based on market views.
Volatility	The tendency of an investment to experience price swings. A highly volatile investment experiences dramatic price movement over short periods of time.

**UNIVERSITY OF JOHANNESBURG PENSION FUND
NEW MEMBER INVESTMENT CHOICE
OPTION FORM**

FULL NAME : _____

IDENTITY NUMBER : _____

PERSONNEL NUMBER : _____

I, the undersigned, hereby confirm that my pension fund investments must be invested in the portfolio as indicated below. (You are only entitled to choose one portfolio and just **one block** must thus be indicated).

- Wealth Creation Portfolio – **OPTION 1**
- Wealth Preservation Portfolio – **OPTION 2**
- Capital Protection Portfolio – **OPTION 3**
- Guarantee Portfolio – **OPTION 4**
- Money Market Portfolio – **OPTION 5**
- Shari’ah Compliant Portfolio – **OPTION 6**
- Life Stage Model – **OPTION 7**

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 declare that I understand that the onus is on me to ensure that this form is received by the University of Johannesburg before or on the 1st day of employment.
- I understand that should the form be incomplete; inaccurately completed or not be completed at all, my contributions will be invested in the Life Stage Model.
- I understand that the onus is on me to obtain financial advice from a certified financial planner regarding my investment choices. In order to select a qualified financial planner, please log on to the Financial Planning Institute’s website (www.fpi.co.za) to access a list of financial planners.

Thus done and signed at _____ **on this the** _____ **day of** _____ **201**_____

SIGNATURE