



The Natal Joint Municipal Pension/Provident Funds (NJMPF/Fund) driving inclusive, transparent, and sustainable practices through innovation, good governance and financial literacy.

South African laws and regulatory institutions already exert a certain amount of stringent authority over the retirement funding industry. Whether this authority enhances or reduces value for members, the general perception is that operational codes, directives and laws require funds to report certain aspects of their operations in order to qualify for good corporate governance and excellent customer service.

Background

The Natal Joint Municipal Pension/Provident Funds (NJMPF/Fund) is a not for profit organisation, which provides retirement funding benefits for municipal employees in the Province of KwaZulu-Natal (South Africa) in extent 94 000 square km. These employees are employed at 55 municipalities in the Province. The NJMPF's vision is to provide superior retirement services and benefits to 20 000 active members and 10 000 pensioners and beneficiaries making up its membership.

Context

Studies show that great service and treating customers fairly builds trust and loyalty with customers, other studies indicate challenges regarding high fees in the retirement system (charges paper), while some studies talk about the low financial literacy levels among households in South Africa. Further studies promote adherence to good governance culture, yet some highlight low replacement ratio for members contributing to retirement funds (currently, according to most studies, less than 10% of members contributing to retirement funds can maintain their standard of living after retirement).

The competitive edge for the NJMPF is providing superior service to stakeholders at low fees and ensuring high investment returns, which increases members' retirement benefits.

Practical, proven implementation to enhance retirement outcomes for members and pensioners (beneficiaries, widows and children)

a) Innovation

Using technology to lower fees is critical for a retirement fund service and its members. Experts believe that as entities have grown in size and complexity, specialization, silos, and ultimately hierarchy have choked off the capacity to readily adapt and innovate. Finding innovative ways to enhance and accelerate member participation in the retirement funding arrangement is important.

- The NJMPF is introducing a barcode ballot voting system for electing Board of Trustees. The NJMPF is one of a few pension funds in South Africa to introduce a barcode ballot voting system and perhaps the only one to do so in-house.
- During 2016, the NJMPF introduced an interactive webpage to promote information sharing, and during 2017, a mobile application was created to promote education and communication.

b) Financial education

Last year, the NJMPF teamed up with the National Credit Regulator (NCR) as it has recognised that within its own membership, members are burdened with debt. In collaborating with the NCR, the NJMPF has been able to offer its members and pensioners advice on debt and credit management from the experts (NCR) themselves. Partnering with the regulator (NCR) allows for leveraging the expertise of NCR on credit/debt management education and educating NJMPF members at no cost. In past years the NJMPF has partnered with the Financial Services Board, including the Office of the Pension Funds Adjudicator and the legal advisor of the Fund to educate stakeholders about issues relating to financial literacy.

c) Enhanced benefits to stakeholders

Investment performance is a key agenda for any retirement fund. The NJMPF has achieved excellent short-term and long-term investment performance, which has enabled the Fund to increase and improve benefits to members and pensioners. Pensioners of the NJMPF are awarded increases and benefits, greatly improving their standard of living.

d) Governance culture

The NJMPF has continued with the tradition of a decade of clean audits for its annual financial statements in an environment where clean audits are rare. This is an indication of the good corporate governance practices. Further, in ensuring the maintenance of good governance, the NJMPF has subscribed to the Institute of Directors Governance Assessment Instrument. The Institute of Directors in Southern Africa formally introduced the King Code of Governance Principles. The NJMPF is complying with all principles applicable in the retirement industry.

Conclusion

The NJMPF has shown how, in local government, it is moving forward in driving change, creating sustainable growth through member engagement on financial literacy, and how it is practicing an innovation culture to enhance service delivery and achieve superior member outcomes.

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