



UCT RETIREMENT FUND

Newsletter

December 2014



ANNUAL FINANCIAL STATEMENTS

P9



COE INCREASES & OPPORTUNITY TO CHANGE YOUR DPA & CONTRIBUTIONS

P4

WELCOME

Dear Member



The summer holidays are almost here! Instead of waiting for January to make resolutions, why not start making few good ones now?

This edition of our newsletter deals with retirement industry news that will affect you in the near future, feedback on Fund events as well as news on forthcoming events, investment and pension options, and an update on the Fund's finances.

It's also important at this time of year to take the necessary precautions for your loved ones, in case you are no longer there to support them. So make sure you update your Nomination of Beneficiary forms before 2014 is over.

Read on – we know you will find a wealth of useful information. We wish you all the best for the final month of the year – may it be memorable and safe.

Ms Olivia van der Hoven
Principal Officer

INVESTMENT RETURNS ARE AVAILABLE

You can see your latest returns **on page 2** and on our website. Go to:
<http://www.uctrf.co.za/52/P/Latest-Investment-Returns>

THE YEAR THAT WAS... AND THE YEAR TO COME



Read more about all the noteworthy events that took place in 2014, as well as highlights to diarise for next year.

2014 retrospective:

Read more on page 2

2015 exciting events:

Read more on page 4

SELECTING THE RIGHT FINANCIAL ADVISOR



Now, more than ever, it is vital to know that the person you entrust with your financial future has your best interests at heart. Ask the right questions and you'll be sure to make a good decision.

Read more on page 7

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Scan to visit Fund's website on your mobile.

2014 ANNUAL GENERAL MEETING



The topics addressed at this year's AGM were:

- Changes to the Fund and Retirement Reform;
- Pension Options at Retirement: Living Annuities and Life Annuities;
- The latest Investment Review and the Latest Investment Returns.

An AGM report was made available to all members who attended the meeting and in this issue you will find all you need to know about your Fund.

You can download this report at: www.uctrf.co.za

INVESTMENT RETURNS

	Income Fund (Portfolio A)	Smoothed Bonus Fund: (Portfolio B)	Balanced Fund (Portfolio C)	Shari'ah Fund (Portfolio D)
November 2014*				
Net return	0.54%	1.21%	0.95%	-0.16%
Year to date	5.9%	18.7%	13.3%	7.3%
last year ending November 2014*				
Net return	6.5%	20.6%	15.7%	9.2 %
Less inflation	6.3%	6.3%	6.3%	6.3%
Net real return	0.2%	14.3%	9.4%	2.9%
last 3 years p.a. ended November 2014*				
Net return	6.4%	16.2%	14.6%	12.6%
Less inflation	5.8%	5.8%	5.8%	5.8%
Net real return	0.6%	10.4%	8.8%	6.8%



2014 HIGHLIGHTS: PLANNING FOR RETIREMENT SEMINARS

So the Retirement Seminars have come and gone but that does not mean that those who could not make it will miss out. Go to www.uctrf.co.za to view the full presentations that took place at the Retirement Seminars. Whether you were not able to make it or if you would like a recap, the presentations are now available on the Fund's website.

We encourage all members to attend these seminars, as the seminars are not only targeted for those who are close to retirement, but for all members, and are arranged according to age groups in order to cater for members' specific needs.



ANOTHER 2014 HIGHLIGHT: RETIREES WORKSHOP



For our members retiring this year, the UCTRF Trustees negotiated various pension options on a nil-commission basis from selected insurers. These annuity quotations were presented and explained, and further details were provided at a special workshop held in September 2014.

One of the most important decisions that you will make at retirement is what to do with the benefit you will receive from the UCTRF. You need to select a type of pension to suit your needs and decide from whom you will purchase it. You also need to know what this process entails.

The UCTRF has educated members on these various pension options (life annuities and living annuities), by providing indicative pension quotes to each retiree based on their value in their UCTRF savings accounts.

If retirees choose any of these options for their pension, the individual quotations will be requested from the Insurers, on the members behalf, by the UCTRF Office. These final quotes can only be requested once the final retirement savings account value as at 31 December 2014 is available; this should be during the first week in January 2015.

HAVE YOU UPDATED YOUR NOMINATION OF BENEFICIARY FORMS?

The Nomination of Beneficiary Form is a form on which you indicate to whom your death benefit must be paid. These forms are available on the Fund's website. It is important to update these forms whenever your beneficiaries and/or dependants change, and to make sure they are up-to-date before you embark upon your annual vacation.



IMPORTANT: Members of the Fund need to update *TWO* separate Nomination of Beneficiary forms:

- One form for your **UCTRF benefit and**
- One form for your **separate group life cover benefit (from UCT).**

To find out more about this process, go to www.uctrf.co.za or [click here](#)

LOOKING FORWARD TO 2015...

