

# NEWSLETTER

February 2024

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## 1. Chairperson's Report

A new year brings new beginnings and opportunities, but it is also a time to reflect. In difficult times and in the current geopolitical environment, it is important not to lose sight of the strategies and guidelines that have been put in place to achieve our goals. The Board of the Fund and its Investment Sub-committee make investment decisions considering all relevant factors, against the background of what is happening in the local and global markets, and they have processes in place to navigate difficult times aiming to get the best possible results over the long term. I am pleased to report that all the investment portfolios handsomely outperformed inflation over all measurement periods.

The mission of the Fund is to meaningfully assist members in providing for their retirement. This is premised on carefully considered core investment beliefs adopted by the Board of the Fund. These investment beliefs govern the investment approach and determine the asset allocation as well as the level of risk of each of the portfolios.

Every year, Stellenbosch University and the Stellenbosch University Retirement Fund test the insurance market seeking the most competitive insurance premiums for your existing risk benefits. These benefits were reviewed at the end of last year and the Fund managed to negotiate no increase in insurance premiums, with a reduction in some premiums. Some flexibility was added to benefits in order to assist our members. These changes came into effect on 1 January 2024 and are set out in section 8.

During the year, the Fund's actuary performed the annual actuarial valuation of the Fund as at 1 January 2023. The results showed that the Fund was in a sound financial position for the period under review.

Prof Niel Krige  
**Chairperson**



## 2. Actuarial valuation – 1 January 2023

The results of the annual actuarial valuation of the Fund as at 1 January 2023, performed by the Fund's actuary, showed that the Fund was in a sound financial position for the period under review. The Fund's assets were sufficient to cover members' fund values as well as the various reserves at a funding level of 100%. The actuary confirmed that the Fund's investment strategy remains appropriate for the Fund's membership structure and the expected term of the Fund's liabilities. The actuarial valuation was approved by the Board of the Fund and submitted to the Financial Sector Conduct Authority (FSCA).

## 3. Investment strategy – reflecting on the year that has passed

In his book "Thinking, Fast and Slow", the Economics Nobel Laureate Daniel Kahneman wrote: "The idea that the future is unpredictable is undermined every day by the ease with which the past is explained." Of course, with the benefit of hindsight, it is relatively easy to explain what has happened in markets, and soon, large language models such as ChatGPT will be able to do this better than almost all humans.

The folly of forecasting what investment returns may do over the next few years (and even longer periods) is to roll back to the forecasts that so-called "market experts" were making at the start of 2023. At the time, global equity and bond markets delivered some of the worst returns in decades. For calendar 2022, global equity and bond markets were down 18.3% and 17.2% respectively in US dollars. The reasons given for these weak returns focused on investor concerns about high inflation, fears of a global recession and the negative impact of the Russia-Ukraine war. Indeed, there has been – and there will always be – plenty to be gloomy about, and most experts "warned" investors that 2023 would be another tough year.

Roll forward to the actual returns observed in 2023, which were some of the best in decades. Global equity and bond markets were up 22.2% and 4.0% respectively in US dollars. These returns were delivered despite the outbreak of a major conflict between Israel and Hamas in the Middle East and lingering investor concerns that inflation would prove

to be stickier than expected. The "big" mistake most experts made was to significantly under-estimate the resilience of the US consumer. The US economy was able to weather the significant increase in interest rates to tame inflation without going into recession.

The other "big" topic that almost all experts missed was the release of large language models (such as ChatGPT), which brought artificial intelligence into the realm of a "general-purpose technology" - meaning a technology that can influence a broader economy. Given how difficult experts found it to predict returns in 2023, predictions for 2024 should be read with a pinch of salt.

