

**19<sup>th</sup>**  
**ANNUAL GENERAL MEETING**  
**CHAIRMAN'S ADDRESS**



Ladies and Gentlemen,

It is my privilege to welcome you to the 19<sup>th</sup> Annual General Meeting of the CRF for Local Government. Before I start to report on the year under review, let me first share some good news with you. The CRF is launching some exciting new benefits in March. We are also introducing a Shari'ah Investment Portfolio later this year. This communication will be shared with members as part of the standard member communication program we have in place. Please read your communication from the Fund as we will keep you informed via newsletters, member education workshops and the Fund's website.

**FINANCIAL NEWS**

If you are keen on roller coaster rides, the most recent financial year would have been an adventure for you. For the rest of us and I believe I speak for investors across the globe, this past financial year has been a rocky ride to say the least.

We have been cautioning members that the same level of outperformance experienced in previous years, is unlikely to continue in 2015, especially for the more risk prone portfolios.

The Fund's total assets and reserves grew to over R18 billion for the financial year under review. The net returns on your investment were 5.23% in the **Growth Portfolio**, 7.09% in the **Protection Portfolio** and 7.95% in **the Moderate Portfolio**.

We believe that the **Protection Portfolio** and/or the **Moderate Portfolio** should only be chosen by members when they are near to retirement. The **Pensioner Portfolio** has earned returns of 7.2%.

The new CRF management team adopted a leaner meaner money saving approach which you will see reflected in next year's budgets. The first area where our cost saving policy has been implemented is the reduction of the number of Trustee meetings to be held in a year. Your Trustees are being remunerated to look after your Fund and taking care of members' monies of over eighteen thousand million (R18 billion) rand is a job to be taken seriously. However, the board appreciates that cost saving plays an integral part when making strategic decisions, so the first step was to double up meetings on a single day, resulting in substantial cost savings. A decision was also taken to optimise asset management fees in the last financial year by restructuring SA Equity, African Equity and Offshore Equity investments. By doing this the trustees achieved a saving of nearly R15 million per annum on asset management fees alone.

The Fund's Actuary reports that the Fund's return since inception on the Growth Portfolio has been 15.3% net per annum on average for 19 years to 30 June 2015. This is a real return (above price inflation return) of 9.0% for 19 years and remains the record number to beat by any Local Government Fund and is a clear indication that your Fund's well developed long term views and prudent decisions are paying off.

Your Fund invests in such a manner that members are not exposed to the extreme downward movements in the market. So please bear in mind that the Fund will never invest, with the sole purpose of chasing the highest returns, because this will create a risk profile which is very dangerous in a Defined Contribution fund, as the **member** and not the **employer** carries this risk (unlike a Defined Benefit or traditional pension fund).

## **MEMBERSHIP OF THE FUND**

The number of contributing and deferred members increased from 37 099 as at 30 June 2014 to 39 232 on 30 June 2015. This reflects an increase of 2 133 from the previous year, which is about a 6% growth in active membership. The actual number of new members who elected to join the Fund was 4 334. However, this number must be reduced by retirements (679), resignations (1 328), retrenchments (1) and deaths (157). Retirements and retrenchments increased during the year, as opposed to the previous year.

We are proud to announce that in December last year we reached the 40 000 membership total. A warm welcome to Brendan Denver de Bruyn from Eden District Municipality who is our 40 000<sup>th</sup> member of the Fund!

The continued growth in membership ensures that our fairly young profile endures, which ensures risk, death and disability benefits stay at very competitive rates. When leaving the Fund we wish to invite members to retain their membership in the Fund, so that they can continue to accumulate sufficient funds for retirement at a very low cost.

### **PENSIONER MEMBERS**

The number of pensioners continues to decrease, because few new pensioners have been added for a considerable time. Pensioner membership stood at 866 members in 2009, 840 in 2010, 784 in 2011, 780 in 2012, 742 in 2013, 725 in 2014 and 683 at the end of the last financial year ending 30 June 2015.

At a Board meeting last year, a decision was made to close the option to buy a monthly pension within the Fund with effect 1 January 2016. Pensioners now have the option to buy a pension outside the Fund, but should consult a financial advisor to assist them with their financial planning. The Fund's preferred financial advisor is Efficient Wealth.

Current pensioners of the Fund are not affected. We are also investigating further exciting and flexible retirement solutions for members for the future and will keep you up to date.

An *ad hoc* bonus, equal to a 100% of their monthly pension payment, was paid to pensioners in December 2015 and they will receive a 5% increase in March.

