Cape Peninsula University of Technology

RETIREMENT FUND

N E W S L E T T E R

Issue number: 1/2019 **MAY 2019**

Dear members

Welcome to the first newsletter for the year. Your trustees are determined to make sure that these bi-annual newsletters are useful and informative. It is our aim to inform you through the newsletters of the following:

- Trustee decisions that relate to your Fund benefits;
- Developments in the retirement fund industry;
- Your benefits and investments.

INSIDE THIS ISSUE →

As this is your newsletter we would appreciate your comments. We therefore ask you to think about topics you would like to see in the newsletter, and pass your constructive comments and suggestions to Rushnah Davids on DavidsRu@cput.ac.za or contact any of the Trustees. Please take this request seriously – if we do not receive constructive comments or suggestions then we assume that the current format and content is acceptable.

We trust you will enjoy the read. Board of Trustees

Disclaimer:

INVESTMENT NEWS

INVESTMENT PERFORMANCE

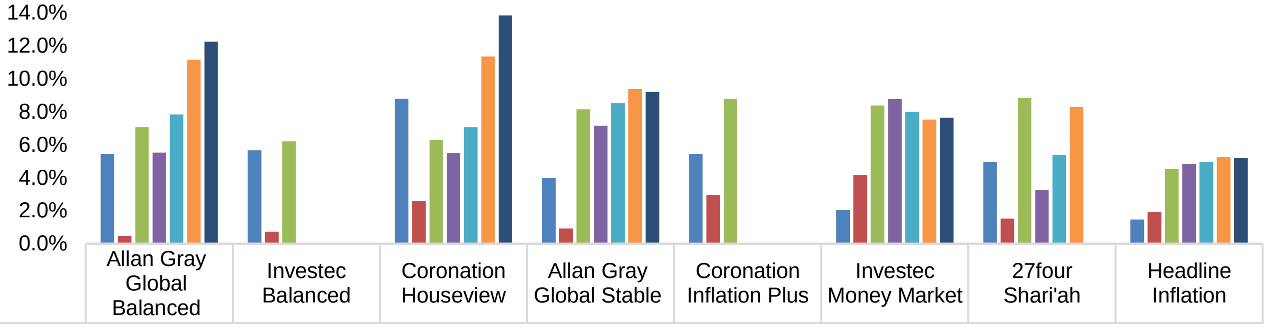
Below are the annualised manager returns (net of fees) for all the portfolios over different measurement periods to 31 March 2019:

Portfolio	Manager/Product	Investment Objective	Measurement period to 31 March 2019	Manager returns p.a over measurement period	Inflation p.a. over the measurement period	Return above Inflation p.a.
Long Term Growth Portfolio	Allan Gray Global Balanced	4.5% per annum above inflation (net of fees) over a rolling 5-year period	5 years	7.8%	5.0%	2.9%
	Coronation Houseview			7.1%	5.0%	2.1%
Medium Term Protection Portfolio	Allan Gray Global Stable	2.5% per annum above inflation (net of fees) over a rolling 3-year period	3 years	7.1%	4.8%	2.3%
Money Market Portfolio	Investec Money Market	1.5% per annum above inflation (net of fees) over a rolling 1-year period	1 year	8.4%	4.5%	3.9%
Shari'ah Portfolio	27four Shari'ah Balanced Fund	4.0% per annum above inflation (net of fees) over a rolling 5-year period	5 years	5.4%	5.0%	0.4%

Investec Balanced Fund and Coronation Inflation Plus Fund returns are excluded from the table above, as the Fund measurement period for these funds are too short.

The chart below shows the performance of each asset manager over various measurement periods to 31 March 2019. The returns are shown <u>after</u> deduction of tax and investment management expenses.

