



Cape Peninsula  
University of Technology

# RETIREMENT FUND NEWSLETTER

Issue number: 1/2018

May 2018

## 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 →

- General information
- Investment news
- Steinhoff Impact
- Annual General Meeting
- Summary of the Draft Regulations
- Pre-retirement workshops
- Your Board of Trustees
- Member communication via the internet site

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](mailto: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:

The information contained in this newsletter does not constitute advice by either the Board of Trustees or its advisors. If you need advice you should seek the assistance of an independent professional advisor.

# GENERAL INFORMATION

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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.

# INVESTMENT NEWS

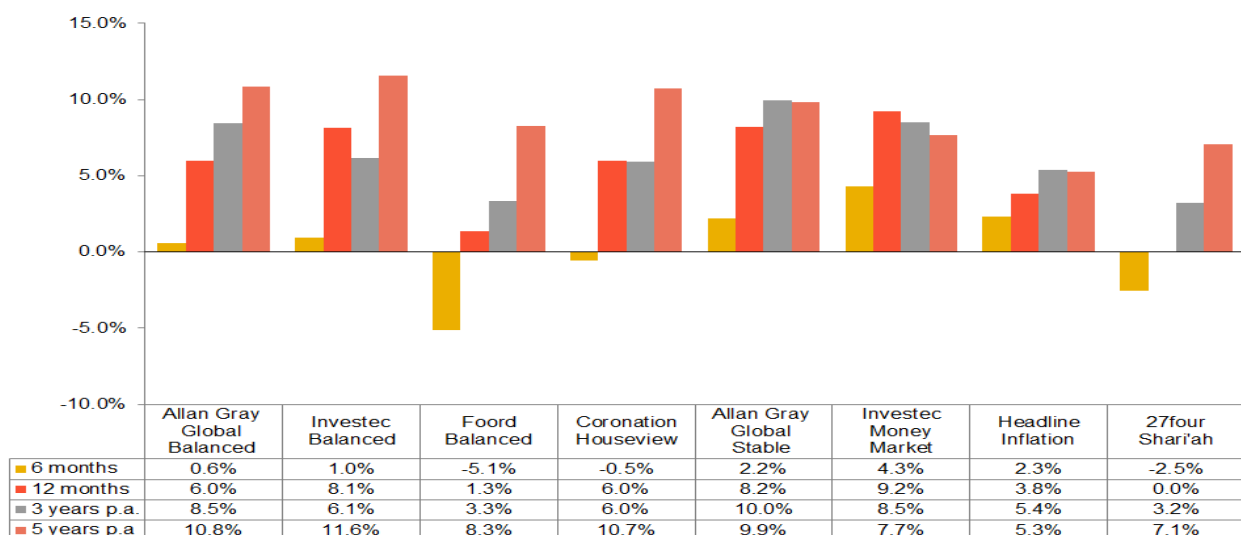
## INVESTMENT PERFORMANCE

Below are the annualised investment returns for all the portfolios over different measurement periods to 31 March 2018. Please note that the returns are shown after deducting investment manager fees:

Portfolio	Manager/Product	Investment Objective	Measurement period to 31 March 2018	Manager returns p.a. over measurement period	Target returns p.a. over measurement period
Long Term Growth Portfolio	Allan Gray Global Balanced	CPI + 4.5% net over a rolling 5-year period	5 years	9.9%	9.8%
	Foord Balanced		5 years	7.7%	9.8%
	Coronation Houseview		5 years	9.9%	9.8%
Medium Term Protection Portfolio	Allan Gray Global Stable	CPI + 2.5% net over a rolling 3-year period	3 years	9.1%	7.9%
Money Market Portfolio	Investec Money Market	CPI + 1.5% net over a rolling 1-year period	1 year	9.1%	5.3%
Shari'ah Portfolio	27four Shari'ah Balanced Fund	CPI + 4.0% net over a rolling 5-year period	5 years	7.1%	9.3%

The Fund terminated its appointment with Prescient in the Medium Term Protection Portfolio with effect from 1 July 2017 and replaced it with the Coronation Inflation Plus Fund. 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 2018. The returns are shown before deduction of tax and investment management expenses except for the 27Four Shari'ah portfolio.



## COMMENT ON INVESTMENT PERFORMANCE

The Fund's portfolios have mostly delivered good returns over the last three- and five-year periods. The exceptions were the Foord and Shari'ah portfolios which were disappointing, each delivering below-CPI returns over the three-year period. We caution members to expect a moderation in the performance of these portfolios over the next few years. Effectively, the very strong investment returns of the past few years have been "borrowed" from the future.

