

**NATAL JOINT MUNICIPAL PENSION / KWAZULU-NATAL
JOINT MUNICIPAL PROVIDENT FUNDS
ANNUAL FEEDBACK MEETING - 2 MARCH 2018
REPORT OF THE CHAIRPERSON TO
THE MEMBERS ON THE ACTIVITIES OF THE FUNDS FOR THE YEAR ENDED
31ST MARCH 2017**

INTRODUCTION

Sanibonani

Molweni

Dumelang

Goeie more

Namaste

Assalamu-alaykum

Shalom

Greetings Ladies and Gentlemen

This is my fourth term in my capacity as Chairperson of the Natal Joint Municipal Pension/Provident Funds (“NJMPF”) and it gives me great pleasure to present the Chairperson’s Annual Report for the year ended 31 March 2017.

As an introduction to the proceedings, we will be playing a short video about the NJMPF, please enjoy.

The year under review has seen that the global recovery is continuing, and at a faster pace. The picture is very different from early last year, when the world economy faced faltering growth and financial market turbulence. We see an accelerating cyclical upswing boosting Europe, China, Japan, and the United States, as well as emerging Asia. The latest IMF World Economic Outlook has upgraded its global growth projections to 3.6 percent for this year and 3.7 percent for next—in both cases 0.1 percentage point above the previous forecasts, and well above 2016's global growth rate of 3.2 percent, which was the lowest since the global financial crisis

With regards to South Africa the picture is somewhat different. In mid-November 2017 Standard and Poor's (S&P) decided to downgrade South Africa's local currency rating to BB+ (the highest junk rating) and its foreign currency rating one notch below to BB, both with a stable outlook. Moody's did not downgrade South Africa's credit ratings, but placed both local and foreign currency on review. Both sit at Baa3, the lowest investment-grade rating. (Earlier, Fitch had affirmed both local and foreign currency ratings at BB+, with a stable outlook.)

The moves were largely expected (except, perhaps, the S&P foreign currency rating downgrade) given the deterioration in fiscal metrics since the Medium-term Budget Policy Statement, and South Africa's persistently low growth rate.

National Treasury now expects GDP growth to be considerably weaker than before. The deficit is forecast to stabilise at -3.9% of GDP over the medium-term framework (compared to a consolidation to -2.6% presented in the February Budget), and gross debt is expected to continue to rise, without stabilising, to 60.8% of GDP by 2021.

South Africa's economy is expected to grow by just 1.1% in 2018 - one of the lowest rates in sub-Saharan Africa, according to the World Bank.

On the corporate front, on 5th December, Steinhoff International which was one of the 15 largest companies on the JSE, representing some 2% of the index and the world's second largest furniture retailer, announced that they had discovered accounting irregularities which require further investigation, preventing them from releasing their 2017 results. In consultation with the company's auditor, Deloitte, the Supervisory Board approached PwC to perform an independent investigation into these

irregularities. At the same time, it was announced that the CEO, Markus Jooste, had resigned with immediate effect. In response, Steinhoff's share price has fallen some 70%.

According to analysis by Moneyweb, Steinhoff was the fifth most widely held share in South African equity portfolios. Prior to the announcement on the 5th December 2017, ten analysts rated Steinhoff shares at a buy and eight rated them as a hold. The company had no sell recommendations.

During this period, the Funds exposure to Steinhoff was approximately 1% of the Funds total assets. Despite this setback, at the time of writing this report the South African equity market (net of the affect from the fall in Steinhoff) has returned 20.22% for the 12 months ending 8th January 2018. The Fund through its asset managers which held the stock will be examining possible legal action against Steinhoff and its directors.

The Board of Trustees are aware of these economic and market challenges and therefore continually reviews the investment strategy to address the Funds' needs and as you will see from the Valuation Reports, the assets of the Funds remain invested in diversified portfolios having both local and offshore exposure, which have produced excellent returns for the period under review. I will be discussing the Funds' good investment performance a little later in my presentation.

