

**Member Investment Choice Information brochure**



The University of Johannesburg pension fund is a **defined contribution fund.** All members have the opportunity to select and review the investment portfolio that they are invested in and to move their pension fund savings to another portfolio at any time. The first investment switch in a calendar year will be free, an administration fee will be charged for additional switches within the same year.

This booklet is designed to assist members in making their fund investment decisions. You must make an informed 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.

The investment portfolio that **you select will be shown on your benefit statement** dated 31 December.

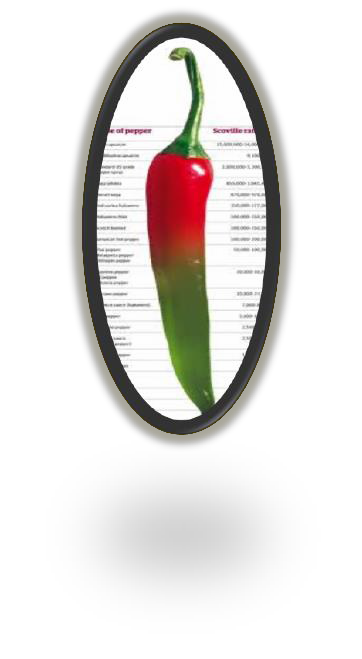
You may elect to change your investment portfolio at any time by choosing an alternative portfolio from the range of portfolios that are available within the Funds.

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

**You cannot invest in more than one Portfolio.**

**It is your responsibility to obtain advice to ensure that you are invested in an appropriate investment portfolio.**

## THE PROCESS OF CHANGING YOUR INVESTMENT OPTION



If you want to change your current investment portfolio choice, you need to complete an

investment switch form.

All new members have to complete a new entrant form. Should your form not be submitted

timeously, you will be invested in the Fund’s Default LifeStage model.

**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 and are regularly reviewed.

## PORTFOLIOS AVAILABLE TO CHOOSE FROM

The size of your targeted retirement benefit will depend greatly on the investment portfolios you choose during your membership of your Fund and the returns earned by these portfolios. 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** |
| o Wealth Creation Portfolio | o Aggressive balanced |
| o Wealth Preservation Portfolio | o Moderately aggressive balanced |
| o Capital Protection Portfolio | o Moderately low, focussing on protecting capital |
| o Capital Guarantee Portfolio | o Low risk of capital loss |
| o Shari’ah Portfolio | o Moderate balanced |
| o Money Market Portfolio | o Low risk of capital loss |
|  |  |
| o Default Life Stage Portfolio / Low Equity Living Annuity Model | o Optimal mix of Wealth Creation, Wealth Preservation and Capital Protection |
| o High Equity Living Annuity Model | o Aggressive balanced remaining in the Wealth Creation Portfolio |
| o Medium Equity Living Annuity Model | o Moderately balanced reducing risk to the guaranteed portfolio |
| o Cash Model | o Aggressive balanced reducing risk into a cash portfolio |
| o UJ Protector Model | o Aggressive balanced reducing risk into the Protector portfolio |

**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+6% 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 / Phase Down 3 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+4.5% 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+4% 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.

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.

## Capital 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 Portfolios

Your retirement investment horison also does not end at age 65, but will continue into retirement as long as you receive your monthly pension. It is important to match you pre-retirement investment strategy to what you want to do with your benefit after retirement, in order to optimize one’s retirement and investment planning.

Members in a retirement fund can and do have very different needs, both before AND after retiring, and therefore the design of any member choice framework, must take cognizance of this fact. In summary, members can make the following decisions at the point of retirement:

1. Invest in a **living annuity** with a high allocation to equities
2. Invest in a **living annuity** with a low allocation to equities
3. Take their retirement benefit in **cash** (in whole or in part, depending on the value)
4. Invest in a **life, with-profit or inflation-linked annuity**

With the aim of assisting members to better align your pre- and post-retirement investment strategies, the Fund provides the following lifestage investment models to assist in matching your pre and post retirement portfolios.

