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## 1. Changes to the USRF Board of Trustees

Adv. Fran du Plessis resigned as employer representative and chairperson of the Board of Trustees in February 2018. We have great pleasure to announce that Prof Niel Krige was elected as the new chairman of the USRF Board of Trustees.

We welcome Prof Prieur du Plessis, who has replaced Adv. Fran du Plessis as an employer representative. He serves as a director on various companies.

## 2. Chairman's Report

I have pleasure in looking back on the past few months of 2018 and giving feedback on what has happened in the Fund during the past year.

In April 2018, the Board of Trustees increased the offshore component of the Growth Portfolio to maximise investment returns. The increase in the offshore component resulted in an improvement in the returns of the Growth Portfolio compared to the agreed benchmarks, in spite of uncertain economic and political conditions.

The audited financial statements for the year ended 31 December 2017 were approved by the Board of Trustees and submitted to the Financial Sector Conduct Authority (FSCA). The auditors issued an unqualified audit report.

We remind you of the default lifestage investment portfolio of the Fund. You can read more about the impact of early withdrawal at retirement in section 8 and the options the Fund offers at retirement in section 10 of the newsletter.

In the previous newsletter we informed you of the default regulations which all existing funds have to comply with by 1 March 2019. The Board of Trustees is currently developing these default strategies for the Fund. More information on this will be provided in the next newsletter

Regards

**Prof N Krige**  
Chairman



### 3. Financial statements

The audited financial statements for the year ended 31 December 2017 were submitted to the audit and risk sub-committee of the Board of Trustees in June 2018. USRF's external auditors, PwC, issued an unqualified audit report. At the recommendation of the audit and risk sub-committee, the Board of Trustees approved the financial statements and submitted them to the Financial Sector Conduct Authority before the deadline of 30 June 2018.

### 4. Fund investments

Recent legislative changes allow retirement funds to invest up to a maximum of 30% (previously 25%) in offshore (international) assets. With effect from 1 April 2018, USRF has increased the offshore exposure of the Growth Portfolio to 30%. This change to the asset allocation will enhance diversification of assets to improve the returns of the Growth Portfolio.

The Growth Portfolio consists of both a local and an offshore component. The local component is split in equal portions between the following investment managers: Allan Gray, Coronation and Investec. The offshore component is managed by Willis Towers Watson.

*The table below provides a summary of the Growth Portfolio returns over various periods to 30 June 2018:*

Period	Growth Portfolio	Inflation	Inflation plus 5%	Peer group median*	Peer group top quartile**
12 months	10.13%	4.38%	9.38%	9.33%	9.95%
36 months	9.24% p.a.	5.34 p.a.	10.34% p.a.	6.33% p.a.	6.81% p.a.
60 months	11.33% p.a.	5.43% p.a.	10.43% p.a.	9.79% p.a.	10.82% p.a.

\*The peer group median is the investment manager that performed in the middle of its peer group. This provides an indication of the performance of other retirement funds over these periods. The peer group benchmarks are derived from the Alexander Forbes survey.

\*\*The peer group top quartile constitutes the investment managers that performed better than three-quarters of their peer group.

It is encouraging that the Growth Portfolio returns outperformed the top quartile peer group and its peer group median over all the periods (12, 36 and 60 months).

For further information on all the returns achieved by the underlying portfolios, please visit <http://www.retirementfundweb.co.za>.

