



NJMPF

KwaZulu-Natal Joint Municipal
Pension/Provident Funds

*Like Sand through the hourglass so is
investing for your retirement future*



F I N A N C I A L H I G H L I G H T S
2022

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FUND RECOGNITION

The **KwaZulu-Natal Joint Municipal Pension / Provident Funds (NJMPF)** has been successful in its mission and obligation to provide superior retirement services for over 80 years. That is 8 decades of existence and excellence. The reflection of this excellence is in over 100 accolades received by the Fund over the years. NJMPF maintains the momentum of being the leader of the industry and being one of the oldest and one of the most awarded Funds in South Africa. A total of 54 local awards have been awarded to NJMPF. Through continued research, self-introspection, creativity, consultation, experience, determination, ambition, driving better benefits for members, good investment practices, robust governance culture, information technology, training, and development – NJMPF believes and everyday strives to improve members and pensioners' retirement outcomes. The drive and passion are showing through member benefits that keep improving year by year and through accolades the Fund receives from both local and international award institutions.

A total of 75 international awards have been awarded to NJMPF. International recognition means that NJMPF is doing something right, even when measured against international role players, the Fund still stands out. The worldwide recognition reassures not just the Fund but you as the member that as long as you form part of NJMPF's membership you will receive superior retirement services. We don't only just say this because it is our moto, the years of experience and continued excellence speaks for itself.

The accolades awarded to NJMPF both locally and internationally are a true measure of tenacity, doing the basics correctly, strategic thinking, having members and pensioners interest at the forefront of decision making and implementing plans. Below we highlight in brief how the momentum has continued, and recent activations progressed by NJMPF.

***Locally & internationally recognised for excellence
Over 100 awards and counting. . .***



FUND'S INVESTMENT PERFORMANCE POST THE GLOBAL PANDEMIC

The Covid-19 pandemic had a significant impact on investment markets all over the world. In South Africa we also saw a decline and our stock markets came under tremendous pressure, both of which affected the investment returns earned on our Funds.

To assess the adequacy of our Funds' investment returns, it is useful to look at its performance relative to other retirement funds. The Large Manager Watch is a well-known survey of South African investment funds. We found that, although the Funds would not have been amongst the top performers, we performed better than other funds that were included in the survey.

Our Asset Managers select types of assets which perform well over the longer term. This is a suitable strategy for members who need to grow their retirement assets over many years. So even if the market values fluctuate from month to month, the types of assets which have been selected are expected to give superior investment returns when measured over a number of years.

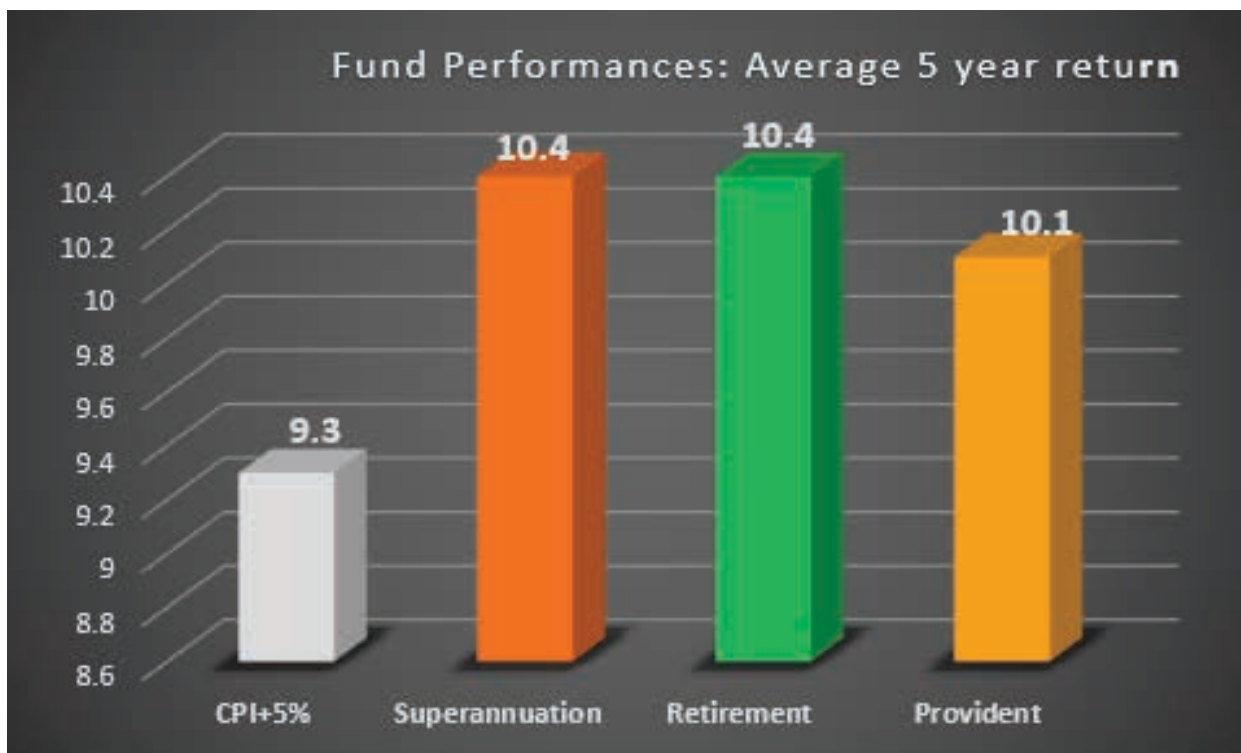
The Fund invests both in local and international markets. The investments are managed by several different Asset Managers, who have been selected because of their good performance and expertise.

