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**KWAZULU-NATAL JOINT MUNICIPAL
PROVIDENT FUND (12/8/32588/1)
REPORT ON THE INTERIM ACTUARIAL
VALUATION AS AT 31 MARCH 2010**

Prepared by

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15 February 2011

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REPORT ON THE INTERIM ACTUARIAL VALUATION
AS AT 31 MARCH 2010**

CONTENTS

PART A: EXECUTIVE SUMMARY	3
MAIN REPORT	6
INTRODUCTION	6
PREVIOUS VALUATION REPORT	6
PURPOSE OF THE VALUATION	6
CHANGES SINCE LAST STATUTORY VALUATION	7
PARTICULARS SUPPLIED	8
RESULTS OF VALUATION	9
CONCLUSIONS AND RECOMMENDATIONS	12
ACTUARIAL CERTIFICATE	13
APPENDICES	14
APPENDIX 1: ACCOUNTS OVER VALUATION PERIOD	14
APPENDIX 2: ASSETS	16
APPENDIX 3: CHECKING OF DATA	18
APPENDIX 4: MEMBERSHIP	19
APPENDIX 5: BENEFITS AND CONDITIONS	21
APPENDIX 6: VALUATION ASSUMPTIONS	22
APPENDIX 7: RESERVE ACCOUNT BUILD-UP	23
APPENDIX 8: LIMITATIONS TO USE OF REPORT	24



PART A: EXECUTIVE SUMMARY

- We have performed an interim valuation of the Kwa-Zulu Natal Joint Municipal Provident Fund (the “Fund”) as at 31 March 2010 (“the valuation date”). The previous statutory valuation was performed as at 31 March 2009 (the “previous valuation date”). The period between 31 March 2009 (when the last statutory valuation was performed) and 31 March 2010 is referred to as the “valuation period”.
- At the valuation date and at the previous statutory valuation date the Fund covered the following membership:

	31 March 2009		31 March 2010	
	Number	Annual emoluments R'000	Number	Annual emoluments R'000
Males	5 697	507 216	6 321	631 499
Females	<u>2 280</u>	<u>218 343</u>	<u>2 516</u>	<u>269 225</u>
Total	<u>7 977</u>	<u>725 559</u>	<u>8 837*</u>	<u>900 724</u>

* Differs from the figure of 8 842 in the financial statements because of removal of duplicate records

- The market value of the Fund’s assets was R 835 320 625 at the valuation date before any adjustments. Adjustments were made as detailed in Appendix 1. The market value of the Fund’s assets for purpose of the valuation was taken as R 836 976 549.
- The valuation results in respect of service accrued up to the valuation date, and at the previous valuation date, were as follows:

	31 March 2009	31 March 2010
	R'000	R'000
Members’ Share Account - As per financials	575 459	750 621
- Adjustment*	<u>(742)</u>	<u>2 667</u>
	574 717	753 288
Reserve Accounts	<u>(765)</u>	<u>83 160</u>
Market value of assets	<u>573 952</u>	<u>836 448</u>

* 31 March 2009: Adjustment in respect of incorrect breakdown of benefits between the Member Share Account, Risk Reserve Account and Investment Reserve Account and an incorrect provision in respect of transfer values receivable and payable.

31 March 2010: Adjustment in respect of incorrect breakdown of transfers between the Member Share Account, Risk Reserve Account and Investment Reserve Account, incorrect provisions in respect of transfer values receivable and payable and incorrect accounting treatment of contributions received.



