REPORT BY THE CHAIRMAN OF THE UNIVERSITY OF CAPE TOWN RETIREMENT FUND (UCTRF) IN TERMS OF THE VOLUNTARY DISPENSATION FOR TOP 100 RETIREMENT FUNDS INCLUDING UMBRELLA FUNDS AS ISSUED IN THE GOVERNMENT GAZETTE OF 1 DECEMBER 2017

YEAR ENDED 30 JUNE 2024

Introduction:

This report presents the results to stakeholders of a self-assessment by the UCTRF in terms of the voluntary requirements set out in the codes of good practice on broad-based black economic empowerment (B-BBEE) for large retirement funds. This was completed for the financial year ended 30 June 2024 and it is recommended that this report be read in conjunction with the annual financial statements of the UCTRF for the year that are available here.

The report has not been audited by a recognised verification agent. However, the Trustees of the UCTRF are of the opinion that such verification is unnecessary, as our scorecard was prepared by a third party, Simeka Consultants & Actuaries.

The objective of the UCTRF is defined in its rules to provide benefits at retirement or other life contingencies to UCTRF members. This objective translates into a primary focus by the UCTRF on pursuing long-term, above-benchmark returns on investments for members and obtaining value for money in procurement decisions at the lowest possible risk. B-BBEE is secondary to this focus. However, the UCTRF recognises the role that it plays in South African society and that a retirement fund cannot pursue improved retirement benefits and other life contingencies for its members in isolation from the broader society. Also, Regulation 28 requires of the fund to consider B-BBEE when appointing service provides. UCTRF has implemented the following B-BBEE strategy as a result.

B-BBEE strategy of UCTRF:

UCTRF incorporates B-BBEE as a relevant factor on a balanced scorecard in all material procurement and appointment decisions. The B-BBEE factor for potential suppliers will be measured by the supplier's status on their most recent B-BBEE certificate. B-BBEE status is a broad-based measure, as required by Regulation 28. All material suppliers, excluding investment managers, are put on a rebroke schedule after their appointment. The schedule determines when proposals for each service will be next invited from the market (typically between 2 and 6 years), at which time the B-BBEE status of current suppliers will be re-assessed as part of the proposal process.

UCTRF detailed scorecard for 2024:

UCT Retirement Fund detailed scorecard
As at 30 June 2024

2024 FSC Scorecard

Management Control Scorecard	Points	Target	Current %	Current score
Board and executive management participation	**20**			**18.3**
Exercisable voting rights of black board members as a percentage of all board members	8	50%	43%	6.9
Exercisable voting rights of black female board members as a percentage of all board members	4	25%	21%	3.4
Principal Officer, executive and senior management if applicable	8	50%	50%	8.0

Preferential Procurement Scorecard	Points	Target y 1-3	Target y 3+	Current spend %	Current score y 1-3	Current score y 3+
	80				**71.9**	**67.6**
B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend	35	75%	80%	134.5%	35.0	35
B-BBEE procurement spend from all empowering suppliers who are QSEs or EMEs based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend	10	15%	25%	2.9%	1.9	1.1
B-BBEE procurement spend from all empowering suppliers that are at least 51% black owned based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend	25	15%	25%	26.7%	25.0	25.0
B-BBEE procurement spend from all empowering suppliers that are at least 30% black women owned based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend	10	7.50%	12.50%	8.1%	10.0	6.5
	100				**90.2**	**85.9**

Commentary on the scorecard above:

The overall score for 2024 is 90.2 that can be compared to the previous scores of 89.6 in 2023, 82.9 in 2022 and 68.6 in 2021. This represents a very slight increase from the previous year.

The outcome indicates that the UCTRF is scoring very high overall and in most categories. However, in the category "B-BBEE procurement spend from all empowering suppliers who are QSEs or EMEs based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend" the UCTRF is not making much headway as the UCTRF lacks the resources to develop smaller and riskier suppliers.

Each of the scorecard elements will now be briefly discussed and the quantum of total measured procurement spend explained.

