UCTRF

Newsletter

Second Quarter 2018

Welcome

Dear Member

You will notice the new look of the newsletter – we hope you like the UCTRF's new branding!

As mentioned in the previous newsletter, this year our aim is to give our members a better understanding of their Deemed Pensionable Amount (DPA) and Cost of Employment (CoE). In our previous letter, we explained these terms in great detail. In this letter, we hope to show you how changing your DPA can impact on your contributions to the UCTRF and how your contributions relate to your retirement benefit.

Understanding your retirement fund can be difficult, and it might be tempting to put off making important decisions until it is too late! To help members understand the UCTRF better, we will be holding our annual Retirement Seminars so that members can learn more about planning for their retirement. I would really encourage you to make every effort to attend these very informative sessions, and also take the opportunity to meet the Trustees!

Penny Fabre
Principal Officer

#Understanding your CoE & DPA

2018 is all about #understanding your CoE & DPA and what their actual impact is on your financial circumstances.

See page 2

Annual Retirement Sessions

Seating is limited to 300 attendees, so please reserve your spot without delay, to avoid disappointment.

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Fund Contact Details

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Scan to visit Fund's website on your mobile

Impact of DPA on your Retirement Contribution

How the DPA you choose relates to your contributions

*You contribute **22.5%** of your Deemed Pensionable Amount to the UCTRF each month (unless you are a T2 staff member whose contract of employment started before 1 July 2017, in which case your contribution rate is **20.912%**). Even though these contributions are employer contributions, they come out of your Cost of Employment (CoE).*

Part of this contribution is used to pay for your death and disability insurance and other UCTRF expenses (such as administration fees), and the rest is invested. These costs change every year. If you want to know how much these costs are, please visit https://www.uctrf.co.za/50/P/Contributions.

You can choose a DPA of between **50%** and **100%** of your CoE. The lower your DPA percentage, the less you will contribute to the UCTRF (and your take-home pay will be more). In the same way, the higher your DPA percentage, the higher the contribution to the UCTRF (and your take-home pay will be less).

It may seem tempting to choose a lower DPA and increase your take-home pay. But beware! This could mean that when you retire you won't have enough to live on.

Let's look at an example:

Thembi and John both join the UCTRF when they are **35 years** old. Thembi chooses a DPA of **100%** and John chooses **50%.** They both remain on the UCTRF until they retire at **65**. In addition to the below, because contributions to the UCTRF are tax free (up to certain limits) John will also have paid more tax.

	Thembi (100% DPA)	John (50% DPA)
CoE	*R25 000*	*R25 000*
DPA	*R25 000*	*R12 500*
Contribution	*R5 625*	*R2 813*
Taxable Income	*R19 462*	*R22 230*
Tax payable	*R2 582*	*R3 302*
Take-home pay	*R16 644*	*R18 736*

As you can see from this example, while John reduced the amount he is paying towards his retirement by **R2 812**, his take-home pay increased by only **R2 092**. John paid **R720** more than Thembi to SARS.

Depending on various factors (including their investment choices), Thembi could expect to retire on approximately **74%** of her CoE while John will only get approximately **37%.** This means that in today's Rand value terms, on retirement Thembi will receive the equivalent of **R18 500** per month before tax while John will only receive **R9 250** per month before tax.

Updates to the Board of Trustees

Professor Loretta Feris has resigned as a Trustee with effect from ***31 January 2018*** and **Professor Anton le Roex** has been appointed by the employer in her place with effect from ***1 February 2018.***

We would like to take this opportunity to thank **Professor Feris** for her time, service and dedication; and to welcome Professor le Roex to the Board.

Planning for Retirement Seminars

The UCTRF will host two annual retirement seminars at the Neville Alexander Lecture Theatre 1A, Upper Campus. The aim of these seminars is to educate and empower members to make informed decisions about their retirement and financial planning. This years' seminars will cover the following topics:

1st Seminar

5 July 2018

Members within 10 years of retirement (55+).

- UCT Provisions for Retirement – UCTRF
- ICAS – Psychosocial Talk
- Tax Planning
- UCT Provisions for Retirement – Discovery Health
- How your Will, Interstate Succession, and Nomination of Beneficiary Form intersect; Estate Planning

2nd Seminar

19 July 2018

Members who are younger than 55.

- UCT Provisions for Retirement – UCTRF
- Financial Wellness
- Tax Planning
- UCT Provisions for Retirement – Discovery Health
- How your Will, Interstate Succession, and Nomination of Beneficiary Form intersect; Estate Planning

YOU WILL RECEIVE AN INVITATION TO REGISTER FROM THE UCTRF OFFICE.

Please follow UCTRF on Twitter **(@uctrf)** *and post any questions you may have.*

Investment updates: Shari'ah Fund – Portfolio D

Due to subdued investment returns in the Shari'ah Fund, managed by 27Four, the Board requested that the investment advisors review the portfolio and consider other alternatives within the Shari'ah space. The review showed that the performance relative to peers over a 5-year period remains respectable. It is worth nothing that the last 2 years have weighed considerably on the returns of both 27four Shari'ah compliant balanced funds.

27Four advised the Board that the past 2 years have been especially difficult ones in the market. In 2016 the equity markets, which should be delivering the growth component in the portfolio, produced below inflation returns; and despite the market ending in positive territory last year, much of this performance was driven by Naspers, which is not a Shari'ah compliant stock. The underperformance relative to the target benchmark of CPI + 4% was driven by this lacklustre performance of the fund over the course of 2016 and 2017. You can read the full report at https://www.uctrf.co.za/useruploads/files/university_of_cape_town_retirement_fund_query_april_2018.pdf

New Employee Benefits Consultants

This year the UCTRF's employee benefits consulting service was put out to tender in line with our standard process to rebroke all services on a regular basis. The process took over 2 months and, after numerous deliberations and careful consideration, the Board decided to appoint Simeka. Simeka replaces Willis Towers Watson as UCTRF's employee benefits consultants.

FSB replaced by FSCA

The Financial Services Board (FSB) has been transformed into the Financial Sector Conduct Authority (FSCA), effective 1 April 2018. The FSCA is a dedicated market conduct regulator for the South African Financial Services sector. This marks the formal implementation of the Twin Peaks model of financial sector regulation, with the other regulatory body being the Prudential Authority – housed in the South African Reserve Bank.

The implementation of the Twin Peaks model in South Africa has two fundamental objectives:

- To strengthen South Africa's approach to consumer protection and market conduct in financial services; and
- To create a more resilient and stable financial system.

The Prudential Authority's objective will be to promote and enhance the safety and soundness of regulated financial institutions; while the Financial Sector Conduct Authority will be tasked with protecting financial customers through supervising market conduct. Structures will be in place to ensure proper co-ordination between the two authorities and other regulators.