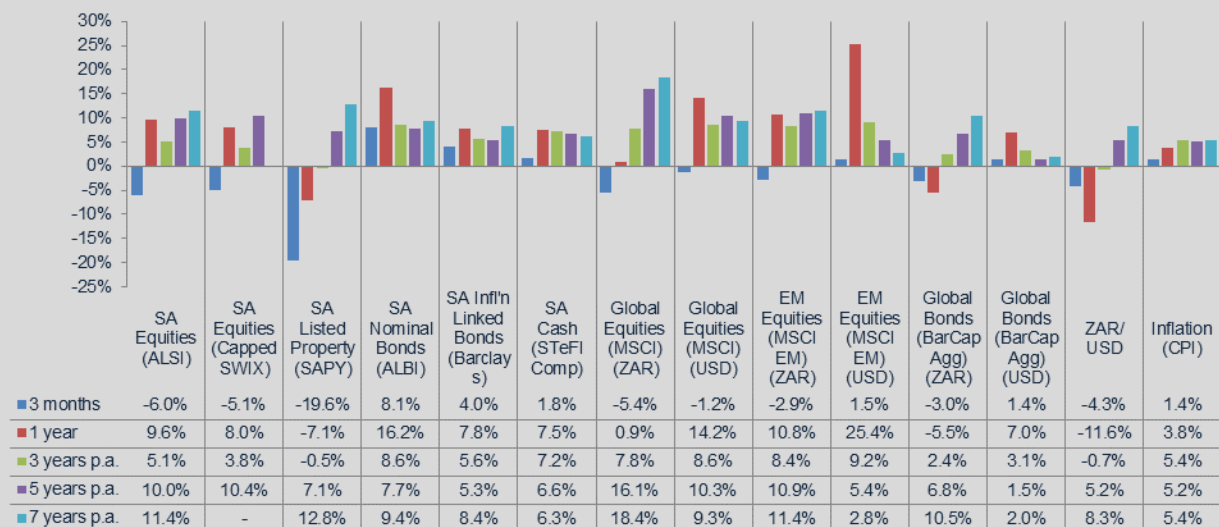
If you need to start living on your retirement benefit within say the next 3 to 5 years, you are likely to be more focused on preserving the capital you have accumulated up to now. Generally speaking, if you are within 3 to 5 years of retirement you should be invested in the Medium-term Protection portfolio 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

The graph below shows the performance of the various sectors of the market during various measurement periods ended 31 March 2018 (source: INet).

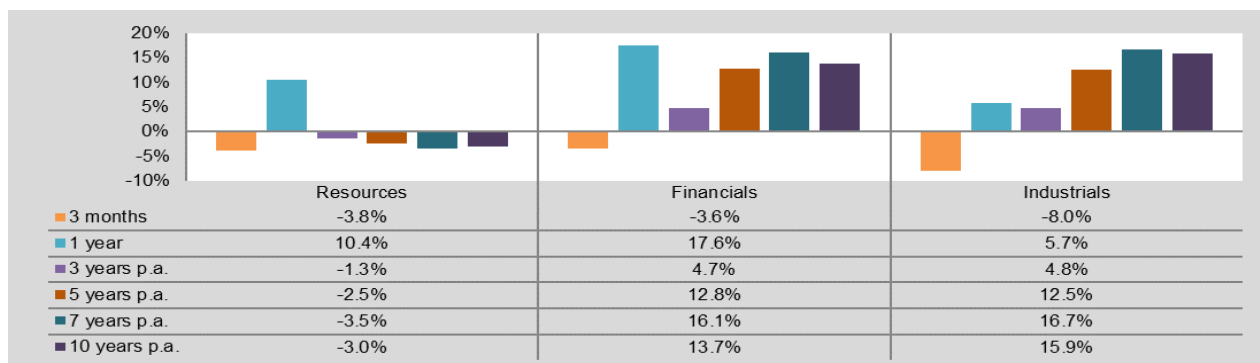
Figure 1. Asset class total returns to 31 March 2018



