

ANNUAL FINANCIAL STATEMENTS

NAME OF RETIREMENT FUND: NATIONAL FUND FOR MUNICIPAL WORKERS

FINANCIAL SECTOR CONDUCT AUTHORITY
REGISTRATION NUMBER: 12/8/35064

FOR THE PERIOD: 1 JULY 2018 to 30 JUNE 2019

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* Not subject to any engagement by an auditor

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE A REGULATORY INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

REGISTERED OFFICE OF THE FUND

Postal address: PO Box 15515
Sinoville
Pretoria
0129

Physical address: Section 2, Business Park @ Zambezi
860 Milkplum Street
Montana
Pretoria
0182

FINANCIAL REPORTING PERIODS

Current year: 1 July 2018 to 30 June 2019
Prior year: 1 July 2017 to 30 June 2018

BOARD OF FUND

Full name	E-mail Address	Capacity	Date appointed/ reappointed	Date resigned
A Tiemie	august@nationalfund.co.za	M	1 June 2016	30 November 2018
CCK Antonio	charles@nationalfund.co.za	C & M	1 May 2018	
CJ Labuschagne	rina@nationalfund.co.za	M	1 September 2014	
EA Schutte	eugene@nationalfund.co.za	M	1 September 2014	
HS Rossouw	dricus@nationalfund.co.za	M	1 September 2014	
J Nkuna	james@nationalfund.co.za	M	1 May 2018	
KG Booysen	kevin@nationalfund.co.za	M	1 September 2014	
L Geldenhuys	louwrens@nationalfund.co.za	M	1 May 2018	
MC Makgalemele	christina@nationalfund.co.za	M	1 September 2014	
ME Jantjie	evelyn@nationalfund.co.za	M	1 September 2014	
NC Cindi	clive@nationalfund.co.za	M	1 September 2014	
NF Rathhaga	francis@nationalfund.co.za	E	1 September 2014	12 September 2018
PR Nolutshungu	rio@nationalfund.co.za	E	13 September 2018	
PS Mofokeng	sticks@nationalfund.co.za	M	1 September 2014	
R Solomons	robert@nationalfund.co.za	M	1 May 2018	

- 'M' denotes member elected
- 'E' denotes employer appointed
- 'C' denotes chairperson

Governance note: schedule of meetings* held by the Board of Fund in terms of the rules of the fund

Meeting date	Place of meeting	Quorum (yes/no)
1 August 2018	Durban	Yes
17 August 2018	Pretoria	Yes
24 August 2018	Pretoria	Yes
13 September 2018	Pretoria	Yes
15 November 2018	Pretoria	Yes
22 January 2019	Pretoria	Yes
14 March 2019	Pretoria	Yes
12 June 2019	Boksburg	Yes

* Only meetings held by the Board of Fund and does not include meetings held by the sub-committees

FUND OFFICERS

Principal Officer

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed
SL Samons	PO Box 15515 Sinoville 0129	Section 2, Office Park @ Zambezi 860 Milkplum Street Montana Ext 143 0182	(012) 743 3003	sean@nationalfund.co.za	1 November 2007

NATIONAL FUND FOR MUNICIPAL WORKERS

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

Deputy Principal Officer

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed
L Ndawana	PO Box 15515 Sinoville 0129	Section 2, Office Park @ Zambezi 860 Milkplum Street Montana Ext 143 0182	(012) 743 3004	leslie@nationalfund.co.za	1 September 2017

Monitoring Person*

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed
SL Samons	PO Box 15515 Sinoville 0129	Section 2, Office Park @ Zambezi 860 Milkplum Street Montana Ext 143 0182	(012) 743 3003	sean@nationalfund.co.za	1 November 2007

**(In terms of Section 13A of the Pension Funds Act)*

PROFESSIONAL SERVICE PROVIDERS

Actuary/Valuator

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed
G Grobler	PO Box 2435 Pretoria 0001	189 Clarke Street Cnr Clarke & Fehrsen Street Brooklyn Pretoria 0181	(012) 425 4237	groblerg@aforges.co.za	1 July 2011

Auditor

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed
Pricewaterhouse Coopers Inc.	Private Bag x36 Sunninghill 2157	4 Lisbon Lane Waterfall City Jukskei View 2090	(011) 797 4000	julanie.basson@pwc.com	15 March 2018

Benefit Administrator

Full name	Postal address	Physical address	Telephone number	Date appointed	Registration number in terms of section 13B
Sanlam Life Insurance Ltd	PO Box 1 Sanlamhof 7532	2 Strand Road Belville 7532	(021) 947 9111	1 June 2016	24/85

NATIONAL FUND FOR MUNICIPAL WORKERS

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

PROFESSIONAL SERVICE PROVIDERS (continued)

Investment Administrator

Full name	Postal address	Physical address	Telephone number	Date appointed	FAIS registration number
ACPI Investments Ltd	PO Box 87353 Houghton 2041	Pegasus House 37-43 Sackville Street London W16 3EH 9999	0861 273783		2733
Allan Gray Life Ltd	PO Box 51318 V&A Waterfront Cape Town 8002	1 Silo Square V&A Water Front Cape Town 8001	(021) 4467727		6663
Argon Asset Management (Pty) Ltd	PO Box 23454 Claremont 7735	1st Floor Colinton House The Oval 01 Oakdale Road Newlands 7700	(021) 670 6570	1 March 2019	835
Ashburton Fund Managers (Pty) Ltd	1st Floor 4 Merchant Place Cnr Fredmand and Rivonio Drive Sandton 2196	1st Floor 4 Merchant Place Cnr Fredmand and Rivonio Drive Sandton 2196	(011) 2828800		40169
Benguela Global Fund Managers (Pty) Ltd	6 Mellis Road The Avenues North Rivonia 2191	6 Mellis Road The Avenues North Rivonia 2191	(010) 596 8500		45122
Catalyst Fund Managers SA (Pty) Ltd	PO Box 44845 Claremont 7735	4th Floor Protea Place Cnr Protea Road and Dreyer Claremont 7708	(021) 657 5500		36009
Coronation Asset Management (Pty) Ltd	PO Box 993 Cape Town 8000	7th Floor Montclare Place Campground and Main Road Claremont 7708	(021) 680 2099		548
First Avenue Investment Management (Pty) Ltd	PostNet Suite 92 Private Bag X11 Birnarn Park 2015	Turner & Townsend House 21 Fricker Road Illovo Sandton 2196	(011) 772 2480	19 June 2019	42693
Futuregrowth Investments CC	Private Bag X6 Newlands 7725	57 Astral Drive Woodhurst Chatsworth 4092	084 878 6612		39033
Investec Asset Management (Pty) Ltd	PO Box 1655 Cape Town 8000	36 Hans Strijdom Avenue Foreshore Cape Town 8001	(021) 416 1684		587
Kagiso Asset Management (Pty) Ltd	PO Box 1016 Cape Town 8000	Fifth Floor Montclare Place Cnr Campground and MainClaremont 7708	(021) 673 6300		784
Legacy Africa Fund Managers (Pty) Ltd	4th Floor, The Firs Cnr Biermann Lane and Cradock Avenue Rosebank South Africa 2196	4th Floor, The Firs Cnr Biermann Lane and Cradock Avenue Rosebank South Africa 2196	(011) 759 4012	10 April 2019	44651

NATIONAL FUND FOR MUNICIPAL WORKERS

**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

**PROFESSIONAL SERVICE PROVIDERS (continued)
Investment Administrators (continued)**

Full name	Postal address	Physical address	Telephone number	Date appointed	FAIS registration number
Mazi Asset Management (Pty) Ltd	PO Box 784583, Sandton, 2146	4th Floor, North Wing, 90 Rivonia Road, Sandton, 2196	(010) 001 8300		46405
Metope Investment Managers (Pty) Ltd	PO Box 51316 V&A Waterfront 8002	Moorings 4 Portwood Ridge Portwood Road V&A Waterfront	(021) 418 3760		21999
Morgan Stanley Investment Management Ltd	20 Bank Street Canary Wharf London E14 4QA United Kingdom	20 Bank Street Canary Wharf London E14 4QA United Kingdom	+44 20 7425 7537		9752
Nedgroup Investment Advisors (Pty) Ltd	Nedbank clock Tower Precinct V&A Waterfront Cape Town 8001	Nedbank clock Tower Precinct V&A Waterfront Cape Town 8001	(021) 416 6224		1652
Northern Trust International Fund Administration Services Ltd	20 Bank Street Canary Wharf London E14 4QA United Kingdom 9999	20 Bank Street Canary Wharf London E14 4QA United Kingdom 9999	0861 273783		45382
Novare Investments (Pty) Ltd	3rd Floor The Cliffs Office Block 1 Niagara Way Tyger Falls Carl Cronje Drive Bellville 7530	3rd Floor The Cliffs Office Block 1 Niagara Way Tyger Falls Carl Cronje Drive Bellville 7530	(011) 447 9605		757
Old Mutual Investment Group (Pty) Ltd	Mutualpark Jan Smuts Drive Pinelands 7405	Mutualpark Jan Smuts Drive Pinelands 7405	(021) 504 7296		604
Prescient Investment Management (Pty) Ltd	Steenberg Office Park Block B Silverwood Silverwood Lane Tokai 7945	Steenberg Office Park Block B Silverwood Silverwood Lane Tokai 7945	(021) 700 3607		612
Prowess Investment Managers (Pty) Ltd	Private Bag 15086 Vlaeberg 8078	20th Floor 1 Thibault Square 1 Long Street Cape Town 8001	(021) 565 0065	15 August 2018	38318
Sanlam Investment Management (Pty) Ltd	Private Bag X8 Tyger Valley 7536	55 Willie van Schoor Road Bellville 7536	(021) 950 2695		579
Vunani Fund Managers (Pty) Ltd	PO Box 44586 Claremont 7735	6th Floor, Letterstedt House Newlands on Main Newlands Cape Town 7700	(021) 670 4900	14 March 2019	608

Investment Advisor

Full name	Postal address	Physical address	Telephone number	FAIS registration number
Mosaic Investment Consulting	PO Box 6685 Welgemoed 7538	Willowbridge Place Carl Cronje Drive Tygervalley 7530	(021) 914 0496	45675

NATIONAL FUND FOR MUNICIPAL WORKERS**SCHEDULE A
REGULATORY INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2019****PROFESSIONAL SERVICE PROVIDERS (continued)****Risk Insurer**

Full name	Postal address	Physical address	Telephone number	FSP approval no
Marsh (Pty) Ltd	Private Bag x14 Benmore 2010	Corner 5th Street and Fredman Drive Building 1 Alice Lane Sandton 2196	(011) 060 7765	8414
Sanlam Life Insurance Ltd	PO Box 1 Sanlamhof 7532	2 Strand Road Belville 7532	(021) 947 9111	6832

Custodian and/or Nominee

Full name	Postal address	Physical address	Telephone number	FSP approval no
Nedbank Limited	PO Box 1144 Johannesburg 2000	CCS JHB 2nd Floor Block F Johannesburg	(011) 294 3255	9363
FirstRand Bank Limited	PO Box 7713 Johannesburg 2000	Mezzanine Floor 3 First Place Bank City Corner of Jeppe & Simmonds Streets Johannesburg 2001	087 577 8791	4894

PARTICIPATING EMPLOYERS

The list of participating employers is available for inspection at the Fund's registered office.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE B STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND FOR THE YEAR ENDED 30 JUNE 2019

Responsibilities

The Board of Fund hereby confirm to the best of their knowledge and belief that, during the year under review, in the execution of their duties they have complied with the duties imposed by Pension Funds Act legislation and the rules of the fund, including the following:

- ensured that proper registers, books and records of the operations of the fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Fund;
- ensured that proper internal control systems were employed by or on behalf of the Fund;
- ensured that adequate and appropriate information was communicated to the members of the fund, informing them of their rights, benefits and duties in terms of the rules of the Fund;
- took all reasonable steps to ensure that contributions, where applicable, were paid timeously to the fund or reported where necessary, in accordance with section 13A and regulation 33 the Pension Funds Act in South Africa;
- obtained expert advice on matters where they lacked sufficient expertise;
- ensured that the rules and the operation and administration of the fund complied with the Pension Funds Act and all applicable legislation;
- ensured that fidelity cover was maintained and that this cover was deemed adequate and in compliance with the rules of the Fund; and
- ensured that investments of the fund were implemented and maintained in accordance with the Fund's investment strategy.

Approval of the annual financial statements

The annual financial statements of National Fund for Municipal Workers are the responsibility of the Board of Fund. The Board of Fund fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the fund and/or its benefit administrators, provide reasonable assurance that:

- the fund's assets are safeguarded;
- transactions are properly authorised and executed; and
- the financial records are reliable.

The annual financial statements set out on pages 12 to 34 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the fund and the Pension Funds Act. The Board of Fund is not aware of any instances of non-compliance during the financial year nor during the year up until the signature of these financial statements.

These annual financial statements have been reported on by the independent auditor, PricewaterhouseCoopers Inc., who was given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditor in the management representation letter during their audit were valid and appropriate. The report of the independent auditor is presented on pages 9 - 11.

NATIONAL FUND FOR MUNICIPAL WORKERS

**SCHEDULE B
STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2019**


Instances of non-compliance

The following instances of non-compliance with Acts, Legislation, Regulations and Rules, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements came to our attention and were rectified before the Board of Fund's approval of the financial statements:


Nature and cause of non-compliance	Impact of non-compliance matter on the fund	Corrective course of action taken to resolve non-compliance matter
Late payment of Contribution due to municipalities experiencing severe cash flow problems	The members does not receive their monthly return on the contributions deducted from their payroll.	<p>The following actions are taken in the event where the employer fails to make payment timeously:</p> <p>Section 13A interest is raised from the first day of the month in question until received.</p> <p>SMS messages are send to the affected members advising them of the employer's failure to make payment.</p> <p>The employer is telephonically contacted and letters are also send to inform them about the consequences for their failure to comply with Section 13A.</p> <p>If the employer remains in arrears for 3 months, the FSCA is informed about the employer's failure to comply.</p> <p>At this point, a complaint is lodged with the Pension Funds Adjudicator.</p> <p>In this event the Pension Funds Adjudicator will normally order the employer to settle all arrear contributions and interest.</p> <p>If the employer still fails to comply with the judgement obtained from the Pension Funds Adjudicator, the matter is handed over to the Fund's Legal representatives to obtain warrants of execution in respect of the determinations handed down by the Pension Funds Adjudicator.</p>

These annual financial statements:

- were approved by the Board of Fund on 20 November 2019;
- are to the best of the Board members knowledge and belief confirmed to be complete and correct;
- fairly represent the net assets of the fund at 30 June 2019 as well as the results of its activities for the year then ended; and
- are signed on behalf of the Board of Fund by:


 CKK Antonio
 CHAIRPERSON
 20/11/2019
 Date


 Name: E.A. Schulte
 MEMBER TRUSTEE
 20/11/2019
 Date


 Name: H.S. Rossouw
 MEMBER TRUSTEE
 20/11/2019
 Date

NATIONAL FUND FOR MUNICIPAL WORKERS

**SCHEDULE C
STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2019**

I confirm that for the year under review the National Fund for Municipal Workers has timeously submitted all regulatory and other returns, statements, documents and any other information as required in terms of the Pension Funds Act and to the best of my knowledge all applicable legislation.



**SL Samons
Principal Officer**

20 November 2019
Date



SCHEDULE D

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF FUND OF THE NATIONAL FUND FOR MUNICIPAL WORKERS

Report on the Audit of the Financial Statements

Opinion

We have audited the annual financial statements of National Fund for Municipal Workers ("the Fund") set out on pages 17 to 34, which comprise the statement of net assets and funds as at 30 June 2019 and the statement of changes in net assets and funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared for the purpose of reporting to the Financial Sector Conduct Authority (the "Authority").

In our opinion, the financial statements of National Fund for Municipal Workers for the year ended 30 June 2019 are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial reporting framework and restriction on use

Without modifying our opinion, we draw attention to the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Authority. Consequently, the financial statements and related auditor's report may not be suitable for another purpose.

Other information

The Board of Fund is responsible for the other information. The other information comprises the information included in the document titled "Annual Financial Statements, National Fund for Municipal Workers, for the period 1 July 2018 to 30 June 2019". The other information does not include the financial statements (schedule F, G and HA) and our auditor's report thereon (schedule D).



Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Fund for the Financial Statements

The Board of Fund is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement funds in South Africa and for such internal control as the Board of Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Fund is also responsible for compliance with the requirements of the Rules of the Fund and the Pension Funds Act of South Africa.

In preparing the financial statements, the Board of Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Conclude on the appropriateness of the Board of Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists



related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.

We communicate with the Board of Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Statement of Responsibility by the Board of Fund describes instances of non-compliance with laws and regulations, including those that determine the reported amounts and disclosures in the financial statements that have come to the attention of the Board of Fund and the corrective action taken by the Board of Fund. There are no additional instances of non-compliance with laws and Regulations that came to our attention during the course of our audit of the financial statements.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act we report that we have identified certain alleged unlawful acts or omissions allegedly committed by persons responsible for the management of National Fund for Municipal Workers which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors.

The Financial Sector Conduct Authority has issued a report to the Board of Fund which indicates that the Board may have contravened Sections 37D (1)(a)(a)(ii)(cc) and 7C (2)(b) and (c) of the Pension Fund Act in dealing with a housing loan which was utilised by the erstwhile chairman of the Fund in contravention of section 19(5) of the Pension Fund Act. The report also indicates that the Principal Officer of the fund may have contravened section 8 (5)(c) of the Pension Fund Act in dealing with the same housing loan. As a result of this, we have reason to believe that a reportable irregularity as defined in the Auditing Profession Act has taken, or is taking, place. The reporting process to the Independent Regulatory Board for Auditors is incomplete as we have not been able to conclude on the suspected reportable irregularity during the period between the date of the first report to IRBA and approval and signature of the financial statements.

