



UNIVERSITY
OF
JOHANNESBURG

TRUSTEE REPORT

UNIVERSITY OF JOHANNESBURG
PENSION FUND

DECEMBER 2018



UJ EXCELLENCE | CHOICE | ACCOUNTABILITY
Pension Funds

**University of Johannesburg Pension Fund
Annual Board of Trustees Report as at 31 December 2018**

Message from the Chairperson

The Board of Trustees of the University of Johannesburg Pension Fund is pleased to present this report to you, our valuable members of the Fund, for the period ending 31 December 2018. The aim of this report is to give you an overview of the management, activities and financial results of the Fund as well as general retirement fund information.

The University of Johannesburg Pension Fund was presented with a gold standard award at the Institute of Retirement Funds Africa Best Practice Industry Awards evening. These awards are presented to funds which display excellence in terms of their Fund Governance, Stakeholder Engagement and Education, Trustee Development, Investment Practices and Transformation. The judging was done by a panel of local and international subject matter experts. It was the first year that this overarching award was made to the UJ pension fund.

We thank the Fund's appointed and elected Board members for being willing to take up this important task. Thank you for your commitment and valuable contribution to the management of the Fund.

2019 is an important year in South Africa – it's a year in which an election for the sixth democratic Parliament in South Africa took place - and all political party leaders communicated their election manifestos so that voters have an understanding of their goals and aspirations. In this way, voters had a better idea of what each party wishes to achieve, which helped them, make informed decisions about which party to vote for and what the next five years, at least, are likely to bring. So, this is a good year to think about your own future five-year manifesto.

Your retirement fund is here to help you save for your future years, and so it's a good idea to speak to one of your Trustees or to a financial adviser at least once a year to help you ensure a comfortable retirement. Make sure your financial adviser is accredited. Check their credentials on <http://www.fpi.co.za> or call the Financial Planning Institute of Southern African on +27 (0)11 470 6000 to find an adviser who can help you create, grow and protect your wealth and assets.

Prof A Dempsey
Chairperson

Fund Matters

Get instant access to your values

Do you know if you're on track to reach your retirement saving goals? With AF Online, you can enjoy real-time access to:



- Investment values
- Retirement fund values
- Tools to help you secure your financial well-being

The Alexander Forbes App is FREE, and available for download on the Apple App Store and Google Play Store. Simply search for Alexander Forbes. You can also visit www.alexanderforbes.co.za and select Online Services to register for AF Online.

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. You can use this information to make sure you're on track for the retirement you want.

These statements were e-mailed out to all members in April 2019, by Infoslips. Please check your details carefully and use the contact details at the end of this report to report any errors to the Principal Officer, Mrs Evette Vanrenen-Linford via e-mail to evettevl@uj.ac.za. If you have not received your benefit statement, please advise the pension's office accordingly.

Pension Fund Website

The Fund's 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 hosted various sessions for members, including member education sessions, pre-retirement seminars, as well as an AGM and sessions providing updates on Fund benefits and the performance of the Fund's investments. The Fund will continue to host the AGM and Investment feedback sessions in February each year, while Fund benefits will be discussed at various sessions in April each year. Pre-retirement sessions are hosted in May and August each year, while Financial Education sessions will be hosted in September each year.

A financial consultant as well as retirement benefit councillors are also available on all campuses – kindly contact Mrs Fairuze Morgan in the Pensions Office on ext. 4877 to make an appointment to see them. It is required that all members leaving the Fund make an appointment to see either a councillor or advisor to explain their options to them.


Video clips of some of these sessions of previous years' sessions are available on the Fund's website.

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 the members choose the Member-elected Trustees.

The Board of Trustees' duties include:



- 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 Board of Trustees make up the Fund's Board from 1 July 2018:

Chairperson	Prof A Dempsey
Principal Officer	Ms E Vanrenen-Linford
Employer-appointed Trustees	Ms B Madikizela Mr F Cooper Prof D Millard Ms N Mamorare
Member-elected Trustees	Prof A Dempsey Ms D Diseko Prof P O'Brien Mr L Modibedi

The Rules of the Fund stipulate that the term of office for the Board of Trustees is three years. Elections are held as and when required to replace Member-elected Trustees whose terms of office has expired.

