

Cape Retirement Fund for Local Government

Summary of the Actuarial Valuation as at 30 June 2013

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 2013.

The objectives of the valuation are to:

- (a) determine the financial condition of the Pensions Account and the Member Share Account by comparing the value of the assets to the value of the liabilities for the respective accounts;
- (b) review the investment return allocations 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 35 380 active and deferred members and 742 pensioners, including 194 disability pensioners.

4. Assets

The total value of the net assets of the Fund was R13.639 billion at the valuation date. After deducting the Risk Reserve Account of R17.9 million and the Data Reserve Account of R13.5 million, the combined assets of the Member Share Account, Preservation Pension Account and Pensions Account amount to R13.608 billion.

5. Growth Portfolio

Investment returns are awarded monthly on Members' Shares based on the actual net investment returns earned on the Growth Portfolio. An effective investment return of 18.0% per annum was awarded for the Growth Portfolio for the year ending 30 June 2013.

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 investment return for members who elected the Protection Portfolio amounted to 6.9% per annum for the year ending 30 June 2013.

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 investment return for members who elected the Moderate Portfolio amounted to 11.4% per annum for the year ending 30 June 2013.

8. Pensioner Portfolio

The assets of the Pensioner Portfolio are invested to broadly match the term and nature of the pensioner liabilities. The return on the Pensioner Portfolio was 10.3% per annum for the year ending 30 June 2013.

9. 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 awarded in December 2013.

10. Fund Accounts

The financial condition of the Fund Accounts at 30 June 2013 was as follows:

<u>Member Share Account</u>	R 000
Assets of the Member Share Account	12 980 423
Members' Shares	<u>(12 948 998)</u>
Investment Reserve	31 425
<i>Funding level of the Member Share Account</i>	<i>100.2%</i>

<u>Preservation Pension Account</u>	R 000
Assets of the Preservation Pension Account	50 149
Members' Shares	<u>(50 149)</u>
Investment Reserve	0
<i>Funding level of the Preservation Pension Account</i>	<i>100.0%</i>

<u>Pensions Account</u>	R 000
Market value of assets	577 241
Pensioner liability (market related)	<u>(549 369)</u>
Surplus	27 872
<i>Funding level of the Pensions Account</i>	<i>105.1%</i>

11. Composition of Contribution Rates

Contributions as a percentage of salary	Total	Category					
		A	B	C	D	E	F¹
Local Authority contribution ²	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Less:							
Risk costs and expenses ³	(4.31)	(3.97)	(5.97)	(2.97)	(0.97)	(4.22)	(0.83)
Net Local Auth. contribution	13.69	14.03	12.03	15.03	17.03	13.78	17.17
Plus: Member contribution ²	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Available for retirement	22.69	23.03	21.03	24.03	26.03	22.78	26.17

1. Category 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 represents an average of the overall expense funding provision, expressed as a percentage of salary.

The Fund introduced a new risk benefit Category G, effective 1 October 2013. This category provides a basic death benefit of one times annual salary. All members who were in Category D prior to this date were given the opportunity to move to Category G or any other category. With effect from 1 October 2013, Category D was closed for members under the age of 50. Members may now only elect Category D if they are older than age 50 or a Councillor.

12. 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 (primary regulator),
in my capacity as Actuary to the Fund and as an employee of MMI Group Limited.

9 January 2014