

Retirement



National Fund for Municipal Workers

Statutory actuarial valuation as at 30 June 2023
12/8/35064

Prepared by Alexander Forbes Financial Services (Pty) Ltd

May 2024

Contents	Page
Executive summary.....	1
1. Introduction.....	4
2. Developments since the previous valuation date.....	7
3. Member data.....	11
4. Allocation of contributions.....	13
5. Assets.....	16
6. Funding method and assumptions.....	21
7. Financial position.....	30
8. Summary and recommendations.....	31

Appendices	Page
Appendix 1: Summary of benefits.....	34
Appendix 2: Member statistics.....	36
Appendix 3: Consolidated revenue account.....	41
Appendix 4: Investment returns.....	43
Appendix 5: Asset liability matching.....	47

EXECUTIVE SUMMARY

Introduction

1. This statutory actuarial valuation of the National Fund for Municipal Workers (*"the fund"*) was performed as at 30 June 2023 (*"the valuation date"*).

Membership

2. The valuation of the fund was based on the membership data set out below. The corresponding statistics at the previous valuation date have been provided for comparison.

Contributing members	30 June 2022	30 June 2023
Number *	52 744 **	54 894 **
Total annual remuneration	R 15 398 812 789	R 16 846 793 236
Total fund credits ¹ (excl. direct housing loans)	R 21 584 612 510	R 25 678 316 022
Deferred members		
Number ***	2 097	1 654
Total fund credits	R 957 728 351	R 943 400 556
Living annuitant		
Number	91	54
Total value of living annuity account balances	R 328 522 678	R 211 334 045

* Category B members have both a Category A and a Category C record. In terms of the data received for purposes of the valuation all such members are counted as "2 members" in both the financial statements and the valuation.

** This number includes two (2022: one) nil contributors as per the information received from the administrator

*** This number includes 360 (2022: 420) Category E members who transferred in from the National Pension Fund for Municipal Workers. In addition, a number of members transferred into the fund from the Government Employees Pension Fund. The transfer values of all such members are also reflected under the Category E membership.

Contribution allocation

3. The gross contribution rates as at the current and previous valuation dates are shown below:

Contribution rates (% of fund remuneration)	Category A	Category C	Category B (Category A & C)
Member contribution rate	Min 2%	Min 5%	Min 7%
Employer contribution rate	Min 2%	Min 5%	Min 7%
Total	Min 4%	Min 10%	Min 14%

A portion of the contributions is allocated towards the funding of expenses (0.5%) as well as risk benefits (varies per member depending on their choice of risk benefits).

1 Fund credit refers to what is defined as "member share" in the rules of the fund.

Financial position of the fund

4. The financial position of the fund as at 30 June 2023 is summarised below. The corresponding statistics at the previous valuation date have been provided for comparison.

Financial position of the fund (Amounts in R'000)	30 June 2022	30 June 2023
Value of assets ^{a)}	23 160 928	27 542 846
Members' liabilities		
Contributing members	21 584 612	25 678 316
Contributions allocated after year end	182 650	211 184
Direct housing loans	579	442
Deferred members	957 728	943 401
Living annuitants	328 523	211 334
Total member liabilities: (a)	23 054 092	27 044 677
Reserve accounts		
Expense reserve account	57 665	65 429
Risk reserve account	148 340	262 049
Data and processing reserve account	(99 169) ^{b)}	170 691 ^{b)}
Total reserve accounts: (b)	106 836	498 169
Total liabilities: (a) + (b)	23 160 928	27 542 846
Balance of assets	-	-
Funding level	100.00%	100.00%

Notes:

- a) The total net assets per the statutory actuarial valuation is R 171 467 000 lower than the total net assets reflected in the annual financial statements as a result of actuarial adjustments made, due to benefit creditors under-provided (2022: R 113 722 000 lower). The under-provision mainly relates to under-provisions in respect of death benefits.
- b) Refer to paragraph 5 overleaf for more information on the "true" value of the data and processing reserve account.

5. It should, however, be noted that our calculation of the true balance in the data and processing reserve, after allowance is made for the upward revaluation of assets on the valuation date on some of the assets that were only supplied and incorporated into the unit prices after the valuation date (refer to sections 6.45 to 6.47 of the main report), is as follows:

	30 June 2022	30 June 2023
	R'000	R'000
Balance in the data and processing reserve account	(99 169)	170 691
Release from / (increase of) fund credits after the valuation date as a result of the revaluation of assets *	(665)	(36 683)
Timing difference: 30 June 2022 unit price for the Aggressive Portfolio was only implemented on 1 July 2022 and fund credits were hence overstated on the member administration system	204 952	-
True balance in the reserve	105 118	134 008
% of assets	0.45%	0.49%

Certification

6. We certify that as at 30 June 2023 the assets of the fund were sufficient to cover 100.0% members' liabilities and reserve account balances. We can thus confirm that, in our opinion, the fund continues to be able to meet its liabilities.

1. INTRODUCTION

We are pleased to present to the trustees of the National Fund for Municipal Workers this statutory actuarial valuation as at 30 June 2023. This report sets out the results of the statutory valuation of the fund as at 30 June 2023 (*“the valuation date”*) and includes an analysis of the financial progress of the fund since 30 June 2022 (*“the previous valuation date”*). The period between the previous valuation date and the valuation date is referred to hereinafter as the valuation period.

Registration and operation

- 1.1 The fund, initially known as the “Voorsorgfonds vir Plaaslike Owerhede”, was established with effect from 1 July 1987. The name was changed to the IMATU Retirement Fund with effect from 1 June 1997 and then with effect from 1 November 2000, the name was changed to the National Fund for Municipal Workers (*“the fund”*).
- 1.2 The fund operates on defined contribution principles:
- In terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the local authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.
 - The local authority must contribute in respect of category A and category C members such an amount as agreed between the local authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively.
 - The contribution rates stipulated above include the amounts payable towards the funding of expenses as well as risk benefits.
- 1.3 Category B members are members who belong to both categories A and C. A brief summary of the fund benefits and contributions are set out in appendix 1.
- 1.4 The previous statutory valuation was carried out by Alexander Forbes Financial Services (Pty) Ltd as at 30 June 2022. At this date the fund reflected a funding level of 100.00%. The report was submitted to the FSCA in June 2023 and was still pending approval at the time the valuation was completed. The FSCA approved the statutory valuation as at 30 June 2021 on 9 October 2023.

Objectives

- 1.5 This statutory valuation has been carried out as at 30 June 2023 with the following objectives:
- to investigate and report on the financial condition of the fund at the valuation date;
 - to analyse the financial progress of the fund since the previous valuation date;
 - to analyse the development of the fund's risk reserve account, expense reserve account and the data and processing reserve account over the valuation period;
 - to determine the required balance in the fund's risk reserve account given the implementation of the self-insurance arrangement with effect from 1 July 2022;
 - to analyse the death and disability experience of the fund over the last 5 years to set the mortality and morbidity assumptions to use in the determination of the expected costs of providing the lump sum death and disability benefits;

- to determine the adequacy of the contributions allocated towards the funding of expenses and risk benefits, taking into account the accumulated balances in the expense reserve account and risk reserve account;
- to comment on the appropriateness of the investment strategy in place at the valuation date;
- to review the investment returns allocated to the members' fund credits and additional voluntary contributions ("AVCs");
- to recommend whether any enhancement to members' fund credits from the data and processing reserve account is required;
- to recommend an adjustment to the allocation of fund return to members' fund credits to ensure the fund is in a financially sound position (if applicable); and
- to comment on the sustainability of income drawn by the in-fund living annuitants.

Valuation data

- 1.6 In compiling this report, we have relied upon the accuracy and completeness of information made available to us by the administrator and external parties. Except where expressly stated in the report, we have not independently verified the accuracy of the facts or the basis of the information supplied to us.
- 1.7 The results of the statutory valuation depend on the accuracy of:
- the membership data;
 - the information on the assets, as supplied by the relevant sources; and
 - the audited financial statements for the valuation period.

Extensive reasonability checks have been performed on the above and we are satisfied with the general accuracy and completeness of the data and with its suitability for purposes of this statutory valuation. Further information regarding the reasonability checks performed are set out in appendix 2.

Capacity, brief and professional guidance

- 1.8 This report has been prepared by Alexander Forbes Financial Services (Pty) Ltd ("Alexforbes") in accordance with the instructions of the fund's trustees. This report has been prepared solely for the benefit of the trustees of the fund, the participating employers and the Financial Sector Conduct Authority in our capacity as the valuator to the fund and as employees of Alexforbes. The information contained in this report and in all documents referred to in this report is confidential.
- 1.9 Our investigations have been undertaken to comply with the requirements of section 16 of the Act and are in accordance with the regulator's requirements. The report has been prepared in accordance with Standard of Actuarial Practice ("SAP") 201 issued by the Actuarial Society of South Africa ("ASSA"), and, where relevant, the guidance provided by the Pension Fund ("PF") Circulars published by the Financial Sector Conduct Authority ("FSCA") has been considered.
- 1.10 Alexforbes does not accept any liability to any persons, other than the trustees, in connection with this report or its related enquiries. We accept no liability in respect of any matter outside the scope and limitations of this report and purpose for which it is prepared.

- 1.11 This report may not be disclosed and/or relied upon in whole or in part to/by any person other than the trustees or quoted in any other context without prior written consent. Any person, other than the trustees to whom this report is addressed, who receives a draft or copy of this report (or any part of it) or discusses it (or any part of it) or any related matter with us or any third party, does so on the basis that they acknowledge the source of this report and accept that they may not rely on it for any purpose whatsoever and that we owe a duty of care only to the trustees. Any portion of this report, if reproduced or transmitted, must include a reference to the full report and to this clause.
- 1.12 This report has been prepared as at the valuation date and covers the valuation period given above. Unless specifically stated to the contrary, it does not take into account any events subsequent to the valuation date.

2. DEVELOPMENTS SINCE THE PREVIOUS VALUATION DATE

Rules and amendments

- 2.1 The following rule amendment to the set of revised rules, effective from 1 January 2019, became effective during the valuation period:

	Effective date	Date registered by the FSCA
Amendment no. 10		
<ul style="list-style-type: none"> To make provision for risk benefits to be paid by either the fund or an insurer. The definitions of “Non-vested Portion” and “Vested Portion” are inserted to make provision for a vested or non-vested portion as provided for in the Income Tax Act. Also, for the Ill-health risk benefits payable by the fund to form part of the non-vested portion as provided in the Income Tax Act. 	1 Jul 2022	18 May 2022

- 2.2 During the valuation period the revised rules and all 10 registered rule amendments to such revised rules were consolidated. The set of consolidated rules, effective from 1 July 2022, was registered on 12 December 2022.

- 2.3 The following rule amendment to the consolidated rules became effective subsequent to the valuation period:

	Effective date	Date registered by the FSCA
Amendment no. 1		
<ul style="list-style-type: none"> For the rules of the fund to be in line with the policy of insurance issued by the insurer. To ensure that the risk benefits payable in terms of the fund rules are the same as the risk benefits payable by the insurer to the fund in terms of the policy of insurance. To ensure that the conditions as prescribed in the policy of insurance, issued by the insurer, are reflected in the fund rules and applicable to any risk benefit payable by the fund where the risk benefit is insured with an insurer. 	12 Sep 2023	12 Oct 2023

Financial position as at 30 June 2022

- 2.4 The statutory actuarial valuation as at 30 June 2022 showed no excess assets (corresponding to a funding level of 100.00%) after taking into account all member liabilities as well as the balances in the reserve accounts at the valuation date.
- 2.5 The report was submitted to the FSCA in June 2023 and was still pending approval at the time the valuation was completed.

Direct housing loans

- 2.6 The fund has been registered as a credit provider under the National Credit Act with effect from 1 October 2007. Members with existing housing loans were given a once-off option to transfer their housing loans from RFS Home Loans (Pty) Ltd to the fund at the time. All new applications for housing loans were with effect from 1 June 2007 only granted via RFS Home Loans (Pty) Ltd and Standard Bank. The direct housing loans were therefore in respect of a closed group of members since 2007. At the valuation date there were only 7 members with direct housing loans from the fund totalling R 442 000 (2022: 7 members with loans totalling R 579 000).