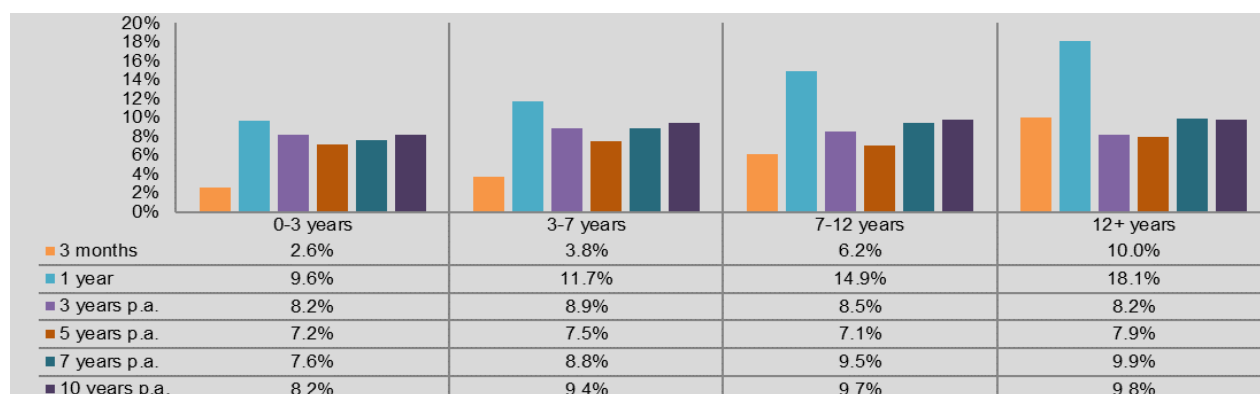
An explanation of the different sectors appears below.

ALSI:	South African equities as measured by the All Share Index
Capped SWIX:	All Share Index with a maximum contribution of 10% for any one share.
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
MSCI EM:	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 2018:



The chart below shows the performance of the different sectors of the SA bond index for periods ended 31 March 2018:



## MARKET COMMENTARY FOR THE QUARTER ENDING 30 SEPTEMBER 2017

- Following a prolonged period of asset price strength, market volatility heightened in the first quarter of 2018. Weaker investor sentiment was precipitated by concerns over tightening US monetary policy and fears of a potential trade war between the US and China. The moderation in risk appetite also arose as investors realised profit-taking opportunities following a 15-month streak of positive returns in the MSCI World Index to the end of January 2018. The MSCI Emerging Market composite delivered 1.5% in US Dollars over the quarter, outpacing the MSCI World Index (representing developed world markets) which fell 1.2%. Global bonds also outperformed developed world market equities, with the Barclays Capital Global Aggregate delivering 1.4% in US Dollar terms over the period.
- Investors welcomed the string of changes to the local political landscape initiated by SA's new President Cyril Ramaphosa. The National Budget was generally positively received and a positive GDP report for the fourth quarter of 2017 reflected some welcome improvement in economic growth. Against this backdrop, Moody's left the sovereign credit rating unchanged, and lifted the outlook from neutral to stable. Despite the positive news flow, the FTSE/JSE ALSI fell 6.0% over the quarter amid global market uncertainty.
- Nominal bonds were supported by improved local sentiment, abating inflation risk, recent rand strength and Moody's rating decision. The ALBI gained 8.1% over the quarter, outperforming inflation-linked bonds. While bond yields strengthened, property shares came under pressure amid a drastic sell-off in the Resilient group of shares. The SA Listed Property index was the worst-performing asset class in the quarter, tumbling 19.6%.
- The rand ended the quarter 4.3% firmer against the US Dollar, 0.8% against the British pound and by 2.0% against the euro.

## **IMPACT OF FUND'S EXPOSURE TO STEINHOFF**

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The Fund's portfolios have some exposure to Steinhoff International Holdings and / or Steinhoff Investment Holdings. The decline in the share price of Steinhoff International Holdings has been widely reported. The driver of this dramatic decline was a SENS notice issued by the Board on accounting irregularities – accompanied by the concurrent resignation of the firm's CEO, Markus Jooste.

As you know, the primary investment philosophy of the Fund is to act as an investor and not a speculator; meaning that the fund will adopt a long term investment horizon and will not be deflected by short term price fluctuations. The Fund's investments are very well diversified. Diversification gives members greater protection when investment returns are poor in relation to certain markets. The Fund's total exposure to Steinhoff (both directly and indirectly) was very small at 1 December 2017. In light of such limited exposure, any potential loss that may be caused from the Steinhoff debacle is not going to affect the Fund's ability to deliver on its long term real return objectives.