This diversification of assets over different types of asset and different Asset Managers ensure that the Fund is not overly affected by any single risk or sector – all our “eggs are not in a single basket”.

The Board continuously monitors the performance of the Managers and is confident that the investment approach will continue to benefit members in the long term as it has done in the past years.

Remember: saving for retirement is a long-term strategy requiring patience and persistence. The old saying ‘It’s not about timing the market, but about time in the market’ remains true.





The return of the Fund was well above the long-term investment target of achieving a minimum of *CPI+5 percent over the five years ending 31 March 2022.

Investment Feedback during 2022

Global Markets

Global markets headed into bear market territory with economic recessionary fears escalating during Q 2 of 2022, persistent higher than expected inflation and resulting steep interest rate hikes in the US, strict Chinese Covid 19 lockdowns, and the ongoing Russia Ukraine war, led to downward revisions in economic growth expectations for the world's biggest economies.

South African Markets

Rising inflation combined with forecasts for further local interest rate hikes, severe flooding in KZN plus the reinstatement of Stage - 6 loadshedding all resulted in lower growth prospects for the local market. However, local bond and equity losses were slightly less than those of the major global developed markets.

MARKET VOLATILITY AND YOUR BENEFITS

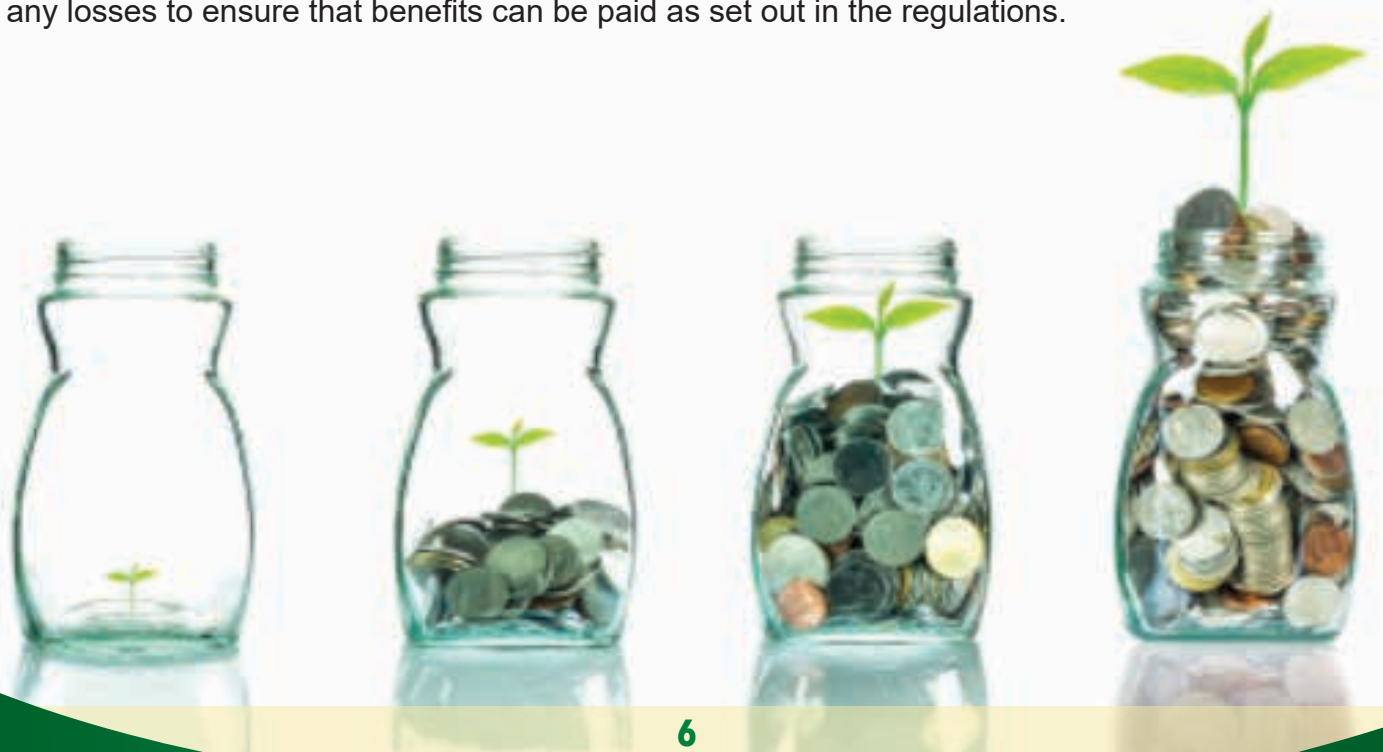
For many of us, investing and retirement planning are not our area of expertise. The market and world events sometimes make us question whether we need to be doing something to safeguard our retirement savings. A retirement fund can therefore be very valuable to assist members, as here the investments are chosen and managed by the Board of Trustees based on advice received from specialists to give the best outcome on retirement.

