

# SECOND TRUSTEES REPORT

University of Pretoria Provident Fund

2024

## Introduction

It is the privilege of the Board of Trustees to present the second report on the Fund's operations for 2024. You are encouraged to read the report carefully, since developments in the report may affect your personal retirement planning.

The purpose of this report is to reflect on the main developments in the operations of the Fund since the previous report, which includes the following:

- Feedback on the audited financial statements as at 31 December 2023;
- Feedback on the statutory actuarial valuation as at 31 December 2023;
- Comments on the Two-pot system
- Feedback on amendments to the rules of the Fund;
- Feedback on the pension increase from 1 July 2024; and
- Feedback on risk management processes implemented by the Board.

## Important reminders

We urge you to review your beneficiary nomination form regularly to ensure that it reflects the correct beneficiary information. A copy of the form can be obtained from the HR Department: Benefits division by emailing a request to [hr-remuneration-benefits@up.ac.za](mailto:hr-remuneration-benefits@up.ac.za). When your form is recent, it ensures that the trustees are aware of your wishes when deciding on the lump sum death benefit allocation.

You are reminded that the University bears the cost associated with administering your Provident Fund.



## Board of Trustees

Ms Jacomien Visagie was elected by the members to serve as Member Elected Trustee from 1 May 2024.

The Trustees and their appointment dates are:

Employer Trustees	Latest date of appointment	Expertise/ Background
Prof C Koornhof	2021/12/01	Accounting
Prof T Mosia	2021/12/01	Governance
Prof C Beyers	2023/08/01	Actuarial
Mr N Moolla	2021/12/01	Accounting
<b>Alternate Employer Trustees</b>		
Prof M Chitiga-Mabugu	2021/12/01	Economics
Prof C Nicholson	2024/05/01	Legal
<b>Member Trustees</b>		
Ms J Visagie	2024/05/01	Investments
Mrs C Steyn	2022/03/24	Accounting
Prof H van Schalkwyk	2022/03/24	Investment
Prof T Steyn	2022/03/24	Accounting
<b>Alternate Member Trustees</b>		
Mr R Dockrat	2023/02/01	Accounting
Prof E du Toit	2022/03/24	Financial Management

## "Two-pot" System

The Two-pot retirement regime became effective on 1 September 2024. "Vested Component", "Savings Component" and "Retirement Component" records are being kept for each member and members can withdraw money from their "Savings Component" once a year while they are in service.

Members are reminded that withdrawals from the "Savings Component" are taxable and that an administration fee is levied to process "Savings Component" withdrawal payments. The most important consideration is the impact that withdrawals from the "Savings Component" will eventually have on a member's retirement income. Members are advised to consider the implications before withdrawing from their retirement savings before retirement.

## Investments

Being a defined contribution fund, the investment returns achieved on your contributions and transfer values have a material impact on the size of your retirement benefits. The UP Provident Fund's current investment strategy provides you with the option to invest in one or a combination of available investment portfolios. You are reminded that you are allowed to change your investment choice at any time. The first investment switch in any calendar year does not carry an administration cost. A switch fee is charged for additional switches and this will be deducted from your fund credit.

The member investment guide provides you with a detailed explanation of how to go about choosing an appropriate investment portfolio, taking into account your needs, risk appetite and retirement goals. This booklet is available from the HR Department: Benefits Division and is also available on the Fund's minisite on the UP Staff Portal: Click [here](#) to access the Portal login page.

The historical investment performance of the UP Provident Fund's portfolios to 30 September 2024 was as follows:

LONG-TERM CAPITAL PORTFOLIO											
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
22.1%	13.1%	12.4%	3.0%	12.7%	-2.8%	10.8%	6.2%	24.3%	-0.5%	15.3%	12.8%
PEER PORTFOLIO											
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
27.8%	11.3%	8.4%	2.9%	13.1%	-5.5%	13.6%	11.0%	23.2%	-1.9%	15.8%	12.4%
STABLE PORTFOLIO											
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
17.5%	10.0%	12.2%	5.2%	10.6%	2.9%	10.8%	6.5%	16.2%	1.9%	14.3%	10.7%
MONEY MARKET PORTFOLIO											
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
5.8%	6.3%	7.0%	8.9%	8.9%	8.5%	8.4%	6.6%	4.6%	7.2%	9.0%	7.2%
SHARI'AH PORTFOLIO											
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
	0.6%*	1.9%	5.0	2.8%	-2.7%	11.8%	4.8%	28.8%	0.0%	7.3%	6.1%

\*9 months to 30 September 2024

To achieve their long-term return objectives, the majority of the Long-Term Capital and Peer Group portfolios' assets are invested in listed equity (offshore and domestic). The Stable Portfolio also has significant exposure to equities, although less than the Long-Term Capital and Peer Group Portfolios.

While listed equities are expected to generate the highest returns compared to other available asset classes such as bonds, property and cash over the long term, short-term volatility can be expected.

## Financial Statements as at 31 December 2023

The audit of the Fund's financial statements for the year ended 31 December 2023 has been completed and the auditors issued an unqualified audit report. The Board reviewed and approved the audited financial statements and submitted the statements to the Commissioner of Pension Funds within the period prescribed by the Pension Funds Act 24 of 1956.