**Default LifeStage Portfolio / Low Equity Living Annuity Model**

This portfolio is a mix of the Wealth Creation and Capital Protection 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**.

This investment model is suited to members purchasing a with-profit annuity or a low equity living annuity after retirement.

The allocation of investment types is not fixed and changes as the member ages. When you are 60 years or younger, your retirement savings will be invested in the Wealth Creation Portfolio (see details above) with high potential share/equity exposure. From the end of the year in which you turn age 60 and every year thereafter, your share/equity exposure is decreased. At retirement you will be fully invested in the Capital Protection Portfolio. Your money will be switched automatically every quarter and you will not be required to complete an option form as you grow older.

The following table shows how the assets in this Life Stage Portfolio are invested at the end of each year:

|  |  |  |
| --- | --- | --- |
| **Age** | **Wealth Creation** | **Capital Protection** |
| Up to 60 | 100.0% | 0% |
| 60 to 61 | 80% | 20% |
| 61 to 62 | 60% | 40% |
| 62 to 63 | 40% | 60% |
| 63 to 64 | 20% | 80% |
| 64 to 65 | 0% | 100% |

Please note portfolio switches will take placed quarterly to smooth out the investment risk (5% will be switched at the end of March, June, September and December equaling 20% per year).

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.

**Medium Equity Living Annuity Model**

This portfolio is a mix of the Wealth Creation and Capital Guarantee portfolios mentioned above. This portfolio is an active choice option for members. This is a channel for members who wish to guarantee their fund credit in the pre-retirement period, and prevent any investment market losses in the portfolio.

This model is suited to members purchasing a guaranteed annuity or a medium equity living annuity after retirement.

The allocation of investment types is not fixed and changes as the member ages. When you are 60 years or younger, your retirement savings will be invested in the Wealth Creation Portfolio (see details above) with high potential share/equity exposure. From the end of the year in which you turn age 60 and every year thereafter, your share/equity exposure is slightly decreased. At retirement you will be fully invested in the Capital Guarantee Portfolio. Your money will be switched automatically every quarter and you will not be required to complete an option form as you grow older.

The following table shows how the assets in this Medium Equity model are invested at the end of each year:

|  |  |  |
| --- | --- | --- |
| **Age** | **Wealth Creation** | **Capital Guarantee Portfolio** |
| Up to 60 | 100.0% | 0% |
| 60 to 61 | 80% | 20% |
| 61 to 62 | 60% | 40% |
| 62 to 63 | 40% | 60% |
| 63 to 64 | 20% | 80% |
| 64 to 65 | 0% | 100% |

Please note portfolio switches will take placed quarterly to smooth out the investment risk (5% will be switched at the end of March, June, September and December equalling 20% per year).

**High Equity Model**

This model is aimed at members who will be purchasing a high-equity living annuity. In this model you will remain invested in the 100% Wealth Creation Portfolio. This model is an active choice option for members.

**Cash Model**

This model is aimed at members who want low volatility and aim to take the maximum portion of their benefit in cash at retirement This portfolio is a mix of the Wealth Creation and UJ Money Market portfolios mentioned above. This model is an active choice option for members.

The following table shows how the assets in this Cash model are invested at the end of each year:

|  |  |  |
| --- | --- | --- |
| **Age** | **Wealth Creation** | **UJ Money Market Portfolio** |
| Up to 60 | 100.0% | 0% |
| 60 to 61 | 80% | 20% |
| 61 to 62 | 60% | 40% |
| 62 to 63 | 40% | 60% |
| 63 to 64 | 20% | 80% |
| 64 to 65 | 0% | 100% |

Please note portfolio switches will take placed quarterly to smooth out the investment risk (5% will be switched at the end of March, June, September and December equalling 20% per year).