Your Fund's service providers

The Board of Trustees needs expert advice to make sure they are managing your retirement money in the best way possible. The following companies have been appointed by your Board of 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 Board of 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 Inc.	Annually, the auditors provide assurance over the fair presentation of the financial statements of the pension fund. Their mandate is to perform procedures that provide assurance that the financial statements are free from material misstatement.
Bankers	Standard Bank	This is the bank where the Fund holds its accounts, from which, and into which, Fund money is paid.
Asset Managers	Coronation Allan Gray Investec Alexander Forbes Investments Old Mutual	The asset managers invest your contributions in terms of the mandates given to them by the Board. These investments have to meet the requirements of Regulation 28 of the Pension Fund's Act and are closely monitored by the Board.

Membership Movement

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

Active members as at 1 January 2018	2 514
New members	226
Less:	
<i>Withdrawals</i>	148
<i>Retrenchments</i>	1
<i>Retirements</i>	30
<i>Deaths</i>	8
<i>Adjustments</i>	1
Active members as at 31 December 2018	2 552

The membership has increased by 1.5%, from 2 514 members at 1 January 2018 to 2 552 members at 31 December 2018.

Financial Statements

The following are extracts from the audited financial statements for the period ended 31 December 2018:

Statement of Net Assets and Liabilities as at 31 December 2018

	2017 R	2018 R
ASSETS		
Non-current assets		
Investments	1 962 253 928	1 958 193 706
Current assets		
Accounts receivable	2 552 438	9 994
Contributions receivable	28 045 627	30 345 599
Cash at bank	8 900 744	17 089 762
Total assets	<u>2 001 752 767</u>	<u>2 005 639 061</u>
FUNDS AND LIABILITIES		
Members' individual accounts	1 957 187 038	1 968 195 102
Amounts to be allocated	114 261	2 850 394
Member surplus account	6 734 973	197 295
	1 964 036 272	1 971 242 791
Reserves		
Reserves	14 543 087	15 218 448
Total funds and reserves	1 978 579 359	1 986 461 239
Non-current liabilities		
Unclaimed benefits	1 060 652	2 132 141
Current liabilities		
Transfers payable	5 423 246	0
Benefits payable	15 501 608	15 705 453
Accounts payable	1 187 902	1 340 228
Total funds and liabilities	<u>2 001 752 767</u>	<u>2 005 639 061</u>

Enhanced Financial Assessment

The Enhanced Financial Assessment is prepared quarterly to set out the allocation of the contributions to the Fund and to investigate and report on the financial position of the Fund. The financial assessment is done in order to determine the level of solvency of the Fund and to compare the total assets of the Fund with the total liabilities. The Fund is solvent when the value of the assets exceeds the value of the liabilities, i.e. a funding level of 100% or greater. The funding level of the Fund at 31 December 2018 was 100.01%.

Economic Commentary

The Global situation

The year 2018 ended in a disappointing fashion for markets, after starting on a positive note with a synchronized economic growth outlook that started in 2017. Trade tensions between the United States (US) and its major trading partners, Brexit negotiations, Italian and Argentinian debt issues, Turkey's currency problems and more importantly, the Federal Reserve's (Fed) interest rate hiking path, all combined over the course of the year and shifted the outlook for markets from a low-return environment to a negative returns environment, across a broad range of asset classes. To

paraphrase Ernest Hemingway in responding to how he became bankrupt, the market gave away earlier gains gradually, then suddenly. Oddly, we had no advanced or emerging economy in deep recession, no major financial meltdown and no major corporate default, to justify the 2018 market's performance. We believe that we are at the end of a long economic cycle, which implies that cheap money will become scarce, volatility will rise and there is going to be more differentiation in economic and market performance across regions and countries.

Investors sold emerging market equities and bonds, and piled into global bonds and US dollar cash during the latter part of 2018. The major concerns that drove this investor behaviour were expectations of slower US growth, which in turn affected global growth, continuing US Fed rate hikes and reduction in global dollar liquidity, trade tensions, as well as a decline in crude oil prices and geopolitical risks in Europe around the Brexit negotiations and Italy's debt.

Consequently, in 2018 asset class returns were poor across a broad range of asset classes and geographies. Global equities, represented by the MSCI All Countries World Index (ACWI), returned -8.9% for the year. This was driven by a repricing of advanced economies, with US S&P 500 returning -9.0% in December and -4.4% for the year. Europe and Japan also had negative returns in December and far worse for the year than the US. United Kingdom (UK) FTSE 100 returned -11.8% for the year, in US dollar terms, due to the Brexit uncertainties negatively impacting both the UK and the rest of continental Europe. UK equities showed an improvement, in pound terms, and returned -8.8% in 2018, as a result of the impact of the weaker sterling against the dollar. Emerging markets (EMs), as represented by the MSCI Emerging Markets, returned 2.6% in December, as the sell-off in the first half of the month was partially reversed, due to easing trade tensions and expectations of fewer rate hikes by the US Fed than what was expected during much of 2018.

