



ISASA

2020 REPORT

BY THE BOARD
OF TRUSTEES

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



LEARNING PLANNING LIVING



ISASA

2020 REPORT

BY THE BOARD
OF TRUSTEES

HIGHLIGHTS

**TOTAL
ASSETS**
R5 BILLION
as at June 2020

**TOTAL
MEMBERSHIP**
of 9 960

**WINNER OF
IRFA Best Practice
Communication
Awards for 7th
consecutive year**

**FUND
WEBSITE
VISITS**
343 109
(since inception)
more than **5000**
monthly
visitors

R470 MILLION
paid out
in **BENEFITS**
to **MEMBERS**
and
PENSIONERS

**VOLUNTARY
FAMILY FUNERAL
SCHEME**
(R22 000 Member
and spouse)

**EARN
REWARDS**
by **LEARNING**
about **MONEY**
and **YOUR**
OWN FINANCES
(Offered by Old Mutual
the Funds' administrator)

**5049
'LIKES'
ON FUND
FACEBOOK PAGE**
(Inception
March 2019)

87% of MEMBERS
surveyed
FEEL they are
TREATED FAIRLY
by **THE FUND**



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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 29 February 2020. 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 9 960 as at 29 February 2020. The year under review was a particularly difficult year for investment markets around the world and in South Africa. Markets were under tremendous pressure, experiencing extensive declines in investment values due to the Covid-19 pandemic.

Although, the first quarter of 2020 will go down as one of the most severe in the history of markets, it recorded one of the fastest comebacks to date. After the fall in March, markets rebounded strongly in April. By the end of August, the Fund had almost recovered fully from the market fall that happened in March because of its well-designed investment strategy.

The Fund's LifeStage investment portfolios have been specifically designed to preserve and keep members' investments safe as they near retirement. In these tough economic times it is especially important that members remain calm and safeguard their income and savings.

The Trustees continually analyse the performance of the Fund and regularly review the strategy to ensure it remains relevant during the prevailing market and economic environments, noting however that saving for retirement is a long-term goal and therefore the focus tends to be on the long term. Therefore, although short-term volatility does affect returns, it should not be too concerning for members still a fair way from retirement.

Based on future expectations of returns from the various asset classes invested in by the Fund, the Trustees are of the view that the long-term real return performance objectives are still achievable. Although the Pension Account remains financially sound and pensioners' ongoing pension payments are not under threat, the Board decided that a pension increase as at 1 September 2020 was not affordable and sustainable in these difficult and volatile economic times.

Member communication remains a priority for the Funds and the Board is proud that, for the seventh year in a row, the Fund was rewarded with a Best Practice Award for

Stakeholder Engagement from the Institute of Retirement Funds Africa (IRFA).

We are also excited that the Fund's Facebook page has proven to be very successful with 18 866 'Likes' received since its inception in March 2019. Facebook and the Fund's website proved invaluable during social distancing to keep members and pensioners updated regarding their Funds. 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.isapensionfund.co.za or www.isasaprovidentfund.co.za and on the Funds' Facebook Page.

Actuarial valuations for the Funds were performed as at 29 February 2020 and the Valuator reported that the Funds were in a sound financial position. The audit for the year ended 29 February 2020 has been finalised and the financial statements were submitted to the FSCA on 28 August 2020.

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

John Liackman

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





*Your Fund is a
beacon of light
in turbulent
times guiding
you to a sound
financial future.*

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	ISASA	
Duncan Wattam	Trustee	ISASA	
Mduduzi Ndlovu	Trustee	ISASA	
Michael Acutt	Trustee	SABISA	Bursar
Greg Royce	Trustee	SAHISA	Head
Roseanne Harris	Trustee	ISASA	
Varinia Eddie	Trustee	Member	Central Region
Christiaan de Jager	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	Member	Retired Deputy Head
Simon Kroon	Trustee	Member	South East Region
Duduzile Malinda	Alternate	Member	Central Region
Susan Greer	Alternate	Member	Kwa-Zulu Natal Region
Julian Cameron	Alternate	Member	South West Region
Penny York	Alternate	Member	South East Region

Lebogang Montjane attends Trustee Meetings by invitation in an ex-officio capacity, as Executive Director.

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 (FSCA, previously the Financial Services Board).

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 and Marketing sub-committee**

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, Roseanne Harris 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 attends for the purpose of providing specialist advice.