PricewaterhouseCoopers Inc.
Director: J Basson
Registered Auditor
Johannesburg
Date: 13 December 2019

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE E REPORT OF THE BOARD OF FUND FOR THE YEAR ENDED 30 JUNE 2019

1. DESCRIPTION OF FUND

1.1. Type of fund in terms of the Income Tax Act, 1962

In terms of section 1 of the Income Tax Act, 1962 the Fund is classified as a retirement fund. The Fund is a defined contribution fund.

In terms of regulation 30(2)(t) (ii) of the Regulations to the Pension Funds Act, the umbrella fund is registered as an umbrella fund.

1.2. Benefits

In terms of the rules of the Fund these are lump sum payments to retirees or their dependents, as well as death benefits, retrenchment benefits and withdrawal benefits.

1.2.1. Unclaimed benefits

Unclaimed benefits are benefits that have not been claimed after two years of a member leaving the fund. Strategy of the Board of Fund towards unclaimed benefits is that unclaimed benefits remain available to the beneficiary and do not expire.

In respect of unclaimed benefits, complete records, as prescribed, are maintained as from 1 July 2001.

1.3. Contributions

1.3.1. Current contributions by members

a) As long as a member, other than a Category A member and a Category B member, is an employee, he/she must make a monthly contribution to the fund equal to a percentage of his/her remuneration as agreed on by the particular Local Authority and the member as set out in the schedule less the amount of the member's contributions that are payable to the National Group Life Insurance Scheme for the municipal workers, administrated together with the Fund. Notwithstanding any provision to the contrary contained in his agreement, the monthly contribution must at least be equal to the monthly contributions made by the member to the old fund immediately prior to the date on which he/she became a member of the fund, subject to an absolute minimum contribution of 5% of his/her remuneration per month. Category C-Members appointed after 1 July 2012 who are not part of the schedule shall make monthly contributions to the Fund equal to 7.5% of their remuneration.

b) A Category A member must make a monthly contribution to the fund equal to at least 2% of his/her remuneration, less the amount of the member's contributions which are payable to the risk scheme to which the fund subscribes. Category A-Members appointed after 1 July 2012 who are not part of the schedule shall make monthly contributions to the Fund equal to 2% of their remuneration.

c) A Category B member must make a monthly contribution to the fund equal to the following:
1. the contributions as described in Rule 4.1(1); and
2. an additional monthly contribution equal to at least 2% of his/her remuneration less the amount of the member's contribution which is payable to the risk scheme to which the fund subscribes.

d) The Local Authority must deduct a member's contribution for a particular month from the member's remuneration before or on the last day of that month.

e) If the member's membership commences after the fifteenth day of a month, no contribution is payable for the month in which he/she becomes a member.

f) The member's contributions are applied in respect of retirement benefits.

g) The member/local authority may make additional voluntary contributions that will form part of their member's share in the Fund.

1.3.2. Employer contributions

a) The Local Authority must contribute monthly to the fund in respect of each member, other than a Category A and Category B member, who contributes to the fund, a sum equal to the percentage as described in the agreement between the Local Authority and the Fund. With effect from 1 July 2012 all Local Authority contribution for new employees appointed by the Local Authority on or after 1 July 2012 who are Category C members, will be 18% of the member's remuneration, less the amount of the Local Authority's contributions that are payable to the National Group Life Insurance Scheme for the Municipal Workers whether the Local Authority is in the schedule or not. Notwithstanding any provision to the contrary contained in such an agreement, the monthly contributions must at least be equal to the

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE E REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2019

monthly contribution made by the Local Authority to the old fund in respect of such an employee immediately prior to the date on which he/she became a member of the fund, subject to an absolute minimum contribution of 5% of his/her remuneration per month, less the amount of the Local Authority's contributions which are payable to the risk scheme to which the fund subscribes.

b) In case of a Category A member who contributes to the fund, the Local Authority must make a monthly contribution to the fund equal to at least 2% of his/her remuneration less the amount of the Local Authority's contributions which are payable to the risk scheme to which the fund subscribes.

c) In case of a Category B member the Local Authority must make a monthly contribution equal to the following:
1. the contributions as described in Rule 4.2.1; and
2. additional monthly contribution equal to at least 2% of his/her remuneration less the amount of the Local Authority contributions which are payable to the risk scheme to which the fund subscribes.

d) If a member's membership commences after the fifteenth day of a month, no contribution is payable in respect of that member for the month in which he/she become a member.

1.4. Rule Amendments

1.4.1. Amendments

	Description	Date of Board of Fund resolution	Effective date	Date registered by the Financial Sector Conduct Authority
Revised rules	A new set of revised rules were implemented.	15 November 2018	1 January 2019	11 February 2019
1	Replace Rule 8.3: If a member resigns and immediately enters the service of another local authority that participates in the Fund, the member may retain his benefit in the Fund and continue with the provision of Rule 4.1 and the new participating employer shall continue with the provision of Rule 4.2	12 June 2019	1 January 2019	16 July 2019

All rule amendments are available for inspection at the fund's registered office.

1.5. Reserves

Contingency Reserve

The fund keeps a Contingency Reserve. This is credited with all profits received from the insurer from the risk underwriting profit share agreement the fund has with the insurer. The Contingency Reserve Account is debited with payments by the fund not governed by any other rules as approved by the Board of Fund and where necessary, in consultation with the Actuary and transfers to members' shares in the form of fund interest in consultation with the Actuary.

Expense Reserve

An Expense Reserve Account will be kept to meet the ongoing Fund expenses and to cover the service charge and all the other costs incurred in the management of the Fund as well as to allocate to the Members any excess in this account.

The following transactions shall be recorded in the Expense Reserve Account:

Credits:

- i) The amount determined from time to time which is paid out of the Employer contributions in terms of rule 4.2.5(i) to cover Fund expenses
- ii) Transfers from the Pensioner Account in respect of Pensioner expenses
- iii) Allowance for any expenses (incurred and accrued) for the management of the Fund, which are allowed for in the determination of the Fund interest
- iv) Investment returns on the assets in this account, if such investment returns are positive.

Debits:

- i) All costs and expenses referred to in the rules
- ii) The Board of Trustees may allocate any balances in this account to the Fund interest, as calculated and recommended by the Fund's Actuary.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE E REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2019

2. INVESTMENTS

2.1. Investment strategy

The Board of Fund have formulated an investment strategy whereby the investments are managed according to the following principles. This investment strategy complies with the provisions of Regulation 28 of the Pension Funds Act in South Africa.

2.1.1. Investment policy

The investment policy sets out the investment arrangement of the National Fund for Municipal Workers and covers all aspects required for a detailed investment arrangement within the guidelines of Regulation 28 of the Pension Funds Act.

The Fund has a diverse range of members of differing ages and with different needs. Thus they also have different investment objectives. The Fund offers member choice and life stage investment options. With reference to the Fund vision, mission and risk profile, the following five portfolios have been selected to cater for the needs of the members.

1. Capital Protector
2. Stable Growth
3. Capital Growth
4. Aggressive Growth
5. Shariah Portfolio

2.1.2. Investment portfolios

Capital Protector

The objective of the Capital Protector Portfolio is to achieve a return of CPI+1% pa (net of fees) over a rolling 1-year period at least 50% (probability) of the time. The portfolio is expected to produce positive returns over a rolling 12 month period 100% (probability) of the time. The portfolio is suitable for the members that require capital security and no negative returns and is suitable for members within 2 years to retirement.

Stable Growth

The objective of the Stable Growth Portfolio is to achieve a return of CPI+2.25% pa (net of fees) over a rolling 3-year period at least 50% (probability) of the time. The portfolio is expected to produce positive returns over a rolling 12 month period at least 85% (probability) of the time. The portfolio is suitable for the members who require relatively stable returns but are comfortable with a probability of negative short-term returns from time to time and is designed for members within 2 to 5 years to retirement.

Capital Growth

The objective of the Capital Growth Portfolio is to achieve a return of CPI+3.00% pa (net of fees) over a rolling 3-year period at least 50% (probability) of the time. The portfolio is expected to produce positive returns over a rolling 12 month period at least 75% (probability) of the time. The portfolio is suitable for the members who require capital growth and are comfortable with a more volatile short-term returns and negative returns from time to time and is designed for members within 5 to 10 years to retirement.

Aggressive Growth

The objective of the Aggressive Growth Portfolio is to achieve a return of CPI+4.25% pa (net of fees) over a rolling 3-year period at least 50% (probability) of the time. The portfolio is expected to produce positive returns over a rolling 12 month period at least 65% (probability) of the time. The portfolio is suitable for the members with long term investment horizon looking to maximise capital growth whilst acknowledging this will lead to volatile returns and an increased likelihood of negative returns in the short term and is designed for members with more than 10 years to retirement.

Shariah Portfolio

This portfolio is suitable for Muslim investors requiring a Sharia-compliant portfolio appropriate for retirement schemes. The portfolio will be invested in a wide variety of domestic and international asset classes such as equity securities, sukuk and listed property, within the constraints of the statutory investment restrictions for retirement funds. The underlying investments will comply with Sharia requirements as prescribed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Members in this portfolio seek to build and grow their long-term retirement savings, while preserving the purchasing power of their capital over the long-term and limiting their exposure to short-term market fluctuations. The portfolio was launched in August 2012.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE E

REPORT OF THE BOARD OF FUND (continued) FOR THE YEAR ENDED 30 JUNE 2019

Default Investment Portfolios

Where a member does not exercise the option available, all contributions and other monies pertaining to such member shall be invested in the default investment portfolios on the member's behalf.

2.1.3. Unclaimed benefits

The unclaimed benefits will be managed as part of the Capital Growth investment choice of the fund.

2.1.4. Reserve accounts

The Reserve accounts are distributed proportionally between the portfolios.

2.2. Management of investments

All investment administrators have complete discretion as to the composition of their share of the portfolio within the boundaries allowed by the Pension Funds Act in South Africa. The Board of Fund oversees the investment policy and monitors the asset allocation and performance of the investment administrators against the investment strategy of the Fund. Investment managers are remunerated according to their mandates.

The Fund's Investment and Policy statement addresses the Fund's commitment to adhere to the ESG and CRISA principles. Asset managers also report on their compliance thereof with their annual reporting to the Investment Committee, which is monitored by the Investment Committee.

The fair value of the Fund's investment, administered by the investment administrators at the end of the year was:

	30 June 2019	30 June 2018
	R	R
ACPI Investment Managers	60 056 737	157 297 001
Allan Gray Life Limited	2 576 754 491	3 098 836 761
Argon Asset Managers (Pty) Ltd	303 872 136	-
Ashburton Fund Managers (Pty) Ltd	503 898 628	564 724 799
Benguela Global Fund Managers (Pty) Ltd	783 038 091	324 406 056
Catalyst Fund Managers (Pty) Ltd	526 191 167	507 926 679
Coronation Asset Management (Pty) Ltd	2 449 110 881	2 846 765 496
First Avenue Investment Management (Pty) Ltd	293 459 658	-
Futuregrowth Investments CC	788 023 633	707 523 134
Investec Asset Management (Pty) Ltd	628 376 593	567 577 476
Kagiso Asset Managers (Pty) Ltd	21 088 935	17 164 432
Legacy Africa Fund Managers (Pty) Ltd	306 088 967	-
Mazi Asset Management (Pty) Ltd	615 192 247	625 764 201
Metope Investment Managers (Pty) Ltd	254 097 123	241 568 150
Morgan Stanley Investment Funds plc	164 840 392	140 512 137
Nedgroup Investment Advisors (Pty) Ltd	762 575 445	673 251 877
Northern Trust International Fund Administration Services Ltd	832 646 589	767 794 474
Novare Investments (Pty) Ltd	166 055 317	200 032 261
Old Mutual Investment Group (Pty) Ltd	1 114 612 093	1 098 925 777
Prescient Investment Management (Pty) Ltd	1 295 036 937	1 076 159 822
Prowess Investment Managers (Pty) Ltd	362 381 337	-
RFS Home Loans (Pty) Ltd	570 553 701	519 548 054
Sanlam Investment Management (Pty) Ltd	1 499 428 427	1 331 645 794
Vunani Fund Managers (Pty) Ltd	298 909 226	-
Total value of investments managed	17 176 288 751	15 467 424 381

NATIONAL FUND FOR MUNICIPAL WORKERS

**SCHEDULE E
REPORT OF THE BOARD OF FUND (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

3. MEMBERSHIP

	Active members	Deferred Members	Pensioners	Unclaimed benefits
Number at the beginning of year	47 480	731	41	1 153
Adjustments*	(731)	(62)	-	-
Additions	4 849	-	4	13
Transfers in	342	-	22	-
Transfers out	(2)	-	(1)	-
Withdrawals	(1 018)	(10)	-	-
Retirements	(592)	-	-	-
Disabilities	(69)	-	-	-
Deaths	(253)	-	(1)	-
Transfers (from)/to deferred pensioners	(52)	52	-	-
Unclaimed benefits paid	-	-	-	(478)
Number at the end of the year	49 954	711	65	688
Number at end of year (South African citizen)	49 940	711	65	688
Number at end of year (non-South African citizen)	14	-	-	-

Adjustments:

* Adjustment relates to members that has been double counted.

4. ACTUARIAL VALUATION

The last statutory actuarial valuation for the Fund was done for the period ended 30 June 2018, the results of such valuation are reported in schedule HB of the annual financial statements.

5. SURPLUS APPORTIONMENT

The Fund is a defined contribution fund which operates in such a way that no actuarial surplus may arise and any surpluses which arise, are distributed annually amongst all the members.

6. HOUSING LOAN FACILITIES

Loans to members were granted in terms of rule 9.12 and 9.13 of the rules of the Fund and section 19(5) of the Pension Funds Act in South Africa, and are secured by members' withdrawal benefits and/or mortgage bonds.

The fund has granted housing loan guarantees in terms of rule 9.13 of the fund and Section 19(5) of the Pension Funds Act. Each guarantee is secured by the fund credit of the respective member. The loan is limited to 60% of the respective member's fund credit.

7. INVESTMENTS IN PARTICIPATING EMPLOYERS

No investments in participating employers have taken place.

8. SIGNIFICANT MATTERS

The Board has been advised that as a result of Financial Sector Conduct Authority (FSCA) again issuing a draft report in 2019 on the same issues raised with them in January 2016, which the Board reported on in the Fund's 2018 Annual Financial Statements, PWC are required to advise the Independent Regulatory Board for Auditors of possible reportable irregularities. The Board of Trustees had a special meeting on 26 September 2019 to consider a letter from FSCA dated 12 September 2019. The Board's principle view on the letter and on the matter was that the affected party(ies) needs to address the matter with FSCA and to allow FSCA to complete their investigation. In the main, the letter and the matter relates to and emanates from the guarantees that were provided by the Fund in relation to the housing loans issued to the erstwhile Chairperson by a third part credit provider.

9. SUBSEQUENT EVENTS

There are no subsequent events.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE F
STATEMENT OF NET ASSETS AND FUNDS
AS AT 30 JUNE 2019

	Note	30 June 2019 R	30 June 2018 R
ASSETS			
Non-current assets		17 193 742 456	15 488 902 090
Property and equipment	2	15 809 176	19 139 368
Investments	3	17 176 288 751	15 467 424 381
Housing loans	4	1 644 529	2 338 341
Current assets		296 180 175	290 691 826
Accounts receivable	5	28 036 279	77 701 806
Contributions receivable	11	72 400 818	76 144 708
Cash at bank		195 743 078	136 845 312
Total assets		17 489 922 631	15 779 593 916
FUNDS AND LIABILITIES			
Members' funds and surplus account		16 994 214 233	15 311 322 291
Members' individual accounts	17	16 908 573 280	15 198 086 524
Amounts to be allocated	20	85 640 953	113 235 767
Reserves			
Reserve accounts	18	117 489 954	93 532 967
Total funds and reserves		17 111 704 187	15 404 855 258
Non-current liabilities			
Unclaimed benefits	9	18 062 134	25 579 044
Current liabilities		360 156 310	349 159 614
Benefits payable	8	322 694 805	310 253 884
Accounts payable	10	37 461 505	38 905 730
Total funds and liabilities		17 489 922 631	15 779 593 916

NATIONAL FUND FOR MUNICIPAL WORKERS
SCHEDULE G
STATEMENT OF CHANGES IN NET ASSETS AND FUNDS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Members' individual accounts & Amounts to be allocated	Reserve accounts Refer note 18	Current year 2019	Previous year 2018
		R	R	R	R
Contributions received and accrued	11	1 934 661 874	59 391 512	1 994 053 386	1 754 903 889
Reinsurance proceeds		191 411 522	-	191 411 522	174 624 348
Net investment income	12	621 221 302	63 030 614	684 251 916	1 242 622 419
Allocated to unclaimed benefits	9	(2 355 669)	-	(2 355 669)	(1 516 055)
Other income	13	-	3 490 676	3 490 676	60 703 288
Less:					
Re-insurance premiums		(287 386 082)	(77 432 097)	(364 818 179)	(342 041 392)
Administration expenses	14	(287 386 082)	-	(287 386 082)	(263 152 193)
		-	(77 432 097)	(77 432 097)	(78 889 199)
Net income before transfers and benefits		2 457 552 947	48 480 705	2 506 033 652	2 889 296 497
Transfers and benefits					
Transfer from other funds	6	(799 111 955)	(72 768)	(799 184 723)	(718 206 999)
Transfer to other funds	7	289 582 370	-	289 582 370	251 038 095
Benefits	8	(4 040 524)	-	(4 040 524)	-
		(1 084 653 801)	(72 768)	(1 084 726 569)	(969 245 094)
Net income after transfers and benefits		1 658 440 992	48 407 937	1 706 848 929	2 171 089 498
Funds and reserves					
Balance at the beginning of the year	18	15 311 322 291	93 532 967	15 404 855 258	13 233 765 760
Actuarial adjustment		(28 742 353)	28 742 353	-	-
Surplus apportionment	18	53 193 303	(53 193 303)	-	-
Balance at the end of the year		16 994 214 233	117 489 954	17 111 704 187	15 404 855 258

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Fund. These policies have been applied consistently to all years presented, unless otherwise specifically stated.