You are investing for your future retirement by virtue of your participation in the NJMPF Pension/ Provident Funds. You and your employer each pay a monthly contribution to your fund, which is invested for your retirement. It is important to understand that the investments are made with your future retirement in mind and as such the Board of Trustees are most concerned about the performance of the investments over the future working lifetime of its members.

Short term fluctuations in the market are expected. In efforts to ensure that members are not negatively impacted in times of market volatility, the Fund uses a smoothing approach. The “Smooth Bonuses” approach provides a cushion against volatility in the investment markets. The Board of Trustees declare investment earnings on a quarterly basis as “Bonuses” thus hold on an Investment Reserve. This smooths out the times when returns are low.

Defined benefit funds – how does the market affect your benefits?

The benefit values of Members of the Superannuation and Retirement Funds are set out in its regulations. The benefits payable are calculated based on a formula that looks at the annual pensionable salary, continuous service, and a factor. The benefits are not impacted by investment performance. Investment performance does however have an impact on any surcharges that the local authorities must pay to these funds, as they are essentially the party that must make good any losses to ensure that benefits can be paid as set out in the regulations.



Defined contribution fund – impact of the market on your benefits

In the Provident Fund, the benefits are directly linked to market performance and here we recognize that market volatility may cause anxiety for you as a member as you see your fund value going up and down with the market. Here again it is important to understand that you are investing for your retirement and the short-term volatility does not automatically mean a change in your long-term targeted returns. The investment strategy chosen by the Board of Trustees is well diversified and aim to achieve superior returns over the longer term. The Board of Trustees regularly review the Asset Managers and take advice from Investment specialists in this area. Members of the Provident Fund can therefore have peace of mind knowing that their retirement benefits are in good hands and that NJMPF's current investment methodology and strategy will ultimately be advantageous to members.

It is also important to remember that Provident Fund members are protected from the negative impact of market volatility through the smoothing approach. Investment returns are credited to members' benefits as monthly bonus declarations. These are smoothed from quarter to quarter to prevent members from experiencing the roller-coaster ride that investors in market-linked portfolios could encounter. Small moves in the market are absorbed and negative bonuses are declared if the market falls significantly.

