



ISASA

2019 Trustee Report

THE INDEPENDENT SCHOOLS ASSOCIATION OF SOUTHERN AFRICA
PENSION SCHEME AND PROVIDENT FUND



2019 REPORT BY THE BOARD OF TRUSTEES

LEARNING PLANNING LIVING



TABLE OF CONTENTS

1. INTRODUCTION	PAGE 04
2. CHAIRMAN'S OVERVIEW	PAGE 04
3. MANAGEMENT AND CONTROL OF THE FUND	PAGE 06
4. REVIEW OF THE YEAR'S ACTIVITIES	PAGE 08
4.1 MEMBERSHIP	PAGE 08
4.2 BENEFITS PAID	PAGE 09
4.3 COSTING	PAGE 09
4.4 RULE AMENDMENTS	PAGE 10
5. INVESTMENTS	PAGE 12
5.1 PENSION SCHEME (PART I)	PAGE 13
5.1.1 OLD MUTUAL ABSOLUTE STABLE GROWTH PORTFOLIO	PAGE 13
5.1.2 ALEXANDER FORBES INVESTMENTS PERFORMER PORTFOLIO	PAGE 14
5.2 PENSION SCHEME (PART II) AND PROVIDENT FUND	PAGE 15
5.2.1 INDEX-TRACKING LIFESTAGE MODEL	PAGE 16
5.2.2 SHARI'AH PORTFOLIO	PAGE 16
5.2.3 MONEY MARKET (BANKER) PORTFOLIO	PAGE 17
6. PENSION INCREASES	PAGE 18
7. DEFAULT REGULATIONS	PAGE 19
8. DISABILITY INCOME BENEFITS	PAGE 22
9. GENERAL	PAGE 22
9.1 PRESERVATION OF BENEFITS	PAGE 22
9.2 NOMINATION OF BENEFICIARIES	PAGE 22
9.3 ADVICE TO MEMBERS	PAGE 22
9.4 VOLUNTARY FAMILY FUNERAL COVER	PAGE 22
9.5 NEW ADMINISTRATION SYSTEM	PAGE 24
9.6 OLD MUTUAL REWARDS	PAGE 25
10. MEMBER COMMUNICATION - SAMPLE SHOWCASE	PAGE 26
11. CLOSING WORDS AND FUND CONTACT INFORMATION	PAGE 27



ISASA

HIGHLIGHTS

2019 Trustee Report



“Most people think that retirement is a long way off, and tend to postpone thinking about it until it is too late. Regardless of how young you are or how young you feel, a must-do for 2019 is to find out whether you are on track to retire comfortably. Most of us won’t know until it’s too late. You have less time than you think!”

1. INTRODUCTION

The Trustees of the ISASA Pension Scheme and Provident Fund (‘the Funds’) have pleasure in presenting their report for the financial year ended 28 February 2019. This report provides you with an overview of the activities, management, administration and financial status of the Fund during the past financial year.

2. CHAIRMAN’S OVERVIEW

It is my pleasure to report on the business of the Funds for the year under review. 159 schools participated with a total membership, including pensioners, of 8,723 as at 28 February 2019.

The past year was particularly volatile on the investment front fanned by a slowing economy and uncertain investment markets.

South Africa’s economic growth prospects keep going from bad to worse. The International Monetary Fund now expects the economy to expand by 0.7% in 2019, half of what it estimated in January, and similar to forecasts by the South African Reserve Bank and Bloomberg Economics. The economy shrank the most in a decade in the first quarter of this year as the nation suffered the worst power outages since 2008.

South Africa is stuck in its longest downward business cycle since 1945, data from the central bank revealed in June 2019.

Given the low growth environment, the Board continues to keep a close watch on financial markets. It is important to note the Funds are not in the business of timing the market, but rather having a long-term focus. If the market crash of 2008 is anything to go by, markets may provide some positive investment returns once our downward market cycle starts to recover. I am hopeful that the current volatility too shall pass - although experts advise that we have entered a lower return environment.

Despite ongoing volatility and uncertainty in investment markets, the Pension Scheme managed to award a pension increase of 2.25% (approximately 50% of CPI) with effect from 1 September 2019.

I am happy to report that Default Regulations were successfully implemented by 1 March 2019. This was possible as the Funds were ahead of the market with the Funds’ new Goals-based LifeStage investment strategy that was implemented in September 2017 and the Old Mutual Fund Select Annuity that has been on offer to retiring members since 2013. Please read more about these options later on in this report.

During the year the Funds held face to face presentations at 18 participating schools. Presentations were focused on educating members regarding fund benefits and retirement planning. In addition, the Funds, in partnership with Old Mutual, hosted its first Retirement Planning event on 11 June 2019 for all members that were five years from retirement. The event was a great success with 65 soon to be retiring members attending.



2019 Trustee Report

“Strive not to be a success, but rather to be of value” - Albert Einstein

Member communication remains a priority for the Funds. In January 2019 the Funds’ website was streamlined and given a ‘facelift’ to ensure that it is easy for members to find appropriate information and continues to be appealing as a source of information for our membership.

In the member research survey conducted in January 2019, 82% of members reported that the information received from the Funds was easy to understand and 81% reported that Fund communication helped them to prepare for retirement. 87% of members felt that they are treated fairly by the Funds.

Despite these positive trends we continue to look for and implement effective channels to interact with members and, in March 2019, the Funds launched their own Facebook Page that has since received more than 5094 likes.

The most popular communication channels remain the Funds’ annual benefit statement, the Funds’ website and the Your Life (for members) and Living the Golden Years (for retirees) newsletters. The Funds continue creating animated videos, explaining how the Funds and investments work. These are available on the Funds’ website at www.isasapensionfund.co.za or www.isasaprovidentfund.co.za and on the Funds’ Facebook Page.

The Board is proud that, for the sixth year in a row, the Fund was rewarded with a Best Practice Award for Stakeholder Engagement from the Institute of Retirement Funds Africa.

Actuarial valuations for the Funds were performed as at 28 February 2017 and the Valuator reported that the Funds were in a sound financial position. The next statutory valuation is due as at 28 February 2020. The audit for the year ended 28 February 2019 has been finalised and the financial statements for the Provident Fund were submitted to the FSCA on 30 August 2019 and the Pension Fund on 02 September 2019.