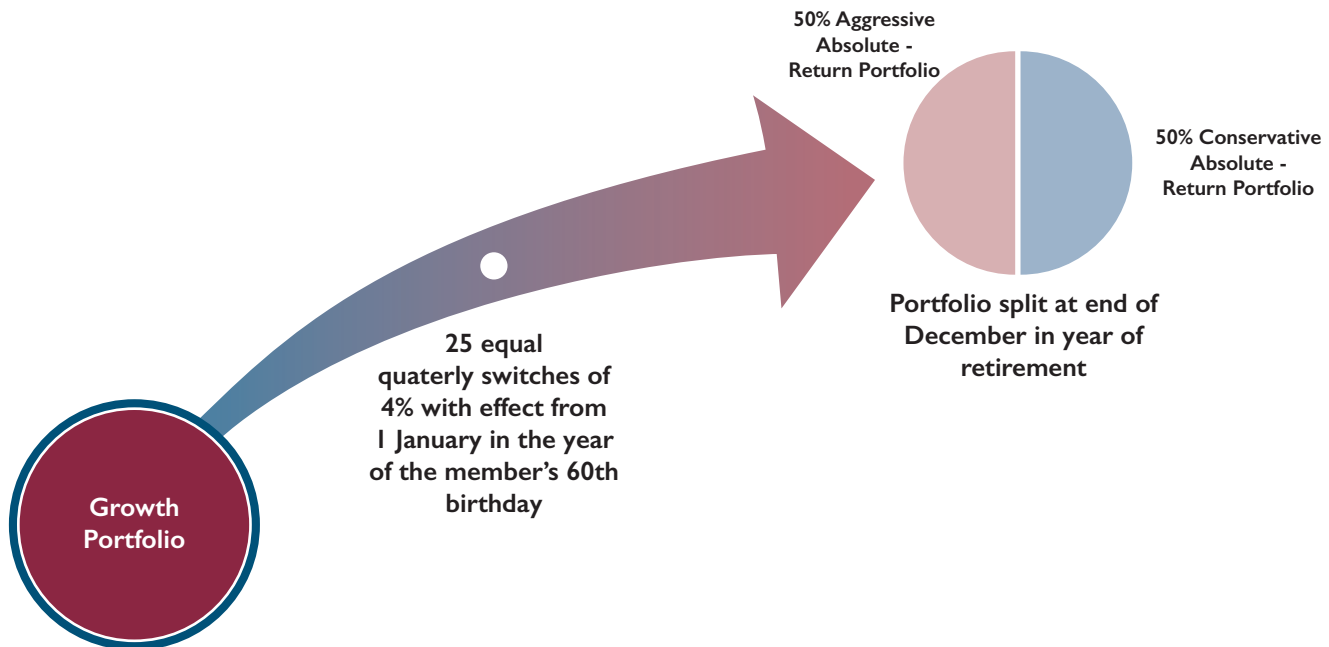


## 5. The Fund's default lifestage investment strategy and other investment options

The Fund offers you a default lifestage investment portfolio where your money is automatically phased from a high-growth / high-risk to a low-growth / low-risk portfolio from six years before retirement.

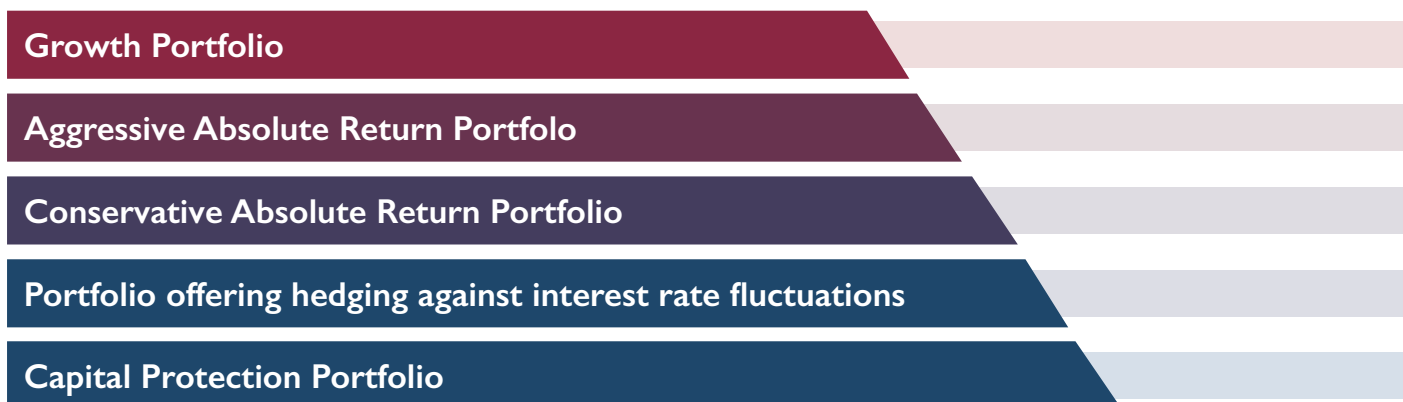
According to the lifestage strategy, with effect from 1 January in the year of the member's 60th birthday, the full fund credit is to be transferred from the Growth Portfolio to the Aggressive and Conservative Absolute Return Portfolios in equal portions, via 25 quarterly transfers, resulting in the fund credit being held in equal portions (50/50) in the two Absolute Return Portfolios.