3. COMMUNICATION AND MARKETING SUB-COMMITTEE

The Communication & Marketing sub-committee, formed in 2011, meets on a quarterly basis. It consists of five members, Susan Greer (Chairperson), Mike Bandey, Kim Urquhart, Di van Heerden (ISASA) 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>RetirementWise</i>

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

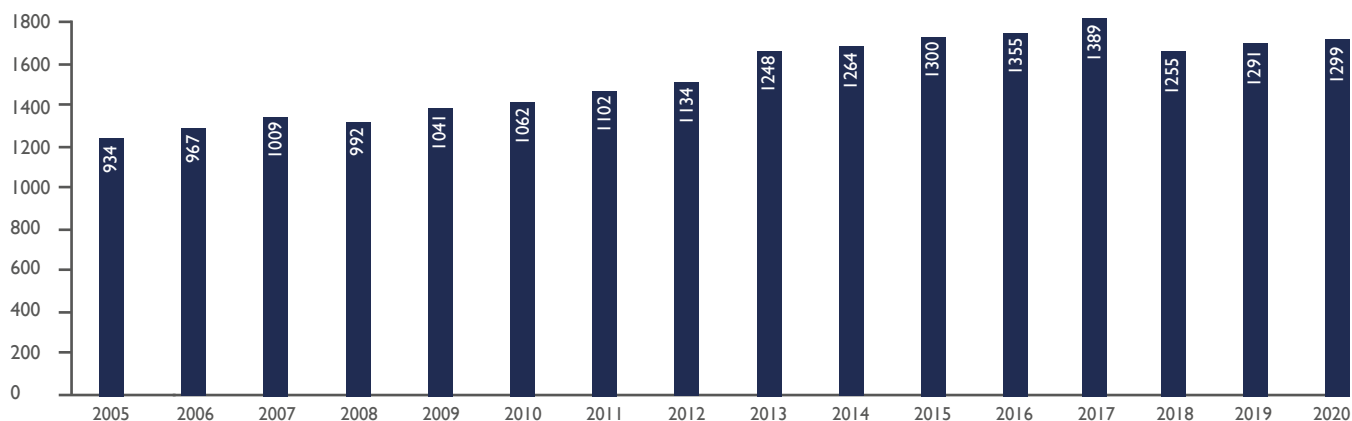
PARTICIPATING SCHOOLS

As at 29 February 2020 there were 159 participating schools in the Funds.

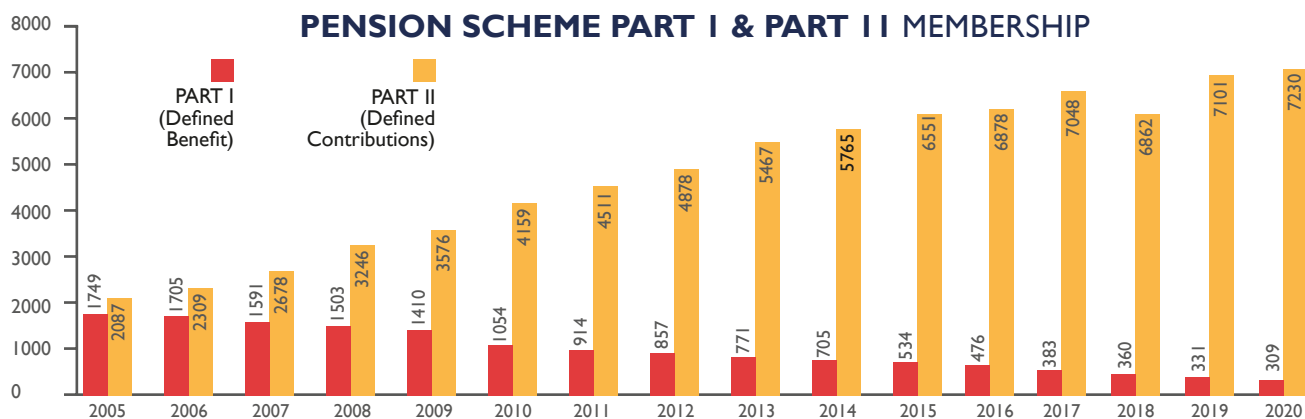
MEMBERSHIP OF THE PENSION SCHEME AND PROVIDENT FUND

As at 29 February 2020 the membership of the Funds, including pensioners and disability income members, is detailed below.

