

# Cape Retirement Fund

## Summary of the Actuarial Valuation as at 30 June 2011

### 1. Introduction

This summary reflects the results of the actuarial valuation of the Cape Retirement Fund carried out as at 30 June 2011.

The Cape Retirement Fund (the Fund) was established as a defined contribution fund with effect from 1 May 1996.

The objectives of the valuation are to:

- (a) determine the financial conditions of the Pensions Account that is used to finance pensioners' benefits, and the Share Account that supports active and deferred Members' Shares, by comparing the value of the assets to the value of the liabilities for the respective accounts;
- (b) review the levels of interest rate declarations for active and deferred members;
- (c) determine the balances of the respective Fund Accounts;
- (d) review the allocation of contributions towards retirement benefits: and
- (e) recommend the level of pension increases for pensioners.

### 2. Benefits

As a defined contribution fund, the benefit payable on exit is the Member's Share. This is broadly equal to the contributions (after costs) with the addition of investment returns earned.

Members have different options with respect to insured death and disability benefits (payable in addition to the Member's Share), with corresponding differences in the contributions allocated towards Members' Shares.

### 3. Membership

At the valuation date there were 32 431 active and deferred members and 784 pensioners, including 212 disability pensioners.

#### 4. Assets

The total value of the net assets of the Fund was R9 869 million at the valuation date. After deducting the Risk & Data Reserve of R24 million, the combined assets of the Pensions Account and Share Account amount to R9 845 million.

#### 5. Interest Rates

Monthly interest rates are awarded on Members' Shares based on the actual net investment returns earned by the Fund. An effective interest rate of 15.2% per annum was awarded for the Trustee Default Portfolio (Growth Portfolio) for the year ending 30 June 2011.

#### 6. Capital Protection Option (Protection Portfolio)

The Fund provides the Protection Portfolio for members aged 50 years and older. The aim of the Protection Portfolio is to provide protection against market volatility particularly for members closer to retirement age. The effective interest rate for members who elected the Protection Portfolio amounted to 6.6% per annum for the year ending 30 June 2011.

#### 7. Pension Increase and Bonus

A pension increase of 4.2% was granted to pensioners effective 1 March 2011. A pension increase of 5.0% was granted to pensioners effective 1 March 2012.

A 100% of monthly pension discretionary bonus was declared in February and December 2011.

#### 8. Fund Accounts

The financial condition of the Fund Accounts at 30 June 2011 was as follows:

<b><u>Share Account</u></b>	<b>R 000</b>
Assets of the Share Account	9 330 837
Members' Shares	<u>9 303 159</u>
Investment Reserve	27 678
<i>Funding level of the Share Account</i>	<i>100.3%</i>

<b><u>Pensions Account</u></b>	<b>R 000</b>
Market value of assets	514 914
Actuarial value of assets	504 101
Pensioner liability	<u>431 252</u>
Surplus	72 849
<i>Funding level of the Pensions Account</i>	<i>116.9%</i>

## 9. Composition of Contribution Rates

	Total	Option A	Option B	Option C	Option D	Option E
<b>Contributions as a percentage of payroll</b>						
Local Authority contribution *	18.00	18.00	18.00	18.00	18.00	18.00
Less:						
Risk costs and expenses	(4.31)	(4.00)	(6.00)	(3.00)	(1.00)	(4.25)
Net Local Authority contribution	13.69	14.00	12.00	15.00	17.00	13.75
Plus: Member contribution *	9.00	9.00	9.00	9.00	9.00	9.00
<b>Available for retirement</b>	<b>22.69</b>	<b>23.00</b>	<b>21.00</b>	<b>24.00</b>	<b>26.00</b>	<b>22.75</b>

\* Contract Employees contribute at 7.5% and Local Authority contributions are 19.5% for these members. The total contribution is 27% and the overall net contribution available for retirement is the same as for other members. Deferred members are not eligible for risk benefits.

Option F has been added effective 1 September 2011.

## 10. Financial Condition

The Fund is in a sound financial condition at the valuation date.

### **Sean Neethling, BSc CFP® FIA FASSA**

Fellow of the Institute of Actuaries, in my capacity as Actuary to the Fund and as an employee of Metropolitan Life Limited.

23 January 2012