



SECURING A LIFETIME OF FINANCIAL WELL-BEING

Alexander Forbes Retirement Fund Trustee report

1 April 2019 to 31 March 2020

Chairman’s report

The year in review has certainly been an interesting one. In this report we look at what we expected to see happening, what we didn’t expect, what we would like to see in the new year and the changes that occurred during the year. I’d like to thank you for taking the time to read this year’s trustee report and taking an active interest in the management of the Alexander Forbes Retirement Fund (AFRF).

What we expected from last year

We knew that low investment returns would continue into the new financial year. As with the previous year, global market volatility has been the main reason for markets performing poorly. Investment performance and future outcomes will be impacted by this volatility, which means it is important to be realistic about your investment expectations for the future.

The fund has addressed these market risks by introducing alternative investment strategies into the investment portfolios, for example using hedge funds and private equity investments within the Performer portfolio to achieve further diversification and alternative sources of investment return.

What we didn’t expect

A major issue we were not expecting was the outbreak of COVID-19. This virus has killed over 3 232 986 people at 30 April 2020 since it was first reported in Wuhan in China in early December 2019. There were 402 confirmed cases of the virus in South African when President Ramaphosa announced a 21-day emergency and compulsory lockdown and this number had risen to 5 350 at 30 April 2020. This will have far-reaching effects on the financial industry in South Africa.



What we would like to see

The trustees’ aim is to achieve better retirement outcomes for all its members. To do this, we would like to encourage you – in a tough economic environment – to still contribute as much as you can towards your retirement fund every month. You also need to get suitable advice from a certified financial adviser if you are considering changes due to changes in

your circumstances and environment, as may be the case now. Leave your money invested in the fund if you leave your employer or move your retirement savings to your new employer, a preservation fund or retirement annuity fund to keep building for your retirement.



Important changes in the fund

From 1 December 2019 the administration of the AFRF moved from Alexander Forbes Life to Alexander Forbes Financial Services, which will facilitate increased streamlining and efficiencies in the operation of the fund.

As a result of this the names of the investment portfolios no longer include the name of Alexander Forbes Life. However, the team of administrators managing the fund and the investment portfolios themselves have remained completely unaffected by this change.

Annuity strategy – JuLI SecureGro with-profit annuity

The trustees have an annuity strategy in place to assist members who are required to or want to buy an annuity (pension) on retirement. The trustees reviewed the current annuity strategy and expanded it to include a with-profit annuity option.

A with-profit annuity guarantees you income for life when you retire. You will probably use your retirement savings to buy an annuity (pension). **A with-profit annuity guarantees you income for the rest of your life, no matter how long you live or what happens in the investment markets.** Your monthly income will not reduce in size.

The trustees appointed Just Retirement Life (Just) to provide the JuLI SecureGro with-profit annuity following a review of the different with-profit annuities available in the market that met the fund actuary's recommendations. The trustees believe this with-profit annuity best matches the fund requirements and has the best chance of beating inflation. It considers future inflation, real investment returns and all fees and charges over the long term. This gives you a greater degree of certainty for the rest of your life.

Alternatively you can choose a with-profit annuity from another provider when you retire. This will be discussed in more detail later in the report.

Thank you

As chairman, I would like to thank the board of trustees, the principal officer and his team for their contribution to the successful management and functioning of the fund throughout the year.

John Liackman
Chairman: Alexander Forbes Retirement Fund

Your trustees

The AFRF is managed by a board of trustees made up of:

- three external trustees appointed by the board, and
- three internal trustees appointed by Alexander Forbes

The trustees have years of industry experience and have the responsibility of making sure that the fund meets all its financial and legal commitments. Each trustee has their area of expertise to add value to your retirement plan. The trustees during the year in review were:

External trustees



John
Liackman
(Chairman)



Sandile
Khumalo



Kevin
Prinsloo

Internal trustees



Bonga
Mokoena



Fiona
Rollason



John
Anderson

The trustees' duties include:

- ensuring the fund complies with legislation
- taking reasonable steps to make sure your interests in the fund are always protected
- acting with care, diligence and in good faith
- acting with fairness towards all members and beneficiaries
- making sure you get the right information at the right time

The trustees meet formally four times a year to review the legal, benefit, financial and governance framework of the fund. An annual investment workshop is also held to review the investment framework and consider new developments in the investment industry applicable to retirement funds. Sub-committee meetings are in place to deal with the day-to-day running of the fund. Over the past year, the following trustee meetings took place:

Meeting focus	Meeting dates	Quorum
Governance	19 June 2019	Yes
Investments and financials	18 September 2019	Yes
Investment policy statement	27 November 2019	Yes
Risk management assessment	18 March 2020	Yes

The AFRF AGM was held on
18 October 2019.

