

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 UPCSА 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 UPCSА 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

Principal Officer: Mr M Olivier

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increase. The Fund also holds a Solvency Reserve as a buffer against short term volatility of investment markets.

In light of the above, the trustees have agreed to grant an increase of **2.4%** (pro-rata for pension recipients who have received a pension for less than 12 months), with effect from 1 January 2021. Headline Inflation for the year to 30 September 2020 was 3.00%.

Although the investment returns over the past 12 months did not support an increase equal to inflation, the trustees were able to utilise reserves in the pensions account and Solvency Reserve to grant an increase in line with the pension increase policy..

Bonuses:

The trustees also consider a pensioner bonus each year. Pensioners are reminded that the bonus payment is not guaranteed and is based on affordability. Due to impact of the low investment returns over the past few years on the Fund's overall funding level and the utilisation of the Solvency Reserve to support the 2021 pension increase, the trustees are unfortunately not in a position to grant a bonus to pensioners this year.

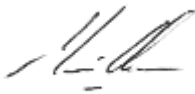
The trustees are mindful of the impact of the increase in the cost of living on pensioners. We trust that the pensioners appreciate that the trustees must balance the need to grant increases and bonuses with the need to ensure the sustainability of the Fund over the long term.

Certificate of existence

The pensioners are reminded that the Fund administrators (Ensimini Financial Services) will again require you to provide proof of existence. Please look out for the information/documentation early in the new year. We rely on your understanding that the Fund must implement processes to ensure that pension payments are not made if a pensioner's existence cannot be confirmed.

For any queries regarding the pension increase, please contact the Fund's, Principal Officer.

Kind regards,



MORNE OLIVIER
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