Where does this leave you as an investor in SURF? As we have seen, forecasting future returns accurately on a consistent basis is extremely difficult to do. Chances are that if you try to call the markets, you will put too much emphasis on the value of recent investment returns. It is essential to focus on your investment horizon and reflect on how much anxiety you will experience if investment returns are negative over the short term. This will enable you to set up an investment strategy that is appropriate for your investment horizon. It is also likely to be more successful than trying to change your strategy all the time. The SURF investment portfolios are put in place by the Board with careful consideration of the savings time horizon and investment needs of members.

## 4. Performance of the Fund's investment portfolios

The next sections set out the performance (net of fees) of the Fund's portfolios for measurement periods to 31 December 2023. Further information is available on the portfolios' fact sheets, which can be found on the Fund's website ([www.surf.sun.ac.za](http://www.surf.sun.ac.za)).

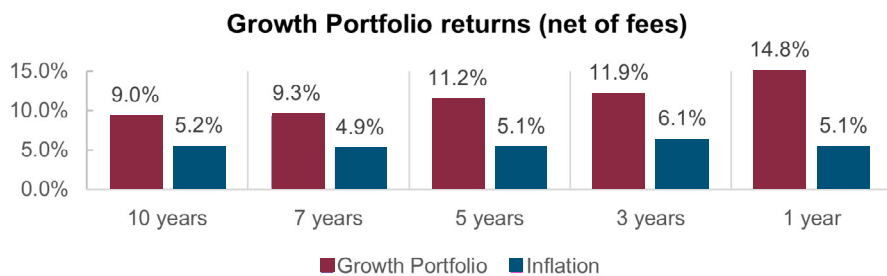
### Growth Portfolio

The primary investment objective of the Growth Portfolio is to achieve returns that are at least in the top quartile of returns relative to the "Global Balanced" peer group, as represented by the universe of global balanced fund managers in South Africa,

over a measurement period of five years.

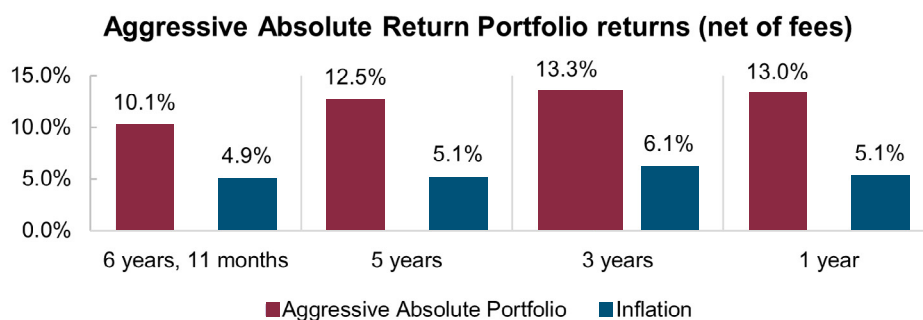
The secondary objective of the Growth Portfolio is to deliver a real return of 5% p.a. (net of all costs) over rolling five-year measurement periods. The portfolio will therefore normally have a 70% to 85% exposure to the equity market, which means that the performance of the portfolio will be volatile. It incorporates the Board's decision to invest the maximum allowable amount of 45% offshore and 5% in unlisted South African infrastructure. This gives members exposure to more investment ideas and a global portfolio is also more resilient than a local portfolio.

The order of data on the horizontal axis of the chart is a bit unusual as it starts with the 10-year return and ends with the 1-year return. The reason for this is that members should focus on the longer-term returns. Over the past 10 years, the portfolio has delivered an annual return of 3.8% above inflation. Over the past five years, the portfolio has delivered an annual return of 6.1% above inflation. This is an excellent outcome and fair reward for the risk taken on.