COE INCREASES & THE OPPORTUNITY TO CHANGE YOUR DPA & CONTRIBUTIONS

Most staff will be getting increases from 1 January 2015. With this increase you get:

- a. a new CoE (Cost of Employment, or full package);
- b. the opportunity to **revise your DPA** (Deemed Pensionable Amount, or the percentage between 50% and 100% of your CoE) on which you choose to have UCTRF contributions made and **on which both death and disability benefits are based.**

If you wish to **(i) save more for retirement and (ii) possibly increase your death and disability cover**, you should opt for as high a DPA as you think you can afford (increased deductions for saving reduce your short term cash flow).

You will be getting your CoE letter for 2015 in January. We suggest you consider your DPA percentage with care and the long term in mind.

The UCTRF will present a UCTRF information session for the benefit of all members of the Fund

Date and venue: Tuesday, 20 January 2015 from 12h00 to 14h00 in the New Science Lecture Theatre (NSLT Room)

This session will deal only with the aspects of :

- the effect of your DPA % on all your Fund benefits and ultimately your retirement savings
- the benefits of saving more towards retirement from a young age vs starting 20 years into your employment (by example)
- increasing savings towards your retirement
- adding additional contributions to your retirement savings
- any questions you may have

Options to increase your contributions towards the Fund

FAQ

How can you contribute more towards your retirement funding?

You can increase your DPA, which by default would increase the savings AND risk benefits, but you can also make additional voluntary contributions to the Fund.

The additional contributions are based on DPA. You may request that the Employer make additional contributions on your behalf, at the rate of **1%, 2%, 3% or 5.33%** of your DPA.

You can also select a combination of the options above to a maximum of 8.33%. These Additional Contributions go straight into savings. These contributions are made by the Employer, pre-tax.

You need to reflect this on your CoE schedule and complete a HR152 form (UCTRF Additional Voluntary Contributions). This form is available on the UCTRF website under **Forms** or you can go to the HR website: http://hr.uct.ac.za/hr_forms. Complete the form if you wish UCT to allocate part of your Cost of Employment (CoE) for this purpose. We recommend that you consult your HR Advisor before completing and submitting this form. The completed form must be submitted with your CoE schedule.

THE YEAR AHEAD: ANNUAL BENEFIT STATEMENTS



At least once a year, all Funds have to issue members with a formal benefit statement. This is a statement that shows you a summary of all your benefits in the Funds.

The benefit statement pack will go out in February 2015. This will include the benefit statement, investment portfolio statement, investment performance figures and investment guides. The first investment switching opportunity is on 1 April 2015. Members will also receive an Investment Option Form that they should complete if they wish to change their current investment choice.

INVESTMENT CHOICE ROADSHOWS

In February 2015, you will also be able to attend Investment roadshows to provide members with more information on the Fund's investment portfolios and the latest performance of these portfolios.

Topics of the Presentations

Presentations will be limited to half an hour to allow time for questions and further discussion on the following topics:

- A survey of the performance of the last year and the past five year performance
- The impact of the employee's Deemed Pensionable Amount (DPA) on retirement savings and the disability income benefit
- The importance of updating nomination of beneficiaries forms, in particular for the UCT (1 X GLA benefit)

A comprehensive schedule will be available early in 2015 and regular communication will be available via the Fund's website at www.uctrf.co.za

Your Risk Benefits: Death and Disability Cover Explained

Benefit	Death cover	Death and Disability Cover	Income Continuation Benefit
Insurer	Capital Alliance	Capital Alliance	Sanlam

Your Risk Benefits: Death and Disability Cover Explained Continued

Description of Benefit	All Permanent Staff receive death cover benefit of : 6 times DPA	All Permanent Staff receive death cover benefit of : 1 times DPA,	Current benefit =70% of DPA plus the employer contribution to the UCTRF. Restructured benefit for new claims from 1 March 2015 is based on a tapering model that reduces the benefit amount as the member's DPA increases:	
	Members with more than 10 years of pensionable service can reduce this cover to a multiple between 0 and 5%, but also depending on various factors. The details are in your member booklet for your reference.	With an option to increase to up to 4 times DPA. All Staff on T2 contracts receive death cover benefit of : 3 times DPA	70% of the first R15 000 p.m. of DPA, plus 60% of the next R20 000 p.m. of DPA plus 45% of any excess DPA over R35 000 p.m. plus the Employer contribution to the UCTRF.	The reason for this change is due to the tax regime change from 1 March 2015: the <u>premiums</u> paid by UCT for the insured Disability Income benefit will be taxed as a fringe benefit in the hands of UCT employees, and the insurer will pay the <u>benefits</u> untaxed to the members that receive the income continuation benefit. In effect, because the members won't pay any tax on the benefit, the benefit amount will be similar to the benefit calculated on the current basis.
	Premium per month = 0.9936% of DPA	Premium per month = 0.259% of DPA for each 1 times DPA	Current premium per month = 0.60% of DPA From 1 March 2015 there will be a saving on the premium = 0.54% of DPA per month	

MEMBER MATTERS

Retirement Fund Web (www.retirementfundweb.co.za): Access your own values online

The Retirement Fund Web provides all the members with state-of-the-art retirement fund administration processes and member communication tools via the Internet. The web allows members to access their retirement fund benefits and related information. A pin-code for each user ensures confidentiality and security of member information.