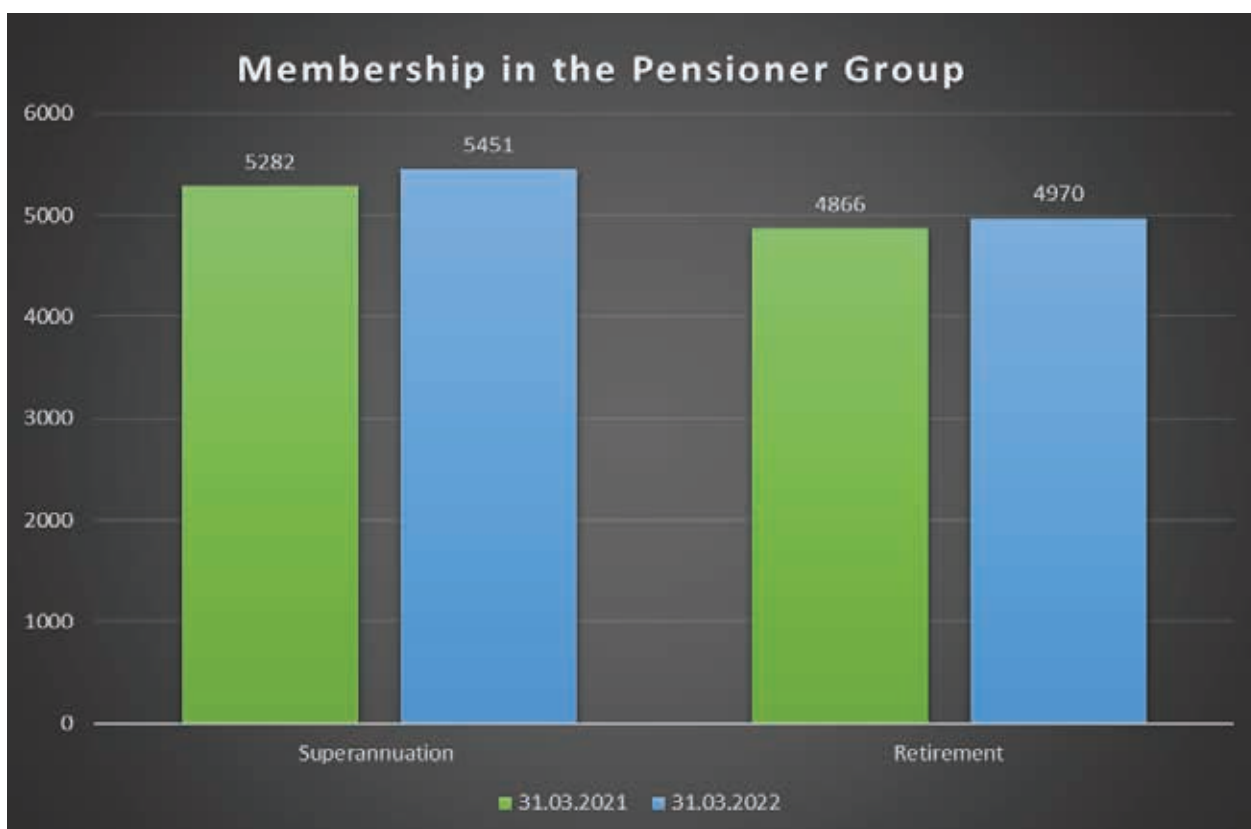
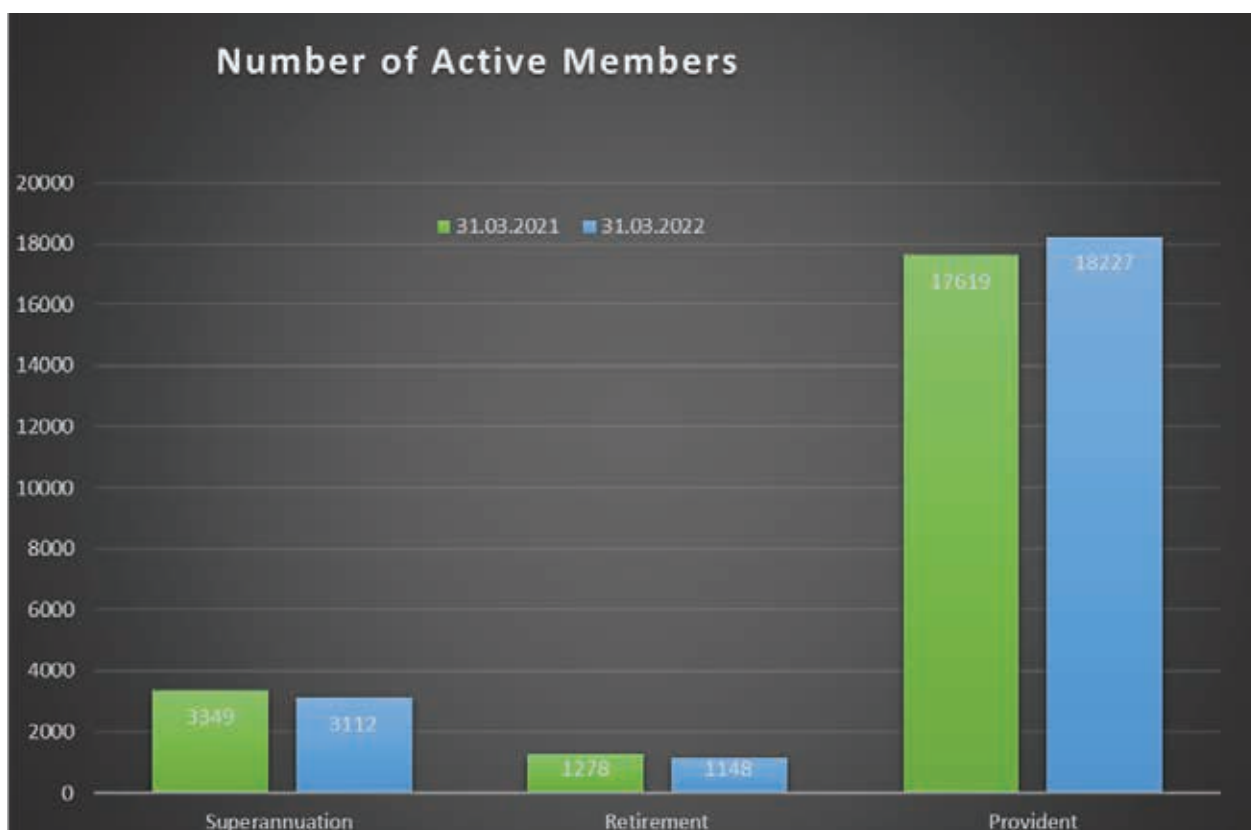
To enable the smoothing of bonuses, the Board of Trustees make use of an Investment Reserve. In times when the investment markets perform better than expected, the bonuses are limited to the expected return. This reserve is then utilized to cushion the impact during difficult periods. It is important to note that the member receives his/her full share of the Investment Reserve on exit from the Fund. NJMPF Provident Fund's monthly investment declarations are shown in the following table:

Date	Bonus Rate	Date	Investment Reserve
Jan 2022	1.0%	Feb 2022	7.0%
Feb – Apr 2022	3.0%	May 2022	7.0%
May – Jul 2022	0.0%	Aug 2022	2.0%
Aug – Oct 2022	0.0%	Nov 2022	1.0%
Nov 2022 – Jan 2023	0.0%	Dec 2023	5.0%

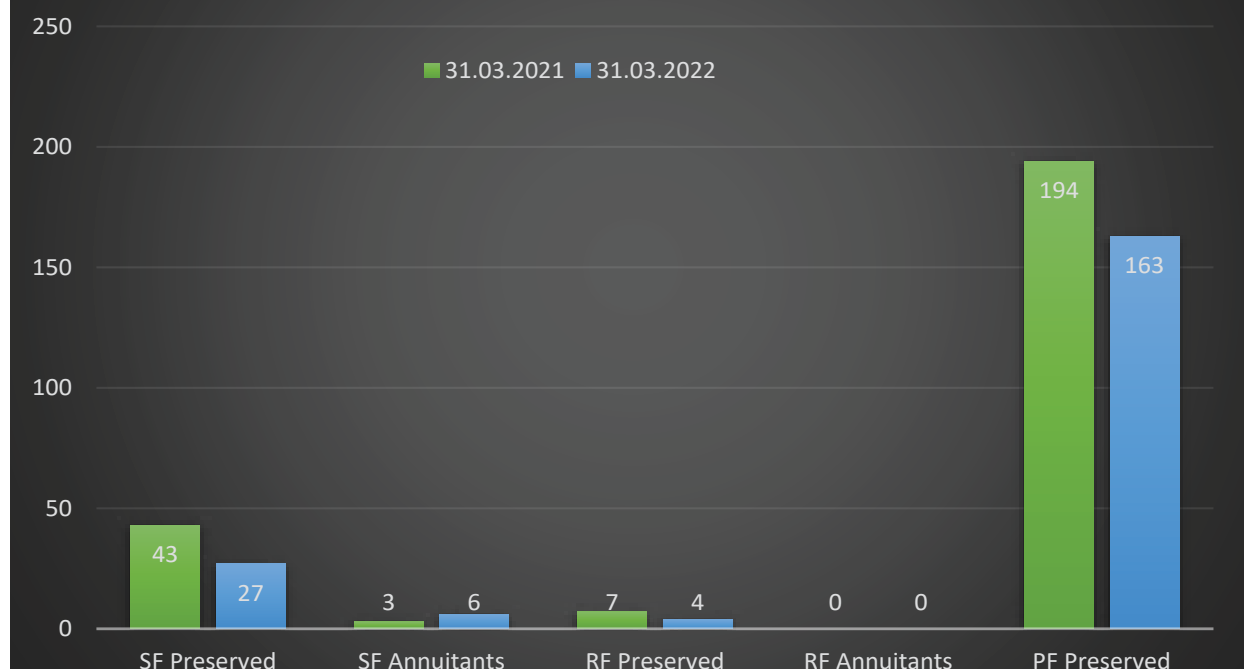
The Trustees consider the investment performance of the assets of the Fund quarterly and based upon the performance and the market outlook for the future, declare bonuses for the next three months. The aim is to declare bonuses on a smoothed basis so that members are shielded from the volatility of the investment market as much as possible. This is especially valuable for members close to retirement age.

FUND MEMBERSHIP

Municipalities continue to admit new employees exclusively to the Provident Fund as per the South African Local Government Association (SALGA) guidelines. Hence that is the reason for the large membership in Provident Fund.



Number of Preserved Members & Annuitants



ANNUAL FINANCIAL STATEMENTS
KWAZULU-NATAL JOINT MUNICIPAL PROVIDENT FUND
STATEMENT OF NET ASSETS AND FUNDS AS AT 31 MARCH 2022

