UCT RETIREMENT FUND

AGM REPORT

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2016

UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

CONTENTS

MEET YOUR TRUSTEES

The Board of Trustees of the University of Cape Town Retirement Fund (UCTRF) consists of twelve Trustees. Six are nominated and elected by members, deferred pensioners and pensioners of the Fund. The remaining six are appointed by the employer (UCT). Member and Employer Trustees also have Alternate Trustees should one of them not be able to attend a Trustee meeting. The Employer appoints one Alternate Trustee and one Alternate Member Trustee is appointed from those who receive the next highest number of votes during member Trustee elections.

Your current Trustees, who hold office until 31 December 2016, are:

EMPLOYER APPOINTED TRUSTEES	EMPLOYEE ELECTED TRUSTEES
Assoc. Prof. Phillip de Jager (Chairperson)	Ms Judith du Toit
Mr Smartdryck Abrahams	Ms Karin Lehmann
Ms Lesley Haddow	Ms Joanna Legutko
Ms Miriam Hoosain	Mr Daniel Munene
Dr Heidi Raubenheimer	Prof. Steve Richardson
Emeritus Prof. John Simpson	Mr Emlyn Balarin
Ms Margie Tainton (Alternate)	Mr Chris Tobler (Alternate)

The Board receives assistance on Fund matters from the following industry experts and specialists:

Auditor	PricewaterhouseCoopers
Actuary	Willis Towers Watson (Pty) Ltd
Administrator	Sanlam Employee Benefits
Asset Consultant	Willis Towers Watson (Pty) Ltd
Benefit Consultant	Willis Towers Watson (Pty) Ltd
Principal Officer	Ms Penny Fabre
Deputy Principal Officer	Mr William Nkutha
Registered Office of the Fund	Room 134, Bremner Building, Lovers' Walk, Rondebosch

FINANCIALS

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. It is the pleasure of the Trustees to present to members the Fund's latest financial information:

Statement of changes in net assets and funds for the UCTRF for the period ended 31 May 2016

	Total 2016	Total 2015*
Contributions received and accrued	286 365 994	286 102 092
Contributions transferred from reserve		
accounts to member accounts	-	-
Savings on risk cost transferred to		
member accounts	-	-
Re-insurance proceeds	6 180 318	3 152 227
Net investment income/(loss)	553 422 140	291 917 161
Allocated to unclaimed benefits	(96 341)	(242 157)
Less:	**(15 889 041)**	**(17 476 326)**
Administrative expenses	(2 303 540)	(2 348 431)
Admin ad hoc	(3 393 852)	(4 213 452)
Re-insurance premiums	(10 191 649)	(10 914 443)
Net income before transfers and benefits	**829 983 070**	**563 452 997**
Transfers and benefits	**(144 151 738)**	**(182 791 901)**
Transfers from active to living annuitants	109 099 875	137 058 823
Transfers to other funds	-	-
Benefits	(253 251 613)	(319 850 724)
Net income after transfers and benefits	**685 831 332**	**380 661 096**
Transfer to/from reserves	**-**	**742 330**
Balance at beginning of period	**3 938 813 779**	**3 557 410 353**
Balance at end of period	**4 624 645 111**	**3 938 813 779**

** The values for 2015 are from 01/07/2014 - 30/06/2015. The values for 2016 are from 01/07/2015 to 31/05/2016.*

Statement of net assets and funds for the UCTRF as at 31 May 2016

	2015	2014
ASSETS	RMIL	RMIL
Non-current assets	**4 649 882 763**	**3 956 504 774**
Investments	4 643 862 361	3 952 622 907
Investments supporting unclaimed benefits	6 020 402	3 881 867
Current assets	**15 149 142**	**23 168 380**
Cash and money market funds	4 947 851	4 810 297
Short term investments	10 201 291	18 358 083
Total assets	**4 665 031 905**	**3 979 673 154**
FUNDS AND LIABILITIES		
Members' funds	**3 939 747 327**	**3 391 609 066**
Members' individual accounts	3 934 483 365	3 386 953 138
Amounts to be allocated	1 035 899	427 865
Beneficiaries' term annuity policies	4 228 063	4 228 063
Reserves	**684 897 784**	**547 204 713**
Living annuities	660 398 783	525 430 158
Reserve accounts	24 499 001	21 774 555
Total funds and reserves	**4 624 645 111**	**3 938 813 779**
Non-current liabilities	**6 020 402**	**3 881 867**
Unclaimed benefits	6 020 402	3 881 867
Current liabilities	**34 366 392**	**36 977 508**
Benefits payable	34 366 392	36 419 325
Accounts payable	-	558 183
Total funds and liabilities	**4 665 031 905**	**3 979 673 154**

Investment per asset class as at 31 May 2016

The fair value of the Fund's investments (per asset class) was as follows:

	Portfolio A	Portfolio B	Portfolio C	Portfolio D	Beneficiaries' term annuity policies
Investments	**297 829 464**	**1 391 241 684**	**2 864 566 309**	**96 198 132**	**4 228 063**
Abax Equity Fund	-	-	269 339 726	-	-
Allan Gray Offshore	-	-	607 887 271	-	-
Allan Gray - Domestic Equity	-	-	796 300 263	-	-
MMI Smooth Bonus - Active Members	-	993 657 646	-	-	-
MMI - LA Members	-	335 336 781	-	-	-
MMI Smooth Bonus - LSM	-	62 247 257		-	
Prescient Income Fund	297 829 464,00	-	-	-	-
Prescient Bond Fund	-	-	469 776 597	-	-
Investec	-	-	430 851 071	-	-
Catalyst Fund Managers	-	-	121 414 078	-	
Shari'ah Balanced Fund	-	-	-	96 198 132	-
Sanlam Beneficiaries term annuity policies	-	-	-	-	4 228 063

Total Investments:	**4 654 063 652**

ACTUARIAL VALUATION

Annual actuarial valuations are conducted in order to ensure the ongoing accuracy of the Fund's administration.

Actuarial valuation as at 30 June 2015

The UCTRF undergoes a formal process to confirm that the Fund has assets (investments) to meet all liabilities (pay all the members of the Fund). 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 2015 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 at the current and previous valuation dates is set out below.

Consolidated accounts	30 June 2015 (R'000)
Total liabilities and contingency revenues	R3 938 814
Accrued liabilities	R3 916 962
Contingency reserves	R21 852
Assets(Total funds and reserves)	R3 938 814
Actuarial surplus	**0**
Funding level excluding contingency reserves	**100%**

In terms of the Pension Funds Act 24 of 1956, guidelines have been laid down regarding maximum percentages of the Fund's assets that may be invested in specified asset classes. The Fund complied with these requirements during the period 1 July 2015 to 30 June 2016.

CORPORATE GOVERNANCE REPORT

AS AT JUNE 2016

Statement of commitment

The Board is committed to sound corporate governance. Furthermore, the Trustees believe that the Fund complies with the requirements of PF 130.

Governance entrenched

The Corporate Governance structure for the Fund is as follows:

Composition of the Board of Trustees

The management, control and administration of the Fund vests in a Board, consisting of 12 persons, of whom 50% are appointed by the Employer and 50% by members, deferred pensioners and pensioners of the Fund in the manner determined between the Employer and Employee representative bodies. It is specifically recorded that a person appointed by the Employer or by an Employee representative body or elected by the members, deferred pensioners and pensioners is not a representative and must act in the best interests of the Fund and all its members, deferred pensioners and pensioners. The Employer may appoint one person to act as alternate in the place of an Employer Trustee during an Employer Trustee's absence or inability to act as a Trustee. An Alternate member Trustee is appointed from the nominees who received the next highest number of votes during the last member Trustee elections. to act as alternate in the place of an Employee Trustee during an Employee Trustee's absence or inability to act as a Trustee.

Trustee elections are held every 3 years, with the next elections being held in September 2016. Trustees are appointed for a 3 year cycle, starting on the 1 January following the Trustee elections. The Trustees hold office until the end of the 3 year cycle and shall retire as Trustees at the end of this period, but may be re-appointed or re-elected for further periods of 3 years.

Board's responsibilities and functioning

The Trustees focus on strategic issues, particularly the investment strategy and the performance of the portfolios, accounting policies, the costs to be paid by the Fund as well as monitoring operational efficiency and risks.

The Fund has the following Board Committees, each one with its own charter, mandates and reporting responsibilities:

- Administration, Audit and Rules Committee
- Investment Committee
- Section 37C (Death Benefit Distribution) Committee
- Communications Committee
- Retirement and Exit Benefits Committee

Independent experts/specialists together with nominated Trustees serve on the Committees. The Committees consider and make recommendations on proposals to the Board for approval.

The Chairpersons of the various Committees report back at each Trustee meeting on the activities of the Committee. The Board Committees' charters, which describe the terms of reference of the Committees as delegated and approved by the Board, are reviewed annually.

Board Charter (Code of Conduct)

The Fund's Code of Conduct incorporates the role and responsibilities of the Board and the accountability of Board members collectively. The Charter includes a Code of Ethics and each Board member has signed the Code.

Compliance

The Board considers compliance with applicable laws, regulations and its code as an integral part of doing business. The Trustees, through the Committees, monitor compliance with the relevant laws and regulations affecting Fund business, on an ongoing basis.

Risk management

The Fund recognises that managing risks and compliance is an integral part of good Corporate Governance. The Board is accountable for establishing, maintaining and monitoring the effectiveness of the process of risk management for the Fund.