5. The Fund self-insures its risk benefits and holds a Risk Reserve as a measure of protection against volatility in claims experience. Circular PF117 from the Financial Services Board sets out the standards required of actuarial valuations. In terms of PF117, the balance required to be held in the Risk Reserve Account was determined to be R 12 779 000. We recommend that the Risk Reserve Account be set at this amount.
6. In order to provide a cushion against volatility in the investment markets, the Fund declares investment earnings on a smoothed basis and thus holds an Investment Reserve. The level of this Reserve is reviewed quarterly by the Committee of Management, taking into account market conditions. At the valuation date the Investment Reserve was equal to 7% of the members' Full Benefits.
7. Benefits paid to members who exit the Fund include an equitable portion of the Investment Reserve, in accordance with the minimum benefits prescribed for defined contribution funds in the Pension Funds Act.
8. Allowing for the above, the Unallocated Assets of the Fund amounted to R 17 651 000 at the valuation date, as follows:

	R'000
Share Account	753 288*
Investment Reserve (7%)	52 730
Risk Reserve	12 779
Unallocated Assets	<u>17 651</u>
Total market value of assets	<u>836 448</u>

* Including all monthly and supplementary bonuses to 31 March 2010, but before any final bonus

9. The market value of assets therefore exceeded the liabilities by R 17 651 000, or about 2,34% of the Share Account at the valuation date. At the previous valuation there was a deficit. This volatility in the Unallocated Assets is a feature of the smoothed bonus approach followed by the Fund. Subsequent to the valuation date, the Committee of Management applied the Unallocated Assets in the declared monthly bonuses, so that no final bonus needs to be declared in respect of the valuation period.
10. The contribution rate allocated towards risk benefits and expenses in the year following the valuation date is sufficient to cover the cost of these benefits and expenses.
11. The Fund self-insures the risk benefits. The amount in the Risk Reserve provides a cushion against fluctuations in claims experience.
12. The Fund is in the process of switching administration systems and this has resulted in material differences between the Share Account reflected in the financial statements and the Share Account from the data. We recommend that the Fund's Audit Committee review the administration procedures with a view to aligning the value of the Share Account reflected in the financial statements and the data.



13. Members are able to choose a rate of contribution between 5% and 9,25% of pensionable salaries. We note that 57% of members have chosen the lowest rate of contribution, which reduces the expected retirement benefit. We believe that it is in the long-term interest of members to save as much as possible towards retirement and to this end we recommend the following:
- (1) That the Committee implements an education programme for members on the longer term benefit of increasing their rate of contribution; and
 - (2) That the default rate of contribution be set at 9,25% (the highest rate). This rate will then apply to each new employee unless he/she actively chooses to contribute at a lower rate. Behavioral Finance studies show that most new employees accept the default option, which is to their benefit in the longer term.
14. I am satisfied that the assets of the Fund are appropriate given the liabilities, and that the self-insurance of the death lump sum benefit is appropriate.
15. I certify that the Fund was in a sound financial condition as at 31 March 2010.

A R ELS (FASSA FIA)
VALUATOR

In my capacity as valuator to the Fund
and as an employee of Arthur Els & Associates

15 February 2011

MC VAN DER MERWE
ACTUARIAL CONSULTANT

In my capacity as an
employee of Arthur Els & Associates



**MAIN REPORT
TO THE COMMITTEE OF THE
KWAZULU-NATAL JOINT MUNICIPAL PROVIDENT FUND
ON THE INTERIM ACTUARIAL VALUATION
AS AT 31 MARCH 2010**

INTRODUCTION

1. This interim actuarial valuation of the KwaZulu-Natal Joint Municipal Provident Fund (the “Fund”) was performed as at 31 March 2010. This valuation complies with the requirements of the Financial Services Board and the Actuarial Society of South Africa.
2. The last statutory valuation was performed as at 31 March 2009.
3. The period between 31 March 2009 (when the last statutory valuation was performed) and 31 March 2010 is referred to as the “valuation period”.
4. This report is addressed to the Committee of Management. Any other party placing any reliance on this report is encouraged to firstly consult with the Committee and ourselves.

