



TFG

retirement fund

you can never start too early

ANNUAL REPORT

OF THE TRUSTEES

for the year ended
31 December 2016 issued in **July 2017**



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1. your chairman

It is my privilege to present the latest annual report of the Trustees for TFG Retirement Fund for the year ending 31 December 2016 .

It has been a tough year for South Africans, with so many global and domestic challenges impacting the economy and the Fund as well. As a result investment returns have been muted. Nonetheless, the trustees continue to take a long term view. The Fund has a dedicated Investment & Strategy sub-committee which continues to challenge the Fund's asset managers to ensure the long term real growth of the Fund's investments is achieved. Last year, this committee was responsible for managing over R5 billion in assets.

In addition to the Investment & Strategy sub-committee, the Fund has a number of specialist committees that ensure that every aspect of the Fund is given dedicated focus and attention. The Benefit sub-committee is responsible for the allocation of death benefits. The committee spends a great deal of time carefully deliberating each case to ensure that our member's funds are correctly allocated to their beneficiaries. Last year, the committee awarded R15 million in benefits as lump sums and pensions to 62 beneficiaries.

The Financial Review sub-committee ensures that the Fund's Annual Financial Statements accurately reflect the financial activities of the Fund. The Fund's auditors have once again given the Fund a clean unqualified audit.

Last, but not least, the Communication and Education sub-committee has been hard at work on the communication strategy following the feedback from the member survey conducted during last year. They have done much work around understanding and responding to the communication needs of our members. All members received their 2016 Benefit Statements during the first quarter of 2017 and a Projection Statement was included for all active members.

Collectively, the trustees are also responsible for our pensioner and beneficiary members. The Fund has consistently provided annual pension increases to these members equal to a minimum of inflation over a three year period. Pensioners and beneficiaries received a year end gift of R800 with their December 2016 pensions and a 6.1% increase in their monthly pensions at the end of January 2017.

I take this opportunity to thank all the Trustees, the members of the various sub-committees, the Fund's consultants, the Principal Officer and the administration team for all their hard work in ensuring that our Fund is in the strong financial position it is today.

All the best,
Ronnie Stein



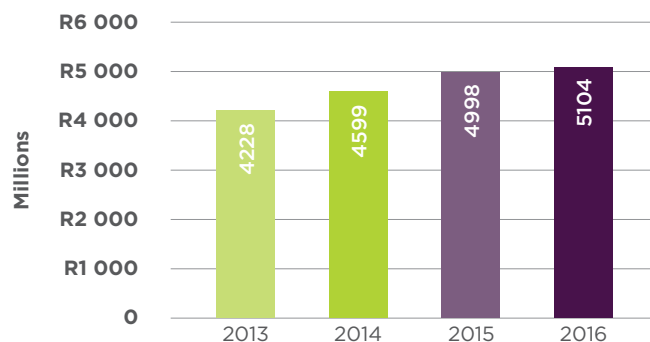
The plan you put in place today will help shape your future outcome.

2. financial overview



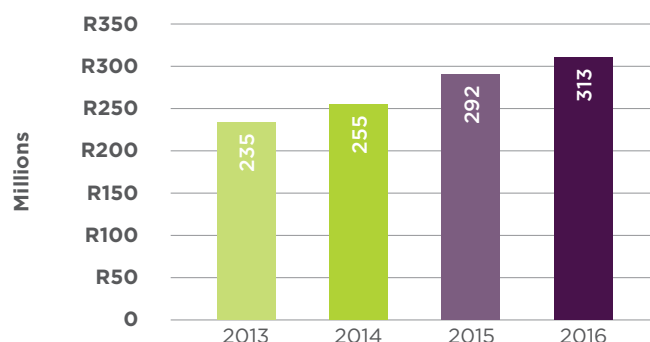
Fund Funds

The Fund's assets and reserves amount to R5 104 million as at 31 December 2016. This is an increase of R106 million from the previous year.