Risk reserve account

- 2.7 The fund amended its rules to give the ability to self-insure all or part of the risk benefits with effect from 1 July 2022, as set out in rule amendment no. 10. The FSCA approved the rule amendment on 18 May 2022. The fund consequently implemented a self-insurance arrangement for the lump sum death and disability benefits offered by the fund from 1 July 2022. The insurance of the funeral benefits remained with Sanlam.
- 2.8 The fund appointed Kula Partners to assist the fund with the management of the self-insurance arrangement.

Fund investments

- 2.9 At the valuation date the assets of the fund were managed by a number of investment managers. Mosaic Investment Consulting (Pty) Ltd (*"Mosaic Investment Consulting"*) was the appointed investment advisors with effect from 1 April 2015. More details regarding the various managers and assets under management are given in section 5 of the report.

Contributing and deferred members:

- 2.10 The five investment portfolios of the fund are:
- Aggressive Growth
 - Capital Growth
 - Stable Growth
 - Capital Protector ²
 - Shari'ah portfolio ²
- 2.11 The board of trustees implemented a lifestage strategy. The default lifestage strategy ensures that members are automatically moved through the three lifestage portfolios depending on their age. The following table illustrates how a member's investment portfolio will change with age and also states the investment objectives of the individual portfolios:

Date	Default portfolio	Investment Return Objective ³
Younger than 55	Aggressive Growth	CPI + 4.75% per annum (net of fees) over rolling 3-year periods at least 50% of the time. The portfolio is expected to produce positive returns over rolling 12-month periods at least 65% of the time.

² The Capital Protector and Shari'ah portfolios do not form part of the default lifestage investment strategy.

³ Per the investment policy statement effective from 1 January 2024.

Date	Default portfolio	Investment Return Objective ³
55 to 62	Capital Growth	CPI + 3.75% per annum (net of fees) over rolling 3-year periods at least 50% of the time. The portfolio is expected to produce positive returns over rolling 12-month periods at least 75% of the time.
Older than 62	Stable Growth	CPI + 2.75% per annum (net of fees) over rolling 3-year periods at least 50% of the time. The portfolio is expected to produce positive returns over rolling 12-month periods at least 85% of the time.

2.12 With effect from 1 January 2021, the lifestage switches are made in a more phased manner: Once a member has reached the recommended age limit for a portfolio, 25% of the member's assets (fund credit) and 25% of subsequent contributions will immediately be switched to the lower risk portfolio. A further 25% of assets and subsequent contributions will be switched after every 4 months until 100% of the fund credit and subsequent contributions have been switched to the lower risk portfolio, i.e. after a 12-month period. The first 25% switch to the new recommended portfolio will commence at the end of a member's birthday month. As a result, it will take 12 months for a total portfolio switch to be completed. After the 12-month phase-in period, all future member contributions will accrue to the new default life stage portfolio.

2.13 Members however still have the option to exercise specific investment choice and invest in any of the three life stage portfolios, or the Capital Protector and Shari'ah portfolios, should they not wish to follow the default life stage strategy.

Living annuitants:

2.14 In line with the 2020 investment policy statement changes, living annuitants have four investment portfolios from which to choose (which came into effect on 12 January 2021). The four investment portfolios available to the living annuitants of the fund are:

- a) Living Annuity Aggressive Growth
- b) Living Annuity Capital Growth
- c) Living Annuity Stable Growth
- d) Living Annuity Capital Protector

2.15 These 4 portfolios were discontinued with effect from 31 October 2022. From 1 November 2022 the investment portfolios available for living annuitants of the fund are the same five portfolios mentioned in section 2.10 above.

2.16 The investment portfolio choice will depend on the living annuitant's personal financial circumstances and requirements as well as the required drawdown rate (i.e. monthly pension amount). Each living annuitant is responsible for selecting investment portfolios that is most appropriate for him/her. Should living annuitants not be familiar with the most appropriate portfolio for their needs, they are advised to obtain professional advice in this regard.

Investment returns allocated

2.17 The administration of the fund was converted to a daily unitised platform (previously a monthly allocation method was used) with effect from 1 July 2020 and was administered using this method during the valuation period. As part of the migration, the fund created a specific "data and processing reserve account" to house the excess assets of the fund at the time of conversion.

- 2.18 The monthly deduction for the expenses of the fund not recovered from the members' contributions was reviewed as part of the statutory actuarial valuation as at 30 June 2022. The results of the valuation were discussed at the meeting of the board of trustees held on 14 June 2023. The trustees accepted the actuary's recommendation that the monthly cost allowance be reduced from 0.02% to 0.01% per month. The revised cost allowance is effective from 1 July 2023.
- 2.19 The annual investment returns allocated to members' fund credits (net of investment management fees and the monthly cost allowance for the funding of expenses) during the valuation period compared to those at the previous valuation are set out in the table below:

Portfolio	1 July 2021 to 30 June 2022	1 July 2022 to 30 June 2023
Returns allocated to fund credits (net of investment management fees and the monthly cost allowance for the funding of expenses)		
▪ Aggressive Growth	1.04%	17.33%
▪ Capital Growth	1.53%	15.69%
▪ Stable Growth	4.59%	10.33%
▪ Capital Protector	4.42%	7.59%
▪ Shari'ah	6.54%	7.26%
Calculated average fund return (net of investment management fees)	1.65%	16.58%
Increase in the consumer price index over the period	7.42%	5.37%

- 2.20 The net investment returns allocated to living annuitants' account balances during this and the previous valuation period are set out in the table below:

Portfolio	1 July 2021 to 30 June 2022	1 July 2022 to 31 October 2022 *
Returns allocated to living annuity account balances		
▪ Living Annuity Aggressive Growth	1.09%	3.87% *
▪ Living Annuity Capital Growth	1.37%	3.56% *
▪ Living Annuity Stable Growth	4.49%	1.84% *
▪ Living Annuity Capital Protector	4.54%	2.15% *

* These portfolios were discontinued with effect from 31 October 2022. From 1 November these members were moved to the corresponding portfolios mentioned in section 2.10 and thus earned the same return as those portfolios for the remainder of the valuation. The return indicated in the table above are for 4 months,

- 2.21 Details of the net monthly investment returns allocated to members' fund credits and living annuitants' account balances during the valuation period are set out in appendix 4.

3. MEMBER DATA

The valuation of the fund at 30 June 2023 was based on the membership data below. Further statistics, including a reconciliation of the current membership with that present at the previous valuation date, are provided in appendix 2.

Contributing members

3.1 Details of the membership and remuneration statistics in respect of contributing members at the valuation date are provided in the table below (the corresponding statistics at the previous valuation date have been provided for comparison):

	30 June 2022	30 June 2023	Change
Number of members *	52 744 **	54 894 **	4.1%
Average age	44.3 years	44.5 years	0.2 years
Annual pensionable remuneration			
▪ Total	R 15 398 812 789	R 16 846 793 236	9.4%
▪ Average per member	R 291 954	R 306 897	5.1%
Total fund credits (excl direct housing loans)			
▪ Aggressive	R 15 388 609 525	R 18 521 914 193	20.4%
▪ Capital Growth	R 4 325 475 290	R 5 124 434 494	18.5%
▪ Stable Growth	R 1 143 432 556	R 1 246 522 126	9.0%
▪ Capital Protector	R 697 718 964	R 757 697 325	8.6%
▪ Shari'ah	R 29 376 175	R 27 747 884	(5.5%)
▪ Total	R 21 584 612 510	R 25 678 316 022	19.0%
▪ Average per member	R 409 234	R 469 594	14.7%
Direct housing loans			
▪ Number of members	7	7	-
▪ Total housing loans	R 578 944	R 442 378	(23.6%)
▪ Average per member	R 82 706	R 63 197	(23.6%)

* Category B members have both a Category A and a Category C record. In terms of the data received for purposes of the valuation all such members are counted as "2 members" in both the financial statements and the valuation.

** This number include two (2022: one) nil contributors as per the information received from the administrator.

Deferred members

- 3.2 Details of the membership statistics in respect of deferred members at the valuation date are provided in the table below (the corresponding statistics at the previous valuation date have been provided for comparison):

	30 June 2022	30 June 2023
Number of deferred members ***	2 097	1 654
Average age	50.4 years	52.3 years
Total fund credits	R 957 728 351	R 943 400 556
Average fund credit per deferred member	R 456 714	R 570 375

*** This number includes 360 (2022: 420) Category E members who transferred in from the National Pension Fund for Municipal Workers. In addition, a number of members transferred into the fund from the Government Employees Pension Fund. The transfer values of all such members are also reflected under Category E membership.

Living annuities

- 3.3 Details of the membership statistics in respect of living annuities at the valuation date are provided in the table below (the corresponding statistics at the previous valuation date have been provided for comparison):

	30 June 2022	30 June 2023
Number of living annuitants	91	54
Average age	66.0 years	68.1 years
Total value of living annuity accounts	R 328 522 678	R 211 334 045
Average per living annuitant	R 3 610 139	R 3 913 593

4. ALLOCATION OF CONTRIBUTIONS

- 4.1 In terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the local authority and the member, subject to an absolute minimum contribution of 2% or 5% of their remuneration respectively.
- 4.2 The local authority must, in respect of category A and category C members contribute such an amount as agreed between the local authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively.
- 4.3 Category B members are members who belong to both category A and category C and the local authority must, on behalf of such members, not contribute less than 7% of their remuneration.
- 4.4 The contribution rates specified above include the amounts payable towards the insured risk benefits policy as well as an allowance for administration fees.
- 4.5 The exact member contribution rate and employer contribution rate payable by each of the local authorities are specified in the schedule to the consolidated rules.

Contributions towards expenses

- 4.6 An amount equal to 0.5% of a member's salary was deducted per month in respect of the basic cost of administration over the valuation period.

Suitability of reinsurance arrangements

- 4.7 The fund amended its rules to give the ability to self-insure all or part of the risk benefits with effect from 1 July 2022, as set out in rule amendment no. 10 approved on 18 May 2022. The fund consequently implemented a self-insurance arrangement for the lump sum death and disability benefits offered by the fund. The insurance of the funeral benefits remained with Sanlam.
- 4.8 The fund previously had a profit sharing arrangement in place with Sanlam in respect of the insurance of the lump sum death, disability and funeral benefits. Profits were determined at the end of each two-year period from the commencement of the profit-sharing arrangement. The financial statements for the financial year ending 30 June 2023 allows for an account receivable of R 34 481 000 in respect of underwriting profits for the period ending 29 February 2020. This payment was received during July 2023 and is the last such payment made by Sanlam to the fund, as the profit sharing arrangement was terminated.
- 4.9 The benefits and premiums, based on the self-insurance arrangement, payable by Category A members were as follows during the valuation period:

Lump sum death and disability benefits:

- A1: 1 x salary death benefit and 1 x salary lump sum disability benefit
 A2: 2 x salary death benefit and 2 x salary lump sum disability benefit
 A3: 3 x salary death benefit and 3 x salary lump sum disability benefit

The funeral benefits were as follows until 30 June 2023:

Member	R 11 500
Spouse	R 11 500
Qualifying children	R 4 700

Premiums payable to Risk Reserve (effective from 1 July 2022 to 30 June 2023):

Recovered from members	A0	A1	A2	A3
Death benefits	-	0.847%	1.839%	2.767%
Disability benefits	-	0.232%	0.314%	0.404%
Total risk recoveries	-	1.079%	2.153%	3.171%

Premiums payable to Sanlam (effective from 1 July 2022 to 30 June 2023):

Recovered from members	A0	A1	A2	A3
Funeral benefits	0.104%	0.104%	0.104%	0.104%

4.10 The benefits and premiums payable by Category C members were as follows during the valuation period:

Lump sum death and disability benefits:

- C1: 1 x salary death benefit and 1 x salary lump sum disability benefit
 C3: 3 x salary death benefit and 3 x salary lump sum disability benefit
 C5: 5 x salary death benefit and 3 x salary lump sum disability benefit

The funeral benefits were as follows until 30 June 2023:

Member	R 48 500
Spouse	R 48 500
Qualifying children 6 years and older	R 24 250
Qualifying children younger than 6 years	R 11 000

Premiums payable to Risk Reserve (effective from 1 July 2022 to 30 June 2023):

Recovered from members	C0	C1	C3	C5
Death benefits	-	0.600%	1.827%	2.992%
Disability benefits	-	0.221%	0.620%	0.620%
Total risk recoveries	-	0.821%	2.447%	3.612%

Premiums payable to Sanlam (effective from 1 July 2022 to 30 June 2023):

Recovered from members	C0	C1	C3	C5
Funeral benefits	0.409%	0.409%	0.409%	0.409%

4.11 Refer to sections 6.26 to 6.37 of the report for more detail regarding the recommended balance in the fund's risk reserve account as well as the recommended recovery from members' contributions for the funding of risk benefits.

