



Cape Peninsula  
University of Technology

# RETIREMENT FUND NEWSLETTER

Issue number: 2/2019

NOVEMBER 2019

## Dear members

Welcome to the final 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 →

- Investment news
- Concerns regarding government's proposal re: prescribed assets
- Retirement planning-what are my choices?
- Annual General Meeting
- General information
- Additional information about the Fund

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.

As this is our last newsletter for the year, we would like to take this opportunity to wish all our members and pensioners a prosperous and healthy 2020

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.**

# INVESTMENT NEWS

## INVESTMENT PERFORMANCE

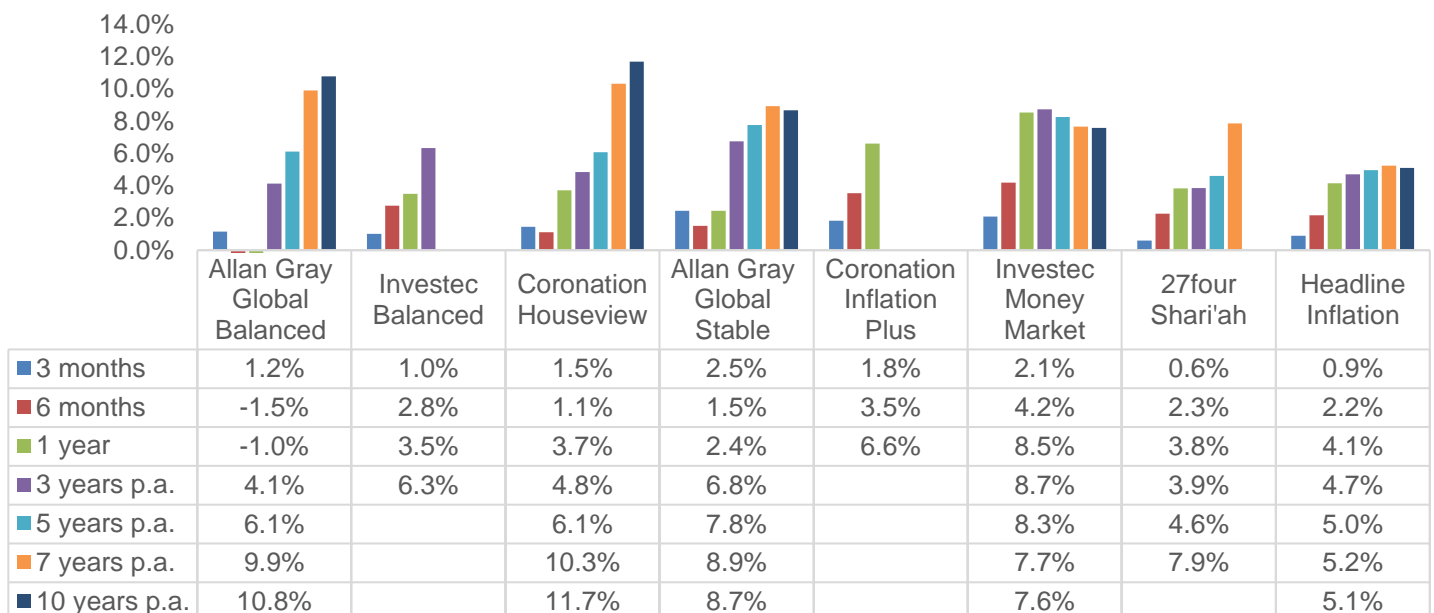
Below are the annualised manager returns (net of fees) for all the portfolios over different measurement periods to 30 September 2019:

Portfolio	Manager/Product	Investment Objective	Measurement period to 30 September 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	6.1%	5.0%	1.1%
	Coronation Houseview			6.1%	5.0%	1.1%
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	6.8%	4.7%	2.1%
Money Market Portfolio	Investec Money Market	1.5% per annum above inflation (net of fees) over a rolling 1-year period	1 year	8.5%	4.1%	4.4%
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	4.6%	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 30 September 2019. The returns are shown after deduction of tax and investment management expenses.