The Board works tirelessly to protect your needs, improve control and operations and save costs on your behalf. This is especially important in these turbulent economic times.

Members are encouraged to remain fully invested, to save as much as possible for retirement and to avoid at all costs the temptation to use their hard-earned retirement savings for anything other than for that all-important purpose of providing for a comfortable future. Members close to retirement are cautioned to obtain advice from an accredited financial advisor and to ensure that the investment of their Accumulated Credit in the Fund between now and their retirement is invested in line with their future financial needs.

To my fellow Board members I say thank you for your commitment to the Funds and its members.

John Liackman

Chairman of the Board of Trustees - ISASA Pension Scheme and Provident Fund



3. MANAGEMENT AND CONTROL OF THE FUND

The Funds are managed by a Board of Trustees and administered by Old Mutual.

The Board of Trustees of the Funds is constituted in terms of the Funds' Rules and the Pension Funds Act No 24 of 1956 (as amended).

The current Board consists of six regional Member-elected Trustees, one Pensioner-elected Trustee, and five Employer-appointed Trustees which include a SAHISA representative, a SABISA representative, and three ISASA-appointed Trustees. An independent Chairperson is also elected by the Board. There are also Alternate Member-elected Trustees, to act in the absence of a Member-elected Trustee.

THE BOARD OF TRUSTEES CURRENTLY CONSISTS OF THE FOLLOWING MEMBERS:

John Liackman	Chairman & Independent		
Duncan Wattam	Trustee	ISASA	
Mduduzi Ndlovu	Trustee	ISASA	
Michael Acutt	Trustee	SABISA	Bursar
Selwyn Marx	Trustee	SAHISA	Head
Roseanne Harris	Trustee	ISASA	
Varinia Eddie	Trustee	ISASA	Central Region
Sue Greer	Trustee	Member	Kwa-Zulu Natal Region
David Tshishivhiri	Trustee	Member	North Region
Albert Pienaar	Trustee	Member	North East Region
Heine Matthee	Trustee	Member	South West Region
Mike Bandey	Trustee	Pensioner	Retired Deputy Head
Simon Kroon	Trustee	Member	South East Region
Alistair Dry	Alternate	SAHISA	
Duduzile Malina	Alternate	Member	Central Region
Katherine Field	Alternate	Member	Kwa-Zulu Natal Region
Julian Cameron	Alternate	Member	South West Region
Penny York	Alternate	Member	South East Region

Sandy Sagar (Director: Membership and Operations of ISASA) and Lebogang Montjane (Executive Director of ISASA) interchangeably, by invitation, attend Trustee meetings.

PRINCIPAL OFFICER – JOHN ROLLASON (INDEPENDENT)

The Principal Officer is the executive representative of the Funds, and official contact person for the Financial Sector Conduct Authority. The Principal Officer has the same fiduciary responsibilities to the Fund as those pertaining to the Trustees.

SUB-COMMITTEES

The Funds are run with a sub-committee structure reporting to the full Board.

The following sub-committees are in place:

1. Audit, Administration and Risk sub-committee;
2. Investment sub-committee;
3. Communication & Marketing sub-committee

**“It takes less time
to do things right
the first time
than to explain
why you did
it wrong.”**



2019 Trustee Report

**“Time is your friend;
impulse is your enemy” - John Bogle**

1. AUDIT, ADMINISTRATION AND RISK SUB-COMMITTEE

The Audit, Administration and Risk sub-committee, formed in 2003, meets on a quarterly basis. It consists of five members, Mike Acutt (Chairman), Simon Kroon, Maryanne Lansdown, Varinia Eddie and the Principal Officer, John Rollason. The Funds’ actuary, Stephen Walker, Laura Kelty (ISASA) and representatives from the administrator attend the meetings as observers. Representatives from the auditors attend once a year to present the financial accounts.

2. INVESTMENT SUB-COMMITTEE

The Investment sub-committee, formed in 2007, meets on a quarterly basis. It consists of five members, Mduduzi Ndlovu (Chairman), Selwyn Marx, John Liackman, Duncan Wattam and the Principal Officer. The Funds’ actuary becomes a member of the sub-committee for the purpose of providing specialist advice.

3. COMMUNICATION & MARKETING SUB-COMMITTEE

The Communication & Marketing sub-committee, formed in 2011, meets on a quarterly basis. It consists of five members, Sue Greer (Chairperson), Mike Bandey, Selwyn Marx, Sandy Sagar (ISASA observer), Kim Urquhart, Di van Heerden and John Rollason.

To assist the Trustees with the management and control of the Funds, the following appointments were in place for the year under review:

ADMINISTRATORS	<i>Old Mutual</i>
AUDITORS	<i>Deloitte & Touche</i>
ACTUARIES	<i>Old Mutual Corporate Consultants</i>
INVESTMENT MANAGERS	<i>Alexander Forbes Investments Old Mutual</i>
FUND CONSULTANTS	<i>Old Mutual Corporate Consultants</i>
INSURED DEATH/DISABILITY BENEFITS	<i>Old Mutual</i>
COMMUNICATION CONSULTANT	<i>Retirement Wise</i>

**“Do not
watch the clock.**

**Do what
it does.**

Keep going.”

- Sam Levenson

The Board continues to closely monitor all service providers and the level of service received by the members. They strive to ensure that issues arising are timeously and effectively resolved.