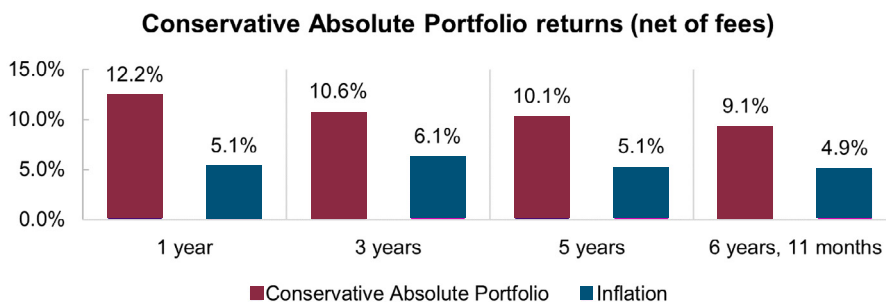
### Aggressive Absolute Return Portfolio

The primary investment objective of the Aggressive Absolute Portfolio is to achieve a real return of 6% p.a. net of fees over rolling three-year periods, whilst having a secondary objective of avoiding a capital loss over any 24-month period. As its name suggests, the portfolio is designed to be more aggressive than the Growth Portfolio. The portfolio has a track record of 6 years and 11 months and as the chart below illustrates, it has delivered an exceptional outcome under tough market conditions.



### Conservative Absolute Return Portfolio

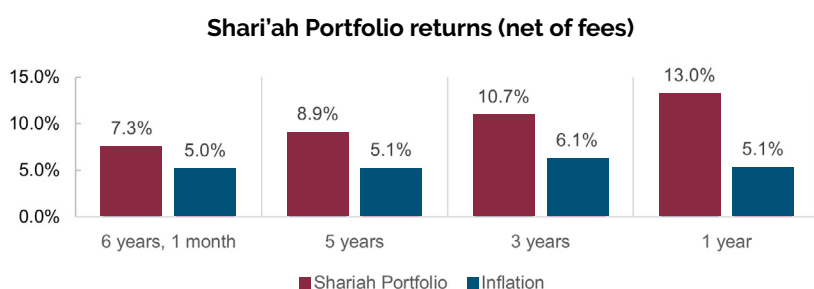
The primary investment objective of the Conservative Absolute Return Portfolio is to achieve a real return of 3% p.a. net of fees over rolling three-year periods, whilst having a secondary objective of avoiding a capital loss over any 12-month period. This portfolio maintains between 35% to 45% exposure to the equity market and is suitable for members with a shorter time horizon and a lower appetite for risk and volatility of returns. The chart below shows the performance of the portfolio net of fees compared with inflation. The portfolio has delivered strong performance over all measurement periods.



The astute reader will note that the order of the returns reverts to the normal convention of showing the shortest duration first. This is because the portfolio is appropriate for members with a shorter investment horizon, as mentioned above.

### Shari'ah Portfolio

The portfolio has a 60% to 70% exposure to equity markets and is managed in accordance with Shari'ah law.

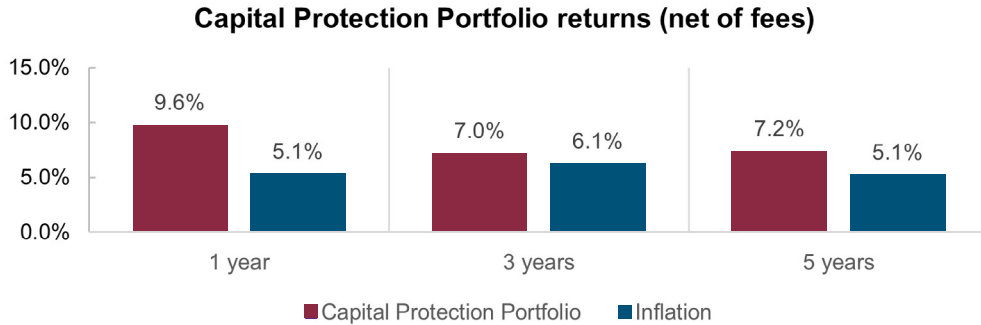


## Capital Protection Portfolio

The investment objective of the Capital Protection Portfolio is to achieve a real return of 1.5% p.a. net of fees over any 12-month period. The achievement of this objective will largely depend on the South African Reserve Bank following a real interest rate regime. The portfolio also aims to outperform the STeFI Composite Index by 0.75% p.a. net of fees.