In this report, I am going to comment on events which are common to all three Funds and thereafter concentrate on matters which are specific to each individual Fund. Some of the matters include the Funds' recent achievements, SALGBC reform proposals, investment performance and member benefits.

THE FUNDS MISSION:

Our mission is to serve the best interests of our members by ensuring a high standard in retirement services to provide financial security. This mission is accomplished by ensuring a high level of pension administration, and collection, reconciliation and sound investment of contributions based on prudent investment principles.

Be assured that the Committee of Management and the Management will continue to do everything possible to ensure that the Funds maintain “world’s best practises” in their administration and compliance procedures.

To this end I am proud to announce that, once again, the NJMPF was one of the few government enterprises to receive clean and unqualified audit reports from the Auditor General for the year ending 31 March 2017. The Funds have, for more than a decade, received clean audits from the Auditor General.

Further, in ensuring the maintenance of good governance, the Funds have 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 Institute of Directors in Southern Africa owns the copyright of the King Report on Corporate Governance and the King Code of Corporate Governance. The Institute of Directors in Southern Africa promotes corporate governance and as such issued guidelines for the governance structures and operation of companies in South Africa. Although compliance with the King Reports is a requirement for companies listed on the Johannesburg Stock Exchange, Natal Joint Municipal Pension Fund models its corporate governance to King Reports on governance as we believe in good governance and the benefits of ethical leadership and well-run organisations apply to most if not all entities in any space.

The King IV was introduced due to the substantial corporate governance and regulatory developments since King III was issued in 2009 which needed to be considered. King IV became effective halfway through 2017 and after doing the assessment, the NJMPF is proud to confirm that it is complying with all principles applicable in the retirement fund industry.

I would like to express our appreciation to the CEO, Staff, Audit Sub-Committee and Board of Trustees for these achievements.

FUNDS RECOGNITION:

For over a decade the NJMPF has been successful in its mission and obligation of providing superior retirement services, which is reflected in its numerous awards. The NJMPF has notched up a commendable list of awards in the industry, both locally and

internationally with a total of 21 awards during 2017. All our awards can also be viewed on the NJMPF webpage; www.njmpf.co.za.

Your pension Fund, the NJMPF is recognised as one, if not, the best pension fund in Local Government. Testament to that, are the number of prestigious awards that the Fund has won, which in summary are:

During September 2017, your pension Fund in New York – USA was announced the Winner of the Africa Investor (Ai) Award for ‘African Pension Fund Initiative of the year’. This is a third year in a row - the NJMPF has been awarded by Africa Investor for global excellence. This, we believe, is evidence of the value that has been created for our stakeholders through providing superior retirement services. Africa Investor is a leading international investment and communications group. Some of the sponsors of Africa Investor include, New York Stock Exchange, World Bank, Thompson Reuters, Office of the Special Advisor on Africa and the World Pension Council. The purpose of these awards is to profile African Capital Market success stories to the global investment community. This is truly a great achievement for the NJMPF, KwaZulu-Natal and South Africa.

The Institute of Retirement Funds Africa (IRFA), a non-political body which represents and promotes the interests of the retirement industry in Southern Africa, announced its Best Practices Industry Awards, at its annual conference held at the Durban International Convention Centre (ICC). At the Best Practices Industry Awards ceremony for 2017, the NJMPF dominated the Best Practice Industry Awards by winning a total of 8 awards, which include:

Trophies – Overall Winner

1. Financial Reporting
2. Transformation

Special Mention / Merit - Certificates

3. Transformation across all operations, systems and asset management
4. Trustee education in terms of investment practices

Gold Certificate

5. Investment Practices
6. Overall Communication Strategy
7. Financial Reporting
8. Transformation

During August 2017, the NJMPF was awarded 'Best Financial Services' by the KZN Top Business Awards 2017. The KwaZulu-Natal (KZN) Top Business Awards has been promoting business and investment in the Province for over 19 years and showcases the many companies and organisations which contribute to the Province's ongoing success. The awards programme has firmly established themselves as a highlight of the KZN business calendar and celebrate successful companies and organisations in KZN. Each of the awards on offer celebrate and recognise business and organisational success across the economic sectors in both the private and public arenas. The Fund is extremely happy about this award because it highlights being recognised for excellence at a local – KZN level.