Your Board of Trustees, in consultation with the Fund's Investment Consultants, have been engaging the asset managers who hold shares in Steinhoff, to understand their investment case for the company. Any action they take will be monitored by the Board and its consultants. Cautious, considered and measured approaches are necessary during uncertain times such as these. The asset managers must be given the opportunity to assess matters and respond in a manner that ensures that the best interest of the Fund and its members are served.

We urge you not to take alarmist views of your retirement funding in light of these events. The Fund's portfolios are diversified, and your retirement savings do not depend on the future of Steinhoff, or indeed any single company. While we are not yet in a position to assess the absolute impact caused by the fall in the Steinhoff share price, the Board continues to monitor the situation and will communicate updates when in a position to do so.

## **ANNUAL GENERAL MEETING**

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The Annual General meeting of the CPUT retirement Fund was held on 6 March 2018 at the Cape Town Campus. Presentations were also held in Wellington and Bellville Campus.

At the Annual General Meeting, the chairperson of the Board of Trustees reported on the main events of the past year as well as the recent developments of the Fund. The communication consultant reported on the investment performance of the Fund as well as the financial position of the Fund.



# **SUMMARY: DRAFT DEFAULT REGULATIONS –**

## **How will this affect you and your Fund**

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With effect from 1 September 2017, National Treasury gazetted new retirement fund regulations that will ensure members of retirement funds get good value for their savings and be able to retire comfortably. In brief, the regulations compel the board of trustees of retirement funds to:

- **Make provision for a default investment portfolio to contributing members who do not exercise any choice regarding how their savings should be invested**
- **Offer a default in-fund preservation arrangement to members who leave the services of their employer before retirement**
- **For retiring members, a fund should have an annuity strategy with annuity options, either in-fund or out-of-fund, and can only place retiring members into a particular annuity product after a member has made a choice.**

Member defaults should be relatively simple, cost-effective and transparent. The default regulations will require that trustees assist members during the accumulation of savings and retirement phases.

### **SUMMARY OF THESE REGULATIONS**

- With regard to a default investment portfolio, all retirement funds with a defined contribution category (such as your Fund) need to have such a 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.

Investment performance fees will be allowed, but subject to a standard to be issued by the Financial Services Board. Loyalty bonuses may not be paid.

- Default preservation – where membership of a retirement fund is compulsory due to conditions of employment (such as pension and provident funds) – Funds will need to change their rules to allow for default preservation, as some of these funds currently do not allow resigning employees to leave their accumulated retirement savings in the specific fund.

- Retirement funds should have an annuity strategy. There are currently two main types of annuities – a living annuity and a life annuity.

A life annuity, once chosen or defaulted into, becomes irreversible. Given this, a retirement fund should ask members to indicate beforehand what type of annuity (e.g. life or living annuity) should be paid.

This required pre-selection by the members makes the purchase of an annuity a “soft default” by having the member “opt-in” instead of “opting-out”. Therefore a member must first indicate which annuity product he or she would prefer.

The “default” annuity should also be appropriate for members, well communicated and offer good value for money.

- Funds must provide retirement benefits counselling. In effect this means that a fund must provide adequate disclosure and information to enable members to make appropriate choices in respect of their benefits. It must be clear and in understandable language, and must explain investment options, the annuity strategy, and the terms and processes for preservation of benefits.

**You will note that in many areas above the CPUT Retirement Fund is already compliant, however we are working hand in hand with the Fund's consultant to ensure that we comply with all the necessary changes as required by March 2019.**

## **PRE RETIREMENT WORKSHOPS**

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Pre-retirement workshops are held quarterly for all in-service members who are aged 50 and older. 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.

The next workshop will be held on 12 June 2018 at the Cape Town campus.

## **BOARD OF TRUSTEES**

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The current members of the Board of Trustees are:

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

**Principal Officer:** Ms Rushnah Davids

## **MEMBER COMMUNICATION –VIA RETIREMENT FUND WEB-SITE**

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We continue to encourage members to make use of the Retirement Fund web-site. For those members who are not aware of this, the Retirement Fund web-site also has detailed monthly investment summaries. This includes 5-year history for each portfolio. We have found that members sometimes want this information and are not aware that we do in fact have such information available.

Furthermore, members also have access to the Alexander Forbes web-site. The web-site link is: [www.alexanderforbesonline.co.za](http://www.alexanderforbesonline.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

## **IF YOU HAVE ANY QUESTIONS...**

**If anyone still has unanswered questions on the Retirement Fund after reading this then we ask you to please contact Rushnah Davids on [DavidsRu@cput.ac.za](mailto:DavidsRu@cput.ac.za) who will arrange for a full response.**