



## Annual Trustee Report

2022



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## CHAIRPERSON'S REPORT

The Board of Trustees of the University of Johannesburg Pension Fund (“the Fund”) is pleased to present this report to you, our valuable members of the Fund. The aim of this report is to look back, by giving you an overview of the management activities and financial results of the Fund over the 12-month period to 31 December 2022, to look forward by briefly considering important events that occurred after this date and to provide more general retirement fund information.

The past several years have demonstrated just how increasingly chaotic the world can be and what impact this had on financial markets. In 2020, a global pandemic took centre stage, which effectively brought the global economy to a halt. In 2021, much of the world's focus was directed towards economic stimulus packages and vaccination programmes, and in 2022 geopolitical tensions and inflation took the limelight.

Volatility and uncertainty remained as the dominant financial market themes in 2022. A proliferation of interest rate hikes, the Russia-Ukraine war and fears of a global recession put a drag on performance for most of the past year. Yet, market performance in the last quarter of 2022 managed to recover some of the losses sustained in the previous three quarters.

We consider the investment returns earned in 2022 in more detail in the investments section. We have included the first quarter returns for 2023 to present a more updated view. Volatility remains a feature in 2023 and during times of heightened market volatility, it's easy to panic. We look at some stories of old to place this in context. The crow teaches us not to panic and to remain focused on our goals. It's important to remain patient and stick with an investment strategy that is suited to reaching investment goals over the long term. The grasshopper teaches us to rather plan for the future and finally the tortoise reminds us that slow and steady wins the race.

We have again received an unqualified audited opinion and a summary of the audited financial statements as at 31 December 2022 is included in this report.

Looking forward:

1. The tax tables for lump sum tax-free retirement and withdrawal payments increased by 10% effective from 1 March 2023. The tax tables are included in the report.
2. The Fund welcomes the following new Trustees to the Board from 1 April 2023:
  - Prof K Moothi was elected as Alternate Member Trustee following the resignation of Dr Webbstock, and
  - Dr M Hlobo was elected as Member Trustee following the resignation of Mr M van Wyk.
3. Some important notes in respect of the “two-pot” system that you may have read or heard about:
  - On 9 June 2023 National Treasury issued the revised 2023 Draft Revenue Laws Amendment Bill and 2023 Draft Revenue Administration and Pension Laws Amendment Bill for public comment. These draft bills include amendments to the law that are necessary to enable the implementation of the first phase of the proposed two-pot system. The public will have an opportunity to respond to these updates. The deadline for this is 15 July 2023.
  - There is an extensive legislative process that then still needs to unfold. It is possible that final legislation will only be available towards the end of 2023. Thereafter, there will be public workshops before the final bills are introduced to Parliament.
  - National Treasury has confirmed that the anticipated implementation date is 1 March 2024. This means members may be able to access a portion of their fund credit after this date even if in employment. Please note this implementation date may still change.
  - We will keep you updated on the progress through to finalisation of the legislation. The Fund will provide member workshops to discuss the final legislation and the impact.

As Chairperson, I would like to thank the Trustees, whose term of office ended, for their contribution to the effective management of the Fund.

I also thank the Board of Trustees, the Principal Officer and her team who continue to serve selflessly in managing the Fund.

And finally, thank you for your continued 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 Trustees recognise the increasing importance of ESG factors in social society, and the important role that pension funds have in ensuring responsible corporate behaviour. The Trustees have decided not to invest any of the fund's assets in specific Socially Responsible Investing/ESG products or investments, but will monitor on an annual basis, what the investment managers are doing in this regard.

The Trustees have taken account of the principles contained in the Code for Responsible Investing in South Africa.

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.