PREVIOUS VALUATION REPORT

5. The 31 March 2009 statutory actuarial valuation report recommended that:
 - (1) The negative value of the Unallocated Assets be recouped in the following year by declaring lower monthly bonuses than actual investment returns earned;
 - (2) No final bonus be declared on the members’ Full Benefits as at 31/12/2009;
 - (3) The Fund’s Audit Committee review the procedures of the Fund with a view to aligning the value of the Share Account reflected in the financial statements and the data; and
 - (4) The Committee consider implementing an education programme to members on the longer term benefit of increasing members’ rate of contribution.
6. The first two recommendations were implemented by the Committee of Management. The last two recommendations are under consideration, in conjunction with the implementation of a new administration system.

PURPOSE OF THE VALUATION

7. The purpose of the valuation is to consider the financial soundness of the Fund in terms of the funding objectives laid down by the Actuarial Society of South Africa and as required by the Registrar of Pension Funds.
8. This requires that the following be determined:
 - (1) Whether the existing assets of the Fund are sufficient to cover the Fund’s accrued liabilities towards its members for service prior to the valuation date;



- (2) Whether the nature of the assets of the Fund is suitable to match the nature of the liabilities of the Fund;
- (3) Whether the Fund is in a position to continue meeting the benefits and other commitments in terms of its rules;
- (4) Whether a further bonus should be declared; and
- (5) Whether the available contributions are sufficient to meet the costs of the death benefits and administration expenses.

CHANGES SINCE LAST STATUTORY VALUATION

9. (1) Investment earnings are credited to members' Full Benefits by means of interim monthly bonuses and supplementary bonuses, on a smoothed bonus approach. The same level of bonuses applies to all members. When a member leaves the Fund, the Full Benefit is adjusted for the Investment Reserve at the date of exit. The Investment Reserve is also determined on a smoothed approach.
- (2) The level of the interim monthly bonus and the balance of the Investment Reserve are determined quarterly in advance by the Committee of Management on the advice of the actuary. The interim monthly bonuses and adjustment for the Investment Reserve over the valuation period have been as follows:

	Interim bonus p.m.	Investment Reserve
Month	%	%
01/04/2009 to 31/07/2009	0,0	0,0
01/08/2009 to 31/10/2009	1,5	0,0
01/11/2009 to 30/11/2009	6,0	0,0
01/12/2009 to 31/01/2010	1,0	7,0
01/02/2010 to 31/03/2010	0,0	7,0

- (3) Supplementary and final bonuses have been credited during the valuation period as follows:

Date	Supplementary bonus %
31/03/2010	1,5

- (4) The annualised returns credited to members' Full Benefits during the valuation period are set out below. The actual investment returns earned are included for comparative purposes.

Year ending	Annual return credited	Annual return earned
	%	%
31/03/2010	14,8	27,8



- (5) The total returns earned during the valuation period amounted to 27,8%. Unallocated assets amounted to -2,42% of the Share Account at the previous valuation date and this shortfall was recouped out of the investment returns during the valuation period. The total return credited to members' Full Benefits during the valuation period amounted to 14,8% (inclusive of all supplementary bonuses). Taking into account the reinstatement of the Investment Reserve of 7%, the total income available for declaration therefore exceeded the return credited to members' Full Benefits by some 2%.
- (6) Based on our recommendation, the Committee of Management used the Unallocated Assets to declare interim bonuses in the months following the valuation date.
- (7) The interim bonus for April 2010 was 0% and hence the total excess of investment earnings over bonuses granted remain at the 2% reflected above.
- (8) Amendment 6 to the Regulations of the Fund was approved by the Financial Services Board during the valuation period. This amendment abolishes the practice that unclaimed benefits revert back to the assets of the Fund after a certain period.

PARTICULARS SUPPLIED

10. Particulars were supplied of –

- (1) audited financial statements (Appendix 1);
 (2) the assets held by the Fund at the valuation date (Appendix 2);
 (3) the members of the Fund at the valuation date (Appendix 3); and
 (4) the conditions governing the payment of benefits in terms of the rules of the Fund (Appendix 4).