The portfolio has an 85% allocation to a money market fund and, more recently, an allocation of 15% was made to an inflation-linked income fund.

The chart below shows the performance of the portfolio (net of fees) compared with inflation. The portfolio has delivered a real return over all measurement periods and has done very well to deliver a real return of 4.5% over the year.



## 5. Early access to retirement savings – update on the “two-pot system”

It is important to note that the proposed implementation date of the two-pot system has been postponed from 1 March 2024 to 1 September 2024. The Minister of Finance provided sound reasons for the postponement, one being that SARS needs at least six months after promulgation of the legislation to put a tax directive system in place. Secondly, fund administrators also require sufficient time for their systems to be ready and able to process the volumes of withdrawals which are expected.

Given the changes to the proposed legislation, we thought it would be useful to provide members with a recap of how the two-pot system will look. Changes are highlighted in red in the table below:

### Frequently asked questions

	Vested pot	Savings pot	Retirement pot
<b>How much of my retirement money will go into each pot on implementation?</b>	The value of a member's benefit as at <b>31 August 2024</b> will go into the vested pot (less the amount allocated to the savings pot as a starting balance).	The savings pot will have 10% of the value of a member's benefit (up to a maximum of <b>R30 000</b> ) in it to start with.	The retirement pot will not have any money in it to start with.
<b>To which pot do my retirement fund contributions go?</b>	No contributions will be made to this pot after <b>1 September 2024</b> , except for members of provident funds who were 55 or older on 1 March 2021.	1/3 of contributions after <b>1 September 2024</b> will go to the savings pot.	2/3 of contributions after <b>1 September 2024</b> will go to the retirement pot.
<b>What can I withdraw before I leave employment?</b>	You cannot make withdrawals from this pot while employed.	Withdrawals are allowed, with the minimum withdrawal amount being <b>R2 000</b> per annum (subject to the value in this pot).	You cannot make withdrawals from this pot.
<b>What can I withdraw when I leave employment before retirement?</b>	You may withdraw the full balance.	You may withdraw the full balance. One withdrawal is allowed in a tax year, except if the amount in the savings pot is less than <b>R2 000</b> .	You cannot make withdrawals from this pot.

	Vested pot	Savings pot	Retirement pot
<b>What can I withdraw (receive in cash) when I retire from employment?</b>	As a provident fund member, you are allowed to take the full balance as at 1 March 2021 plus growth thereon in cash at retirement. The balance accumulated after 1 March 2021, together with the money in the retirement pot, must be used to secure an income in retirement. Remember to seek advice regarding the tax implications and annuitisation options offered by the Fund.	You may withdraw the full balance.	You cannot make withdrawals from this pot – the amount must be used to provide an income in retirement via an annuity product.
<b>Tax</b>	It will be taxed in accordance with the current taxation regime (withdrawal or retirement lump sum tax tables will apply).	Any withdrawals from this pot before retirement will be taxed in terms of the tax tables for individuals (PAYE).	You cannot make withdrawals from this pot. Tax will be calculated on the annuity income paid to the retiree.

It is important to note that, apart from the seeding amount (10% of your benefit value up to a maximum of R30 000), you will not have access to the balance of your vested pot come **1 September 2024**. It will take some time to “build up” a balance in your savings pot from the 1/3 of your monthly contributions after **1 September 2024**. A withdrawal can be made only when there is more than R2 000 in the savings pot, and only once a year.

### Important notes for members:

- **Withdrawals from the savings pot before retirement will be taxed in terms of the tax tables for individuals.**
- **The administration costs associated with withdrawals from the savings pot will be deducted from the benefit paid.**
- **Withdrawals from your savings pot will mean saving less for retirement.**

Therefore, due to the impact of tax and administration costs, members are encouraged not to make savings pot withdrawals in the future unless absolutely necessary. Please consult your financial advisor before making any withdrawals from your savings pot.