The Fund's Risk Management Policy covers the following key aspects:

- Identifying significant business risks
- Evaluating the impact of the risks on the Fund
- Focusing on the risks outside the Board's risk tolerance
- Putting controls and plans in place to manage/mitigate the risks
- Ensuring reliable reporting on the Risk Management process to the Board

YOUR FUND INVESTMENTS

When planning your retirement savings, it is vital that you maximise your interest or returns as much as possible. In other words, your money in the Fund has to be invested in the right portfolio/s depending on your age and needs. The Trustees do everything in their power to ensure they cater for the needs and requirements of the majority of the members. One of the ways in which they do this, is to provide members with a specific investment model known as the Life Stage Model. Members can also choose to invest their retirement savings in one of the individual portfolios (channels) (please refer to the next section for more information on these).

These portfolios are not just chosen randomly and involve research, constant monitoring and review. The Trustees are aided by investment experts.

Let us take a closer look at the Fund's investments.

Investment strategy

Legally, all funds are required to have an investment strategy in place. This is a document which lays out all the issues surrounding selecting, monitoring and managing the Fund's investments. All the portfolios, as well as the objectives of each and how they will be measured, are included in an Investment Policy Statement. Herewith are some important elements:

The UCTRF is a Defined Contribution Provident Fund, meaning that the benefit you will receive on retirement depends on the contributions you make monthly to your retirement savings and the investment returns (positive or negative) earned on this money.

When compiling the investment strategy, the Board, in consultation with the Investment Committee, needs to take into consideration factors such as inflation over the long term, age profiles of members, salary profiles, targeted replacement ratios and the Pension Funds Act. The Investment Committee believes that risk should be managed by holding a diversified portfolio, with a large proportion of assets providing returns that are expected to exceed inflation over the long term.

As a member of the Fund you can elect to invest your contributions in either the Life Stage Model, or choose one or more of the four different risk-profiled portfolios available.

It is important to understand that you carry the risk that the investment returns earned on your retirement saving contributions will be sufficient to provide you with a reasonable income at retirement. In this regard you are exposed to three main risks, namely:

- The risk of making contributions to the Fund that are too low in relation to your total remuneration
- Inflation risk (which is the risk that the Fund your retirement savings do not earn sufficient investment returns to provide reasonable retirement benefits)
- Final payment risk (which is he risk that, at the time you leave the UCTRF and want to use your retirement savings, investment markets are weak, and so the value of your retirement savings is at a low point).

The investment options available

Members of UCTRF have the following investment options to choose from:

Life Stage Model

The Board is aware that most members are not investment experts and you therefore have the option of choosing the Life Stage Model.

The principle in this model is that the closer you are to retirement, the safer your investment should be. If you choose the Life Stage Model, your investments will automatically be transferred in phases into a less volatile portfolio. (Volatility refers to the extent of fluctuation in share prices. Exchange rates, interest rates etc. The more volatile a portfolio is the greater the "final payment risk".)

If you select the Life Stage Model option, 100% of your accumulated retirement savings and your future contributions will be invested in this portfolio, according to your current age in completed years. **You should however consult an accredited financial advisor to determine which portfolio is right for you.**

The Trustees decided to use the Smoothed Bonus Fund and Income Fund as the pre-retirement portfolio and to transition members who opt for the Life Stage Model near retirement as shown in the table below:

AGE*	Strategy for the balance already accumulated in the Fund
59 years or less	Balanced Fund
60 years	80% Balanced Fund 10% Smoothed Bonus Fund 10% Income Fund
61 years	60% Balanced Fund 20% Smoothed Bonus Fund 20% Income Fund
62 years	40% Balanced Fund 30% Smoothed Bonus Fund 30% Income Fund

AGE*	Balance accumulated and Future contributions strategy
63 years	20% Balanced Fund 40% Smoothed Bonus Fund 40% Income Fund
64 years	50% Smoothed Bonus Fund 50% Income Fund

** The transitions shown in the above table occur on the 1 April of the year in which you turn the relevant age.*

PORTFOLIO A: THE INCOME FUND

As the name implies, the Income Fund is invested in money market instruments. The prime objective of the Income Fund is to preserve the Rand value of your retirement savings at all times and to increase it with the interest earned on the underlying money market instruments.

Suitable for: This channel is designed for those members wanting protection against "final payment risk", i.e. a member that may withdraw or retire from the Fund in the next 2 years.

Risk: It gives limited protection against inflation risk since the portfolio includes bonds (maximum term 3 years). The capital value of a bond may decline in periods of rising interest rates.

Objective: Returns of 1% above CPI (inflation).

PORTFOLIO B: THE SMOOTHED BONUS FUND

The two main features of this portfolio are:
- It "smooths" the investment return earned on the underlying assets over a period of between 5 and 10 years; and
- It provides a guarantee of contributions made.

This portfolio has been designed in such a way that it targets (but does not guarantee) a net long-term investment return of some 3% per annum above inflation.

Suitable for: Members within 3 – 5 years of retirement.

Risk: As the portfolio has some investments in the markets, its inflation risk is lower than that of Portfolio A. It also guarantees your contributions, which decreases final payment risk.

Objective: Returns of 3% above CPI (inflation).