Rule amendments

Rule amendment 18 for both the pension and provident sections was approved during the financial year.

The main provisions of rule amendment 18 are:

1. To allow a member who has retired from service and has not yet elected to receive payment of their retirement savings to transfer them to an approved retirement annuity fund or a pension preservation fund.
2. To include the fund's decision to convert from an underwritten fund (underwritten by Alexander Forbes Life) to a privately administered fund (Alexander Forbes Financial Services) as a result of the intended sale of Alexander Forbes Life.

You can view the rules of the fund at the fund's registered address, which is:

Alexander Forbes
115 West Street
Sandton

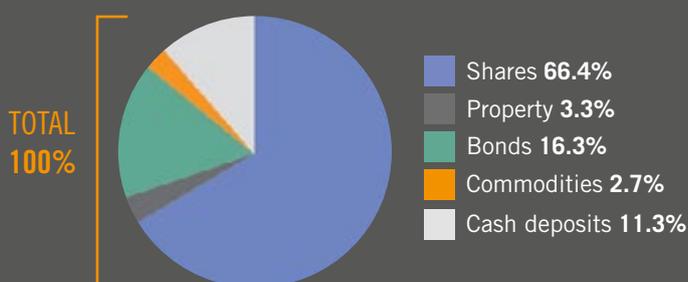
You can also call the **Alexander Forbes Client Contact Centre** on **0800 100 333** from Monday to Friday between 08:30 and 17:30 or email afqueries@forbes.com for more information about the rules of the fund.

JuLI SecureGro with-profit annuity

The trustees have selected the JuLI SecureGro with-profit annuity within the AFRF's annuity strategy.

This chart shows you how a retiring member's money will be invested between the different investment types:

The portfolio invested mostly in shares at 30 June 2019:



Product specifications

1. You are guaranteed a monthly annuity payment (pension) which won't reduce.
2. It targets 100% inflation. To do this, after taking into account costs and providing the guarantee of the underlying pension, the portfolio selected needs to perform at approximately CPI inflation + 4.5%.
3. The underlying portfolio of JuLI SecureGro is AF Performer, which targets CPI inflation + 5%.
4. You benefit in the upside if the performance of the underlying investment exceeds that required, which will lead to higher increases.

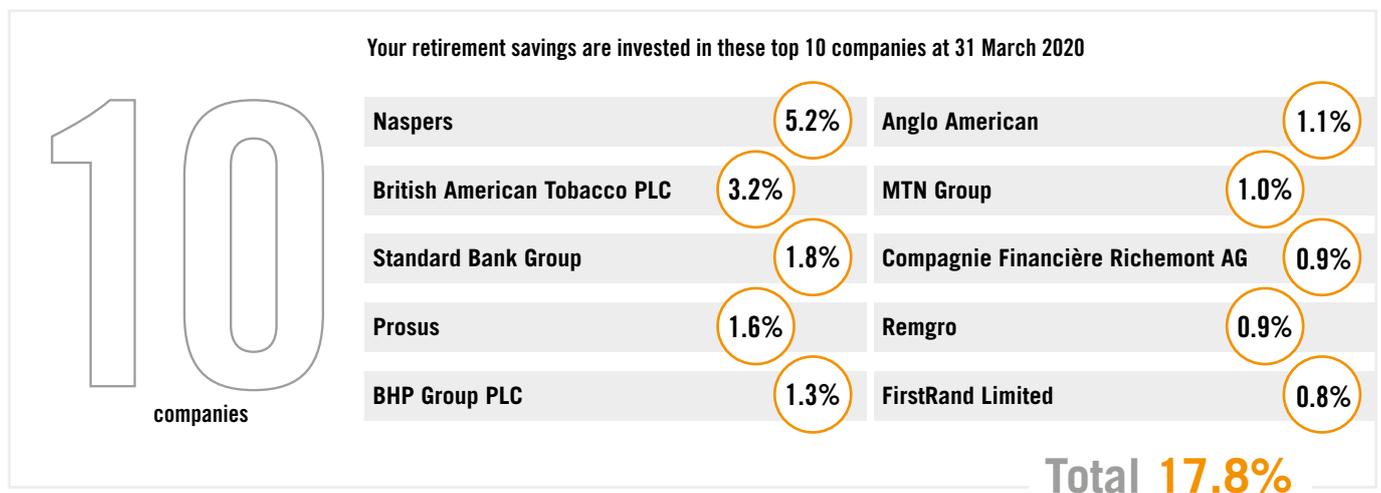
Is there more information?