## 6. Electronic benefit and projection statements

SURF annually distributes both benefit and projection statements electronically via InfoSlips to members. Members can access their statements via an attachment emailed to them. The statements are password protected to ensure security of your information. Hard copies of statements will still be provided to members who do not have access to email or the internet.

Remember, the projection statement accompanying your benefit statement only serves as a guideline to determine the estimated monthly pension as at the normal retirement date. Therefore, it is important to consult with a financial advisor before you make any retirement decisions. The actual value of the monthly pension can only be determined at the time when the pension is purchased. Please note that the estimated monthly pension is reflected as a percentage of your monthly pensionable income. It is important to bear in mind that the pensionable income used for the projections amounts to approximately 75% of the cost of employment for most staff members.

The assumptions applied to the projection statements are the same as those used by the Retirement Calculator on the Sanlam Retirement Fund Web (RFW).

In calculating the estimated pension at retirement, the 31 December 2023 projection statements also take into account the post-retirement medical aid subsidy which some members qualify for. This is a valuable benefit and it demonstrates the difference it makes to your retirement projections.

Your benefit statement confirms your fund value as at 31 December 2023 and your retirement fund contributions from 1 January to 31 December 2023, as well as retirement, death and disability benefits.

Please check the information on your benefit statement and contact the Human Resources Client Service Centre (+27 (0) 21 808 2753 / sun-e-hr@sun.ac.za) if any details on the statement are incorrect.

You will be able to view your previous benefit and projection statements on InfoSlips Viewer. To enable you to do this, you need to register on InfoSlips Viewer.

## Here are a few simple steps to follow to obtain access to your statements:

- Go to <https://viewer.infoslipscloud.com> and click on "Register" at the bottom of the page.
- Your username is your email address. Enter a password that you will remember. The password must contain a Capital letter, a numerical digit and an acronym.
- Click on "Register".
- Select South Africa as a country.
- Select your email and "Sign up".
- InfoSlips will send you a confirmation SMS for the user to complete the registration process.
- Click on the link in the SMS for the user to create log-in credentials. Then select "Update" to complete the registration process.
- Once completed, the user can log in with the credentials created and view all previous statements.

## 7. Low replacement ratio and how it affects your retirement

Your replacement ratio determines whether you are in a position to retire comfortably. Experts suggest that you should have a replacement ratio of 80%, meaning that your retirement income should be at least 80% of your pensionable salary directly before retirement.

To achieve an 80% replacement ratio, you should contribute on average 17% of your pensionable salary, over a 40-year period, towards your retirement savings. Therefore, if you lowered your contribution in the past and are contributing less than 15% of your pensionable salary, this will have a negative impact on your replacement ratio, as you are saving less than what is required for a comfortable retirement.

Remember that the Fund rules allow you to increase your contribution to the Fund, which in turn will improve your replacement ratio.

## 8. Risk benefit changes effective from 1 January 2024

### Unapproved group life assurance benefit

Your unapproved death cover has moved from Sanlam Group Risk to Old Mutual, bringing lower premium rates to both active members and pensioners. Another change is that you now have the option to reduce your death cover multiple from five times your annual pensionable salary to three times or one times your annual pensionable salary. The additional option of one times your annual salary allows for more flexibility. Your multiple is automatically restored to five times your annual pensionable salary at the beginning of each year, with the option to reduce your multiple to three times or one times. You may exercise this option between 1 January and 31 March every year. Furthermore, you can choose to increase or decrease your death cover multiple when certain life-changing events occur such as marriage, birth or the adoption of a child, death or divorce of a spouse.

Please click [here](#) to view the information document pertaining to the move of the insurance policy to Old Mutual.

### Spouse's benefit

Your spouse's benefit remains with Old Mutual, who has decreased the current rate and provided the most competitive rate of all the insurers who quoted.