4. REVIEW OF THE YEAR'S ACTIVITIES

4.1 MEMBERSHIP

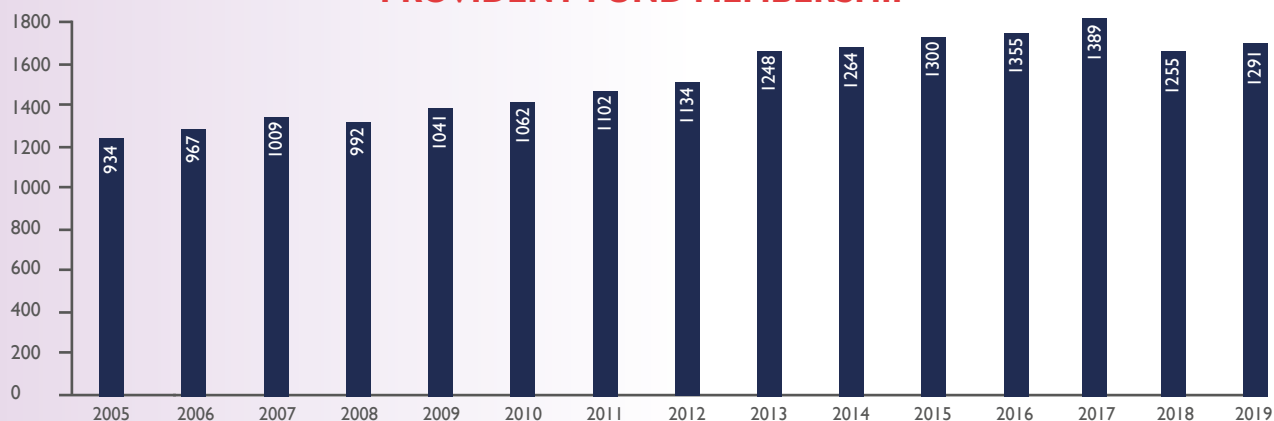
PARTICIPATING SCHOOLS

As at 28 February 2019 there were 160 participating schools in the Funds.

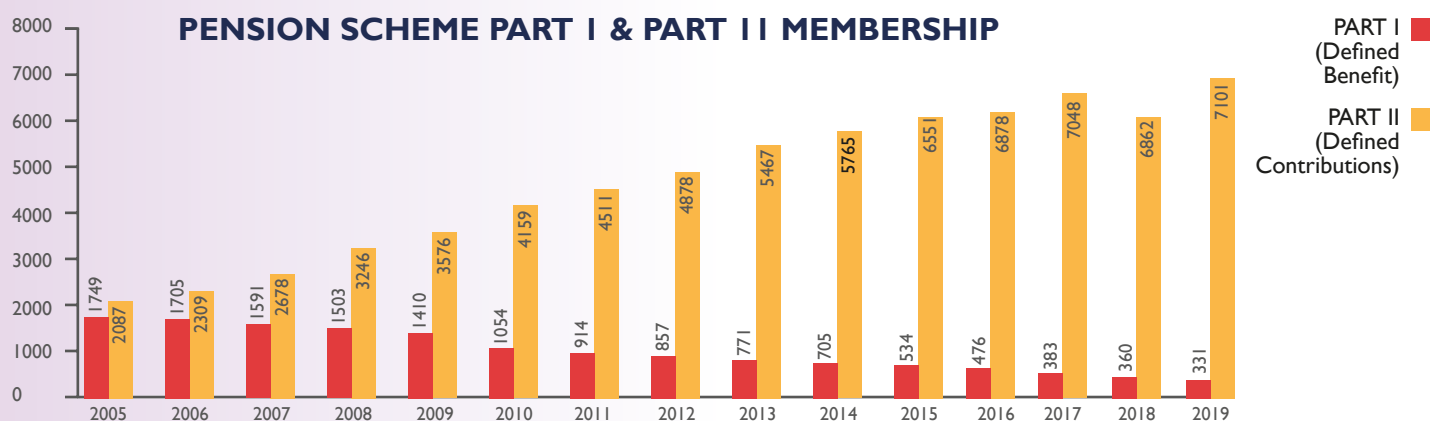
MEMBERSHIP OF THE PENSION SCHEME AND PROVIDENT FUND

As at 28 February 2019 the membership of the Funds, including pensioners and disability income members, is detailed below.

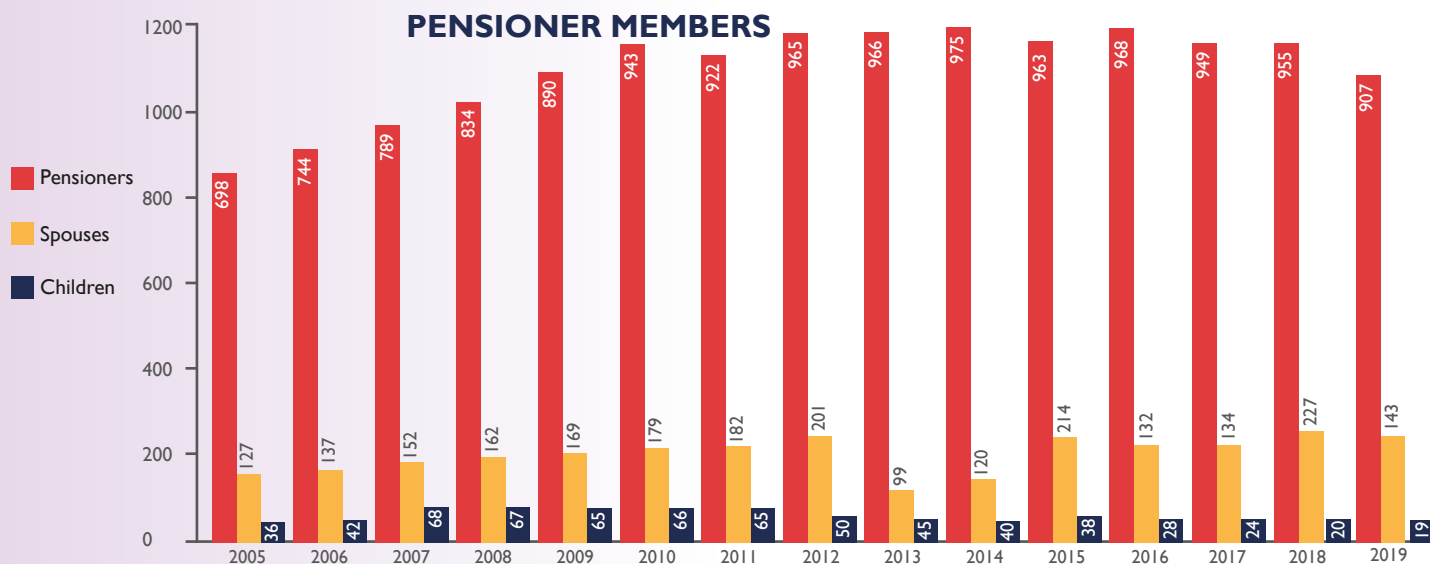
PROVIDENT FUND MEMBERSHIP



PENSION SCHEME PART I & PART II MEMBERSHIP



PENSIONER MEMBERS






4.2 BENEFITS PAID

Benefits paid during the year were:

Lump Sums	No of Members paid		Amount paid in Benefits			
	Pension Fund	Provident Fund	Total Provident Fund (R)	Part I (R)	Part II (R)	Total Pension Fund (R)
Retirement	138	30	8,951,350	33,519,458	127,421,845	160,941,303
Death	22	5	2,396,621	3,222,104	32,639,335	35,861,439
Withdrawal	523	97	9,906,955	2,756,332	165,315,165	168,071,497
Retrenchment	16	4	586,361		3,326,588	3,326,588
Unclaimed Benefits	37	19	1,310,113	1,565,205	2,790,600	4,355,805
Divorce Orders	7	1	45,968	1,347,962	230,561	1,578,523
Paid to Pensioners	971			84,838,277		84,838,277
TOTAL	1,714	156	23,197,368	127,249,338	331,724,094	458,973,432

4.3 COSTING

The employer contribution to the Funds includes Fund-related costs. The Board of Trustees approved a budget for the 2020 financial year. Costs will be deducted from the schools' contributions at a rate of between 0.35% and 0.60% of pensionable earnings depending on membership size. The Fund costing is below market average and well managed by the Board. The following important budgeted costs are included in the allocations for Pension Scheme and Provident Fund respectively.

-  Administration Fees: 0.18% p.a. / 0.3%p.a
-  Consulting & Actuarial Fees: 0.22% p.a. / 0.23% p.a.
-  Fund operating expenses: 0.10% p.a. / 0.18% p.a.

As a member of the Fund, the costs of the **insured benefits are paid** from your employer contribution. The rates effective 01 March 2019 are:

Pension Scheme Summary			
Part	Benefit	Insurer	Premium Rate
Part I	Group Life	Old Mutual	0.55%
Part I	Income Disability	Old Mutual	0.760%
Part II	Group Life	Old Mutual	As Elected by the school: <ul style="list-style-type: none"> • 0.55% • 1.05% • 1.55%
Part II	Income Disability	Old Mutual	0.760%

Provident Fund Summary			
Category	Benefit	Insurer	Premium Rate
Category 1(B)	Death & Lump Sum Disability	Old Mutual	1.20%
Category 1	Lump Sum Disability	Old Mutual	Included in the rate of 1.20%
Category 2(A)	Group Life	Old Mutual	0.75%
Category 2(A)	Income Disability	Old Mutual	1.016%

The benefits provided by this cover have stood members in good stead.

4.4 RULE AMENDMENTS

The following Rule Amendments were made during the year.

Pension Scheme Rule Amendments				
Rule amendment no.	Motivation and description of rule amendment	Date of Board of Fund's resolution	Effective date	Date registered by the Registrar of Pension Funds
5	<p>The definition of "REGISTRAR" and all references thereof in the master rules be replaced by "AUTHORITY".</p> <p>To align the master rules with regulation 39 by enabling the management board to adopt and document an annuitisation policy statement.</p> <p>To align the master rules with regulation 38.</p> <p>To update the registered address of the Fund with the new registered address.</p> <p>To rectify omissions that were made in amendment I in particular to master rule 8.2(4) (b) (ii) of general section, master rule 2.5(1) of Part I and master rule 5.1 of Part II.</p> <p>To facilitate the process where, as part of an investigation of failure by or inability of a participating employer under business rescue to pay contributions and for reasons considered appropriate under the circumstances, the Board of Fund may temporarily suspend the retirement funding contributions.</p> <p>The withdrawal benefit under Part I is updated to reflect the practice.</p> <p>To update the master rules with the latest changes to legislation. A member is permitted to transfer benefits on retirement to an approved retirement annuity fund.</p>	24 May 2018	01 June 2018	27 August 2018

“The Board of Trustees has a fiduciary duty to act in good faith, with due diligence and care, to avoid conflicts of interests and act with impartiality in respect of all its members, being ultimately accountable and responsible for the performance and affairs of the Fund.”



2019 Trustee Report

“Until we can manage time, we can manage nothing else” - Peter Drucker

Pension Scheme Rule Amendments				
Rule amendment no.	Motivation and description of rule amendment	Date of Board of Fund's resolution	Effective date	Date registered by the Registrar of Pension Funds
6	<p>To clarify that each sub-fund is ring-fenced and that no member, beneficiary, former member or participating employer in any sub-fund has rights and claims over or in relation to the assets of any other sub-fund.</p> <p>To make provision for the distribution of actuarial surplus in terms of section 15C of the act.</p> <p>To include provisions relating to the treatment of a deficit in respect of Part I</p> <p>To clarify in the master rules that a full pension is payable in the month in which a pensioner dies. This is in line with the initial intention of the Board of the Fund</p> <p>To align the master rules with enhancements made to the administration system.</p> <p>To stipulate that a member in respect of whom the benefit on withdrawal from the fund is subject to an employer lien, as contemplated in section 37D (1)(b) (ii) of the act, is not permitted to become a preserver member.</p>	12 October 2018	01 November 2018	12 November 2018
7	<p>To make provision for the transfer of amounts, in respect of surplus, to and from the main account to the disability account and vice versa, as requested by the Board of fund.</p> <p>To remove the option of the fund owned pension in respect of Part II members.</p>	18 January 2019	01 February 2019	19 February 2019

Provident Fund Rule Amendments				
Rule amendment no.	Motivation and description of rule amendment	Date of Board of Fund's resolution	Effective date	Date registered by the Registrar of Pension Funds
5	To clarify that each sub-fund is ring-fenced and no member, beneficiary, former member or participating employer in any sub-fund has rights and claims over or in relation to the assets of any other sub-fund. To make provision for the distribution of actuarial surplus in terms of Section 15C of the act.	12 October 2018	01 November 2018	19 November 2018
6	To align the master rules, with enhancements made to the administration system. To stipulate that a member in respect of whom the benefit on withdrawal from the fund is subject to an employer lien, as contemplated in section 37 (D) (I) (b) (II) of the act, is not permitted to become a preserver member.	18 January 2019	01 February 2019	21 January 2019

5. INVESTMENTS

The **accumulated assets** of the **Fund** at **28 February 2019**, were as follows:

	Pension Scheme - Part I & Part II	Provident Fund
Total Funds as at 1/3/2018	R4,256,506,376	R215,369,677
Plus contributions	R405,266,516	R31,587,780
Minus benefits and transfers	(R408,373,902)	(R23,204,215)
Minus expenses	(R43,107,274)	(R3,002,652)
Plus/minus net investment returns	R176,942,401	R8,687,060
Reserve transfers	R1,832,207	
TOTAL FUNDS as at 28/02/2019	R4,389,066,324	R229,437,650

Global and local markets continue to be characterised by high volatility and, as a consequence of these fragilities, a continuing considered approach to investment scenarios is essential.