The Local situation

South African markets mirrored global markets, and this was made worse by the negative domestic economic news and political and policy uncertainty. The economy experienced a technical recession during the first and second quarters. The Medium Term Budget Policy Statement showed a deterioration in fiscal outlook, Eskom's debt burden and rolling electricity blackouts increased risks for both the fiscus and economic growth. As if this wasn't enough, policy uncertainties and miscommunication around land expropriation without compensation negatively impacted market sentiment and business confidence. Ultimately, the unfavourable global backdrop and local issues drove the majority of asset class returns into negative territory. The JSE All Share Index returned -8.5% for the year, despite a rebound of 4.3% in December. The decline in equities was broad-based across small, medium and large caps. Industrials (INDI25) returned -17.6%, while financials returned 8.8%, for the year, even though they returned small positives in the last month. Resources (RESI20) bucked the trend, with a 15.5% return. Bonds (ALBI) and cash (STEFI) were the best performers for the year, with 7.7% and 6.6%, respectively. Property (JSAPY) didn't recover much from earlier declines, returning -25.3% for the year.

Market performance

Asset class returns for periods ended 31 December 2018:

Asset classes	Index	1 month	3 months	1 year	3 years*	5 years*
Local shares	FTSE/JSE All Share Index	4.25%	-4.88%	-8.53%	4.33%	5.77%
Listed properties	SA Property Index (SAPI)	-1.06%	-3.99%	-25.26%	-1.19%	5.70%
Local bonds	All Bond Index (ALBI)	0.64%	2.74%	7.69%	11.07%	7.71%
Inflation-linked bonds	Inflation-Linked Bond Index	0.73%	0.23%	-0.43%	2.89%	4.65%
Local cash	STeFI Overnight	0.60%	1.78%	7.25%	7.39%	6.91%
Global shares**	MSCI All Countries World Index	-3.02%	-11.38%	5.71%	4.00%	10.95%
Global bonds**	Citi WGBI	6.82%	3.35%	15.72%	0.19%	7.24%

* Annualised returns have been rescaled to a period of one year.

**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 Board of 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 and you could lose money in the short term. However, remember that retirement saving is a long-term investment.

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

Invested in the following portfolios	1 year to 31 Dec 2018	3 years to 31 Dec 2018	5 years to 31 Dec 2018	Quarter to 31 March 2019
UJ Wealth Creation	-2.7%	3.2%	6.3%	8.5%
<i>CPI+6%#</i>	10.5%	11.3%	11.3%	2.9%
UJ Wealth Preservation	0.6%	5.0%	6.2%	61.1%
<i>CPI+4.5%#</i>	9.0%	9.8%	9.8%	2.5%
UJ Capital Guarantee	8.8%	8.1%	9.8%	1.1%
<i>CPI+3.5%</i>	8.0%	8.8%	8.8%	2.3%
UJ Capital Protection	3.0%	6.1%	6.2%	4.6%
<i>CPI+4%#</i>	8.5%	9.3%	9.3%	2.4%
UJ Money Market	8.3%	8.3%	7.6%	2.0%
<i>CPI+1.5%</i>	6.0%	6.8%	6.8%	1.8%
Shari'ah	-2.3%	5.4%	4.5%	7.9%
<i>CPI+5%</i>	9.5%	10.3%	10.3%	2.6%

**Annualised returns*

#Benchmark changed from January 2017, long term returns are spliced with the previous benchmark.

Please note: The most recent returns for 31 March 2019 are provided to keep you abreast with the performance of the portfolios you are invested in. The "Total Expense Ratio" after deducting all expenses, costs and fees for the period 1 January 2018 to 31 December 2018 for the overall Fund was 0.19%.

Default Regulations

The Pension Funds Act introduced four new regulations to which all funds had to comply by 1 March 2019. The Board is pleased to confirm compliance with these regulations and would like to provide you with more information on each.

Default Portability and Preservation

The Fund amended its rules to allow, as the default, Members who resign, are dismissed or retrenched from the University of Johannesburg to preserve their Fund Credits in the Fund. When you leave your Fund Credit in the Fund, you will continue to pay administration fees and ad hoc expenses, similar to when you were an actively contributing Member of the Fund. You will no longer be allowed to make contributions to the Fund and you will no longer be covered for death, disability and funeral cover. Upon resignation, dismissal or retrenchment, a document setting out all the options and relevant costs will be made available to you.

