



SENTINEL
retirement fund

Bulletin
DECEMBER 2023

WISHING YOU
a joyous & festive season
**AND A HEALTHY &
SUCCESSFUL 2024!**



Innovating Your Future Responsibly

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Introducing the New Face of Sentinel

On 20 November 2023, Sentinel launched its new corporate identity in support of the Board's strategic growth objective. As one of the largest self-administered defined contribution pension funds in South Africa, the Fund has successfully managed the retirement savings of its members and pensioners for more than 75 years.

To ensure the long-term sustainability of the Fund in a rapidly changing and complex marketplace, staying current and adapting to change is critical for success, as is the steadfastness that the Fund provides to its many participants.

The new face of Sentinel promises the same values that have underpinned our success for more than 75 years, carefully integrated with progression and growth into the future. Taking care of you is the reason we exist! *To read more, visit:*

<https://www.sentinel.za.com/main/wp-content/uploads/2023/11/Sentinel-Brand-Launch-Members-Pensioners.pdf>

2023 Financial Year Results

The Fund recently published its 2023 Annual Report and regulatory financial statements. Both these documents are available on the Sentinel website for further perusal. The following extracts from the 2023 Annual Report provide a summarised view of the financial position of the Fund and includes pertinent high-level details of the past financial year.

FINANCIAL & INVESTMENTS

Our proven liability driven investment strategy has assisted the Fund in navigating the significant volatility experienced in markets through an extremely well-diversified portfolio of quality assets. Many factors such as ongoing geo-political tensions, high levels of inflation coupled with rising interest rates, and an extremely volatile Rand, all contributed to market weakness and uncertainty. Domestically, low economic growth together with the ongoing power crisis, and several unpredictable events, added to

volatility and instability.

Despite these challenges, the impact of volatile investment markets has been minimised, as far as possible, by the Fund's focus on appropriate mechanisms and strategies focussing on longer-term stability and growth. Although investment performance over the one-year period was mixed across most asset classes, the Sentinel investment portfolios performed satisfactorily:

	Description	1 Year	5 Years	10 Years
Wealth Builder Portfolio %	Net Portfolio Return	11.2	7.6	9.3
	Asset-based Benchmark Return	13.7	7.4	9.4
	Real-return Objective	10.6	10.1	10.6
Inflation Protector Portfolio %	Net Portfolio Return	10.6	7.6	9.1
	Asset-based Benchmark Return	13.1	7.3	9.2
	Real-return Objective	10.4	9.8	10.3
Pension Protector Portfolio %	Net Portfolio Return	8.6	7.3	8.6
	Asset-based Benchmark Return	10.7	6.7	8.5
	Real-return Objective	10.1	9.6	10.0
Pensioner Portfolio %	Net Portfolio Return	8.5	7.0	8.2
	Asset-based Benchmark Return	10.6	6.7	8.3
	Real-return Objective	9.6	9.0	9.5

The following summarises the major components of the Fund's operations over the financial year:

	30 June 2023	30 June 2022
Total assets at 30 June	R89,3 bn	R86,4 bn
Number of members	38 836	38 633
Number of pensioners	32 084	32 452
Number of participating employers	84	85
Total contributions received and accrued	R3,7 bn	R3,4 bn
Total benefit payments	R8,3 bn	R8,1 bn
Administration costs	R208m	R193m

GOVERNANCE

In line with the principles espoused in King IV and being cognisant of the published National Treasury paper on umbrella fund governance, the Board took further steps, effective 1 July 2023, to enhance the Fund's governance structures. From this date, 50% of the Board of Trustees will be independent trustees, with one of these trustees also being the chairperson of the Board. In addition, trustees will serve for a term of three years, and may be reappointed for a maximum of another two three-year terms.

In addition, Ms E Croeser was appointed as independent chairperson of the Claims Committee, and Mr G Kapp was appointed as independent chairperson of the Audit and Risk Committee following the retirement of Mr F Cooper.