4.12 In our opinion, in light of the size of the fund, self-insurance of the lump sum death and disability benefits is appropriate.

5. ASSETS

Details of the fund's investments and cash flows over the valuation period were provided by the investment managers and the administrator. We have checked these for reasonability by comparing the in- and outflows against their expected amounts. We have also checked that the closing fund balances are in line with the opening balances together with stated cash flows and declared rates of return.

The valuation is based on audited financial statements.

Investments

- 5.1 The fund's investments are managed by a number of investment managers. Mosaic Investment Consulting is the investment advisors of the fund.
- 5.2 The fund's assets were invested as follows as at 30 June 2023 (corresponding values from the previous valuation of the fund are provided for comparison):

Investment portfolio	30 June 2022		30 June 2023	
	Market value		Market value	
	R'000	%	R'000	%
Absa Bank	41 378	0.2%	280 519	1.0%
Allan Gray Life Limited	2 556 285	10.8%	3 116 575	11.2%
Apex Fund and Corporate Services	-	-	60 268	0.2%
Argon Asset Managers	886 126	3.7%	1 535 823	5.5%
Ashburton Fund Managers	530 966	2.2%	648 828	2.3%
Balondolozzi Investment Services	793 895	3.3%	949 334	3.4%
Benguela Global Fund Managers	1 337 522	5.6%	1 493 029	5.4%
Camissa Asset Management (previously known as Kagiso)	30 459	0.1%	28 309	0.1%
Catalyst Fund Managers	479 178	2.0%	523 680	1.9%
Coronation Asset Managers	2 454 364	10.4%	2 882 435	10.4%
Futuregrowth Asset Management	1 458 660	6.1%	1 647 484	5.9%
Kholo Capital Group	-	-	1 207	0.0%
Legacy Africa Fund Managers	864 004	3.6%	1 473 403	5.3%
Metope Investment Managers	290 306	1.2%	311 248	1.1%
Morgan Stanley Investment Funds	228 439	1.0%	301 742	1.1%
Nedgroup Investments Fund	1 043 689	4.4%	1 328 434	4.8%

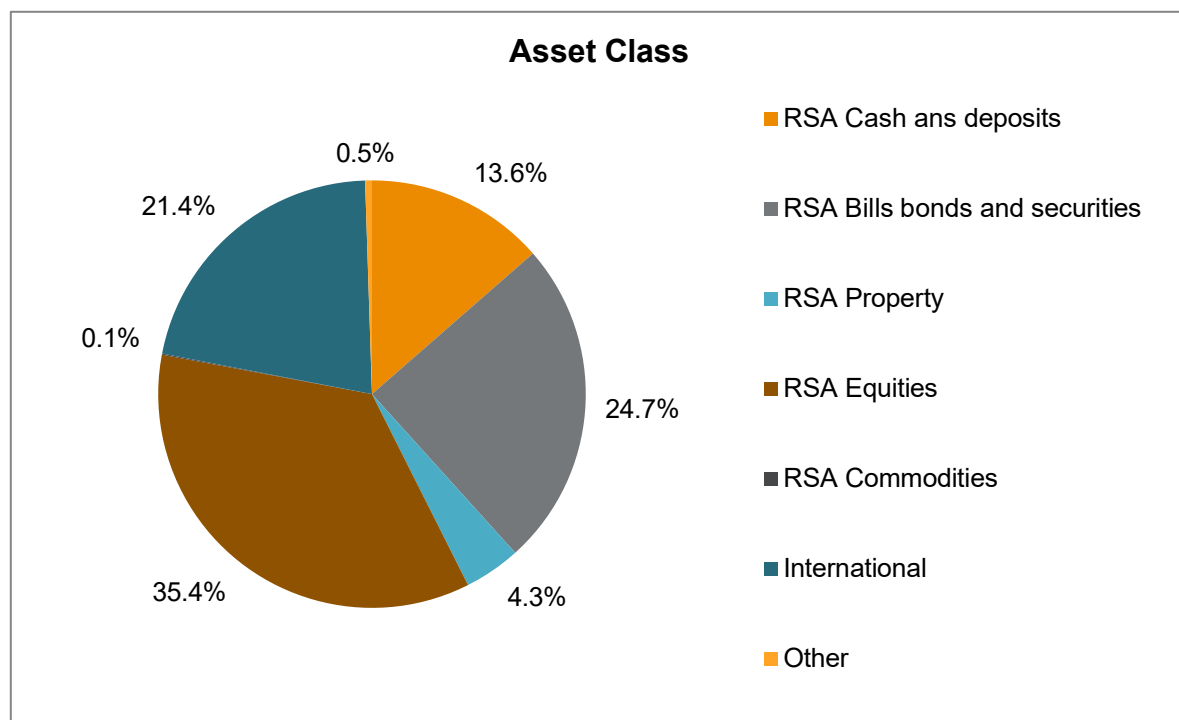
Investment portfolio	30 June 2022		30 June 2023	
	Market value		Market value	
	R'000	%	R'000	%
Ninety One SA	1 104 371	4.7%	1 291 178	4.6%
Novare Investments	154 856	0.7%	179 134	0.6%
Old Mutual Investment Group SA	1 601 009	6.8%	1 637 328	5.9%
Prescient Investment Management	2 359 562	10.0%	3 210 947	11.6%
Razonite Private Equity (RQ Capital Partners)	252 926	1.1%	265 582	1.0%
RFS Home Loans	552 666	2.3%	548 679	2.0%
Rubrics Global UCITS Funds	69 167	0.3%	80 979	0.3%
Sanlam Investment Management	1 205 043	5.1%	1 133 875	4.1%
Summit PE Investment Managers	46 068	0.2%	142 011	0.5%
Terebinth Capital	1 121 706	4.7%	1 317 085	4.7%
Vulcan Value Equity (Northern Trust International Fund Administration Service)	949 744	4.0%	1 377 298	5.0%
Vunani Fund Managers	1 272 369	5.4%	-	-
Direct Property, including computer equipment, software & furniture	17 966	0.1%	18 214	0.1%
Sub-total	23 702 724	100.0%	27 784 628	100.0%
Direct housing loans	579		442	
Total investments	23 703 303		27 785 070	

Asset classes

5.3 The table overleaf shows the split of the fund's invested assets, excluding direct housing loans, between the different asset classes at the valuation date:

Investment portfolio	30 June 2022		30 June 2023	
	Market value		Market value	
	R'000	%	R'000	%
RSA equities	8 906 533	37.6%	9 827 357	35.4%
RSA property	1 014 878	4.3%	1 185 997	4.3%
RSA bills bonds and securities	6 888 097	29.1%	6 875 517	24.7%
RSA cash and deposits	2 178 313	9.2%	3 770 259	13.6%
RSA commodities	4 541	0.0%	24 814	0.1%
RSA other	52 509	0.2%	143 104	0.5%
Foreign investments	4 657 853	19.6%	5 957 580	21.4%
Total investments, excluding direct housing loans	23 702 724	100.0%	27 784 628	100.0%

5.4 A graphical representation of the split per asset class, based on the audited financial statements, is given below:



Accounting adjustments

- 5.5 Certain adjustments were made to the fund's asset values to take account of outstanding debtors and creditors and cash on hand at the valuation date. These adjustments, as extracted from the fund's audited financial statements as at 30 June 2023, are as follows (corresponding values from the previous valuation of the fund is provided for comparison):

	30 June 2022	30 June 2023
	R'000	R'000
Total investments	23 703 303	27 785 070
Cash at bank	291 211	263 447
Contributions receivable	202 889	215 765
Accounts receivables	100 089	108 914
Benefits payable	(881 266)	(554 251)
Accounts payable	(88 473)	(65 616)
Transfers payable	(4 925)	-
Unclaimed benefits	(48 178)	(39 016)
Net assets per financial statements	23 274 650	27 714 313
Actuarial adjustments:		
Under provision of benefits payable	(113 722)	(171 467)
Net assets per actuarial valuation	23 160 928	27 542 846

- 5.6 A consolidated revenue and expenditure account analysing the financial progress of the fund over the valuation period is shown in appendix 3.

Valuation of assets

- 5.7 For purposes of this statutory actuarial valuation, the assets have been taken into account at 100% of the market value and no investment margin has been set aside. Therefore, the assets of the fund have been taken into account at **R 27 542 846 000** as at the valuation date.
- 5.8 This is in line with the bonus distribution philosophy adopted by the trustees of allocating the returns earned on the fund's assets less a deduction for fund expenses not covered by contributions and investment fees not deducted directly from investment returns for the period to which they relate and is consistent with members' expectations.

Fund returns

- 5.9 The assets of the fund earned approximately **16.58%** over the valuation period, based on the audited financial statements and assuming that cash flows occurred in the middle of each financial year. This investment return is net of investment management fees.

Suitability of assets in relation to fund liabilities

- 5.10 The investment returns earned depend directly on the performance of the underlying investments and may fluctuate significantly over a short period of time. The volatility in earnings combined with the lack of guarantees render market related portfolios more risky than guaranteed and money market portfolios. However, the higher level of risk generally tends to be compensated for by higher returns over a long term. The assets are liquid in nature and provide for appropriate potential for investment growth.
- 5.11 Investment returns are passed directly on to members and as a single investment strategy is not appropriate for all members, the trustees have decided to offer members a range of investment portfolios to choose from, so that members can closely match their investment strategy to their own personal circumstances.
- 5.12 The portfolios offered include those designed to deliver long term returns, aimed at members with a long-term investment horizon and those designed to provide low volatility returns aimed at members close to retirement. However, members have the option to spread their fund credits across any number of available portfolios.
- 5.13 As the fund operates on the principles of individual member investment choice, we cannot comment on the suitability of the assets of the fund to the liabilities of the fund at an individual member level. It is the responsibility of the trustees to ensure that members make informed decision regarding their investments in the fund, through appropriate communication and training.
- 5.14 Furthermore, we can confirm that, in our opinion, there are adequate investment choices available to members with which to construct a suitable investment portfolio on an individual basis.
- 5.15 We can confirm that the analysis of the assets and the fund credits that have a claim on these assets revealed that the assets and members' fund credits were largely matched by the amounts on the administration system at the valuation date. Please refer to appendix 5 for more information in this regard.
- 5.16 The fund is administered on a daily-unitised system and the administrator, with the assistance of the fund's asset consultants, monitors the matching of units on the system. We are comfortable with the process in place.

6. FUNDING METHOD AND ASSUMPTIONS

6.1 This statutory actuarial valuation has been conducted on the basis of the benefits, contributions and other provisions of the rules as they stood at the valuation date.