Yes, please read the [JuLI brochure](#).

Default investment strategy

The trustees agreed on the Alexander Forbes Goals-based Balanced LifeStage model as a default investment strategy for most members. It spreads investment risk across various asset classes (types of investments), investment styles (ways or methods of investing) and asset managers (the people managing investments). This means that we diversify your investments in a way that limits exposure to any single risk. It is designed to provide members with the greatest likelihood

of securing a reasonable pension at retirement based on their contributions and service, by providing acceptable investment returns, at acceptable risk and less volatile returns for members who are close to retirement. The trustees review the default investment strategy regularly to ensure it remains appropriate within the legislative requirements, cost effective and on track to meet these goals.



Asset allocation at 31 March 2020

Your investment portfolios are invested in the following investment types:

	Local	Africa	Global	Combined
Shares excluding property	34.7%	1.4%	24.2%	60.3%
Property	2.3%	–	0.6%	2.9%
Bonds	16.2%	–	1.0%	17.3%
Cash	4.6%	–	7.0%	11.7%
Commodities	1.7%	–	–	1.7%
Alternatives	5.9%	0.3%	–	6.2%
Total	65.4%	1.8%	32.9%	100%

Investment fees at 31 March 2020

AF Balanced High Growth

Policy fee on all assets	Yearly fee (based on the employer's total asset size)
Employer's asset size:	
First R50m	0.67%
Next R50 million	0.60%
Next R100 million	0.52%
Next R300 million	0.48%
Above R500 million	0.45%
International assets:	
All international assets	Fees payable to investment managers for managing offshore assets in the portfolio are an expense against the portfolio deducted from the portfolio before calculating the unit price.

What is ESG?

ESG (environmental, social and governance factors) is a term used to highlight the factors to be considered for sustainable investing. The purpose of ESG is to seek positive returns and positive long-term impact on society, the environment and the performance of the business.

The AFRF can play a role in developing the South African economy and transforming our broader society. The trustees require the investment managers to incorporate ESG into their investment process so that it is included in the way they select and manage investment portfolios to be used by the fund.

Regulatory pressure is mounting to require investment managers to better report their ESG positions and exposures in their investment portfolios, which will help overcome some of the current constraints for reporting and monitoring. This will continue to be an area of focus for the trustees, as it is for all funds.