1.1. PURPOSE AND BASIS OF PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the rules of the Fund and the provisions of the Pension Funds Act.

The annual financial statements are prepared on the historical cost and going concern basis, except where specifically indicated otherwise in the accounting policies below:

1.2. PROPERTY AND EQUIPMENT

All property and equipment are initially recorded at cost.

Owner-occupied buildings are subsequently stated at revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the re-valued amounts, to their residual values over their estimated useful life as follows:

Buildings	50 years
Furniture & fittings	6 years
Computer equipment & software	3 years

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

1.3. FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at fair value as of trade date, which excludes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

Financial instruments are recognised on acquisition using trade date accounting, which includes transaction costs. Upon initial recognition financial instruments are designated at fair value through the statement of changes in net assets and funds as the assets or liabilities are managed, evaluated and reported internally on a fair value basis and/or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Subsequent to initial recognition, these instruments are measured as set out below.

1.3.1. Investments

Investments are classified at fair value through the statement of changes in net assets and funds and are measured at fair value.

Housing loans and loans receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market other than those that the fund intends to sell in the short term or that is designated as at fair value through the statement of changes in net assets and funds. Loans and receivables are measured at amortised cost less any impairment losses.

Debentures

Debentures comprise investments in listed and unlisted debentures.

Listed debentures

The fair value of listed debentures traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted debentures

Unlisted debentures are financial assets with fixed or determinable payments and fixed maturity. Fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the unlisted debenture.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

1.3.1. Investments (continued)

Bills and bonds

Bills and bonds comprise investments in government or provincial administration, local authorities, participating employers, subsidiaries or holding companies and corporate bonds.

Listed bills and bonds

The fair value of listed bills and bonds traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted bills and bonds

A market yield is determined by using appropriate yields of existing bonds and bills that best fit the profile of the instrument being measured and based on the term to maturity of the instrument. Adjusting for credit risk, where appropriate, a discounted cash flow model is then applied, using the determined yield, in order to calculate the fair value.

Equities

Equity instruments consist of equities with primary listing on the Johannesburg Stock Exchange, equities with secondary listing on the Johannesburg Stock Exchange, foreign listed equities and unlisted equities.

Equity instruments designated as fair value through the statement of changes in net assets and funds by the fund are initially recognised at fair value on trade date.

Listed equities

Equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. The fair value of equity instruments with standard terms and conditions and traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the reporting date.

Unlisted equities

If a quoted closing price is not available i.e. for unlisted instruments, the fair value is estimated using pricing models, or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of equity instruments.

Preference shares

Listed preference shares

The fair value of listed preference shares traded on active liquid markets is based on regulated exchanged quoted ruling closing prices at the close of business on the last trading day on or before the reporting date.

Insurance policies

Linked or market-related policies

If the policy is unitised, the value is equal to the market value of the underlying units. Other linked or market-related policies are valued at the market value of the underlying assets for each policy, in line with the insurer's valuation practices.

Collective investment scheme

Investments in collective investment schemes are valued at fair value which is the quoted unit values, as derived by the collective investment scheme manager with reference to the rules of each particular collective investment scheme, multiplied by the number of units.

1.3.2. Housing loans

Housing loans are measured at fair value. Housing loans are derecognised when the right to receive cash flows from the member has expired or been transferred and the fund has also transferred substantially all risks and rewards of ownership.

1.3.3. Accounts receivable

Accounts receivable are financial assets measured initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment.

1.3.4. Cash and cash equivalents

Cash and equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at fair value.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

1.3.5. Accounts payable

Accounts payable are financial liabilities measured initially at fair value, net of transaction costs that are directly attributable to the liability and subsequently measured at amortised cost using the effective interest rate method.

1.3.6. Loans (other than housing loans) - loans and receivables

Loans comprise loans to companies and other loans. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those the fund intends to sell in the short term or that is designated as at fairvalue through the statement of change in net assets and funds. Loans are measured at amortised cost.

1.4. RESERVES

Reserve accounts comprise particular amounts of designated income and expenses as set out in the rules of the fund and are recognised in the year in which such income and expenses accrue to the fund.

1.5. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are recognised when the fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Contingent liabilities

A contingent liability is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets

A contingent asset is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

1.6. CONTRIBUTIONS

Gross contributions are brought to account on the accrual basis except for voluntary contributions, which are recorded in the year in which they are received.

Interest charged on late payment of contributions

Compound interest on late payments or unpaid amounts and values shall be calculated for the year from the first day of the month following the expiration for the month in respect of which the relevant amounts or values are payable or transferable until the date of receipt by the fund.

1.7. FOREIGN CURRENCIES

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

1.8. INVESTMENT INCOME

Investment income comprises of dividends, interest and adjustment to fair value.

Dividends

Dividend income is recognised in the statement of changes in net assets and funds when the right to receive payment is established – this is the last date to trade for equity securities. For financial assets designated at fair value through the statement of changes in net assets and funds, the dividend income forms part of the fair value adjustment.

Interest

Interest income in respect of financial assets held at amortised cost is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Collective investment schemes' distribution

Distribution from collective investment schemes are recognised when the right to receive payment is established.

Income from policies with insurance companies

Insurance policy income is recognised when the right to receive payment is established.

Gains and losses on subsequent measurement

Gains or losses arising from changes in the fair value of financial assets at fair value through the statement of changes in net assets and funds are presented in the statement of changes in net assets and funds in the year in which they arise.

Expenses incurred in managing investments

Expenses in respect of the management of investments are recognised as the service is rendered.

1.9. BENEFITS

Benefits payable are measured in terms of the rules of the Fund. Benefit payments are recognised as an expense when they are due and payable in terms of the rules of the Fund. Any benefits not paid at the end of the reporting period are recognised as a current liability and are classified as benefits payable.

Reinsurance proceeds

Reinsurance proceeds are measured at the fair value of the consideration received or receivable and are accrued and recognised as income at the same time as the recognition of the related claim.

1.10. UNCLAIMED BENEFITS

Unclaimed benefits represents members where the Fund has received the notification of exit in line with the rule of the Fund, however, the benefits has not been paid within twenty four months of the accrual date. These benefits consist of accumulated fund credit including any additional return earned from the investment strategy of the Fund specifically pertaining to unclaimed members.

1.11. TRANSFERS TO AND FROM THE FUND

Section 14 and 15B transfers to or from the Fund are recognised on approval being granted by the Financial Services Board. Individual transfers are recognised when the individual member's transfer is received or paid.

1.12. ADMINISTRATION EXPENSES AND REINSURANCE PREMIUMS

Expenses and Reinsurance premiums incurred in the administration of retirement funds are recognised in the statement of changes in net assets and funds in the reporting year to which they relate.

In the event that an expense has not been paid at the end of a reporting year the liability will be reflected in the accounts payable note. If the expense was paid in advance or overpayment occurred, the applicable amount will be disclosed under the accounts receivable note.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

1.13. RELATED PARTIES

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the fund shall disclose the nature of the related party relationship as well as the following information for each related party relationship:

- the amount of the transactions;
- the amount of outstanding balances;
- their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;
- details of guarantees given or received;
- provisions for doubtful debts related to the amount of outstanding balances; and
- the expense recognised during the year in respect of bad or doubtful debts due from related parties.

1.14. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The Fund applies adjustments arising from changes in accounting policies and errors prospectively. The adjustment relating to a change in the accounting policy or error is therefore recognised in the current and future years affected by the change.

1.15. ASSET IMPAIRMENT

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of a financial asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Changes in Net Assets and Funds.

The Fund first assesses whether objective evidence of impairment exists for financial assets that are individually significant, such as service provider debtors. In the case of assets which are not individually significant, such as contribution debtors, financial assets are grouped on the basis of similar credit characteristics, such as asset type and past-due status. These characteristics are used in the estimation of future cash flows recoverable.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed in the Statement of Changes in Net Assets and Funds.

1.16. MEMBER INDIVIDUAL ACCOUNTS

Member individual accounts comprise of the funds attributable to individual members, represented by investments and cash.

1.17. AMOUNTS TO BE ALLOCATED

Amounts to be allocated represents contributions or return received in the fund but not yet allocated to members or reserves.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

2. PROPERTY AND EQUIPMENT

2.1. Current year

	Buildings R	Computer equipment and software R	Furniture and fittings R	Total R
Gross carrying amount				
Cost at beginning of year	18 237 615	3 217 605	1 376 340	22 831 560
Additions	-	118 624	24 548	143 172
Disposals	-	(93 245)	-	(93 245)
Impairment loss	(1 929 068)	-	-	(1 929 068)
At end of year	16 308 547	3 242 984	1 400 888	20 952 419
Accumulated depreciation and impairment				
At beginning of year	(943 795)	(2 121 361)	(627 036)	(3 692 192)
Depreciation charges	(364 752)	(856 084)	(230 215)	(1 451 051)
At end of year	(1 308 547)	(2 977 445)	(857 251)	(5 143 243)
Net carrying amount at end of year	15 000 000	265 539	543 637	15 809 176

The buildings consist of an office block situation on Sections 1 to 6, SS BusinessPark@Zambezi (D509/2018) situated on Erf 2092, Montana Extension 143. The buildings were revalued by an independent valuator. The valuation was performed as at 05 August 2019. The fair value was determined directly by reference to observable prices in an active market, estimated R 15 000 000.

2.2. Prior year

	Buildings R	Computer equipment and software R	Furniture and fittings R	Total R
Gross carrying amount				
At beginning of period	18 237 615	3 045 096	1 266 991	22 549 702
Additions	-	172 509	109 349	281 858
At end of year	18 237 615	3 217 605	1 376 340	22 831 560
Accumulated depreciation and impairment				
At beginning of period	(579 043)	(1 097 455)	(400 407)	(2 076 905)
Depreciation charges	(364 752)	(1 023 906)	(226 629)	(1 615 287)
At end of year	(943 795)	(2 121 361)	(627 036)	(3 692 192)
Net carrying amount at end of period	17 293 820	1 096 244	749 304	19 139 368

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

3. INVESTMENTS

3.1. Investment summary

	Note	Local R	Foreign R	Total current year R	Total previous year R	Fair value current year R	Categorised per Regulatory Framework
Cash and deposits		1 287 781 113	203 335 646	1 491 116 759	1 115 004 653	1 491 116 759	At fair value through statement of changes in net assets and funds
Commodities		35 165 113	-	35 165 113	15 214 976	35 165 113	At fair value through statement of changes in net assets and funds
Debt instruments including Islamic debt instruments *		1 459 784 475	-	1 459 784 475	1 838 248 759	1 459 784 475	At fair value through statement of changes in net assets and funds
Equities (including demutualisation shares)		7 006 924 444	166 055 317	7 172 979 761	6 813 287 218	7 172 979 761	At fair value through statement of changes in net assets and funds
Insurance policies		2 499 779 053	194 860 335	2 694 639 388	2 528 170 874	2 694 639 388	At fair value through statement of changes in net assets and funds
Collective investment schemes		1 021 100 288	3 300 806 421	4 321 906 709	3 136 505 039	4 321 906 709	At fair value through statement of changes in net assets and funds
Derivative market investments		(237 858)	934 404	696 546	20 992 862	696 546	At fair value through statement of changes in net assets and funds
Total		13 310 296 628	3 865 992 123	17 176 288 751	15 467 424 381	17 176 288 751	

*Included in debt instruments is RFS Home Loans (Pty) Ltd Loan that is held at amortised cost and all other debt instruments are held at fair value through the Statement of Changes in Net Assets and Funds.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

4. HOUSING LOAN FACILITIES

4.1. Housing loans

	A	C	D	A+B-C+D+/-E
	At beginning	Repaid	Interest	At end of year
	year		capitalised	
	R	R	R	R
Loans granted in terms of the rules of the fund and section 19(5) of the Pension Funds Act in South Africa	2 338 341	(855 209)	161 397	1 644 529
Total	2 338 341	(855 209)	161 397	1 644 529

Housing loans are granted to members in terms of paragraph 9.12 of the rules of the Fund and Section 19(5) of the Pension Funds Act. Loans are limited to 60 percent of the cash benefit (less tax) of the member, due by the Fund on voluntary termination of membership. Interest rate charged on outstanding loans: repo plus 2%.

4.2. Housing loan guaranteees

The fund has granted the following guaranteees:

1. 5 245 (2018: 4 683) guaranteees to RFS Home Loans (Pty) Ltd for loans granted to members, amounting to R567 187 266, (2018 : R519 081 270);
2. 32 (2018: 9) guaranteees to Standard Bank Ltd for loans granted to members, amounting to R6 917 079, (2018 : R2 230 471)

The amount of the guarantee may not exceed 60% of the cash benefit that a member would receive in terms of the rules of the fund and Section 19(5) of the Pension Funds Act if he or she had to terminate membership to the fund voluntarily.

The guaranteees are granted for the period agreed upon for the outstanding loan. The guarantee period may not exceed 30 years.

5. ACCOUNTS RECEIVABLE

	30 June 2019	30 June 2018
	R	R
Reinsured proceeds receivable	19 988 932	17 146 332
Risk profit receivable	-	55 754 368
Interest on contributions receivable	6 570 376	3 461 651
Sundry Debtors	1 476 971	1 339 455
Total	28 036 279	77 701 806

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

6. TRANSFERS FROM OTHER FUNDS

	Effective date	No. of members	Applied for not yet approved (contingent)	A At beginning of year		B Transfers approved		D Assets transferred		A+B+C-D At end of year	
				R	R	R	R	R	R	R	
In terms of Section 14											
The Fundsatwork Umbrella Provident Fund (Thulamela Local Municipality)	01/08/2018	116	-	-	88 514 975	(88 514 975)	-	-	-	-	-
Transfers											
Government Employees Pension Fund (Vhembe District Municipality)	14/12/2018	201	-	-	159 938 132	(159 938 132)	-	-	-	-	-
Government Employees Pension Fund (Mopani District Municipality)	Various	26	-	-	23 392 505	(23 392 505)	-	-	-	-	-
Individual transfers											
SA Parks Board (City of Cape Town Metropolitan Municipality)	25/03/2019	1	-	-	45 549	(45 549)	-	-	-	-	-
The Municipal Gratuities Fund (Metsimoholo Local Municipality)	01/08/2018	1	-	-	110 327	(110 327)	-	-	-	-	-
Living annuitants transfers	Various	5	-	-	17 580 882	(17 580 882)	-	-	-	-	-
Total		355	-	-	289 582 370	(289 582 370)	-	-	-	-	-

Transfers approved (B)
Return on transfers (C)

289 582 370

Statement of changes in net assets and funds

289 582 370

The details of above transfers from other funds are available for inspection at the registered address of the Fund.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

7. TRANSFERS TO OTHER FUNDS

	Effective date	No. of members	Applied for not yet approved (contingent)	A		B		C		D		A+B+C-D At end of year
				At beginning of year	R	Transfers approved	R	Return on Transfers	R	Assets transferred	R	
In terms of Section 14												
Consolidated Retirement Fund	31/05/2016	1	-	-	471 204	4 335	(475 539)	-	-	-	-	-
Old Mutual	31/10/2018	1	-	-	3 559 504	5 481	(3 564 985)	-	-	-	-	-
Momentum Golden Living Annuity	31/05/2019	1	3 543 928	-	-	-	-	-	-	-	-	-
Momentum Golden Living Annuity	31/12/2018	1	1 978 515	-	-	-	-	-	-	-	-	-
Total		4	5 522 443	-	4 030 708	9 816	(4 040 524)	-	-	-	-	-
Transfers approved (B)												4 030 708
Return on transfers (C)												9 816
Statement of changes in net assets and funds												4 040 524

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

8. BENEFITS

8.1. Benefits - current members

	A	B	C	D	E	A+B+C-D-E
	At beginning of year	Benefits for current period	Return allocated	Payments	Transferred to unclaimed benefits	At end of year
	R	R	R	R	R	R
Monthly Annuities	-	11 705 856	-	(11 705 856)	-	-
Lump sums on retirements						
- Full benefit	100 386 842	484 415 412	3 306 031	(490 986 841)	(17 836)	97 103 608
Lump sums before retirement						
- Disability benefits	13 289 635	94 083 323	226 399	(84 605 790)	-	22 993 567
- Death benefits	154 259 455	241 436 604	5 310 875	(239 470 552)	(61 503)	161 474 879
- Withdrawal benefits	42 317 952	199 791 010	721 169	(201 598 658)	(108 722)	41 122 751
Other						
Divorce payments	-	43 729 890	-	(43 729 890)	-	-
Total	310 253 884	1 075 162 095	9 564 474	(1 072 097 587)	(188 061)	322 694 805

Benefits for current year (B)

Return allocated (C)

Statement of changes in net assets and funds

1 075 162 095
9 564 474

1 084 726 569

9. UNCLAIMED BENEFITS

	30 June 2019	30 June 2018
	R	R
Balance at the beginning of the year		
Transferred from benefits payable	25 579 044	15 727 768
Adjustments *	188 061	19 311 151
Investment income allocated	(836 634)	3 436 643
Less:		
• Benefits paid	2 355 669	1 516 055
	(9 224 006)	(14 412 573)
Balance at the end of the year	18 062 134	25 579 044

