

Newsletter – Quarter 3 of 2024

**VMPF**

Vrystaat Munisipale Pensioenfonds

August 2024



A word from the

# Board of Trustees and Principal Officer

Welcome to the third quarterly newsletter of the Vrystaat Munisipale Pensioenfonds (the Fund) for 2024.

**In this newsletter we provide you with the latest updates on the two-pot retirement fund system which, comes into effect on 1 September 2024.**

Read on to find out more about upcoming member trustee election process, how the Fund is being managed as well as important information on your benefits and membership in the Fund.

Please contact us should you wish to update your details or have any questions or concerns you would like to discuss.

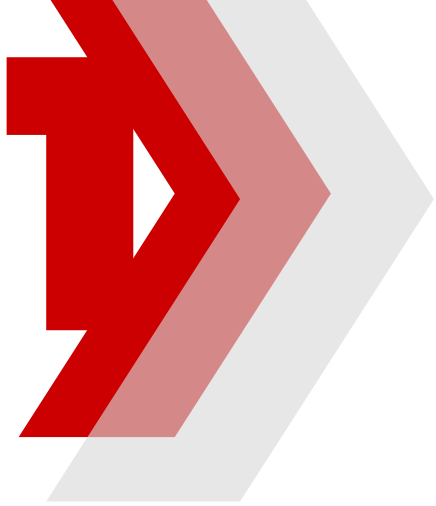
08.2024



The background of the slide features a close-up, shallow depth-of-field photograph of various coins (pennies, nickels, and dimes) scattered on a surface. Overlaid on this image are several large, semi-transparent geometric shapes: a large white triangle pointing downwards, a smaller white triangle pointing upwards, and a yellow rectangle in the top-left corner. The text is positioned on the right side of the slide, within the white triangular area.

# What's Covered

1. The Two-Pot System
2. Board of Trustees Composition
3. Investment Update
4. Fund Contributions
5. Death Benefits
6. Fund Matters and Updates



## The 2-Pot System

# The Retirement Fund Changes are here!

### Here is what you need to know...

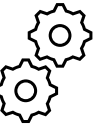
The Fund's rule amendment has been approved by the FSCA and we can now move forward with the implementation of the 2-pot system which comes into effect 1 September 2024



Together with our administrator, Robson Savage, we are hard at work to ensure the necessary administrative processes are in place. We remain confident that we will be ready to process any claims from your Member's savings pot by the end of September 2024.

Processing time is expected to be 3-4 weeks thereafter.

The requisite claim forms you will need to complete are published on the Fund's website [Microsoft Word - Savings Component Withdrawal Request \(vrystaat-mun-pensionfund.co.za\)](https://www.vrystaat-mun-pensionfund.co.za/).

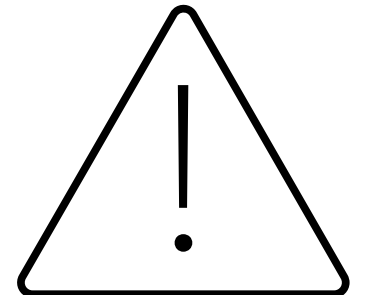


**We again URGE you to carefully consider avoiding accessing the money in your fund.** During our recent roadshow we explained to our members who attended, the reasons for us not recommending that you access your savings after 1 September as follows:

You will **lose out on the compounded growth** for Category B and C members; Category A members will **lose a portion of pensionable service** when accessing any portion earlier

You will pay **tax at the highest rate of tax** being your own marginal tax rate

You will **pay an additional administration fee** on every transaction

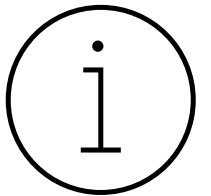




## The 2-Pot System

If you were over 55 on 1 March 2021

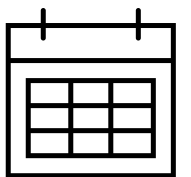
A reminder that if you were not older than 55 as at 1 March 2021, you will not be automatically included in the 2-Pot system like everyone else.



If you were older than 55 as at 1 March 2021 and you want to opt in to the 2-pot system, you will need to send a request to the administrator. **The request form for this will be available on the Fund's website after 1 September** [Microsoft Word - 2 Pot System - Opt in Form \(vrystaat-mun-pensionfund.co.za\)](https://www.vrystaat-mun-pensionfund.co.za).



The values for you in the different pots will only be determined using the values as at end September and therefore any withdrawal request will only be able to be processed in October. Please keep this in mind if you do choose to opt in and want to access any savings.