**UJ Protector Model**

The AF Investments Protector Portfolio is designed for members in the pre-retirement phase who will be purchasing a life, with-profit or inflation-linked annuity at the point of retirement. It has three integrated objectives:

1. Protect the expected income replacement value of a member’s accumulated retirement savings for retirement
2. Protect the capital value of a member’s retirement savings over 24 month periods
3. Maximise real returns (returns less consumer inflation) whilst achieving objectives 1 and 2

This portfolio is a mix of the Wealth Creation and UJ Protector portfolios. This model is an active choice option for members.

The following table shows how the assets in this Protector model are invested at the end of each year:

|  |  |  |
| --- | --- | --- |
| **Age** | **Wealth Creation** | **UJ Money Market Portfolio** |
| Up to 60 | 100.0% | 0% |
| 60 to 61 | 67% | 33% |
| 61 to 62 | 33% | 67% |
| 62 to 63 | 0% | 100% |
| 63 to 64 | 0% | 100% |
| 64 to 65 | 0% | 100% |

**The Board reminds you that it is your responsibility to discuss your options with your financial advisor.**

**In the event that you have any specific queries, please do not hesitate to contact the Principal Officer:**

**Mrs Evette Vanrenen-Linford**

**Tel: 011 559 4898**

**E-mail: Evettevl@uj.ac.za**

## 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, jewelry, savings and any other investments are all assets. |
| **Asset Classes** | Another word for *Investment Types*. 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. |
| **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:   * 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. |
| **Volatility** | The tendency of an investment to experience price swings. A highly volatile investment experiences dramatic price movement over short periods of time. |

**Alexander Forbes Administration Services**

Member Investment Choice switch notification form

Please refer to “Important Notes” on reverse side - Fax this form to Alexander Forbes on 011 263 2948 or email it t[o zzswitches@aforbes.co.za](mailto:zzswitches@aforbes.co.za)

**NAME OF FUND: UNIVERSITY OF JOHANNESBURG PENSION FUND FUND MEMBER DETAILS**

Please complete your personal and contact details below:

**Compulsory information - must be completed**

OR

|  |
| --- |
| Surname and Initials: |
| ID Number: |
| Cell Number: |

|  |
| --- |
| Date of Birth: |
| Passport Number: |
| Email Address: |

AND/OR

**Additional information to be completed**

|  |  |
| --- | --- |
| Name of Employer: | Employee Number: |
| Tel Number: | Fax Number: |
| Member’s Physical Address: | Member’s Postal Address: |
|  |  |

**MEMBER INVESTMENT CHOICE**

**OPTION 1**

I wish to elect the **High Equity Living Annuity Model** and I acknowledge and understand that at the date of the switch 100% of my existing retirement fund savings, i.e. my current Fund Credit and my future contributions to the Fund will be invested in the **High Equity Annuity Model.**

**OR**

**OPTION 2**

I wish to elect the **Medium Equity Living Annuity Model** and I acknowledge and understand that at the date of the switch 100% of my existing retirement fund savings, i.e. my current Fund Credit and my future contributions to the Fund will be invested in the **Medium Equity Living Annuity Model.**

**OR**

**OPTION 3**

I wish to elect the **Low Equity Living Annuity Model** and I acknowledge and understand that at the date of the switch 100% of my existing retirement fund savings, i.e. my current Fund Credit and my future contributions to the Fund will be invested in the **Low Equity Living Annuity Model.**

**OR**

**OPTION 4**

I wish to elect the **Cash Model** and I acknowledge and understand that at the date of the switch 100% of my existing retirement fund savings, i.e. my current Fund Credit and my future contributions to the Fund will be invested in the **Cash Model.**

**OR**



**OPTION 5**

I wish to elect the **Protector Model** and I acknowledge and understand that at the date of the switch 100% of my existing retirement fund savings, i.e. my current Fund Credit and my future contributions to the Fund will be invested in the **Protector Model.**

**OR**

**OPTION 6**

|  |  |
| --- | --- |
| **INVESTMENT PORTFOLIOS** | **Tick if Applicable** |
| UJPF Wealth Creation |  |
| UJPF Wealth Preservation |  |
| UJPF Capital Protection |  |
| UJPF Money Market |  |
| UJPF Shari’ah (Islamic) Portfolio |  |
| UJ PF Capital Guarantee |  |

I.e. I wish to elect one of the portfolios above and I acknowledge and understand that 100% of my existing retirement fund savings i.e. my current Fund Credit and my future contributions will be invested 100% in that portfolio.