*The adjustment relates to amendments of members' fund credit liabilities.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

10. ACCOUNTS PAYABLE

	30 June 2019	30 June 2018
	R	R
Risk premiums and benefits	24 342 841	24 405 284
PAYE	6 907 157	7 814 785
Audit fees accrual	851 000	843 600
Risk claims: Members	-	926 083
Sundry Creditors	2 991 566	2 980 679
RFS Home Loans (Pty) Ltd	-	52 650
Administration fees	2 368 941	1 882 649
Total	<u>37 461 505</u>	<u>38 905 730</u>

11. CONTRIBUTIONS

	At beginning of year	Towards retirement	Towards re-insurance and expenses	Contributions received	At end of year
	R	R	R	R	R
Member contributions received and accrued	25 189 384	610 807 712	-	(611 248 054)	24 749 042
Employer contributions received and accrued	50 955 324	1 026 223 116	346 750 853	(1 376 277 517)	47 651 776
Additional voluntary contributions members	-	10 271 705	-	(10 271 705)	-
Total	<u>76 144 708</u>	<u>1 647 302 533</u>	<u>346 750 853</u>	<u>(1 997 797 276)</u>	<u>72 400 818</u>
Towards retirement					1 647 302 533
Towards reinsurance and expenses					346 750 853
Statement of changes in net assets and funds					<u>1 994 053 386</u>

12. NET INVESTMENT INCOME

	30 June 2019	30 June 2018
	R	R
Income from investments	209 962 371	203 955 179
• Interest	209 797 693	203 681 623
• Interest received on home loans	161 397	240 802
• Income from insurance policies	3 281	32 754
Interest on late payment of contributions	3 851 023	2 372 465
Rental income	2 000	-
Adjustment to fair value	574 535 499	1 110 369 275
	<u>788 350 893</u>	<u>1 316 696 919</u>
Less: Expenses incurred in managing investments	(104 098 977)	(74 074 500)
Total	<u>684 251 916</u>	<u>1 242 622 419</u>

* In terms of the accounting policies dividends are included in Adjustment to fair value.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019

13. OTHER INCOME

	30 June 2019	30 June 2018
	R	R
Sanlam risk income received	-	55 754 368
Profit on assets	64 444	-
Script lending fees received	1 572 263	3 059 147
Repo fees received	1 853 969	1 675 132
Sanlam refund	-	214 641
Total	3 490 676	60 703 288

14. ADMINISTRATION EXPENSES

	30 June 2019	30 June 2018
	R	R
Administration fees	18 890 362	23 713 765
Audit fees	910 454	826 527
Audit fees - Audit services	851 000	843 600
Audit fees - (Over)/under provision previous year	59 454	(17 073)
Legal fees and compliance fees	4 884 346	5 818 231
Depreciation	1 533 571	1 615 287
Loss on revaluation	1 929 068	-
Fidelity insurance	464 712	391 962
Other expenses	9 021 300	9 679 416
Bank charges	441 223	119 199
Occupational rent	462 835	412 458
Financial Sector Conduct Authority Levy	931 517	823 959
Marketing expenses	3 916 051	3 386 733
Conference and meetings	938 640	1 022 745
Consultancy fees	1 914 875	2 181 654
Travel and accommodation (non - Board of Fund)	382 458	636 012
Printing & courier expense	27 677	1 026 864
Security	6 024	69 792
Office expenses	5 220 602	4 323 229
Board of Fund expenses	14.1 4 551 278	3 598 818
Staff expenses	14.2 29 869 360	28 801 447
Principal Officer expenses	14.3 157 044	120 517
Total	77 432 097	78 889 199

14.1. Board of Fund expenses

	30 June 2019	30 June 2018
	R	R
Retainer/meeting allowances	2 970 000	1 795 779
Board of Fund - expenses	1 581 278	1 803 039
Total	4 551 278	3 598 818

14.2. Staff expenses

	30 June 2019	30 June 2018
	R	R
Staff expenses- Remuneration	29 820 066	28 801 447
Staff expenses- Other payments	49 294	-
Total	29 869 360	28 801 447

14.3. Principal Officer expenses

	30 June 2019	30 June 2018
	R	R
Principal officer expenses - Other payments	157 044	120 517
Total	157 044	120 517

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2019

15. RISK MANAGEMENT POLICIES

- **Solvency risk**

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the Funds contractual obligations to members.

Continuous monitoring by the Board and the Fund's actuary takes place to ensure that appropriate assets are held where the Fund's obligation to members are dependent upon the performance of specific portfolio assets and that a suitable match of assets exists for all other liabilities.

- **Credit risk**

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation, and cause the Fund to incur a financial loss.

The Board monitors receivable balances on an ongoing basis with the result that the Fund's exposure to bad debts is not significant. An appropriate level of provision is maintained.

- **Legal risk**

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for.

Legal representatives of the Fund monitor the drafting of contracts to ensure that rights and obligations of all parties are clearly set out.

- **Cash flow risk**

Cash flow risk is the risk that future cash flows associated with monetary financial instruments will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

The Board of Fund monitors cash flows by using monthly cash flow projections.

- **Currency risk**

Currency risk is the risk that the value of an instrument will fluctuate in Rands owing to changes in foreign exchange rates. The Fund's exposure to currency risk is mainly in respect of foreign investments made on behalf of members of the Fund for the purpose of seeking desirable international diversification of investments.

The Board of Fund monitors this aspect of the Fund's investments and limits it to 30% (plus as additional 10% Africa) of total assets.

- **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments.

As at 30 June 2019 the current liabilities exceeded the current assets by R 82 816 124 (2018 : R 28 781 684) rendering the Fund illiquid. However the Fund has sufficient investments listed under non-current assets, which are liquid, and should a need arise for these liabilities to be settled immediately, the fund will be able to meet this obligation.

- **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices of market interest rates.

NATIONAL FUND FOR MUNICIPAL WORKERS

**SCHEDULE HA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2019**

15. RISK MANAGEMENT POLICIES (continued)

• **Investments**

Investments in equities are valued at fair value and therefore susceptible to market fluctuations. Investments are managed with the aim of maximising the Fund's returns while limiting risk to acceptable levels within the framework of statutory requirements.

Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all non-market related liabilities.

16. RELATED PARTY TRANSACTIONS

Key management personnel

Trustees

CCK Antonio
KG Booysen
MC Makgalemele
ME Jantjie
HS Rossouw
EA Schutte
PS Mofokeng
L Geldenhuys
CJ Labuschagne
NC Cindi
R Solomons
J Nkuna
PR Nolutshungu

Principal Officer

SL Samons

Deputy Principal Officer

L Ndawana

Transactions with related parties

Board of Fund allowances paid

Refer to note 14.1 for full disclosure concerning the Board of Fund allowances paid.

Principal Officer's expenses

Refer to note 14.2 for full disclosure concerning the Principal Officer's expenses paid.

Contributions received

The contributions received by the Fund from the Board of Fund were as follows: R1 583 092,93 (2018: R1 549 126,11). The amount includes both member and employer contributions.

This constitutes contributions by related party as a member of the Fund in their individual capacities. All contributions by the related parties were on the same terms as applicable to all members of the Fund.

17. MEMBERS' INDIVIDUAL ACCOUNTS

	30 June 2019	30 June 2018
	R	R
Active and paid up/deferred members	16 662 728 615	15 062 614 932
Living annuities	245 844 665	135 471 592
Total	16 908 573 280	15 198 086 524

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2019

18. SURPLUS AND RESERVE ACCOUNTS

	Reserve Accounts Total R	Contingency reserve R	Expense reserve R
At beginning of year	93 532 967	83 543 368	9 989 599
Actuarial adjustment	28 742 353	2 544 012	26 198 341
Member surplus apportionment	(53 193 303)	(53 193 303)	-
Contributions received and accrued	59 391 512	-	59 391 512
Net investment income	63 030 614	3 417 125	59 613 489
Allocated to unclaimed benefits	-	-	-
Other income:	3 490 676	-	3 490 676
- Rental income	-	-	-
- Profit on assets	64 444	-	64 444
- Script lending fees received	1 572 263	-	1 572 263
- Repo fees received	1 853 969	-	1 853 969
Administration costs	(77 432 097)	-	(77 432 097)
Benefits	(72 768)	(72 768)	-
At end of year	117 489 954	36 238 434	81 251 520

19. LOAN RECEIVABLE

	30 June 2019 R	30 June 2018 R
Opening Balance	-	376 656 961
Less:		
Other	-	376 656 961
Adjustment from housing loan facility	-	376 656 961
Total	-	-

Disclosed as:

The RFS Home Loans (Pty) loan was reallocated to Investments.

20. AMOUNTS TO BE ALLOCATED

	30 June 2019 R	30 June 2018 R
Living Annuity members allocated	11 104 053	8 365 308
Investment return to be allocated	54 355 182	86 231 583
Excess assets	20 181 718	18 638 876
Total amounts to be allocated	85 640 953	113 235 767

NATIONAL FUND FOR MUNICIPAL WORKERS

REPORT OF THE VALUATOR
FOR THE YEAR ENDED 30 JUNE 2019

SCHEDULE HB

NATIONAL FUND FOR MUNICIPAL WORKERS
REPORT OF THE VALUATOR FOR THE YEAR ENDED 30 JUNE 2019

Particulars of financial condition of the fund as at 30 June 2018 (the last statutory valuation)

1. Net assets available for benefits.

R 15 393 671 000

2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement benefits.

R 15 393 671 000

3. The actuarial present value of promised retirement benefits, split into vested and non-vested benefits.

Members' fund credits	R 14 681 039 000
Outstanding direct housing loans	R 2 338 000
Living annuitants	R 135 472 000
Deferred members	R 381 576 000
Total liabilities as at 30 June 2018	R 15 200 425 000

4. Reserve account balances.

Contingency reserve account	R 86 087 000
Expense reserve account	R 36 188 000
Total reserve accounts as at 30 June 2018	R 122 275 000

5. Details of the valuation method adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.

Assets:

Assets were valued at the full market value. Adjustments were made for accruals at the valuation date (e.g. contributions in respect of the valuation period received after the valuation date, outstanding benefit payments, outstanding expenses, etc.)

Liabilities:

The fund operates on a defined contribution basis. The accrued liabilities are therefore equal to the sum of the individual members' fund credits and the balance in the contingency reserve account.

Funding level:

The funding level is the rate of the value of the assets to the value of the liabilities.

NATIONAL FUND FOR MUNICIPAL WORKERS

**REPORT OF THE VALUATOR
FOR THE YEAR ENDED 30 JUNE 2019**

6. **Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.**

Refer to par. 5 above.

7. **Any other particulars deemed necessary by the valuator for the purposes of this summary.**

The statutory valuation as at 30 June 2018 disclosed an excess of R 70 971 000 (corresponding to a funding level of 100.46%).

The board accepted the actuary's recommendation that a once-off enhancement of 0.30% to the declared fund interest rates be made, which was incorporated into the declared fund interest rates for May 2019. Such distribution effectively reduced the excess assets to 0.16% of the fund credits at the statutory valuation date. The reduced excess is kept as a buffer in the fund to protect the financial position against the impact of any data errors and omissions as well as the impact of timing differences, mismatching and other processing errors.

The statutory valuation report as at 30 June 2018 indicated an accumulated balance in the contingency reserve account of R 86 087 000 or 0.57% of member liabilities. The balance in this account is attributable to profits received from Sanlam from the risk underwriting profit share agreement. At the meeting of the board of trustees held during September 2018, the board on advice of the actuary decided to allocate a portion of the contingency reserve account to members. The declared fund interest rates for September 2018 were hence increased with 0.35%. Such allocation took place after the statutory valuation date and effectively reduced the balance in the contingency reserve account to an estimated R 32 894 000 as at 30 June 2018 (or 0.22% of member liabilities).

8. **A statement as to whether the fund was in a sound financial condition for the purposes of the Pension funds Act, 1956.**

The assets of the fund are sufficient to cover 100.46% of the members' liabilities as at 30 June 2018 and the fund was hence financially sound. It can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in the investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Prepared by me:


GERDA GROBLER
VALUATOR

Fellow of the Actuarial Society of South Africa
Fellow of the Faculty of Actuaries

In my capacity as the valuator of the Fund and as an employee of Alexander Forbes Financial Services

2 October 2019



SCHEDULE I

REPORT OF THE INDEPENDENT AUDITOR OF NATIONAL FUND FOR MUNICIPAL WORKERS OF FACTUAL FINDINGS TO THE BOARD OF FUND AND THE FINANCIAL SECTOR CONDUCT AUTHORITY

We have performed the procedures agreed with the Financial Sector Conduct Authority (the "Authority") and set out below with respect to the audited financial statements ("annual financial statements") and other information in the general ledger and management information comprising the accounting records of the National Fund for Municipal Workers (the "Fund") for the year ended 30 June 2019. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to perform agreed-upon procedures regarding financial information*. Our procedures were performed solely to assist the Authority in evaluating whether any instances of non-compliance with the requirements of the relevant sections of the Pension Funds Act of South Africa (the Act), regulations and rules of the Fund were identified. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed, is that of the Authority.

Procedures and findings

Our procedures performed are set out in the numbered paragraphs in the attached table, which forms part of our report, together with our findings thereon. Unless otherwise indicated, all balances, lists, schedules etc. referred to in the table relate to the accounts/balances reflected in the annual financial statements of the Fund for the year ended 30 June 2019.

Because the procedures do not constitute an audit, a review or other assurance engagement performed in accordance with the IAASB's International Standards we do not express any assurance. Had we performed additional procedures, or had we performed an audit, a review, or other assurance engagement, other matters might have come to our attention that would have been reported.

Restriction on use and distribution

Our report is solely for the purpose set out in the first paragraph of this report and for the information of the Authority and accordingly may not be suitable for any other purpose and distributed to other parties. This report relates only to the information specified and does not extend to the annual financial statements of the Fund taken as a whole.

J Basson
Director
Johannesburg
Date: 13 December 2019

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Procedures and Findings

	Procedures	Findings
	Statement of Net Assets and Funds	
1	Investments	
1.1	Inspect the list of investment balances reflected in the general ledger of the Fund as at 30 June 2019 for any investments in accordance with the terms of section 19(4) of the Act.	
1.1.1	Agree details of the written confirmations obtained from the investment managers/insurers to the investment balances reflected in the general ledger.	Details of the written confirmations obtained from the investment managers agreed to the investment balances reflected in the general ledger.
1.1.2	Where investments held in the participating employer exceed 5% of the total assets as reflected in the financial statements, inspect the appropriate approval of the Authority.	The Fund has no investments in participating employers.
1.2	Obtain the signed investment policy statement and, where applicable, the portfolio management agreement/investment mandate between the Fund and the investment administrator(s), and perform the following procedures on a sample of 10 mandates (comprising the 3 largest by value of investments at year end and 7 other randomly selected mandates):	

