

Consolidated Retirement Fund for Local Government

Summary of the Actuarial Valuation as at 30 June 2020

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 2020, the valuation date.

The objectives of the valuation are to:

- (a) determine the financial condition of the Pensions Account, Preservation Pension 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 50 513 active and deferred members and 549 pensioners, including 141 disability pensioners.

4. Assets

The total value of the net assets of the Fund was R28 560 million at the valuation date. After deducting the Risk Reserve Account of R68.3 million, the Living Annuity Account of R42.4 million and the Data Reserve Account of R24.9 million, the combined assets of the Member Share Account, Processing Reserve Account, Preservation Pension Account and Pensions Account amounted to R28 424 million as at 30 June 2020.

5. Growth Portfolio

Investment returns are allocated to Members' Shares based on the actual net investment returns earned on the Growth Portfolio. An effective investment return of 3.4% per annum was allocated to the Growth Portfolio for the year ended 30 June 2020.

6. Protection Portfolio (previously referred to as Money Market Portfolio)

The Fund provides the Protection Portfolio for members aged 50 years and older. The aim of the portfolio is to provide protection against market volatility particularly for members closer to retirement age. The investment return for members who elected the portfolio amounted to 7.9% per annum for the year ending 30 June 2020.

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 7.8% per annum for the year ending 30 June 2020.

8. Shari'ah Portfolio

The Fund introduced the Shari'ah Portfolio on 1 September 2016 for members that wish their investments to meet the requirements of Shari'ah law and the principles for Islamic finance. The investment return for members who elected the portfolio amounted to 2.8% per annum for the year ending 30 June 2020.

9. Aggressive Portfolio

The Fund introduced the Aggressive Portfolio on 1 December 2019 to meet the needs of younger members and those members with a high risk tolerance. Members may access this portfolio if they meet certain requirements set out by the Trustees. The investment return for members who elected the portfolio amounted to 3.1% per annum for the seven months ending 30 June 2020.

10. 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 2.5% per annum for the year ending 30 June 2020.

11. Pension increase and bonus

A pension increase of 4.5% was granted to pensioners effective 1 March 2020.

A 100% of monthly pension discretionary bonus was awarded and payable in December 2019, as well as a discretionary bonus of nine months pension was awarded, payable in September 2019.

12. Fund Accounts

The financial condition of the Fund Accounts at 30 June 2020 was as follows:

Member Share Account and Processing Reserve Account	R 000
Assets	27 710 650
Members' Shares	(27 573 843)
Processing Reserve Account	136 807
<i>Funding level</i>	<i>100.5%</i>

Preservation Pension Account	R 000
Assets	93 944
Members' Shares	(93 944)
Surplus	0
<i>Funding level</i>	<i>100.0%</i>

Pensions Account	R 000
Assets	619 700
Pensioner liability	(457 661)
Solvency Reserve	(10 949)
Surplus	151 090
<i>Funding level</i>	<i>132.2%</i>

13. 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	(4.18)	(3.62)	(5.62)	(2.62)	(0.67)	(3.57)	(3.62)	(1.22)
Net Employer contribution	13.82	14.38	12.38	15.38	17.33	14.43	14.38	16.78
Plus: Member contribution ¹	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Available for retirement	22.82	23.38	21.38	24.38	26.33	23.43	23.38	25.78

Note

1. For Contract Employees and 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).

Normal members and Municipal Managers may elect to contribute at 7.5% or 9.0% (total contribution rate of 25.5% or 27.0% of salary). For *New Employees* the Participating Employer contribution rate may change.

14. 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 Momentum Metropolitan Life Limited.

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

1 June 2021