

NEWSLETTER

September 2024

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1. Chairperson's Report

2024 is proving to be an interesting year for SURF members. The Fund has gone through an administrative platform change, which by itself is no mean feat. In addition, the two-pot retirement system was implemented on 1 September 2024. This system allows retirement fund members early access to a portion of their retirement savings while at the same time assisting them in preserving their savings, ensuring better retirement outcomes in the long term.

Fund administrators have worked hard to ensure that administration systems are ready for the two-pot system. We would like to remind members that the goal of a retirement fund is to save for retirement. Although you may now enjoy early access to retirement savings, please use this concession wisely. Only access retirement savings when absolutely necessary.

The Fund investments have continued to perform admirably through this period of change. Even though our members have had to get used to a new administration platform, when they logged on to their records, they will have been greeted by growing fund values. I am delighted to report that the Fund has achieved sustained upper quartile investment performance for periods ranging from one year to 15 years.

I would like to thank the Investment Committee, fellow Board members and advisors for their valuable input and support in achieving the good returns.

Best regards

Prof Niel Krige
Chairperson



2. Financial statements

As you are aware, the administration of the Fund moved from Sanlam to Alexforbes on 1 June 2024. In alignment with the change in Fund administrator, the Fund's financial year end had to be changed, so the accounting periods were 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.

Financial statements for the period ended 31 May 2024 are due to be submitted to the Financial Sector Conduct Authority (FSCA) by 30 November 2024.

3. Performance of the Fund's investment portfolios

Much has changed over the past six months. We have a Government of National Unity, with cautious optimism prevailing. We are not the only country that has voted for change or is experiencing political change. As the global political landscape shifts, this has knock-on effects on the economic and investment environments. Despite the move in a positive direction, South Africa is still facing significant social and economic headwinds. For this reason, the Fund's Board has deliberately constructed diversified portfolios for a wide range of outcomes.

Global market returns were driven by investor expectations around the direction of interest rates and the possibility of interest rate cuts by central banks and the timing thereof. Interest rate expectations changed over the year based on inflation and job market data, fuelling investor concerns about higher interest rates for longer, as inflation proved to be stickier than anticipated. Nevertheless, the global stock market was propelled higher by the outsized performance of the companies that the market believes will be the major beneficiaries of artificial intelligence.

In addition to interest rate expectations, local market returns were, as expected, impacted by the May national election outcome. Local markets rallied along with the rand as the development of a Government of National Unity between the African National Congress, the Democratic Alliance and other smaller parties took shape.

The year to 30 June 2024 has delivered solid returns with South African equities (as measured by the FTSE/JSE All Share Index) rising by 9.1% and global equities (as represented by the MSCI World Index) achieving a notable 16.2% gain in rand terms despite the rand

strengthening by 3.3% over this period. However, global bonds (FTSE WGBI) experienced a 4.0% decline over the same period. South African nominal bonds (FTSE/JSE All Bond Index) delivered a strong return of 13.7% over the year while SA cash (STeFI Composite Index) returned 8.6%. Inflation was at 5.1% over the past year.

The Fund's investment portfolios delivered good returns for the one-year period to 30 June 2024. However, members are cautioned to rather focus on the longer-term returns.

The section below sets out the performance (net of fees) of the Fund's portfolios for measurement periods to 30 June 2024. Further information is available on the portfolios' fact sheets, which can be found on the Fund's website (<https://surf.sun.ac.za/fact-sheets>).

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 always have a 70% to 85% exposure to the equity market, which means that its performance will be volatile. The portfolio incorporates the Board's decision to invest the maximum allowable allocation 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 unusual in the sense that 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 4% above inflation, and 5.9% above inflation over the past five years. This is an excellent outcome and a fair reward for the risk taken on.

Growth Portfolio returns (net of fees)



Aggressive Absolute Return Portfolio

The primary investment objective of the Aggressive Absolute Return Portfolio is to achieve a real return of 6% p.a. net of fees over three years, with 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. It has a track record of 7 years and 5 months and as the chart below illustrates, it has delivered an exceptional outcome under tough market conditions.