The NJMPF has also continued to maintain an international footprint during the year; Capital Finance International (CFI), a London based print journal and online resource organization' reports on business, economics and finance, and rewards best practices found anywhere in the world through its Awards Programme. The NJMPF was declared 2017 winner in three categories, for; Best Practice Pension Funds - South Africa, Best Pension Fund Stakeholder Benefits - South Africa and Best Corporate Governance Pension Fund - South Africa.

The international accolades received during the year also include two awards received by the Fund from 'The European', an international online and print publication, in the category of Global Banking and Finance Award for being the Best Performing Pension Fund of the year 2017 – South Africa and an award to Sam Camilleri for financial CEO of the year 2017 – South Africa. These awards verify progressive leadership and attention to detail shown by the CEO and Board over the years.

Further confirmation of the above is that during the year under review - The European CEO which is a different establishment from the European awarded Sam Camilleri for being; 2017 Best CEO in the Pension Funds Industry. The European CEO is a leading

print and online publication, providing analysis, strategy and quality journalism to an audience of c-suite executives in 28 countries throughout Europe.

During November 2017, the Fund entered the global Innovation Awards by the World Pension Summit. The Fund received an award as a runner up for global excellence in the segment of 'Plan Design' against global competition. The Innovation Awards programme focuses on funds that use innovation to drive their pension funds and the industry forward. The awards ceremony was held in the Netherlands, at The Hague.

The Stevie Award Competitions were created in 2002 to recognise accomplishments and contributions of companies and business people worldwide. The 2017 International Business Awards - Stevie Awards are the world's premier business awards programme. The 2017 competition attracted more than 3,800 nominations from organizations of all types, in more than 60 nations. The NJMPF was recognised for the following awards by Stevie;

- 2017 Bronze - NJMPF Interactive Website - Financial Services
- 2017 Bronze - PR Innovation of the Year - Financial Services
- 2017 Bronze - NJMPF Mobile Application (App) - Financial Services
- 2017 Gold - Company of the Year - Financial Services

Over the years, the NJMPF has notched up a commendable list of awards in the industry, both locally and internationally. These accolades recognise the continued commitment by the NJMPF to strive for excellence and exceed expectations in the retirement funding industry. They show the NJMPF's continued commitment to providing superior retirement service for stakeholders in all activities affecting the Funds.

It is thus clear that the NJMPF is a leader amongst its peers in the industry. It has gained recognition for its consistent excellence, amongst others; in governance, communications and education/training practices, treating customers fairly and investment performance/practices.

PROPOSED CONSOLIDATION OF MUNICIPAL PENSION FUNDS:

The South African Local Government Bargaining Council (SALGBC), which Bargaining Council comprises SALGA (Employer) and the Trade Unions (IMATU & SAMWU) – (Employee Representative), are currently bargaining on a retirement fund collective agreement, which if implemented under its current proposals would have a serious impact on the function and existence of your Fund, and in turn, it threatens the very pension that you have worked so hard for over all the years in Local Government.

To highlight just a few concerns regarding the proposals by the SALGBC:

- The objectives of the SALGBC refers to the need for a “uniform approach” and “overall efficiency”, but there is no mention of protecting the interests and rights of employees.
- To be an accredited fund by the SALGBC a fund will require a minimum membership of 10,000. Under this requirement neither the Retirement or Superannuation Funds will meet the requirement, equally there are no municipal defined benefit funds that are likely to meet this requirement.
- A primary concern is that the proposal does not address what happens to remaining pensioners, deferred pensioners and active members of defined benefit funds if a fund is not accredited. These employees and pensioners are effectively deserted by the employer when the employer withdraws.
- Should a fund not be accredited, members must transfer to another accredited fund – likely to be a defined contribution fund. The proposal suggests that the calculation of the transfer amount in respect of a transferring member should not be the minimum amount specified by the Pension Funds Act, since this is a good proxy of the amount that the fund is actually holding in respect of the transferring member.
- Tax is payable if a member transfers from a pension fund to a provident fund, but this is not mentioned in the proposal. In addition, the 1988 vested tax-free benefits may be forfeited upon transfer out of the current fund.
- Members may transfer only to an “accredited defined contribution fund in which the employer participates”. Members of defined benefit fund appear to lose their defined benefit rights and become entitled to lesser benefits, as affordable by the lower employer contributions.

- Employees do not have a choice of remaining with their existing fund, they are forced to transfer
- The proposal mentions that the participating employers will remain liable for any shortfall in a non-accredited defined benefit fund, but it is very doubtful that an employer will be willing to support a fund in which it no longer participates.
- It is proposed that trade union will appoint trustees, this is against the Pensions Fund Act Section 7A.
- It is proposed that participating employer will cease participating in a non-accredited fund, however no mention as to what happens to the members and pensioners in the fund, this once again displays lack of concern for employees and pensioners
- Reduced membership within the NJMPF, will increase costs for the remaining members.

The Board of Trustees do not accept these and other proposals of the SALBC, such as the establishment of one national fund. The Board believes that the current benefits were part of the initial pension promise when they join a specific fund that the employer allowed them to join, their future benefits were pre-promised and now it seems this promise will be reduced, the entire risk of future benefits now lies with the member and no liability lies with the employer

WHAT IS THE BOARD OF THE NJMPF DOING?

- Your Board of Trustees is working diligently and tirelessly at local and national levels to protect your rights and interests; and
- The NJMPF will continue to protect the Members and Pensioners vested rights.

The proposals by SALGBC could dramatically affect your future benefits in the Retirement and Superannuation Funds. The proposals are suggesting reductions in benefits and or even stopping future benefits of defined benefit funds.

This is one battle where we also need the assistance of every Active Member and Pensioner.

In view thereof, the Board of Trustees and I strongly recommended that each member considers the following.

WHAT CAN YOU AS AN EMPLOYEE MEMBER DO?

- Ensure that your trade union constituency shop steward, and/or regional shop steward and/or shop stewards at national level (NEC) be held accountable to ensure that the members future pension promise be protected; and
- Request that your trade union does not enter into a Collective Agreement on the current pension fund restructuring proposals, until each member of the trade union has been balloted.

WHAT CAN YOU AS A PENSIONER DO?

- Contact your local Mayor and ask (after all they were elected to serve their constituents) if he/she has been consulted on the SALGBC restructuring proposals; and
- IF NOT, request from the Mayor concerned to explain how the Employer at national level (South African Local Government Association – SALGA) obtained its mandate, which will have a dramatic effect on the employees

The Board of Trustees are mindful of the impact that these proposed changes might have on member benefits and vested rights, and thus we will continue to monitor developments, engage at local and national levels and will keep the membership informed.

COMMUNICATION:

The Fund views communications as a strategic imperative to achieve its responsibility to stakeholders. The focus of the NJMPF's communication strategy is to assign information to all stakeholders about the Fund and the benefits that derive, in an efficient and timely manner, in a language the stakeholder understands. Furthermore, the Fund strives to create awareness, impart knowledge, project a positive image and shape attitudes.

During the year under review, the NJMPF has positively achieved 100% municipal visits. All Municipalities in the Province of KwaZulu-Natal associated with the Fund

have been visited, and those who have a greater membership have been visited more than once.

The NJMPF has also implemented progressive projects to promote communications and sharing of information about retirement funding and financial literacy.