### **ADMINISTRATION**

Our Fund is administrated by Verso Financial Services, where a team of staff members diligently keep the wheels turning by managing the affairs of our members. The administration cost of the Fund increases on an annual basis as it is calculated on the number of members.

We have applied our cost saving strategy to the Fund operational budget as well and went out on tender to re-broke all the key services provided to the Fund, with the

intention of having all our newly streamlined service providers in place by early 2016. The Fund's total operational costs, (which include admin fees, trustee remuneration, auditor fees, actuary, asset consultant, economist and principal officer) expressed as a percentage of pensionable salaries amounts to 0.89%, compared to the industry norm of more than 1%. The Board of Trustees prides itself in that it has managed to maintain costs below the industry norm over the years.

## **MEMBERSHIP AND STRATEGIC DIRECTION**

As part of our strategic objective to broaden the base of our membership in Local Government, the Fund has changed its name to be in line with our national footprint. We have now participation in eight of the nine provinces. The Fund's name changed from the Cape Retirement Fund for Local Government to the Consolidated Retirement Fund for Local Government with effect 1 July 2015, and is now simply known as the CRF.

Rule Amendment 8 has been registered to accommodate new members who joined the CRF from the Northern Region to allow them to participate at the AGM. The Northern Region includes the Northern Cape, the North West and Limpopo areas. Welcome to all our new members who are attending today.

## **COUNCILLORS**

We also opened our membership to Councillors after the May 2011 elections and we are now preparing for the 2016 Councillor elections, where we intend recruiting as many councillors as possible nationwide to join the CRF. We strongly believe this is in both the Fund and the Councillors' interests.

I wish to thank the Human Resources Departments, union leaders, Trustees, our Principal Officer and our communication service provider, SASH, who continue to interact with members to ensure that they know about our Fund and pension matters in general. Our members are actively involved in questioning aspects in our Fund, informing us how the Fund can better serve them and keeping us on our toes in general. We appreciate that.

## **CLEAN AUDIT**

Ernst & Young has been re-appointed as the auditors for our Fund and I am pleased to report that we once again received a clean audit. I want to express the Board's appreciation to the Chairman, Mr Lodi Venter and members of our Audit Committee for their dedication in pursuing matters of good governance in the overall administration of the Fund's assets.

## **RETIREMENT REFORM AND OTHER RESTRUCTURING EVENTS**

In Local Government, Retirement Reform and the new Tax Amendment Law have been the most discussed topics of 2016 thus far. I just want to reiterate once again to never respond to rumours that Government is going to take your hard earned pensions, but always contact the Fund to verify information with regards to your Fund benefits.

We also received a letter from the South African Bargaining Council, outlining possible proposals to cut back on the number of Funds in Local Government. Although the Fund is supportive of a possible freedom of Association, we are not comfortable with the all the proposals outlined in the letter. The Fund was asked to respond by 30 January 2016 and have submitted our opinion accordingly.

Members will be notified once anything more comes to light on this matter. We are also working closely with the MRO, the Local Government Fund representative body, on this matter.

## **THANKS**

The task of serving as a Trustee is becoming more onerous in view of new legislation and the size of the Fund's assets. In terms of the Pension Funds Act and common law, Trustees must make decisions in members' best interest. The fiduciary duties of the Trustees also demand that they objectively apply their minds to any matter before the Board. Trustees must also be willing to undergo training to be aware of these duties and to be able to best fulfil that role.

Although well remunerated, the responsibilities are at times overwhelming and onerous and we are privileged that people are prepared to serve in this capacity and I thank all

our Board members for their willingness to serve and perform their duties in the past year.

Your Fund is served ably by its service providers and advisers. I wish to thank Verso for administrating our Fund so diligently. Well done to SASH, our communications specialists, for winning two international communications awards for our Fund at the IRF last year and who ensure that our members are kept up to date across the country. Our Actuary, Sean Neethling from Momentum, can be counted on to give us the best advice and our Auditors, Ernst & Young, serve us with objectivity. Our investment advisor, Shainal Sukha and our economist, Johan Rossouw, who have assisted in enabling the Fund to make decisions which provided excellent investment returns. Thank you to our newly appointed Principal Officer, Mr Kobus Sadie for his support to the Trustees and I would like to extend the Fund's gratitude to the Board for a job well done. It is an honour to rub shoulders with all of you as we strive to give the best service to our members.

We will continue to work hard in ensuring that you reach your retirement goal.

I share Vidal Sassoon's sentiment that the only place where success comes before work, is in the dictionary.

Thank you for giving me the opportunity to serve as your Chairperson.

**Soyisile Andreas Mokweni**

**Chairperson**