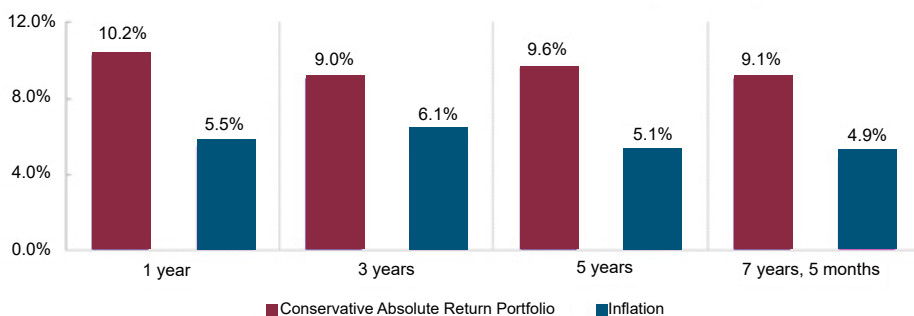
Aggressive Absolute Return Portfolio returns (net of fees)



Conservative Absolute Return Portfolio

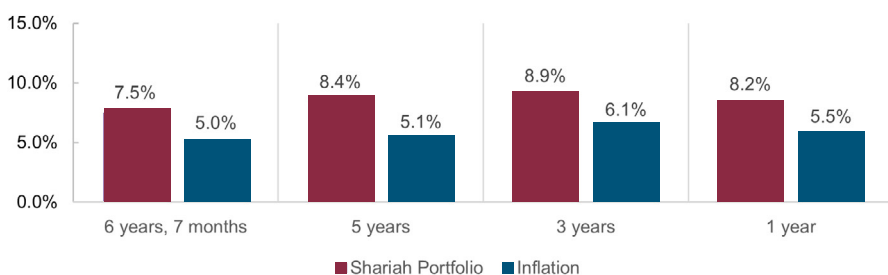
The primary investment objective of the Conservative Absolute Return Portfolio is to achieve a real return of 3% p.a. net of fees over rolling three-year periods, with a secondary objective of avoiding a capital loss over any 12-month period. This portfolio maintains between 35% to 45% exposure to the 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 to inflation. The portfolio has delivered strong performance over all measurement periods.

Conservative Absolute Return Portfolio returns (net of fees)



The astute reader will notice 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 returns (net of fees)



Shari'ah Portfolio

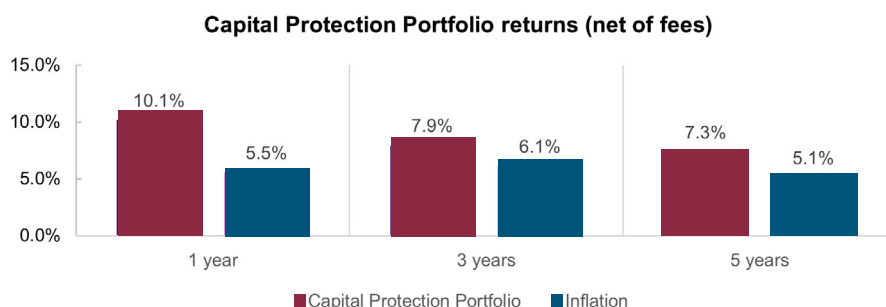
The portfolio has a 60% to 70% exposure to equity markets and is managed in accordance with Shari'ah law.

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 depend largely 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 that follows a vanilla money strategy 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 to inflation. The portfolio has delivered real returns over all measurement periods and has done very well over the one-year period delivering a real return of 4.6%.



4. Fund administration move from Sanlam to Alexforbes

Members will have received communication regarding the implementation of the administration move to Alexforbes.