The Trustees continue to feel that it would be unwise for members to react impulsively to the current financial turmoil. In particular, they would advise against defined contribution members making large scale switches to their investments. The LifeStage model is designed to mitigate the risk of the impact of poor investment markets in the critical period before a member retires.

The Trustees also strongly recommend that all members who will be retiring or leaving the Funds in the foreseeable future seek professional advice to ensure that their ongoing investments are appropriately structured.



2019 Trustee Report

“The time you think you are missing misses you too ”

5.1 PENSION SCHEME (PART I)



Pension Scheme (Part I) participating employers are allowed a choice of investing in the Old Mutual Absolute Stable Growth Portfolio (AGP) or in the Alexander Forbes Investments Performer Portfolio (PP), or a combination of both. Pensioner assets are invested in the Old Mutual AGP.

5.1.1 OLD MUTUAL ABSOLUTE STABLE GROWTH PORTFOLIOS

Absolute Growth Portfolios offer investors exposure to growth assets (like equities, property and alternative assets) while smoothing out the ups and downs typically associated with investing in these assets. These smoothed returns are passed on to investors in the form of bonuses. These portfolios also offer members guarantees to protect them from the impact of severe market downturns that protect members’ capital and bonuses to various degrees. This applies to investors who remain in the portfolios until they reach one of the following defined benefit events:

-  **Retirement**
-  **Death**
-  **Ill-health retirement**
-  **Retrenchment**
-  **Resignation**

The two smooth bonus portfolios are:

-  **Absolute Stable Growth Portfolio that provides an 80% guarantee (AGP80)**
-  **Absolute Smooth Growth Portfolio that provides a 50% guarantee (AGP50)**

The AGP50 portfolio has the same underlying assets as the AGP80 portfolio and also provides the same smoothing mechanism but has a lower fee and results in a 0.5% pa higher return for members. Both portfolios target a return of inflation plus 5.5% per annum over rolling 3-year periods while maintaining a relatively high exposure to growth assets.

As at 31 July 2019, the performance of the Absolute Stable Growth Portfolio was:

Period	AGP 80	AGP 50	Inflation (Headline)
1 Year Gross	5.2%	5.8%	4.0%
1 Year Net	4.7%	5.2%	n/a
3 Years Gross	6.9%	7.4%	4.5%
3 Years Net	6.3%	6.8%	n/a
5 Years Gross	9.4%	9.9%	4.9%
5 Years Net	8.8%	9.3%	n/a
10 Years Gross	10.8%	11.3%	5.1%
10 Years Net	10.1%	10.6%	n/a

“The view in the rearview mirror is always clearer than the view through the front windscreen ”

- Warren Buffet

5.1.2 ALEXANDER FORBES INVESTMENTS PERFORMER PORTFOLIO

The Performer Portfolio is a diversified and market-related portfolio spread across a number of recognised asset management companies. Alexander Forbes Investments, select and combine a number of different asset managers – who invests in a mix of asset classes (domestic and global shares, bonds, property and cash). Since it is a market-related portfolio, the value of the portfolio fluctuates daily, in accordance with the daily changes in the various asset classes.

As at **31 July 2019**, the **performance** of the **Performer Portfolio** was:

Period	Returns (Annualised)	Benchmark	CPI
1 Year Gross	3.34%	1.94%	4.0%
1 Year Net	2.74%	n/a	n/a
3 Years Gross	5.42%	4.59%	4.5%
3 Years Net	4.81%	n/a	n/a
5 Years Gross	6.61%	6.90%	4.9%
5 Years Net	5.99%	n/a	n/a
10 Years Gross	11.56%	12.03%	5.1%
10 Years Net	10.90%	n/a	n/a

Investing is essential to building long-term wealth.

Take this seize-the-day cue from investor

Carlos Slim:

“Anyone who is not investing now is missing a tremendous opportunity”

If you tell yourself that you need to wait for the perfect time to invest, you’re going to be waiting a while. Meanwhile, the chance to start growing your money is steadily passing you by. Slim didn’t become a tech and telecommunications investing giant (not to mention the second wealthiest man in the world) by sitting around on his hands. The message here is clear: if you’re thinking of investing, there’ll never be a better time than the present, so what are you waiting for?

- Rebecca Lake (journalist at CreditDonkey, a stock broker comparison and reviews website)



2019 Trustee Report

“Your time is limited, so don’t waste it living someone else’s life” - Steve Jobs

5.2 PENSION SCHEME (PART II) AND PROVIDENT FUND

The investment strategy of the above Funds was changed, with effect from 1 September 2017, to provide members with a default **Goals-based LifeStage model**.

The new Goals-based LifeStage model aims to give you more certainty about the amount of pension you can expect at retirement.

Growing your savings for retirement

The first stage in the LifeStage investment strategy focuses on **growing your savings** for retirement. This is when you have a long time to retirement and can take more investment risk to increase potential investment returns.

5 years to
Retirement

Preparing for retirement

The second stage focuses on **preparing for retirement**. The Goals-based investment strategy focuses on protecting the level of projected pension income.

2 years to
Retirement

Normal
Retirement Age

**Growth phase
Performer**

**Transition
Quarterly switches**

**Protection phase
Protector**

HOW IS GOALS-BASED INVESTING DIFFERENT FROM TRADITIONAL INVESTING?



It defines risk as being the risk of you falling short of your main goal, which is to meet your minimum income requirements during retirement.



It uses investment strategies and asset classes that are more resilient in relation to the projected income that will be achieved for a member at retirement.

In addition, members who do not wish to follow the LifeStage model have the flexibility of selecting their own portfolio from **a range of eight portfolios offered by the Trustees**.