Some of these programmes include an informative mobile application which was introduced during July 2017, the theme of the mobile apps was, “the fund in the palm of your hand”, whereby we created a mobile application to provide clear and consistent information, reduce the potential of confusion & uncertainty, promote timely and accurate communication & education, whilst overall developing a tool which addresses participants’ challenges, needs and aspirations of the membership.

During the year under review, the NJMPF also 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. Statistics released by the NCR highlighted that out of the 24.25 million credit active-consumers only 3% check their credit record. The NJMPF is tackling these low numbers by communicating to its members and pensioners about the importance of knowing their credit score, and tips are given by the NCR/NJMPF as to where both members and pensioners could access this information.

One important thing to note, is that debt not only affects families and societies financially but also affects them mentally and emotionally as they are stressed because of financial troubles, which then carries over to affecting their physical health and productivity at work and other areas of their lives. The NJMPF and NCR programme is innovative because NJMPF is only one of a few retirement funds to have

partnered with NCR. Partnering with the regulator (NCR) allows for leveraging of expertise of NCR on credit/debt management education and educating NJMPF members at no cost.

Additionally, during the year, the NJMPF also continued on a programme with Absa Beneficiary Trust as part of stakeholder communication, the activation with Absa Beneficiary Trust extends the level of consideration by the Fund to not only communicate with active members and pensioners of the NJMPF but also to inform, educate and communicate with beneficiaries who are no longer contributing to the Fund.

Building capacity and knowledge through our 'train the trainer' programme which is training workshops for Human Resources and Payroll officers has continued during the year. We have increased the number of workshops conducted within a year.

Newsletter articles are published to promote communication about the Fund, posters designed to promote and notify stakeholders about activities of the Fund, social media platforms utilized to ensure continuous flow of information, communication and education, our SMS portal is also a good platform which we use to interact with all stakeholders - and has been used to communicate key information even about this AFM, the Fund utilizes email and the mobile application for the dissemination of useful information and to promote communication.

Additionally, during the year under review, the NJMPF has been recognised for a considerable number of accolades both locally and internationally. The programmes implemented by the Fund to educate and communicate with stakeholders received good reviews at the Stevie awards held in Barcelona, in which the judges are quoted as saying;

“Really nice to see the push for innovation in an otherwise stagnant environment. Good job with that drive.” Another judge said;

“I love that this company has a crystal clear vision evidenced by clean audits and top notch recognitions both locally and globally in its industry. The fact that it has low expense fees while maintaining the best performance funds is really very impressive. The "testimonial" from the World Pension Summit was a great attachment to your entry as it gave me a window to how you are leading edge at what you do. Great job!”

Pensioner communication is extremely important to the NJMPF, and to this end the Fund has embraced the use of technology such as the sending of SMSs to all NJMPF pensioners as a method of communicating. The Fund also communicates with Pensioners via social media, interactive webpage and the new mobile application which we encourage that all stakeholders download. Also during the year under review, the Fund circulated Pensioner Newsletters, aimed at updating and informing pensioners.

During 2018, the NJMF continued the Pensioner Indaba Roadshows. The Pensioner Indaba Roadshows provide a critical platform to engage with pensioners and allows focus on both the gathering and dissemination of useful information relating to pensions and retirement benefits. Topics will include declaration forms, pension increases, tax certificates and any general news affecting the Fund and pensioners. Importantly it will also be a platform for interaction and for pensioner to raise concerns and ask questions.

Pensioners are encouraged to attend the roadshows when invited.

Our activations and objectives are guided by our communications policy;

To provide clear and consistent information, reduce the potential for confusion and uncertainty, provide timely and accurate communications and a proactive information service that is factual and precise, which builds an appropriate communication medium for the stakeholders and address possible requirements of a membership base regarding information access.

Through research, experience and consultation the Fund has identified key areas to enhance communications which is technology, financial literacy, education and building strong networks to enhance capacity to execute a deliberate communications strategy effectively.