PORTFOLIO C: THE BALANCED FUND

The Balanced Fund is expected to give the highest return of the 4 portfolios offered by the Fund over the long term. Its asset allocation is similar to that of the Smoothed Bonus Fund, but it does not provide any guarantee – you are simply credited with the net return earned on the underlying assets.

Suitable for: Members with 5 – 7 years or more before exiting the Fund. Portfolio C is also the default investment channel and is thus used for members that are more than 6 years from retirement.

Risk: The portfolio is invested in the markets and has the highest potential for good returns over the longer term, and therefore has very little inflation risk, but has the highest final payment risk.

Objective: Returns of 5% above CPI (inflation).

PORTFOLIO D: THE SHARI'AH FUND

The Shari'ah Fund has been set up to comply with Islamic law or Shari'ah, and has an asset allocation that is somewhat more conservative than that of the Balanced Fund.

The managers have a mandate to adhere to the following key Shari'ah principles:

- The ban on interest: Interest must not be charged or paid on any financial transaction, as interest is deemed unlawful by Shari'ah.
- The ban on financing certain economic sectors: Companies involved in the following activities are not Shari'ah compliant:

  - Conventional financial services
  - Alcohol and tobacco
  - Non-Halaal food production or processing activities
  - Entertainment (casinos, gambling etc.)
  - Weapons and arms manufacturing

It is expected to give a return that is lower than the Balanced Fund over the long term due to the lower possible allocation to equities.

Suitable for: Members with 5 – 7 years or more to retirement or leaving UCT, and members who wish to comply with Islamic law.

Risk: Deals mainly with inflation risk, but is somewhat more conservative than the Balanced Fund and is managed according to Shari'ah investment principles.

Objective: Returns of 4% above CPI (inflation).

How do the portfolios compare?

Criteria	A	B	C	D
Risk Profile	Low	Medium	High	Medium/High
Type of Risk	Final payment risk (not losing money)	Final payment risk and inflation risk	Inflation risk	Inflation risk, and somewhat more conservative than Portfolio C
Suited for members	Close to resignation or within 2 years of retirement	3 – 5 years or less to retirement or resignation	5 – 7 or more years to retirement	5 – 7 or more years to retirement

Investment managers

The Board is ultimately responsible for all the Fund's Investment decisions, assisted by an Investment Committee (with independent experts), which in turn is responsible for implementing the Investment Strategy. The Investment Committee, amongst others, is responsible for the selection of the investment managers.

The investment managers choose which assets to invest in, buy and sell the actual stocks, trade in bonds, etc. The investment manager selection reflects a healthy combination of established, large asset management firms, as well as specialist investment managers with unique investment capabilities.

Please refer to the Investment Guide and Investment Policy Statement on the Fund's website for more information on the underlying investment managers of each of the portfolios.

Returns achieved

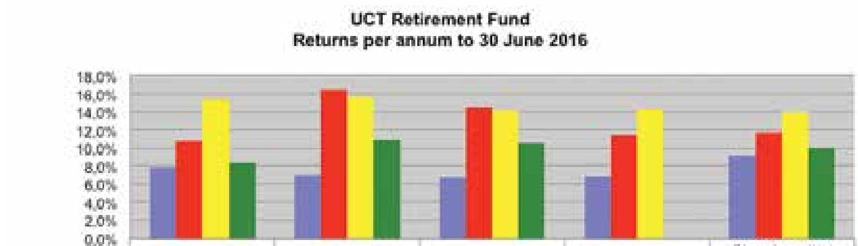
Savings for retirement is a long-term process and the performance objective, therefore, is to achieve growth above a certain standard (benchmark). The potential for achieving good returns over a longer period is high, while it is not a good idea to look at short-term historic returns when deciding which portfolio to choose.

Overall performance

The chart below shows the annual performance of the investment channels available to members of the UCTRF since inception (1 April 2010 for Portfolio D, and 1 January 1995 for the other portfolios) and over the 1-year, 3-year, 5-year and 7-year periods ended 30 June 2016.

Please note that:

a. Portfolio A is the Income Fund, Portfolio B is the Smoothed Bonus Fund and Portfolio C is the Balanced Fund. The Shari'ah Fund, Portfolio D, was introduced on 1 April 2010.
b. The Portfolio B returns include the vested and non-vested bonuses declared.
c. The performance shown is after deducting Retirement Fund Tax (where applicable) and the investment manager fees.



