



# Natal Joint Municipal Pension KwaZulu-Natal Joint Municipal Provident Funds

"Your Fund, Your Savings, Your Future"



"KEEP YOU INFORMED"

NEWSLETTER SEPTEMBER 2014

## SPECIAL POINTS OF INTEREST:

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- NJMPF and the FSB
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## NJMPF acknowledged for excellence

The NJMPF was recently acknowledged for excellence by the Institute of Retirement Funds Africa (IRFA). The IRFA is a nonpolitical body which represents and promotes the interests of the retirement industry in Southern Africa, recently announced its Best Practices Industry Awards (BPIA), at its annual conference held at the International Convention Centre in August 2014. The 2014 BPIA programme aimed to recognise professionalism and seek the most diligent of retirement funds across a broader range of categories, which included; **Stakeholder Communications, Financial Reporting (annual reports); Legal and Technical Compliance, Trustee Development and Investment Performance.** These awards give funds the platform to showcase their innovations and efforts and highlight their expertise in the public domain.



Pictured from the left: Bongi Mkhize – Chief Financial Officer, Sam Camilleri – CEO/Principal Officer and Cheryl Ward – Chief Operating Officer

During the BPIA ceremony for 2014, the NJMPF won the following awards:

- **Trophy winner/Industry winner for excellence in Investment Performance.**
- **Gold standard certificate for excellence in Legal and Technical Compliance.**
- **Gold standard certificate for excellence in Communication Strategy.**
- **Merit certificate for excellence in SRI (Socially Responsible Investments) and ESG (Environmental, Social and Governance) of underlying managers.**
- **Merit certificate for excellence in measurement of impact of communication strategy on all stakeholders.**
- **Merit certificate for excellence in monitoring stakeholder opinion.**

"These awards put us at a standard - a benchmark that we've achieved - it recognises us as one of the better funds in South Africa, and that's critical for us, given our membership, being municipal workers in Kwa-Zulu Natal. This is further evidenced by the fact that the NJMPF has been awarded IRFA/BPIA accolades for four years in a row" commented Sam Camilleri, the CEO and Principal Officer of the NJMPF after the presentation of the awards.

## NJMPF 2014 - Clean Audit & IoD Governance Assessment Instrument

The Auditor-General has recently advised the NJMPF that it has once again achieved a clean and unqualified audit of its financial statements for the year ended 31 March 2014. This achievement is further evidence that the NJMPF continues to uphold its compliance requirements and positions the NJMPF amongst only a handful of municipal entities to achieve this. In addition, the NJMPF has again achieved a score of AAA in 2014, in the Institute of Directors Governance Assessment Instrument, which is the highest notch possible. The Governance Assessment Instrument is an automated web-based tool which serves as both a measure and an enabler of good corporate governance structures, policies and procedures based on the principles and recommendations contained in King III. This shows continuity by the NJMPF in upholding strong governance practices.

## Financial education

### NJMPF and the Financial Services Board (FSB) roadshows and workshops

***“This joint venture is probably an industry first”***



Financial education is a nationwide challenge! The NJMPF has realized the importance of financial education, which is why it has partnered with the FSB to provide financial education for members.

The NJMPF/FSB programme includes visits to Municipalities through roadshows to members and training workshops for Human Resource (HR) and Payroll officers. The roadshows and HR/Payroll

workshops that have been conducted provided a platform for NJMPF stakeholders to engage directly with the FSB on financial matters. Survey results collated after the roadshows and the training workshops provide insightful information. The analysed feedback from the training workshops and municipal visits respectively show a similar trend, which indicates that stakeholders were happy and valued presentations conducted by both the NJMPF and the FSB. The NJMPF will continue visiting Municipalities across Kwa-Zulu Natal showcasing the financial education programme; members should be on the lookout and avail themselves of the opportunity to attend presentations. “This joint venture is probably an industry first” commented Sam Camilleri the CEO and Principal Officer of the NJMPF.

## Know your fund

### Comments from the CEO - financial affairs of the Provident Fund

***“Given the size of the NJMPF, it is able to self-administer its funds, thus the members enjoy a significant cost saving, leading to improved benefits”***

Members of the Provident Fund contribute 3.75% of pensionable emoluments towards the Risk Reserves for members’ death benefits, administration expenses and operational expenses. From the 3.75% total, 2.75% is allocated to the expected risk (death) benefits and 1% to the expected operating expenses. This amount of 1% caters for the total expenditure incurred by NJMPF regarding its operational activities, which includes; administration costs (office expenses, staff costs, financial services board costs etc.) and non-administration costs (actuarial costs, legal costs and audit costs etc.). For 2013/14 financial year, 0.70% was utilized for administration costs and we anticipate the cost of administration to be around 0.65% for the period ending 31 March 2015.

The funds of the NJMPF have grown significantly in the past years and are of a size that provides economies of scale to aggressively negotiate fees charged by external service providers. This ultimately benefits members. Given the size of the NJMPF, it is able to self-administer its funds, thus the members enjoy a significant cost saving, leading to improved benefits.

## The Committee of Management

The Fund’s Committee of Management is established in terms of section 7 of the Natal Joint Municipal Pension Fund (Retirement), section 7(A) of the Natal Joint Municipal Pension Fund (Superannuation) and section 5 of the KwaZulu-Natal Joint Municipal Provident Fund Regulations as well as A2(1) of the Fund Rules.

The Committee of Management are individuals, who are elected by the members, and who are endowed with diverse skill and expertise to serve the best interests of the members. The NJMPF rules require that the Committee of Management comprises of employer, employee and pensioner representatives. As a municipal fund, it also allows for the appointment of a representative from the Executive Council for KwaZulu-Natal Co-operative Governance and Traditional Affairs (CoGTA).