Net Returns as at 31 March 2019



	Allan Gray Global Balanced	Investec Balanced	Coronation Houseview	Allan Gray Global Stable	Coronation Inflation Plus	Investec Money Market	27four Shari'ah	Headline Inflation
3 months	5.4%	5.7%	8.8%	4.0%	5.4%	2.1%	4.9%	1.5%
6 months	0.5%	0.7%	2.6%	0.9%	3.0%	4.2%	1.5%	1.9%
1 year	7.1%	6.2%	6.3%	8.1%	8.8%	8.4%	8.8%	4.5%
3 years p.a.	5.5%		5.5%	7.1%		8.8%	3.3%	4.8%
5 years p.a.	7.8%		7.1%	8.5%		8.0%	5.4%	5.0%
7 years p.a.	11.1%		11.4%	9.4%		7.5%	8.3%	5.2%
10 years p.a.	12.2%		13.8%	9.2%		7.6%		5.2%

3 months 6 months 1 year 3 years p.a. 5 years p.a. 7 years p.a. 10 years p.a.

COMMENT ON INVESTMENT PERFORMANCE

Domestic equities and bonds benefitted from favourable global investor sentiment in the first quarter of 2019. However, a challenging domestic backdrop underpinned by political uncertainty continued to weigh on certain asset class pricing. Domestic economic growth and business and consumer confidence remain mired in weakness. The International Monetary Fund reduced its growth forecast from an already anaemic 1.5% to 1.3% for 2019. The South African Reserve Bank (SARB) reduced its growth forecast from an already anaemic 1.7% to 1.3%. Moody's decision on the 29th of March to leave SA's sovereign credit rating at investment grade with a stable outlook was notably positive.

Positive global sentiment and domestic challenges drove relative performance within the FTSE/JSE All Share Index (ALSI). Globally-priced shares such as Naspers and British American Tobacco performed well, while "SA Inc." shares such as banks and retailers came under pressure, as did SA listed property. Platinum shares were notably strong performers during the quarter, as commodity prices rose.

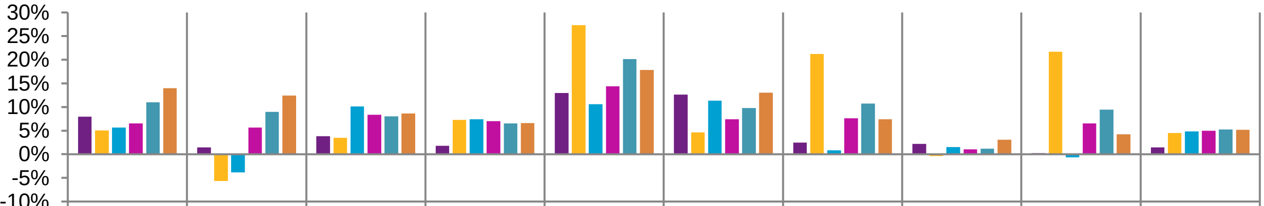
March was a particularly volatile month for the rand as a result of local and global risk events, including the anticipation of SA's sovereign credit rating review by Moody's, US dollar strength and renewed market angst surrounding the Turkish lira, which led to adverse EM currency movements. The rand has lost substantial ground over the one year period against the US dollar, depreciating 21.7%. The local currency shed 2.6% against the British pound but firmed 1.5% relative to the euro over the quarter.

If you need to start living on your retirement benefit within say the next 3 to 5 years, you are likely to be more focused on preserving the capital you have accumulated up to now. Generally speaking, if you are within 3 to 5 years of retirement you should be invested in the Medium-term Protection portfolio in the life stage range. However this depends on individual circumstances, and as always, we strongly encourage members to seek expert advice in your retirement planning. Ask the principal officer if you would like assistance in finding a reputable and expert independent financial adviser.

Members who are a long way from retirement are encouraged to adopt a long-term investment strategy. Don't be deflected by short-term market changes and ultimately your overall objective, which is to build retirement capital. To get out of the market when things get tough is not the way to build wealth.

KEY PERFORMANCE INDICATORS WITH MARKET COMMENTARY FOR THE QUARTER ENDING 31 MARCH 2019

The graph below shows the performance of the various sectors of the market during various measurement periods ended 31 March 2019 (source: INet).