OPERATING ENVIRONMENT

Draft legislation was published to allow for limited prescribed withdrawals prior to retirement, together with forced preservation of two-thirds of retirement savings, more commonly known as the "two-pot" system. The Fund is preparing for this major change to the retirement savings system, aiming for implementation on 1 March 2024.

The Fund continues to diligently manage costs and cost transparency, with all costs being monitored closely and being reported on. Investment returns are communicated monthly and reflect net returns (returns after all costs have been deducted), whilst total costs, expressed as a percentage of assets under management, are communicated monthly through the various published portfolio fact sheets.

The risk benefit reserve balance was R238 million (2022: R116 million) at 30 June 2023. This reflects a major improvement, due to the steps taken by the Board in consultation with the Actuary, and a decrease in the number of death claims (potentially due to a reduction in COVID-19 related deaths). The recommended solvency level of the risk reserve is R210 million.

Two long-serving members of the Sentinel executive team, Mr J Botes and Mr J Viljoen, retired during the financial year. To streamline divisional structures and achieve longer-term cost savings, the Investments and

Finance divisions, and the Operations and Advisory Service divisions, have been merged.

To view the 2023 Sentinel Annual Report, please visit: <https://www.sentinel.za.com/main/repository/>

2023 Pension Increase

In terms of the Sentinel Pension Increase Policy, the target minimum pension increase for 2023 was 4.3%, being 80% of the 30 June 2023 year-on-year CPI rate of 5.4%.

In considering the long-term sustainability of the Pensioner Reserve and the various factors that impact this, including continued high levels of global inflation, investment returns earned, extreme levels of investment market volatility, ongoing global economic weakness, and the fairness of a pension increase award to existing pensioners, the Board of Trustees announced the following awards (both applied pro-rata where a pensioner was not in receipt of a pension for a full 12 months):

- a) a pension increase of 5.5% effective 16 October 2023; and
- b) a discretionary bonus payment of 15.0% of pre-increase annual pension to all pensioners in receipt of a pension on 15 October 2023.

Although the Fund's investment strategy has proven to be successful over the longer-term in ensuring the sustainability of pensioner assets, continued low economic growth and extremely volatile investment markets are expected to remain into the foreseeable future. This challenging environment may lead to lower investment returns being achieved, and resultantly, pensioners are cautioned that future pension increases may be lower than anticipated.

Update: Two-Pot Retirement System

Following on the Fund's Breaking News Bulletin dated 23 November 2023, no further information has been received with regards to the two-pot retirement system. Members are again reminded that, although the two-pot system allows limited access to retirement savings through withdrawals from the "Savings Component"

("seed capital" may be applied to fund this component initially), the Fund encourages members to preserve their retirement savings for retirement.

Accessing your retirement savings should only be considered as a last resort. Withdrawing from these savings, even relatively small amounts, will negatively impact you financially, undermining the compounding effect of long-term savings; you will pay higher tax on amounts withdrawn and your future retirement capital will be reduced.

Once the final two-pot system legislation has been published, the Fund will communicate any changes to members. Please be reminded that certain aspects of this legislation may still change, and you are cautioned on acting on any information prior to the legislation being promulgated. *To read more, visit:*

<https://www.sentinel.za.com/main/wp-content/uploads/2023/11/BN-Bulletin-Two-Pot-System-Update.pdf>

2024 Risk Cover & Contributions

The Board of Trustees, in consultation with the Actuary, review the Risk Benefit Cover multiples and contribution rates annually. After considering the Death Benefit and Disability Benefit claims experience, and solvency requirements of the Risk Reserve, the Board decided that the death and disability cover multiples and contribution rates, for all cover options, will remain unchanged for 2024. *To read more, visit:*

<https://www.sentinel.za.com/main/wp-content/uploads/2023/11/2024-Risk-Cover-and-Contributions.pdf>

Secure Member & Pensioner Online Portal

The secure Sentinel online portal makes it easy for members and pensioners to access their Fund information and personal Fund documentation such as benefits statements, tax certificates and pensioner payslips.

You are encouraged to register for this free service

through the Sentinel website (www.sentinel.za.com).

Click on the **LOGIN** button, select "**Register**", and follow the easy steps to complete the secure registration process.

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