# Board of Trustees Composition

## Board of Trustees Composition

The following persons are confirmed as your Trustees:

Name of Trustee	Type of Appointment
Mr. Roelof Ter Stege (Chairman)	Member-Elected
Mr. Malcolm Campbell	Independent
Mr. Petrus Coenraad Faber	Member-Elected
Mr. Ewan Eloff	Member-Elected
Ms. M Setabela	Employer-Appointed
Mr. T Cunningham	Alternate Member-Elected

## Member-Elected Trustees Elections

The following Trustees’ term of office is coming to an end in November:

- Terry Ter Stege
- Pieter Faber
- Ewan Eloff
- Terence Cunningham (alternate)

Whilst all of the above Trustees are available for re-election, we will be sending out nomination forms to all our members for you to nominate who you want as your Trustees to manage the Fund.

Once all nominations are received, a formal ballot for votes will be circulated.

**Please look out for this!**

The Board is supported by the Principal Officer in ensuring that the Fund acts in the best interests of its members, pensioners and beneficiaries. The Principal Officer implements all Board decisions and gives effect to the Board’s strategy as well as supports the Board with day-to-day operations.

# Investment Update

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## Market Values

as at 31 July 2024

Asset Managers	Market Value in R Million
Allan Gray Global Balanced	354.02
Coronation Global Balanced	450.49
Ninety-One Global Balanced	224.35
Ninety-One Opportunities	149.67
Prescient Balanced	178.18
<b>Total Growth Portfolio</b>	<b>1 356.71</b>
Ninety-One Cautious Managed	24.43
Prescient Defensive Fund	6.19
Prescient Income Provider Fund	2.07
Abax Absolute Prescient Fund	15.99
<b>Total Cautious Portfolio</b>	<b>48.68</b>
AFI Banker	251.60
SIM Cash Fund	0.17
<b>Total Cash Portfolio</b>	<b>251.77</b>
<b>DB Active – Colourfield</b>	<b>289.37</b>
Pensioners	Market Value
Colourfield LDI	909.0
<b>Market Value</b>	
<b>Total Investments</b>	<b>2 855.53</b>

## Fund Growth (before fees)

as at 31 July 2024

Active Members	1 Month	Quarter	1 Year	3 Years	5 Years	10 Years
Allan Gray Global Balanced	3.55%	4.80%	12.83%	13.02%	10.99%	8.11%
Coronation Global Balanced	1.52%	3.36%	12.96%	9.92%	11.97%	8.60%
Ninety-One Global Balanced	1.21%	5.10%	9.78%	8.04%	8.70%	7.68%
Ninety-One Global Opportunities	0.98%	5.36%	10.70%	10.19%	10.88%	9.02%
Prescient Balanced	2.09%	6.96%	13.19%	9.48%	10.67%	8.71%
<b>Total Growth Portfolio</b>	<b>1.94%</b>	<b>4.56%</b>	<b>11.39%</b>	<b>10.25%</b>	<b>10.11%</b>	<b>7.93%</b>
Ninety-One Cautious Managed	1.27%	4.33%	11.37%	7.68%	8.56%	7.96%
ABAX Absolute	1.52%	4.04%	10.75%	10.08%	9.45%	8.70%
Prescient Income Provider Fund	1.54%	4.36%	11.53%	8.88%	7.37%	8.16%
Prescient Defensive Fund	1.86%	5.17%	12.80%	9.04%	8.54%	
<b>Total Cautious Portfolio</b>	<b>1.39%</b>	<b>4.14%</b>	<b>10.56%</b>	<b>7.91%</b>	<b>7.94%</b>	<b>7.82%</b>
AFI Banker	0.86%	2.44%	9.80%	7.78%	7.14%	7.61%
SIM Cash	0.82%	2.29%	9.21%	7.16%	6.54%	7.06%



# Life Stage Model Reminder

## CATEGORY B AND C MEMBERS

The Life Stage model takes into account the different risks and needs of investors close to retirement (5 years or less to retirement) and younger members still further from retirement age (more than 5 years). Because of the distinct difference in the risk appetite of members close to retirement (5 years or less) and younger members (more than 5 years from retirement), there are two separate portfolios utilised for both Category B and C members. **The two separate portfolios are:**

### Free State Growth Portfolio

This portfolio focuses on long term capital growth and aims to achieve returns of inflation plus 5% over 5-year periods. This portfolio is utilised to manage members’ assets that are more than 5 years from retirement. In other words, all members aged 60 years or younger are fully invested into this portfolio.

### Free State Cautious Portfolio

This portfolio is more focused on capital protection given the shorter investment horizon (for members who are closer to retirement age). In addition to the primary objective of protecting capital, the portfolio still aims to achieve returns of inflation plus 3% over 3-year periods. This portfolio is utilised to manage member’s assets that are less than five (5) years from retirement.