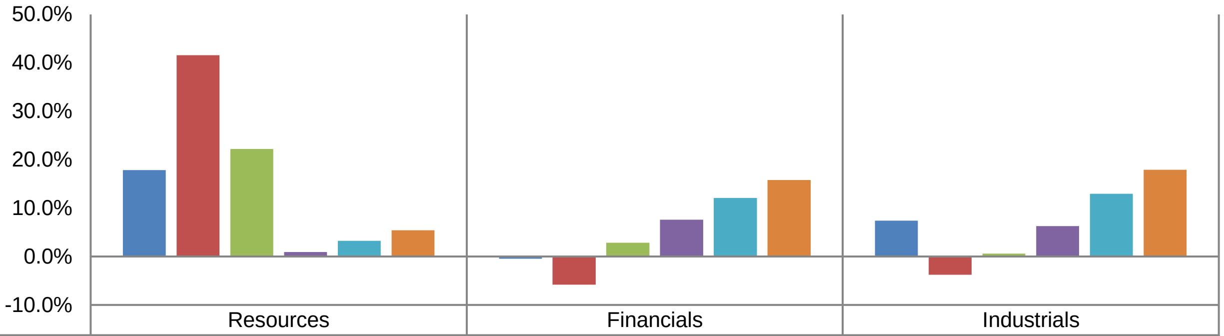
	SA Equities (ALSI)	SA Listed Property (SAPY)	SA Nominal Bonds (ALBI)	SA Cash (STeFI Comp)	Global Equities (MSCI World) (ZAR)	Global Equities (MSCI World) (USD)	Global Bonds (BarCap Agg) (ZAR)	Global Bonds (BarCap Agg) (USD)	ZAR/ USD	Inflation (CPI)
3 months	8.0%	1.5%	3.8%	1.8%	12.9%	12.6%	2.5%	2.2%	0.3%	1.5%
1 year	5.0%	-5.7%	3.5%	7.3%	27.3%	4.6%	21.2%	-0.4%	21.7%	4.5%
3 years p.a.	5.7%	-3.8%	10.1%	7.4%	10.6%	11.3%	0.8%	1.5%	-0.7%	4.8%
5 years p.a.	6.5%	5.6%	8.3%	7.0%	14.4%	7.4%	7.6%	1.0%	6.5%	5.0%
7 years p.a.	11.0%	9.0%	8.0%	6.5%	20.1%	9.8%	10.7%	1.2%	9.4%	5.2%
10 years p.a.	14.0%	12.4%	8.7%	6.6%	17.8%	13.0%	7.4%	3.0%	4.3%	5.2%

- Financial markets had a positive start to 2019. Several factors which had been headwinds for risk asset classes in the latter part of 2018 presented tailwinds in the first quarter. Positive market sentiment was primarily based on more accommodative policy stances by the US Federal Reserve (Fed), and other major central banks, as well as encouraging efforts made in order to reach agreement to settle the ongoing trade tensions between the US and China.
- The MSCI World Index (representing DMs) produced a strong 12.6% return (in USD terms) for the quarter, boosted by US and European markets, bringing the return for the year to 4.6% (in USD terms).
- EMs also put in a strong showing over the quarter, with the MSCI EM Composite returning 10.0% (in USD terms). Asian stocks carried the momentum within the EM basket, rallying on the back of easing concerns surrounding the ongoing US-China trade dispute and a pledge by China to reflate its economy.
- The local equity market performed well but lagged DM and EM market peers. The ALSI and Capped SWIX finished 8.0% and 3.9% higher respectively for the quarter. The relative underperformance of the Capped SWIX is due to the reduced weighting to Naspers and strong-performing resources, and a higher weighting towards banks.

An explanation of the different sectors appears below.

ALSI:	South African equities as measured by the All Share Index
SAPY:	South African listed property index.
ALBI:	South African all bond index
SteFI:	South African short term fixed interest investments (cash)
MSCI:	Morgan Stanley Capital Index – equities in developed overseas markets
BarCapAgg:	The Barclays Capital Global Aggregate bond index
CPI:	South African inflation rate
ZAR/USD:	Rand investment in US Dollars (negative numbers show a “strengthening” rand).

