UCT RETIREMENT FUND NEWSLETTER

www.uctrf.uct.ac.za

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In this newsletter you can read more about the extra savings allocated by the Trustees, choosing your beneficiaries, the latest investment returns and the new surplus allocation.

INCREASE OF CONTRIBUTION ALLOCATION TOWARDS SAVINGS

For permanent staff, UCT pays a total contribution rate of 22,5% of your pensionable salary to the UCTRF for retirement savings, associated benefits and costs. 16,0% of your pensionable salary is allocated as retirement savings to your Retirement Savings Account and 6,5% of your pensionable salary is allocated to meet the cost of the death and disability benefits as well as the costs of the Fund.

The Trustees of the Fund are pleased to announce that the current cost to the Fund for death benefits, disability benefits and Fund expenses is significantly below 6,5%. Thus they have decided to increase the allocation of additional contributions, from 3.8% to 4.1%, to your UCTRF Retirement Savings Account (RSA). This means a total contribution of 20.1% of your pensionable salary is currently allocated to your RSA, and 2.4% (not 6.5%) to risk costs and expenses. If the cost of the risk benefits and/or expenses changes, this additional contribution to your RSA will be revised.

THINGS TO CONSIDER WHEN NOMINATING YOUR BENEFICIARIES

Why you should complete BENEFICIARY Nomination Forms for the 1) UCTRF GLA, and 2) Separate GLA scheme

- You should update your nomination of **beneficiary forms** for the UCTRF GLA (Group Life Assurance/ death benefits) and the separate GLA.
- The Fund wishes to impress upon all members the importance of **updating** these forms **regularly** as several staff who have died recently, had not done so, with unfortunate results for their dependants (the "wrong" people benefited).
- The person(s) you nominate for the separate GLA will get the benefit. The nominations for your retirement fund benefit **guide** the Trustees in deciding who gets this when you die.

One of the most important purposes of any Retirement Fund is to provide a benefit to the dependants of a member who dies in service. The Pension Funds Act defines dependants and gives the Trustees the responsibility of deciding what goes to each dependant. This is one of the most difficult decisions the Trustees have to make. The Trustees are guided by:

- the fact that the funds available are, by law, intended to provide **pensions** (and are not part of the member's estate);
- the **wishes** of the member; and
- the **needs** of the dependants.

As Trustees, we need as much information as you can give us about your dependants. The Pension Funds Act defines dependants as:

a) a person in respect of whom the member is **legally liable for maintenance**;
b) a person in respect of whom the member is not legally liable for maintenance, if such person -
   i) was, in the opinion of the Board, upon the death of the member **in fact dependent** on the member for maintenance;

ii) the **spouse** of the member, including a party to a customary union according to Black law and custom, or to a union recognized as a marriage under the tenets of any Asian religion;
iii) is a **child** of the member, including a posthumous child, an adopted child and an illegitimate child;

c) a person to or for whom the member or pensioner **would have become legally liable** to pay **maintenance**, had the member or pensioner not died.

The Trustees are <u>obliged</u> to <u>consider</u> all dependants as defined by law (but not necessarily make allocations to them). The Trustees must pay benefits in the proportion we judge to be **fair**, so we need as much **information** as possible. For example, if a member dies, leaves two children from his first marriage, a widow of 27 years, and a former wife, we must consider the claims of all four. We would be significantly helped to know that the two children had qualified and were self-sufficient, and that the former wife had received a generous divorce settlement, had remarried and was no longer **factually dependent**; or to know that all four were factually dependent on the member at the time of his death.

Only if a member leaves no dependants or no dependant (as defined by law) who, in the opinion of the Trustees, was factually dependent, may the Trustees consider a person who is not dependent (as defined by law).

Although we, as Trustees, make the final decision as to how the benefits will be distributed, your recommendation will be an important guide to us. <u>If you would like to motivate your recommendations, please attach a letter of motivation to this form</u>. Please draft your motivation on the assumption that they will be acted on in the next twelve months.