*The lifestage strategy is explained in the chart below.*



The Fund also offers members options outside the lifestage strategy from age 53 years and older.

*All members are invested 100% in the Growth Portfolio until age 53. From age 53 the following investment options are available to members:*



The Aggressive Absolute Return Portfolio and the Conservative Absolute Return Portfolio are suitable for the in-fund living annuities, as well as for the purchase of external living annuities (outside the Fund).

The portfolio offering hedging against interest rate fluctuations is suitable for the purchase of external guaranteed annuities at retirement.

The Fund also offers a Shari'ah investment portfolio option to members who would like their fund credit to be invested in accordance with the principles of the Islamic religion.

## 6. Sanlam Retirement Fund web and Sanlam App – your access to USRF

We encourage you to register on Sanlam's Retirement Fund Web and the Sanlam App so that you are able to access your personal details, view the investment portfolio returns as well as your up-to-date fund credit, all at the click of a button, 24/7. You will also be able to see all your Sanlam insurance and savings products via one portal.

### How do I access Retirement Fund Web?

- Visit [www.sanlam.co.za](http://www.sanlam.co.za). Click on Login (top right) and select Secure Services.
- Select Register and use your fund membership number (which is reflected on your benefit statement) or your identity number.
- Confirm your mobile number and email address.
- Select a user code / user name.
- A temporary password will be sent to your mobile.

**Use this temporary password to gain access.  
Change the temporary password as it may only be used once.**

**How do I access the app?** Download the **Sanlam My Retirement** app from the Google Play Store or Apple App Store. Use your Sanlam Secure Services user code and password to access your USRF information.

## 7. Industry update

Effective 1 April 2018, the Financial Services Board (FSB) has officially transitioned to the Financial Sector Conduct Authority (FSCA).

The FSCA is the new regulatory authority which controls and oversees the financial services industry including all registered retirement funds. The role of the FSCA is to act in a supervisory capacity to financial institutions and service providers. This Authority (previously referred to as the Regulator) is responsible for the regulation of market conduct, fair treatment of financial consumers and the promotion of customer financial education, which is directly in line with the Treating Customers Fairly (TCF) principles.

**Treating Customers Fairly (TCF) – a regulatory framework set up by the FSCA, which governs the way a financial services provider conducts daily dealings with its clients, ensuring that all clients are treated fairly during all stages of the interaction.**

The FSCA is headed up by a Commissioner (previously known as the Registrar), currently Mr Abel Sithole, the Chairman of the FSB Board.

One of the FSCA functions is to set industry standards. They do this by drafting Regulatory Standards (previously known as Pension Fund (PF) circulars).

*New terms associated with the transition to the FSCA:*

FSB	FSCA
Regulator	Authority
Registrar	Commissioner
Pension Fund (PF) circulars	Regulatory Standards

For more information on the FSCA, you may visit their official website at [www.fsc.co.za](http://www.fsc.co.za).

## 8. The impact of early withdrawal at retirement

It is generally known that taking your retirement savings as a cash lump sum when you withdraw from a retirement fund will reduce the size of your pension at retirement. However, not many members are aware of the tax implications of taking early withdrawal(s) for the cash lump sum they may want to take when they retire one day.

### So how is the tax payable on a cash lump sum calculated?

All lump sums received from a retirement fund are either taxed as a “withdrawal lump sum benefit” or a “retirement lump sum benefit” and the relevant tax rates, per the tables below, apply.

### Tax on a withdrawal lump sum benefit

If you withdraw from the Fund **before** retirement and take your benefit as a cash lump sum, only the first R25 000 of your withdrawal benefit will be tax free. The remainder of the benefit will be taxed according to the withdrawal tax table shown alongside.

This tax-free amount applies **only once** and any subsequent cash lump sum withdrawals, even from retirement funds you may belong to in the future, will be taxed in full if you have already withdrawn R25 000 or more previously – i.e. the tax-free lump sum amount applies to the aggregate of all withdrawal lump sums received over a member’s lifetime, including divorce settlements or maintenance orders paid on your behalf after 1 March 2009.

Furthermore, these cash withdrawals and any other subsequent cash withdrawals you make before retirement, will be included in the tax calculation of the cash lump sum you may wish to take when you retire.