	Procedures	Findings																																												
1.2.1	Inspect whether the underlying investments are in compliance with the signed investment policy statement and, where applicable, the portfolio management agreement/investment mandate.	<p data-bbox="683 488 1401 544">Inspection of the underlying investments, investment mandate and investment policy statement revealed the following:</p> <table border="1" data-bbox="746 544 1385 1272"> <thead> <tr> <th data-bbox="746 544 927 645">Investment Manager</th> <th data-bbox="927 544 1082 645">Underlying Investment</th> <th data-bbox="1082 544 1241 645">Investment Mandate</th> <th data-bbox="1241 544 1385 645">Allowed in terms of IPS</th> </tr> </thead> <tbody> <tr> <td data-bbox="746 645 927 745">Allan Gray-Domestic Portfolio</td> <td data-bbox="927 645 1082 745">Segregated</td> <td data-bbox="1082 645 1241 745">Segregated</td> <td data-bbox="1241 645 1385 745">Yes</td> </tr> <tr> <td data-bbox="746 745 927 813">Coronation Equity</td> <td data-bbox="927 745 1082 813">Segregated</td> <td data-bbox="1082 745 1241 813">Segregated</td> <td data-bbox="1241 745 1385 813">Yes</td> </tr> <tr> <td data-bbox="746 813 927 880">Old Mutual</td> <td data-bbox="927 813 1082 880">Insurance policy</td> <td data-bbox="1082 813 1241 880">Insurance policy</td> <td data-bbox="1241 813 1385 880">Yes</td> </tr> <tr> <td data-bbox="746 880 927 925">Prowess</td> <td data-bbox="927 880 1082 925">Segregated</td> <td data-bbox="1082 880 1241 925">Segregated</td> <td data-bbox="1241 880 1385 925">Yes</td> </tr> <tr> <td data-bbox="746 925 927 969">First Avenue</td> <td data-bbox="927 925 1082 969">Segregated</td> <td data-bbox="1082 925 1241 969">Segregated</td> <td data-bbox="1241 925 1385 969">Yes</td> </tr> <tr> <td data-bbox="746 969 927 1014">Legacy</td> <td data-bbox="927 969 1082 1014">Segregated</td> <td data-bbox="1082 969 1241 1014">Segregated</td> <td data-bbox="1241 969 1385 1014">Yes</td> </tr> <tr> <td data-bbox="746 1014 927 1059">Argon</td> <td data-bbox="927 1014 1082 1059">Segregated</td> <td data-bbox="1082 1014 1241 1059">Segregated</td> <td data-bbox="1241 1014 1385 1059">Yes</td> </tr> <tr> <td data-bbox="746 1059 927 1104">Vunani</td> <td data-bbox="927 1059 1082 1104">Segregated</td> <td data-bbox="1082 1059 1241 1104">Segregated</td> <td data-bbox="1241 1059 1385 1104">Yes</td> </tr> <tr> <td data-bbox="746 1104 927 1182">Vulcan/Northern Trust</td> <td data-bbox="927 1104 1082 1182">Collective Investment Scheme</td> <td data-bbox="1082 1104 1241 1182">Collective Investment Scheme</td> <td data-bbox="1241 1104 1385 1182">Yes</td> </tr> <tr> <td data-bbox="746 1182 927 1272">Kagiso</td> <td data-bbox="927 1182 1082 1272">Collective Investment Scheme</td> <td data-bbox="1082 1182 1241 1272">Collective Investment Scheme</td> <td data-bbox="1241 1182 1385 1272">Yes</td> </tr> </tbody> </table>	Investment Manager	Underlying Investment	Investment Mandate	Allowed in terms of IPS	Allan Gray-Domestic Portfolio	Segregated	Segregated	Yes	Coronation Equity	Segregated	Segregated	Yes	Old Mutual	Insurance policy	Insurance policy	Yes	Prowess	Segregated	Segregated	Yes	First Avenue	Segregated	Segregated	Yes	Legacy	Segregated	Segregated	Yes	Argon	Segregated	Segregated	Yes	Vunani	Segregated	Segregated	Yes	Vulcan/Northern Trust	Collective Investment Scheme	Collective Investment Scheme	Yes	Kagiso	Collective Investment Scheme	Collective Investment Scheme	Yes
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1.2.2	Procedures	Findings																																																																						
	<p>Inspect whether the investment mandate and the investment policy statement provide for securities lending transactions and investments in hedge funds, private equity funds and derivatives, as prescribed.</p>	<p>The investment policy statement provides for the following:</p> <table border="1" data-bbox="691 510 1281 745"> <thead> <tr> <th>Asset class</th> <th>Provided for</th> <th>Exception noted</th> </tr> </thead> <tbody> <tr> <td>Securities lending transactions</td> <td>Yes</td> <td>No</td> </tr> <tr> <td>Hedge funds</td> <td>Yes</td> <td>No</td> </tr> <tr> <td>Private Equity</td> <td>Yes</td> <td>No</td> </tr> <tr> <td>Derivatives</td> <td>Yes</td> <td>No</td> </tr> </tbody> </table> <p>For the sample selected, the investment mandates provide the following:</p> <table border="1" data-bbox="691 853 1401 1637"> <thead> <tr> <th>Portfolio</th> <th>Securities lending transactions</th> <th>Hedge funds</th> <th>Private equity</th> <th>Derivatives</th> </tr> </thead> <tbody> <tr> <td>Allan Gray-Domestic Portfolio</td> <td>Yes</td> <td>Not specified</td> <td>Not specified</td> <td>Yes</td> </tr> <tr> <td>Coronation Equity</td> <td>Not specified</td> <td>Not specified</td> <td>Not specified</td> <td>Not specified</td> </tr> <tr> <td>Old Mutual</td> <td>n/a</td> <td>Not specified</td> <td>Not specified</td> <td>Yes</td> </tr> <tr> <td>Prowess</td> <td>Yes</td> <td>Not Specified</td> <td>Not Specified</td> <td>Yes</td> </tr> <tr> <td>First Avenue</td> <td>No</td> <td>Yes</td> <td>Not Specified</td> <td>Yes</td> </tr> <tr> <td>Legacy</td> <td>No</td> <td>Not Specified</td> <td>Not Specified</td> <td>No</td> </tr> <tr> <td>Argon</td> <td>No</td> <td>Not Specified</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Vunani</td> <td>No</td> <td>Not Specified</td> <td>No</td> <td>Not Specified</td> </tr> <tr> <td>Northern Trust</td> <td>Yes</td> <td>Not Specified</td> <td>Not Specified</td> <td>Yes</td> </tr> <tr> <td>Kagiso</td> <td>Yes</td> <td>Not Specified</td> <td>Not Specified</td> <td>Yes</td> </tr> </tbody> </table>	Asset class	Provided for	Exception noted	Securities lending transactions	Yes	No	Hedge funds	Yes	No	Private Equity	Yes	No	Derivatives	Yes	No	Portfolio	Securities lending transactions	Hedge funds	Private equity	Derivatives	Allan Gray-Domestic Portfolio	Yes	Not specified	Not specified	Yes	Coronation Equity	Not specified	Not specified	Not specified	Not specified	Old Mutual	n/a	Not specified	Not specified	Yes	Prowess	Yes	Not Specified	Not Specified	Yes	First Avenue	No	Yes	Not Specified	Yes	Legacy	No	Not Specified	Not Specified	No	Argon	No	Not Specified	No	Yes	Vunani	No	Not Specified	No	Not Specified	Northern Trust	Yes	Not Specified	Not Specified	Yes	Kagiso	Yes	Not Specified	Not Specified	Yes
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1.2.3	<p>Inspect whether the collateral and counterparty requirements as prescribed are complied with.</p>																																																																							



	Procedures	Findings										
1.2.4	<p>For segregated portfolios, confirm directly with the investment administrator(s):</p> <p>(a) whether scrip lending took place during the year and, if so,</p> <p>(b) whether there was collateral provided by the counterparty/(ies) for any scrip lending activities and, if so,</p> <p>(c) the percentage exposure covered by the collateral.</p> <p>Report on the amount for a).</p>	<p>The direct confirmations received from the investment administrators indicated that:</p> <p>(a) scrip lending took place during the year. Scrip lending amounted to R311,721,894 as at 30 June 2019 and</p> <p>(b) collateral was provided by the counterparties for any scrip lending activities; and</p> <p>(c) collateral provided covered 142% of the exposure in total</p>										
2	Member individual accounts (defined contributions funds as well as defined contribution section of hybrid funds)											
2.1	Obtain a list of member individual accounts per participating employer that agrees in total to the Statement of Net Assets and Funds as at 30 June 2019.	<p>The list of member individual accounts agreed to the Statement of Net Assets and Funds after the following reconciling items were taken into account:</p> <table border="1"> <tbody> <tr> <td>Member fund credits per listing</td> <td>R16,689,282,876</td> </tr> <tr> <td>Less: Members provided for as benefits payable</td> <td>(R26,554,261)</td> </tr> <tr> <td>Active and deferred members</td> <td>R16,662,728,615</td> </tr> <tr> <td>Living annuitants</td> <td>R245,844,665</td> </tr> <tr> <td>Member individual accounts per the financial statements</td> <td>R16,908,573,280</td> </tr> </tbody> </table>	Member fund credits per listing	R16,689,282,876	Less: Members provided for as benefits payable	(R26,554,261)	Active and deferred members	R16,662,728,615	Living annuitants	R245,844,665	Member individual accounts per the financial statements	R16,908,573,280
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Living annuitants	R245,844,665											
Member individual accounts per the financial statements	R16,908,573,280											
2.2	Select a random sample of the lesser of 50 or 10% of the number of members (from participating employers selected in 8.1 below) from the list of members and perform the following procedures:											
2.2.1	Compare the member and employer contributions received and allocated for the members selected as reflected on the administrator's system, to information supplied by the participating employers for those members selected, for a randomly selected period of three months (including the last month of the year under review).	<p>The member and employer contributions received and allocated for the members selected as reflected on the administrator's system agreed to information supplied by the participating employers for the three months selected. We selected the months of October 2018, March 2019 and June 2019 for testing.</p>										



	Procedures	Findings
2.2.2	Compare the member and employer contribution rates for the members selected as reflected on the administrator's system, to the rules of the Fund, for a randomly selected period of three months (including the last month of the year under review).	The member and employer contribution rates for the members selected as reflected on the administrator's system agreed to the rules of the Fund for the three months selected.
2.2.3	In respect of unitised investment products, for the three months selected in 2.2.1 and 2.2.2, calculate the conversion of the contributions at the unit price per the administration system on the dates that the contributions were invested and compare the units recalculated to the administration system units for the selected members. Inspect that the units were added to the existing units for that member.	Not applicable as the fund is not unitised.
2.2.4	In respect of unitised investment products, calculate the conversion of units at the end of the year, at the year-end unit price per the administration system and agree the calculated amount to the member's fund credit amount recorded in each member's record.	Not applicable as the fund is not unitised.
2.2.5	In respect of unitised investment products, compare the unit price(s) as per investment manager/actuary/other authorised party at the year-end to the unit prices on the administration system used to calculate each member's credits at year-end.	Not applicable as the fund is not unitised.
2.2.6	In respect of non-unitised investment products, compare the interim and/or final return allocated to each individual member's account in the administrator's records for the year under review to the return approved in accordance with a resolution of the Board of Fund or the rules of the Fund or approved recommendation by the investment consultant/asset manager/fund valuator.	The monthly return allocated to each individual member's account in the administrator's records agreed to the return calculated by the actuary of the Fund and approved by the investment committee.



	Procedures	Findings
2.3	Obtain a list of members who switched investment portfolios during the year from the Fund/administrator, select a random sample of the lesser of 50 or 10% of members who switched between investment portfolios during the year, and perform the following procedures:	
2.3.1	Inspect evidence that the portfolios were switched in accordance with notification of the member's instruction/ investment strategy (including life stage models) of the Fund and within a timeframe as specified in the service level agreement or client mandate between the administrator and the Fund.	We inspected evidence that the portfolios were switched in accordance with notification of the member's instruction/investment strategy (including life stage models) of the Fund and within the timeframe specified in the service level agreement with the administrator.
2.3.2	Inquire as to whether any fees relating to switches were deducted, and if so, inspect evidence of the approval by the Board of Fund and/or in terms of a service level agreement or client mandate.	Not applicable, there were no fee deductions for the sample of switches tested.
2.4	For investment products obtain the Asset Liability Match (ALM) reconciliation per investment portfolio, excluding the reserve accounts, for member individual accounts from the administrator, and perform the following procedures:	
2.4.1	Compare the investments per product on the ALM reconciliation to the investment certificates in total.	The investments in total agree to the investment certificates plus the value of the owner occupied property.
2.4.2	Compare the member individual accounts on the ALM reconciliation per investment portfolio to the administration system and to the total member individual accounts as disclosed in the Statement of Net Assets and Funds.	The member individual accounts on the ALM per investment portfolio agreed to the total member individual accounts disclosed in the statement of net assets and funds.
2.4.3	Inspect whether the total mismatch (in Rand) for all portfolios was within the range as prescribed by the Authority.	The total mismatch was 0.71%.

	Procedures	Findings
3	Accumulated funds (for defined benefit funds as well as defined benefit sections of hybrid funds)	
3.1	Select a sample of the lesser of 50 or 10% of the number of members from the list of members provided by the administrator and perform the following procedures for each member selected:	
3.1.1	Compare the member contributions received and allocated for the members selected as reflected on the administrator's system, to information supplied by the participating employers for those members selected, for a randomly selected period of three months (including the last month of the year under review).	Not applicable, this is not a defined benefit or hybrid fund.
4	Surplus apportionment scheme	
4.1	If a surplus apportionment scheme was approved by the Authority in the current year or if allocation and/or payments to members were made during the year, perform the following procedures:	Not applicable, a surplus apportionment scheme was not approved by the Authority in the current year and allocations and/or payments were not made during the year.
4.1.1	<u>Active members:</u> Select a random sample of the lesser of 50 or 10% of number of active members to whom surplus has been apportioned in the approved surplus apportionment scheme and perform the following procedures:	
4.1.1.1	Agree the original surplus amount allocated to the selected member to the individual allocation on the member records per the administration system.	Not applicable.
4.1.1.2	Inspect whether the calculation of the relevant investment return from surplus apportionment date to date of allocation was in accordance with the requirements of the Act and allocated to the member records in the administration system.	Not applicable.

	Procedures	Findings
4.1.2	<p><u>Former members and pensioners:</u> Select a random sample of the lesser of 50 or 10% of number of former members and pensioners as defined by the surplus apportionment scheme from the surplus schedules attached to the approved surplus apportionment scheme and perform the following procedures:</p>	
4.1.2.1	Agree the original surplus amount allocated to the selected member and/or pensioner to the individual allocation on the member records per the administration system.	Not applicable.
4.1.2.2	Inspect whether the calculation of the relevant investment return from surplus apportionment date to date of allocation was in accordance with the requirements of the Pension Funds Act and allocated to the member records in the administration system.	Not applicable.
4.1.2.3	Agree the total of the amount calculated in 4.1.2.1 and 4.1.2.2 to the surplus benefit paid per selected member and to the applicable amount per the administration system and other authorised supporting documentation.	Not applicable.
5	Member and employer surplus accounts	
5.1	Obtain the analysis of the transactions in the member and/or employer surplus account per the annual financial statements, and perform the following procedure:	
5.1.1	Inspect that the transactions are permitted in terms of the registered rules of the Fund and/or the Act.	Not applicable, the Fund does not utilise a member or employer surplus account.
6	Reserves	
6.1	Obtain the list of reserves and other related accounts (e.g. pensioner accounts) and the movements per the financial statements and/or in the actuarial valuation, and perform the following procedures:	



	Procedures	Findings						
6.1.1	Inspect whether the reserve and other related accounts (e.g. pensioner accounts) held by the Fund and/or reflected in the actuarial valuation are in accordance with the registered rules of the Fund.	The reserves held by the Fund are in accordance with the registered rules of the Fund.						
6.1.2	Inspect that the movements in reserves as disclosed in the annual financial statements are permitted in terms of the registered rules of the Fund and/or the Act.	The movements in reserves as disclosed in the financial statements are permitted in terms of the rules of the Fund.						
7	Other assets, liabilities and guarantees							
7.1	Obtain the list of housing loans granted to members by the Fund in terms of section 19(5) of the Act as at 30 June 2019, and perform the following procedure:							
7.1.1	Agree the total loans on the above list to the corresponding account in the annual financial statements.	<p>The total loans on the list agreed to the annual financial statements after taking into account reconciling items.</p> <table border="1"> <tr> <td>Loans per listing</td> <td>R1,678,528</td> </tr> <tr> <td>Loans per financial statements</td> <td>R1,644,529</td> </tr> <tr> <td>Difference</td> <td>R33,729</td> </tr> </table>	Loans per listing	R1,678,528	Loans per financial statements	R1,644,529	Difference	R33,729
Loans per listing	R1,678,528							
Loans per financial statements	R1,644,529							
Difference	R33,729							
7.2	From the list in 7.1, randomly select a sample of the lesser of 50 or 10% of the number of members' housing loans granted and perform the following procedures:							
7.2.1	Inspect evidence that the value of the loan provided does not exceed the amount permitted by the rules and the home loan agreement.	The value of the housing loan provided did not exceed the amount permitted by the rules and the home loan agreement. We were unable to inspect the loan agreement for one member forming part of our sample.						
7.2.2	Inspect evidence that the loan has been granted in terms of Section 19(5) (a).	The loan agreements indicated that the loan had been granted in terms of Section 19(5) (a). We were unable to inspect the loan agreement for one member forming part of our sample.						
7.2.3	Inspect evidence that repayments are being made in accordance with the loan agreement.	Repayments were made against the housing loan and were made in accordance with the housing loan agreement. We were unable to inspect the loan agreement for one member forming part of our sample.						
7.2.4	Inspect the interest charged on the outstanding loan and compare the rate used to the prescribed rate.	The interest charged is in line with the prescribed rate.						



