

# **RHODES UNIVERSITY RETIREMENT FUND** **PROJECT TEAM**



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10 August 2021

Dear Active Members and Pensioners

## **STRICTLY CONFIDENTIAL** **RHODES UNIVERSITY PENSION FUND – PROGRESS COMMUNIQUE** **PROJECT UPDATE 02**

We are in a position to share important news with you that relates to the restructuring of the Rhodes University Pension Fund.

As a collective the Rhodes University Council Task Team, the Pension Fund Trustees, and the Pension Fund Restructuring Project team would like to take this opportunity to convey our apologies for the delay between this communication and our last communication. We were waiting for the statutory actuarial valuation of the Fund as of 01 January 2021 to be finalised before sharing any new information. We can confirm that the Fund's Actuary presented the results of the valuation to the Trustees at a special meeting of the Board held on Friday 30 July 2021. The valuation has revealed good news for both Active Members and Pensioners that the Rhodes University Pension Fund is in a sound financial position.

At this time the Fund is not in any jeopardy. We would like to confirm that the Rhodes University Pension Fund is not closing down or being liquidated and therefore no Active Member or Pensioner is currently at risk of losing their accumulated funds.

The Fund is fully funded. This means that its assets meet the actuary's best estimate of future liabilities in the ratio of 100%.

Furthermore, there is a small additional sum accumulated in the Fund's 'solvency reserve'. The solvency reserve has allowed the Trustees to grant Pensioners a slight retroactive increase to partially compensate for the inability to give any increase in 2020 when the Fund was in deficit. A separate communication will shortly be sent to the Pensioners notifying them of this.

The turnaround of the fund to a position of financial soundness was the result of the good investment performances achieved in 2020 by the Fund's Asset Managers, Foord and Ninety-One. Both these Managers rank amongst the top performing Fund Managers in the country. These Managers continue to look after the Fund's assets through carefully selected portfolios of local and foreign assets.

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## **A recap on the Fund restructuring Exercise: Fund Restructuring – Active Members**

The Trustees of the Fund, together with the University, have undertaken an extensive exercise where they have reviewed the current defined benefit structure of the Fund and after reviewing the impact of the defined benefit structure and what alternative options are available, have decided that it is no longer practical to continue providing retirement benefits to current Active Members wholly on a defined benefit basis.

The decision to restructure the Rhodes University Pension Fund also considered the consolidation of the current staff retirement fund arrangements within the University and at the same time considered the objectives of the University to de-risk its balance sheet and therefore support the future financial sustainability of Rhodes University as an institution.

As part of the restructuring of the Rhodes University Pension Fund, the Trustees have decided to keep the defined benefit structure of the fund for active members up to 1 April 2022. This means that active member's actuarial reserve values as at 1 April 2022 will continue to accrue on a defined benefit basis. With effect from 1 April 2022, all Active Members will join the Rhodes University Provident Fund and their new contributions from 1 April 2022 will accumulate on a defined contribution basis. With the changes as at 1 April 2022, the Trustees have decided to offer an additional level of flexibility to Active Members to the extent that they will also have the option of voluntarily transferring their actuarial reserve value as at 1 April 2022 to the Rhodes University Provident Fund, thereby having all their retirement benefits in the Rhodes University Provident Fund accumulating on a defined contribution basis.

It is important to note that the options highlighted above do not affect the Pensioners of the Fund. Equally, members retiring at the end of December 2021 will do so under the current rules of the fund, i.e., they can retire with the pension to which their accumulated service entitles them in terms of the rules, or they can uplift the full actuarial reserve value of their accumulated Funds and buy an alternative pension in the marketplace as is currently provided for in the rules of the pension fund.

### **Options for Pensioners**

In line with the restructuring programme, the Trustees are providing all Pensioners with an opportunity to voluntarily purchase their pension benefits through another provider of their choice.

The Fund's rules are being amended to allow Pensioners, subject to certain requirements, to elect permanently and irrevocably to uplift their pension capital in the fund and to use this capital to purchase a pension from another provider, such as a life insurance company. This will be a once off opportunity and Pensioners will be able to make use of this option during a window period from 1 April 2022 until 30 June 2022.

We would like to reassure Pensioners that the upliftment option being provided to them is to allow Pensioners the freedom to decide if an alternative arrangement of their own choice would be more appropriate to their specific circumstances. If they decide that remaining in the Fund is more appropriate, then that is a free choice available to them.

## **Fund Rules and Legislative requirements**

All the changes highlighted above will be in line with the rules of the Fund and amendments thereto, which are being submitted to the FSCA for approval. Due to the uncertainty regarding how long it will take for the FSCA to approve these changes, the Trustees have decided to reschedule the initial targeted restructuring date of 1 October 2021 until 1 April 2022. This will have the added advantage of allowing both Active Members and Pensioners more time to review their options thoroughly and therefore make an informed decision.

## **Way forward**

Active Members and Pensioners will have the following communication touch points available to them in the process going forward:

- Detailed personalised letter to be sent to all Members and Pensioners
- Call Centre is available with trained support personnel to assist
- Website will be available with all communication in one place, FAQ's, informative videos and infographics, interesting articles to assist members and pensioners in making informed decisions, contact us section where Members and Pensioners can write to the team and queries will be attended to within 72 hours, regular newsletters and project update emails, and an events calendar with a booking facility.
- Virtual Town Hall meetings and coffee information sessions to be available for Members and Pensioners to join and ask questions
- Monthly Newsletters and regular project updates.
- Pensioners will be personally called, and a consultant will make an appointment to guide Pensioners through the options available and ensure Pensioners are up to date with benefits and risks that should be considered so that well-informed personal decisions can be taken.

In closing, we would like to re-iterate that the Trustees fulfil their duties and responsibilities independently and collectively as a Board with due regard to all the stakeholders in the Fund. The Trustees have taken decisions that afford full recognition of the equitable rights and benefit expectations of the Members and Pensioners whilst considering the university's financial interest as the co-sponsor to the Fund. The Trustees will continue to manage the Fund in the best interests of all members and pensioners.

We will keep both Members and Pensioners updated with any new developments as and when these arise.

We trust that this communication has given you clarity on these matters. You can rest assured that the Rhodes University Pension Fund will continue to hold its Members and Pensioners at the centre of everything that is carried out in terms of this process.

Kind regards,  
Yours sincerely,

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**Mr Kamlesh Riga**  
***Spokesperson of the Project Team***

*For and on behalf of the Board of Trustees of the Rhodes University Pension Fund*