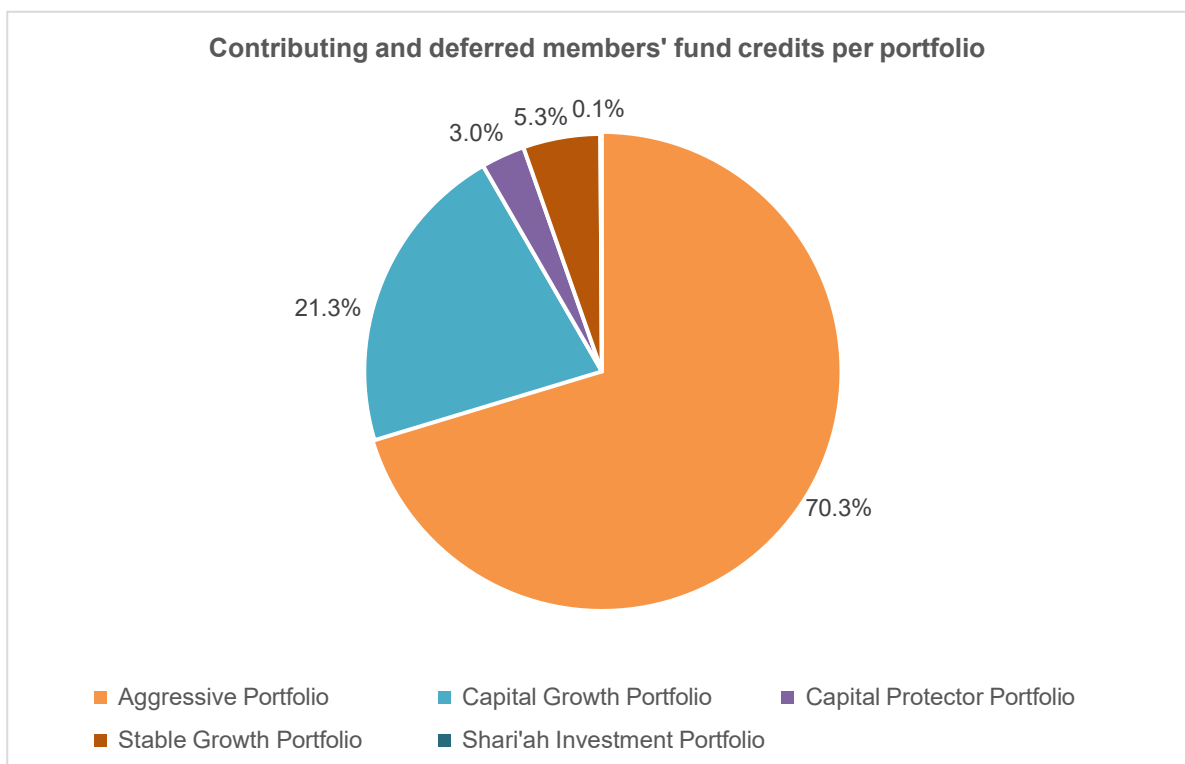
Members' fund credits

6.2 The liabilities of the fund, in respect of members of the fund, are made up of each member's fund credit, consisting of the member and employer contributions to retirement funding plus any amounts transferred into the fund for the benefit of the member plus net investment returns allocated thereto.

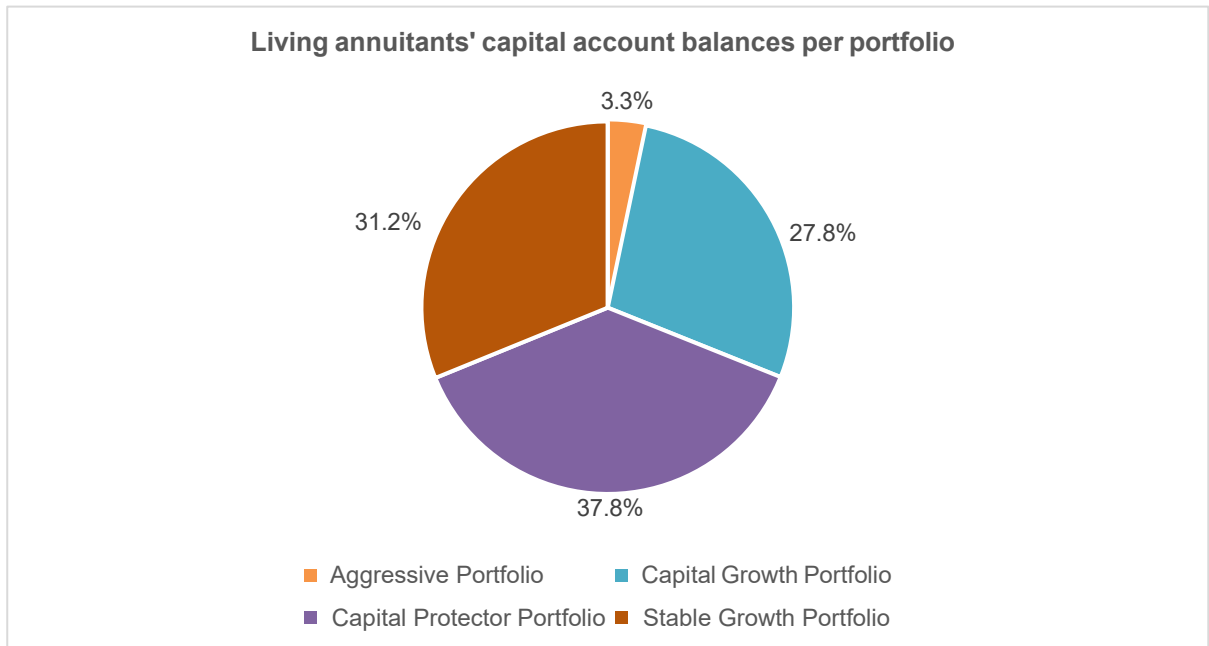
6.3 Based on the information received from the administrators of the fund, there were **54 894** contributing members, **1 654** deferred members and **54** living annuitants, as at 30 June 2023 (compared to 52 744 contributing members, 2 097 deferred members and 91 living annuitants as at 30 June 2022). A detailed reconciliation of the change in membership from the previous valuation date is provided in appendix 2.

6.4 The fund's liability in respect of members' fund credits, based on the net investment returns allocated during the valuation period, amounted to **R 26 833 051 000** at the valuation date (comprising of the fund credits of contributing members of R 25 678 316 000, deferred members of R 943 401 000 as well as the living annuitants of R 211 334 000).

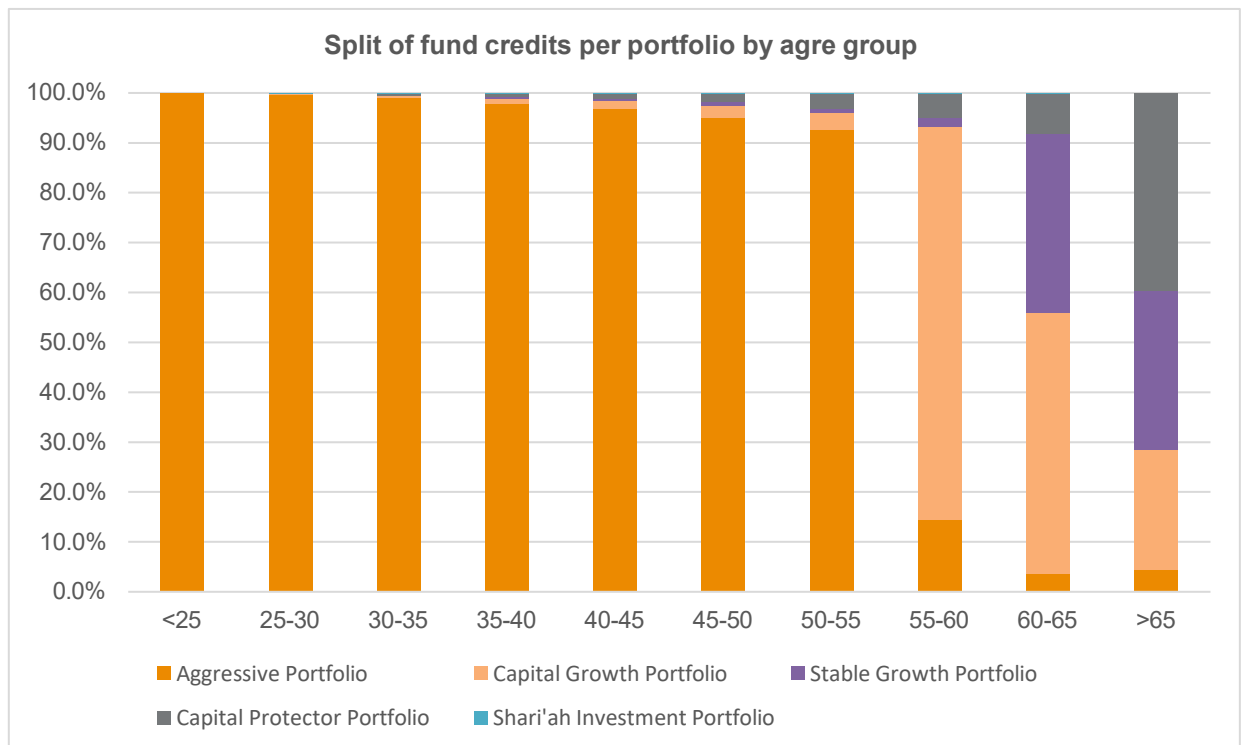
6.5 The contributing members' and deferred members' fund credits were distributed as follows between the investment options available to members:



6.6 The living annuity account balances were distributed as follows between the investment options available to living annuitants at the valuation date:



6.7 The split of fund credits between the available investment options, in five-year age bands is given by the graph below:



6.8 It is clear that the majority of the members are invested according to the default lifestage model effective at the valuation date.

6.9 Members have the option to invest their fund credits in a combination of the available portfolios in a proportion according to their choice. At the valuation date there were 2 354 (2022: 2 330) members whose fund credits were invested in a combination of two or more portfolios.

- 6.10 A summary of the net monthly investment returns allocated to members' fund credits during the valuation period is provided in appendix 4.

Living Annuity account

- 6.11 The rules of the fund were amended effective 1 July 2015 to allow members to receive a pension directly from the fund in the form of a living annuity. At the valuation date there were 54 (2022: 91) living annuitants.
- 6.12 As part of the outsourcing of the fund's counselling and advice services, the fund's own in-fund living annuity was discontinued and is no longer available as an option to members from 1 April 2022. This action mitigates various regulatory risks for the fund and its members. Existing living annuitants are provided with options to transfer to living annuitants of their choice, after obtaining advice taking into account their own personal circumstances. During the valuation period 35 living annuitants opted to transfer to a living annuity of their choice.
- 6.13 The living annuity capital account consists of the fund credits of all members who elected to retire in the fund less any portion commuted as a lump sum at date of retirement. The balance in the living annuity account amounted to **R 211 334 000** at the valuation date. The liabilities of the fund in respect of fund pensioners equal the value of the total individual living annuity accounts at any date.

Regulation 39: Annuity strategy

- 6.14 The so-called "default regulations" have introduced a requirement for funds to implement an annuity strategy (Regulation 39). Funds can include a living annuity in their annuity strategy, provided the living annuity meets the conditions in the regulations.
- 6.15 One of the more onerous requirements of regulation 39 is that funds are required to monitor the sustainability of income drawn by retirees in the fund and make them aware if their incomes are deemed not be sustainable. Regulation 39 does not contain a recommend a range of draw down rates at various ages but require the trustees to ensure that drawdown rates are sustainable and in line with industry standards.
- 6.16 The FSCA issued a second version of the draft conduct standard on 8 June 2020. Interested parties could submit comments on or before 31 July 2020. The final version of the conduct standard has not yet been issued by the FSCA at the time of signing this report. The trustees will need to review its annuity strategy once the conduct standard has been finalised.
- 6.17 The FSCA issued PFA Notice 2 of 2019 ("the notice") on 20 February 2019. The notice grants a general exemption to funds from having to comply with a prescribed standard on the drawdown levels, because the standard has not been finalised yet. The requirements regarding investment portfolios and monitoring the sustainability of income are still applicable from 1 March 2019.
- 6.18 The FSCA has said that trustees should exercise their fiduciary duties in determining the drawdown levels. Also, they should take into account the nature of the fund and the circumstances of the membership. Drawdown levels cannot exceed the rate prescribed in the Income Tax Act, which is a maximum drawdown of 17.5%. Whilst exceptional personal circumstances, such as critical ill health, may justify a high drawdown rate, general consensus would be that a drawdown of anywhere close to 17.5% would result in the pensioners running out of money before they die.

Sustainability of drawdown rates

6.19 The biggest risk for an individual drawing an income from a living annuity is that he/she may draw an income which may cause the living annuitant to run out of capital.

6.20 We have done an analysis on the living annuitants to see whether or not they will be able to maintain the same level of income if they were to choose to convert the balance of their living annuity accounts to a typical life pension as at 30 June 2023. The analysis is purely based on the annuitants' living annuity accounts in the fund and does not allow for any other sources of income or savings.