Net Returns as at 30 September 2019



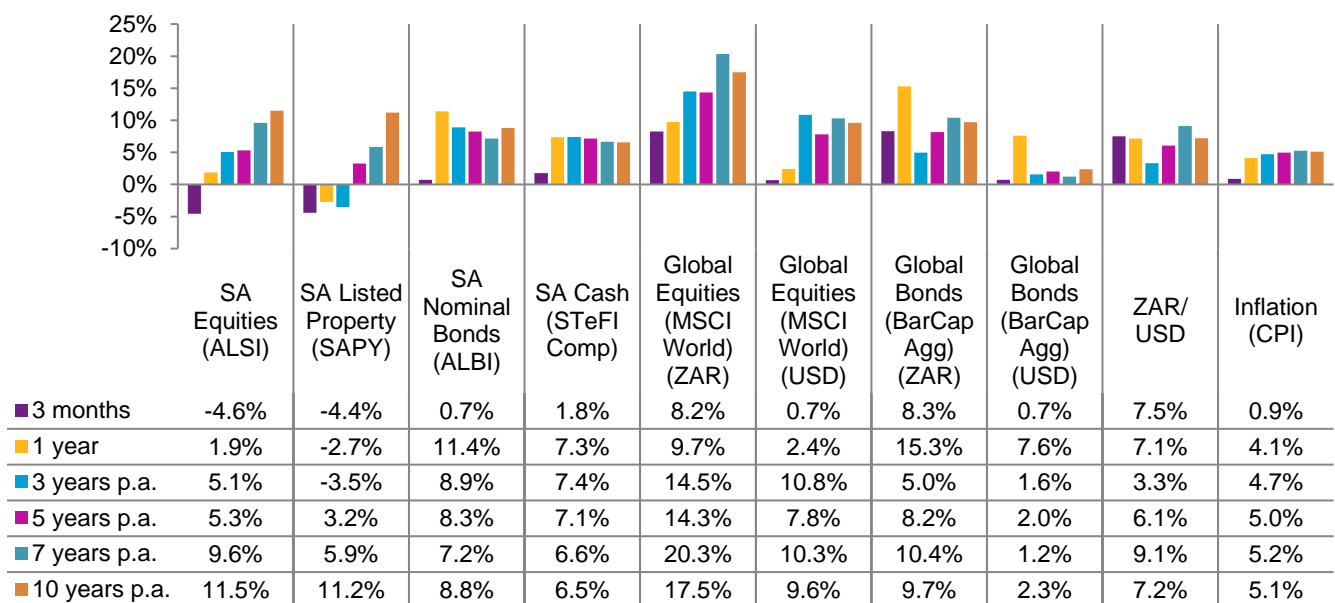
The short term performance of the investment managers in the Long-term Growth Portfolio has been disappointing. This is because of the difficult market conditions over the same period, particularly with local shares and property. Pension savings is a long term game and for periods over 7 years, the investment managers in the Long-term Growth Portfolio have delivered a return ahead of its target of 4.5% p.a. above inflation.

If you are a long way from retirement, you will be contributing money to the Fund for many years to come and these years of poor investment performance should not make you fearful. They are a part of the natural fluctuations of the investment markets over time and, in fact, provide some valuable opportunities for long term investors such as yourself to achieve better returns in the future. The key is that you must stay invested, through the good years and the bad.

If you are close to retirement, on the other hand, you do not have a long time remaining to be invested in the Fund. This is why the life stage model is designed to move your savings into a more conservative strategy as you get closer to retirement to protect your savings from a fall in the market, should one occur, just before you retire.

## KEY PERFORMANCE INDICATORS WITH MARKET COMMENTARY FOR THE QUARTER ENDING 30 SEPTEMBER 2019

The graph below shows the performance of the various sectors of the market during various measurement periods ended 30 September 2019 (source: INet).