As at 31 July 2019 the performance of the two Goals-based LifeStage portfolios are indicated below:

Period	Performer	Protector	CPI
1 Year Gross	3.34%	5.38%*	4.0%
1 Year Net	2.74%	4.90%*	n/a
Benchmark	1.94%	4.83%*	4.0%
3 Year Gross	5.42%	n/a	4.5%
3 Year Net	4.81%	n/a	n/a
Benchmark	4.59%	n/a	4.5%

***Protector Portfolio inception date is September 2017**

5.2.1 INDEX-TRACKING LIFESTAGE MODEL

The Index-tracking LifeStage model is similar to the default LifeStage in that it uses just two portfolios and the time horizons for the switches from the growth portfolio to the protection portfolio are the same, i.e. starting from five years to retirement and ending at two years from retirement. The important differences are that the two portfolios are low cost index tracking portfolios and the protection portfolio is NOT goals-based.

The index-tracking portfolios are:



Balanced Index Fund



Conservative Index Fund.

As at 31 July 2019 the performance of the two Index LifeStage portfolios are indicated below:

July 2019	Balanced Index	Conservative Index	CPI
1 Year Gross	1.86%	5.44%	4.0%
1 Year Net	1.58%	5.09%	n/a
3 Years Gross	4.28%	n/a	4.5%
3 Years Net	3.99%	n/a	n/a
5 Years Gross	6.16%	n/a	4.9%
5 Years Net	5.85%	n/a	n/a

5.2.2 SHARI'AH PORTFOLIO

With effect from 1 April 2017 the Fund added a Shari'ah portfolio that conforms to Islamic Law. The portfolio prohibits an investment portfolio from investing in companies which are involved in gambling, alcohol, non-permitted entertainment, tobacco, pork and other defined forbidden activities, including the earning of income from interest.

Members who elect this portfolio for religious reasons can be assured that the underlying portfolio managers adhere to the prescribed guidelines as all investments are thoroughly screened and analysed to ensure conformity to Shari'ah Law.

PORTFOLIO OBJECTIVE

The Shari'ah High Growth Portfolio is a multi-asset class or balanced portfolio that maintains a relatively large holding in equity instruments. The objective is to provide a relatively high rate of capital growth, when compared to other asset allocation funds. The portfolio will also invest in property and approved bond (sukuk) instruments.



2019 Trustee Report

***“You cannot save time for future use.
But you can invest it for the future you”***

The portfolio is based on a selection of underlying investments that comply with the criteria for Shari’ah investments. It is classified as a multi-managed high-equity portfolio that is well diversified by asset class in accordance with Regulation 28 of the Pension Funds Act 24 of 1956.

As at 31 July 2019 the performance of the Shari’ah portfolio was:

July 2019	Returns (Annualised)	Benchmark	CPI
1 Year Gross	7.94%*	6.32%	4.0%
1 Year Net	6.77%*	n/a	n/a

*Inception date 1 August 2017

5.2.3 MONEY MARKET (BANKER) PORTFOLIO

The Money Market portfolio is a portfolio invested in short-term money market instruments that should deliver returns in excess of those expected from bank deposits.

July 2019	Returns (Annualised)	Benchmark	CPI
1 Year Gross	8.81%	6.64%	4.0%
1 Year Net	8.54%	n/a	n/a
3 Years Gross	8.84%	6.77%	4.5%
3 Years Net	8.57%	n/a	n/a
5 Years Gross	8.36%	6.47%	4.9%
5 Years Net	8.09%	n/a	n/a
10 Years Gross	7.72%	5.97%	5.1%
10 Years Net	7.43%	n/a	n/a

***“Tough times
never last,
but tough people do.”***

6. PENSION INCREASES

At their meeting on 22 August 2019, the Trustees declared an increase of 2.25% with effect from 1 September 2019.

With inflation running at 4.5% for the 12 months ended 30 June 2019, the increase of 2.25% represents approximately 50% of the current inflation rate.

The Board of Trustees considered the low increase and after much deliberation accepted the Valuator's recommendation which was based on the Fund's affordability and sustainability in these difficult economic circumstances.

The table setting out actual increases to pensioners over recent years follows:

Date of Increase	Increase	CPI over period	Increase as % of CPI
1.9.2005	8.0%	3.9%	205%
1.9.2006	18.0%	5.4%	333%
1.9.2007	20.0%	6.7%	299%
1.9.2008	12.0%	13.7%	91%
1.9.2009	0.0%	6.4%	0%
1.9.2010	0.0%	3.5%	0%
1.9.2011	5.0%	5.3%	94%
1.9.2012	3.5%	5.0%	70%
1.9.2013	7.0%	6.4%	109%
1.9.2014	6.0%	6.6%	91%
1.9.2015	4.7%	4.7%	100%
1.9.2016	5.3%	6.3%	84%
1.9.2017	2.6%	6.1%	50%
1.9.2018	3.5%	4.6%	76%
1.9.2019	2.25%	4.5%	50%

*Note that the figures for the "CPI over period" are reported for year on year ending 31 August except those from 2015 onwards which are reported for year on year ending 30 June 2018. The 30 June CPI figure is used for the basis of future increases to allow more time for the Trustees to assess the financial position of the Pensioner Account, against a consistent CPI (inflation) measure, prior to the announcement of the annual pension increase.

Be patient - "This company looks cheap, that company looks cheap, but the overall economy could completely screw it up. The key is to wait. Sometimes the hardest thing to do is to do nothing."

- David Tepper (Appaloosa Management founder)



2019 Trustee Report

“There’s time for everything”

7. DEFAULT REGULATIONS

The Funds successfully implemented the default regulations from 1 March 2019.

The regulations aim to improve the outcomes for members by ensuring that they get good value for their savings and retire comfortably. The regulations require all retirement funds in South Africa to ensure they provide:



A default preservation strategy;



A default investment strategy;



A default annuity strategy.

DEFAULT PRESERVATION STRATEGY

If you leave the Fund, you will automatically become a Paid-Up member of the Fund after 120 days, unless you actively elect another option.

When you become Paid-Up you will be known as a Preserver member in terms of the Rules of the Fund. You will not be allowed to split funds, i.e. take a portion in cash and preserve the rest in the Fund. The split-funding is only available if you preserve outside the Fund. As an in-Fund Preserver member, you will also not be allowed to contribute monthly to the Fund and the insured benefits (death, disability and funeral) will fall away. Your benefit as a Preserver member will remain invested in the same portfolio it was invested in when you were an active member, until you choose another investment portfolio from the list of available Member Choice Portfolios.