6.21 We made the following assumptions:

- Actual marital status of the living annuitants was not provided by the administrator. We hence assumed that the living annuitants are all married and that a husband is 4 years older than his wife.
- The spouse will receive 50% of the principal pensioner's pension upon death.
- We used the PMA/PFA mortality tables for males and females, with a 1-year age adjustment and an allowance for future mortality improvements of 0.75% per annum with a base date of 1 January 2020.
- Provision for future pension increases:

Scenario	Description of life annuity	Post-retirement discount rate *
○ Scenario A	Typical with-profit annuity targeting annual increases of 75% of inflation	6.3%
○ Scenario B	Guaranteed inflation-linked annuity	4.0%

* The post-retirement discount rates were determined with reference to the market indicators at the end of June 2023. Allowance was made for a typical insurer guarantee premium of 1% in setting the discount rates.

- The data provided by the administrator did not contain details of the living annuitants' chosen drawdown rates. The effective drawdown rate for each living annuitant was calculated based on the annual equivalent of the gross pension received for June 2023, expressed as a percentage of the living annuitant's balance in his/her living annuity account at the valuation date.

6.22 The results can be summarised as follows:

Age band	Number	Drawdown rates		Number of living annuitants with actual drawdown rates deemed <u>not sustainable</u> in each of the three scenarios	
		Minimum	Maximum	Scenario A	Scenario B
55-60	1	5.2%	5.2%	-	-
60-65	8	4.4%	6.2%	-	-
65-70	28	3.3%	8.2%	-	1

Age band	Number	Drawdown rates		Number of living annuitants with actual drawdown rates deemed <u>not sustainable</u> in each of the three scenarios	
		Minimum	Maximum	Scenario A	Scenario B
>70	17	4.4%	10.3%	2	3
Totals	54	3.3%	10.3%	2	4

- 6.23 The analysis showed that some living annuitants may be drawing at an unsustainable rate, considering the in-fund living account in isolation. There are two living annuitants for whom both scenarios indicate unsustainable drawdown rates.
- 6.24 Regulation 39(3)(b) requires the fund to make the living annuitants aware if their drawdown rates are deemed not sustainable. The trustees, with the assistance of their consultants, must discuss the most efficient way to meet this requirement. The draft conduct standard issued during June 2020 contains communication requirements which the fund must adhere to, once finalised.
- 6.25 All living annuitants should also be encouraged to make use of a financial advisor in deciding on their investment choices and drawdown rates.

Risk reserve account

- 6.26 The risk reserve account is *inter alia* being credited with the profits received from the insurer in terms of the risk underwriting profit share agreement. The financial statements for the financial year ending 30 June 2023 allows for an account receivable of R 34 481 000 in respect of underwriting profits for the period ending 29 February 2020. The rules furthermore stipulate that the quantum of the account will be determined by the board of trustees in consultation with the actuary at least at the date of each statutory actuarial valuation.
- 6.27 The build-up of the risk reserve account over the valuation period can be summarised as follows:

Description	Amount R'000
Value as at 30 June 2022 (equivalent to 0.53% of member liabilities)	148 340
Underwriting profit receivable from Sanlam	34 481
Contributions allocated towards the funding of lump sum death and disability benefits	293 949
Lump sum death and disability benefits	(228 099)
Investment returns	13 378
Value as at 30 June 2023 (equivalent to 0.55% of member liabilities)	262 049

- 6.28 The fund amended its rules to give the ability to self-insure the death and disability risk benefits with effect from 1 July 2022, as set out in rule amendment no. 10. The fund consequently implemented a self-insurance arrangement for the lump sum death and disability benefits offered by the fund from 1 July 2022. The insurance of the funeral benefits remained with Sanlam.
- 6.29 Assumptions regarding members' mortality and morbidity were necessary for the calculation of the expected costs of providing the lump sum death and disability benefits of the fund.
- 6.30 The fund's actual mortality and morbidity experience over the five years from 1 July 2018 to 30 June 2023, weighted by pensionable emoluments, were used to determine the rates used in the calculation of the required premiums to be deducted from member records from 1 July 2023, as well as the recommended balance to be retained in the risk reserve account.
- 6.31 The following is an extract of the annual unisex mortality and morbidity rates employed (the same assumptions were used as at 30 June 2022):

Age	Mortality	Morbidity
	%	%
20	0.30%	0.01%
25	0.23%	0.01%
30	0.20%	0.01%
35	0.23%	0.02%
40	0.29%	0.03%
45	0.41%	0.06%
50	0.63%	0.11%
55	0.98%	0.22%
60	1.54%	0.43%
65	2.44%	0.83%

- 6.32 The accumulated balance in the risk reserve account amounted to R 262.0 million as at 30 June 2023, before any allowance is made for the impact of claims incurred but not yet reported (so-called "*IBNR provision*"). If we allow for an estimated IBNR provision of R 52.5 million (that is, calculated as 60 additional approved claims with an average claim size of R 875 000), the estimated net balance in the risk reserve amounted to R 209.5 million.
- 6.33 In comparison, the appropriate balance in a risk reserve, as contained in PF Circular 117, is equal to the amount of reserve that would have been required of an insurance company if it were to underwrite the benefits as provided by the fund. The minimum required balance (allowing for the above-mentioned mortality and morbidity assumptions) amounts to R 82.5 million compared with the estimated net balance of R 209.5 million. The minimum required balance is thus 2.5 times covered.

- 6.34 The board has adopted a strategy whereby twice the PF117 recommended reserve be aimed at in order to protect the fund from adverse experience in any one year. The desired minimum balance in terms of such strategy therefore amounts to R 165.0 million at the valuation date compared with the estimated net balance in the risk reserve account of R 209.5 million.
- 6.35 The fund has affected catastrophe excess of loss reinsurance, which is valid until 31 July 2024.
- 6.36 The self-insurance arrangement is still in its infancy and we recommend that a prudent approach be followed until a longer history has been established with higher confidence in premium rates and claims experience. We therefore recommend that the accumulated balance in the risk reserve account be maintained for now. The position will be reassessed in the next actuarial valuation scheduled to be performed as at 30 June 2024.
- 6.37 It is furthermore recommended that the opening balance used for the financial statements for the period ending 30 June 2024 be aligned with the value of the risk reserve account reflected in this statutory valuation report.

Allocation of contributions towards the risk reserve account

- 6.38 We recently concluded the review of the recommended deductions for the period from 1 July 2024 to 30 June 2025 and proposed the following (unchanged) premium structure:

	A1	A2	A3	C1	C3	C5
Death benefits	0.70%	1.40%	2.10%	0.55%	1.65%	2.75%
Disability benefits	0.10%	0.20%	0.30%	0.15%	0.45%	0.45%
Total	0.80%	1.60%	2.40%	0.70%	2.10%	3.20%

- 6.39 The total proposed rates for the period from 1 July 2024 are very much in line with the expected theoretical premiums based on our 5-year experience fitted mortality and morbidity curves, except for categories A2 and A3. For these categories the calculated premiums are higher as a result of the older average age, but we are comfortable to recommend the lower rates which are in line with the premium per 1 times salary for A1, as these two categories are closed and these remaining members cross-subsidised the other members in the category when they were younger and the absolute number of these members in these two categories are too small for their actual experience to have any impact on the fund.
- 6.40 We strongly recommend that the trustees continue to critically consider the actual claims versus premiums allocated on at least a quarterly basis in order to take action should the claims experience significantly deteriorate.

Expense reserve account

- 6.41 The build-up of the expense reserve account over the valuation period can be summarised as follows:

Description	Amount R'000
Value as at 30 June 2022 (equivalent to 0.25% of member liabilities)	57 665

Description	Amount R'000
Contributions allocated towards fund expenses	83 837
Deduction from the calculated unit prices for the funding of expenses *	60 577
Investment consulting fees	(18 661)
Administration expenses	(126 575)
Other income (script lending fees)	4 191
Investment returns	4 395
Value as at 30 June 2023 (equivalent to 0.24% of member liabilities)	65 429

* The deduction was 0.02% per month over the full valuation period. It was reduced to 0.01% per month effective from 1 July 2023 as per the recommendation in the 30 June 2022 actuarial valuation report.

- 6.42 It is recommended that the opening balance used for the financial statements for the period ending 30 June 2024 be aligned with the value of the expense reserve account reflected in this statutory valuation report.

Data and processing reserve account

- 6.43 The data and processing reserve account was established with effect from 1 July 2020 and provides for the impact of mismatching and for timing differences in the actual investment or disinvestment of moneys from the times when they are deemed to have occurred in the calculation of benefits or the accrual of investment returns.
- 6.44 A data and processing reserve account of between 0.25% and 0.50% of assets is regarded as appropriate for a fund with daily unitisation. As at the valuation date, the balance in this reserve amounted to R 170 691 000 or 0.62% of assets.

Valuation of assets of the fund for unit price purposes

- 6.45 The value of the fund's assets as reflected in the annual financial statements was some R 36 683 000 more than the value of assets used for the daily unit price calculations on the valuation date.
- 6.46 It should be noted that not all asset managers are able to provide daily market values to the unitisation manager. Unit prices are adjusted as and when the updated asset value information becomes available. The market values of assets in the financial statements are based on audit certificates issued by the various assets managers some months after the valuation date and hence already allowed for the appreciation up to the valuation date, which was only taken into the unit prices after the year end.
- 6.47 The fund credits were thus understated on the valuation date resulting in an excess in the data and processing reserve account at the valuation date. As the revaluation of these assets were incorporated into the unitisation process after the valuation date, the true level of the data and processing reserve account was hence over-stated by R 36 683 000.

True level of the data and processing reserve account

- 6.48 Taking into account allocations after the valuation date in respect of the revaluation of assets already included in the assets on the valuation date and as well as the amounts to be allocated reflected in the financial statements, the true level of the data and processing reserve account for valuation purposes amounted to R 134 008 000 or 0.49% of assets as explained in the table below:

	30 June 2022	30 June 2023
	R'000	R'000
Balance in the data and processing reserve account	(99 169)	170 691
Release from / (increase of) fund credits after the valuation date as a result of the revaluation of assets *	(665)	(36 683)
Timing difference: 30 June 2022 unit price for the Aggressive Portfolio was only implemented on 1 July 2022 and fund credits were hence overstated on the member administration system	204 952	-
True balance in the reserve	105 118	134 008
% of assets	0.45%	0.49%

* Based on data received from the administrators reconciling the difference between the value of assets as per the annual financial statements and the value of assets reflected in the unit prices, as explained above.

- 6.49 We have investigated the main reasons for the increase in the balance of the data and processing reserve account over the valuation period:

Description	Amount R'000
a) True balance at the previous valuation date	105 118
b) Investment returns earned on the positive balance	17 429
c) Mismatching & timing differences	11 461
The impact of mismatches between the returns allocated to members and returns actually achieved by the fund's assets and timing differences crystallise in the data and processing reserve account.	(0.04% of assets)
True balance in the data and processing reserve account as at 30 June 2023 (equivalent to 0.49% of total assets)	134 008

7. FINANCIAL POSITION

7.1 In order to determine the level of solvency of the fund, it is necessary to compare the total assets of the fund with the total liabilities. The fund is solvent when the value of the assets exceeds the value of the liabilities, i.e. a funding level of 100% or greater. The funding level is the ratio of the value of the assets to the value of the liabilities of the fund at the valuation date.

7.2 The results of the statutory valuation of the fund as at 30 June 2023 are detailed in the table below. Corresponding values from the previous valuation of the fund are provided for comparison.

Financial position of the fund (Amounts in R'000)	30 June 2022	30 June 2023
Value of assets ^{a)}	23 160 928	27 542 846
Members' liabilities		
Contributing members	21 584 612	25 678 316
Contributions allocated after year end	182 650	211 184
Direct housing loans	579	442
Deferred members	957 728	943 401
Living annuitants	328 523	211 334
Total member liabilities: (a)	23 054 092	27 044 677
Reserve accounts		
Expense reserve account	57 665	65 429
Risk reserve account	148 340	262 049
Data and processing reserve account	(99 169) ^{b)}	170 691 ^{b)}
Total reserve accounts: (b)	106 836	498 169
Total liabilities: (a) + (b)	23 160 928	27 542 846
Balance of assets	-	-
Funding level	100.00%	100.00%

Notes:

- a) The total net assets per the statutory actuarial valuation is R 171 467 000 lower than the total net assets reflected in the annual financial statements as a result of actuarial adjustments made, due to benefit creditors under-provided (2022: R 113 722 000 lower). The under-provision mainly relates to under-provisions in respect of death benefits.
- b) The true balance in the data and processing reserve amounts to R 134 008 000 on the valuation date (2022: R 105 118 000). Refer to sections 6.45 to 6.47 of the main report for more detail in this regard.