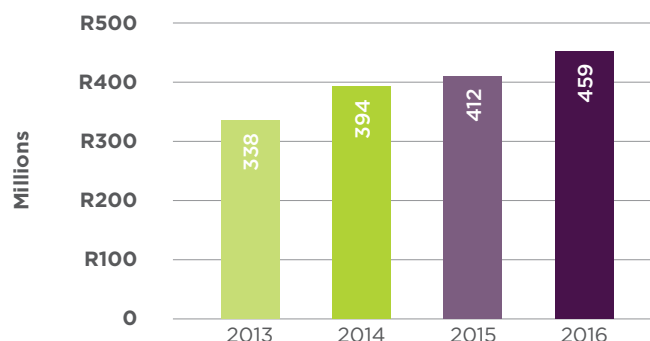
Contributions Received

The Fund receives a percentage of members' pensionable salaries as contributions. Contributions received during 2016 increased by R21 million over the previous year. This increase is mainly due to annual salary increases given to members as well as members making extra contributions (AVC).



Benefits Awarded

Benefits totalling R459 million were awarded to members during the financial year upon retirement, death or resignation.



Compound interest

Also known as "interest on interest". Interest is earned on the initial amount, but also on interest earned earlier.

3. investments



Investment Returns

The Trustees continue to monitor the performance of the Fund's assets and asset managers on a regular basis to ensure that the investment objectives of the Fund are achieved in the long term. Each portfolio is based on the number of years to a member's normal or planned retirement date.

Looking at the investment returns over a five and ten-year period, all portfolios have continued to exceed CPI, and the Fund's portfolios continue to perform well relative to its peers.

All members under the age of 55 years have their assets invested in the Balanced Portfolio. During the reporting period, the Fund's Balanced Portfolio yielded an average return of 5.5%.

Annualised gross returns of the respective portfolios	12 months to 31.12.2016	5 years to 31.12.2016	10 years to 31.12.2016
Balanced (all members not in Life Stage)	5.5%	13.4%	11.7%
Default De-risking 20 Portfolio	5.6%	12.8%	11.6%
Default De-risking 40 Portfolio	5.8%	12.2%	11.4%
Default De-risking 60 Portfolio	6.0%	11.6%	11.2%
Default De-risking 80 Portfolio	6.1%	11.0%	11.1%
Default Prescient Positive Return Fund	7.2%	8.4%	9.7%
Investment Solution Banker Portfolio (Cash)	8.9%	7.2%	8.4%

Investment Managers

The Fund's investments are invested with the following managers:

Local Investment Managers

Allan Gray Limited; Investec Asset Management; Prudential Portfolio Managers; Prescient Investment Management; ABSA Fund Managers; Perpetua; Kagiso; Tantalum

Offshore Investment Managers

Orbis; Lansdowne; Ruffer LLP



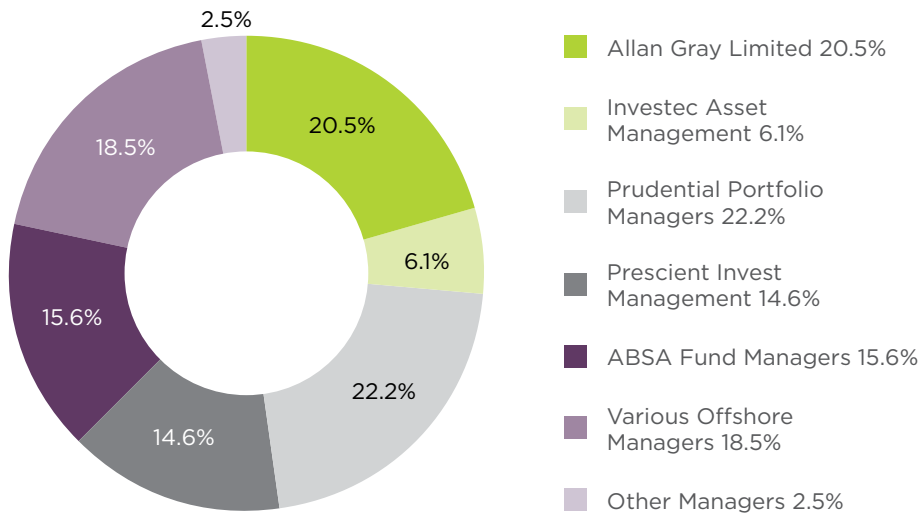
Balanced Portfolio

Investment portfolio which invest in a number of asset classes such as equities, bonds, cash and listed property to achieve long-term growth.