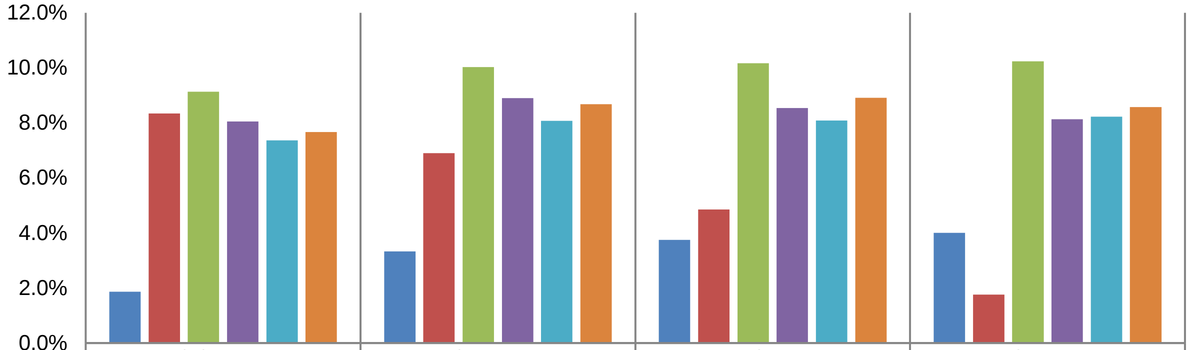
The following chart shows the performance of the broad sectors of the SA equity market for periods to 31 March 2019:



	Resources	Financials	Industrials
3 months	17.8%	-0.4%	7.4%
1 year	41.6%	-5.8%	-3.7%
3 years p.a.	22.2%	2.8%	0.6%
5 years p.a.	0.9%	7.6%	6.3%
7 years p.a.	3.2%	12.1%	13.0%
10 years p.a.	5.4%	15.8%	17.9%

- Resource shares surged 17.8% over the quarter, driven by a rally in the commodity price basket, which contributed to a robust performance in Sasol and diversified mining stocks including BHP Billiton. Resources significantly outperformed financial and industrial sectors over the one- and three year periods.
- The boost to rand hedges, provided by the volatile currency environment, coupled with favourable company-specific developments produced a rebound in the Industrials sector, which posted a 7.4% gain for the quarter. British American Tobacco and Naspers performed particularly well, returning 29.5% and 18.8% respectively, and faring best within the sector over the period.
- Financials lagged the market over the quarter, falling 0.4%, with the weakness in the banking subsector a notable drag on performance. Banks have struggled to achieve revenue growth in an unsupportive business climate underscored by a difficult consumer environment.

The chart below shows the performance of the different sectors of the SA bond index for periods ended 31 March 2019:



	0-3 years	3-7 years	7-12 years	12+ years
3 months	1.9%	3.3%	3.8%	4.0%
1 year	8.3%	6.9%	4.9%	1.8%
3 years p.a.	9.1%	10.0%	10.2%	10.2%
5 years p.a.	8.1%	8.9%	8.5%	8.1%
7 years p.a.	7.4%	8.1%	8.1%	8.2%
10 years p.a.	7.7%	8.7%	8.9%	8.6%

- Long dated bonds outperformed shorter dated bonds over the quarter, with the “12+ year” category posting a 4.0% gain for the period.
- Over the long term, one would expect longer dated bonds (“12+ year”) to offer a return premium relative to short-dated bonds, as investors need to be compensated for the uncertainty regarding future inflation (the so-called “term premium”). However, over the past ten years there has been no term premium earned for investors in SA bonds in the “12+ year” category versus all the “3-7” and “7-12 year” categories.
- This arises partly from many institutional investors being prepared to pay more for long-dated bonds to match their long-term liabilities. The high returns from shorter-dated maturities relative to longer-dated maturities is also reflective of a hawkish SARB determined to retain its inflation-fighting credibility.