A platform change of this magnitude is likely to have some teething problems, but the team is working tirelessly at resolving these issues as they arise. Internet line speed difficulty has been experienced by members due to testing done by Alexforbes in preparation for the two-pot system, but this should improve towards the end of the year.

Members should note that the investment of the June 2024 contribution was slightly delayed. This is an exception and can largely be attributed to complexities related to the admin platform change. Although the financial impact was small (approximately 0.7% of the value of the June contribution), calculations were performed by the actuarial team and adjustments will be made to member records to ensure that members did not lose out on investment returns.

Benefit statements showing risk benefits were loaded on to member records and can be viewed online. Members are encouraged to register on the AF Connect online facility to view their information. **Click here** to access AF Connect.

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

As members will be aware, the implementation date of the two-pot system was legislated as 1 September 2024. Members will have received Fund communication highlighting the following:

- You will be able to view details about the different components or “pots” that constitute your SURF fund value by registering on the Alexforbes member portal called AF Connect.
- After registering on AF Connect, please **click on the following link** that will guide you to a video on how to withdraw money from the savings pot under the two-pot retirement system.
- When considering making a savings pot withdrawal, please remember the following:
 - The AF Connect platform will be the only portal through which any savings pot withdrawals from SURF can be made from 3 September 2024.
 - If you withdraw money from your savings pot before

retirement, you will pay tax at your marginal tax rate as determined by the South African Revenue Service (SARS). See the example below.

- Members who access their savings pot during their working lifetime will still be able to use the retirement tax-free lump sum of R550 000 (provided they have not previously withdrawn cash from a retirement fund on exit and have not taken any of their vested pot savings as a withdrawal benefit before retirement).
- A transactional fee will apply to any member withdrawing money from their savings component. This fee is a function of the size of the withdrawal.
- Any tax owed to SARS will be included in SARS's tax directive to SURF, and will be deducted from savings pot withdrawals. SARS has provided a facility to check your tax balance before submitting a savings pot withdrawal claim. You can dial *134*7277# or click on **tools.sars.gov.za** for self-help services.

Example of the transaction cost and tax deductions that will be made when you make a savings pot withdrawal:

Withdrawal amount:	R30 000
Administration fee:	R600
Net amount after administration fee:	R29 400
Tax rate determined by SARS (marginal tax rate)	26%
Tax being deducted (26% in this example):	R7 644
Estimated amount received:	R21 756


Should you require assistance with AF Connect registration or with making a withdrawal under the two-pot retirement system, please contact Alexforbes's dedicated call centre at 0860 100 333 or afonlinehelp@alexforbes.com. Alexforbes also has walk-in centres available to assist, at both its offices in the Western Cape, namely Stellenbosch and Woodstock. If you decide to make use of these, please ensure that you take the following documents with you (this will expedite the process should verification be required):


- Your identity document
- A bank statement not older than 3 months
- Your tax certificate

Stellenbosch University's Benefits Department team members are also available to answer any other questions – reach out to them at 021 808 2753 or sun-e-hr@sun.ac.za. **Click here** to visit the two-pot resources on the Fund website including handy information and videos.


Impact on retirement savings (Source: Daily Maverick)

A more pressing point many are missing is the ultimate effect any withdrawals will have on members' retirement savings. Yes, everyone knows it will affect their retirement. However, seeing the actual numbers is far more impactful. Any withdrawals you make are included in your gross income for that year, which means it could push you into a higher tax bracket. Consider the following example:

 Sally is a 35-year-old employee with a taxable income of R370 000. Based on the 2024/25 income tax table, her tax liability will amount to R59 997 (R42 678 + 26% of the amount above R237 100 minus the primary rebate of R17 235).

 If Sally decides to access a savings withdrawal benefit of R25 000, she will be pushed into a higher tax bracket and will be liable for tax of R67 722 (R77 362 + 31% of the amount above R370 500 minus the primary rebate of R17 235).