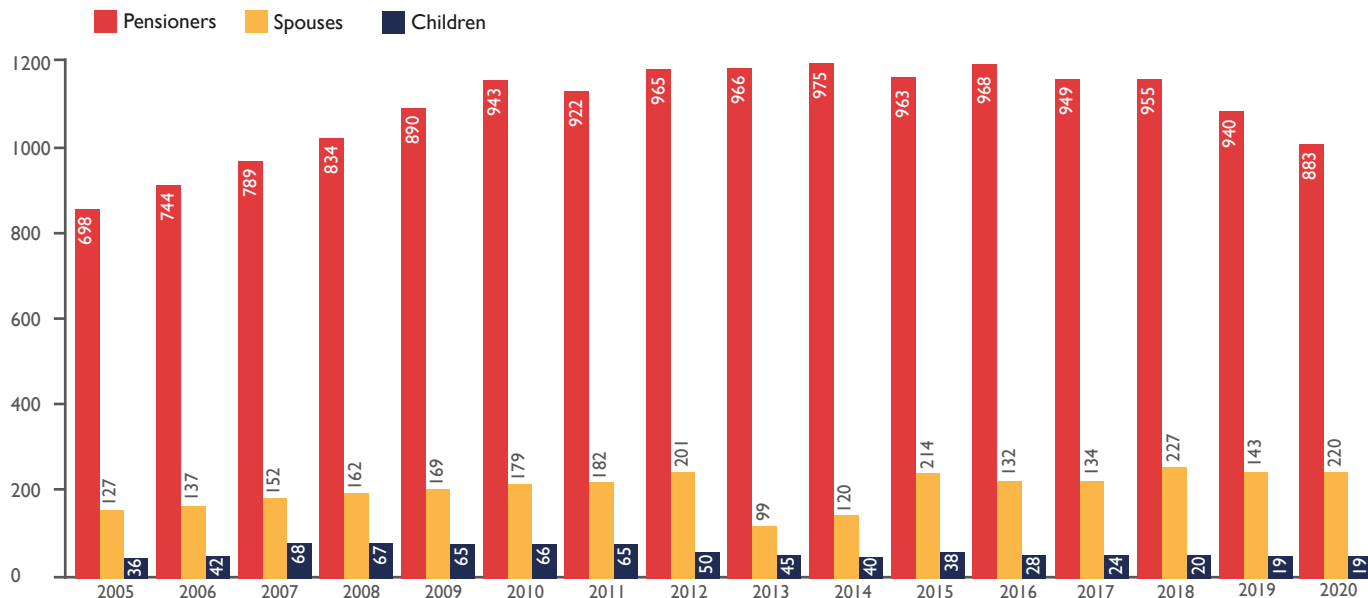
PROVIDENT FUND MEMBERSHIP



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	118	18	6,461,281	23,847,657	125,044,839	148,892,496
Death	13	5	1,869,864		22,815,812	22,815,812
Withdrawal	554	99	15,313,090	7,836,697	165,637,075	173,473,772
Retrenchment	23	4	656,634	440,474	5,447,696	5,888,170
Unclaimed Benefits	164	1	37,638	16,544	5,007,063	5,023,607
Divorce Orders	4	1	132,239		1,162,290	1,162,290
Paid to Pensioners	935			88,284,753		88,284,753
TOTAL	1,811	128	24,470,746	120,426,125	325,114,775	445,540,900

4.3 THE COSTING

The employer contribution to the Funds includes Fund-related costs. The Board of Trustees approved a budget for the 2021 financial year, which included an average of 0.5% of pensionable salaries for the Pension Scheme and 0.7% for the Provident Fund to cover costs.

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 2020 are:

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%

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%

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 Financial Sector Conduct Authority
58	<ul style="list-style-type: none"> • To make provision for the appointment of the Deputy chair; • To clarify that a board member would be disqualified from holding of office by virtue of misconduct; • To stipulate the procedure to be followed to remove a board member who no longer meets the criteria as stipulated in master rule 3.5; • To stipulate a deadlock breaking mechanism if an agreement cannot be reached on the appointment of an expert to resolve issues where a majority vote cannot be reached; To allow a member the option to elect to transfer the benefit payable at his retirement to an approved preservation pension fund. 	27 August 2019	01 October 2019	06 September 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 Financial Sector Conduct Authority
	No rule amendments were made on the Provident Fund.			