Taxable income amount	Tax rate
R0 – R25 000	0%
R25 001 – R660 000	18%
R660 001 – R990 000	27%
R990 001 and above	36%

*Tax on withdrawal lump sum benefit*

### Let’s see how much tax will be deducted where members choose the cash lump sum option instead of preserving their benefit.

	Member A	Member B	Member C	Member D
Withdrawal benefit	75 000	200 000	880 000	2 750 000
Tax-free amount	25 000	25 000	25 000	25 000
Tax deducted	(9 000)	(31 500)	(173 700)	(837 000)
Average tax percentage	(12%)	(15.75%)	(19.74%)	(30.44%)
<b>Withdrawal benefit after tax</b>	<b>R66 000</b>	<b>168 500</b>	<b>706 300</b>	<b>1 913 000</b>

*If Member A joins another retirement fund and his fund credit also amounts to R75 000 when he leaves that fund and he chooses once again to take a withdrawal benefit as a cash lump, then he will be taxed as shown:*

	Member A
Withdrawal benefit	75 000
Tax-free amount	0
Tax deducted	(13 500)
Average tax percentage	(18%)
<b>Withdrawal benefit after tax</b>	<b>R61 500</b>

## Tax on a retirement lump sum benefit

If you choose to take a portion of your Fund value as a cash lump sum when you retire, the first R500 000 payable is tax free. The remainder of the benefit will be taxed according to the retirement tax table alongside.

However, as previously mentioned, this tax-free amount applies to the aggregate of all lump sum payments taken over your lifetime – i.e. it includes any retirement lump sums from other pension, provident or retirement annuity funds you may belong to, as well as all withdrawal lump sums received prior to retirement (including retrenchment benefits), and any divorce settlements or maintenance orders paid on your behalf, after 1 March 2009.

Therefore, as tempting as it may be to take cash when you withdraw from the Fund, be mindful that every withdrawal will have a significant tax impact on your retirement lump sum.

At retirement you can take a portion of the fund credit or the full fund credit as a cash lump sum. However, any cash lump sum withdrawals taken prior to retirement will reduce the amount you are able to obtain tax free at retirement. This is because the tax formula (or calculation) has a double negative effect if the maximum tax-free amount is requested as a cash lump sum. Firstly, it reduces the tax-free amount available to you when you retire – i.e. it reduces the R500 000 to a lesser amount. Secondly, the lump sum will be taxed at a higher rate as it pushes the taxable amount into a higher tax rate band.

Taxable income amount	Tax rate
R0 – R500 000	0%
R500 001 – R700 000	18%
R700 001 – R1 050 000	27%
R1 050 001 and above	36%

## Let's look how early withdrawal(s) can impact your retirement lump sum.

Members E to H each have a retirement benefit of R1 800 000 and decide to take a cash lump sum of R600 000.

	Member E	Member F	Member G	Member H
Retirement benefit	1 800 000	1 800 000	1 800 000	1 800 000
Cash lump sum	600 000	600 000	600 000	600 000
Previous tax-free amount received	0	75 000	300 000	880 000
Maximum tax-free amount	500 000	425 000	200 000	0
Taxable amount on cash lump sum	100 000	175 000	300 000	600 000
Tax deduction	(18 000)	(31,500)	(63 000)	(200 700)
Average tax percentage on cash lump sum	(3.00%)	(5.25%)	(10.50%)	(33.45)%
<b>Cash lump sum after tax</b>	<b>582 000</b>	<b>568 500</b>	<b>537 000</b>	<b>399 300</b>

You will note that even though Members E to H took the same cash lump sum at retirement, the withdrawals they had prior to retirement affected the tax on the cash lump sum at retirement.

It is IMPORTANT TO REMEMBER that taking your withdrawal benefit as a cash lump sum before retirement will:

- impact your tax payable at retirement as shown in the examples above; and
- result in a far lesser retirement benefit.



## 9. Financial wellness Information sessions for members 53 years and older

Look out for the invitation to the quarterly financial wellness information sessions for members 53 years and older. These sessions will provide information to assist you in preparing for the choices you have to make before and after retirement. Members will also receive information on the investment portfolios that are available from age 53 onwards, and the in-fund living annuity option offered by USRF.

It is also advisable to make use of the financial advisory service as soon as you qualify for this (from age 53).