11. At the valuation date and at the previous statutory valuation date the Fund covered the following membership:

	31 March 2009		31 March 2010	
	Number	Annual emoluments R'000	Number	Annual emoluments R'000
Males	5 697	507 216	6 321	631 499
Females	<u>2 280</u>	<u>218 343</u>	<u>2 516</u>	<u>269 225</u>
Total	<u>7 977</u>	<u>725 559</u>	<u>8 837*</u>	<u>900 724</u>

* Differs from the figure of 8 842 in the financial statements because of removal of duplicate records

12. The particulars were reconciled with each other as discussed in Appendix 3. We are satisfied that the particulars provided by the Fund are sufficiently accurate for purposes of this valuation, subject to the adjustments stated below.



RESULTS OF VALUATION

Assets

13. The market value of the Fund's assets was R 835 320 625 at the valuation date before any adjustments. Adjustments were made as detailed in Appendix 1. The market value of the Fund's assets for purpose of the valuation was taken as R 836 976 549. The composition of the assets is detailed in Appendix 2.

Members' Share Account

14. The Share Account comprises the total of the Members' Full Benefits at the valuation date. The audited financial statements reflect the total Share Account to amount to R750 621 357. We have adjusted this value to allow for the following:
- (1) The correct breakdown of transfers accrued between the Member Share Account, Risk Reserve Account and Investment Reserve Account;
 - (2) Member contributions received, which were understated in the financial statements; and
 - (3) Transfer values for members who transferred into or out of the Fund and which were not provided for in full, or were not adjusted for investment returns to the valuation date.
15. Allowing for the above, the revised value of the Share Account is taken to be R 753 287 700 for purposes of the valuation.
16. The Fund is in the process of switching administration systems and this has resulted in material differences between the Share Account reflected in the financial statements and the Share Account from the data. We recommend that the Fund's Audit Committee review the administration procedures with a view to aligning the value of the Share Account reflected in the financial statements and the data.

Risk Reserve

17. The Fund self-insures its risk benefits in excess of the Full Benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience. Circular PF117 from the Financial Services Board sets out the standards required of actuarial valuations.
18. In terms of PF117, the balance required to be held in the Risk Reserve Account was determined to be R 12 779 000. We recommend that the Risk Reserve Account be set at this amount.



Investment Reserve

19. In order to provide a cushion against volatility in the investment markets, the Fund holds an Investment Reserve. The level of this Reserve is reviewed quarterly by the Committee of Management, taking into account market conditions.
20. We have determined the Investment Reserve on the basis of what the Fund's investment risk is for the year ending 31 March 2010. By investment risk we mean the risk that a negative bonus declaration will have to be made in any given month in the foreseeable future. At the valuation date the Investment Reserve was equal to 7% of the members' Full Benefits.
21. Benefits paid to members who exit the Fund include an equitable portion of the Investment Reserve Account, in accordance with the minimum benefits prescribed for defined contribution funds in the Pension Funds Act.

Unallocated assets

22. The Unallocated Assets represent the remaining assets of the Fund after allowing for all Accounts and Reserves as set out above. The balance of the Unallocated Assets is available for final interest allocations to the Share Account and to the Risk Reserve.
23. Allowing for the above, the Unallocated Assets of the Fund amounted to R 17 651 000 at the valuation date, as follows:

	31 March 2009	31 March 2010
	R'000	R'000
Share Account	574 717	753 288*
Investment Reserve Account	0	52 730
Risk Reserve Account	13 165	12 779
Final bonus at valuation date	0	0
Interim bonus (April following valuation date)	0	0
Unallocated Assets (deficit)	<u>(13 930)</u>	<u>17 651</u>
Total market value of assets	<u>573 952</u>	<u>836 448</u>

* Including all monthly and supplementary bonuses to 31 March 2010, but before any final bonus

24. The market value of assets therefore exceeded the liabilities by R 17 651 000, or about 2,34% of the Share Account at the valuation date. At the previous valuation there was a deficit. This volatility in the Unallocated Assets is a feature of the smoothed bonus approach followed by the Fund. Subsequent to the valuation date, the Committee of Management applied the Unallocated Assets in the declared monthly bonuses, so that no final bonus needs to be declared in respect of the valuation period.



