

UPCSA PENSION FUND

Registration No: 12/8/02764

Tiyo Soga House, 18 Dann Road, Kempton Park, Gauteng, 1619

To all pension recipients

10 December 2020

Dear pension recipient,

UPCSA PENSION FUND: PENSION INCREASE AS AT 1 JANUARY 2021

The Board of Trustees of the UPCSA Pension Fund has a policy to consider increases to pensions paid by the Fund on an annual basis.

Pension increases are considered for implementation as at 1 January of each year. While pension increases cannot be guaranteed, the trustees have a policy to grant increases that match at least 80% of the inflation rate, as measured by the year on year Headline Inflation rate as at 30 September preceding the increase date, subject to the affordability of such increases and based on the financial position of the Fund. Historically, the average pension increase exceeded the inflation rate.

The financial position of the Fund and, consequently, the trustees' ability to grant increases, depends mainly on the returns achieved by the investments underlying the pensions paid by the Fund. Given the exposure to growth assets to achieve the long-term investment objectives, short term volatility in returns can be expected. The trustees, therefore, have a responsibility to ensure that the annual increases granted take the short-term fluctuations of returns into account.

The pension increases granted over the past 5 years are summarised below:

Year	Headline inflation to 30 September	1 January Pension UPCSA Pension Fund	1 January Pension increase PEPF
2015	4.60%	8.00%	8.00%
2016	6.10%	7.00%	7.00%
2017	5.10%	5.10%	5.10%
2018	4.90%	4.90%	4.90%
2019	4.10%	4.10%	4.10%

1 January 2021 pension increase:

Due to the worldwide pandemic and strict lockdown regulations, financial markets experienced an extremely volatile year, which placed the Fund's investment returns under pressure. The outlook for the investment markets remains uncertain; therefore, a cautious approach needs to be followed in the foreseeable future. The trustees have a strategy to retain reserves in the pensions account when increases are granted during the periods of outperformance, to assist with funding increases during periods when the short-term performance does not support an

Employer Trustees: Mr AE Wentzel(Chairman); Mr T Borrill; Mr C Gauld; Dr N Mashalaba

Member Trustees: Rev C Judelsohn; Ms JF Botha; Ms TB Mahlangu; Rev R Botsis

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