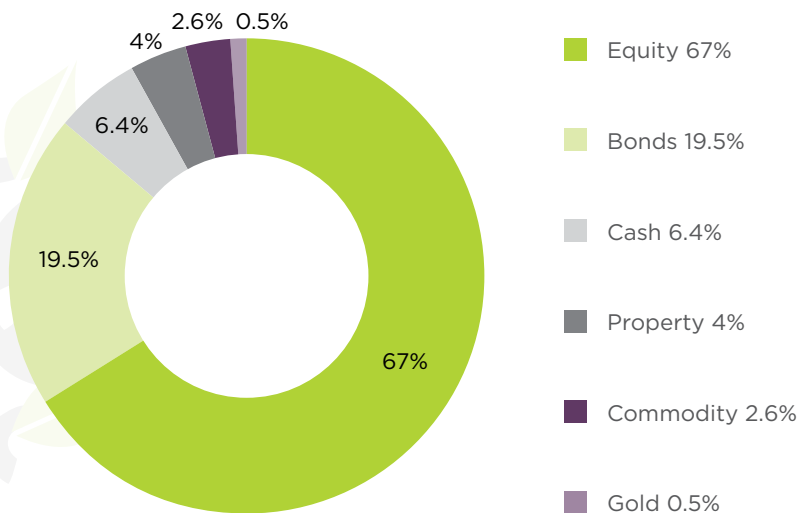


Summary of Assets by Investment Manager

Balanced Portfolio



Summary of Asset Allocation





4. fund membership

Membership Eligibility



All Grade 9 and above full time permanent employees of The Foschini Group Limited or subsidiaries will automatically become members of the Fund at the start of their employment.



Full time permanent employees Grade 10 and below may join with immediate effect or at any time thereafter. However, membership becomes compulsory after 24 months of continuous employment.










Permanent Employees who work variable hours (flexitimers) may join the fund provided that they have 3 months continuous service. However, membership becomes compulsory after 27 months of continuous employment.

Contributions Structure

The Company contributes 12% of each member’s basic salary to the Fund.

As at 31 December 2016, the contributions were allocated as follows:

Description	Rate
 Company contribution	12.000%
Less	
 Disability benefit premium	0.740%
 Death benefit premium	0.500%
 Funeral benefit premium	0.104%
 Fund expenses*	0.545%
Plus	
 Member contribution	7.500%
 Retirement allocation**	17.611%

*Expenses include cost of administration, consultants, actuary, audit, etc.

**Extra retirement savings allocated to each member due to risk and administration cost savings.



Insured Benefits

A portion of the company’s contribution is used to provide members with disability, funeral and death benefits.



Membership & Benefits paid during 2016

Active Members	
Number of members as at 1 January 2016	14 832
New members	2 649
Less	
Withdrawals	3 150
Retrenchments	19
Transfers out	73
Retirements	69
Deaths	34
Transfers from active to deferred membership	42
Number of members as at 31 December 2016	14 094

Benefits paid to active members	Rand
Withdrawals	R212 102 560
Retrenchments	R3 554 004
Transfers out	R39 471 587
Retirements	R95 881 125
Deaths	R6 270 656
Total	R357 279 932

Pensioners & Beneficiaries	Pensioner	Beneficiary
Number of members as at 1 January 2016	936	532
Additions	47	62
Less		
Deaths	19	9
Other	0	26
Number of members as at 31 December 2016	964	559

Benefits paid to Pensioners & Beneficiaries	Rand
Pensioners	R100 588 229
Lump sums on pensioner deaths	R754 295
Total	R101 342 524

Deferred Members	
Number of members as at 31 December 2016	248

Deferred Member

A member who has terminated his services with the company prior to reaching retirement age and is preserving/saving his money in the Fund.

Deferred Retiree

A member who has retired from the company but do not need a pension straight away, and is preserving/saving his money in the Fund.



5. fund management

Board of Trustees

The Board of Trustees is responsible for the management of the Fund. The Board is made-up of five company appointed and five member elected trustees who all act in the best interest of the Fund and its members.



