

Consolidated Retirement Fund for Local Government

Summary of the Actuarial Valuation as at 30 June 2017

1. Introduction

This summary reflects the results of the actuarial valuation of the Consolidated Retirement Fund for Local Government (the Fund) carried out as at 30 June 2017.

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 43 723 active and deferred members and 630 pensioners, including 163 disability pensioners.

4. Assets

The total value of the net assets of the Fund was R21 417 million at the valuation date. After deducting the Risk Reserve Account of R38.0 million and the Data Reserve Account of R19.7 million, the combined assets of the Member Share Account, Processing Reserve Account, Preservation Pension Account and Pensions Account amounted to R21 359 million as at 30 June 2017.

5. Growth Portfolio

Investment returns are awarded on Members' Shares based on the actual net investment returns earned on the Growth Portfolio. An effective investment return of 4.4% per annum was awarded for the Growth Portfolio for the year ending 30 June 2017.

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 8.9% per annum for the year ending 30 June 2017.

7. Moderate Portfolio

Members over age 50 have the option of investing in the Moderate Portfolio. Members over age 50 years may invest 25%, 50%, 75% 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 5.3% per annum for the year ending 30 June 2017.

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 5.0% per annum for the year ending 30 June 2017.

9. Pension increase and bonus

A pension increase of 6.3% was granted to pensioners effective 1 March 2017 and 4.6% effective 1 March 2018.

A 100% of monthly pension discretionary bonus was awarded, payable in December 2017 and in December 2018.

10. Fund Accounts

The financial condition of the Fund Accounts at 30 June 2017 was as follows:

Member Share Account and Processing Reserve Account	R 000
Assets	20 643 329
Members' Shares	(20 574 162)
Processing Reserve Account	69 167
<i>Funding level</i>	<i>100.3%</i>

Preservation Pension Account	R 000
Assets	63 232
Members' Shares	(63 232)
Surplus	0
<i>Funding level</i>	<i>100.0%</i>

Pensions Account	R 000
Assets	652 773
Pensioner liability	(512 980)
Surplus	139 793
<i>Funding level</i>	<i>127.3%</i>

11. Composition of contribution rates

Contributions as a percentage of salary	Total	Category						
		A	B	C	D	E	F	G
Employer contribution ¹	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Less:								
Risk costs and expenses	(4.39)	(3.90)	(5.90)	(2.90)	(0.90)	(4.15)	(3.90)	(1.50)
Net Employer contribution	13.61	14.10	12.10	15.10	17.10	13.85	14.10	16.50
Plus: Member contribution ¹	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Available for retirement	22.61	23.10	21.10	24.10	26.10	22.85	23.10	25.50

1. For Councillors the member contribution rate is 7.5% of salary and the Participating Employer contribution rate is 7.5% or 19.5% of salary (total contribution rate of 15.0% or 27.0% of salary).

New Employees, Municipal Managers and managers directly accountable to a Municipal Manager may elect to contribute at 7.5% or 9.0% (total contribution rate of 25.5% or 27.0% of salary).

12. Financial Condition

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

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Fellow of the Actuarial Society of South Africa

in my capacity as Actuary to the Fund and

as an employee of Momentum Consultants and Actuaries (Pty) Ltd

The Actuarial Society of South Africa is the primary regulator in my professional capacity.

23 October 2018