"Exercisable voting rights of black board members as a percentage of all board members" - Fifty percent of UCTRF trustees are voted for by members and fifty percent of trustees are nominated by the employer (University of Cape Town). The UCTRF does not attempt to influence the democratic voting process or the internal appointment processes of the University of Cape Town. This scorecard element is thus not an item under the control of the UCTRF. However, it is believed that the University of Cape Town considers demographics when nominating new trustees. Please note that one trustee declined to self-classify into socially constructed gender and race categories.

"Exercisable voting rights of black female board members as a percentage of all board members" - This scorecard element is not under the control of the UCTRF as explained in the item above.

"Principal Officer, executive and senior management if applicable" – The senior staff complement of the UCTRF consists of two people, the Principal Officer and Deputy Principal Officer. The UCTRF is thus limited in the extent that this scorecard element can be changed in the short-term. However, B-BBEE considerations form part of every recruitment process undertaken by the UCTRF.

Preferential procurement:

Total measured procurement spend for 2024 was calculated as follows.

Expenses incurred in managing investments according to note 11 in AFS	29 396 097
Administration expenses according to note 12 in AFS	13 098 044
Reinsurance premiums	46 052 742
Investment management fees not disclosed in AFS	4 849 295
Less UCTRF Office expenses and industry bodies' fees and levies	(4 228 566)
	89 167 612

"B-BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend" – This is the highest scoring element on the scorecard and is also the item most amenable to being managed by the UCTRF. Most large suppliers of the UCTRF are now level 1 rated, and UCTRF far exceeds the scorecard target for this element.

"B-BBEE procurement spend from all empowering suppliers who are QSEs or EMEs based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend" – An Exempt Micro Enterprise (EME) has less than R10m annual revenue, while a Black-Owned Qualifying Small Enterprise (QSE) has between R10m – R50m annual revenue. The score is low for this element due to the limited number of suppliers within these categories in a highly regulated and technical market that may be able to service the needs of the UCTRF. UCTRF also lacks the scale to cost effectively develop this category. However, our investment consultant, Sukha and Associates, is the largest supplier that falls in this category.

"B-BBEE procurement spend from all empowering suppliers that are at least 51% black owned based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend" – UCTRF has achieved full marks in this element for the second year in a row. Large suppliers in this category are:

- 27Four Investment Managers;
- Alexforbes;
- Futuregrowth;
- Gradidge-Mahura Investment;
- Infra Impact;
- Mazi Asset Management (Pty) Ltd;
- Prescient Investment Management; and
- Sukha and Associates.

"B-BBEE procurement spend from all empowering suppliers that are at least 30% black women owned based on the B-BBEE procurement recognition levels as percentage of total measured procurement spend" – With a score of 10 in 2024, UCTRF has now achieved full marks for this element. Suppliers in this category are:

- 27Four Investment Managers;
- Futuregrowth; and
- Mazi Asset Management (Pty) Ltd.

The codes of good practice on B-BBEE for large retirement funds refer to the need for the disclosure of other information, in addition to the scorecard and discussion presented above. Those items are presented below.

Breakdown of the membership of the UCTRF by racial and gender categories:

The UCTRF does not currently have knowledge of the racial and gender categories that members identify into. It is suggested in the charter that the employer be approached for this data. The UCTRF is of the opinion that the employer's data is likely not suitable for the UCTRF's purposes as the UCTRF has active members, members who have left their fund credit in the UCTRF on leaving the employer's service and living annuitants.

Details related to accredited SAQA approved training spent on trustees and executive managers:

Please refer to the Annual Financial Statements for details.

Conclusion:

This is the sixth report by the UCTRF in terms of the voluntary requirements set out in the codes of good practice on B-BBEE for large retirement funds. The UCTRF takes its role as a corporate citizen of South Africa seriously and scores highly.

Assoc. Prof. Shaun Parsons
Chair of the Board of Trustees (from 01/01/2024)
UCTRF

25 March 2025