MEET YOUR PRICIPAL OFFICER – RUSHNAH DAVIDS

Many of you have already heard about her, spoken to her and seen her. However, there are many members of the Fund that have still not had the privilege.

Rushnah has an ND: Internal Auditing qualification as well as a Btech: Business Administration degree which she obtained at the Cape Peninsula University of Technology. Her career with CPUT started on 1 January 2009. She was appointed as the then Principal Officer's assistant. She remained in that position until 1 December 2014, when she was appointed as the Principal Officer of the CPUT Retirement Fund.

If you need to know anything that is Fund specific, she is the person you need to contact and she will always willingly assist you. Her contact details are: E-Mail: DavidsRu@cput.ac.za Telephone: 021 4603404

INDUCTION WORKSHOPS TO ALL SERVICE STAFF

Over the last few weeks, we have visited all the CPUT campuses to do induction sessions to all new service staff that have joined the CPUT Retirement Fund.

These sessions were very well received and we will continue to hold regular induction sessions for all new staff that join the Fund going forward.

DEFAULT REGULATIONS – UPDATE

With effect from 1 September 2017, National Treasury issued new retirement fund regulations that will help to ensure that members of retirement funds get good value for their savings and are able to retire comfortably. Funds are given until 1 March 2019 to comply with these regulations.

SUMMARY OF THESE REGULATIONS AND PROGRESS MADE THUS FAR

Regulation 37

All retirement funds with a Defined Contribution category (such as your Fund) need to have a default investment portfolio.

The investment portfolio(s) should be appropriate, reasonably priced, well communicated to members, and offer good value for money. Trustees are required to monitor investment portfolios regularly to ensure continued compliance with these principles and rules.

The Fund already complies, in that it has a default investment portfolio for active members, paid-up and deferred members as well as for living annuitants. Trustees will continue to assess whether the default portfolios remain suitable for members.

Regulation 38

Default preservation: where membership of a fund is compulsory due to conditions of employment (as with most normal pension and provident funds), the funds will need to change their rules to allow for default preservation, as some of these funds currently do not allow resigning workers to leave their accumulated retirement savings in the specific fund. Furthermore, a new member must be allowed to transfer any paid-up benefits (from a previous fund) to the fund. Paid-up members of funds must also be allowed to transfer their benefit at any stage to another fund.

The employee, however, will still have the right and option to withdraw, on request, her or his accumulated savings in cash, or transfer these to any other fund. Employees will also be entitled to benefit counselling before they make a decision on whether to withdraw their savings in cash, transfer them or leave them in the previous employer's fund.

Again, the Fund already complies in most respects. Rule amendments to ensure that the default for all members on resignation is preservation, as well as associated amendments, are currently underway. The administrator of the Fund is also ensuring that paid-up certificates are issued to all paid-up members of the Fund.

Regulation 39

Trustee Boards should adopt a so-called "annuity strategy", which is the Trustees' suggested pension option for ordinary members of the fund. There are two main types of annuities – a living annuity and a life annuity.

A life annuity, once chosen, becomes irreversible. This means that choosing a life annuity when you retire is a big commitment, and Funds will therefore ask retiring members to indicate beforehand what type of annuity (e.g. life or living annuity) should be paid.

The suggested annuity should also be appropriate for members, well communicated, and should offer good value for money. Members must be given access to retirement benefits counselling to assist them in understanding and giving effect to the annuity strategy.

The Fund already has an annuity strategy in place.

The Fund is now fully compliant in all areas.