You should make your recommendation:

(a) subject to the condition that you may, at any time, withdraw or amend it;
(b) conditional upon the fact that, should any person recommended by you pre-decease you, the recommendation of that person lapses and the estate or heirs of that person have no claim against the Fund for any benefits in terms of this recommendation;
(c) on the basis that you will be invited to do so again in a year's time.

If you are married in community of property, the benefit you receive from the UCTRF is excluded from the joint estate of the marriage.

The Pension Funds Act assumes that the Trustees will take up to twelve months before making decisions. This allows the Trustees to trace dependants. The UCTRF Trustees will, however, try to make such decisions within three to four months.

<u>Should YOUR life circumstances change (birth, marriage, divorce, death etc) it is essential that you immediately update YOUR nominated beneficiaries</u>. To do so, download a HR151 and a HR155 option form (http://web.uct.ac.za/depts/sapweb/forms/). (These can be completed and returned to the Principal Officer at any time). New forms will replace any previously completed forms.

The Trustees recommend that members discuss their beneficiary nomination forms with their financial Advisors if in any doubt as to how to deal with these forms.

NET INVESTMENT RETURNS (% before inflation)

PORTFOLIO	TWO MONTH RETURN	ANNUALISED RETURN PER ANNUM	
	CALENDER YEAR TO 29 FEB 2012	3 YEARS TO 29 FEB 2012	5 YEARS TO 29 FEB 2012
Portfolio A	1.0%	7.4% p.a.	9.1% p.a.
Portfolio B	1.4%	7.7% p.a.	8.0% p.a.
Portfolio C	2.3%	16.7% p.a.	8.5% p.a.
Portfolio D	2.9%	n/a	n/a
Inflation (CPI)	1.1%	5.1% p.a.	6.9% p.a.

Always remember: **Saving for retirement is a long term process**. The performance since inception (1995) is significantly above the Fund's **objective** of 1% p.a. above CPI (inflation) for Portfolio A, 3% p.a. above CPI for Portfolio B and 5% p.a. above CPI for Portfolio C (the CPI for the period since 1995 was 6.2% p.a.). For Portfolio D the **objective** is 4% p.a. above CPI.

NEW SURPLUS ALLOCATION

As per the Pension Funds Act 24 of 1956 a statutory valuation has to be completed for the Fund every three years. The valuation for the period 1 January 2008 to 30 June 2010 was completed and the Actuary of the Fund recommended that R12.495m of the surplus in the reserve accounts be allocated to members and former members and the Trustees accepted this recommendation.

Who will benefit from this surplus?

All current members (in-service members, deferred pensioners and living annuitants) as at 30 June 2010 and former members who exited (took benefits) after 31 December 2007 will benefit from the surplus existing in the Fund as at 30 June 2010, if they were active members at any time between 1 January 2008 and 30 June 2010.

> **Please note:**
> Only members and former members who were alive on the 30 June 2010 (valuation date) will benefit from this surplus apportionment.

How is this surplus allocated?

Part of the surplus will be allocated pro rata to members' and former members' contributions paid during the two-and-a-half year period from 1 January 2008 to 30 June 2010. If you did not contribute to the Fund during this period, you will not benefit from this portion of the surplus. The remainder of the surplus will be allocated pro rata to members' and former members' accumulated credits, taking values up to 30 June 2010 into account. You will benefit from this portion of the surplus even if your contributions ceased before 1 January 2008 (i.e. you are a living annuitant or a deferred pensioner who stopped contributing before that date).

How is the surplus distributed?

- Members that are still contributing to the Fund (active members), deferred pensioners and living annuitants will receive their surplus as an additional allocation towards their UCTRF Retirement Savings Account (RSA).
- Members who were contributing in this period, but have subsequently retired or left the employment of UCT (after 31.12.2007) will receive payments in their bank accounts.
- If the surplus apportionment amount for any former member is less than R 500 this will not be paid.