	Procedures	Findings
7.2.5	If the Fund issued more than 100 loans or the total principal debt of all outstanding loans exceeded R500 000, inquire whether the Fund was registered as a credit provider under the National Credit Act, 2005 (the NCA).	The Fund is registered under the National Credit Act.
7.3	Obtain the list of housing loan guarantees and select a sample of the lesser of 50 or 10% of the number of housing loan guarantees and perform the following procedures:	
7.3.1	For the sample selected, determine that each selected guarantee did not exceed the gross value of the benefit that the member would become entitled to had they withdrawn, as at the year end, in terms of the Act, the loan agreement and/or the rules of the Fund.	We inspected that selected guarantees did not exceed the limits of the member's fund credit as at year-end, as prescribed by the rules of the Fund.
7.3.2	Inspect evidence that the guarantee has been granted in terms of Section 19(5) (a).	The confirmation from RFS Home Loans does not specifically confirm that the guarantee is granted in terms of Section 19(5)(a). We however inspected the agreements between the member and RFS Homeloans which indicated that the application was made for housing loan purposes.
7.4	Obtain a list of other loans per the general ledger of the Fund as at 30 June 2019 and perform the following procedure:	
7.4.1	Confirm that no loans were granted and/or investments made as prohibited in terms of section 19(5)B.	Not applicable, no other loans were issued by the Fund during the year.
	Statement of Changes in Net Assets and Funds	
8	Contributions	
8.1	Select a sample of the lesser of 50 or 10% of the number of participating employers or pay points (whichever is the lower) from a list of participating employer/pay-points supplied by the Fund/administrator, select three months and perform the following procedures:	

8.1.1	Procedures	Findings																																																																
	<p>Compare, in total, the contributions received by or on behalf of the Fund to the remittance advices from the participating employer/pay-point.</p>	<p>The contributions received by the Fund agreed to the remittance advice from the participating employer/pay-point for the following 3 months: October 2018, March 2019 and June 2018, except for the following:</p> <table border="1" data-bbox="687 595 1437 1328"> <thead> <tr> <th>Pay point</th> <th>Amount per Municipal Schedule (R)</th> <th>Amount per Bank Statement (R)</th> <th>Difference (R)</th> </tr> </thead> <tbody> <tr> <td colspan="4">October 2018</td> </tr> <tr> <td>City of Matlosana Local Municipality</td> <td>1,680,867</td> <td>1,680,951</td> <td>84</td> </tr> <tr> <td>Msukaligwa Local Municipality</td> <td>315,846</td> <td>316,706</td> <td>860</td> </tr> <tr> <td>Ba-Phalaborwa Local Municipality</td> <td>50,701</td> <td>52,928</td> <td>2,227</td> </tr> <tr> <td>Capricorn District Municipality</td> <td>265,079</td> <td>265,494</td> <td>415</td> </tr> <tr> <td>Blouberg Local Municipality</td> <td>307,352</td> <td>309,282</td> <td>1,931</td> </tr> <tr> <td colspan="4">March 2019</td> </tr> <tr> <td>Ba-Phalaborwa Local Municipality</td> <td>53,401</td> <td>53,908</td> <td>507</td> </tr> <tr> <td>Capricorn District Municipality</td> <td>269,995</td> <td>270,410</td> <td>415</td> </tr> <tr> <td colspan="4">June 2019</td> </tr> <tr> <td>City of Matlosana Local Municipality</td> <td>1,756,859</td> <td>1,760,948</td> <td>4,089</td> </tr> <tr> <td>Ditsobotla Local Municipality</td> <td>44,106</td> <td>43,943</td> <td>-162</td> </tr> <tr> <td>Emfuleni Local Municipality</td> <td>478,601</td> <td>479,125</td> <td>524</td> </tr> <tr> <td>Capricorn District Municipality</td> <td>273,261</td> <td>273,676</td> <td>415</td> </tr> <tr> <td>Blouberg Local Municipality</td> <td>331,115</td> <td>329,137</td> <td>-1,978</td> </tr> </tbody> </table>	Pay point	Amount per Municipal Schedule (R)	Amount per Bank Statement (R)	Difference (R)	October 2018				City of Matlosana Local Municipality	1,680,867	1,680,951	84	Msukaligwa Local Municipality	315,846	316,706	860	Ba-Phalaborwa Local Municipality	50,701	52,928	2,227	Capricorn District Municipality	265,079	265,494	415	Blouberg Local Municipality	307,352	309,282	1,931	March 2019				Ba-Phalaborwa Local Municipality	53,401	53,908	507	Capricorn District Municipality	269,995	270,410	415	June 2019				City of Matlosana Local Municipality	1,756,859	1,760,948	4,089	Ditsobotla Local Municipality	44,106	43,943	-162	Emfuleni Local Municipality	478,601	479,125	524	Capricorn District Municipality	273,261	273,676	415	Blouberg Local Municipality	331,115	329,137	-1,978
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Capricorn District Municipality	273,261	273,676	415																																																															
Blouberg Local Municipality	331,115	329,137	-1,978																																																															
8.1.2	<p>Inspect the bank statements for the date on which the cash was received to determine whether the contributions were deposited with a registered bank in accordance with section 13A of the Act and whether late payment interest has been raised in terms of regulation 33, where applicable.</p>	<p>For the sample selected, contributions were deposited with a registered bank in accordance with section 13A of the Act, and no late payment interest had to be raised in terms of Regulation 33 except for the following:</p> <table border="1" data-bbox="687 1458 1430 1854"> <thead> <tr> <th>Pay point</th> <th>Date per bank statement</th> <th>Number of days received after month end</th> </tr> </thead> <tbody> <tr> <td colspan="3">Oct-18</td> </tr> <tr> <td>Setsoto Local Municipality</td> <td>08-Nov-18</td> <td>8</td> </tr> <tr> <td>Ramotshere Moiloa Local Municipality</td> <td>07-Dec-18</td> <td>37</td> </tr> <tr> <td>Dipaleseng Local Municipality</td> <td>28-Nov-18</td> <td>28</td> </tr> <tr> <td colspan="3">Jun-19</td> </tr> <tr> <td>Setsoto Local Municipality</td> <td>09-Jul-19</td> <td>9</td> </tr> </tbody> </table> <p>Late payment interest was raised in accordance with regulation 33.</p>	Pay point	Date per bank statement	Number of days received after month end	Oct-18			Setsoto Local Municipality	08-Nov-18	8	Ramotshere Moiloa Local Municipality	07-Dec-18	37	Dipaleseng Local Municipality	28-Nov-18	28	Jun-19			Setsoto Local Municipality	09-Jul-19	9																																											
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	Procedures	Findings								
8.2	Select a sample of the lesser of 50 or 10% of the number of participating employers or pay points which reflect arrear contributions (whichever is the lower) at year-end from a list supplied by the Fund/administrator and perform the following procedure:									
8.2.1	Inspect the accounting records of the Fund to determine whether amounts disclosed as arrear contributions at year-end have been paid to the Fund within the prescribed period in accordance with the requirements of section 13A of the Act. Where the amounts were received after the prescribed period, report the date of receipt and where they were not received, indicate as such.	<p>Amounts disclosed as arrear contributions at year-end have been paid to the Fund within the prescribed period in accordance with the requirements of section 13A of the Act, with the exception of the following:</p> <table border="1"> <thead> <tr> <th>Participating employer</th> <th>Date received</th> </tr> </thead> <tbody> <tr> <td>Bela-Bela Local Municipality</td> <td>9 July 2019</td> </tr> <tr> <td>Phumelela Local Municipality</td> <td>8 July 2019</td> </tr> <tr> <td>Ntabankulu Local Municipality</td> <td>13 July 2019</td> </tr> </tbody> </table>	Participating employer	Date received	Bela-Bela Local Municipality	9 July 2019	Phumelela Local Municipality	8 July 2019	Ntabankulu Local Municipality	13 July 2019
Participating employer	Date received									
Bela-Bela Local Municipality	9 July 2019									
Phumelela Local Municipality	8 July 2019									
Ntabankulu Local Municipality	13 July 2019									
9	Benefits									
9.1	Obtain a list from the administration system of lump sum benefits reflected as expenses in the Fund's Statement of Changes in Net Assets and Funds for the year under review and perform the following procedure:									
9.1.1	Compare the list to the respective general ledger benefit expense accounts reconciliation.	The list agreed to the respective general ledger benefit expense accounts reconciliation.								
9.2	Select a sample of the lesser of 50 benefits or 10% of the total number of benefits from the list and perform the following procedures:									
9.2.1	Compare the benefit per selected member to the administration system and authorised supporting documentation in accordance with the procedures of the Fund.	The benefit paid agreed to the administration system and authorised supporting documentation in accordance with the procedures of the Fund.								
9.2.2	For death benefits, where a portion of the benefit had been reinsured by the Fund, inspect a bank deposit or an accrual raised for the recovery from the insurer.	The recovery from the insurer was received/accrued by the Fund.								



	Procedures	Findings
9.2.3	<p><u>For a defined benefit fund and hybrid funds with a defined benefit underpin</u></p> <p>Inspect that the calculation of the benefit payment was done by the actuary in accordance with the requirements of the rules of the Fund and/or the Act.</p> <p><u>For a defined contribution fund</u></p> <p>Agree the opening fund credit for the member to the opening fund credit report and determine whether contributions were added every month until the date of exit (either by Rand amount or in the case of unitised funds, by units). Agree the balance paid out to the member (inclusive of late payment interest where applicable) to the fund credit report or administration system as at the date of exit.</p>	<p>The opening fund credit for the member agreed to the opening fund credit report and contributions were added every month until the date of exit. The balance paid out to the member (inclusive of late payment interest where applicable) agreed to the fund credit report or administration system as at the date of exit.</p>
9.3	<p>Obtain a list of all benefits not yet paid at year-end, select a sample of the lesser of 50 benefits or 10% of the total number of benefits from the list and perform the following procedure:</p>	
9.3.1	<p>Agree whether the benefits that are older than the period as set out in the Act or a shorter period defined by the Rules are classified as unclaimed benefits.</p>	<p>The benefits that were older than 24 months were classified as unclaimed benefits.</p>
10	Transfers	
10.1	<p>Compare the list of total section 14 transfers to and from the Fund to the corresponding accounts in the general ledger.</p>	<p>The list of total section 14 transfers to and from the Fund agreed to the corresponding account in the general ledger.</p>
10.2	<p>From the list of section 14 transfers paid/received and accrued to and from the Fund throughout the year select a sample of the lesser of 50 or 10% of the number of transfers in and the lesser of 50 or 10% of the number of transfers out, and perform the following procedures:</p>	

	Procedures	Findings
10.2.1	<p>Agree the sample of section 14 transfers to and from the Fund to:</p> <p>a) the section 14(1) documentation as approved by the Authority in respect of each transfer; and/or</p> <p>b) the section 14(8) documentation as prescribed.</p>	<p>The section 14 transfers to and from the Fund agreed to the section 14(1) documentation as approved by the Authority.</p>
10.2.2	<p>Inspect whether the transfers to and from the Fund were received/paid within 60 days of Authority approval for section 14(1) transfers and 180 days from application date for section 14(8) transfers and whether the growth and investment return had been allocated from the effective date of the transfer to the date of final settlement.</p>	<p>A portion of the section 14 transfer to the Fund was not received within 60 days of Authority approval, however the Fund did receive approval from the FSCA for extension of the 60 day period.</p> <p>The section 14 transfer from the fund selected for testing was paid within 60 days of Authority approval.</p> <p>Growth and investment return were allocated from the effective date of the transfer to the date of final settlement.</p>
10.2.3	<p>In respect of unitised funds, select a sample of the lesser of 50 or 10% of the number of members transferred from other funds and recalculate the purchase of units for the amount received using the unit price per the administration system on the date of receipt. (Where units were purchased after date of receipt, investment return was added from the date of receipt to the date of purchase).</p>	<p>Not applicable as the Fund is not unitised.</p>
10.3	<p>Individual transfers</p> <p>Obtain the list of individual transfers throughout the year ended 30 June 2019, select a sample of the lesser of 50 or 10% of the number of individual transfers, and perform the following procedures:</p>	
10.3.1	<p>Agree the transfers to the approved recognition of transfer documentation.</p>	<p>The transfers agreed to the approved recognition of transfer documentation.</p>

	Procedures	Findings
10.3.2	<p>For individual transfers in selected</p> <p>In respect of unitised funds, recalculate the purchase of units for the amount received using the unit price per the administration system on the date of receipt. (Where units were purchased after date of receipt investment return was added from the date of receipt to the date of purchase).</p>	Not applicable as the fund is not unitised.
11	Pensioners paid	
11.1	Obtain a copy of the list of pensioners and amounts paid for the year from the administration system and/or, for outsourced pensioners, confirmation from the insurer and perform the following procedure:	
11.1.1	Agree the total pensions paid for the year ended 30 June 2019 to the corresponding account reconciliation to the general ledger balance.	The total pensions paid agreed to the general ledger balance.
11.2	Select a sample of the lesser of 50 or 10% of the number of pensioners paid directly from the fund from the above list and perform the following procedures:	
11.2.1	Inspect the pensioner increases for authorisation by the Board of Fund.	Not applicable as the pensioners are living annuitants.
11.2.2	Inspect evidence obtained by the administrator/Fund supporting the fact that the pensioners selected exist.	The evidence indicated that the pensioners selected existed.
11.3	Where the Fund has purchased an annuity in the name of the Fund, obtain a written confirmation from the annuity provider summarising movements from opening market value to closing market value and perform the following procedures:	
11.3.1	Agree the closing market value of the annuity to the annual financial statements.	Not applicable, the Fund has not purchased an annuity in the name of the Fund.

	Procedures	Findings
11.3.2	Agree the pensioner payment per the confirmation from the insurer to the pensions paid disclosed in the notes to the annual financial statements.	Not applicable.
	General	
12.1	Inspect evidence that the Fund's fidelity insurance cover was in place throughout the year ended 30 June 2019, that the Fund's fidelity insurance cover extends after year-end and report the date to which the subsequent fidelity insurance cover extends.	The Fund's fidelity insurance cover was in place throughout the year ended 30 June 2019, the Fund's fidelity insurance cover extended after year-end. The subsequent fidelity insurance cover extended to 31 July 2019.
12.2	Confirm with the Fund's GLA insurer as to whether the GLA policy has lapsed at year ended 30 June 2019.	Per inspection of the rate renewal letter for the period ending 30 June 2020, the GLA policy has not lapsed.
12.3	Obtain the most recent statutory valuation signed and submitted by the valuator as at 30 June 2018 and perform the following procedures:	
12.3.1	Report the funding status of the Fund per the report (whether the Fund was under-funded or fully funded).	Per the report the Fund was fully funded.
12.3.2	Where the Fund is under-funded, obtain evidence as to whether a scheme, as required in terms of section 18 of the Act in South Africa, has been approved by the Authority.	Not applicable.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS
AT SUNDAY, 30 JUNE 2019

INVESTMENTS

Notes	Direct investments	Non-compliant investment schemes Note M1	Non-compliant insurance policies Note M2	Total	Local	Foreign	Foreign Africa	Total Foreign	Total percentage of foreign exposure	Reconciling items between Schedule IB and Schedule F	Reconciling items Regulation 28 (Schedule IB)
	R	R	R	R	R	R	R	R	%	R	R
Cash (including cash at bank)	1 686 859 837	612 394 097	373 756 728	2 673 010 662	2 233 505 096	439 505 566	-	439 505 566	16.44	696 546	2 673 707 208
Commodities	35 165 113	222 257	-	35 387 370	35 387 370	-	-	-	-	-	35 387 370
Housing loans	1 644 529	-	-	1 644 529	1 644 529	-	-	-	-	-	1 644 529
Debt instruments including Islamic debt instruments	1 459 784 475	408 131 010	1 292 173 632	3 160 089 117	3 149 873 306	10 215 811	-	10 215 811	0.32	-	3 160 089 117
Investment and owner occupied properties	984 812 200	178 264 094	29 332 397	1 192 408 691	876 636 860	149 716 514	166 055 317	315 771 831	26.48	-	1 192 408 691
Equities	6 203 167 561	3 122 895 251	982 735 316	10 308 798 128	7 209 233 617	3 099 564 511	-	3 099 564 511	30.07	(696 546)	10 308 798 128
Derivative Market Instruments	696 546	-	-	696 546	696 546	-	-	-	-	-	-
Other assets	-	-	(1 633 084)	(1 633 084)	(1 633 084)	-	-	-	-	-	(1 633 084)
Private Equity Funds	-	-	18 274 399	18 274 399	18 274 399	-	-	-	-	-	18 274 399
Total investments	10 372 130 261	4 321 906 709	2 694 639 388	17 388 676 358	13 523 618 639	3 699 002 402	166 055 317	3 865 057 719	22.23	-	17 388 676 358

A CASH

Instrument

Instrument	Fair Value R
Local	
Local notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments	1 483 524 191
Notes and coins, any balance or deposit in an account held with a South African bank - not exceeding 5% of total assets	452 927 026
Total of issuers not exceeding 5%	871 259 791
A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument - not exceeding 5% of total assets	-
Total of issuers not exceeding 5%	-
Any positive net balance in a margin account with an exchange - not exceeding 5% of total assets	-

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

Total of issuers not exceeding 5%

125 060 941
-
34 276 433

Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets - not exceeding 5% of total assets
Total of issuers not exceeding 5%

Foreign

Foreign balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments

Any balance or deposit held with a foreign bank - not exceeding 5% of total assets
Total of issuers not exceeding 5%

203 335 646
-
203 335 646

Any balance or deposit held with an African bank - exceeding 5% of total assets
Total of issuers not exceeding 5%

Total

1 686 859 837

B COMMODITIES

Instrument

Instrument	Holding number	Holding %	Fair value R
Other			
Platinum	-	0.20	35 165 113
			35 165 113
			35 165 113
Total			35 165 113

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

C DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS

Instrument	Local or foreign	Secured/ Unsecured	Issued/ Guaranteed	Redemption value R	Fair value R
Government debt:					
Debt instruments issued by an loans to the government of the Republic and any debt or loan guaranteed by the Republic					364 755 779
<i>Total of issuers not exceeding 5%</i>					
Debt instruments issued or guaranteed by the government of a foreign country:					
<i>Total of issuers not exceeding 5%</i>					
Bank debt:					
Debt instruments issued or guaranteed by a South African Bank against its balance sheet:-					
Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed					
<i>Total of issuers not exceeding 5%</i>					202 826 663
Public debt:					
Debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed:-					
Corporate debt (excluding debentures):					
Debt instruments issued or guaranteed by an entity that has equity listed on an exchange					
Listed on an exchange					
<i>Total of issuers not exceeding 5%</i>					170 073 756
Not listed on an exchange					
<i>Total of issuers not exceeding 5%</i>					29 081 524
Other					
Listed on an exchange:					
<i>Total of issuers not exceeding 5%</i>					94 421 602
Not listed on an exchange					
<i>Total of issuers not exceeding 5%</i>					598 625 151
Total debt instruments including Islamic debt instruments					1 459 784 475

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

D INVESTMENT AND OWNER OCCUPIED PROPERTIES

Instrument	Local/ Foreign	Issued shares	Holding number	Ordinary/ Preference shares	Holding %	Fair value R
Owner occupied properties						
<i>Total of issuer/entity less than 5% of total assets</i>						15 000 000
Total owner occupied properties						<u>15 000 000</u>
Total						<u>15 000 000</u>
Shares and linked units in property companies, or units in a collective investment scheme in property, listed on an exchange:						
Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed						672 382 419
Total of issuers not exceeding 5%						
Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed						96 623 787
Total of issuers not exceeding 5%						
Issuer market capitalisation of less than R3 billion, or an amount or conditions as prescribed						200 805 994
Total of issuers not exceeding 5%						
Total						<u>969 812 200</u>
Total						<u>984 812 200</u>