8. SUMMARY AND RECOMMENDATIONS

Summary

- 8.1 In determining the value of the fund's assets, liabilities, contingency reserves and amounts to be allocated, we have complied with the relevant PF circulars and professional guidance.
- 8.2 The statutory actuarial valuation of the fund as at the valuation date was based on 54 894 contributing members with pensionable remuneration totalling R 16 846 793 000. There are also 1 654 deferred members and 54 members who are classified as living annuitants.
- 8.3 The adjusted value of the fund's available assets at 30 June 2023 was R 27 542 846 000.
- 8.4 The total value of the liabilities of the fund at the valuation date was R 27 542 846 000 including contributing members' fund credits of R 25 678 316 000 (as well as contributions only allocated to members' fund credits after 30 June 2023 to the value of R 211 184 000), deferred members' fund credits of R 943 401 000, living annuity accounts of R 211 334 000, direct housing loans of R 442 000, a risk reserve account of R 262 049 000, an expense reserve account of R 65 429 000 and a data and processing reserve account of R 170 691 000.
- 8.5 After taking all member liabilities and accumulated reserve balances into account at the valuation date, there was no excess in the fund.

Recommendations

Monthly cost allowance

- 8.6 The monthly deductions for costs were sufficient to cover the expenses incurred over the valuation period. An increase in membership coupled with a good increase in fund assets over the valuation period resulted in the increase in fund assets outpacing the relative increase in fund expenses. This resulted in a cost allowance profit since the previous valuation period, which added to the increased positive balance in the expense reserve account.
- 8.7 We recommended at the previous valuation date that the monthly cost allowance be decreased to 0.01%, which was approved by the board of trustees on 14 June 2023 and implemented with effect from 1 July 2023. We recommend that the current monthly cost allowance be maintained at 0.01%.
- 8.8 The trustees, with the support of the valuator, must continue to monitor this position on an annual basis.

Expense reserve account

- 8.9 The accumulated balance in the expense reserve account amounted to R 65.4 million, which is sufficient to cover approximately 45% of the total expenses paid from this account during the valuation period. We normally recommend that a balance of 3 to 6 months' expenses be maintained in an expense reserve as buffer for the ongoing funding of expenses and therefore recommend that the balance be maintained.
- 8.10 It is recommended that the opening balance used for the financial statements for the period ending 30 June 2024 be aligned with the value of the expense reserve account reflected in this statutory valuation report. The balance in the expense reserve account must continue to be monitored on at least an annual basis.

Risk reserve account

- 8.11 The fund amended its rules to give the ability to self-insure all or part of the risk benefits with effect from 1 July 2022, as set out in rule amendment no. 10. The fund consequently implemented a self-insurance arrangement for the lump sum death and disability benefits offered by the fund from 1 July 2022. The insurance of the funeral benefits remained with Sanlam.
- 8.12 The accumulated balance in the risk reserve account amounted to R 262.0 million at the valuation date before any allowance is made for the impact of claims incurred but not yet reported (so-called “*IBNR provision*”). It is recommended that the opening balance used for the financial statements for the period ending 30 June 2024 be aligned with this value of the risk reserve account.
- 8.13 There is a prevalence of late reporting of death and disability claims. If we allow for an estimated IBNR provision of R 52.5 million, the net balance in the risk reserve reduced to R 209.5 million at the valuation date. In comparison, the appropriate balance in a risk reserve, as contained in PF Circular 117, is equal to the amount of reserve that would have been required of an insurance company if it were to underwrite the benefits as provided by the fund. The minimum required balance amounts to R 82.5 million compared with the estimated net balance of R 209.5 million. The minimum required balance is thus 2.5 times covered.
- 8.14 The board has adopted a strategy whereby twice the PF117 recommended reserve be aimed at in order to protect the fund from adverse experience in any one year. The desired minimum balance in terms of such strategy therefore amounts to R 165.0 million at the valuation date compared with the estimated net balance in the risk reserve account of R 209.5 million.
- 8.15 The self-insurance arrangement is still in its infancy and we recommend that a prudent approach be followed until a longer history has been established with higher confidence in premium rates and claims experience. We therefore recommend that the accumulated balance in the risk reserve account be maintained for now. The position will be reassessed in the next actuarial valuation scheduled to be performed as at 30 June 2024.

Catastrophe cover

- 8.16 The fund has affected catastrophe excess of loss reinsurance, which is valid until 31 July 2024. The trustees must consider the renewal of the catastrophe reinsurance.

Contributions towards funding of death and disability benefits

- 8.17 The following deductions were made for the period from 1 July 2023 to 30 June 2024 and channelled to the risk reserve on a monthly basis:

	A1	A2	A3	C1	C3	C5
Death benefits	0.70%	1.40%	2.10%	0.55%	1.65%	2.75%
Disability benefits	0.10%	0.20%	0.30%	0.15%	0.45%	0.45%
Total	0.80%	1.60%	2.40%	0.70%	2.10%	3.20%

- 8.18 We recently concluded the review of the recommended deductions for the period from 1 July 2024 to 30 June 2025 and proposed that the above-mentioned deductions be maintained.

- 8.19 We strongly recommend that the trustees continue to critically consider the actual claims versus premiums allocated on at least a quarterly basis in order to take action should the claims experience significantly deteriorate.

Data and processing reserve account

- 8.20 The valuation disclosed a balance in the data and processing reserve account of R 170.7 million, or 0.62% of assets, but taking into account the impact of the delayed allocation of the revaluation of some of the asset portfolios, the true underlying balance is equal to R 134.0 million or 0.49% of assets, which is within the target level of between 0.25% and 0.5% of assets for a daily priced fund.
- 8.21 The balance in the data and processing reserve account must be maintained to protect the fund against the impact of any data errors and omissions as well as impact of timing differences, mismatching and other processing errors.

Living annuitants

- 8.22 The analysis showed that some living annuitants may be drawing at an unsustainable rate, considering the in-fund living account in isolation. Regulation 39(3)(b) requires the fund to make the living annuitants aware if their drawdown rates are deemed not sustainable.

Next valuation

- 8.23 We recommend that valuations be conducted annually so that the funding position can be monitored more closely and that action can be taken timeously, if necessary.
- 8.24 The next valuation is hence scheduled to be performed as at 30 June 2024 and will cover the one-year period from 1 July 2023 to 30 June 2024.

Certification

- 8.25 I, Gerda Grobler, certify that as at 30 June 2023 the assets of the fund are sufficient to cover 100.0% of the members' liabilities and various recommended reserve balances.
- 8.26 I can thus confirm that, in my opinion, the fund continues to be able to meet its liabilities.



Gerda Grobler

*Fellow of the Actuarial Society of South Africa
Fellow of the Faculty of Actuaries
in my capacity as Valuator to the fund and an
employee of Alexander Forbes Financial Services (Pty) Ltd*

For the purposes of professional regulation, the primary professional regulator of the signatories to this report is the Actuarial Society of South Africa.

May 2024

APPENDIX 1: SUMMARY OF BENEFITS

A summary of the main benefits is given below. Full details are contained in the registered rules of the fund. Where there are special cases or benefits for particular members, these have been taken into account in the valuation.

Benefits

1. All members have a normal retirement age of 65, but may, with the employer's consent, retire early from age 50.
2. On retirement, a member shall be entitled to receive a benefit equal to his fund credit in the fund. A member shall be entitled to commute the whole or any portion of this benefit for cash and the balance will be applied to purchase an annuity or annuities from an insurer of his choice.

Notes:

- A new category of membership was inserted with effect from 1 September 2012 to allow for members who transferred to the fund from another retirement fund that, in terms of its rules, does not permit the commutation of more than one third of the member's fund credit as a lump sum at retirement. Such members (referred to as "category E members" in the rules) may only commute a maximum of one third of their fund credit in the fund.
 - The rules were amended with effect from 1 March 2021 to cater for "vested benefits" and "non-vested benefits". Retiring members will be able to commute the full value of their vested benefits for cash at retirement and a maximum of one-third of the "non-vested benefits" may be commuted for cash, in line with the provisions of the Income Tax Act.
3. On death in service before the normal retirement date, or permanent disability before the normal retirement date, the benefit payable from the fund shall be the member's fund credit on death. In addition, the member may have opted for an additional lump sum benefit (as a multiple of remuneration).
 4. In the event of a member withdrawing from the fund, the member will receive a lump sum benefit equal to his fund credit at the date of leaving service. The member has an option to preserve this benefit in the fund or to transfer it to another fund. If no option is made, the member's benefit is by default preserved in the fund.
 5. If a member's service is terminated due to retrenchment or redundancy and he or she is not entitled to a normal retirement benefit, the member's fund credit is payable, plus an additional amount equal to the smaller of the following:
 - 8% of the member's fund credit multiplied by the difference in full years between the normal retirement age and age next birthday; and
 - The member's fund credit.

The additional amount must be paid to the fund by the relevant local authority before payment can be made to the member.

Contributions

6. Members of the fund contribute at a rate as agreed upon by the particular local authority and the member, subject to an absolute minimum rate. The minimum contribution rates are 2%, 7% and 5% for category A, category B and category C members respectively.

7. Contributions by the local authority, less the amount of the local authority contribution which is payable in respect of the insured risk benefits policy, are subject to absolute minimum rates. The minimum contribution rates are 2%, 7% and 5% for category A, category B and category C members respectively.

APPENDIX 2: MEMBER STATISTICS

Membership at the valuation date

1. A reconciliation of the change in the number of contributing and deferred members over the period is provided below:

1.1 Contributing members

	Total
Contributing members as at 30 June 2022	52 744
• New entrants	4 633
• Withdrawals	(1 058)
• Retirements	(818)
• Deaths	(400)
• Disability	(50)
• Transferred to deferred members	(157)
• Other adjustments (e.g. consolidation of duplicated records)	-
Contributing members as at 30 June 2023	54 894

1.2 Deferred members

	Total
Deferred members at 30 June 2022	2 097
• Transferred from active members	157
• Deaths	(16)
• Withdrawals	(87)
• Retirements	(138)
• Disabilities	(8)
• Benefits depleted and the late implementation of members that chose to defer their benefit (that exited in the previous valuation period)	(351)
Deferred members at 30 June 2023	1 654

1.3 Living annuitants

	Total
Living annuitants at 30 June 2022	91
New living annuitants	-
Deaths	(2)
Transfer out	(35)
Living annuitants at 30 June 2023	54

- The number of contributing contained in this report differs from the number reflected in the fund's annual financial statements at the valuation date by 39 members as a result of exited members incorrectly shown as active.
- The number of deferred members contained in this report differs from the number reflected in the fund's annual financial statements at the valuation date by 359 members, which is made up of 33 exited members incorrectly shown as active in the annual financial statements, 322 members whose benefit value reduced to zero and should have been removed and 4 members incorrectly included under deferred members (as they were loaded as new deferred members with a zero benefit value).
- The number of living annuitants contained in this report corresponds with the number reflected in the fund's annual financial statements at the valuation date.

Liability profile

- An analysis of the liability profile in five-year age bands is given below for contributing members (i.e. category A and category C combined), deferred members and living annuitants respectively. In addition, the distribution of the fund credits per investment option is also given for contributing members (category A and category C combined), deferred members and living annuitants.