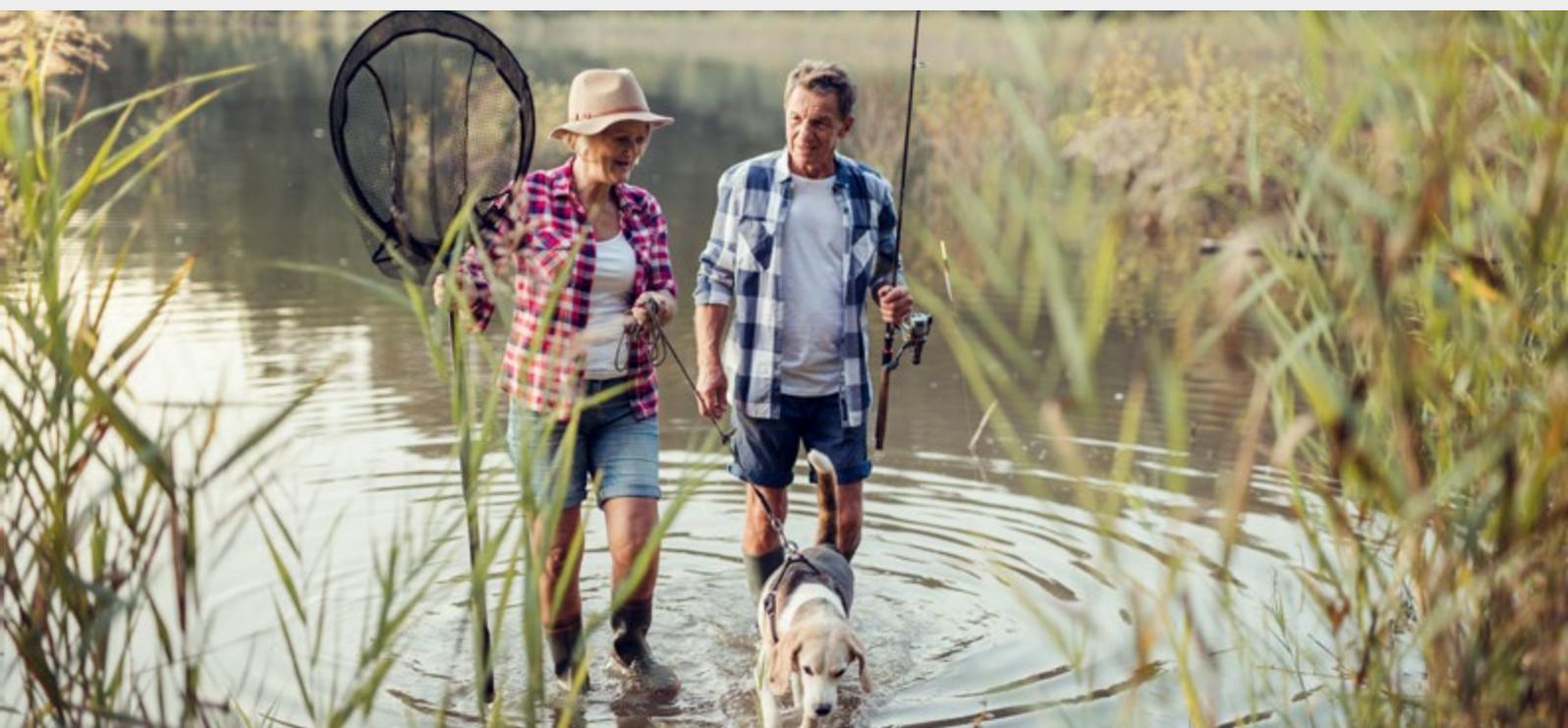
To promote transformation, the trustees have adopted an incubation programme that will focus on supporting transformation in the asset management industry in South Africa.

The objective of the incubation programme is to promote a more competitive and sustainable asset management industry in South Africa by supporting start-up and emerging asset managers in building up expertise and track records.

Black asset managers are significantly underrepresented by assets under management and the fund aims to use its size and position in the industry to help stimulate growth and development of black asset managers. This in turn fulfils broader social objectives by building long-term sustainability through job creation and skills development. The programme aims to have a minimum of 75% of the assets in the programme allocated to black asset managers.

Investment policy statement

A copy of the fund's investment policy statement is available on the fund website under 'Fund Governance':
www.alexanderforbes.co.za/umbrella-funds/retirement-fund