INVESTMENT PERFORMANCE:

Over the year under review the index returns for domestic equities, bonds and cash were 1,60%, 11,0% & 7,60% respectively, whilst offshore equities, in rand terms returned 5,20%. For the Provident, Retirement and Superannuation Funds investment returns to 31 March 2017 were 6%, 6.5% and 6.4% respectively.

These returns have reflected in the combined investment assets of the three Funds increasing by 6.49% over the previous year from R 17.3 billion to R 18.4 billion as at 31 March 2017.

The Funds' investment returns this year relative to the investment markets and the long-term benchmarks set by the Committee of Management and the Actuary have continued to perform well.

The 5-year investment returns to 31 March 2017 were 13.8% p.a. for the Superannuation Fund, 13.8% p.a. for the Retirement Fund and 13.9% for the Provident Fund.

The Fund handsomely beat its objective by achieving returns well above the 10.7%, which represents the CPI + 5% over the 5 years ended 31 March 2017.

Both the Superannuation and the Retirement Funds have achieved their long-term investment objectives through an outperformance of 3.1% p.a. whilst the Provident Fund achieved an outperformance of 3.2% p.a. against the benchmark of CPI+5%.

Both the Superannuation and Retirement Funds outperformed the investment manager benchmark by 0.5% p.a. over the 5 years, whilst the Provident Fund outperformed the investment manager benchmark by 0.2% p.a. over the 5 years to 31 March 2017.

This year the Fund was able to approve a significant increase to both Superannuation and Retirement Fund pensioners.

- A full CPI increase of 6.84% with effect from the 1st of July 2017 and
- A special bonus of 50% of pensioners monthly pension payable in November 2017.

In our Provident Fund **R1 million** invested since 1 January 2000 has grown to **R9.5 million** by 31 March 2017. The Fund continues to be an excellent performing Fund.

RATIONALISATION PROJECT:

As a background to this project which has been undertaken by the Fund and the Department of Co-operative Governance & Traditional Affairs, the KwaZulu–Natal Office of the Premier commenced a Rationalisation of Law Project affecting all Provincial legislation to ensure compliance with “new order” regulations.

An important objective of the Rationalisation Project was that the categories of benefits in the two defined benefit funds, namely the Superannuation and Retirement Funds, be the same and no form of historical discrimination remains between the two funds particularly within the Retirement Fund. To this end once the Bills are promulgated member benefits will improve significantly.

I am delighted to inform you that both the Legislature have approved the Bills and the Premier has signed the Bills in early January 2018 for promulgation in February 2018.

Once the Bills have been promulgated the MEC for Co-Operative Governance and Traditional Affairs will be able to promulgate the amended Regulations for the three Funds.

Although it is impossible to provide timeframes at this juncture for the completion of the Rationalisation Project it is hoped nevertheless that the entire rationalisation process will be completed by the end of June 2018.

Once the rationalised Regulations have been promulgated and registered by the Financial Services Board, the NJMPF will hold a postal ballot for the appointment of trustees to the Provident Fund as well as for the employer representatives. To ensure continuity within the Board of Trustees the Retirement and Superannuation Funds trustee elections will be held in 2020.

The entire electoral process will be overseen by Deloitte, the internal auditors for the Funds, to ensure good governance and transparency.

THE SUPERANNUATION FUND:

Active membership decreased by 3.20% from 4485 to 4340 - the main reason being that employing Municipalities, as a result of SALGA's requests, continue to admit new employees exclusively to the Provident Fund. The Fund adopted a new administration procedure with regards to suspended pensioners. The new administration procedure was developed with consultation with the Funds internal auditors, Deloitte's and the Funds Actuaries. After three years and after extensive investigations if a pensioner can no longer be found, the pensioner accrued account is written back, and the pensioner is no longer reflected as a pensioner in the financials. Because of this the number of pensioners, decreased to 5187, thus giving a total membership within the Fund of 9527.

The assets of the fund at market value have increased from R10.50 billion to R11.05 billion.

The Fund earned a total investment return of 6.4% over the year to 31 March 2017

The statutory actuarial valuation at 31 March 2017 reveals that the Fund is fully funded on the best estimate valuation basis.