INTERESTING ARTICLE- THE COST OF DIPPING INTO YOUR SAVINGS

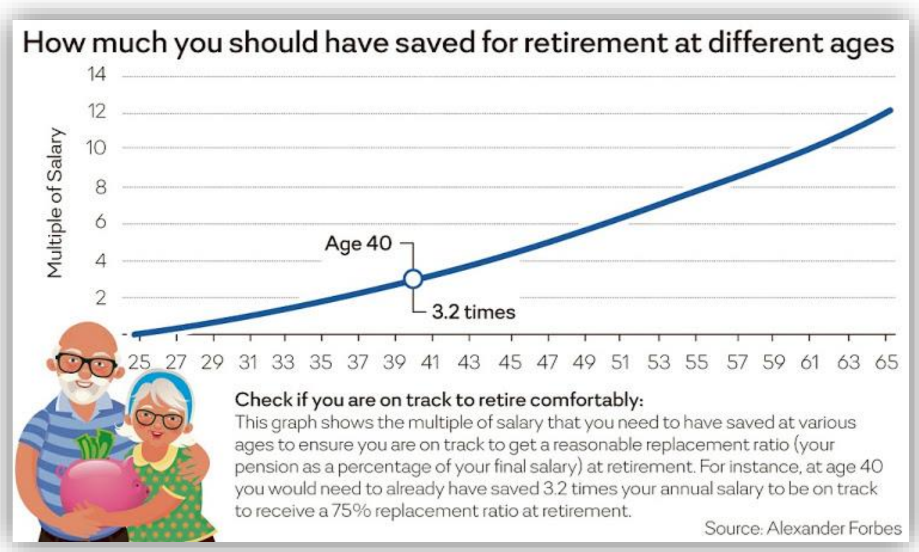
This article was written by Charlene Steenkamp and published in *Business Live* on 4 November 2018. This article has been edited.

Most retirement fund members face living on 20% of their last salary

The latest research reveals that more than half of SA's retirement fund members are retiring on a pension that is 20% or less of their last salary. This data was collected from the more than 2,000 retirement funds and more than 1-million members of those funds.

While the industry norm is for South African retirement funds to target a pension in retirement of between 60% and 75% of your final salary, the analysis has found that only about 5% of retirees get to enjoy a pension income of more than 80% of their last working-year salary. The true picture is that more than half of the members are retiring from their occupational retirement funds on pensions of less than 20% of their last working incomes.

The consequences of these low pension rates are that these retirees face a restricted lifestyle, and this makes them reliant on the state or their family for financial support.



A key reason for the low level of pensions is that retirement fund members fail to preserve their savings when they change one job for another. Over the past six years, about 13 out of every 100 members in the survey left their funds, but only one of the 13 preserved what they had built up in retirement savings.

The failure by so many South Africans to preserve their retirement savings has led to the government promulgating new regulations that take effect on March 1 next year.

In terms of the regulations, unless you specifically ask to be paid your retirement savings when you move between jobs, your savings will automatically remain in the fund until you instruct the fund to pay you or to transfer your savings to another fund, or you retire from the fund.

One of the most common reasons given by members for not preserving their benefits is that they are financially stressed or that their savings in the fund (or “fund credit”) are too low to warrant the trouble of preserving. The more money members have, the more likely they are to preserve. The survey shows members with R1 million and more are more likely to preserve.

Tax incentives for retirement savings, easy ways to preserve money within the fund, and access to financial advice also improve the rate of preservation. The retirement industry is hopeful that default preservation when a member leaves a fund and the counselling on retirement benefits that will be mandatory from March next year will increase the level of retirement savings that members keep until retirement.

Not preserving when you change jobs is similar to stopping a rolling snowball halfway down the hill and starting with a small snowball all over again. If you do this multiple times along your journey to retirement, your snowballs will be much smaller than the big one you could have had if you had kept on rolling it down the hill.

An example of a 25-year-old member with a starting salary of R5,000 a month, who starts contributing 8% of his/her salary to a retirement fund and whose salary increases annually by 6.5% throughout his/her career. Assuming he/she earns 9% a year interest on the retirement savings, he/she will have about R2.5m when he retires at 60. However, if he/she changes jobs at 35 and spends his retirement savings payout, he/she will have about R1m less at retirement.

The survey also shows that members are actually retiring on average at age 61, about two years earlier than the average normal retirement age set by funds, and this is costing members between 8% and 15% of what they should achieve at retirement. It really is important that members understand the cost of retiring early because it has a huge impact on their pension.