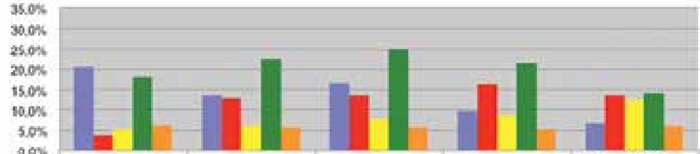
	1 yr	3 yrs	5 yrs	7 yrs	Since inception (01/01/95)
Portfolio A	7.8%	7.0%	6.7%	6.9%	9.2%
Portfolio B	10.7%	16.5%	14.5%	11.5%	11.7%
Portfolio C	15.4%	15.7%	14.1%	14.2%	14.0%
Portfolio D	8.3%	10.8%	10.5%		10.0%

Portfolio A Portfolio B Portfolio C Portfolio D

Over the last 7 years (to 30 June 2016) the Balanced Fund (Portfolio C) has delivered the highest return, but it also has the most volatility. It is possible for the Balanced Fund to show very low or even negative returns in some years. This is important to understand, especially for members nearing retirement who plan to move from the Fund and may move to a different type of investment at retirement.

To give you an idea of how various investment asset classes have performed over the same period, the following graph indicates the movement of some of the major indices since inception of the Fund and over 1 year, 3 years, 5 years and 7 years. (These indices do not allow for Retirement Fund Tax, which has now been abolished, and investment manager fees.)

Indices per annum to 30 June 2016



	1 yr	3 yrs	5 yrs	7 yrs	Since inception (01/01/95)
$/R	20,7%	13,8%	16,7%	9,6%	6,8%
ALSI	3,8%	13,0%	13,8%	16,4%	13.9%
ALBI	5,2%	6,3%	7,9%	8,6%	12.6%
MSCI (ZAR)	18,0%	22,4%	25,1%	21,5%	14.3%
CPI	6,3%	5,9%	5,7%	5.4%	6,1%

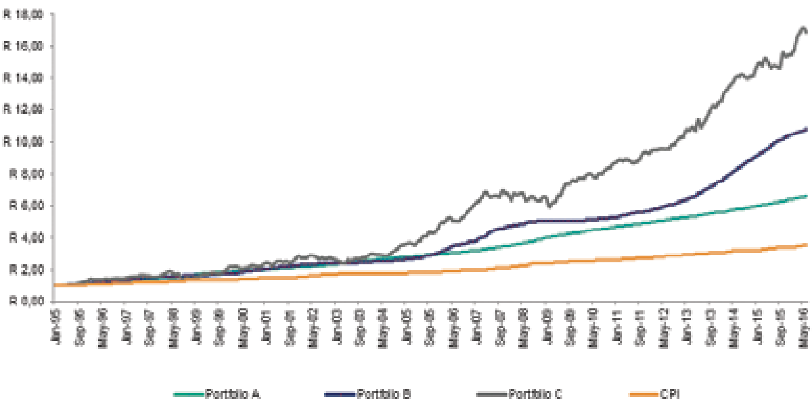
$/R ALSI ALBI MSCI (ZAR) CPI

- The figures shown for periods exceeding 1 year are annualized.
- A positive return for $/R indicates that the Rand has weakened against the Dollar, and vice versa.

KEY

$/R	The movement in the Rand to US Dollar exchange rate
ALSI	The movement in the FTSE/JSE All Share Index
ALBI	The movement in the Bond Exchange of South Africa—All Bond Index
MSCI	The movement in the Morgan Stanley Capital International world share index in Rands (developed markets only).
CPI	The movement in the South African headline Consumer Price Index

Cumulative return of R1 invested on 1 January 1995



Average annual return	
Portfolio A	9.2%
Portfolio B	11.7%
Portfolio C	14.0%
CPI	6.1%

Cumulative value at 31 July 2014	
Portfolio A	R 6.64
Portfolio B	R 10.82
Portfolio C	R 16.88
CPI	R 3.56

The cumulative values shown in the above table represent the amounts to which an initial investment of R1 would have grown, from 1 January 1995 to the date shown, net of all investment-related expenses including Retirement Fund Tax when this was applicable.

Monthly performance

The table shows the monthly returns for the four portfolios during 2015/2016. These figures are shown after investment manager fees.

Since August 2010 these returns have been derived from the daily unit prices calculated by the Fund's administrator, Sanlam. Before that, they were calculated each month by the Fund's consultants, Willis Towers Watson.

Month	Portfolio A	Portfolio B	Portfolio C	Portfolio D
Jul-15	0.61%	1.26%	0.72%	2.48%
Aug-15	0.66%	1.26%	-0.33%	-0.26%
Sep-15	0.59%	0.81%	-0.67%	-0.89%
Oct-15	0.62%	0.86%	6.60%	3.49%
Nov-15	0.56%	0.96%	-1.34%	0.20%
Dec-15	0.59%	0.86%	0.59%	2.32%
Jan-16	0.65%	0.81%	0.42%	-1.97%
Feb-16	0.57%	0.56%	1.98%	2.10%
Mar-16	0.68%	0.51%	4.53%	0.62%
Apr-16	0.66%	0.76%	1.97%	0.53%
May-16	0.55%	0.76%	1.50%	2.09%
Jun-16	0.80%	0.81%	-1.28%	-2.52%
Total for past 12 months:	**7.80%**	**10.69%**	**15.38%**	**8.30%**
Total since inception (p.a.):	**9.21%**	**11.71%**	**14.05%**	**9.95%**

Note: inception date is 1 April 2010 for Portfolio D, 1 January 1995 for the other portfolios.

