

Cape Retirement Fund for Local Government

Summary of the Actuarial Valuation as at 30 June 2012

1. Introduction

This summary reflects the results of the actuarial valuation of the Cape Retirement Fund for Local Government (the Fund) carried out as at 30 June 2012.

The Fund was established 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 investment return 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

The Fund provides defined contribution benefits to its active members and deferred members. The benefit payable on exit of a member 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.

The Fund pays monthly pensions to pensioners with target pension increases of 100% of price inflation.

3. Membership

At the valuation date there were 33 979 active and deferred members and 780 pensioners, including 202 disability pensioners.

4. Assets

The total value of the net assets of the Fund was R11.348 billion at the valuation date. After deducting the Risk & Data Reserve of R27 million, the combined assets of the Pensions Account and Share Account amount to R11.321 billion.

5. Growth Portfolio

Investment returns are awarded monthly on Members' Shares based on the actual net investment returns earned by the Fund. An effective investment return of 11.6% per annum was awarded for the Growth Portfolio for the year ending 30 June 2012.

6. 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 investment return for members who elected the Protection Portfolio amounted to 7.3% per annum for the year ending 30 June 2012.

7. Moderate Portfolio

Members over age 50 have the option of investing in the Moderate Portfolio. Members over age 50 years may invest either 50% or 100% of their Member's Share in the portfolio. The assets of the Moderate Portfolio are limited to between 18% and 56% in equity investments and are managed on a "life-stage" basis depending on the member's age. The effective investment return for members who elected the Moderate Portfolio amounted to 9.2 % per annum for the year ending 30 June 2012.

8. Pension Increase and Bonus

A pension increase of 5.5% was granted to pensioners effective 1 March 2013.

A 100% of monthly pension discretionary bonus was declared in December 2012.

9. Fund Accounts

The financial condition of the Fund Accounts at 30 June 2012 was as follows:

<u>Share Account</u>	R 000
Assets of the Share Account	10 775 599
Members' Shares	<u>10 783 579</u>
Investment Reserve	(7 980)
<i>Funding level of the Share Account</i>	<i>99.9%</i>

<u>Pensions Account</u>	R 000
Market value of assets	546 059
Actuarial value of assets	546 059
Pensioner liability	<u>505 647</u>
Surplus	40 412
<i>Funding level of the Pensions Account</i>	<i>108.0%</i>

10. **Composition of Contribution Rates**

	Total	Option A	Option B	Option C	Option D	Option E	Option F¹
Contributions as a percentage of salary							
Local Authority contribution ²	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Less:							
Risk costs and expenses ³	(4.34)	(4.00)	(6.00)	(3.00)	(1.00)	(4.25)	(4.00)
Net Local Auth. contribution	<u>13.66</u>	<u>14.00</u>	<u>12.00</u>	<u>15.00</u>	<u>17.00</u>	<u>13.75</u>	<u>14.00</u>
Plus: Member contribution ²	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>
Available for retirement	22.66	23.00	21.00	24.00	26.00	22.75	23.00

1. Option F provides a lump sum death benefit for members between the ages of 65 and 75 years.
2. Contract Employees have the option to contribute at 7.5% and Local Authority contributions are 19.5% for such members. Councillors contribute at 7.5% and Local Authority contributions are 19.5% for Councillors.
3. Expenses are funded based on a sliding scale depending on each member's salary. The expense allowance included represents an average of the overall expense funding provision, expressed as a percentage of salary.

11. **Financial Condition**

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

Sean Neethling, BSc CFP® FIA FASSA

Fellow of the Actuarial Society of South Africa,
in my capacity as Actuary to the Fund and as an
employee of Metropolitan Life Limited.

15 January 2013