The table below explains how the life stage works:

Up to age 60	Age 60 to 63	From age 63
100% Free State Growth Portfolio	Transition quarterly over 3-year period	100% Free State Conservative Portfolio
Capital Accumulation		Capital Protection

# Investment Update



It is an important consideration of the Board of Trustees that members have different needs to each other. For this reason, you have the option to not have your investments form part of the default lifestage.

Should you choose not to participate in the default (de-risking into the cautious portfolio), you have the option to “opt out” of this and remain in the growth portfolio up until your retirement age.

If you do not specifically “opt out”, your investments will be a part of the de-risking approach described alongside.

If you are considering the option to “opt out”, we encourage you to obtain financial advice to ensure that you are making a decision that will ultimately benefit you financially going forward



# Keeping a long-term focus on your retirement savings!

## Investment Update

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One of the most critical concepts in investing is compounding returns. Compounding returns refer to the process where the earnings on an investment generate their own earnings over time. This snowball effect can lead to exponential growth in the value of your investments.

### How this works

When you invest money, you earn a return on that investment. In the next period, you earn a return not only on your original investment but also on the returns that were previously earned. This cycle continues, and over time, the growth accelerates.

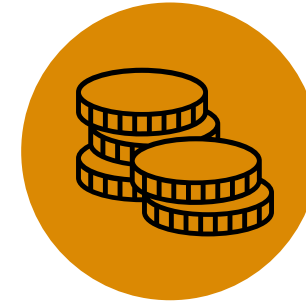
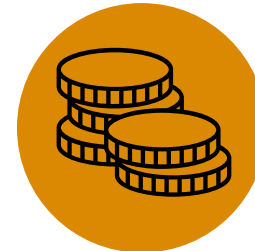
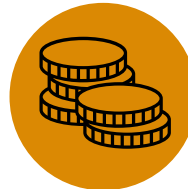
**For example, if you invest R1,000 at an annual return rate of 5%, you will have R1,050 at the end of the first year. In the second year, you earn 5% on R1,050, giving you R1,102.50, and so on. Each year, the amount you earn increases because you are earning returns on a larger amount of money.**

This graphic shows the power this has, and this is in your hands!

### The Importance of Time

Time is a crucial factor in compounding. The longer you leave your money invested, the more pronounced the compounding effect becomes. Even small amounts of money can grow significantly over long periods.

Consider the difference between investing for 10 years versus 30 years. The graph above shows this effect. The initial R1,000 investment with an annual return of 5% will grow to R1,629 after 10 years but by a whopping R4,322 over 30 years.



**Start Early:** The earlier you start investing, the more time your money has to grow. Even small contributions can lead to substantial growth over long periods.

**Be Consistent:** Regular investments, even in small amounts, can take full advantage of compounding returns.

**Be Patient:** Compounding requires time to show significant results. Patience and a long-term perspective are essential.

**Don't panic:** Understand that you are saving for the long term. If the market falls, then don't panic- you are a long term investor.



# Fund Contributions

As an active member, it is important that your monthly contributions are paid by your Employer to the Fund (as required by Section 13A of the Pension Funds Act).

Your monthly contributions and applicable fees are shown below as a percentage of your salary:

Category	A Defined benefit	B Defined contribution	C Hybrid
Employer Contributions	18.07%	18.07%	18.07%
Employee Contributions	8.50%	8.50%	8.50%
Life Cover Premium	N/A	-4,67%	-4.67%
Disability Cover Premium	N/A	-0.71%	-0.71%
Total Contributions Invested	26.57%	21.19%	21.19%

As at end July 2024, the municipalities below were in arrears or had not submitted the schedule with contributions:

Municipality	Months Outstanding
Kapanong	11
Mafube	61
Mantsopa	1
Masilonyana	22
Matjhabeng	1
Mohokare	2
Nketoana	4
Phumelela	1

The Fund is focused on following up on all non-compliant Municipalities and continues to address these.

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## Death Benefits

If you pass away while still employed and you are a Member of the Fund, your death benefits will be paid out to your Beneficiaries as shown alongside...



### Beneficiary nomination form

Please ensure that you have completed your beneficiary nomination form by visiting the new Fund website where all forms can be obtained –

<https://vrystaat-mun-pensionfund.co.za>

**Without a completed form, your wishes cannot be taken into account!**

## Membership Category

### Category B and C

There are 2 parts to your lump sum benefit (**Insured** and **Retirement Death Benefit**):

#### Insured Benefit

As part of the benefit of your membership (Category B and Category C members) of the retirement fund, you have group life cover in place, provided you are under age 60, that will pay out if you pass away.

#### Retirement Fund Death Benefit

In addition to the benefit described above, your Fund value, will pay out.

### Category A

In addition to the **lump sum death benefit** which is payable to your dependents and/or nominees, there are also **monthly pensions payable** to eligible spouses and children as set out in the Rules of the Fund.