The audited financial statements confirm that the Fund's administrators have maintained sound financial controls and accounting practices during the financial year.

## Actuarial valuation as at 31 December 2023

The Board reviewed the Fund's actuarial valuation as at 31 December 2023. The actuarial valuation was conducted by the Fund's valuator and he reported that the Fund remains fully funded and in a sound financial condition.

## Pension increase as from 1 July 2024

The Fund pays pensions to members who retired due to ill health and spouses and children of deceased members. Annual pension increases are not guaranteed and are based on the Fund's ability to afford increases. The Trustees' ability to grant increases mainly depends on the performance of the investments underlying the pensions paid by the Fund. The Board granted pension recipients an increase of 6.5% as of 1 July 2024, which exceeded the annual inflation rate of 5.3% as of 31 March 2024.

## Important changes to the options available to members at retirement

The Trustees introduced an in-Fund living annuity option for retiring members from 1 November 2023. A detailed guide explaining the features of the in-fund living annuity option has been distributed to members.

Members nearing retirement are encouraged to utilise the one-on-one retirement benefit counselling sessions that are available at no cost. The in-Fund living annuity is explained in detail during these sessions and the group retirement planning sessions are available to members.

## Risk management

The Trustees' risk management process entails identifying and evaluating actual and potential risk areas applicable to the Fund, followed by a process of mitigation, acceptance, transfer or avoidance of each risk. These risks include, amongst others, risks associated with investments, governance, cyber security, administrators, etc, but also extreme event risks such as pandemics, wars and increasing pressure on electricity supply. While the Trustees cannot avoid or mitigate these extreme event risks, a sound risk management process can mitigate the impact of these risks. The Trustees therefore dedicate significant time and expertise to the risk management process to safeguard members' and pensioners' retirement benefits.

## Information about the Fund and your benefits

You are reminded that you can access your benefit values online via the Alexander Forbes Online portal (AF Online) by registering on [www.AlexanderForbesOnline.co.za](http://www.AlexanderForbesOnline.co.za). You can also download the AF Online app on your smartphone or tablet.

The member guide, member investment guide and fund fact sheets with up-to-date information about the available investment portfolios are available on the Retirement Fund minisite on the UP Staff Portal. Click [here](#) to access the Portal login page.

The member guide provides essential information about your benefits. The Board also recognises the importance of you making informed decisions before and at retirement, given the options available to you in terms of the Fund's rules. The Board therefore makes individual retirement benefit counselling available to you within five (5) years of retirement at no cost to you.

It is important to note that the retirement benefit counsellor is not a financial adviser and the purpose of the session is not to provide financial advice to you. The retirement benefit counselling sessions focus on:

1. The options that are available to you at retirement.
2. Different types of annuities and the risk and cost considerations associated with each type of annuity, which includes the Fund's annuity strategy; and
3. Tax and other cost considerations.

## Rules

Rule amendment no. 12 to the rules of the Fund makes provision for the legal requirements and implementation of the Two-pot retirement regime. The amendment was registered in August 2024, which allowed the Fund to implement the Two-pot system from 1 September 2024, being the effective date of the new system.

## Additional Voluntary Contributions (AVCs)

Your benefit at retirement is determined by the contributions paid to the Fund and the investment returns earned on the contributions. The compulsory contributions rates applicable to all members are defined in the Fund's rules. You are allowed to voluntarily contribute any amount in addition to the compulsory contributions to the Fund, to enhance your retirement savings. Your total contributions (member, employer and voluntary contributions) to pension, provident and retirement annuity funds are tax deductible up to 27.5% of your taxable income. A maximum of R350 000 contributions paid to pension, provident and retirement annuity funds is tax deductible in one year). If you contribute more than R350 000 in one year, the amount above R 350 000 can be deducted against income in future years.

Some benefits of making additional contributions to the Fund are:

- There is no complex contract to enter into;
- There are no additional administration fees or upfront policy fees;
- You can stop at any time;
- For dual members who elect to make additional contributions to the UP Provident Fund, your additional contributions will be invested in the same way as your Fund Credit and will earn the same returns; and
- The amount you have contributed will show on your benefit statement for the current financial year.

**It is preferable for all additional voluntary contributions to be made by way of a salary deduction by the Payroll Department. Members who have made additional voluntary contributions directly to the Fund have experienced difficulty in having the contributions recognised in their tax returns by SARS.**

**You can liaise with your Human Resources representative to arrange for additional voluntary contributions to be deducted from your salary and invested in the Fund.**

## **Fund details**

You can obtain a copy of the rules of the Fund as well as any of its financial statements and statutory valuations from the Fund's Principal Officer.

Financial Sector Conduct Authority Registration Number: 12/8/30951.

## **Queries**

Any queries regarding this communication or other Fund matters can be directed to the Principal Officer, Mr Morné Olivier ([morne@lykosfs.co.za](mailto:morne@lykosfs.co.za)) or the Administrators, Alexander Forbes Financial Services ([zzUniversityofPretoria@alexforbes.co.za](mailto:zzUniversityofPretoria@alexforbes.co.za)).

The Board also welcomes any questions regarding the benefits offered by the Fund, the investments, general Fund activities or any of the information contained in this report. Please email your questions to [hr-remuneration-benefits@up.ac.za](mailto:hr-remuneration-benefits@up.ac.za).