

ANNUAL TRUSTEE REPORT AS AT 31 DECEMBER 2020

What to expect from this report



CHAIRMAN'S REPORT

The Board of Trustees of the University of Johannesburg Pension Fund ("the Fund") is pleased to present this report, for the period ended 31 December 2020, to you, our valuable members of the Fund. The aim of this report is to give you an overview of the management activities and financial results of the Fund as well as general retirement fund information.

The year 2020 was a landmark year that will go down in our history books as the year of years when it comes to the unexpected. It is almost hard to believe that it's already over 18 months since we were confronted with one of the biggest disruptions to our lives. We have all made small or bigger changes both in our world of work and our personal lives over this time. It really is worth pausing and reflecting on how resilient we all have been.

In this report we review changes affecting the Fund since our last report to you.

1. The Fund valuator completed his statutory valuation report as at 31 December 2019, confirming that the Fund remains in a sound financial position.
2. The Fund received an unqualified audited opinion and a summary of the audited financial statements as at 31 December 2020 is included in this report.
3. Following the most recent comprehensive review of the Fund's investment strategy, the Board of Trustees agreed to add the Alexander Forbes Investment Shari'ah Medium Growth Portfolio to the portfolios available for member investment choice. This will enable members invested in the Shari'ah Portfolio to switch to a lower equity portfolio in the period prior to normal retirement age.
4. From 1 July 2021, the office of the Information Regulator takes up its oversight and enforcement functions as enabled in the Promotion of Access to Information Act ("POPIA"). The Fund is taking the necessary steps to ensure its processes, and those of all service providers processing personal information, are complaint and fit for purpose.
5. Looking a little further forward, the transformation of the financial services industry in line with B-BBEE requirements together with the heightened focus on sustainability reporting and disclosure requirements, are matters in progress. The Board is taking the necessary steps to work towards the measurement and verification of the Fund's transformation credentials and Environmental Social and Governance ("ESG") financial disclosure reporting.

As Chairperson, I would like to thank the Board of Trustees and the Principal Officer and her team for their contribution to the successful management and functioning of the Fund throughout the year.

Thank you for your on-going trust in us as your Trustees. We wish you and your family well and please stay safe.

Prof Amanda Dempsey
Chairperson

INVESTMENT STRATEGY STATEMENT

This statement is intended to explain and summarise the investment strategy of the University of Johannesburg Pension Fund (the fund) to members. The complete investment strategy document is available on the Fund intranet at: <https://universityofjohannesburg.us/4ir/uj-pension/>

The fund is a defined contribution pension fund. Members participate directly in the investment performance of the fund's investments and retirement outcomes are not guaranteed.

The fund informs members of the level of retirement income they could reasonably expect to purchase at retirement, given their existing retirement savings in the fund, their current contribution to the fund and expected future investment returns. Various assumptions are made to project retirement outcomes and these outcomes are not guaranteed.

The fund uses a goals-based life-stage investment model where members' retirement savings are gradually moved from the fund's growth portfolio to the pre-retirement portfolio from five years before normal retirement age. The fund uses the growth portfolio to try to achieve a long-term real return of CPI + 6% per annum. To stand a good chance of achieving this return, the portfolio has a relatively large exposure to share markets and the investment risks associated with these markets. This is the default investment portfolio for younger members.

As members get closer to retirement, the default strategy is for retirement fund assets to be invested more conservatively to reduce the risk of capital loss. Members can opt out of the life-stage model and can then select portfolios from the investment choices available to members of the fund. Members can ask their HR representative for the member investment choice booklet if they are interested in this option.

The fund participates in pooled investment portfolios together with other retirement funds. These investment portfolios are provided and managed by the fund's appointed asset managers. The trustees frequently monitor the performance of the fund's investment portfolios and, should the trustees believe it to be appropriate to do so, the trustees will replace the manager or investment portfolios with more suitable manager(s) or investment portfolios.

The trustees believe that material extra-financial factors relating to environmental, social and governance (ESG) issues can affect the performance of investment portfolios. Responsible investing is an approach that incorporates these material extra-financial factors into investment processes and activities with the objective of decreasing investment risk and improving risk-adjusted returns. Active ownership requires the fulfilment of ownership duties in order to give effect to the above responsible investment approach.

The responsibility for the management of the fund's assets has been delegated to the asset managers appointed by the fund and these managers will be interrogated about their active ownership approach including, engagement and proxy voting record, as well as their ESG policies. Asset managers are required to exercise active ownership responsibilities on behalf of the fund to positively influence the underlying companies in areas such as sustainability through proxy voting and other engagement.

The fund has also made certain retirement product options available to members in line with default regulations. More details are available in the fund's relevant 'options on retirement' and 'options on leaving' fund booklets.

The trustees will review the fund's investment strategy at least every year to ensure that it remains appropriate for the fund and its members.

POST RETIREMENT ANNUITY STRATEGY

When a member reaches retirement, they will be offered the option to secure an annuity (regular monthly pension income) in terms of the annuity strategy that the Trustees determined to be an appropriate, and cost-effective option that retiring members could consider. The Trustees adopted the following annuity strategy.