Over the long term, the Balanced Fund (Portfolio C) shows the largest variation in monthly returns, reflecting the higher volatility of this portfolio, but with the highest returns since inception.

Investment Policy Statement

The Trustees have adopted a formal Investment Policy Statement.
We have summarised the salient features of the four portfolios in the following table to assist you in making your choice:

Portfolio	Investment objective	Investment horizon	Broad strategy	Risk Constraint
Balanced Fund (Portfolio C)	5% p.a. (net of costs) above CPI over rolling 7 years.	7 years +	Markets are inefficient over short measurement periods, but tend towards efficiency over the long term, thus providing the long-term investor the opportunity to earn superior returns.	The probability of the return being less than inflation over any rolling 7-year period is less than 10%.
Smoothed Bonus Fund (Portfolio B)	3% p.a. (net of costs) above CPI over rolling 5 years, subject to the proviso of an Insurer capital guarantee of all contributions paid into this portfolio (including lump sums).	3 - 5 years	To meet the dual goal of providing a reasonable return with capital preservation over short measurement periods, an Insurer product will be used.	The Insurer provides a capital guarantee of contributions invested (incl. lump sum transfers) plus any vested bonuses declared.
Income Fund (Portfolio A	1% p.a. (net of costs) above CPI over any 12-month period, with minimal risk of capital loss over the same period.	0 – 2 years	The portfolio will be invested in money market instruments (with duration less than 3 years) with high credit quality as being the best way to deliver a positive return with minimal risk of capital loss.	Less than 2.5% chance of a capital loss over a measurement period of 12 months.

Portfolio	Investment objective	Investment horizon	Broad strategy	Risk Constraint
Shari'ah Fund (Portfolio D	4% p.a. (net of costs) above CPI over rolling 7 year periods.	5- 7 years	The investment philosophy is similar to that for Portfolio C except that the investments will be structured to comply with Shari'ah law. The Shari'ah Fund will have a somewhat lower equity allocation than Portfolio C and therefore its performance is likely to be less volatile – this is a consideration for older members who wish to invest in the Shari'ah Fund because of their religious beliefs.	The probability of the return being less than inflation over any 7-year period is similar to that for Portfolio C. The chance of a capital loss over shorter periods will be somewhat lower than for Portfolio C, but it is hard to quantify this.

(The full Investment Policy Statement is available on the UCTRF website at www.uctrf.co.za)

New members who failed to make an investment choice: default position

New members joining the Fund who do not exercise a choice when joining the fund have their retirement savings contributions invested in the Income Fund (Portfolio A) until 1 April immediately following entry into the Fund. With effect from 1 April immediately following entry, and on 1 April the subsequent year, new members will have the choice to change. If again no option form is submitted, their funds will be invested according to the Life Stage Model (past and future contributions).

CONTRIBUTIONS

Employee contributions to a provident fund are not tax deductible. UCT makes the full contribution to the Fund.

This contribution rate is currently 22.5% of your deemed pensionable amount (DPA - as determined by you) for permanent employees. 16% is directed towards retirement funding and 6.5% towards administration costs, Fund costs as well as death and disability benefit insurance costs.

The employer contribution in respect of contract employees who are eligible to join the Fund is 20.912% of deemed pensionable amount. This includes 4.912% directed towards costs and risk benefits.

As Fund costs are considerably less than the notional 6.5% (permanent staff) or 4.912% (contract staff) the Trustees make additional discretionary allocations to retirement funding as follows (% of DPA):

	Total contributions	Risk costs	Fixed retirement funding	Discretionary retirement funding	Total retirement funding
Permanent Staff	22.500%	2.070%	16.000%	4.430%	20.430%
Contract Staff	20.912%	1.192%	16.000%	3.720%	19.720%

SUMMARY OF THE RULE AMENDMENTS

Rule Amendment 5 was registered on 24 June 2016. The purpose of this amendment is to provide:

- that a deferred retiree (being a member who left UCT's service for reasons other than retirement and elected to leave his/her fund credit invested in the Fund) may elect at any time to withdraw his/her fund credit from the Fund.

- that a member may not elect to become a deferred retiree if he/she has an outstanding housing loan amount which is deductible from the his/her fund credit or owes money to the Employer which is, or may be, deductible from the member's benefit in terms of the law.

- that if a member leaves UCT's service for reasons other than retirement, and makes no election with regard to the payment of his/her withdrawal benefit, he/she will automatically become a deferred retiree and his/her benefit will be preserved in the Fund, invested in the same portfolio in which the member was invested before leaving service until he/she makes an election with regard to his/her benefit. However, if the member has an outstanding housing loan amount which is deductible from the his/her fund credit or owes money to the Employer which is, or may be, deductible from the member's benefit in terms of the law, then he/she will not become a deferred retiree and the member's benefit will be disinvested to the near-cash portfolio and the necessary deduction made.