	Notes	Mar 2022 R	Mar 2021 R
ASSETS			
Non-current assets		9 056 942 736	7 360 962 490
Plant and equipment		3 392 640	3 625 200
Investments	1	9 053 550 096	7 357 337 290
Current assets		214 891 285	186 430 947
Transfers receivables		652 550	0
Accounts receivable		5 045 861	457 539
Contributions receivable		38 448 789	23 334 237
Cash at bank		170 744 085	162 639 171
Total assets	2	9 271 834 021	7 547 393 437
FUNDS AND LIABILITIES			
Members' Funds and surplus account		8 110 145 411	6 636 824 121
Members' Individual accounts		8 110 145 411	6 636 824 121
Reserves		832 388 873	618 994 760
Reserve accounts		832 388 873	618 994 760
Total funds and reserves		8 942 534 284	7 255 818 881
Non-current liabilities		7 717 265	7 412 895
Provisions		6 765 860	6 388 6889
Unclaimed benefits		951 405	1 024 206
Current liabilities		321 582 472	284 161 661
Benefits payable		317 997 764	278 762 180
Accounts payable		3 584 708	5 399 481
Total funds and liabilities		9 271 834 021	7 547 393 437

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

For the period ended 31 March 2022

	Notes	Mar 2022 R	Mar 2021 R
Contributions received and accrued		1 026 532 907	941 341 252
Net investment income		1 183 115 063	2 040 329 784
(less) Allocated to unclaimed benefits		40 840	73 914
Less: Administration expenses	3	39 551 245	40 287 662
Net income/(loss) before transfers and benefits		2 170 055 885	2 941 309 460
Transfers and benefits		(483 340 482)	(327 325 454)
Transfers from other funds		787 181	0
Transfers to other funds		(2 319 395)	997 162
Benefits		(481 808 268)	(328 322 616)
Net income/(loss) after transfers and benefits (carried forward)		1 686 715 403	2 613 984 006
Funds and reserves		7 255 818 881	4 641 834 875
Balance at end of period		8 942 534 284	7 255 818 881

Notes on the Annual Financial Statements

1. Investments assets of the Provident Fund increased by 23% from R 7.357 billion to R 9.053 billion as 31 March 2022.
2. The assets of the Fund at market value have increased by 22.85% from R 7.547 billion to R 9.271 billion as at 31 March 2022.
3. The total annual operating expenses expressed as a percentage of the Fund's total assets value is 0.43%. The expense ratio includes management administrative expenses but does not include the transaction costs of buying and selling portfolio securities.

KWAZULU-NATAL JOINT MUNICIPAL PENSION FUND (RETIREMENT)
STATEMENT OF NET ASSETS AND FUNDS AS AT 31 MARCH 2022

	Notes	Mar 2022 R	Mar 2021 R
ASSETS			
Non-current assets		5 383 584 669	4 833 974 655
Plant and equipment		6 031 360	6 444 800
Investments	1	5 377 553 309	4 827 529 855
Current assets		30 469 118	55 427 798
Accounts receivable		321 561	468 325
Contributions receivable		8 186 282	9 707 368
Cash at bank		21 961 275	45 252 105
Total assets	2	5 414 053 787	4 889 402 453
FUNDS AND LIABILITIES			
Members' Funds and surplus account		4 580 644 857	4 293 039 422
Members' Individual accounts		4 580 644 857	4 293 039 422
Reserves		765 800 299	513 892 967
Reserve accounts		765 800 299	513 892 967
Total funds and reserves		5 346 445 156	4 806 932 389
Non-current liabilities		3 798 861	3 654 548
Provisions		1 482 954	1 380 076
Unclaimed benefits		2 315 907	2 274 472
Current liabilities		63 809 770	78 815 516
Benefits payable		63 473 800	77 552 243
Accounts payable		335 970	1 263 273
Total funds and liabilities		5 414 053 787	4 889 402 453

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

For the period ended 31 March 2022

	Notes	Mar 2022 R	Mar 2021 R
Contributions received and accrued		152 013 633	161 406 411
Net investment income		696 110 844	1 417 011 880
(less) Allocated to unclaimed benefits		97 697	34 752
Less: Administration expenses	3	7 955 065	5 990 136
Net income/(loss) before transfers and benefits		840 071 715	1 572 393 403
Transfers and benefits		(300 558 948)	(308 413 047)
Transfers from other funds		-	-
Transfers to other funds		(4 019 337)	-
Benefits		(296 539 611)	(308 413 047)
Net income/(loss) after transfers and benefits (carried forward)		539 512 767	1 263 980 357
Funds and reserves		4 806 932 389	3 542 952 032
Balance at end of period		5 346 445 156	4 806 932 389

Notes on the Annual Financial Statements

1. Investments assets of the Retirement Fund increased by 11.39% from R 4.827 billion to R 5.377 billion as at 31 March 2022.
2. The assets of the Fund at market value have increased by 10.73% from R 4.88 billion to R 5.414 billion as at 31 March 2022.
3. The total annual operating expenses expressed as a percentage of the Fund's total assets value is 0.15%. The expense ratio includes management administrative expenses but does not include the transaction costs of buying and selling portfolio securities.