The assets in respect of active members match the liabilities on the “best estimate”; however, the assets are insufficient to provide a buffer of protection for adverse experience, thus the Actuary continues to recommend that the municipalities continue to pay a surcharge to build up the Solvency Reserve.

The Fund holds a Memorandum Account in respect of pensioners.

Over the period to 31 March 2017 the Memorandum Account shows a surplus funding level of 105.8%. The Pensions Memorandum Account has more than sufficient assets to hold a Solvency Reserve at the full theoretical level in terms of PF117 for pensioners. The balance of the assets in the Memorandum Account is retained as an allowance for additional future pension increases as provided for in the Regulations of the Fund.

THE RETIREMENT FUND:

In line with the trend of the Superannuation Fund, and for the same reasons, membership of the Retirement Fund continues to fall. This year it is down by 10.9 % from 2218 to 1976 members.

The Fund adopted a new administration procedure with regards to suspended pensioners. The new administration procedure was developed with consultation with the Funds internal auditors, Deloitte’s and the Funds Actuaries. After three years and after extensive investigations if a pensioner can no longer be found, the pensioner accrued account is written back, and the pensioner is no longer reflected as a pensioner in the financials. Because of this the number of pensioners have decreased to 5069, thus giving a total membership within the Fund of 7045.

The asset value of the Fund during the past twelve months at market value has increased from R3.74 billion to R3.88 billion, an increase of 3.75%.

The Fund earned a total investment return of 6.5% to 31 March 2017

The 2017 interim actuarial valuation disclosed that, in respect of the liabilities for service to the valuation date, the overall Fund was 95.3% funded, thus the Actuary continues to recommend that the current surcharge of 21,65% of pensionable salaries

that is paid in terms of the "Scheme to Eliminate Deficiency" to eliminate the deficit, continues to be paid.

The Fund holds a Memorandum Account in respect of pensioners.

Over the period to 31 March 2017 the Memorandum Account shows a surplus funding level of 107.2%. The balance of the assets in the Memorandum Account is also sufficient to fund the full theoretically required Solvency Reserve. The balance of the assets in the Memorandum Account is retained as an allowance for additional future pension increases as provided for in the Regulations of the Fund.

THE PROVIDENT FUND:

And finally, let me deal with the Provident Fund.

This is a growing Fund as, in line with SALGA's request, all new employees are being admitted to the Provident Fund. Membership has increased during the year from 13117 to 14783, a 12.7% increase.

The assets of the Fund at market value have increased from R3.02 billion to R3.49 billion; representing a growth of some 15.6% per annum.

The Fund earned a total investment return of 6.0% to 31 March 2017

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, considering market conditions. At the valuation date, the Investment Reserve was equal to 7% of the Member Share Account.

The valuation reveals that the Fund is 103.5% funded as at the valuation date.

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. The deduction of 3,75% of salaries is more than sufficient to cover expenses and the cost of the lump sum death benefit. The expected excess of 0,86% of salaries will be applied to increase the retirement benefit for members.

The Fund is in a financially sound position as at the valuation date.

STAFF:

On behalf of the Board of Trustees, I would like to express our sincere gratitude to our CEO / Principal Officer, Mr Sam Camilleri for his strong commitment in the management of the Funds and providing the necessary expertise and support to the Committee of Management in all matters affecting the Funds.

To the rest of the staff I thank you for having served the organisation well through the year and I look forward to your loyalty and dedication in the ensuing year.

To my Deputy Chairperson, Ms Mavimbela, thank you for all your support and the loyalty you afforded me during your term of office with the Fund.

To my fellow Trustees: thank you for your support, contribution and guidance in our deliberations over the past year during which I have been Chairperson.

To you, the members, pensioners and employer representatives, thank you for your attendance today and I trust that you would also continue to show a keen interest in the affairs of our Funds and its future.

I thank you.

Mr Dube

CHAIRPERSON