Contribution rate assessment

25. Each member can elect to contribute to the Fund at either 5%, 7% or 9,25% of his/her pensionable emoluments (See Appendix 4). The employer contributes 1,95 times the member's contributions.
26. Of the contribution by the Employer, 3,75% of pensionable emoluments is applied to meeting the cost of the risk benefits and expenses.
27. The fund self-insures the lump sum death benefit in excess of the Full Benefit. The actual cost of the self-insured portion of the death benefit was 1,54% of pensionable emoluments during the valuation period.
28. The administration fees amounted to 0,96% of pensionable emoluments during the valuation period.
29. Assuming that the age profile of the membership remains the same, the expected contribution required to provide death benefits for one year following 31 March 2010 is estimated to be equal to 2,56% of pensionable emoluments. This was determined using the mortality assumptions for the 2006 statutory valuation of the Fund (the last statutory valuation approved by the FSB).
30. The expected cost of the risk benefits and expenses in the year following the valuation date is thus 3,52% (2,56% plus 0,96%) of pensionable emoluments. This is covered by the available contribution of 3,75%, so that in the coming year the available contribution is expected to be sufficient to meet the risk benefit costs and expenses.
31. Any excess contributions over the expected cost of risk benefits and expenses is held in the Risk Reserve and becomes part of the Unallocated Assets in the Fund at year end.
32. Over the longer term, the adequacy of the available 3,75% contribution to cover the cost of risk benefits and expenses depends on the age distribution and actual mortality experience of the Fund. The adequacy of the contribution rate and any possible reduction in risk benefits is investigated during each annual valuation.



CONCLUSIONS AND RECOMMENDATIONS

33. We are satisfied that the data and supporting information provided to us is satisfactory for the purposes of performing an actuarial valuation.
34. The market has recovered over the past year but remain volatile. This resulted in the reinstatement of the Investment Reserve to assist with a smoothed bonus approach in order to reduce the impact of the poor investment earnings on bonuses credited to the Share account.
35. After declaring a supplementary bonus of 1,5% at the valuation date, Unallocated Assets of R 17 651 000 remained at the valuation date. Based on our recommendation, the Unallocated Assets have been utilized in monthly bonuses declared subsequent to the valuation date, and I therefore recommend that no final bonus be declared on the members' Full Benefits for the year to the valuation date.
36. Subsequent to the valuation date, the investment markets have performed well. However, the market is still very volatile and fluctuations in asset values can be expected.
37. The Fund self-insures the risk benefits. The rate of contribution to the Fund is sufficient to meet the cost of the risk benefits and the cost of administration. The amount in the Risk Reserve provides a cushion against fluctuations in claims experience.
38. There are material differences between the Share Account reflected in the financial statements and the Share Account from the data. We recommend that the Fund's Audit Committee review the procedures of the Fund with a view to aligning the value of the Share Account reflected in the financial statements and the data.
39. Members are able to choose a rate of contribution between 5% and 9,25% of pensionable salaries. We note that 57% of members have chosen the lowest rate of contribution, which reduces the expected retirement benefit. We believe that it is in the long-term interest of members to save as much as possible towards retirement and to this end we recommend the following:
 - (1) That the Committee implements an education programme for members on the longer term benefit of increasing their rate of contribution; and
 - (2) That the default rate of contribution be set at 9,25% (the highest rate). This rate will then apply to each new employee unless he/she actively chooses to contribute at a lower rate. Behavioral Finance studies show that most new employees accept the default option, which is to their benefit in the longer term.

**ACTUARIAL CERTIFICATE**

40. I certify that:
- (1) I am satisfied that the assets of the Fund are appropriate given the liabilities.
 - (2) The self-insurance by the Fund of the risk benefits, is appropriate.
 - (3) The contribution rate allocated towards risk benefits and expenses in the year following the valuation date is expected to be sufficient to cover the cost of these benefits and expenses.
41. I certify that the Fund was in a sound financial condition as at 31 March 2010.