Default Investment Portfolio

The Board introduced the Lifestage strategy as its default portfolio. The default strategy is used when a Member fails to make a decision as to the appropriate investment portfolio for his/her Fund Credit.

The Board reviewed the current default investment strategy and mapped it against the requirements of the new regulation. The Board is satisfied that the current Low Equity Lifestage strategy complies with the new regulation. In addition to investing in the default portfolio, you also have the option to choose from a number of portfolios. You are allowed to switch at any time with the first switch per annum being free of charge and an administrative fee being charged on every switch thereafter. The Board updated the Member Investment Booklet to ensure that you are informed of the asset composition and the fees charged on each of the portfolios.

Annuity Strategy

The new regulation requires each fund to implement an annuity strategy. After careful consideration and in consultation with its expert advisors, the Board decided to implement the With-Profit Annuity provided by Old Mutual as the Fund's annuity strategy. A With-Profit Annuity is a pension which pays you a guaranteed monthly pension for the rest of your life. A With-Profit Annuity does not guarantee pension increases, but it targets a set increase against inflation, which is subject to the returns achieved by the investment portfolios of the annuity.

The Board also decided to make the Alexander Forbes Retirement Income Solution ("AFRIS") living annuity available to members. This is a living annuity managed by Alexander Forbes. You select the investment portfolio, suited to your own personal circumstances and financial needs, to invest your retirement capital. You can draw between 2.5% and 17.5% of your capital each year.

Although the Fund had to implement an Annuity Strategy, this is not a default and you will have to actively select the pension you wish to purchase at retirement. You are not limited to this product only, but can still select from all the annuity products in the market. The Board recommends that you obtain financial advice prior to entering into any annuity product as the majority of them provide a guarantee, and therefore you cannot reverse or terminate the agreement. Three months prior to retirement, a document setting out all the options and relevant costs will be made available to you.

Rule Amendments

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

The Revised and Consolidated Rules of the Fund was approved during the period under review.

The current Rules of the Fund are available on the Fund's website. You can also view the Rules by appointment at the Fund's registered address which is:

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

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 Board of 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 or call her on 011 559 4898.

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



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

Fund name	University of Johannesburg Pension Fund
Registered address	University of Johannesburg Auckland Park Kingsway Campus Cnr University and Kingsway Avenue Auckland Park 12/8/37763
Financial Services Board registration number	12/8/37763

The Board of Trustees of the Fund aims to make sure that 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.

The Board confirms that they are satisfied with the Fund's current service providers. The levels of services rendered are regularly reviewed in terms of the service level agreements and mandates signed by the Board and the service providers.

If there are any conflicts between the information in this Board of Trustees report and the official Rules of the Fund, the Rules of the Fund will always apply.

Personal Financial Planning

Death Benefits

In terms of section 37C of the Pension Fund's Act, the Board has to perform a full investigation into the circumstances relating to a member's dependants at the time of his / her death.

This benefit does not form part of the deceased member's estate.

It is the duty of the Board to determine who the death benefit should be paid to, how much should be paid to each beneficiary and how the benefit should be paid to them.

In order for the Board to make these decisions and to complete their investigation as soon as possible, the Board of Trustees requests that you complete a Nomination of Beneficiary form in as much detail as possible.

The Act determines that the benefit can be paid to:

- Factual, Legal and Financial dependants of the deceased
- Nominated beneficiaries who were not dependant on the deceased
- The deceased's estate should no dependants be located and if no nominees were nominated.

Dependant	Nominee
A member's spouse, child (adopted and biological irrespective of age) and any other person for whose maintenance the member was liable or would have become liable for. Or any other person the member was financially maintaining.	Any person the member nominates to receive benefits.

Should you require any assistance in completing or update your beneficiary form, please contact the Principal Officer.

Provision for Retirement

In your benefit statement, a projected retirement benefit value was included. This projection gives you an indication of what level of income you could expect at retirement. When looking at these figures it is also important to note that you will have to provide for your own medical aid after retirement. Although many other expenses reduce as we age, medical costs could significantly increase over time.

To ensure that you have sufficient pension income to provide for increased medical costs you could:

- Make additional voluntary contributions to the Fund
- Make contributions to a Retirement Annuity
- Make use of discretionary savings such as a tax-free savings account

Please discuss your options with your financial advisor.

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.

You may also contact James McDonnell or Gerard Visser, certified financial planners (CFP) from Alexander Forbes, who have been assigned to the university's Funds. Their email address are mcconnelli@aforges.co.za and visserg@aforges.co.za. They are not remunerated by the Fund and earn commission.

The Board of Trustees specifically records 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.