- that deferred pensioner must provide two calendar months' notice when the he/she wants to transfer his/her benefit.

- that a member, who is retiring from UCT, may elect postpone his retirement from the Fund and become a "phased retiree" until such member elects to receive his/her retirement benefit. However, if the member has an outstanding housing loan amount which is deductible from the his/her fund credit or owes money to the Employer which is, or may be, deductible from the member's benefit in terms of the law, then he/she will not become a deferred retiree and the member's benefit will be disinvested to the near-cash portfolio and the necessary deduction made.

- that should a member who is retiring from UCT, not make any election with regard to his/her retirement benefit, he/she will become a phased retiree until he/she makes an election.

- that contributions and risk benefits will cease on becoming a phased retiree of deferred pensioner.

- for the way in which members' benefits are dealt with during the period of postponement and how costs are recovered.

- more clarity with regard to the day on which the member's benefit must be switched to the money market portfolio.

- that members may transfer their assets in a Preservation Fund to the Fund

- that restrictions in terms of the manner in which additional voluntary contributions may be made, are removed.

- that, should a Member not make an election with regard to the investment of his/her benefits and contributions, these will be invested the Near-cash Portfolio until 12 months after the 31 March following his/her first election opportunity, at which time future contributions will be invested in the default investment portfolio selected by the Fund.

ARTICLES

RETIREMENT FUNDS UPDATE

In his budget speech on 24 February 2016, the Minister of Finance confirmed that certain retirement reforms have been postponed once again. After all the discussions and changes and announcements, you may be confused as to which reforms are going ahead, and which have been postponed.

Reformed postponed

Compulsory Annuitisation:

TO DATE	2016	2016
At retirement from provident funds, members can take their full benefits in cash if they wish.	This was meant to change on 1 March 2016, BUT...	THIS CHANGE HAS BEEN POSTPONED UNTIL 1 MARCH 2018 TO ALLOW FOR FURTHER DISCUSSION..

Transfers from Pension to Provident Funds:

To ensure the integrity of the retirement system, the ability to transfer tax-free from pension fund to provident fund will ALSO be delayed until 1 March 2018.

Reforms effective from 1 March 2016

The changes to taxation of contributions, as previously communicated, still come into effect as of 1 March 2016. This means that employer contributions will be taxed as fringe benefits in your hands, but you can deduct 27.5% of the larger of your taxable income or remuneration from tax. The maximum deduction allowed per year is R350 000 , but the balance you can deduct at withdrawal or retirement.

From 1 March 2016, if your total Fund Credit in the Pension Fund is less than R247 500, you can take the entire amount in cash. This applies to amounts paid from Retirement Annuity funds as well.

Keeping calm:

BREXIT

This June, we woke up to the news that citizens of the United Kingdom have voted to exit the European Union. This is commonly referred to by the nickname 'Brexit'.

The shock across the world was like an earthquake, followed by a tsunami of uncertainty: politically in the UK and the EU, and also in financial markets globally.

Like any earthquake, the vote has created a series of aftershocks. One thing is certain: times of transition always lead to a number of economic and investment concerns. It's only natural to feel the need to protect your money. However, no matter what, taking your money and running for the hills is never a good idea. Even following something as earth-shattering as Brexit.

During periods of uncertainty, the temptation to make a quick profit is also rife! We hear people talk about buying foreign currency, cheaper market shares, and many more 'get rich quick' tactics. The truth is, with something as big and undefined as Brexit, no one has any guarantee as to how their finances will ultimately be affected.

It's even been pointed out by the experts that the only certainty about Brexit is the uncertainty it has created. - *Geoffrey Garrett, Dean at The Wharton School*

Here is your Brexit safety guide, to keep you safe until the dust settles:

- The trick now is to remain calm and think long term.
- Do not switch your investment just to try and time currencies and markets.
- Stay put, and wait for the markets to find a new balance.
- Have trust in the experts.
- Don't allow fear or greed to govern your financial choices.
- Consult your financial advisor before making rash decisions.

Projection/Benefit statements

Once a year, benefit statements are issued to all members. Abbreviated benefit statements are also available on the Retirement Fund Web. To register online:

STEP 1	Access the website at www.uctrf.co.za
STEP 2	**Click on the icon on the right:** Get your values here
STEP 3	Follow the instructions on the Sanlam Member Site page

All you need to know on the Fund's website

www.uctrf.co.za

The Fund's Website is the central information hub of the Fund. If you have a question, need an option form, need to access your own value or find information on the Fund investments, visit the Fund website today.

Retirement Fund Web (www.retirementfundweb.co.za) – access your own values online

The Retirement Fund Web provides all members with state-of-the-art retirement fund administration processes and member communication tools online. 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.

Should I make an investment decision?

Not all of us are investment experts. The world of bull and bear markets can often seem very confusing. The Trustees have therefore provided members with a Life Stage Model option where your money is moved automatically as you age. Read the Investment Section on page 10 for more information on this option.