FINANCIAL ADVICE – QUESTIONS TO ASK THE ADVISOR

The role of the financial advisor has become increasingly important. Now, more than ever, it is vital to know that the person you entrust with your financial future has your best interests at heart.

Make sure that the guidance you receive is from a reputable and ethical expert by asking the right questions.

Question Are you independent or tied to an insurer?

Answer: An independent financial advisor can advise on and sell products from any provider across the market. This allows you to compare a variety of products and decide on those that best suits your needs.

Question How much will I pay?

Answer: Advisors who secure commissions may apply a different payment structure to advisors who work on a fee basis. Some advisors use a combination of commissions and fees to calculate the cost of their services. Discuss the benefits and disadvantages of all payment methods with your advisor and establish upfront the basis upon which you will work with your advisor.

Question What qualifications do you have?

Answer: You should ensure that your advisor is Financial Advisory and Intermediary Services (FAIS)-licensed. As a consumer, you are now better protected as emphasis has been placed on putting client interests first, and ensuring the quality of service and advice.

Question How do you determine my specific needs?

Answer: A good financial advisor will look at your needs and potential risks over the long term — assessing everything from your future goals to life cover, critical illness and disability, income protection, retirement, savings, investing, and healthcare funding. They should also look at how your will interacts with your financial plan.

Your advisor may also call on specialists to look at specific areas of your financial plan. For example, he may call a legal expert to look at your will, or a tax expert to look at the tax implications of your estate. A good advisor will always support the need to bring in specialists, especially with complex portfolios, to ensure that all your bases are covered and all consequences considered.

Question How will you communicate with me and how often?

Answer: The regularity with which you meet will depend on your goals. These should be agreed upon at the outset. If your objective is simply to implement a simple risk insurance solution, such as bond cover and a long-term retirement annuity to supplement your company pension scheme, then an annual update may be adequate.

If you are more goal-driven in terms of your finances — perhaps with aspirations to retire young and wealthy, or to leave your job within five years to start your own business — your needs will be very different.

It is also important to consider “trigger events” such as retrenchment, divorce, or additions to the family. Any change in circumstance can alter your risk and should be evaluated as part of your financial plan and strategy.

Question May I contact some of your existing clients for a reference?

Answer: Word of mouth is the best way of establishing your advisor’s reputation for service. It’s also worth looking at the Financial Planning Institute (FPI)’s website (<http://www.fpi.co.za/>) for background information and to establish whether your advisor is a member of the FPI.

FUND FINANCES

ACTUARIAL VALUATION AS AT 30 JUNE 2013



The UCTRF undergoes a formal process to confirm that the Fund has assets (investments) to meet all liabilities (pay all the members of the Funds). This report is issued by the Valuator and is referred to as the Actuarial Valuation. The latest actuarial valuation was prepared as at 30 June 2013 and looks at both assets and liabilities, and the adequacy of the reserve funds that are held in addition to the members’ funds.

A summary of the results:

The financial position of the Fund is set out below.

Consolidated accounts	30 June 2013
Adjusted fair value of assets	R 2,809mil
Less: Member liabilities (including pensioners)	R 2,792mil
Less: Contingency Reserves	R 18 mil
Surplus in Main Account	R 0
Funding level excluding contingency reserves	100.0%

ANNUAL FINANCIAL STATEMENTS

Every year all Pension and Provident Funds have to submit audited financial statements to the FSB. This is to ensure that the Fund is in a healthy financial position and holds Funds to meet the liabilities to members. It is the pleasure of the Trustees to present to members the Fund's latest financial information and the latest AFS are available on the website.

Statement of changes in net assets and funds for the University of Cape Town Retirement Fund for the period ended 30 June 2014

	Total 2014 (R'mil)	Total 2013 (R'mil)
ASSETS		
Non-current assets	3,611,796,032	2,830,486,706
Investments	3,607,913,781	2,826,323,380
Investments supporting unclaimed benefits	3,882,251	4,163,326
Current assets		
Cash and money market funds	9,051,094	34,698,146
Total assets	3,620,847,126	2,865,184,852
FUNDS AND LIABILITIES		
Members' funds and surplus account	3,170,677,181	2,533,207,261
Members' individual accounts	3,167,437,417	2,519,780,953
Amounts to be allocated	642,913	844,928
Beneficiaries term annuity policies	2,596,851	12,581,380
Reserves		
Reserve accounts	386,733,172	277,445,122
Total funds and reserves	3,557,410,353	2,810,652,383
Non-current liabilities		
Unclaimed benefits	5,162,234	4,163,326
Current liabilities	58,274,539	50,369,143
Transfers payable	426,340	3,226,579
Benefits payable	57,339,290	46,390,280
Accounts payable	508,909	752,284
Total funds and liabilities	3,620,847,126	2,865,184,852

To view the full audited financial statements go to www.uctrf.co.za or [click here](#).