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

E EQUITIES

Instrument	Local/ Foreign	Issued shares	Ordinary/ Preference shares	Holding number	Holding in issuer/ entity %	Fair value R
Listed equities						
Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed						
Naspers Ltd	Local	438 660 000	Ordinary	209 505	0.05	716 406 536
British American Tobacco Plc	Foreign	2 460 000 000	Ordinary	771 282	0.03	381 399 043
Standard Bank Group Ltd	Local	1 620 000 000	Ordinary	1 925 744	0.12	378 736 072
Sasol Ltd	Local	624 710 000	Ordinary	833 614	0.13	291 939 958
Anglo American Plc	Foreign	1 380 000 000	Ordinary	696 728	0.05	280 502 693
Old Mutual Ltd	Foreign	4 830 000 000	Ordinary	8 863 898	0.18	187 914 638
Nedbank Group Ltd	Local	497 050 000	Ordinary	693 106	0.14	175 494 439
Remgro Ltd	Local	529 220 000	Ordinary	866 390	0.16	162 794 681
Firststrand Ltd	Local	5 610 000 000	Ordinary	2 337 861	0.04	160 260 372
BHP Billiton Plc	Foreign	2 110 000 000	Ordinary	403 429	0.02	145 541 046
MTN Group Ltd	Local	1 880 000 000	Ordinary	1 206 166	0.06	128 758 221
Quilter Plc	Foreign	1 900 000 000	Ordinary	5 093 385	0.27	127 793 030
Glencore Xstrata Plc	Foreign	14 590 000 000	Ordinary	2 495 667	0.02	122 986 470
Life Healthcare Group	Local	1 470 000 000	Ordinary	4 806 858	0.33	107 865 894
Woolworths Holdings Ltd	Local	1 050 000 000	Ordinary	2 108 285	0.20	103 052 971
Shoprite Holdings Ltd	Local	591 340 000	Ordinary	640 586	0.11	100 994 789
Northam	Local	509 780 000	Ordinary	1 691 301	0.33	99 786 759
Investec Ltd	Local	318 900 000	Ordinary	1 059 865	0.33	97 359 219
ABSA Group Ltd	Local	847 750 000	Ordinary	515 320	0.06	90 696 320
Spar Group Ltd	Local	192 600 000	Ordinary	462 009	0.24	86 317 141
Anheuser-Busch Inbev SA	Local	1 690 000 000	Ordinary	68 180		84 937 280
Netcare Ltd	Local	1 450 000 000	Ordinary	4 485 583	0.31	80 650 782
Multichoice Group Ltd	Local	438 840 000	Ordinary	584 925	0.13	78 362 402
Bidvest Group Ltd	Local	339 080 000	Ordinary	405 266	0.12	76 737 117
Mondi Plc	Foreign	485 550 000	Ordinary	232 821	0.05	74 390 389
PicknPay Stores Ltd	Local	493 450 000	Ordinary	1 007 877	0.20	69 543 513
Investec Plc	Foreign	696 080 000	Ordinary	760 397	0.11	69 454 662
RMB Holdings Ltd	Local	1 410 000 000	Ordinary	752 257	0.05	63 490 491
Bid Corp Ltd	Local	335 400 000	Ordinary	205 447	0.06	63 070 175
Exxaro Resources Ltd	Local	358 710 000	Ordinary	354 386	0.10	60 950 848
Impala Platinum Holdings Ltd	Local	799 030 000	Ordinary	860 936	0.11	60 050 286
Reinet Investments Ltd	Local	195 940 000	Ordinary	256 617	0.13	58 298 250
Compagnie Financiere Richemont SA Depository Rec	Local	5 220 000 000	Ordinary	476 794	0.01	56 995 955
Capitec Bank Ltd	Local	115 630 000	Ordinary	40 177	0.03	52 179 477
Aspen Pharmacare Holdings Ltd	Local	456 450 000	Ordinary	483 590	0.11	48 576 616
The Foschini Group Ltd	Local	236 760 000	Ordinary	259 255	0.11	46 743 677

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

Vodacom Group Ltd	Local	1 840 000 000	Ordinary	389 006	0.02	46 552 348
Sanlam Ltd	Local	2 340 000 000	Ordinary	588 445	0.03	45 992 861
RMI Holdings Ltd	Local	1 530 000 000	Ordinary	1 345 629	0.09	45 711 017
Truworths International Ltd	Local	442 880 000	Ordinary	610 397	0.14	42 727 790
Sappi Ltd	Local	548 050 000	Ordinary	720 655	0.13	40 666 574
Pepkor Holdings Ltd	Local	3 450 000 000	Ordinary	2 061 640	0.06	37 109 520
Distell Group Ltd	Local	222 380 000	Ordinary	267 175	0.12	34 652 614
Mondi Ltd	Local	485 550 000	Ordinary	107 924	0.02	34 207 561
Anglo Platinum Ltd	Local	269 680 000	Ordinary	40 126	0.01	33 582 653
Mr Price Group Ltd	Local	257 050 000	Ordinary	147 589	0.06	29 297 892
Tiger Brands Ltd	Local	189 820 000	Ordinary	119 274	0.06	26 681 533
Discovery Holdings Ltd	Local	658 290 000	Ordinary	176 109	0.03	26 259 613
MMI Holdings Ltd	Local	1 500 000 000	Ordinary	1 265 423	0.08	24 005 074
PSG Group Ltd	Local	232 160 000	Ordinary	2 132 591	0.92	21 133 981
AVI Ltd	Local	335 430 000	Ordinary	223 731	0.07	20 440 064
Dis-Chem Pharmacies Ltd	Local	860 080 000	Ordinary	789 191	0.09	19 934 965
Anglogold Ashanti Ltd	Local	414 960 000	Ordinary	60 315	0.01	15 320 613
Clicks Group Ltd	Local	262 080 000	Ordinary	63 586	0.02	13 053 507
Liberty Holdings Ltd	Local	286 200 000	Ordinary	123 026	0.04	12 998 927
Mediclinic International Ltd	Local	737 240 000	Ordinary	197 577	0.03	10 420 031
Gold Fields Ltd	Local	828 630 000	Ordinary	191 369	0.02	9 528 589
Sibanye Gold Ltd	Local	2 970 000 000	Ordinary	526 304	0.02	8 820 855
Growthpoint Properties Ltd	Local	2 970 000 000	Ordinary	343 313	0.01	8 335 640
Barloworld Ltd	Local	212 690 000	Ordinary	60 161	0.03	7 700 608
Naspers Certificate DB	Local	438 660 000	Preference	6 566		6 136 431
Pioneer Foods Group Ltd	Local	221 810 000	Ordinary	77 596	0.03	5 354 132
Santam Ltd	Local	115 130 000	Ordinary	17 562	0.02	5 268 600
African Rainbow Minerals Ltd	Local	222 010 000	Ordinary	9 781		1 781 805
RMI Certificate DB	Local	1 530 000 000	Ordinary	61 700		794 338
Aveng Ltd	Local	19 390 000 000	Ordinary	2 232		11 379
Total						5 625 513 727

Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed
Total of issuers not exceeding 5%

538 334 864

Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed
Total of issuers not exceeding 5%

38 575 410

Unlisted equities
Zambezi Platinum RF Ltd
Total

Ordinary

743 560

743 560

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

Total equities

6 203 167 561

F SECURITIES LENDING

Securities on lend	Maximum of Fair value of security	Transaction date	Collateral	Fair value R	No. of shares lent	Name of counterparty	Script custodian	Manufactured dividend R
Equities – Top 100 of companies (by market cap) listed on an exchange								
Calgro M3 holdings	75%		Cash @126%	29 189	5 050	Computer Share Ltd	Nedbank	-
Glencore Xstrata			Cash @126%	17 338 441	376 105	Computer Share Ltd	Nedbank	-
Impala Platinum			Cash @126%	7 400	108	Computer Share Ltd	Nedbank	-
Investec Ltd			Cash @126%	6 800 660	74 049	Computer Share Ltd	Nedbank	-
Investec Plc			Cash @126%	9 394 770	102 900	Computer Share Ltd	Nedbank	-
JSE Ltd			Cash @126%	2 720 250	19 500	Computer Share Ltd	Nedbank	-
Life Healthcare Group			Cash @126%	10 022 211	443 657	Computer Share Ltd	Nedbank	-
Mpact Ltd			Cash @126%	83 025	3 690	Computer Share Ltd	Nedbank	-
MTN Group Ltd			Cash @126%	6 602 449	61 401	Computer Share Ltd	Nedbank	-
Netcare Ltd			Cash @126%	15 632 190	869 421	Computer Share Ltd	Nedbank	-
Peregrine Holdings			Cash @126%	3 327 254	180 829	Computer Share Ltd	Nedbank	-
Redefine Properties			Cash @126%	9 705	1 070	Computer Share Ltd	Nedbank	-
Sirius Real Estate			Cash @126%	141 420	11 884	Computer Share Ltd	Nedbank	-
Anheuser-Busch Inbev			Cash @123%	22 997 063	18 721	Investec	Nedbank	-
Blue Label Telecom			Cash @123%	229 000	50 000	Investec	Nedbank	-
Cashbuild Ltd			Cash @123%	159 366	606	Investec	Nedbank	-
Distell Group Ltd			Cash @123%	1 781 731	13 601	Investec	Nedbank	-
Exxaro Resources Ltd			Cash @123%	6 962 000	40 000	Investec	Nedbank	-
JSE Ltd			Cash @123%	123 737	887	Investec	Nedbank	-
PSG Konsult Ltd			Cash @123%	155 331	15 690	Investec	Nedbank	-

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 AT SUNDAY, 30 JUNE 2019

SA Corporate Real Estate	Cash @123%	2 695 194	889 503	Investec	Nedbank
Sibanye Gold Mining	Cash @123%	3 735 000	225 000	Investec	Nedbank
Transaction Capital	Cash @123%	974 320	49 483	Investec	Nedbank
Zeder Investments	Cash @123%	159 593	44 704	Investec	Nedbank
Brait S.A	Cash @120%	1 540 800	80 000	Standard Bank	Nedbank
British American Tobacco	Cash @120%	9 704 231	19 616	Standard Bank	Nedbank
Capital and Counties	Cash @120%	994 398	25 010	Standard Bank	Nedbank
Coronation Fund Managers	Cash @120%	7 579 650	169 000	Standard Bank	Nedbank
Dischem Pharmacies Ltd	Cash @120%	1 183 500	45 000	Standard Bank	Nedbank
Exxaro Resources Ltd	Cash @120%	8 814 414	50 643	Standard Bank	Nedbank
Glencore Xstrata	Cash @120%	17 574 426	381 224	Standard Bank	Nedbank
JSE Ltd	Cash @120%	35 154	252	Standard Bank	Nedbank
Ornia Holdings	Cash @120%	2 940 907	83 596	Standard Bank	Nedbank
Pepkor Holdings	Cash @120%	16 036 600	905 000	Standard Bank	Nedbank
Resilient Reit Ltd	Cash @120%	11 433 124	185 002	Standard Bank	Nedbank
Redefine International	Cash @120%	1 759 357	92 549	Standard Bank	Nedbank
SA Corporate Real Estate	Cash @120%	1 818 000	600 000	Standard Bank	Nedbank
Storage Property Reit Ltd	Cash @120%	2 872 000	200 000	Standard Bank	Nedbank
AVI Ltd	Cash @175%	396 890	4 300	ZarClear	Nedbank
British American Tobacco	Cash @175%	44 503 617	89 959	ZarClear	Nedbank
Capital & Counties	Cash @175%	2 047 720	51 502	ZarClear	Nedbank
Compagnie Fin Richemont	Cash @175%	599 150	5 000	ZarClear	Nedbank
Capitec Bank Holdings	Cash @175%	1 615 732	1 244	ZarClear	Nedbank
Discovery Holdings	Cash @175%	2 725 996	18 200	ZarClear	Nedbank
Emira Property	Cash @175%	276 600	20 000	ZarClear	Nedbank
Fortress Income Fund - A	Cash @175%	74 890	3 493	ZarClear	Nedbank
Firstrand Ltd	Cash @175%	18 651 397	268 636	ZarClear	Nedbank
Glencore Plc	Cash @175%	971 419	21 072	ZarClear	Nedbank
Growthpoint Prop	Cash @175%	1 384 197	56 916	ZarClear	Nedbank
Life Healthcare	Cash @175%	2 408 230	106 606	ZarClear	Nedbank
MMI Holdings	Cash @175%	1 806 083	95 007	ZarClear	Nedbank
Mondi Plc	Cash @175%	14 091 979	44 249	ZarClear	Nedbank
Nampak Ltd	Cash @175%	158 355	15 300	ZarClear	Nedbank
Naspers Ltd	Cash @175%	5 768 841	1 712	ZarClear	Nedbank
Nepi Rockcastle Plc	Cash @175%	1 546 350	11 895	ZarClear	Nedbank
Peregrine Holdings	Cash @175%	3 717	202	ZarClear	Nedbank
Quiter Plc	Cash @175%	1 915 752	76 264	ZarClear	Nedbank
Royal Bafokeng Platinum	Cash @175%	17 751	531	ZarClear	Nedbank
Redefine Properties	Cash @175%	8 763 606	966 219	ZarClear	Nedbank
Reunert Ltd	Cash @175%	34 908	517	ZarClear	Nedbank
Redefine International	Cash @175%	725 232	38 150	ZarClear	Nedbank
SA Corporate Real Estate	Cash @175%	7 663	2 529	ZarClear	Nedbank
Sappi Ltd	Cash @175%	2 134 481	39 244	ZarClear	Nedbank
Santam Ltd	Cash @175%	242 057	780	ZarClear	Nedbank
Sirius Real Estate	Cash @175%	179 952	15 122	ZarClear	Nedbank
Vukile Property Fund	Cash @175%	39 669	2 065	ZarClear	Nedbank

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
 AT SUNDAY, 30 JUNE 2019

Wilson Bayly-Holmes	Cash @175%	2 261 800	20 000	ZarClear	Nedbank	-
Total		<u>311 721 894</u>				<u>-</u>

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

M REGULATION 28 NON-COMPLIANT INVESTMENTS

M1 NON-COMPLIANT COLLECTIVE INVESTMENT SCHEMES

Instrument	Holding %	Fair value R
Local		
Coronation Asset Management (Pty) Ltd	0.38	66 659 164
Kagiso Asset Managers (Pty) Ltd	0.10	16 842 787
Allan Gray Life Ltd	0.03	5 485 373
Prescient Investment Management (Pty) Ltd	5.36	932 112 964
		1 021 100 288
Foreign		
Allan Gray Life Ltd	4.01	697 767 529
Catalyst Global Real Estate Units Fund	0.90	156 787 636
Kagiso Asset Managers (Pty) Ltd	0.02	4 246 148
Morgan Stanley Investments Funds	0.95	164 840 392
Nedgroup Investment Advisors (Pty) Ltd	4.39	762 575 445
Vulcan Asset Managers Funds	4.79	832 646 589
Coronation Asset Management (Pty) Ltd	3.58	621 885 946
Rubrics Global UCITS Funds Plc	0.35	60 056 736
Prescient Investment Management (Pty) Ltd	-	-
		3 300 806 421
Total Non-compliant collective investment schemes		4 321 906 709

M2 NON-COMPLIANT INSURANCE POLICIES

Instrument	Holding %	Fair value R
Linked policies		
Local		
Futuregrowth Investments CC	4.53	788 023 633
Investec Asset Managers (Pty) Ltd	2.80	486 457 125
Old Mutual Investment Group (Pty) Ltd	6.11	1 061 670 443
Coronation Asset Management (Pty) Ltd	0.79	137 828 552
Sanlam Investment Management (Pty) Ltd	0.15	25 799 300
		2 499 779 053
Foreign		
Investec Asset Managers (Pty) Ltd	0.82	141 918 685
Old Mutual Investment Group (Pty) Ltd	0.30	52 941 650
		194 860 335
Total linked policies		2 694 639 388
Total certified Regulation 28 non-compliant investments		7 016 546 097

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

O ENTITY / COUNTERPARTY EXPOSURE

Credit / Counterparty risk Counterparty	Direct investment in counterparty		Guarantees		Any other instrument		Total per counterparty		Exposure to counterparty as a % of the fair value of the assets of the fund
	R	R	R	R	R	R	R		
Banks	195 743 078	-	-	-	-	-	195 743 078	1.13%	
ABSA Bank Ltd	195 436 888	-	-	-	-	-	195 436 888	1.12%	
Nedbank Ltd	306 190	-	-	-	-	-	306 190	-	
Asset managers - local	-	-	-	11 444 563 813	-	-	12 097 816 715	69.57%	
Allian Gray Life Ltd	-	-	-	1 873 501 589	-	-	2 576 754 491	14.82%	
Ashburton Fund Managers (Pty) Ltd	-	-	-	503 898 628	-	-	503 898 628	2.90%	
Benguela Global Fund Managers (Pty) Ltd	-	-	-	783 038 091	-	-	783 038 091	4.50%	
Catalyst Fund Managers SA (Pty) Ltd	-	-	-	369 403 531	-	-	369 403 531	2.12%	
Coronation Asset Management (Pty) Ltd	-	-	-	2 499 110 881	-	-	2 449 110 881	14.08%	
Investec Asset Managers (Pty) Ltd	-	-	-	783	-	-	783	-	
Kagiso Asset Managers (Pty) Ltd	-	-	-	21 088 935	-	-	21 088 935	0.12%	
Mazi Asset Management (Pty) Ltd	-	-	-	615 192 247	-	-	615 192 247	3.54%	
Metope Investment Managers (Pty) Ltd	-	-	-	254 097 123	-	-	254 097 123	1.46%	
Novare Investments (Pty) Ltd	-	-	-	166 055 317	-	-	166 055 317	0.95%	
Prescient Investment Management (Pty) Ltd	-	-	-	1 295 036 937	-	-	1 295 036 937	7.45%	
Sanlam Investment Management (Pty) Ltd	-	-	-	1 499 428 427	-	-	1 499 428 427	8.62%	
Argon Asset Management (Pty) Ltd	-	-	-	303 872 136	-	-	303 872 136	1.75%	
First Avenue Investment Management (Pty) Ltd	-	-	-	293 459 658	-	-	293 459 658	1.69%	
Legacy Africa Fund Managers (Pty) Ltd	-	-	-	306 088 967	-	-	306 088 967	1.76%	
Vunani Fund Managers (Pty) Ltd	-	-	-	298 909 226	-	-	298 909 226	1.72%	
Prowess Investment Managers (Pty) Ltd	-	-	-	362 381 337	-	-	362 381 337	2.08%	
Asset managers - foreign	-	-	-	1 976 906 799	-	-	1 976 906 799	11.37%	
Catalyst Global Real Estate Units Fund	-	-	-	156 787 636	-	-	156 787 636	0.90%	
Morgan Stanley Investments Funds	-	-	-	164 840 392	-	-	164 840 392	0.95%	
Nedgroup Investment Funds Plc	-	-	-	762 575 445	-	-	762 575 445	4.39%	
Vulcan Asset Managers Funds	-	-	-	832 646 589	-	-	832 646 589	4.79%	
Rubrics Global UCITS Funds Plc	-	-	-	60 056 737	-	-	60 056 737	0.35%	
Insurance companies	-	-	-	2 531 011 536	-	-	2 531 011 536	14.56%	
Futuregrowth Investments CC	-	-	-	788 023 633	-	-	788 023 633	4.53%	
Investec Asset Managers (Pty) Ltd	-	-	-	628 375 810	-	-	628 375 810	3.61%	
Old Mutual Life Assurance Company SA	-	-	-	1 114 612 093	-	-	1 114 612 093	6.41%	