### Funeral benefit – immediate family and extended family

Your funeral benefit also remains with Old Mutual. The premium rate for the main member and immediate family has been decreased, being the most competitive rate of all the insurers who quoted. Old Mutual also provided the most competitive rates for extended family, with the premium remaining unchanged.

### Monthly income disability benefit

Your monthly income disability benefit remains with Momentum, who kept rates unchanged. Momentum's rates have also been the most competitive of all the insurers who quoted.

### Approved death benefit – Spouse's and children's pension benefit

Your approved death benefit remains with Sanlam, with the rates kept unchanged. Sanlam's rates have also been the most competitive.

## 9. Administration contribution for 2024

Following the completion of the annual actuarial valuation, we are pleased to advise that your contribution towards the administration of the Fund remains at 0.15% of your pensionable salary for 2024.

## 10. Fund administration moving from Sanlam to Alexforbes

As you are aware, the administration of the Fund is moving from Sanlam to Alexforbes on 1 June 2024. The period of the Fund's financial year had to be amended in the Fund rules in alignment with the change in Fund administrator, and was amended as follows:

- A. A period of 17 months commencing on 1 January 2023 and ending on 31 May 2024;
- B. A period of 7 months commencing on 1 June 2024 and ending on 31 December 2024;
- C. A period of 12 months commencing on 1 January 2025 and ending on 31 December 2025, and 12-month periods thereafter.

### Important to note:

- There will be a freeze period on the administration platform from 1 June until 16 July 2024, to allow for the transition of the platform from Sanlam to Alexforbes.
- No claims will be processed during the freeze period. Sanlam will only receive claim applications until 15 May 2024 for processing.
- Monthly pension income payments will not be affected by the freeze period.
- The investments of the Fund will not be affected by the "down time" – your fund value will remain invested.

Member communication regarding the implementation of the administration move will follow in due course.

## 11. Management of the Fund

The SURF Board consists of five employer and five member trustees.

### The trustees appointed by the employer are:

Name	Capacity	Background	Current term expires
Prof Niel Krige	Chair and Employer trustee	Prof Krige was an extraordinary professor at USB and has served as a trustee since 18 November 2005.	17 November 2026
Ms Miriam Hoosain	Employer trustee	Ms Hoosain is Chief Director: Human Resources and has served as a trustee since 9 May 2023.	8 May 2026
Mr Manie Lombard	Employer trustee	Mr Lombard is Chief Director: Finance and has served as a trustee since 5 May 2011.	4 May 2026
Prof Wikus van Niekerk	Employer trustee	Prof Van Niekerk is Dean of Engineering at the University and has served as a trustee since 7 December 2013.	31 December 2025
Prof Ingrid Woolard	Employer trustee	Prof Woolard is the Dean of Economic and Management Sciences and has served as a trustee since 25 April 2022.	24 April 2025

## The elected member trustees are:

Name	Capacity	Background	Current term expires
Prof Tanja Ajam	Member trustee	Prof Ajam is a professor at the School of Public Leadership and has served as an alternate trustee since 7 December 2019 and as a full member trustee since 28 August 2020.	6 December 2025
Mr Ché Bermosky	Employer trustee	Mr Bermosky is a legal advisor at the University and has served as an alternate trustee since 1 January 2018 and as a full member trustee since 7 December 2019.	6 December 2025
Mr Peter Kirsten	Employer trustee	Mr Kirsten is working in the Remuneration and Benefits division of the Human Resources Department and has served as a trustee since 7 December 2016.	6 December 2025
Mr JP Steyn	Employer trustee	Mr Steyn is from the Department of Business Management and has served as an alternate trustee and subsequently as a full trustee since 28 August 2020.	6 December 2025
Prof Johan van Rooyen	Member trustee	Prof Van Rooyen was an associate professor in the Department of Business Management and has served as an alternate trustee and subsequently as a full trustee since 7 December 2010.	6 December 2025
Prof Corné Schutte	Alternate member trustee	Prof Schutte is a professor at the Department of Industrial Engineering and has served as an alternate trustee since 5 December 2022.	6 December 2025

Mr Japie Kotzé, a director in the Department of Human Resources, has been the Principal Officer of the Fund since 1 December 2012.