A R ELS (FASSA FIA)
VALUATOR

In my capacity as valuator to the Fund
and as an employee of Arthur Els & Associates

15 February 2011

MC VAN DER MERWE
ACTUARIAL CONSULTANT

In my capacity as an
employee of Arthur Els & Associates



APPENDICES

APPENDIX 1

ACCOUNTS OVER VALUATION PERIOD

The audited financial statements show the following:

	R'000	R'000
Fund at 31 March 2009 (at market value)		569 868
Income		342 785
Expenditure		<u>(77 332)</u>
Fund at 31 March 2010 (at market value)		<u>835 321</u>

We have been advised that the amounts and breakdown of transfers to and from other funds shown in the audited statements are incorrect. We have also been advised that the accounting treatment of member contributions received was incorrect, resulting in an understatement of the assets of the Fund. Our investigation of the administration data revealed that some benefits were underpaid. We have therefore made the following adjustments to the audited financial statements:

	R'000	R'000
Fund at 31 March 2010 as per AFS		835 321
Transfers receivable		(83)
Transfers payable		409
Contributions receivable		1 360
Benefits payable		(529)
Tax on divorce benefits		<u>(30)</u>
Fund at 31 March 2010 for valuation purposes		<u>836 448</u>

Allowing for these items, we have based the valuation on the figures reflected on the next page.



	R'000	R'000
Fund at 31 March 2009 (at market value)		569 868
Income		347 906
member contributions	54 284	
employer contributions	105 847	
transfers from other funds	12 089	
investment proceeds	<u>175 686</u>	
Expenditure		(81 326)
lump sums on retirement	(16 193)	
lump sums on death	(25 129)	
lump sums on withdrawal	(24 542)	
divorces	(475)	
general administration expenses	(8 116)	
investment administration expenses	(3 844)	
retirement fund taxation	(853)	
transfers paid	<u>(2 174)</u>	
Fund at 31 March 2010 (at market value)		<u>836 448</u>

We are satisfied that the data provided is consistent with the above statements.



APPENDIX 2

ASSETS

2.1 The total market value of the assets was R 836 448 000 as at 31 March 2010, as follows:

	Market value R'000	Percentage
Stocks	110 254	13,18%
Ordinary shares	466 519	55,77%
Collective Investment Schemes:		
- inside the Republic	18 773	2,24%
- outside the Republic	23 319	2,79%
Other	97 257	11,63%
Deposits	143 407	17,14%
Cash at bank	18 478	2,21%
Current assets	<u>17 930</u>	<u>2,14%</u>
	895 937	107,11%
Less: Current liabilities	<u>(60 616)</u>	<u>(7,25%)</u>
Total as per Financial Statements	835 321	99,87%
Adjustment iro transfers and contributions	<u>1 127</u>	<u>0,13%</u>
Total	<u>836 448</u>	<u>100,00%</u>

2.2 The total market value of the assets was apportioned to the various accounts by crediting and debiting the various income and expenditure items to the various accounts. The amounts of the accounts were as follows:

	Market value R'000
Members' Share Account*	753 288
Risk Reserve Account	12 779
Investment Reserve Account	52 730
Unallocated Assets	<u>17 651</u>
	<u>836 448</u>

* Adjusted as explained in paragraph 15 of the main report.



2.3 The table below provides a summary of bonuses declared for the year ended 31 March each year since 2006:

Year ending 31 March	Bonuses declared	Investment Reserve
2006	45,9%	7%
2007	26,4%	7%
2008	14,9%	7%
2009	(3,9%)	0%
2010	14,8%	7%

**APPENDIX 3****CHECKING OF DATA**

The following lists are applied to ensure the accuracy and completeness of the information received from the administrator.