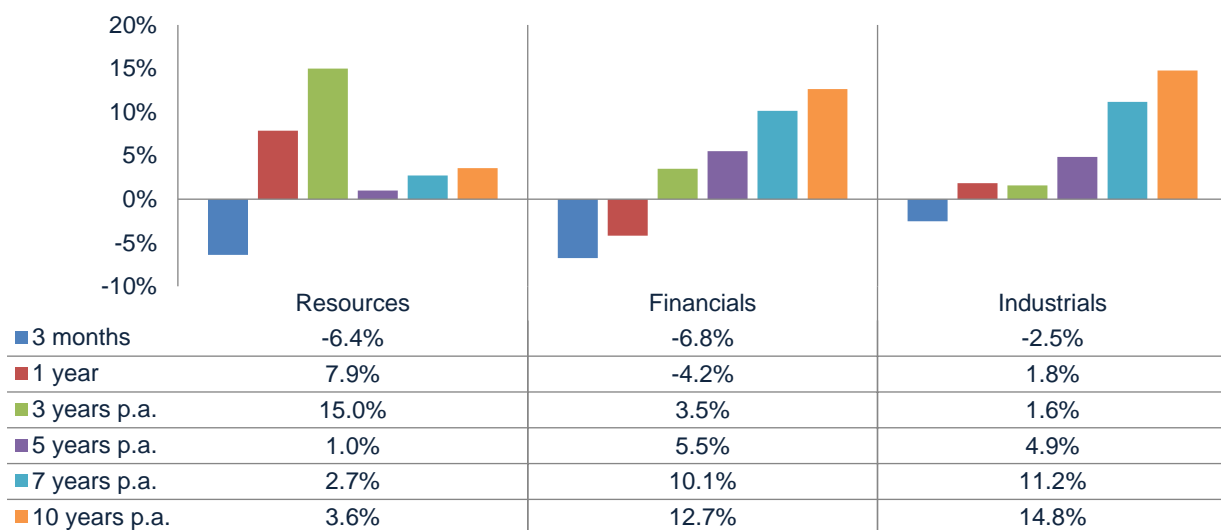


- It was a mixed quarter for global equities, with developed markets (DM) making small gains while emerging markets (EMs), declined (measured in US dollars). US and European equity markets outperformed within the DM complex, lifting the performance of DM equities into positive territory.
- EM shares came under pressure on the back of US-China trade tensions and a slowing global economy. The MSCI EM Index fell 4.1%, underperforming the MSCI World Index, which advanced 0.7%. The MSCI All Country World Index was up 0.1% for the quarter. All numbers expressed in US dollars.
- The local equity market had a disappointing quarter and underperformed the broader EM market. The Capped SWIX fell 5.1%, while the JSE FTSE All Share Index retreated 4.6%.
- Returns from domestic equities and listed property for periods of up to five years have been notably poor and well below long-term expected real returns.
- The rand weakened on the back of renewed EM currency weakness over the quarter, depreciating 7.5% against the US dollar, 4.1% against the British pound and 2.9% against the euro.

An explanation of the different sectors appears below.

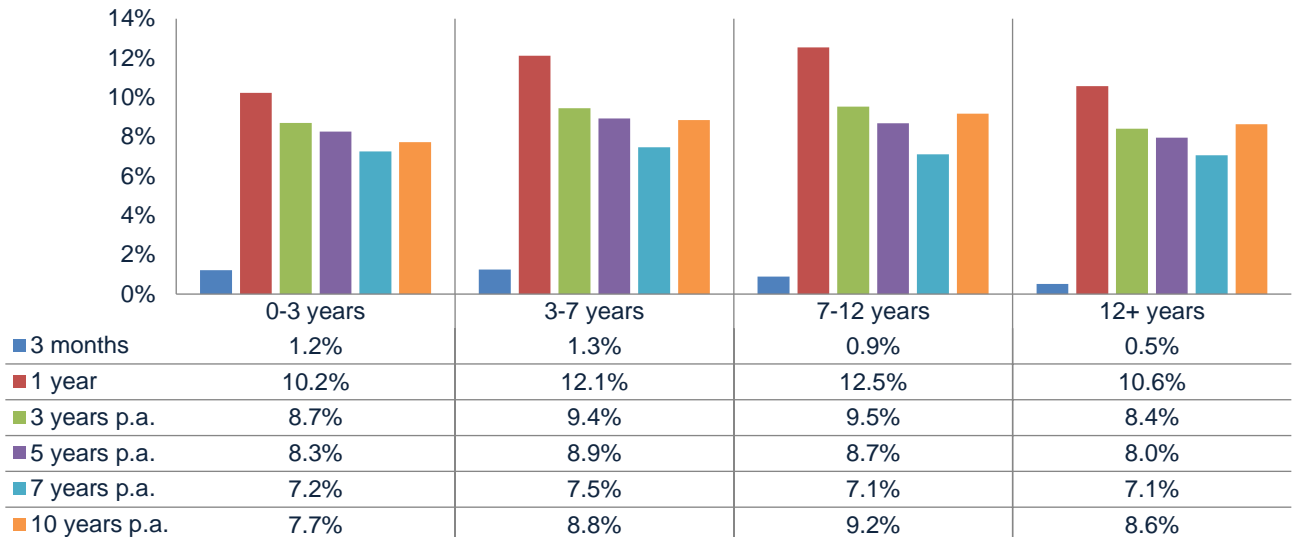
ALSI:	South African equities as measured by the All Share Index
SAPY:	South African listed property index.
ALBI:	South African all bond index
SteFI Comp:	South African short term fixed interest investments (cash)
MSCI World:	Morgan Stanley Capital Index – equities in developed overseas markets
BarCapAgg:	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 30 September 2019:



- Domestic equities were weak over the quarter, declining in July and August before generating a small positive return in September. Weakness was broad-based with all major sectors of the index down for the period.
- In corporate news, Naspers listed its offshore assets separately on the 11th September 2019, when it listed Prosus N.V (Prosus) on the Euronext Exchange in Amsterdam, with a secondary, inward listing on the Johannesburg Stock Exchange. Prosus is the largest listed EU consumer internet company. At the time of the listing, shareholders of Naspers received one share in Prosus for every share held in Naspers.
- Resources have delivered the strongest returns outperforming the Industrials and Financials sectors over this period.