KWAZULU-NATAL JOINT MUNICIPAL PENSION FUND (SUPERANNUATION)
STATEMENT OF NET ASSETS AND FUNDS AS AT 31 MARCH 2022

	Notes	Mar 2022 R	Mar 2021 R
ASSETS			
Non-current assets		15 575 720 587	14 042 447 091
Plant and equipment		18 050 774	18 939 7423
Investments	1	15 557 669 813	14 023 507 348
Current assets		73 325 758	104 165 379
Accounts receivable		1 898 549	4 487 409
Contributions receivable		32 400 693	29 942 127
Cash at bank		35 628 936	69 735 843
Total assets	2	15 645 648 765	14 146 612 470
FUNDS AND LIABILITIES			
Funds and surplus account		13 951 882 492	13 173 023 989
Accumulated funds		13 951 882 492	13 173 023 989
Reserves		1 504 477 992	805 040 573
Reserve accounts		1 504 477 992	805 040 573
Total funds and reserves		15 456 360 484	13 978 064 562
Non-current liabilities		3 545 768	3 477 956
Provisions		2 695 443	2 645 148
Unclaimed benefits		850 325	832 808
Current liabilities		185 742 513	165 069 952
Transfers payable		652 550	-
Benefits payable		170 124 781	158 750 310
Accounts payable		14 965 182	6 319 642
Total funds and liabilities		15 645 648 765	14 146 612 470

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

For the period ended 31 March 2022

	Notes	Mar 2022 R	Mar 2021 R
Contributions received and accrued		399 230 449	417 843 659
Net investment income		2 035 698 823	4 120 225 653
(less) Allocated to unclaimed benefits		18 947	20 113
Less: Administration expenses	3	18 751 380	12 171 425
Net income/(loss) before transfers and benefits		2 416 158 945	4 525 877 774
Transfers and benefits		(937 863 023)	(816 308 850)
Transfers from other funds		1 843 528	-
Transfers to other funds		(652 550)	(248 739)
Benefits		(939 054 001)	(816 060 111)
Net income/(loss) after transfers and benefits (carried forward)		1 478 295 922	3 709 568 923
Funds and reserves		13 978 064 562	10 268 495 639
Balance at end of period		15 456 360 484	13 978 064 562

Notes on the Annual Financial Statements

- Investments assets of the Superannuation Fund increased by 10.94% from R 14.023 billion to R 15.557 billion as 31 March 2022.
- The assets of the Fund at market value have increased by 10.60% from R 14.146 billion to R 15.645 billion as at 31 March 2022.
- The total annual operating expenses expressed as a percentage of the Fund's total assets value is 0.12%. The expense ratio includes management administrative expenses but does not include the transaction costs of buying and selling portfolio securities.

Year-end bonuses

During these tough investment times, NJMPF was able to award year-end bonus to pensioners. Qualifying Superannuation and Retirement Fund pensioners received a 100% bonus at the end of November 2022. In the July 2022 newsletter, the Fund advised pensioners of the 5.93% increase that was approved by the Board of Trustees.

How was this possible during these trying times?

Through good governance and prudent investment strategies applied by the Board of Trustees. The actuarial valuation confirmed that the Pension Memorandum Account was financially sound to grant these bonuses.



Access to your retirement savings

The National Treasury, alongside the South African Revenue Service (SARS), is set to make some changes and clarifications to the original proposals on introducing the 'two pot' retirement system.

The system seeks to strike a balance between two problems. These are maximising retirement savings by minimising early withdrawals and allowing for early access to retirement savings to address unforeseen events, such as Covid-19's financial consequences.

Members of retirement funds in the future can make one taxable withdrawal a year from their savings' pot', where up to one-third of their contributions can potentially be withdrawn. The remaining two-thirds or more retirement 'pot' has to be preserved until retirement and used to purchase an annuity.

The retirement funds would be broken into the following:

- The vested pot (amounts that are accumulated before the implementation date)
- 1/3 accessible savings pot
- 2/3 retirement pot is subject to complete preservation until retirement.

The new system is set to come into effect on 1 March 2024.

The system is not retrospective, meaning that the new rules will not affect existing retirement savings and contributions up until the date of implementation. The remaining savings and their subsequent investment return will retain their 'vested rights'.

If a member exercises their right to withdraw from their savings pot, this amount will be added to their taxable income for the year, thereby negating the tax deduction. They will thereafter not be permitted to make a further withdrawal from the savings pot for a period of at least 12 months.

Members that are not going to make a withdrawal from their saving pot, nothing will change for them. However, for those that need to make such a withdrawal of up to one-third pre-retirement, they will deplete the amount available as a lump sum upon retirement.

The Fund is closely monitoring developments around this Bill and will keep members informed and updated of any developments.



RESIGNATION BENEFITS VS PRESCRIBED MINIMUM BENEFITS (SUPERANNUATION AND RETIREMENT FUNDS)

WHAT IS THE RESIGNATION BENEFIT?

The resignation benefit in the two defined benefit funds is a return of your contributions plus interest, but subject to a minimum value which is set out in the Pension Funds Act.