**DECLARATION BY MEMBER**

I understand that a confirmation slip does not constitute sufficient proof of receipt by Alexander Forbes and that the onus is on me to ensure that the switch instruction is received by Alexander Forbes and if Alexander Forbes does not acknowledge receipt of the switch instruction within five working days, then the switch may not take place. I understand that should the form be incomplete or inaccurately completed (see “Important Notes”), the switch instruction may not be actioned by Alexander Forbes. I will advise Alexander Forbes within 30 days of the switc h instruction if the switch instruction has not been actioned as per my intention and advice (as per note 6 and 7). Any failure on my part to notify Alexander Forbes of any errors and /or omissions relating to my switch instruction within 30 days will be deemed acceptance by me. I acknowledge that I can contact the Alexander Forbes Switch help Line on 0860 100 333 should I have any queries.

I declare that I understand the risk profile of the investment portfolio/s of my choice and that I have obtained advice where appropriate. I declare that I understand the implications of my choice. I indemnify the Fund, the Trustees, the Principal Officer of the F und, my

Employer and Alexander Forbes against any claim arising from my written instruction to switch my investment portfolio and the consequences thereof as set out in this Switch Notification Form (in particular, note 7).

I acknowledge and understand that at the date of the switch 100% of my existing retirement fund savings, i.e. my current Fund Credit and my future contributions to the Fund will be invested in the selected portfolio.

Member Name: Signature: Date:



**IMPORTANT NOTES**

1. **Compulsory information**, please complete surname and initials, date of birth, ID number or passport number, cell phone number and or email address. **Your switch will not be implemented unless the “compulsory information section” is completed in full. Additional information** is not mandatory but will assist as alternative modes for communication.
2. Please note that certain Investment Portfolios have specific rules, such as notice periods and maximum amounts, these rules rank the highest in terms of priority and apply over and above the Fund’s switching rules.
3. Should the member disinvest from Capital Guarantee Portfolio, Alexander Forbes (AF) Administrators will only action the switch in a month’s time.
4. You are allowed **one free switch per year.** Thereafter there will be a **switch fee of R350 (excl VAT) per switch.**
5. The Switch Notification Form will be processed within 5 working days after date of receipt, or, if applicable, any specific n otice period relating to the Fund’s Investment Portfolio/s.
6. Please **view the result of the election change** on Alexander Forbes (AF) Online, using the following address to connect to the website: [https://www.alexanderforbesonline.co.za.](https://www.alexanderforbesonline.co.za/) Alternatively, please call the AF Online help line on 0860 100 333 for assistance in the registration process.
7. On viewing of the switch election change, it is important to **ensure that the switch instruction has been actioned in accordance with your intention and advice.** Please inform Alexander Forbes (0860 100 333) within 30 days should you have any queries. Any failure on your part to notify Alexander Forbes within 30 days of your switch instruction of any errors and

/ or omissions will be deemed acceptance by you and neither Alexander Forbes nor the Fund will be liable for any resultant loss.

1. Alexander Forbes will maintain procedures for disaster recovery in the event of catastrophe. Alexander Forbes will have no liability for any loss that results directly or indirectly from a *force majeure* or from the lack of electricity supply or such other resources over which Alexander Forbes has no control.

**University of Johannesburg Pension Fund is administered by:**

Alexander Forbes Administration Services,

A division of Alexander Forbes Financial Services (Pty) Ltd.

Reg No. 1969/018487/07

FAIS Licence no: 1177

Alexander Forbes, 115 West Street, Sandown PO Box 787240, Sandton, 2146

Tel: +27 0860 100 333 (call centre)

Fax: +27 (11) 263 2948 (call centre)