5. INVESTMENTS

The accumulated assets of the Funds at 29 February 2020 were as follows:

	Pension Scheme - Part I & Part II (R)	Provident Fund (R)
Total Funds as at 1/3/2019	4,389,066,324	229,437,650
Plus contributions	420,850,634	33,630,648
Minus benefits and transfers	(427,891,682)	(25,232,376)
Minus expenses	(43,592,947)	(3,657,677)
Plus/minus net investment returns	155,829,048	7,153,553
Reserve transfers	20,622,477	
TOTAL FUNDS as at 29/02/2020	4,514,883,854	241,331,798

The Funds' performance is always measured against the growth targets set by the Board of Trustees in the Investment Policy Statement. These targets are linked to inflation and measured over specific periods. It is important to remember that there are no guarantees that the growth targets of the Funds will be met.

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.

5.1 PENSION SCHEME (PART I)

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

Pensioner assets are invested in the Old Mutual AGP50.



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.

Old Mutual Exercised Discretion To Limit The Impact Of The Covid-19 Crisis On Absolute Growth Portfolios.

The COVID-19 crisis had a profound impact on financial markets. In order to protect benefit payments Old Mutual took several steps to limit the impact of this crisis on the performance of the Absolute Smooth Growth Portfolio (AGP50) and Absolute Stable Growth Portfolio (AGP80).

-  In a nutshell the steps taken by Old Mutual to limit the impact on the portfolios included the following:
Instead of declaring a negative bonus of minus 15% as dictated by the formula, Old Mutual exercised discretion and only declared a negative bonus of minus 5% for both the Absolute Smooth Growth Portfolio and Absolute Stable Growth Portfolio.
-  In order to protect the interests of all new investments from the recent downturn in markets and hence the negative Bonus Smoothing Reserve (BSR) of the current AGP series, Old Mutual launched a new smooth bonus series of AGP, the Old Mutual Absolute Growth Portfolios 2020, or 'AGP 2020' (to signify its 2020 launch date). This new series is a replica of the current series in that it has the same underlying investment strategy, guarantees, fee structure and bonus formula, but it channels all contributions from 25 March 2020 onwards towards a new BSR that has been reset to zero. This will continue until the current AGP 2007 BSR recovers sufficiently from its negative position.
-  Temporarily suspending Total Account switches. During normal market circumstances, Old Mutual offers retirement fund members the option to switch out of AGP on two 'Total Account' switch dates during the year at full book value. During extremely volatile and depressed market conditions such as those experienced due to Covid-19, Old Mutual needed to temporarily suspend Total Account switches to protect the interests of remaining investors. With effect from 1 April 2020, no Total Account switches will be allowed until markets have recovered sufficiently. Total account switches that were requested 3 months prior to 31 March 2020 were honoured at book value.

Notwithstanding the negative bonus rates for April 2020, these portfolios continue to perform in line with what they were designed to do – to protect benefit payments during very difficult times.

As at 31 July 2020, the performance of the **Absolute Growth Portfolios** was:

Period	AGP 80	AGP 50	Inflation (Headline)
1 Year Gross	-0.9%	-0.5%	2.1%
1 Year Net	-1.5%	-1.1%	n/a
3 Years Gross	4.2%	4.7%	3.7%
3 Years Net	3.6%	4.1%	n/a
5 Years Gross	5.8%	6.3%	4.3%
5 Years Net	5.0%	5.7%	n/a
10 Years Gross	10.1%	10.6%	4.9%
10 Years Net	8.5%	10.0%	n/a

ABSOLUTE GROWTH PORTFOLIO - AGP 2020 (OLD MUTUAL)

July 2020	AGP 80	AGP 50	Inflation (Headline)
1 Month Gross	0.75%	0.79%	1.31%
1 Month Net	0.70%	0.74%	n/a
2 Months Gross	1.53%	1.61%	1.84%
2 Months Net	1.43%	1.51%	n/a
3 Months Gross	2.32%	2.44%	1.22%
3 Months Net	2.17%	2.29%	n/a

Inception date of these portfolios was 1 June 2020.

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 invest 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 2020**, the **performance** of the **Performer Portfolio** was:

Period	Returns (Annualised)	Benchmark	CPI
1 Year Gross	7.30%	3.62%	2.1%
1 Year Net	6.71%	n/a	n/a
3 Years Gross	6.01%	4.60%	3.7%
3 Years Net	5.40%	n/a	n/a
5 Years Gross	6.23%	5.29%	4.3%
5 Years Net	5.61%	n/a	n/a
10 Years Gross	10.79%	10.90%	4.9%
10 Years Net	9.62%	n/a	n/a

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.