## 10. Options at retirement

From age 55, members have the following options when considering retirement from the Stellenbosch University (SU):

- **Deferred retirement to maximum age 70** – USRF offers you the opportunity to remain a member of the Fund when you retire from employment with SU, and by doing so to increase your retirement money. If you opt for deferred retirement when you retire from employment at SU, your fund credit will remain invested in the Fund while you obtain income from another source. You can decide when you want to retire from the Fund at a later stage, or rather when you can afford to do this. SU has also given consent for employees who opted for deferred retirement and are re-employed at SU on a temporarily basis after retirement, to continue to make contributions to the Fund. However, the employer will not allow these contributions as a tax deduction. Therefore the tax benefit will only be received on assessment of your tax return by SARS at the end of the tax year.  
Upon death, your fund benefit will be dealt with in terms of S37C of the Pension Funds Act.
- **In-fund living annuity** – USRF offers an in-fund living annuity that provides you with a seamless transition from a contributing member to pensioner status at very competitive administration and investment fees. If you elect to participate in the in-fund living annuity you don't have to leave the Fund on retirement. The amount you saved for retirement as a member of USRF and that is not taken as a cash lump sum, is used to buy a monthly pension.  
You may choose between a trustee and a customised living annuity option. The trustee option represents the Board of Trustees' view of the best option for a member. The withdrawal rates are fixed and no investment choice is allowed. In contrast, the customised option offers investment choices and more flexibility in terms of withdrawal rates. A pensioner is allowed to switch between the trustee option and the customised option. In-fund pensioners may also switch to an external solution at any time after retirement.  
Upon death, your fund benefit will be dealt with in terms of S37C of the Pension Funds Act.  
The option for individuals to continue to receive financial advice from the panel of approved service providers is also available.
- **Annuities outside** of the Fund
- **Cash.**

If you are interested in exercising the living annuity or deferred retirement option, you may contact Mr Peter Kirsten of the Remuneration and Benefits Department for more information.

The trustees are in the process of developing a trustee-endorsed annuity strategy in line with the default regulations, which will be a cost-effective product aimed at assisting members in converting their retirement savings into an income on retirement.



## 11. Financial advice

You are reminded that USRF offers a financial advice service to members that is free of charge. Members aged 53 and older have access to this service. In particular, members who are considering early retirement and want to exercise individual investment choice, are encouraged to make use of the advice service.

### The panel of preferred service providers comprises:

**Alexander Forbes Financial Planning Consultants:**  
+27 (0) 21 809 3750 / wesselsw@aforbes.co.za

**Efficient Wealth:**  
+27 (0) 21 914 8030 / martin@efw.co.za

**Finfocus:**  
+27 (0) 21 861 7000 / usafadvies@finfocus.co.za

**Graviton:**  
+27 (0) 21 883 9192 / arissik@gravitonwm.com

**Sanlam Financial Advice:**  
+27 83 375 9831 / Hanlie.Wethmar@sanlam.co.za

USRF will pay for two consultations with one of the preferred service providers. The first consultation may be scheduled any time from age 53, and the second one in the 12 -months prior to retirement.

### Using the benefit is easy – just follow these steps:

1. Select a service provider.
2. Contact HR Client Services Centre (+27 (0) 21 808 2753 / sun-e-hr@sun.ac.za) to obtain a consultation voucher.
3. Make an appointment with your chosen service provider and take the voucher as proof that you are entitled to use the service.

## 12. Important contact details

If you need more information on USRF you may contact the Remuneration and Benefits Division or the benefit consultant. Please contact the principal officer if you have any complaints about USRF.

### Principal Officer

#### Japie Kotzé

**Tel:** +27 (0)21 808 2754

**Fax:** +27 (0)21 808 2484

**Email:** jjsk@sun.ac.za

### Benefit Consultant

#### Alfreda April

**Tel:** +27 (0)21 912 3316

**Email:** alfreda@simekaconsult.co.za

### Remuneration and Benefits division

#### Peter Kirsten

**Tel:** +27 (0)21 808 3740

**Fax:** +27 (0)21 808 2484

**Email:** pkirsten@sun.ac.za

### Pension Funds Adjudicator (PFA)

**Email:** enquiries@pfa.org.za

Members are entitled to contact the PFA if their complaints have not been dealt with satisfactorily by the Fund. Please consult the PFA's website ([www.pfa.org.za](http://www.pfa.org.za)) for more details.