This minimum value is calculated as the value now (at the calculation date) of the estimated retirement benefit that the member would receive at normal retirement age (NRA).

As the benefit is determined at the calculation date, it means that only pensionable service up to date of calculation and your pensionable salary at date of calculation is used.

HOW IS THE PRESCRIBED MINIMUM BENEFIT (PMB) CALCULATED?

In terms of the Regulations of the two funds, the retirement benefit is a pension plus a gratuity. The prescribed benefit is therefore based on a fixed formulae as follows:

PENSION (SUPERANNUATION FUND)

$2.2\% \times \text{final average salary (over last year)} \times \text{pensionable service} \times \text{capital factor at NRA} \times \text{discount factor from NRA to current age}$

plus

GRATUITY (SUPERANNUATION FUND)

$8.25\% \times \text{final average salary (over last year)} \times \text{pensionable service} \times \text{discount factor from NRA to current age}$

These two components estimate the current value of the pension and gratuity that a member will receive at NRA (for service up to now).

For the Retirement Fund the pension is calculated by using 2.1 instead of the 2.2 used above for the Superannuation Fund, and for the gratuity value, 5.5 instead of 8.25.

WHY DOES THE BENEFIT NOT ALWAYS INCREASE FROM YEAR TO YEAR?

Since the benefit is based on salary and service, it would make sense that the benefit should increase from one year to the next as the member would have one extra year of service and there would potentially have been a salary increase given.

This is true, were it not for the discount factor that must be applied to the benefit. Since this factor is directly linked to the investment markets on the calculation date, it can go either up or down during the year. If the increase in salary and service is less than the fall in the discount factor in any given period, the benefit would reduce rather than increase over that period.

Since markets cannot be predicted, a member's resignation value will therefore only be known with certainty at his/her actual date of resignation.

Annual pension at Normal Retirement Age (NRA):

- In terms of the Act this is based on current salary and service
- The pension is then $2.2\% \times 500\,000 \times 15 = 165\,000$

Capital factor at Normal Retirement Age (NRA):

- This is the value of an annuity from age 65 to pay this pension plus pension increases for life plus a spouse's pension in terms of the Regulations.
- This factor is based on long term interest and mortality assumptions and hence does not change frequently, the factor is calculated based on the assumptions used in the last statutory valuation of each fund. Statutory valuations are done every three years.
- In the example above this factor would be 13

Discount factor from Normal Retirement Age (NRA) to current age:

- The discount factor takes the capitalised value of the pension at NRA above (the $165\,000 \times 13 = 2\,145\,000$)
- And discounts it to current age by applying a discount factor.
- This factor is applied for the number of years that the member is younger than the NRA age ($65-45=20$ in the example above)
- The discount factor is based on rates that is published monthly by the Financial Sector Conduct Authority which is directly related to interest rates and market performance.
- This factor therefore changes monthly as the market changes.

GRATUITY**Gratuity at Normal Retirement Age (NRA):**

- This is again based on current salary and service.
- The gratuity is then $8.25\% \times 500\,000 \times 15 = R618\,750$
- No capital factor is required here as this is a once off lumpsum payment and therefore not payable for life.

Discount factor from Normal Retirement Age (NRA) to current age:

- The same factor as for the pension is applied.

PRESCRIBED BENEFIT

- Let us assume that the published discount factor considered for the 20 years between 45 and 65 is currently 0.61 (this may increase OR decrease next month depending on the move of the market)
- The Prescribed Benefit is then the pension plus the gratuity – both discounted: $(2\,145\,000 + 618\,750) \times 0.61 = R1\,686\,000$

MERGER OF THE SUPERANNUATION AND RETIREMENT FUNDS

This matter affects the Superannuation and Retirement Funds only.

The reason for the intended merger, which has been in the planning by the Fund for several years, is four-fold:

- Shrinking of current membership numbers in both Funds makes the merger logical.
- Both pensioner groups can be combined without any negative impact
- Economies of scale will have a positive impact on costs.
- Retirement Fund members will over time and with additional contributions, have their benefits equalised with the Superannuation Fund.

One of the implications of the merger is a change in the contribution rates.

✓ Retirement Fund contributions are presently: -

Employee 7% and Employer 18.37%.

✓ By becoming members of the merged Superannuation Fund, contributions will increase to: -

Employee 9.25% and Employer 21.63%.

Look out for the NJMPF notices at your local municipality and on our website regarding this merger and how your benefit as a Retirement Fund member will be affected. Don't miss it.



NOTES:

This image shows a full page of a handwriting practice worksheet. It consists of multiple sets of three horizontal dashed lines, providing a guide for letter height and placement. The lines are evenly spaced across the entire page, leaving ample room for writing practice. There is no text or other markings on the page.

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***“Don’t think of saving money as a punishment.
Think of saving money as a lifestyle change and a means to freedom”.***

Emily G. Stroud



celebrating **80** YEARS
of excellence



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