1. Testing the reasonability of all dates, i.e. 1193/02/02 is not accepted as a date of birth.
2. Checking the reasonability of each member's age. That is, there are no active members less than 18 or older than the normal retirement age (late retirement age if applicable).
3. Checking the reasonability of each member's past service. That is, there are no active members with an age at entry below 18 or an exit date prior to the date of entry.
4. Performing a membership build-up. This entails ensuring that all members present at the current valuation were either present at the previous valuation or are members with entry dates after 1 April 2009. All members present at the last valuation must either be present at the current valuation or have exit dates within the valuation period.
5. Checking that the number of active members in the data reconciles with the financial statements and failing this, that the discrepancy can be adequately explained.
6. Checking that the Members' Full Benefits in the data reconcile with the Share Account in the financial statements and failing this, that the discrepancy can be adequately explained.
7. Checking that, for each individual member, the Full Benefit in the data is consistent with the value of the individual's Full Benefit as at the last valuation plus contributions during the period, accumulated at the declared bonus rates during the period.

The data provided for the valuation did not accurately reflect the sum of the Members' Full Benefits. Adjustments had to be made to the data due to:

- (1) 46 Members who transferred into the Fund and whose records were not updated for the transfer values due to outstanding tax certificates or where the transfer values were updated on the records at incorrect dates; and
- (2) 192 incorrect administration records on the new administration system employed by the Fund.

We are satisfied that the data provided to us by the administrators are reasonable for purposes of this valuation subject to the adjustments made to the Full Benefits iro administration errors on the new administration system and accounting errors in the financial statements as stipulated in above and in Appendix 1.



MEMBERSHIP

- 4.1 The number of members at the valuation date, their pensionable emoluments and their Full Benefits including interim bonuses up to that date were as follows:

MALES

Age	Number	Pensionable Emoluments (R)	Full Benefit (R)	Average per member	
				Pensionable Emoluments (R)	Full Benefits (R)
< 25	278	22 614 384	5 244 017	81 347	18 863
25 - 30	1094	106 080 472	34 926 572	96 966	31 926
30 - 35	1416	146 874 823	72 872 000	103 725	51 463
35 - 40	1188	124 124 327	84 436 529	104 482	71 075
40 - 45	783	72 809 735	60 616 681	92 988	77 416
45 - 50	659	69 553 050	73 944 595	105 543	112 207
50 - 55	447	44 331 476	74 358 660	99 176	166 350
55 - 60	293	29 806 756	60 990 671	101 730	208 159
60+	163	15 304 318	41 656 736	93 892	255 563
Total	6 321	631 499 341	509 046 462	99 905	80 533

FEMALES

Age	Number	Pensionable Emoluments (R)	Full Benefit (R)	Average per member	
				Pensionable Emoluments (R)	Full Benefits (R)
< 25	130	10 678 749	2 193 238	82 144	16 871
25 - 30	499	52 850 731	21 860 468	105 913	43 809
30 - 35	610	68 042 921	42 882 054	111 546	70 298
35 - 40	451	51 282 321	44 603 189	113 708	98 898
40 - 45	310	31 625 911	32 930 805	102 019	106 228
45 - 50	216	22 833 959	28 571 246	105 713	132 274
50 - 55	150	15 310 543	30 434 355	102 070	202 896
55 - 60	98	10 242 891	23 085 792	104 519	235 569
60+	52	6 357 065	17 680 064	122 251	340 001
Total	2 516	269 225 090	244 241 210	107 005	97 075



4.2 AVERAGE MEMBERSHIP STATISTICS

	Males	Females
<u>Weighted by pensionable emoluments:</u>		
Age (years)	38y4m	37y3m
Service (years)	5y1m	5y0m

4.3 MEMBERSHIP RECONCILIATION PER DATA

Membership at 31 March 2009		7 977
New Members		1 336
Exits		(476)
Resignations	(244)	
Dismissals	(48)	
Deaths	(121)	
Ill-health	(12)	
Superannuation	(39)	
Transfers	(12)	
Adjustments	(0)	
Membership at 31 March 2010¹		<u>8 837</u>