The chart below shows the performance of the different sectors of the SA bond index for periods ended 30 September 2019:



- Nominal domestic bonds delivered a marginally positive return, with the All Bond Index gaining 0.7% for the quarter
- Within the domestic bond market, returns on shorter-dated bonds have increased relative to longer-dated bond returns over the quarter. Real returns from interest-bearing assets have been strong over both the short and long term periods.
- The high returns from shorter-dated maturities relative to longer-dated maturities is reflective of a hawkish SARB determined to retain its inflation-fighting credibility and government issuance at the longer-end.

# CONCERNS REGARDING GOVERNMENT PROPOSALS AROUND PRESCRIBED ASSETS FOR RETIREMENT FUNDS

---

Many members have raised concerns regarding the government's "proposal" at possibly regulating the investment within retirement funds.

The proposal stems from the ANC Election Manifesto which included the following:

*"We will ... investigate the introduction of prescribed assets on financial institutions' funds to mobilise funds within a regulatory framework for socially productive investments (including housing, infrastructure for social and economic development and township and village economy) and job creation while considering the risk profiles of the affected entities."*

The manifesto only refers to an "investigation" (and, helpfully, makes reference to the risk profiles of the funds and other entities concerned – i.e. by implication, funds would not be compelled to do anything which would drastically alter the risk profile of their investments).

At this stage there is really nothing that we can report on and this is far from a "done deal". As soon as there is any news in this regard, we will most definitely keep you updated.

## RETIREMENT PLANNING – WHAT ARE MY CHOICES?

---

As you may already be aware, the Fund holds retirement workshops every quarter for members aged 50 and older. Below is a short recap of the different choices you have when you retire.

At retirement you will face a number of very important choices that you will need to make. Because you are likely to save towards your retirement over multiple decades, by the time you retire it may well be the single biggest asset you own.

What you end up doing with this pot of money is one of the most critical financial decisions of your life, as your choice you make will determine your lifestyle for the next 25 to 30 years

### **So what choices do I need to make at retirement?**

**The first choice you need to make is how much you need or want to take as a cash lump sum from your retirement savings?**

- Do you take your entire amount as a cash lump sum? or
- Do you take part of your retirement capital in cash? or
- Do you take no cash?

Before deciding on the amount of cash you wish to take as a lump sum, you need to determine why you require this money (an example may be to settle any outstanding debt you may have).

Keep in mind that any cash amount withdrawn leaves you with less capital to purchase the annuity from which you will be drawing your retirement income.

Tax is another important factor to consider. The good news is that the first R500 000 taken as a cash lump sum is tax free. However, this tax free amount is a once in a life-time amount so, if you have previously taken a tax free amount, this will be deducted from your R500 000 tax free amount at the time when you retire. If you wish to withdraw an amount greater than that, then tax will be payable.

**Once you have decided how much cash to take (if any), the next choice is what to do with the remaining money in your retirement savings.**

Whether or not you choose to take a portion of your retirement savings in cash, the balance of your investment must

be used to purchase an annuity that will pay you an income throughout your retirement.

You currently have two main options from which to draw your income in retirement: a **living annuity or a life annuity**. Each product has its own set of advantages and limitations (see table below).