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.

5 years to Retirement

2 years to Retirement

Normal Retirement Age



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.

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 2020 the performance of the two Goals-based LifeStage portfolios are indicated below:

July 2020	Performer	Protector	CPI
1 Year Gross	7.30%	-0.9%	2.1%
1 Year Net	6.71%	-0.5%	n/a
Benchmark	3.62%	-0.51%	n/a
3 Year Gross	6.01%	n/a	3.7%
3 Year Net	5.40%	n/a	n/a
Benchmark	4.60%	n/a	n/a
5 Year Gross	6.23%	n/a	4.3%
5 Year Gross	5.61%	n/a	n/a
Benchmark	5.29%	n/a	n/a

*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 2020 the performance of the two Index LifeStage portfolios is indicated below:

July 2020	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

**Inception date of the Conservative Index Portfolio is April 2018.*

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 investments in companies which are involved in gambling, alcohol, non-permitted entertainment, tobacco or pork trade 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.

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.

As at 31 July 2020 the performance of the Shari'ah portfolio was:

July 2020	Returns (Annualised)	Benchmark	CPI
1 Year Gross	4.04%	7.24%	2.1%
1 Year Net	2.09%	n/a	n/a
3 Years Gross	5.23%	6.21%	3.7%
3 Years Net	3.28%	n/a	n/a

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 2020	Returns (Annualised)	Benchmark	CPI
1 Year Gross	8.02%	5.78%	2.1%
1 Year Net	7.75%	n/a	n/a
3 Years Gross	8.52%	6.36%	3.7%
3 Years Net	8.25%	n/a	n/a
5 Years Gross	8.59%	6.49%	4.3%
5 Years Net	8.32%	n/a	n/a
10 Years Gross	7.68%	5.88%	4.9%
10 Years Net	7.40%	n/a	n/a

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

- Dr. Robert Schuller

“There is no end to education.

It is not that you read a book, pass an examination, and finish with education.

*The whole of life, from the moment you are born to the moment you die,
is a process of learning.”*

– Jiddu Krishnamurti

*“We now accept the fact that learning is
a lifelong process of keeping abreast of change.*

*And the most pressing task is
to teach people how to learn.”*

– Peter Drucker



6. PENSION INCREASES

At a Special Trustee meeting held on 20 August 2020, the Fund's valuator presented the financial position of the pension account as at 29 February 2020. It showed that the Pension Account was financially sound as at 29 February 2020, however subsequent poor investment returns (due to the Covid-19 pandemic) appeared to have depleted most of the Solvency Reserve balance over the six month period thereafter.

Although the Pension Account remains financially sound and pensioners' ongoing pension payments are not under threat, the Board decided that a pension increase is not affordable and sustainable in these difficult and volatile economic circumstances, bearing in mind that any increase, once granted, is payable for life and cannot be removed.

A 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%
1.9.2020	0.0%	2.1%	0%

*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 2017.

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.



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

When they become Paid-Up they will be known as a Preserver member in terms of the Rules of the Fund. They 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 a member preserves outside the Fund. In-Fund Preserver members will also not be allowed to contribute monthly to the Fund and the insured benefits (death, disability and funeral) will fall away. The benefit of a Preserver member will remain invested in the same portfolio it was invested in when the member was an active member, until the member chooses another investment portfolio from the list of available Member Choice Portfolios.

DEFERRED RETIREMENT

The Fund allows members to defer their retirement, i.e. leave their Accumulated Credit (Fund savings) in the Fund and continue membership in their personal

capacity after reaching normal retirement age and leaving their employer. This means that members are no longer required to take their retirement benefit from the Fund immediately. Deferred members will not be allowed to make further contributions to the Fund upon reaching their retirement age. The death, disability and funeral benefits (if applicable) will cease. Their money will remain invested in the same portfolio it was invested in when they were an active member, until they choose another investment portfolio from the list of available Member Choice Portfolios.

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.

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. ***They will have the following choices applicable to the portion used to buy a pension for life:***



Consider buying a ***Living Annuity*** or ***Life Annuity*** of their choice from any of the registered insurers in the market;



Consider the Scheme's two Default Annuity products, the ***Old Mutual Fund Select Annuity (Life Annuity)*** and/or the ***Old Mutual Max Income Investment Funded Income Annuity (Living Annuity)***.

These annuities are supported by a helpful at-retirement guidance process that you can follow with the assistance of either an Old Mutual Retirement Benefits Counsellor or a member's personal financial adviser.

