

Woolworths Group Retirement Fund Annual Board of Trustees Report 2016

The Board of Trustees (“the Board”) is pleased to advise members that the Fund’s audited annual financial statements for the financial year ended 29 February 2016 have been submitted to the Financial Services Board. The Fund received an unqualified audit opinion from its external auditors and the Fund’s Actuary has confirmed that the Fund remained in a sound financial position as at the financial year end.

This report is intended to inform you about the financial progress of the Woolworths Group Retirement Fund (“the Fund”), and other developments in respect of the Fund over the above period.

The Fund is a separate legal entity from Woolworths and its operation is governed by the Pension Funds Act 1956, as amended.

The Fund operates and exists for you, the member, and your dependants. It is **your** Fund and, as a member, you and the other members are the only people that will benefit from its existence.

Who manages my Fund?

The Fund is managed by a Board of six Trustees, three of whom are elected by you, the member, and three who are appointed by Woolworths. The Board’s duties include:

- Managing the Fund according to its rules and in compliance with pension fund and tax laws.
- Taking all reasonable steps to protect your interests.
- Acting with care, diligence and in good faith.
- Avoiding conflicts of interest.
- Acting with fairness towards all members and beneficiaries.
- Ensuring proper control systems are in place.
- Ensuring you get appropriate and adequate communication.
- Taking reasonable steps to ensure contributions and benefits are paid on time.
- Obtaining expert advice in areas in which the Board does not have expert knowledge.
- Ensuring efficient operation and administration of the Fund’s business.

As at 29 February 2016, the Fund’s Board of Trustees was constituted as follows:

Employer-appointed Trustees	Mr S Ngumeni (Chairperson) Mr J Novak (Vice-Chairperson) Mr C du Plessis
Member-elected Trustees	Mr L Mabula Mr S Thomas Mr B Mabudafhasi

Professional Advisors

The Board is assisted by the following professional advisors:

Principal Officer	:	Mr K Titley (Independent)
Benefit Consultants	:	Alexander Forbes Financial Services
Investment Advisors	:	Ginsburg Asset Consulting
Actuary	:	Mr D Hufton of Alexander Forbes Financial Services (up to 31/01/2016); Mr G Velcich of Alexander Forbes Financial Services (from 01/02/2016)
Investment Administrator	:	Investment Solutions
Asset Managers	:	Allan Gray Limited (local) Coronation Asset Managers (local) Prudential Portfolio Managers (local)

Prescient Investment Management (local)
 Oasis Asset Managers (local)
 Tantalum Capital (local)
 Kagiso Asset Management (Local)
 Perpetua Investment Managers (local)
 ABSA Investment Management (Local)
 Orbis Investment Management (offshore)
 Ruffer LLP (offshore)
 Lansdowne Partners (offshore)

Auditors : Deloitte & Touche

Rule amendments

The Fund operates in terms of a set of rules which also makes provision for the rights and benefits that should apply to you, the member. The rules are registered by the Registrar of Pension Funds and approved by the South African Revenue Service (SARS). Changes made to the rules are called amendments and must also be registered by the Registrar of Pension Funds and approved by SARS.

The rules of the Fund effective 1 June 2007 were substituted by a revised set of rules. The revised set of rules was approved by the Registrar of Pension Funds and SARS on 24 November 2015. The reason for the revised rules was to consolidate the rules to include the provisions of previous amendments and to update the rules to reflect legislative changes and wording most appropriate for the administration practice of the Fund.

The Fund's investments

The current unpredictable and volatile market conditions are reflected in the low returns achieved by the Fund's portfolios over the past financial year. The portfolios have however delivered returns well above the South African inflation rate over the three and five year periods to 29 February 2016, as tabulated below.

Across the world, economies continue to struggle and many countries are battling to meet their economic growth forecasts. It is therefore expected to see continued volatility within investment markets over the short to medium term which will continue to depress portfolio returns.

The Board continues to use a range of investment managers as this diversified approach is more prudent from a risk management perspective. There were no major changes to the Fund's investment strategy over the year under review, and the Board is confident that the strategy remains prudent.

The gross returns (before investment fees) earned on the investment portfolios underlying the Automatic Life Stage and Life Stage Choice options for various periods ending 29 February 2016 are set out below. The net returns (after the deduction of investment fees) are shown in brackets.