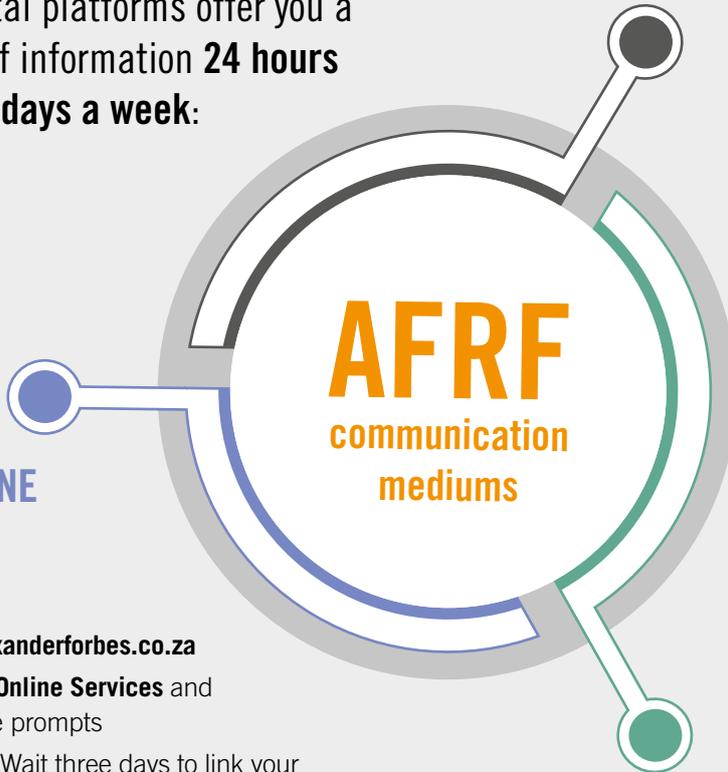


Real-time information at your fingertips

Reading your member communication is becoming easier and more accessible for you. Now you can access your personal retirement fund information through three digital solutions: AF Online, the AF mobile app and AF USSD (an SMS tool).

We would like to communicate timeously and accurately through digital and electronic means over and above the regular day-to-day fund communication. Make sure your employer has your updated email address and cellphone number to facilitate receiving your communication electronically.

Our digital platforms offer you a wealth of information **24 hours a day, 7 days a week:**



AF ONLINE

HOW

1. Log onto www.alexanderforbes.co.za
2. **Click on Online Services** and follow the prompts
3. **Register.** Wait three days to link your Alexander Forbes products to your online profile

WHAT

- Investment balances
- Retirement savings statements
- Fund fact sheets
- Personal details
- Investment portfolios
- Tools to help you secure your financial well-being
- 'Who needs financial support when I die?' beneficiary nomination form
- Making short-term insurance enquiries or modifying a policy

AF MOBILE APPLICATION

HOW

1. **Go to the Apple app store** or the Google Play store on your phone
2. Search for **Alexander Forbes** and download for free

WHAT

- Investment balances
- Retirement savings statements
- Fund fact sheets
- Personal details
- Investment portfolios
- Media section and products section
- FAQs
- Talk to us
- Short-term insurance policy details

AF USSD

HOW

1. **Dial *120*MYAF#** and follow the menu prompts to register
2. If you don't have an online profile, your products will need to be linked to your profile – which may take up to three working days
3. **Dial *120*MYAF#** to get your savings balance

WHAT

- Your retirement savings and investment balances

Retirement benefit counselling

Statistics show that only about 6% of South Africans¹ can meet their retirement income objectives of 75% of their fund salary as retirement income. Even more concerning is that 97% of South Africans² choose to withdraw their retirement fund savings in cash when they resign or are retrenched. A big reason for this is that members don't always have access

to expert financial advice. The implications of their decisions are not fully explained to them and this has an impact on their future retirement income. As a result, the *Pensions Funds Act* (PFA) has been amended to include compulsory retirement benefit counselling (RBC) for every retirement fund to give to its members from 1 March 2019. The PFA requires that RBC be made available to members when they:



How it's being implemented

RBC has been incorporated through the fund's communication and distribution channels, providing multiple ways that members can access this information, for example fund communication material, call centre, mobile app, website, AF Online and presentations to members.

Why is RBC so important?

- ▲ **More needs met** – the probability that you meet your needs over a lifetime increases significantly
- ▲ **Increased contributions** – you are more likely to stay on track to reach your retirement goals
- ▲ **Increased probability of sustainable pension income when you keep your** retirement savings invested – you have improved prospects of meeting your retirement goals
- ▲ **Increased decision support** – having the right information and guidance at the right time enables you to make better decisions
- ▲ **Improved financial capability** – meaningful engagement improves your ability to manage money
- ▲ **Increased buying of annuities** – access to counselling and advice and the right solutions at retirement helps you make more informed choices

We can help you make informed decisions about your retirement money when it matters most, for example when you **change jobs** or **retire**.

Interesting fund facts



The increased number of registered participating employers is due to the AF Core Plan merger.