5.1 Contributing members

Age	Number	Pensionable remuneration	Average pensionable remuneration	Fund credits	Average fund credits
<25	190	27 629 286	145 417	4 953 568	26 632
25-30	1 922	450 203 785	234 237	170 085 966	90 906
30-35	6 924	1 882 416 870	271 868	1 431 887 789	208 548
35-40	10 520	3 165 915 814	300 943	3 427 946 759	327 157
40-45	10 213	3 090 295 713	302 585	4 269 142 823	418 749
45-50	9 101	2 878 153 914	316 246	4 705 461 387	517 880
50-55	7 615	2 468 290 967	324 135	4 570 685 091	601 011

Age	Number	Pensionable remuneration	Average pensionable remuneration	Fund credits	Average fund credits
55-60	5 300	1 795 771 984	338 825	4 097 513 060	774 138
60-65	3 072	1 078 080 313	350 938	2 991 165 512	975 910
>65	37	10 034 589	271 205	9 474 067	256 056
Total	54 894	16 846 793 236	306 897	25 678 316 022	469 594

The contributing members' fund credits were distributed as follows between the investment portfolios:

Investment options	Fund credits	%
Aggressive Growth	18 521 914 193	72.1%
Capital Growth	5 124 434 494	20.0%
Stable Growth	1 246 522 126	4.9%
Capital Protector	757 697 325	2.9%
Shari'ah	27 747 884	0.1%
Total	25 678 316 022	100.0%

5.2 Deferred members (including Category E members)

Category E members are defined as follows in the rules of the fund:

"CATEGORY E-MEMBER: A MEMBER who transferred to the FUND from another retirement fund that, in its rules, does not permit the commutation of more than one third of a member's retirement capital for a cash lump sum at retirement."

This membership category includes members who transferred into the fund from the National Pension Fund for Municipal Workers as well as the Government Employees Pension Fund.

Age	Number	Fund credits	Average fund credits
<25	10	2 709	271
25-30	54	565 946	10 480
30-35	101	3 233 369	32 014
35-40	116	4 771 677	41 135
40-45	126	26 550 699	210 720
45-50	120	22 726 857	189 390
50-55	244	125 393 941	513 910

Age	Number	Fund credits	Average fund credits
55-60	449	368 148 660	819 930
60-65	378	371 009 199	981 506
>65	56	20 997 499	374 955
Total	1 654	943 400 556	570 375

The deferred members' fund credits were distributed as follows between the investment portfolios:

Investment options	Fund credits	%
Aggressive Growth	199 944 901	21.2%
Capital Growth	556 035 768	58.9%
Stable Growth	152 592 441	16.2%
Capital Protector	34 272 465	3.6%
Shari'ah	554 981	0.1%
Total	943 400 556	100.0%

5.3 Living annuitants

Age	Number	Living annuity accounts	Average living annuity account
55-60	1	3 049 475	3 049 475
60-65	8	28 794 813	3 599 352
65-70	28	115 871 650	4 138 273
>70	17	63 618 108	3 742 242
Total	54	211 334 045	3 913 593

The living annuitants' fund credits were distributed as follows between the investment portfolios:

Investment options	Fund credits	%
Aggressive Growth	6 943 641	3.3%
Capital Growth	58 732 886	27.8%
Stable Growth	65 857 912	31.2%
Capital Protector	79 799 606	37.7%
Total	211 334 045	100.0%

Reasonability checks performed

6. A large number of tests on the reasonableness and consistency of the data were carried out including the following:
- a reconciliation of the number of members at the valuation date and the previous valuation date with the movements in membership reported
 - a fund credit reasonability check
 - comparison of the closing fund credits per the previous valuation data to the opening fund credits per the current valuation data
 - review of the fund's annual financial statements
 - calculation of the fund investment returns
 - review of the levels of actual fund expenses
 - reconciling exiting members over the valuation period with the claims paid as per the annual financial statements

We are satisfied with the general accuracy and completeness of the data provided and with its suitability for purposes of this statutory valuation.

APPENDIX 3: CONSOLIDATED REVENUE ACCOUNT

Amounts in Rands	Total
Opening balance at 30 June 2022 per actuarial valuation	23 160 928 008
Reversal of previous actuarial adjustment	113 722 409
Opening balance at 30 June 2022 per financial statements	23 274 650 417
Income	2 916 627 663
Member contributions	868 164 714
Additional voluntary contributions	11 378 722
Employer contributions (retirement funding)	1 431 874 184
Employer contributions (risk & expenses)	496 905 074
Transfers from other funds	11 002 209
Reinsurance proceeds	62 822 074
Proceeds from profit sharing arrangement with risk insurer	34 480 686
Expenses	(215 981 697)
Administration fees	(26 405 731)
Less: Amounts allocated to unclaimed benefits	67 669
Audit fees	(1 085 035)
Actuarial fees	(974 487)
Consultants' fees	(24 632 792)
Fidelity insurance premiums	(988 203)
Financial Sector Conduct Authority levies	(1 323 149)
Communication expenses	(4 372 931)
Communication consultants stakeholder engagements	(249 047)
Legal & compliance fees	(7 664 760)
Conferences and meetings	(1 084 377)
Bank charges	(178 609)
Office expenses	(6 077 784)
Trustee expenses	(5 955 274)
Staff expenses	(43 630 567)

Amounts in Rands	Total
Principal officer expenses	(197 685)
Depreciation	(971 890)
Occupational rent	(139 929)
Travel and accommodation (non-board members)	(710 505)
Reinsurance premiums	(89 406 611)
Benefits	(2 143 424 558)
Retirement benefits	(1 048 430 425)
Disability benefits	(92 143 448)
Withdrawal benefits	(343 900 034)
Transfers out	(124 741 379)
Divorce claims	(98 019 261)
Death benefits	(419 139 057)
Pensions paid to living annuitants	(14 148 942)
Investment return allocated to exits & unclaimed benefits	(2 902 012)
Investment income	3 882 441 294
Income from investment	396 563 309
Adjustment to fair value	3 646 717 811
Expenses incurred from managing investments	(147 277 072)
Investment consulting fees	(18 660 921)
Script lending fees	4 191 021
Direct property revaluation	903 785
Other income	3 361
Closing balance as at 30 June 2023 per financial statements	27 714 313 119
Actuarial adjustments	(171 467 381)
Under provision of benefits payable	(171 467 381)
Closing balance as at 30 June 2023 per actuarial valuation	27 542 845 738

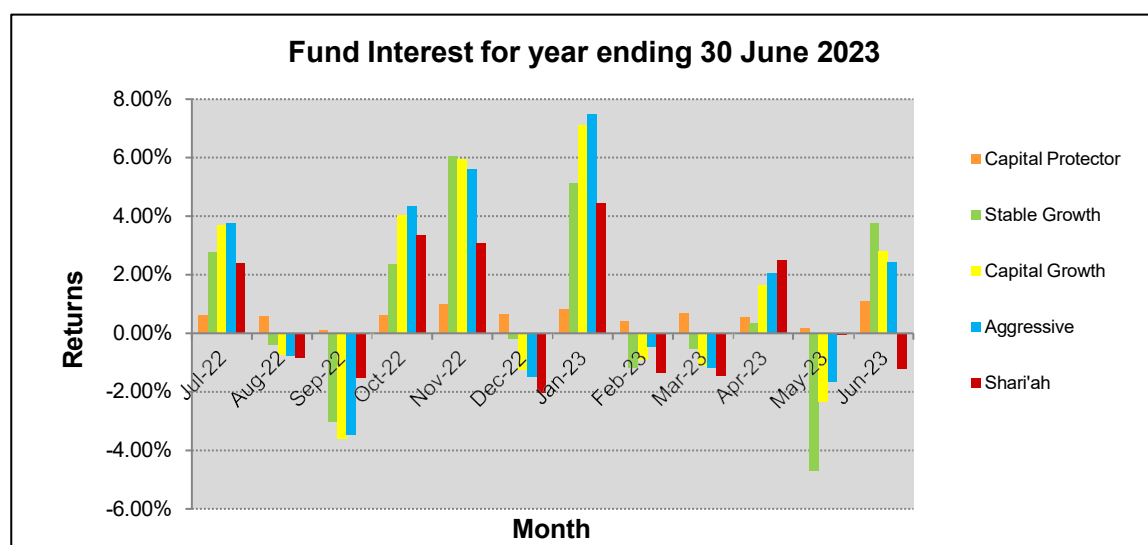
APPENDIX 4: INVESTMENT RETURNS

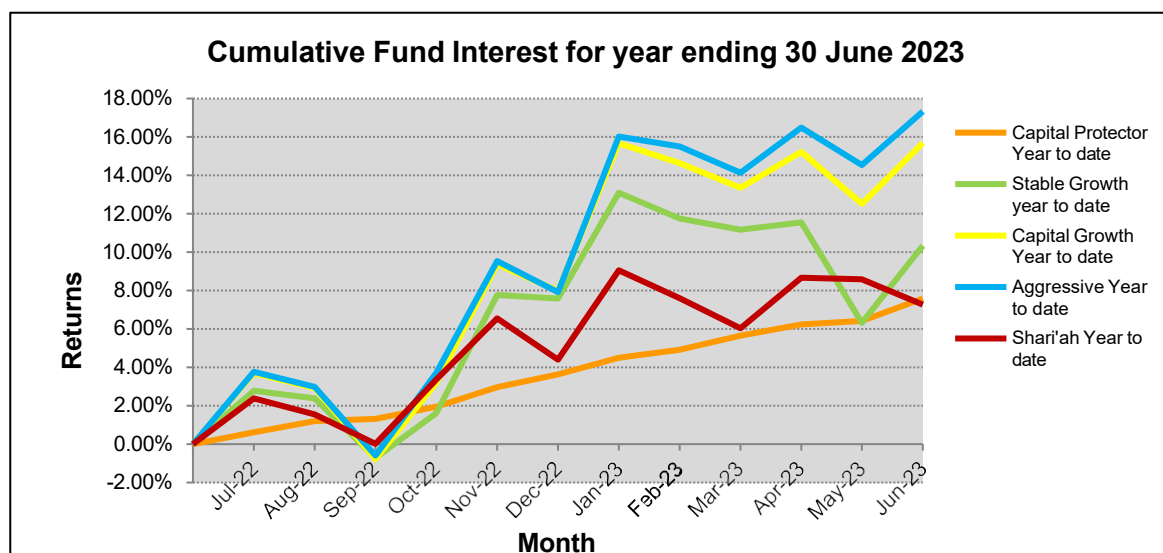
Contributing and deferred member portfolios

1. The net returns allocated to members' fund credits in each of the fund's portfolios from 1 July 2022 to 30 June 2023 are detailed in the table below (these returns were derived from the daily unit prices):

Date	Capital Protector	Stable Growth	Capital Growth	Aggressive	Shari'ah
July 2022	0.62%	2.78%	3.70%	3.76%	2.39%
August 2022	0.58%	(0.39%)	(0.75%)	(0.76%)	(0.82%)
September 2022	0.11%	(3.03%)	(3.60%)	(3.47%)	(1.51%)
October 2022	0.63%	2.35%	4.02%	4.34%	3.35%
November 2022	0.99%	6.05%	5.97%	5.62%	3.08%
December 2022	0.65%	(0.18%)	(1.26%)	(1.48%)	(2.02%)
January 2023	0.83%	5.13%	7.12%	7.50%	4.46%
February 2023	0.40%	(1.19%)	(0.91%)	(0.44%)	(1.34%)
March 2023	0.70%	(0.51%)	(1.12%)	(1.18%)	(1.46%)
April 2023	0.55%	0.34%	1.66%	2.05%	2.48%
May 2023	0.17%	(4.69%)	(2.35%)	(1.67%)	(0.07%)
June 2023	1.10%	3.77%	2.82%	2.44%	(1.22%)
Fund year ending 30 June 2023	7.59%	10.33%	15.69%	17.33%	7.26%

2. Graphical representations of the monthly returns and cumulative returns per portfolio are given below (these returns were derived from the daily unit prices):