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 ten 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.

GOOD TO KNOW

Life annuities (also known as compulsory annuities) are simply monthly pensions that are paid to you for your whole life by the insurer from which you elected to buy the pension. This means that in exchange for savings when a member retires, the chosen insurer will pay the member a pension every single month, even if they live to be 110 years old! So members don't have to worry about outliving their savings, because the insurer takes on the risk of paying them, even if they live for a very long time.

The **amount of monthly pension a member receives** will depend on a number of factors, e.g.:



their age at retirement;



how much money they have saved; and



which options they choose.

When **a member buys a life annuity**, there are **three key decisions** they need to make:



The type of increases they want to receive going forward;



Whether or not their spouse should receive some income in the event that they pass away before their spouse (this is called the spouse's reversion); and



Whether they want their beneficiaries to get anything if they pass away after they retire within a certain time (this is called a guarantee period).

OLD MUTUAL MAX INCOME INVESTMENT FUNDED INCOME ANNUITY

If you are considering a Living Annuity - you should consider selecting the Old Mutual Max Income Investment Funded Income Annuity.

This living annuity allows you to choose which investment portfolio your retirement savings are invested into from a set of Trustee-selected investment portfolios. You also choose what percentage (also called a drawdown rate) of your total invested amount will get paid to you as an income.

In exchange for this flexibility, there is no guarantee that this income in retirement will continue for the rest of your life. You therefore need to make good decisions about how much income you want to receive.

Should you pass away before your capital is used up, the remaining amount can be left to your loved ones or form part of your estate or be used to support a living annuity in the name of your nominated beneficiary.



GOOD TO KNOW

These annuities are usually deemed suitable for individuals with large accumulated savings that are more than sufficient to provide for their income needs during retirement. They are not deemed suitable for individuals who have not saved enough and want to risk all their capital in the market in the hope of achieving a higher investment return.

A **living annuity** works like an individual savings account. It is different to the Life Annuity, explained on page 24, as it **does not guarantee income for life**.

You can draw money out of your savings account for as long as you are able to within certain limits – between a minimum of *2.5% a year and a maximum of 17.5% of your total balance. You also decide how to invest the money. Both the investment return earned, the amount you withdraw and how long you live would affect your income. You face both longevity risk – that is, the risk of outliving your savings and investment risk – that is, the risk that your investments don't perform well enough for you to maintain your standard of living.

**Due to the Covid-19 pandemic the drawdown rate was changed to between 0.5% and 20% effective 1 June to 30 September 2020.*

Once the money runs out or your balance is too little for you to live on, this option does not provide anything else. There are no safety nets to protect you from poor investment returns or living a long life. There are generally a wide range of investment options available and ongoing financial advice is usually required to select and maintain an appropriate investment strategy and determine a suitable income drawdown rate.

Unlike Life Annuities, the capital balance of a Living Annuity post a member's passing may be bequeathed to a beneficiary. The commissions and ongoing advice fees and investment management charges in respect of these products are often high and you should be aware of this in the event that you seek financial advice. That being said, good rates can be negotiated.

*“That is what
learning is.
You suddenly
understand
something you’ve
understood all
your life, but in
a new way.”
- Doris Lessing*



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 remains 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 job.

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.

The Funds' benefits can be preserved within the Funds (as Preserver member) or 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 BENEFICIARY NOMINATION

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 R22 000. This is a valuable benefit for you and your immediate family members.

ISASA VOLUNTARY FUNERL BENEFIT FAMILY COVER - OLD MUTUAL

Primary Insured (Member)	R22 000
Insured Spouse	R22 000
Insured Child Aged older than 14	R22 000
Insured Child Aged between 6 and 14	R11 000
Insured Child Aged between 2 and 6	R5 000
Insured Child Aged less than 2 and stillborn	R5 000

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.

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 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 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.

POINTS 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 Old Mutual Rewards partners:



10. MEMBER COMMUNICATION SAMPLE SHOWCASE



MEMBER COMMUNICATION SAMPLE SHOWCASE



2020 REPORT

BY THE BOARD
OF TRUSTEES

ISASA 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
Financial Sector Conduct Authority:

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

Provident Fund: 12/8/20855/1

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

*Thank you to **Liesje Carter** for her photos
as well as those supplied by **ISASA**
(Additional images were sourced from
Unsplash, HDQWalls, Pexels and Adobe Stock)*