Money leaving the fund

R10.9 billion in benefits was paid out to 60 335 members or beneficiaries over the financial year. This equates to approximately 239 benefit payments every working day, which can be broken down as follows:

Benefit payments made to members who:



In-fund solutions will help you make better financial decisions

You have the option of choosing in-fund solutions when you leave the fund or retire. You're on a journey to financial well-being and your investment in the AFRF aims to help you reach your retirement goal. Your investment in the fund will potentially reach the end of its journey in one of two ways:

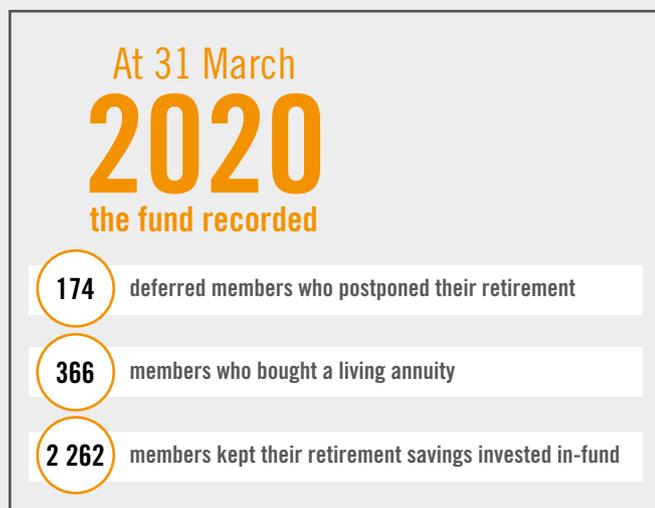
1. Resignation or dismissal
2. Retirement

You can keep your money saved and invested in the AFRF if you leave your employer or when you retire.

Speak to the Individual Advice Centre **0860 100 444** or email iac@aforbes.com about these options to help you secure your financial future.



Deferred members and living annuitants



Deferred members!

Please remember to tell us if your details have changed, call **0860 100 333** or email afirstatements&data@aforbes.com to update your details.

Living annuitants!

Please review your current drawdown rate to make sure it is not higher than the recommended rate for a sustainable pension. The **drawdown guidelines** for different ages, assuming the amount in the fund is the only retirement savings you have, are as follows:

Age on last birthday	Guideline drawdown rate
Under 60	4.00%
60–64	4.50%
65–69	5.00%
70–74	5.50%
Over 75	5.75%

The trustees encourage you to get professional financial advice in reviewing your drawdown rates. This will help you make the best decision to suit your circumstances and needs. Speak to the individual advice centre on **0860 100 444** or email iac@aforbes.com about your options.

Any questions

The Alexander Forbes Retirement Fund is online

Your retirement fund is available to you at all times with the AFRF's website. This website will help make saving for your future a reality by giving you access to retirement fund news and information at the click of a button. You can also get your member booklet, claim forms and news from the trustees when you need it. Certain communication from the fund is available in Zulu, Afrikaans and Xhosa, on the fund's website:

www.alexanderforbes.co.za/umbrella-funds/retirement-fund

General fund questions

As a member of the fund, you have the right to see the rules of the fund as well as any of its financial statements or reviews. If you have any questions about anything in this report or your fund membership, please contact one of your management committee members or:

- call the Alexander Forbes Client Contact Centre on 0800 100 333 from Monday to Friday between 08:30 and 17:30
- email afirstatements@aforbes.com

Complaints

If you're unhappy with any aspect of our service, please email contactus@aforbes.com or call 011 669 7026 so that we can resolve your complaint without delay.

Divorce orders

If you need to claim a divorce order, please contact our divorce orders team:

- **Email:** divorceorders@aforbes.com
- **Phone:** Alexander Forbes Help Desk on 011 324 3401

Fund name: Alexander Forbes Retirement Fund
Registered address: Alexander Forbes, 115 West Street, Sandton
Financial Sector Conduct Authority registration number:
 12/8/34768 (pension section)
 12/8/34766 (provident section)



Pension Fund Adjudicator details

Call centre: 086 066 2837

Telephone number: 012 748 4000 | 012 346 1738

Fax: 086 693 7472

Email: enquiries@pfa.org.za

Postal address: PO Box 580, Menlyn, 0063

If there are any conflicts between the information in this trustees' report and the official rules of the fund, the rules of the fund will always apply.