Portfolio	12 MONTHS TO 29 FEBRUARY 2016	36 MONTHS TO 29 FEBRUARY 2016 (Annualised)	60 MONTHS TO 29 FEBRUARY 2016 (Annualised)
High Growth	3.98% (3.45%)	13.17% (12.52%)	14.36% (13.69%)
Growth	4.00% (3.49%)	13.20% (12.58%)	14.17% (13.55%)
Medium Growth	3.40% (2.92%)	12.87% (12.29%)	12.91% (12.33%)
Medium Conservative	3.71% (3.26%)	12.86% (12.33%)	13.55% (13.01%)
Conservative	3.37% (2.96%)	13.14% (12.65%)	15.06% (14.54%)
Stable	3.22% (2.85%)	12.37% (11.94%)	9.48% (9.08%)
Prescient	12.29% (11.87%)	12.12% (11.69%)	8.28% (7.87%)
Banker	7.52% (7.26%)	7.03% (6.76%)	6.83% (6.55%)
Shariah*	3.51% (2.26%)	10.46% (9.02%)	-
SA Inflation	7.00%	5.60%	5.75%

*Members only started investing in this portfolio from 23 January 2013.

Membership details

Fund membership for the financial years ended 29 February 2016 and 28 February 2015 was:

	2016	2015
Membership at start	28 726	25 545
Plus: New entrants	9 274	8 743
Less:		
<i>Withdrawals</i>	7 225	5 397
<i>Retirements</i>	84	68
<i>Deaths</i>	77	78
<i>Transfers to other funds</i>	0	0
<i>Retrenchments</i>	13	19
<i>Adjustments</i>	0	0
Membership at end	30 601	28 726

Contributions

Members contribute to the Fund at a rate of 7.5% of their Fund salaries.

In addition, the Employer contributes at the default rate of 10.5% of Members' Fund Salaries. Of this amount, not more than 3% of Members' Fund Salaries may be applied towards the cost of the separate insured disability arrangement; the Fund's insured death benefits and Fund expenses. The balance of the Employer's contribution, after the deduction of these costs, was applied to Members' retirement savings as tabulated below.

	<u>As at 29 February 2016</u>
Employer contribution	10.50%
Less:	
• Separate disability insurance	0.55%
• Insured death benefits	1.03%
• Fund expenses	0.69%
Employer allocation to retirement savings	8.23%

Important Notes

Flexible Contribution Rates

The employer contributes to the Fund at a fixed rate of 10.5% of members' fund salaries less the costs mentioned above. A range of optional higher employer contribution rates enable members to enhance their retirement savings. Members have the option to change the rate at which the employer contributes on their behalf to either, 13%, 15.5%, 18% or 20% of their fund salary or to remain at the rate of 10.5% of fund salary which is the default rate. New members may elect which employer contribution rate will apply to them on entering service and all members will, from time to time, have the option to change their employer contribution rate, subject to agreement with the employer. The default rate is applied to those members who do not exercise an option.

Flexible Lump Sum Group Death Benefit

Members aged 53 years and older may elect to reduce their death benefit from a lump sum of four times annual fund salary to a lump sum of twice annual fund salary, with the resulting saving on insured death

benefit premiums being allocated to retirement savings. As at 29 February 2016, this saving amounted to 0.51% of annual fund salary.

Financial Report

The Fund's Revenue Account and Balance Sheet for the financial years ended 29 February 2016 and 28 February 2015 are set out below.

<u>REVENUE ACCOUNT</u>	<u>2016</u>	<u>2015</u>
	(R'000)	(R'000)
Accumulated Funds - Start	4 250 373	3 648 678
Income		
Member contributions	211 795	186 956
Employer contributions	290 942	253 351
Transfers Received	68 480	7 920
Reinsurance recoveries	22 335	20 573
Investment income	4 260	3 037
Capital Appreciation	170 499	524 923
Expenditure		
Fund expenses	(19 277)	(18 633)
Reinsurance premiums	(28 994)	(27 956)
Investment Manager Fees	(22 432)	(22 004)
Benefits and Transfers Out –	(477 425)	(326 472)
Accumulated Funds - End	4 470 556	4 250 373
<u>BALANCE SHEET</u>	<u>2016</u>	<u>2015</u>
	(R'000)	(R'000)
Accumulated funds		
Share Account	4 456 424	4 234 784
Reserve Account	14 132	15 589
	4 470 556	4 250 373
Represented by		
Investments	4 434 337	4 216 782
Current assets	135 378	83 429
Current liabilities	(95 656)	(45 571)
Unclaimed Benefits	(3 503)	(4 267)
	4 470 556	4 250 373

Registered Office and Contact Information

Written queries can be forwarded to the Fund's registered address below:

The Principal Officer
Woolworths Group Retirement Fund
c/o Alexander Forbes Financial Services
Block A
The Boulevard
Searle Street
Woodstock
7925

Tel.: +27 21 401 9300

Fax: +27 21 415 5551

Email: wgrfmbqueries@aforges.co.za

Fund website: www.wgrf.co.za