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (continued)
AT SUNDAY, 30 JUNE 2019

Other funds	15 000 000	570 553 701	1 644 529	587 198 230	3.38%
RFS Home Loans (Pty) Ltd	-	570 553 701	-	570 553 701	3.28%
Business Park @ Zambezi	15 000 000	-	-	15 000 000	0.09%
Housing loans	-	-	1 644 529	1 644 529	0.01%
	<u>210 743 078</u>	<u>570 553 701</u>	<u>15 954 126 677</u>	<u>17 388 676 358</u>	<u>100.00 %</u>

P RECONCILIATION BETWEEN THE INVESTMENTS IN SCHEDULE HA AND SCHEDULE IA

	Fair value current period (as per Schedule HA 3.1)	Cash at bank	Non-compliant CIS	Non-compliant Insurance Policies	Other	Total
	R	R	R	R	R	R
Cash and deposits	1 491 116 759	195 743 078	612 394 097	373 756 728	-	2 673 010 662
Commodities	35 165 113	-	222 257	-	-	35 387 370
Housing loans	-	-	-	-	1 644 529	1 644 529
Debt instruments including Islamic debt instruments *	1 459 784 475	-	408 131 010	1 292 173 632	-	3 160 089 117
Investment properties	-	-	178 264 094	29 332 397	984 812 200	1 192 408 691
Equities	7 172 979 761	-	3 122 895 251	982 735 316	(969 812 200)	10 308 798 128
Private equity funds	-	-	-	18 274 399	-	18 274 399
Derivative market investments	696 546	-	-	-	-	696 546
Collective investment schemes	4 321 906 709	-	(4 321 906 709)	-	-	-
Insurance policies	2 694 639 388	-	-	(2 694 639 388)	-	-
Other assets	-	-	-	(1 633 084)	-	(1 633 084)
Total investments	<u>17 176 288 751</u>	<u>195 743 078</u>	<u>-</u>	<u>-</u>	<u>16 644 529</u>	<u>17 388 676 358</u>

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28 AS AT 30 JUNE 2019

		Fair value R
A	Total assets (Schedule IA -Total investments)	17 388 676 358
B1	Less: Reg 28 compliant investments (certificate received from issuing entity):-	-
B.1.1	Collective Investment Schemes (Reg 28(8)(b)(i))	-
B.1.2	Linked Policies (Reg 28(8)(b)(ii))	-
B.1.3	Non-Linked policies (Reg 28(8)(b)(iii))	-
B.1.4	Entity regulated by FSCA (Reg 28(8)(b)(iv))	-
B2	Less: Reg 28 excluded investments	-
B2.1	Insurance Policies (Reg 28(3)(c))	-
C	Less: Investments not disclosed /data not available for disclosure [Refer to schedule IAN]	-
D	TOTAL ASSETS FOR REGULATION 28 DISCLOSURE	17 388 676 358

Categories of kinds of assets	%	Fair value R	Fair value %
1 CASH		2 673 707 208	15.38%
1.1 Notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments	100%	2 233 267 238	12.84%
1.1(a) Notes and coins; any balance or deposit in an account held with a South African bank;			
ABSA Bank Ltd	25%	567 932 215	3.27%
Other	25%	217 471 217	1.25%
1.1(b) A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument			
Standard Bank Ltd	25%	1 478 144 532	8.50%
Other	25%	504 456 771	2.90%
1.1(c) Any positive net balance in a margin account with an exchange			
Safex	25%	160 549 476	0.92%
Other	25%	114 382 392	0.66%
1.1(d) Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets			
Nedbank	25%	46 167 084	0.27%
Other	25%	26 641 015	0.15%
1.2 Balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments	SARB max. limits	440 439 970	2.53%
1.2(a) Any balance or deposit held with a foreign bank			
Bank of New York	5%	432 434 444	2.49%
Other	5%	163 307 112	0.94%
1.2(b) Any balance or deposit held with an African bank			
RMBFWD20190719	5%	269 127 332	1.55%
1.2(c) A money market instrument issued by a foreign bank including an Islamic liquidity management financial instrument			
Catalyst Global Real Estate Cash	5%	934 404	0.01%
		7 071 122	0.04%
		7 071 122	0.04%
2 DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS		3 160 089 117	18.17%
2.1 Inside the Republic	100%	3 149 873 306	18.11%
2.1(a) Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic			
RSA Bonds	100%	727 049 744	4.18%
Other	100%	574 428 537	3.30%
	100%	152 621 207	0.88%
Carried forward		3 400 756 952	19.57%

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019

Categories of kinds of assets	%	Fair value R	Fair value %
Brought forward		3 400 756 952	19.57%
2.1(b) Debt instruments issued or guaranteed by the government of a foreign country	75%	5 485 373	0.03%
Orbis Inst. Global Equity Fund,Core RRF Share Class N-6	10%	5 485 373	0.03%
2.1(c) Debt instruments issued or by a South African bank against its balance sheet	75%	546 209 267	3.14%
2.1(c)(i) Listed on an exchange with an issue market capitalisation of R20 billion or more, or an amount or conditions as prescribed	75%	529 832 137	3.05%
Standard Bank NED CLN JB3+155bps CLN565 210224	25%	44 728 925	0.26%
Other	25%	485 103 212	2.79%
2.1(c)(iv) Not listed on an exchange	25%	16 377 130	0.09%
NEDJBL94 26112020	5%	3 255 366	0.02%
Other	5%	13 121 764	0.08%
2.1(d) Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed	50%	729 467 274	4.20%
2.1(d)(i) Listed on an exchange	50%	538 713 540	3.10%
Standard Bank	10%	101 241 564	0.58%
Other	10%	437 471 976	2.52%
2.1(d)(ii) Not listed on an exchange	25%	190 753 734	1.10%
Standard Bank	5%	63 072 561	0.36%
Other	5%	127 681 173	0.73%
2.1(e) Other debt instruments:-	25%	1 141 661 648	6.57%
2.1(e)(i) Listed on an exchange	25%	164 381 361	0.95%
Transnet	5%	16 976 794	0.10%
Other	5%	147 404 567	0.85%
2.1(e)(ii) Not listed on an exchange	15%	977 280 287	5.62%
RFS Home Loans (Pty) Ltd	5%	570 553 701	3.28%
Other	5%	406 726 586	2.34%
	SARB max. limits		
2.2 Foreign		10 215 811	0.06%
2.2(d) Debt instruments issued or guaranteed by an entity that has equity listed on an exchange	SARB max. limits	7 603 833	0.04%
2.2(d)(ii) Not listed on an exchange	25%	7 603 833	0.04%
STANDARD BANK OF SA LTD	5%	7 603 833	0.04%
2.2(e) Other debt instruments	25%	2 611 978	0.02%
2.2(e)(ii) Not listed on an exchange	15%	2 611 978	0.02%
STANDARD BANK OF SA LTD	5%	2 611 978	0.02%
3 EQUITIES		10 308 798 128	59.28%
3.1 Inside the Republic	75%	7 209 233 617	41.46%
3.1(a) Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-	75%	6 524 592 643	37.52%
3.1(a)(i) Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	75%	5 780 245 751	33.24%
Naspers Ltd	15%	747 765 579	4.30%
Other	15%	5 032 480 172	28.94%
3.1(a)(ii) Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	75%	683 783 804	3.93%
Super Group Limited	10%	49 724 681	0.29%
Other	10%	634 059 123	3.65%
3.1(a)(iii) Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	15%	60 563 088	0.35%
Combined Holdings Ltd	5%	5 772 371	0.03%
Other	5%	54 790 717	0.32%
3.1(b) Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange	15%	684 640 974	3.94%
Intikon A Ordinary Shares	2.5%	69 254 030	0.40%
Other	2.5%	615 386 944	3.54%
Carried forward		13 043 029 942	75.04%

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28 AS AT 30 JUNE 2019

Categories of kinds of assets		%	Fair value R	Fair value %
Brought forward			13 043 029 942	75.04%
3.2	Foreign		3 099 564 511	17.83%
3.2(a)	Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-	SARB max. limits	3 095 415 319	17.80%
3.2(a)(i)	Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	SARB max. limits	3 091 045 373	17.78%
	Orbis Inst. Global Equity Fund,Core RRF Share Class N-6	15%	681 170 761	3.92%
	Other	15%	2 409 874 612	13.86%
3.2(a)(ii)	Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	SARB max. limits	3 965 965	0.02%
	Media Nusantara Citra TBK	10%	2 069 325	0.01%
	Other	10%	1 896 640	0.01%
3.2(a)(iii)	Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	SARB max. limits	403 981	0.00%
	Spire Healthcare Group Plc	5%	173 754	0.00%
	Other	5%	230 227	0.00%
3.2(b)	Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange	10%	4 149 192	0.02%
	Orbis Inst. Global Equity Fund,Core RRF Share Class N-6 (Unlisted Equities 0.61%) [IGCN6]	2.5%	4 149 192	0.02%
4	IMMOVABLE PROPERTY		1 192 408 691	6.86%
4.1	Inside the Republic	25%	876 636 861	5.04%
4.1(a)	Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange	25%	857 673 021	4.93%
4.1(a)(i)	Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed	25%	702 685 817	4.04%
	Growthpoint Properties Ltd	15%	143 691 813	0.83%
	Other	15%	558 994 004	3.21%
4.1(a)(ii)	Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed	25%	107 902 558	0.62%
	Inves Aust Prop Fund	10%	19 727 027	0.11%
	Other	10%	88 175 531	0.51%
4.1(a)(iii)	Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed	25%	47 084 646	0.27%
	Tower Property Fund	5%	18 594 355	0.11%
	Other	5%	28 490 291	0.16%
4.1(b)	Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange	15%	18 963 840	0.11%
	BusinessPark@Zambezi	5%	15 000 000	0.09%
	Other	5%	3 963 840	0.02%
4.2	Foreign	25%	315 771 830	1.82%
4.2(a)	Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange	25%	315 771 830	1.82%
4.2(a)(iii)	Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed	25%	315 771 830	1.82%
	Novare Africa Property Fund 2	5%	166 055 317	0.95%
	Other	5%	149 716 513	0.86%
5	COMMODITIES		35 387 370	0.20%
5.1	Inside the Republic	10%	35 387 370	0.20%
Carried forward			17 335 003 144	99.71%

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019

Categories of kinds of assets	%	Fair value R	Fair value %
Brought forward		17 335 003 144	99.71%
5.1(a) Kruger Rands and other commodities on an exchange, including exchange traded commodities	10%	35 387 370	0.20%
5.1(a)(ii) Other commodities	5%	35 387 370	0.20%
New Gold Platinum ETF	5%	28 277 212	0.16%
Other	5%	7 110 158	0.04%
7 HOUSING LOANS GRANTED TO MEMBERS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 19(5)	95%	1 644 529	0.01%
8 HEDGE FUNDS, PRIVATE EQUITY FUNDS AND ANY OTHER ASSET NOT REFERRED TO IN THIS SCHEDULE		16 641 315	0.10%
8.1 Inside the Republic	15%	16 641 315	0.10%
8.1(b) Private equity funds	10%	18 274 399	0.11%
8.1(b)(i) Funds of private equity funds	10%	18 274 399	0.11%
African Infraxtructure Investments Solutions	5%	18 274 399	0.11%
8.1(c) Other assets not referred to in this schedule and excluding a hedge fund or private equity fund	2.5%	(1 633 084)	(0.01)%
Futuregrowth Infrastructure & Development Bond Fund	2.5%	(1 633 084)	(0.01)%
TOTAL ASSETS – REGULATION 28		17 388 676 358	100.00%

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019

INVESTMENT SUMMARY (Regulation 28)

	Local		Foreign (Excluding Africa)		Africa		Total	
	R	%	R	%	R	%	R	%
1 Balances or deposits, money market instruments issued by a bank including Islamic liquidity management financial instruments	2 233 267 238	12.84	439 505 566	2.53	934 404	0.01	2 673 707 208	
2 Debt instruments including Islamic debt instruments	3 149 873 306	18.11	10 215 811	0.06	-	-	3 160 089 117	
3 Equities	7 209 233 617	41.46	3 099 564 511	17.83	-	-	10 308 798 128	
4 Immovable property	876 636 861	5.04	315 771 830	1.82	-	-	1 192 408 691	
5 Commodities	35 387 370	0.20	-	-	-	-	35 387 370	
7 Housing loans granted to members - section 19(5)	1 644 529	0.01	-	-	-	-	1 644 529	
8 Hedge Funds, private equity funds and any other assets not referred to in this schedule	16 641 315	0.10	-	-	-	-	16 641 315	
TOTAL	13 522 684 236	77.77	3 865 057 718	22.23	934 404	0.01	17 388 676 358	

BREACHES IN TERMS OF SUB REGULATION 3 OF REGULATION 28

Table 1 items	Total (Inside & Foreign)		Percentage of Fair value		Regulation 28 limits
	R	%	R	%	
2.1(e)(ii) Other debt instruments not listed	955 017 240	5.49			
3(b) Equities not listed	684 640 974	3.94			
4.1(b) Immovable properties not listed	18 963 840	0.11			
8 Hedge funds, Private Equity funds and other assets	16 641 315	0.10			
TOTAL	1 675 263 369	9.64			35

Table 1 items	Fair value		Fair value		Regulation 28 limits
	R	%	R	%	
3.1(b) Equities not listed	684 640 974	3.94			
8.1(b) Private Equity funds	18 274 399	0.11			
TOTAL	702 915 373	4.05			15

Table 1 items	Fair value		Fair value		Regulation 28 limits
	R	%	R	%	
1.1 Cash and deposits with a South African Bank	2 258 067 414	12.99			
2.1(c) Debt instruments guaranteed by a South African Bank - Item	543 672 137	3.13			
TOTAL	2 801 739 551	16.12			25

NATIONAL FUND FOR MUNICIPAL WORKERS

**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28
AS AT 30 JUNE 2019**

NOTES:

1. In the absence of guidance in the Explanatory Memorandum that accompanied the issue of the revised Regulations 28 and further guidance in this regard by the Financial Services Board up to now, the trustees have interpreted paragraph 4 to mean that where an asset is made up of underlying assets, the Fund may disclose the largest value per issuer/entity, as applicable, for each category in Table 1 which the assets relate.



SCHEDULE IB

INDEPENDENT AUDITOR'S REPORT ON ASSETS HELD IN COMPLIANCE WITH REGULATION 28 TO THE BOARD OF FUND

Opinion

We have audited Schedule IB "Assets held in compliance with Regulation 28" of the National Fund for Municipal Workers Fund ("the Fund") at 30 June 2019 (the "Schedule") for compliance with the requirements of Regulation 28 of the Pension Funds Act of South Africa (the Regulation), as set out on pages 66 to 71. Our engagement arises from our appointment as auditor of the Fund and is for the purpose of assisting the Board of Fund to report to the Financial Sector Conduct Authority (the "Authority").

In our opinion, Schedule IB "Assets held in compliance with Regulation 28" at 30 June 2019 by the National Fund for Municipal Workers is prepared, in all material respects, in accordance and in compliance with the Regulation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Fund in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Financial reporting framework and restriction on use

Without modifying our opinion, we draw attention to the purpose of our report as indicated in the opinion paragraph, and the basis of accounting. Consequently, the Schedule and our auditor's report may not be suitable for another purpose.

Other matter

The information contained in Schedule IB has been extracted from the Fund's underlying accounting records that were the subject of our audit engagement on the annual financial statements and forms the subject matter of this engagement. Our audit of the annual financial statements of the National Fund for Municipal Workers for the year ended 30 June 2019 was conducted in accordance with International Standards on Auditing and in our report of 13 December 2019 we expressed an unmodified opinion, and therefore the annual financial statements are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

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Other information

The Board of Fund is responsible for the other information. The other information comprises the information included in the document titled "Annual Financial Statements, National Fund for Municipal Workers for the period 1 July 2018 to 30 June 2019". The other information does not include Schedule IB and our auditor's report thereon.

Our opinion on Schedule IB does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of Schedule IB, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with Schedule IB or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Fund for the Schedule

The Board of Fund is responsible for the preparation of the Schedule in accordance and in compliance with the Regulation, and for such internal control as the Board of Fund determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Schedule.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.



We communicate with the Board of Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: J Basson

Registered Auditor

Johannesburg

Date: 13 December 2019