

# Consolidated Retirement Fund for Local Government

## Summary of the Actuarial Valuation as at 30 June 2021

### 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 2021, the valuation date.

The objectives of the valuation are to:

- (a) determine the financial condition of the Pensions Account, Preservation Pension Account, Living Annuity 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, deferred members and living annuitants. The benefit payable on exit of an active or deferred 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. The Fund also pays a regular income to the living annuitants in line with the annuitant's chosen draw down rate.

### 3. Membership

At the valuation date there were 51 583 active members (including 54 deferred members), 516 pensioners and 29 living annuitants.

#### **4. Assets**

The total value of the net assets of the Fund was R 34 148 million at the valuation date.

#### **5. Growth Portfolio**

The Fund provides the Growth Portfolio as the primary investment portfolio for members under age 50. Investment return of 16.8% per annum was allocated to the Growth Portfolio for the year ending 30 June 2021.

#### **6. Money Market Portfolio**

The Fund provides the Money Market 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 4.6% per annum for the year ending 30 June 2021.

#### **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 10.8% per annum for the year ending 30 June 2021.

#### **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 15.5% per annum for the year ending 30 June 2021.

#### **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 19.1% per annum for the year ending 30 June 2021.

#### **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 14.5% per annum for the year ending 30 June 2021.

## 11. Pension increase and bonus

The Trustees granted a pension increase of 4.5% (2.2% plus a special pension increase of 2.3%) on 1 March 2021. A pensioner bonus of 100% of monthly pension was paid in December 2020. A special pensioner bonus of 100% of annual pension was paid in August 2021.

## 12. Pensions Account

The financial condition of the Pensions Account at 30 June 2021 was as follows:

<b>Pensions Account</b>	<b>30 June 2021 R 000</b>
Value of assets	672 300
Pensioner liability	(460 592)
Provision for special bonus	(34 000)
Solvency Reserve	(11 086)
Actuarial surplus	166 622
<b>Funding level</b>	<b>133.0%</b>

## 13. Financial condition

The overall financial condition of the Fund at 30 June 2021 was as follows:

<b>Financial condition of the Fund</b>	<b>30 June 2021 R 000</b>
<b>Total net assets</b>	<b>34 148 081</b>
<b>Liabilities</b>	
Pensioner liability	(460 592)
Provision for special bonus	(34 000)
Members' Shares – Member Share Account	(33 011 153)
Members' Shares – Preservation Pension Account	(84 364)
Living Annuitant accounts	(61 447)
<b>Contingency reserves</b>	
Solvency Reserve	(11 086)
Risk Reserve Account	(72 042)
Data Reserve Account	(26 230)
Processing Reserve Account	(220 545)
Actuarial surplus	166 622
<b>Funding level</b>	<b>100.5%</b>

The funding levels of the Member Share Account, Preservation Pension Account and Living Annuity Account were 100% as at the valuation date. The Processing Reserve Account represents 0.7% of the sum of the Members' Shares and Living Annuitants accounts.

## 14. Contribution rates

Contributions as a percentage of payroll	Category							
	Total	A	B	C	D	E	F	G
Employer contribution <sup>1</sup>	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
<b>Less:</b>								
Death and disability	(3.58)	(2.95)	(4.95)	(1.95)	-	(2.90)	(2.95)	(0.55)
Funeral expenses <sup>2</sup>	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)
Expense allowance	(0.41)	(0.41)	(0.41)	(0.41)	(0.41)	(0.41)	(0.41)	(0.41)
Net Employer contribution	13.87	14.50	12.50	15.50	17.45	14.55	14.50	16.90
<b>Plus:</b>								
Member contribution	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
<b>Towards retirement</b>	<b>22.87</b>	<b>23.50</b>	<b>21.50</b>	<b>24.50</b>	<b>26.45</b>	<b>23.55</b>	<b>23.50</b>	<b>25.90</b>

### Notes

- For Contract Employees and Councillors, the Participating Employer contribution rate is 19.5% of salary. The member contribution rate for these members is 7.5% of salary. New Employees are defined as employees who were employed on contract by the City of Cape Town at the time of joining the Fund or who were newly employed by the City of Cape Town after 1 August 2006. The Participating Employer contribution for these members may change as agreed by SA Local Government Bargaining Council. A Municipal Manager has the option, on joining the Fund, to contribute at 7.5% of salary.
- Funeral expenses represent an average of the overall premium, expressed as a percentage of salary.

## 15. Conclusion

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.

14 December 2021