	<b>Life Annuity - Insurer</b>	<b>Living annuity – CPUT Retirement Fund OR Insurer</b>
<b>Vehicle</b>	You purchase an Insurance Policy	Functions like a “Bank account”
<b>Until when is it payable?</b>	Current pension is guaranteed as long as you live	Until living annuity balance is depleted
<b>Pension amount</b>	Set by insurer depending on type of pension, increases and terms -Should increase each year	You decide Yearly (subject to minimum 2.5% - maximum 17.5% of your capital)
<b>Investment expertise needed</b>	None	You decide how the living annuity balance should be invested
<b>Decision making required</b>	At point of purchase need to decide: <ul style="list-style-type: none"> <li>- Type of pension</li> <li>- Level of pension increases</li> <li>- How much pension should your spouse receive</li> </ul>	Every year you need to decide the amount of pension and where the living annuity balance should be invested
<b>Inheritability</b>	None (except where you choose for a portion of your pension to be paid to your spouse on your death)	Your living annuity balance is available for your dependants on your death
<b>Ability to change later</b>	Not permitted	Permitted – can purchase another living or life annuity Can change investment choice + pension amount annually
<b>Risks</b>	You don't get anything back if you die shortly after purchasing pension - (you still get paid even if you live until 125!)	Risk of outliving your capital – if you take too high a pension or investment returns are poor or you live longer than expected, you can run out of pension
<b>Costs</b>	Typically lower	Typically higher In-fund living annuity lower costs than external living annuity

**Please note that once you retire, the risk benefits you currently have as an in-service, falls away.**

## **ANNUAL GENERAL MEETING**

---

The Annual General meeting of the CPUT Retirement Fund will be held sometime during March 2020 at the Cape Town Campus.

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

This is a great opportunity for all members to find out more about what is happening in your Fund as well as to ask any Fund related questions you may have.

The Annual report will be sent out in advance with a notification of the exact times and venues.

# 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, you will remain in the Fund as a paid up member unless you elect otherwise. If you elect to transfer or receive the benefit as cash, 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 of 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 provided 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 unless member elected to join the NTRF at joining.

## 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 =

- 5 individuals elected by members of the Fund + 5 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



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](mailto:DavidsRu@cput.ac.za) Telephone: 021 4603404

## COMMUNICATION

More information is provided via the following:

- Fund Website** for all Fund information: [www.cputretirementfund.co.za](http://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](http://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 currently. As soon as costs are finalised we will inform you.
- Deferred pensioners – nothing currently. As soon as costs are finalised 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 R350.00 plus VAT is deducted from your account per switch.

**Investment management fees** are deducted from the return earned on the investments as follows:

Portfolio	Manager	Fee charged
Long Term Growth	Allan Gray Life Global Balanced	Allan Gray funds: 0.34% p.a. plus 20% of the out-performance of the benchmark (Average of AF Global Large Manager Watch) capped at 1.63% p.a. Performance fees are refundable at a rate of 20% of underperformance of the benchmark and payable to the Refundable Fee Reserve. Orbis funds: 0.60% p.a. plus 25% of the out-performance of the benchmark (60% MSCI World Index and 40% JP Morgan Global Government Bond Index) capped at 2.6%. Performance fees are refundable at a rate of 25% of underperformance of the benchmark and payable to the Refundable Fee Reserve. No VAT is payable.
	Investec Balanced	0.60% p.a. for all funds. No performance fee is payable. No VAT is payable.
	Coronation Houseview	0.66% p.a. No performance fee is payable. Offshore funds: the underlying global manager fee component has fees for each manager that range from 0.45% to 1.50% p.a. No VAT is payable.
Medium Term Protection	Coronation Inflation Plus	Domestic funds: 0.5% p.a. Offshore funds: The underlying global manager fee component has fees for each manager that range from 0.40% to 1.50% p.a., plus 10% of the outperformance of the benchmark (CPI +3.5% per annum over rolling 12 months) capped at 0.5% p.a. All funds: 10% of the outperformance of the benchmark (CPI +3.5% p.a. over rolling 12 months) capped at 0.5% p.a. No VAT is payable.
	Allan Gray Life Global Stable	Allan Gray funds: 0.40% p.a. plus 20% of the out-performance of the benchmark (AF 3-month deposit index +2%p.a.) capped at 2.00% p.a. Performance fees are refundable at a rate of 20% of underperformance of the benchmark and payable to the Refundable Fee Reserve. Orbis funds: Orbis Global Balanced Fund - 0.60% p.a. plus 25% of the out-performance of the benchmark (60% MSCI World Index and 40% JP Morgan Global Government Bond Index). Performance fees are refundable at a rate of 25% of underperformance of the benchmark and payable to the Refundable Fee Reserve. Orbis Optimal SA Fund - 1.00% p.a. plus 20% of the out-performance of the benchmark (designated USD and Euro Bank deposits). No VAT is payable.
Money Market	Investec Money Market	0.09% p.a. No VAT is payable.
Shariah	27four Shari'ah Balanced	0.75% excluding VAT. The underlying international manager fee component can change as asset allocation as well as manager selection decisions change over time. 27Four receives a multi-manager fee of 0.18% p.a.