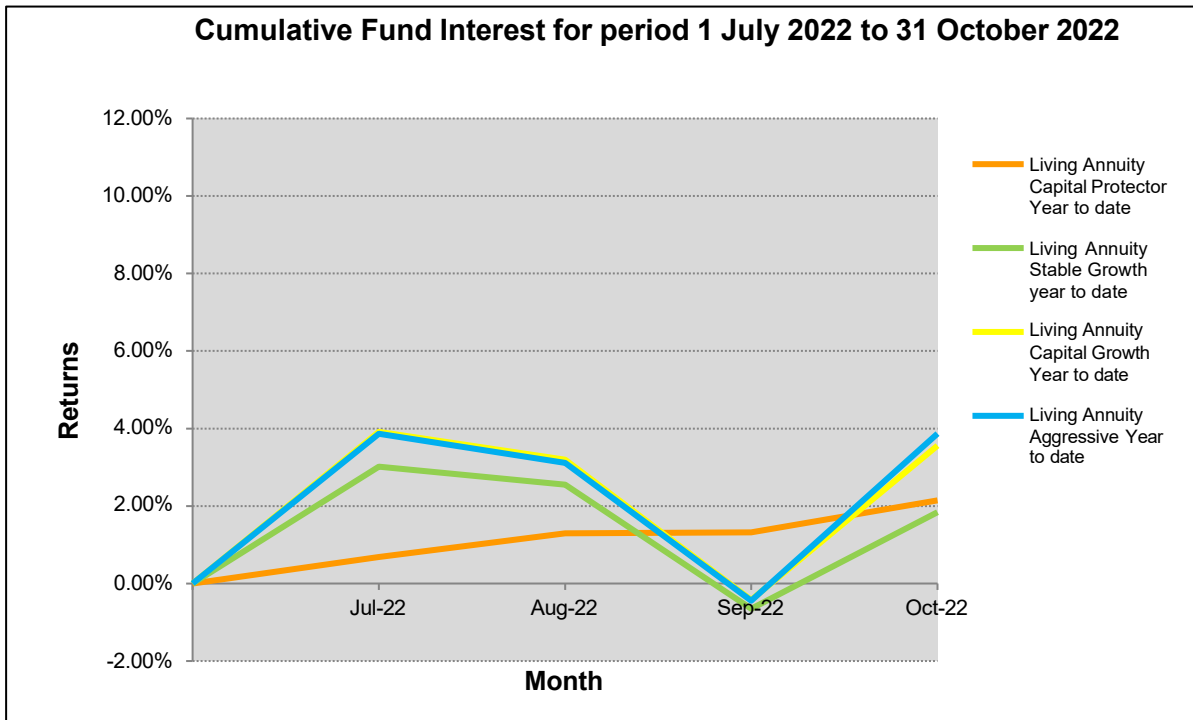
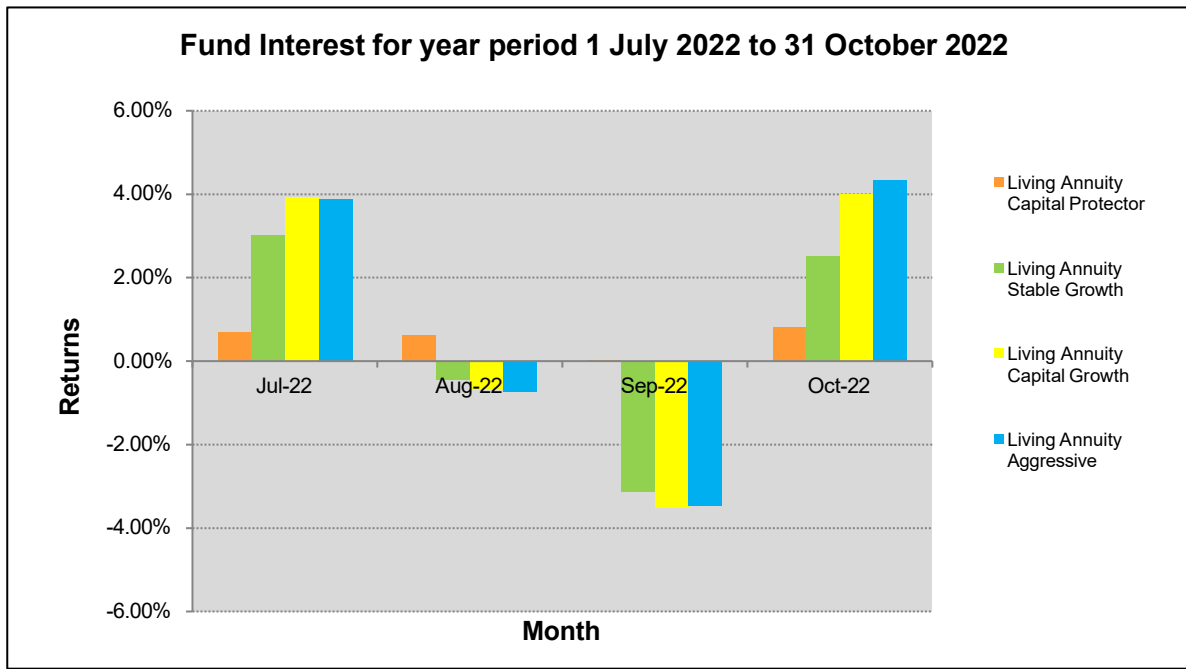


Living annuitant portfolios

3. The net returns allocated to living annuitants' account balances in each of the living annuity portfolios from 1 July 2022 to 31 October 2022 (when these portfolios were discontinued) are detailed in the table below:

Date	Living Annuity Capital Protector	Living Annuity Stable Growth	Living Annuity Capital Growth	Living Annuity Aggressive
July 2022	0.68%	3.02%	3.91%	3.86%
August 2022	0.61%	(0.45%)	(0.69%)	(0.72%)
September 2022	0.02%	(3.12%)	(3.51%)	(3.45%)
October 2022	0.81%	2.51%	4.00%	4.33%
Period ending 31 October 2022	2.15%	1.84%	3.56%	3.87%

4. Graphical representations of the monthly returns and cumulative returns per portfolio are given on the page overleaf (these returns were derived from the daily unit prices):



Historical returns since the fund's surplus apportionment date

5. The following returns were allocated to members' fund credits since 1 July 2004 (the fund's surplus apportionment date):

Period	Capital Protector	Stable Growth *	Capital Growth	Aggressive	Shari'ah **	Inflation
2004 / 2005	7.65%	N / A	15.73%	22.51%	N / A	2.82%
2005 / 2006	10.06%	N / A	15.70%	27.57%	N / A	4.87%
2006 / 2007	6.88%	N / A	23.73%	22.40%	N / A	7.04%
2007 / 2008	7.41%	N / A	(2.70%)	(2.07%)	N / A	12.17%
2008 / 2009	11.56%	7.93%	(8.86%)	(21.02%)	N / A	6.89%
2009 / 2010	7.25%	3.50%	12.27%	19.47%	N / A	4.21%
2010 / 2011	5.36%	11.82%	11.30%	14.35%	N / A	5.02%
2011 / 2012	5.67%	8.81%	8.84%	7.73%	N / A	5.47%
2012 / 2013	4.97%	10.40%	18.56%	19.02%	3.46%	5.54%
2013 / 2014	4.23%	9.65%	18.12%	24.44%	20.29%	6.61%
2014 / 2015	5.99%	7.25%	7.49%	6.44%	(2.10%)	4.74%
2015 / 2016	7.44%	8.47%	11.45%	10.58%	4.21%	6.27%
2016 / 2017	8.54%	6.60%	5.35%	4.83%	5.68%	5.11%
2017 / 2018	8.06%	8.02%	9.06%	8.88%	8.73%	4.57%
2018 / 2019	8.36%	6.54%	4.61%	3.76%	4.66%	4.46%
2019 / 2020	6.42%	(3.32%)	(0.87%)	0.77%	(0.34%)	2.22%
2020 / 2021	5.06%	17.67%	18.03%	17.69%	26.72%	4.87%
2021 / 2022	4.42%	4.59%	1.53%	1.04%	6.54%	7.42%
2022 / 2023	7.59%	10.33%	15.69%	17.33%	7.26%	5.37%
Average annual returns to 30 June 2023:						
3 year	5.68%	10.73%	11.51%	11.74%	13.13%	5.88%
5 year	6.36%	6.94%	7.53%	7.84%	8.60%	4.86%
10 year	6.60%	7.47%	8.86%	9.32%	7.85%	5.16%

* The Stable Growth Portfolio was introduced from 1 July 2008.

** The Shari'ah Portfolio was introduced from 1 September 2012.

APPENDIX 5: ASSET LIABILITY MATCHING

The assets and liabilities within each investment portfolio at the valuation date are set out in the table below:

Note: This table continues on the next page.

	Cash at bank *	Capital Protector	Stable Growth	Capital Growth	Aggressive	Shari'ah
	R	R	R	R	R	R
Market value of assets	264 261 235	891 425 418	1 586 648 028	5 845 597 220	18 810 405 414	28 302 871
Contributions receivable	215 765 429	-	-	-	-	-
Accounts receivable	44 362 162	-	-	-	-	-
Benefits payable	45 447 114	(11 835 026)	(76 632 878)	(42 699 252)	(75 703 187.38)	-
Accounts and transfers payable	(65 616 330)	-	-	-	-	-
Unclaimed benefits	-	-	-	(39 016 075)	-	-
Net assets, per financial statements	504 219 610	879 590 391	1 510 015 150	5 763 881 893	18 734 702 226.96	28 302 871
Actuarial adjustment	(171 467 381)					-
Net assets, per actuarial valuation	332 752 229	879 590 391	1 510 015 150	5 763 881 893	18 734 702 226.96	28 302 871
Members' fund credits	-	871 769 396	1 464 972 479	5 739 203 148	18 728 802 736	28 302 866
Contributions allocated after year-end	211 184 172	-	-	-	-	-
Sub-total (1)	211 184 172	871 769 396	1 464 972 479	5 739 203 148	18 728 802 736	28 302 866
Risk Reserve Account	-	-	-	-	-	-
Expense Reserve Account	65 428 423	-	-	-	-	-
Sub-total (2)	65 428 423	-	-	-	-	-
Total liabilities	276 612 595	871 769 396	1 464 972 479	5 739 203 148	18 728 802 736	28 302 866
Excess assets / (deficit) = Data and Processing Reserve Account ("DPR")	56 139 634	7 820 995	45 042 671	24 678 745	5 899 491	6
Funding level before the DPR	120.30%	100.90%	103.07%	100.43%	100.03%	100.00%
Funding level after the DPR	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* Including R 814 047 in respect of furniture and computer equipment.

We are comfortable with the process followed by the fund's administrator and investment consultants to monitor the matching of the assets with the liabilities on a monthly basis to ensure differences at month-end are cleared early in the next month. The differences observed are within acceptable levels for a fund of this size and nature.

Note: This table continues from the previous page.

	Direct Housing loans R	Revaluation of assets **	Cash Portfolio R	Total R
Market value of assets	442 378	6 611 280	614 969 858	28 048 517 368
Contributions receivable	-	-	-	215 765 429
Accounts receivable	-	30 071 010	34 480 686	108 913 858
Benefits payable	-	-	(392 827 899)	(554 251 130)
Accounts and transfers payable	-	-	-	(65 616 330)
Unclaimed benefits	-	-	-	(39 016 075)
Net assets, per financial statements	442 378	36 682 290	256 476 310	27 714 313 120
Actuarial adjustment	-	-	-	(171 467 381)
Net assets, per actuarial valuation	442 378	36 692 290	256 476 310	27 542 845 739
Members' fund credits	442 378	-	-	26 833 493 002
Contributions allocated after year-end	-	-	-	211 184 172
Sub-total (1)	442 378	-	-	27 044 677 174
Risk Reserve Account	-	-	262 048 773	260 048 773
Expense Reserve Account	-	-	-	65 428 423
Sub-total (2)	-	-	262 048 773	327 477 196
Total liabilities	442 378	-	262 048 773	27 372 154 370
Excess assets / (deficit) = Data and Processing Reserve Account ("DPR")	-	36 682 290	(5 572 463)	170 691 369
Funding level before the DPR	100.00%	n/a	97.87%	100.62%
Funding level after the DPR	100.00%	n/a	100.00%	100.00%

** Refer to sections 6.45 to 6.47 of main report for more detail regarding these pricing differences as a result of reporting delays.

We are comfortable with the process followed by the fund's administrator and investment consultants to monitor the matching of the assets with the liabilities on a monthly basis to ensure differences at month-end are cleared early in the next month. The differences observed are within acceptable levels for a fund of this size and nature.