The Life Stage Model is also the default portfolio, which means that if you do not make an investment choice when you join the Fund, your retirement savings will automatically be defaulted into this investment option.

If you select the Life Stage Model option, 100% of your accumulated retirement savings and your future contributions will be invested in this portfolio, according to your current age in completed years. You should however consult an accredit- ed financial advisor to determine which portfolio is right for you.

Can I take my Fund benefit in cash?

Taking cash can be very tempting. Most of us have some excess debt that needs paying off, or could use some extra money for unforeseen expenses. However, this might mean a future full of financial worries.

Few people can afford to retire at their current standard of living. If you take your money in cash, you will have to start saving for retirement all over again. Another important consideration is that the more money you have in a retirement fund, the more compound interest you earn. This is the interest earned on interest. By the time that you retire, the bulk of your benefit will be interest earned and not your actual contributions. But compound interest only works over a long period of time. By using your retirement savings now, you place yourself at great disadvantage as you lose the extra interest you could have been earning and you are spending money that is supposed to make your future more comfortable. If you take your money in cash, please also understand that only a small portion of your benefit is tax free and you will be taxed on the balance.

What are my benefits in the Fund?

Withdrawal

Members may only withdraw from the Retirement Fund when they leave the employ of UCT. The withdrawal benefit is not affected by the reason for ending employment with UCT (such as resignation or dismissal), except that retirement tax rates apply if the member is retrenched. On withdrawal, members will receive the balance in their Retirement Savings Account.

When you leave the Fund, you have the following options:

- Leave your benefit in the UCT Retirement Fund (Deferred Pensioners).
- Take your money in cash (but beware of the tax payable)
- Transfer your money to a new employer's pension and/or provident fund
- Transfer your money to a retirement annuity fund
- Transfer your money to a preservation fund
- Elect to take a portion of your withdrawal benefit in cash, and transfer the balance to an approved pension or provident fund, approved retirement annuity fund or approved preservation fund.

Retirement

You can retire from the Fund:

- At the normal retirement age (retirement from the employer)
- Early retirement (before the year in which you turn 65, but after 55)
- At a date after you retire from the employer.

The Normal Retirement Date is the end of the calendar year in which you turn 65 (at retirement you will get the balance in your Accumulated Retirement Savings Account).

Early retirement
With UCT's permission, you may retire early from UCT and from the Fund from age 55 onwards. You will have the same options as those who retire at the normal retirement age. At the request of your employer, you may be retired from UCT and the UCTRF at any time before the normal retirement age, due to operational requirements.

Late retirement
You may also retire from the Fund after you retire from UCT, but your disability and death cover will stop after you retire from UCT.

Options at retirement
Your retirement is an important milestone in your life. Most people hope to be able to maintain a reasonable lifestyle in their "golden years".

At retirement from the UCTRF you have a few options. As this money will have to last you for the rest of your life, it is important that you do not take decisions at retirement lightly. We recommend that you speak to an FAIS-accredited financial advisor of your choice to assist you with this important step.

Death

If you die before retirement, a benefit equal to your Accumulated Retirement Savings in the UCTRF plus the group death cover benefit is payable:

Members, (other than T2 members) with 10 years' or less pensionable service receive a lump sum death benefit of 6 times annual deemed pensionable amount.

Members , (other than T2 members) with 10 years' or more pensionable service may choose to reduce their death benefit in increments of 5, 4, 3, 2 or 1 times DPA.

In addition, there is a further one times annual deemed pensionable amount that will be paid from a separate Group Life Assurance scheme provided that the member has not already received a disability lump sum benefit from this arrangement. Members on T2 conditions have cover of three times their annual deemed pensionable amount.

Glossary

Asset Class	Different types of investments such as shares, bonds and cash.
Funding level	Indicates how the assets match the liabilities. If the Fund is 100% funded, it means the assets match the liabilities 100%. The aim is always to be 100% funded so that members' benefit ex-pectations can be fulfilled.
Investments	The financial investments of the Fund to allow your money to grow with returns/interest over time.
Reserve Accounts	Reserve accounts kept according to the Rules of the Fund.

CONTACT THE FUND

Address of the Fund's Registered Office

Street Address: Room 134, Bremner Building, Lovers' Walk, Rondebosch

Postal Address: University of Cape Town, Private Bag X3, Rondebosch 7701

Email: uctrf-enquiries@uct.ac.za

Telephone: 021 650 2934

Fund's Registration Number

The UCTRF's FSB registration number is 12/8/31582.

The Fund is being managed according to the regulations of the Authorities and the Pension Funds Act. The Rules of the Fund define all the benefits and conditions and are registered with the Registrar of Pension Funds and approved by the Commissioner of Inland Revenue.

Contact details for Sanlam Employee Benefits

Help desk 07h00 – 17h00: 0800 118 334

Communication Team

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Disclaimer

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