DEFERRED RETIREMENT

The Fund allows you to defer your retirement, i.e. leave your Accumulated Credit (Fund savings) in the Fund and continue membership in your personal capacity after reaching normal retirement age and leaving your employer. This means that you are no longer required to take your retirement benefit from the Fund immediately. You will not be allowed to make further contributions to the Fund upon reaching your retirement age. The death, disability and funeral benefits (if applicable) will cease. Your money will remain invested in the same portfolio it was invested in when you were an active member, until you choose another investment portfolio from the list of available Member Choice Portfolios.

***“Ordinary people
think merely of
spending time.
Great people
think of using it”***

DEFAULT INVESTMENT STRATEGY (PORTFOLIO)

The Funds were ahead of this requirement with the new Goals-based default LifeStage strategy that was introduced on 1 September 2017. In addition, the Funds offer both a passive LifeStage model and a Shari’ah-compliant portfolio on a member choice basis.

Continued overleaf...

ANNUITY STRATEGY

A retiring member who has decided to take his/her retirement fund benefit will need to choose how they want this benefit paid. You have the following choices:



Consider the Fund's Default Life Annuity, the Old Mutual Fund Select Annuity



Provident Fund members:

Take your retirement fund benefit in cash, and pay tax on the money



Pension Scheme members:

Take one third in cash and use the two thirds to buy a pension for life

A life annuity, once chosen or defaulted into, becomes irreversible. To better manage this irreversibility, retiring members can only move into an annuity with their consent. This election by the retiring member makes the purchase of an annuity a "soft default" by having the member "opt-in" instead of "opting-out".

Your Funds were ahead of this requirement as they have offered a Default Annuity, the Old Mutual Fund Select Annuity (FSA), since June 2013. The Trustees believe it may be a good solution for members, because it is easy to invest in, and it provides a reliable monthly pension for life.

RETIREMENT BENEFITS COUNSELLING

Members receive the Funds default flyers that explain the various options members have at retirement and retirement benefits counselling 3 months before their normal retirement date.

In addition, the Funds, in partnership with Old Mutual, hosted their first Retirement Planning event on 11 June 2019 for all members that were 5 years from retirement.

The Funds believe in the importance of proper planning for a sustainable retirement and trust that insightful sessions like these will guide members in these final years to retirement. Research shows those who start planning at least five years out have a happier retirement.

The 68 members were treated to speakers, all industry experts in their field, and they covered various topics of importance and interest:

"Time goes by, people get old. So, while you grow older be sure not to live a passive life, not to stay still watching as time diminishes your dreams, desires, and hopes. Grab it and make every moment beautiful and unforgettable. Who knows there may be some time when you will regret it. You will regret having done nothing, so wake up and live each and every moment properly."



2019 Trustee Report

“May you always live in interesting times”



First-hand experience of retiring and what to look out for, presented by Angus Daniels



The importance of estate planning and having a practical and legal Will, presented by Kalay Govender



The Psychology of Retirement, which dealt with a “soft” but critical aspect of retiring by David Crawford



Converting a Lump Sum into an Income for Life by Andrew Davison.

OLD MUTUAL FUND SELECT ANNUITY

At retirement members often struggle to make the right choice of annuity. Since June 2013 the ISASA Trustees have offered members the Old Mutual Fund Select Annuity (FSA) as one possible pension solution. The Trustees believe it may be a good solution for members, because it is easy to invest in, and it provides a reliable monthly pension for life.

Best of all, it is cost effective because the charges members pay are similar to those that are usually only available to staff of big companies, not individuals.

Benefits of the FSA include:



It is safe – as it will last your whole life;



It is cost-effective – as it’s offered to you at good rates that would normally only be available to employees retiring from a big company; and



It is trusted – it is offered by Old Mutual.

Members who are eight years from retirement will receive a FSA quotation via e-mail. The quotation will give the member a good idea of what they can expect to receive as a monthly income after retirement, based on their current Accumulated Credit. Thereafter they will receive these quotes annually until retirement.

“As time goes on, I get more and more convinced that the right method of investment is to put fairly large sums into enterprises which one thinks one knows something about and in the management of which one thoroughly believes.”

- John Maynard Keynes

**“Don’t count
every hour
in the day.
Make every
hour count”**

8. DISABILITY INCOME BENEFITS

The payment of disability income benefits is subject to acceptance by the insurer in terms of the policies held in the names of the employers, outside of the Fund.

9. GENERAL

9.1 PRESERVATION OF BENEFITS

When withdrawing from the Fund and considering what to do with your fund benefit, the preservation of your retirement savings should always be your first consideration.

Preservation occurs when money saved for retirement through pension, provident and preservation funds remain in those funds until the person retires, or is rolled over into another similar retirement savings vehicle without incurring taxes or penalties when a person changes jobs.

Retirement savings, for the average worker, are the single largest source of income post retirement. However, rates of preservation are very low. Cashing out accumulated retirement savings prematurely erodes financial security in old age, undermines the alleviation of poverty and increases reliance on others.

Government has proposed various options to increase rates of preservation in recognition of the need to protect retirement savings.

Fund benefits can be preserved and kept in the retirement funding system by placing them in a retirement annuity, transferring them to your new employer’s fund or to a preservation fund.

9.2 NOMINATION OF BENEFICIARIES

One of the most challenging tasks facing the Trustees is to ensure that lump sum benefits paid on the death of a member are equitably allocated to the appropriate dependants of that member. Although the nomination form is not binding on the Trustees, it does serve as an important guide in the event of the death of a member. The Trustees therefore urge all members of the Funds to ensure that their Nomination of Beneficiary forms are completed and submitted to their Bursar, and thereafter updated on a regular basis, to reflect an accurate record of the status of each member’s dependants and/or nominees.

This form can be obtained from your Bursar or directly from the Funds’ websites at

www.isasaprovidentfund.co.za or

www.isasapensionfund.co.za

9.3 ADVICE TO MEMBERS

It is crucial that members seek and obtain appropriate advice from a financial adviser on the investment of their benefits before leaving the Funds, especially in the lead-up to retirement. To find an accredited financial adviser you can visit the Financial Planning Institute’s website at www.fpi.co.za or you can phone Old Mutual on 0860 388 873.

9.4 VOLUNTARY FAMILY FUNERAL COVER

The Fund offers Voluntary Funeral Benefit (“Family Cover Policy”) for the whole family. The cover is available at a premium of R18.60 per member per month and offers funeral cover of up to R20 000. This is a valuable benefit for you and your immediate family members. See table on page 23.