Interventions by the industry — such as retirement benefits counselling, default portfolios for preserving savings, allowing members to make additional contributions to the fund and allowing members to change the level of risk benefits they have so that a greater proportion of savings can be allocated to the retirement savings pot — can play a role in boosting retirement benefits. However, it is just as important for members to participate and take responsibility for their own financial wellbeing.

The default options for investment, preservation and the annuity or monthly pension you buy at retirement may cause increased complacency among members if they rely solely on trustees to make choices. Trustees' choices may relieve some of the pressure members feel when faced with how to preserve their savings, but trustees cannot guarantee an optimal outcome for every member according to their individual needs.

GENERAL INFORMATION

Due to the importance of the following items, they are standard features and are repeated in subsequent newsletters.

1. EXITS FROM THE FUND

A. DEATH

The importance of completing beneficiary nomination forms

This is explained in detail later on in the newsletter. Please read it carefully as it is an extremely important article.

B. RESIGNATION

How to speed up the benefit payment when leaving the Fund

When you leave the Fund, an income tax number is required in order to pay out your benefit. All members of the Fund, who are not registered as tax-payers and thus do not have a personal income tax number, must register and obtain a personal income tax number. It is important to do so in order to avoid unnecessary delays when a benefit needs to be paid out.

2. COMPLETION OF CLAIM FORMS

Claim forms that are not completed correctly will result in unnecessary delays. It is therefore important that you read the claim form thoroughly, fill in all relevant information and then submit whatever claim you may have to Human Resources for processing. If this is not adhered to, the benefit will remain in the Fund and will be invested in the underlying portfolio for another month.

3. BENEFICIARY NOMINATION FORMS – THE IMPORTANCE OF COMPLETING THESE

DEATH, ESPECIALLY ONE'S OWN, IS NOT A SUBJECT ONE WANTS TO THINK OF OR TALK ABOUT. HOWEVER, IT IS EXTREMELY IMPORTANT FOR ALL MEMBERS TO CAREFULLY CONSIDER THIS IN ORDER FOR THE DEATH BENEFITS PROVIDED BY THE FUND TO BE FINALISED AS SOON AS POSSIBLE.

There is an obligation on you, the member, to notify the Fund as to who you wish the beneficiaries of your death benefits should be. We therefore encourage and urge all members to please assist the Fund in ensuring that the Beneficiary Nomination form be completed and sent to the Fund's office. If you have already submitted a Beneficiary Nomination form in the past and your domestic situation has altered, it is necessary for you to submit a new form to replace the old one. It is important for all members to list ALL dependents (all spouses, children, partners, parents), especially those who you support financially. You may also indicate the portions of the benefit you would prefer to be allocated to your dependents. Feel free to indicate on the form your reason for allocating your benefit as you have indicated. The Trustees must and will consider your nomination form.

WHY IS IT SO IMPORTANT THAT THESE FORMS BE COMPLETED?

It is important for the Fund to have your beneficiary nominations as it will, on your death, serve as a guide to the Trustees in the allocation of your benefits; although, please note, that the Trustees are required to determine and allocate death benefits in accordance with section 37C of the Pension Funds Act. This Act requires the Trustees to pay your death benefit to those persons that were financially dependent on you at the time of your death and/or those who could have become financially dependent on you had you not died. The Trustees thus have to go through a process of establishing all the parties that are financially dependent on you which may take some time. Your beneficiary nomination form will assist the Trustees to speed up the process.

By completing the forms (and keeping them updated), you will be advising the Fund to act according to your wishes in the event of your death (subject to Section 37C above). This information will also help to speed up the pay-out process in the event of your death.

Remember that the information will always be treated as confidential by the Fund administrators and only made available to the Trustees when a claim is considered. Some members believe the requirements of the Act disempowers them as far as their wishes as to the allocation of benefits is concerned. Your nomination form must however, be taken into account by the Trustees when an allocation is made. The Board must have a good reason to deviate from your written nomination and your beneficiaries are entitled to know their reasons for doing so.