1. Includes 1 deferred pensioner

4.4 CONTRIBUTION RATES

Members are able to choose to contribute at different rates. At the valuation date members were contributing as follows:

Member's rate of contribution (% of pensionable emoluments)	No. of members
5%	5 032
7%	1 851
9,25%	1 954



APPENDIX 5

BENEFITS AND CONDITIONS

5.1 The principal benefits and conditions of the Fund at the valuation date are described below.

Member's contributions	Until 30 June 2000 each member contributed 5% of pensionable emoluments. With effect from 1 July 2000 members have the option of contributing at either 5%, 7% or 9,25% of pensionable emoluments.
Local authorities' contributions	An amount equal to 1,95 times the contributions paid by the members. Of this amount, 3,75% is used to meet the cost of the risk benefits and expenses of administration, and the balance is allocated to the members' Full Benefits.
Full Benefit	Initial transfer plus member's contributions plus local authorities' contributions for Full Benefits plus interim, special and final bonuses.
Pension age	65 years
Earliest retirement age	58 years
Benefit on retirement after earliest retirement age	Full Benefit
Benefit on retirement because of ill-health	Full Benefit
Benefit on death in service	Full Benefit plus 0,7% of annual pensionable emoluments for each month from date of death to the date on which the member would have attained the pension age (subject to a maximum of 2,1 times annual pensionable emoluments).
Withdrawal	Full Benefit.



APPENDIX 6

VALUATION ASSUMPTIONS FOR MEMBERS - DEATH

Age	Average annual rate of death (per cent) between age stated	
	Males	Females
	%	%
20	0,71	0,50
25	0,95	0,75
30	1,19	1,00
35	1,55	1,25
40	1,90	1,05
45	2,26	1,35
50	2,62	2,10
55	3,21	2,10
60	4,05	2,10
65		

* The mortality table reflected above is the one applied in the 31/03/2006 statutory actuarial valuation of the Fund (last statutory valuation approved by the Financial Services Board). An experience analysis will be performed at the next statutory valuation of the Fund to determine if these rates are still applicable to the growing membership of the Fund.



APPENDIX 7

RESERVE ACCOUNT BUILD-UP FROM 31.03.2009 TO 31.03.2010 (R'000)

According to the audited financial statements, the different reserve accounts build up as follows over the valuation period:

	Full Benefit	Risk Reserve	Unallocated/ Investment Reserve	Total
Balance as at 31/03/2009	574 717	13 165	(13 930)	573 952
INFLOW				
Contributions				
- Member	54 284			54 284
- Employer retirement	74 069			74 069
- Employer risk and expenses		31 778		31 778
Transfer received	6 029		2 123	8 152
Investment Income Earned/Allocated	94 718		80 968	175 686
OUTFLOW				
Administration expenses		(8 116)		(8 116)
Investment manager's fees			(3 844)	(3 844)
Retirement Fund Tax			(853)	(853)
Lump sums on death ¹	(8 691)	(13 017)	(3 204)	(24 912)
Lump sums on retirement	(15 451)		(742)	(16 193)
Lump sums on withdrawal ¹	(23 401)		(875)	(24 276)
Divorces	(475)			(475)
Transfers paid	(1 982)		(293)	(2 275)
Benefit adjustments	(529)			(529)
Balance as at 31/03/2010	753 288	23 810	59 350	836 448
Release of Risk Reserve		(11 031)	11 031	
Interim bonus April 2010	0		0	
Balance as at 31/03/2010	753 288	12 779	70 381	836 448

* Adjustment in respect of incorrect split of Transfers Received and Transfers Paid between the Investment Reserve Account and Share Account as well as Investment Income Allocated incorrectly.



LIMITATIONS TO USE OF REPORT

This report has been prepared for the Committee of Management of the KwaZulu-Natal Joint Municipal Provident Fund. Its contents and conclusions should not be used by any other party, as the purpose for which this report has been prepared may not be appropriate for other uses.

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