PEACE OF MIND

Arranging a funeral for a loved one is difficult and stressful. The Funeral Support Service is about making life a little easier during a time of grief. The benefit of this cover is that it will be paid out to the family immediately, as soon as all required documents have been received. Many families need additional financial assistance to pay for a funeral and this cover will provide you with peace of mind.



2019 Trustee Report

**“Regret for wasted time
is more wasted time”**












ISASA VOLUNTARY FAMILY FUNERAL COVER - OLD MUTUAL	
Primary Insured (Member)	R20 000
Insured Spouse	R20 000
Insured Child Aged older than 14	R20 000
Insured Child Aged between 6 and 14	R10 000
Insured Child Aged between 2 and 6	R5 000
Insured Child Aged less than 2 and stillborn	R5 000

ADDITIONAL INFORMATION ABOUT THE POLICY BENEFITS

FUNERAL SUPPORT SERVICE

People insured under your Family Cover Policy with Old Mutual Group Assurance, their spouses and dependent children will have access to their Funeral Support Service at no extra charge. This service provides for transportation of the deceased by road or air to the final funeral home, closest to the place of burial in South Africa or its Neighbouring Countries*, from anywhere in the world.

THE SERVICE ALSO INCLUDES THE FOLLOWING FEATURES:

-  A 24-hour call centre, which caters for all 11 official languages.
-  Referral to reputable undertakers and providers of other funeral services e.g. catering, tents/marquees, etc.
-  Discounted funeral packages with a network of funeral service providers.
-  Assistance in finding a tombstone provider.
-  Where death occurs within South Africa, a relative may accompany the body to the funeral home and, if needed, overnight accommodation will be provided at no additional cost.
-  Legal assistance can be provided regarding funeral procedures, e.g. death certificate, removal of body, etc.
-  Advice on handling of all necessary documentation such as obtaining a death certificate and cross-border documentation.
-  Referral to a pathologist if an autopsy is necessary.
-  This free Funeral Support Service applies to the insured person and his/her spouse and dependent children.
-  The service can be accessed at any time by calling 0860 000 500.
-  Old Mutual can assist you in communicating this valuable service to eligible people by providing marketing material.

* Neighbouring Countries shall mean Namibia, Zimbabwe, Botswana, Swaziland, Lesotho and Mozambique (south of the 22° parallel in Mozambique).

PARTICIPATION






Current employees have the option of joining the Family Cover Policy when the school first joins the ISASA Pension Scheme or Provident Fund. Thereafter, members may only join at the following review date (1 March).

New employees will have the option to join the Family Cover Policy when they first join the school and thereafter also at the following review date (1 March) by asking the bursar to be included in the scheme.

Once you leave the Fund, you will not be covered under this scheme anymore. You will not be able to continue on an individual basis.

9.5 NEW ADMINISTRATION SYSTEM

Your Funds were successfully transferred to the new ISASA administration system during the first half of 2019. The new system now provides exciting new functions including:

-  New menu icon called “My Corporate Business” to access Payroll and electronic claim submission (eClaims).
-  Flexible file format with additional validation step when loading payroll data.
-  New improved eClaim with new validations and online assistance.
-  Ability to “fast track” a retirement and withdrawal benefit (subject to certain terms and conditions) by utilising the “Pre-Funding” offering. More detailed information will be communicated to qualifying schools in due course.
-  Quarterly administration reports to better keep track of your school’s membership and financial movements.

TIMELESS ADVICE:

***“An investment in knowledge
pays the best interest.”***

- Benjamin Franklin

***When it comes to investing,
nothing will pay off more
than educating yourself. Do
the necessary research, study,
and analysis before making
any investment decisions.***

– David Bakke, Investopedia







2019 Trustee Report

**“You’re writing the story of your life
one moment at a time”**

9.6 OLD MUTUAL REWARDS

Members of the Fund can now also register for Old Mutual Rewards. Members can earn rewards points for building financial knowledge and making sensible financial decisions. Point-earning activities include completing financial assessments, using online calculators like the education savings or debt repayment calculators, and completing education modules on Moneyversity, Old Mutual’s online financial education hub.

Rewarding good financial behaviour is key to improving our members’ savings culture and helping members to take charge of their own financial future. It is hoped that effective day-to-day money management, financial knowledge-seeking to support sound financial decision-making, gaining insight into your own financial needs, financial planning and goal setting will be encouraged through this programme. **Old Mutual Rewards members can:**

-  Re-invest or donate their points;
-  Convert points to products like the Old Mutual Money Account;
-  Redeem points at any Old Mutual Rewards partner, or
-  Use points to buy airtime and data bundles.

OLD MUTUAL REWARDS - POINT EARNING TABLE	
Join Old Mutual Rewards	500
Refer a friend	200
Speak to an adviser	250
Complete MoneyVersity courses	50
Use financial tools and calculators	25
Complete financial assessments	25
Request a credit report	100
Complete Fin360 courses	500
Complete On The Money courses	500
Surveys	50

Old Mutual Rewards Partners

Spend your points with these partners:



II. MEMBER COMMUNICATION SAMPLE SHOWCASE



In the event of any conflict between this Report and the Rules of the Fund, the latter will prevail.



ISASA

2019 *Trustee Report*

***“Time is free
but it is
priceless***

***You can’t
own it
but you can
use it***

***You can’t
keep it
but you can
spend it***

***Once you’ve
lost it
you can never
get it back.”***

-Harvey Mackay

FUND CONTACT DETAILS

Administrator’s Office:

Old Mutual Corporate
1 Mutual Place
107 Rivonia Road
Sandton
2146

Registered Office:

Old Mutual Corporate
1 Mutual Place
107 Rivonia Road
Sandton
2146

Principal Officer

John Rollason
Email: john@rollason.co.za

Fund’s Registration numbers at the Office of the Registrar of Pension Funds:

Pension Scheme (Part I and Part II): 12/8/11388/1
Provident Fund: 12/8/20855/1

2019

REPORT BY THE BOARD OF TRUSTEES

*We thank the following
talented ISASA artists
and photographer
pensioners for sharing
their creative masterpieces
and moments with us in this
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Liz Alp,
Eve Anderson,
Peter Betts,
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Jeanie Main,
Owen Roberts,
Margaret Smith,