**All death benefits are subject to tax.**

**Therefore, tax will be deducted before the benefit is paid out.**

Your death benefits are paid in accordance with Section 37C of the Pension Funds Act. All factual and financial dependency on you is taken into account when determining the distribution of your death benefits.

In a case where there are no factual and financial dependents, death benefits will be distributed to your nominees. Your will has no effect in respect of the distribution of these benefits.



## Fund Matters and Updates

### Treat your clients fairly

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The Board of Trustees and service providers to the Fund have an obligation to you as a member to ensure that you are treated fairly and high standards are set and adhered to in the provision of benefits to you. To this end, the Board of Trustees have formally adopted a Treating Customers Fairly (TCF) policy with the following 6 important principles:

Culture and  
Governance

Product  
Suitability

Disclosure

Suitable Advice

Performance  
and service in  
line with  
expectations

Claims,  
Complaints and  
Changes

**The term “customer” refers to you as a member of the Fund in accordance with the TCF requirements, the policy aims to ensure the following outcomes are achieved:**

- Customers are confident that they are dealing with the fund where the fair treatment of customers is central to the fund’s culture
- Products and services are designed to meet the needs of identified customer groups and are targeted accordingly
- Customers are given clear information and are kept appropriately informed before, during and after the time of contracting
- Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect
- Where customers receive advice, the advice is suitable and takes account of their circumstances
- Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint



# Fund Matters and Updates

## We Need Your Details

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To ensure that we can provide you, our member, with the necessary updates to all matters affecting you as a member of the Fund, we need your updated contact information.

The Fund sent an updated BIO form to all members and pensioners. If you have not yet completed please do so

## Complaints / Dissatisfaction

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In the event of a complaint regarding the Fund, please raise your complaint in writing to the Fund. The Fund is obligated to respond to your complaint within 30 days. Should you receive no response, or are not satisfied with the response, you can lodge your complaint with the Pension Funds Adjudicator.

## Fund Website

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**The Fund website for you to access general information and forms:**  
**<https://vrystaat-mun-pensionfund.co.za>**

## Unclaimed Benefit Challenges

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Although we have traced many former members who had benefits owing to them, there remains money in the Fund owing to former members i.e. unclaimed benefits. We urge members to assist by informing former Fund members that they should check the database managed by the **FSCA** where all unclaimed benefit's owing to former members of any retirement fund in South Africa.

[Click here for the FSCA's database](#)

Should a former member identify that he/she has money due to them from the Fund – the member should reach out to any of the Fund contacts.





# Fund Matters and Updates

## Important Fund Updates - Pensioners

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The Fund still has many pensioners who want their monthly pension statement sent by post.

This is no longer viable given the concerns with the Post Office.

Pensioners are urged to provide the Fund with your email address where your monthly statement can be sent

## Retirement Benefit Quotes

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Category A Members will be provided with only 2 retirement benefit quotes until a decision is made on the options available. This is to ensure that time and costs applicable are kept to a minimum as far as possible.

## Your Contact Details

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It is important that we have current email addresses and mobile numbers so that the Fund can communicate directly with you.

Please advise the Fund of your current contact details by sending the Principal Officer your details

**[Hazel@axiomatic.co.za](mailto:Hazel@axiomatic.co.za)**



# Fund Matters and Updates

## Service Providers

The Fund makes use of service providers to assist the Board in fulfilling its fiduciary duties. All service providers are appointed through a competitive bidding process in accordance with the Fund's procurement process.

The current service providers used by the Fund are as follows:

Function	Service Provider
Actuarial Services	Simeka Consultants
External Auditor	PwC
Benefit Administration	<b>Effective 1 Sept 2023: Robson Savage</b>
Investment Advisor	GraySwan
Investment Managers	<ul style="list-style-type: none"><li>- Alexander Forbes</li><li>- Allan Gray</li><li>- Coronation</li><li>- Colourfield</li><li>- Ninety-One</li><li>- Sanlam</li><li>- ABAX</li></ul>
Risk Assurer	<b>Effective 1 September 2023 Sanlam</b>

The Board of Trustees reviews the effectiveness and value provided by each of the service providers on an ongoing basis to ensure appropriateness and that as a member, you are getting the best possible value.

## Contact Details

The Fund's front office remains closed and we are operating remotely. Please use the email addresses and contact numbers below should you need any assistance.

### Front Office

Telephone number: +27 (0)56 212 6161

Email address: [freepen@e3.co.za](mailto:freepen@e3.co.za)

### Fund Administrator (Robson Savage)

Telephone number: +27 (0)11 643 4520

Email address: [sunithar@robsav.com](mailto:sunithar@robsav.com)

### Principal Officer

Email address: [hazel@axiomatic.co.za](mailto:hazel@axiomatic.co.za)