**Ronnie Stein
(Chairman)**
Non-Executive Director



Paul Barnard Head of
Remuneration, Benefits and
Wellness: TFG Human Resources



Janine Jeffery
Head of HR Information
Management:
TFG Human Resources



Esther Job
Head of Legal



Kershni Johaadien
Manager in Finance & Advisory



Adrienne Kleinman
Retired



Senta Morley
Group Director:
Human Resources



Brad Sickle
Head of Finance:
Markham, Fabiani & G-Star



Marc van Est
Head of Tax and Treasury:
TFG Finance & Advisory

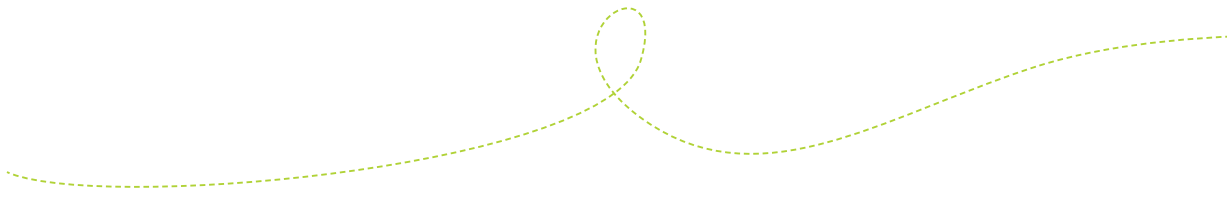


Rolf Walther
Head of Finance:
Foschini Division



Trustee

An elected or appointed member of a board of trustees whose responsibilities are outlined in the Pensions Fund Act and the Rules of the Fund. Trustees meet quarterly to attend to matters of the Fund.



Principal Officer

Saving for your retirement is a long term goal. In order to be successful in achieving this goal, you need to start saving early, and continue to save throughout your working career.

Since we can never be certain as to what the future holds for us, especially from a financial point of view, I want to encourage you to continuously be part of your own retirement planning. Gather as much information as you can about your Fund and how you can save towards a positive retirement outcome. The retirement fund calculators, which are available on the fund website, are designed especially for our Fund and have been updated to improve their ease of use. It allows you to take into account your own unique circumstances and will help you with your retirement planning.

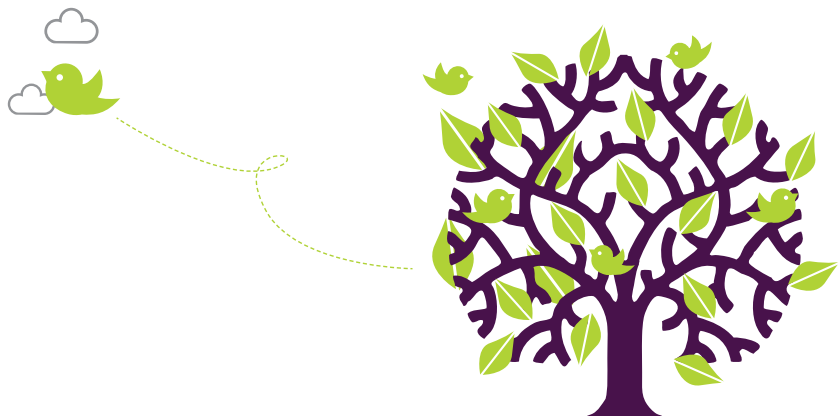
Contribute extra to your retirement savings by making use of the Additional Voluntary Contribution (AVC) facility. Additional benefits of making AVC's are that as a member, you don't pay any administrative costs on AVC's, so the full additional contribution is invested towards your retirement savings. You may also claim a tax deduction for all contributions you make towards retirement savings, up to 27.5% of the greater of your remuneration or taxable income, subject to a maximum of R350 000 per tax year.

You may also preserve your retirement savings should you change jobs by becoming a deferred member. Speak to a financial advisor who can help you set and achieve your financial goals.

Wishing you well on your journey to a happy and financially secure retirement day.



Caron Harris
Principal Officer



Principal Officer

The Board of Trustees is supported by the principal officer, who is the official contact and interface between the Fund and both members and regulators alike. The principal officer has the following duties:

- Responsible for the day-to-day management of the Fund;
- Ensuring that all decisions taken by the trustees are carried out,
- Ensuring that the Fund complies with the law and that all statutory requirements are met.