Every R1 you withdraw early at the age of 35 could equate to as much as R30 at retirement 30 years later. Allan Gray spells it out with another clear example of the withdrawal impact:

 Sally plans to retire at 65, but withdraws R50 000 at the age of 35. Assuming her retirement savings were earning returns of 10% a year for 30 years, she would be losing up to R870 000 that could have been used to provide her with an income in retirement.

These sobering calculations should give you pause for thought.

6. The importance of completing a beneficiary nomination form

The new AF Connect platform provides you with the functionality to complete an online beneficiary nomination form. However, Stellenbosch University's sun-e-HR employee portal is the preferred source of nomination forms for active employees and all active members are encouraged to rather keep their details up to date on the SU portal. This will ensure that we can prompt you regularly to update your beneficiary nominations.

You can easily complete this form via your sun-e-HR self-help functionality. Contact the Human Resources Client Service Centre at +27 (0)21 808 2753 / sun-e-hr@sun.ac.za for more information on how to update your beneficiary nomination form.

It is important that you update your beneficiary nomination form whenever any major life-changing events (such as

divorce, birth/adoption of a child, death of a nominee) occur.

With regards to the unapproved group life cover: where the deceased member has not nominated a beneficiary, or where the nomination is invalid, the insurer must pay the benefit to the deceased member's estate. This is not ideal, as it will mean beneficiaries then have to endure the lengthy and expensive process of reporting the deceased estate to the Master of the High Court for winding up. This includes the appointment of an executor, who will have to draw up a distribution account that must be advertised and be open for inspection. This lengthy process can be avoided if members clearly identify their beneficiaries by completing the nomination form.

7. Ensuring loved ones are taken care of

Spouse's and children's pension cover

If you are a single member with no spouse and/or qualifying children*, you can opt out of the SURF spouse's and children's pension cover. **Click here** for the opt out form.

If you do exercise the option of no insured death benefit and subsequently get **married and/or have qualifying children at a later stage**, you will have to select (within three months of the life event) SURF's insured death benefit to ensure that the needs of your spouse and/or qualifying children are catered for in the event of your death. If you neglect to "opt in" after getting married and/or having a child, and die, your spouse and/or children will not receive the spouse's and children's pensions and will be left in a vulnerable position.

Contact the Human Resources Client Service Centre at +27 (0)21 808 2753 / sun-e-hr@sun.ac.za for more information on how to opt in following a life event.

* Please **click here** to reference the benefits policy, which contains the definitions of qualifying and child.

Disability cover for your spouse

Members who have spouse's cover will be aware that the policy pays out a lump sum of twice your annual pensionable salary in the event of the death of your spouse.

Something not all members are aware of, is that there is a disability benefit of twice annual pensionable salary linked to the policy as well. If your spouse becomes permanently disabled before the age of 60 through illness or accident, a claim can be submitted to the insurer, who will assess whether the illness or injury has led to permanent disability. It is important to note that this decision rests with the insurer, and not with the employer. If approved by the insurer, the disability benefit is paid out as an "accelerated death benefit", i.e. an earlier payment of the spouse's cover.

8. Rule amendments

Further to the rule amendment for the financial year end that was discussed earlier, the following rule amendments were also registered:

- Amendment 5: Provision for monthly additional voluntary contributions for phased retirees.
- Amendment 6: Vesting of retirement reserve account for ex ARR members.
- Amendment 7: Enabling rules for two-pot system.

9. 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.

10. 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.

Principal Officer

Japie Kotzé

t. +27 (0)21 808 2754

e. jjsk@sun.ac.za

Information Officer

Japie Kotzé

t. +27 (0)21 808 2754

e. jjsk@sun.ac.za

Benefit Consultant

Wynand Breytenbach

t. +27 (0)21 912 3300

e. wynand@simekaconsult.co.za

Remuneration and Benefits Dept

Peter Kirsten

t. +27 (0)21 808 3740

e. pkirsten@sun.ac.za

Pension Funds Adjudicator (PFA)

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 (www.pfa.org.za) for more details.



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