The Committee of Management meets at least once a month to consider important issues affecting the NJMPF and its members, and ensures that all operations are in compliance with the Pension Funds Act and legislation in terms of the Financial Services Board (FSB). The Committee is comprised of 22 members, drawn from the employer, employee and pensioner bodies. They approve the Fund’s policies and are tasked with the responsibility of ensuring that these are carried out effectively.

# Know your fund

## Annuity product updated for Provident Fund members

The NJMPF has negotiated a new annuity product with Sanlam for Provident Fund members. Provident Fund members receive a lump sum on retirement. Members of the Provident Fund may currently consider the purchase of a NJMPF endorsed annuity which pays a pension each month, and which increases at a minimum of 75% of inflation (CPI) annually. The NJMPF has introduced a new annuity offering, which is in addition to the current default inflation linked annuity. The new offering is a level annuity. The similarities and differences between the two annuity offerings are highlighted in the table below.



**“Provident Fund members upon retirement may now consider the two annuity options”**

<u>Inflation linked annuity</u>	<u>Level annuity</u>
<ul style="list-style-type: none"><li>- Pension for life.</li><li>- Monthly annuity which will increase, by at least 75% of inflation annually.</li><li>- Spouse pension of 60% after death of main member.</li><li>- Residual lump sum benefit payable if member dies within 5 years.</li><li>- Death lump sum benefit of 3x final monthly pension, to be paid in the month after death.</li></ul>	<ul style="list-style-type: none"><li>- Pension for life.</li><li>- Monthly annuity will not increase.</li> <li>- Spouse pension of 60% after death of main member.</li><li>- A guarantee that the pension will be paid out for 5 years, whether you survive or not.</li><li>- Death lump sum benefit of 3x final monthly pension, to be paid in the month after death.</li></ul>

Based on affordability, Provident Fund members upon retirement may now consider the two annuity options. Provident Fund members should note that a level annuity has no provision for annual increases. This annuity will provide the highest initial pension, but pension payments will stay level and not keep up with the increase in the cost of living. This choice of annuity will solve the short term need for more upfront cash to pensioners, but will result in a less than adequate pension within the space of a few years.

Members are reminded that the annuity options are voluntary to Provident Fund members. Members are not obliged to purchase annuities through the NJMPF. Due to the financial nature of the annuity products and because it is being sold to members, the Financial Advisory and Intermediaries Services Act (FAIS Act) will apply. Members need to consult with a Certified Financial Planner to ensure that they make financially sound decisions.

During the Fund’s roadshows, further details will be communicated to members in local Municipalities associated with the NJMPF. Details will also be made available on the NJMPF’s website and enquires could be made with the Client Services Section on telephone: 031 279 5300, fax: 031 266 6715 or e-mail: info@njmpf.co.za.

**“Every year, you are entitled to a free copy of a credit report”**

## Financial literacy

### Check your credit record

A credit report is a detailed report of an individual’s credit history prepared by a credit bureau and used in determining a person’s creditworthiness. The report may include; personal data, summary of credit history, detailed account information, details of any accounts turned over to credit agencies and information of defaults/bad debts etc. Every year, you are entitled to a free copy of a credit report from each of the registered credit bureaus. The most recognised credit bureaus which are registered with the National Credit Regulator (NCR) are: Compuscan, Experian SA, TransUnion and Xpert Decision Systems.



## Industry news

### Retirement reform update - Treasury has decided to delay the implementation of the retirement tax reforms promulgated last year.

The NJMPF over the course of this year has issued notices regarding changes to the retirement fund landscape. In particular, the tax regime for retirement funds and annuitisation of retirement savings as communicated by National Treasury (Government).

These changes to retirement funds have prompted confusion amongst employees who contribute to pension/provident funds. This has resulted in media publications reporting an increase in the number of employees who have been resigning from their jobs and cashing-in their retirement benefits because of the assumption that Government will take their money.



***“Treasury has decided to delay the implementation of the retirement tax reforms promulgated last year”***

In a recent media statement by National Treasury on the Retirement Reforms it states that Treasury has decided to delay the implementation of the retirement tax reforms promulgated last year, until 2016/2017. In particular, what will be delayed will be the increase in the cap on tax deductions to 27.5% of taxable income, and the introduction of a limit on tax-deductible retirement fund contributions of R 350 000.00. The delay will also mean that contributions to provident funds will not benefit from the same tax deductions enjoyed by pension fund contributions, until the law is implemented.

These updates by Treasury might create further confusion because employers have been preparing over the past year for the changes, which was to tax retirement fund contributions in the hands of employees instead of employers, as in the past.

Cosatu has called for a moratorium on the reforms pending the finalisation of a comprehensive social security policy.

Treasury deputy director-general Ismail Momoniat told Parliament’s standing committee on finance about the proposed delay until 2017 in the implementation date, so that further consultation could take place with trade unions. The delay could be for only one year if Mr Nene (Minister of Finance) believes this is sufficient.

This means that the current status quo will remain for all NJMPF funds.

Members that are not sure about the current status regarding the reforms should contact the Fund. The Fund will be visiting Municipalities all over KwaZulu-Natal conducting information sessions and communicating with members.

### Pension fund quick fact

Most pension funds in South Africa are governed by the Pension Funds Act. The Act provides for registration, incorporation, regulation and dissolution of pension funds and for matters incidental thereto. A fund, its legal status, and the rights and obligations of its members and the employer, are governed by the rules of the fund and relevant legislation. Subject to the provisions of the Act, the rules of a registered fund are binding on the fund, the members, the shareholders and the officers thereof.