Specialist Committees

The Fund has four specialist committees that deal with the operations relating to specific areas of expertise. Individuals have been assigned based on their experience and expertise. The principal officer is a member of all committees.

The specialist committees of the Board are:

Investment and Strategy Sub-Committee
Ronnie Stein (Chair), Paul Barnard, Caron Harris, Senta Morley, Marc van Est, Faeza Chowglay, Matt McDonald, Anthony Thunstrom, Rolf Walther
Benefit Sub-Committee
Paul Barnard (Chair), Karde Buys, Caron Harris, Nazleemah Karlie, Thulane Mokoena, Rene New, Tania Pantony, Muriel Sutherland, Faeza Chowglay, Kershni Johaadien, Matt McDonald
Financial Accounts Review Sub-Committee
Marc van Est (Chair), Caron Harris, Renee Strauss, Lauren Tiplady, Faeza Chowglay
Communication Sub-Committee
Paul Barnard, Caron Harris, Renee New, Tania Pantony, Alex Emmerich, Faeza Chowglay, Megan Woods, Kershni Johaadien



The Benefit Sub-Committee have monthly meetings. The Investment and Strategy Sub-Committee meets quarterly, as does the Communication & Education Committee. The Financial Accounts Review Sub-Committee meets annually.



Service Providers

Although the trustees are all extremely competent, they have a duty to seek professional advice where they may not have certain expertise. The Board of Trustees received assistance from a range of industry experts and specialists.

The Trustees thank the service providers for their continued support and advice.

Service	Provider & Function
Actuary / Valuator	Mr Johan Geldenhuys of Alexander Forbes Financial Services Ensures the Fund is in a sound financial position and that the assets match the liabilities.
Administrator	Foschini Retail Group (Pty) Ltd Responsible for the day-to-day administration duties of the Fund. The team in the retirement services department make sure that contributions are received on time, your Fund value is invested and benefits are paid out.
Auditor	KPMG Check that the financial statements have been prepared in terms of the Regulatory Reporting Requirements for Pension Funds.
Banker & Housing Loan Provider	First National Bank Handles the Fund's banking needs.
Communication Consultants	Simeka Consultants & Actuaries (Pty) Ltd Advises the Trustees on member communication.
Fund Consultant	Alexander Forbes Financial Services Provides expert advice to the Trustees on all general Fund matters including the management of the Fund and the benefits provided by it.
Investment Consultants	Willis Towers Watson Advises the Trustees on the Fund's investment strategy.
Investment Managers	Local Investment Managers Allan Gray Limited; Investec Asset Management; Prudential Portfolio Managers; Prescient Investment Management; ABSA Fund Managers; Perpetua; Kagiso; Tantalum Offshore Investment Managers Orbis; Lansdowne; Ruffer LLP



Fund Value

The total of the member contributions plus the company contributions. This includes the investment returns.

6. rules & changes



In terms of the Pension Funds Act, the Fund is required to give its members an annual summary of amendments to its Rules which were registered in terms of the Act during the Fund's financial year.

For the period 1 January 2016 to 31 December 2016 the following rule amendments were registered:

Rule Amendment no. 3:

- To provide that due to changes in tax legislation:
 - (a) Members who retire from Service may leave their benefit in the Fund until such time as they make an election with regard to payment of the benefit; and
 - (b) Deferred Pensioners may at any time elect to receive or transfer their benefit;
- To allow a retiring Member to elect a combination of a Pension paid from the Fund and an annuity or annuities purchased from a Registered Insurer.

Registered on 19 April 2016

Rule amendment no. 4:

- To extend the term of office of the Trustees from three years to five years.

Registered on 21 September 2016

7. contact information

For Fund related queries, you can send an email to retirementfund@tfg.co.za



**TFG Retirement Fund - Registered under the Pension Funds Act 1956
(Reg.No 12/8/10150/2)**

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P O Box 6020, Parow East, 7501 **Tel: (021) 928-6314 Fax: (021) 937-5401**

All correspondence should be addressed to the Principal Officer at retirementfund@tfg.co.za