## 12. Financial advice

You are reminded that SURF 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:

**Alexforbes Financial Planning Consultants:**  
+27 (0) 21 809 3750 | wesselsw@alexforbes.com

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

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

**Momentum Consult:**  
+27 (0) 86 177 7750 | mc.theart@consultm.co.za

**Sanlam Financial Advice:**  
+27 (0) 83 375 9831 | hanlie.wethmar@sanlam.co.za





SURF 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 the 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.

**Also keep an eye out for the following presentations happening this year:**

- Presentation to members aged 53 and over.
- Presentation to potential retirees.

**13. The service providers of the Fund**

The following service providers have been appointed by the Board of the Fund to assist with the management of the Fund.

**Their duties are set out below:**

Service provider	Service	Functions performed
Simeka Consultants & Actuaries	Benefit and actuarial advice	<ul style="list-style-type: none"> <li>• Advice on the Fund's benefit structure and changes in legislation.</li> <li>• Assistance with member communication.</li> <li>• Assistance with corporate governance compliance.</li> <li>• Producing an annual actuarial valuation to determine the financial soundness of the Fund.</li> </ul>
Willis Towers Watson	Investment advice	<ul style="list-style-type: none"> <li>• Advice on the Fund's investment strategy.</li> <li>• Providing support with selection and evaluation of investment managers.</li> </ul>
Sanlam Retirement Fund Administrators	Fund administration	<ul style="list-style-type: none"> <li>• Monthly capturing of contributions.</li> <li>• Transfer and withdrawal of funds to and from the asset managers.</li> <li>• Payment of claims.</li> <li>• Issuing benefit statements.</li> <li>• Daily bookkeeping and preparation of the annual financial statements.</li> </ul>
ABSA Bank	Bankers	<ul style="list-style-type: none"> <li>• All Fund transactions take place via the Fund's bank account.</li> </ul>
Sanlam	Insurer	<ul style="list-style-type: none"> <li>• Insuring the death benefit (spouse's and children's cover) as defined in the Fund rules.</li> </ul>
Sygnia, Allan Gray, Coronation, Ninety One, Sanlam, Old Mutual, Stanlib	Asset managers	<ul style="list-style-type: none"> <li>• Managing the investments of the Fund according to the mandates agreed with the Board.</li> </ul>
Ernst & Young Inc	Auditors	<ul style="list-style-type: none"> <li>• Performing external audits.</li> </ul>

## 14. Important contact details

If you need more information on SURF, you may contact the Remuneration and Benefits Department or the benefit consultant.

**Please contact the Principal Officer if you have any complaints about SURF.**

<b>Principal Officer</b>	<b>Japie Kotzé</b> t. +27 (0)21 808 2754 e. jjsk@sun.ac.za
<b>Information Officer</b>	<b>Japie Kotzé</b> t. +27 (0)21 808 2754 e. jjsk@sun.ac.za
<b>Benefit Consultant</b>	<b>Wynand Breytenbach</b> t. +27 (0)21 912 3300 e. wynand@simekaconsult.co.za
<b>Remuneration and Benefits Dept</b>	<b>Peter Kirsten</b> t. +27 (0)21 808 3740 e. pkirsten@sun.ac.za
<b>Pension Funds Adjudicator (PFA)</b>	e. 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 ( <a href="http://www.pfa.org.za">www.pfa.org.za</a> ) for more details.

Please visit the SURF [website](https://surf.sun.ac.za) for more information about:  
(<https://surf.sun.ac.za>)

- Two-pot system
- Fund performance
- Fund benefits
- Previous newsletters



Please contact our Client Service Centre if you have any queries. Here follows the contact detail.

Tel: 021 808 2753 or

email: [sun-e-hr@sun.ac.za](mailto:sun-e-hr@sun.ac.za)