Should you not have advised the Fund of all your dependents, this investigation will take longer and might cause hardship for your family. The Trustees can only arrange payment of your benefit once they are aware of all the facts.

Your list of dependants and beneficiaries is treated with the utmost confidentiality.

If you need a beneficiary nomination form, please contact the Fund and we will send you one. If you are unsure as to how to complete these forms we will assist you in this regard.

ADDITIONAL INFORMATION ABOUT THE CPUT RETIREMENT FUND

- Established on 1 November 1994.
- Membership of the Fund is compulsory for all employees

MISSION AND VALUES

- Honesty – the Fund will always act towards its members in a transparent and honest manner
- Empowerment – the Fund has a focus on providing members with education which aims to empower members to understand their benefits and make the right decisions
- Innovation – the Fund aims to be at the forefront of developments in the retirement fund industry

GOVERNANCE

The Fund is separate from the Employer and is managed by the Board of Trustees.

The Board of Trustees =

- 4 individuals elected by members of the Fund + 4 individuals appointed by the Employer
- Term of 3 years
- Meets at least 4 times a year
- Responsibilities are to run the Fund in the best interest of the members and manage the Fund in terms of the Rules and applicable laws
- The Rules of the Fund can be obtained from the Principal Officer on request – details below

Your Board of Trustees are:

Member-elected trustees	Council appointed trustees
WA Lötter (Chairperson)	N Qomoyi
WAJ Smith (Vice-chairperson)	C Nhlapo
C Bezuidenhout	P Sotshononda
S van der Merwe	P Du Plessis
A Neethling	J Dubihlela

Principal Officer: Ms Rushnah Davids

COMMUNICATION

More information is provided via the following:

- Fund Website for all Fund information: www.cputretirementfund.co.za
- Newsletters will be issued bi-annually
- Benefit statements showing your benefits will be issued annually towards the end of January
- Projection statements showing the expected pension that your retirement savings are likely to provide will be issued annually with your benefit statements towards the end of January
- Alexander Forbes Online facility where you can check your own information on a real time basis: www.alexanderforbes.co.za. In order to access this site you need to register and then you will receive a pin and password. The AF on-line gives you access to the following information:
    - ✓ Your Member Share
    - ✓ Your contribution allocation
    - ✓ Projection tools – retirement calculator
    - ✓ Access to your benefit statement

- Fund Rules can be obtained from the Principal Officer (details below) or from the Fund website.
- Presentations and workshops are held regularly. In particular the pre-retirement workshops which continue to be held quarterly for all in-service members who are aged 50 and older, however all members are able to attend. We encourage all members who are aged 50 and older to attend these workshops. These workshops are educational in nature, and explain in detail the different pension options available, thereby empowering members to make the RIGHT CHOICE at retirement. Furthermore, should you wish to bring your spouse along with you, please feel free to do so.

QUESTIONS OR QUERIES- PLEASE CONTACT:

The Principal Officer: Rushnah Davids
E-Mail: DavidsRu@cput.ac.za

CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Resources department in writing of any such changes.

COSTS

Administration and Fund costs

By pooling members' retirement savings in the Fund, the Trustees are able to negotiate lower costs than a member would typically otherwise be able to receive on their savings in the retail market. As part of increased transparency in the Fund, the Trustees will be showing the fees charged inside of the Fund.

- Active members – Fund costs are funded from a deduction from the contribution rate – 0.35% of pensionable salary.
- Deferred members – nothing cuurently. As soon as costs are finaliseed we will inform you.
- Deferred pensioners – nothing cuurently. As soon as costs are finaliseed we will inform you.
- Living annuitants – Initial fee = R 856.00 plus VAT (this is a once-off fee). Administration costs of R75.00 pmpm plus VAT. This is deducted from the living annuity balance.
- **The Switching costs** (cost of changing investment decision) – first switch in the year is free. Thereafter R250.00 plus VAT is deducted from your account per switch.

In the next newsletter we will incorporate all the investment management fees.