

Consolidated Retirement Fund for Local Government

Summary of the Actuarial Valuation as at 30 June 2015

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 2015.

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.

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 39 232 active and deferred members and 683 pensioners, including 176 disability pensioners.

4. Assets

The total value of the net assets of the Fund was R18.363 billion at the valuation date. After deducting the Risk Reserve Account of R23.5 million and the Data Reserve Account of R17.7 million, the combined assets of the Member Share Account, Preservation Pension Account and Pensions Account amount to R18.322 billion as at 30 June 2015.

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 5.2% per annum was awarded for the Growth Portfolio for the year ending 30 June 2015.

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 7.1% per annum for the year ending 30 June 2015.

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 7.9% per annum for the year ending 30 June 2015.

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 7.2% per annum for the year ending 30 June 2015.

9. Pension Increase and Bonus

A pension increase of 7.0% was granted to pensioners effective 1 March 2015.

A 100% of monthly pension discretionary bonus was awarded in December 2014 and in December 2015.

10. Fund Accounts

The financial condition of the Fund Accounts at 30 June 2015 was as follows:

<u>Member Share Account</u>	R 000
Assets of the Member Share Account	17 623 061
Members' Shares	<u>(17 620 657)</u>
Investment Reserve	2 404
<i>Funding level of the Member Share Account</i>	<i>100.0%</i>

<u>Preservation Pension Account</u>	R 000
Assets of the Preservation Pension Account	61 659
Members' Shares	<u>(61 659)</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	637 457
Pensioner liability (market related)	<u>(568 426)</u>
Surplus	69 031
<i>Funding level of the Pensions Account</i>	<i>112.1%</i>

11. Composition of Contribution Rates

Contributions as a percentage of salary	Total	Category						
		A	B	C	D	E	F¹	G
Local Authority contribution ²	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Less:								
Risk costs and expenses ³	(4.50)	(4.03)	(6.03)	(3.03)	(1.03)	(3.03)	(3.86)	(1.63)
Net Local Auth. contribution	13.50	13.97	11.97	14.97	16.97	14.97	14.14	16.37
Plus: Member contribution ²	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Available for retirement	22.50	22.97	20.97	23.97	25.97	23.97	23.14	25.37

1. Category F provides a lump sum death benefit for members between the ages of 65 and 75 years.
2. For Contract Employees and Councillors, the Local Authority contribution rate is 19.5% of salary. The member contribution rate for these members is 7.5% of salary.
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.

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.

11 December 2015