

Trustee Report 2022

VMPF

Vrystaat Munisipale Pensionfunds

February 2023



A word from the

Board of Trustees and Principal Officer

Welcome to the first newsletter of the Vrystaat Munisipale Pensioenfonds (the Fund) for 2023 where we also cover the activities for 2022.

This newsletter provides you with all the important matters regarding your membership in the Fund that you need to be aware of.

The Board of Trustees meet regularly and continue to work hard to ensure that you benefit as much as possible as a member of the Fund.

We encourage you to take the time to read this newsletter and contact us should you have any questions or concerns you would like to discuss with your Board of Trustees.

Hazel Hopkins (Principal Officer) on behalf of the Board of Trustees

02.2023



The background of the slide features a close-up, shallow depth-of-field photograph of various coins (copper and silver) scattered on a surface. Overlaid on this image are several large, white, semi-transparent geometric shapes: a large triangle on the left side and a large 'V' shape on the right side. A solid yellow horizontal bar is located in the top-left corner.

What's Covered

1. Stakeholders and Service Providers
2. Fund Contributions
3. Investment Update
4. Death Benefits
5. Financial Results for year-end June 2022
6. Fund Matters and Updates

Stakeholders and Service Providers

Board of Trustees

The Board currently has two vacancies for employer elected trustees. Any vacancy must be filled within 90 days; however there was a technical interpretation in the rules around the capacity of an employer trustee that had to be resolved. Given this the FSCA appointed a Section 26 Board to manage the Fund until the employer trustee appointments are resolved which must occur before 31 July 2023. The Trustees meet regularly as they have a fiduciary duty towards the Fund and to act in your best interests as a member. **The Trustees are as follows:**

Name of Trustee	Type of Appointment
Mr. Roelof Ter Stege (Chairman)	Section 26
Mr. Malcolm Campbell	Section 26
Mr. Petrus Coenraad Faber	Section 26
Mr. Ewan Eloff	Section 26

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.

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	Sanlam
Investment Advisor	GraySwan
Investment Managers	- Alexander Forbes
	- Allan Gray
	- Coronation
	- Colourfield
	- Ninety-One
Risk Assurer	- Sanlam
	- ABAX
Risk Assurer	BrightRock

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.



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	-4.46%	-4.46%
Disability Cover Premium	N/A	-0.92%	-0.92%
Total Contributions Invested	26.57%	21.19%	21.19%

As at 15 January 2023, the municipalities below were in arrears or had not submitted the schedule with contributions:

Municipality	Status
Mantsopa Municipality	September - December 2022 contributions outstanding; October & November schedule outstanding
Masilonyana Municipality	Dec 2021 - December 2022 contributions and schedule outstanding, December contributions outstanding
Matjhabeng Municipality	December 2022 Contributions outstanding
Mohokare Municipality	September - December 2022 Contributions outstanding
Moqhaka Municipality	December 2022 Schedule outstanding
Ngwathe Municipality	December 2022 schedule outstanding
Nketoana Municipality	August - December 2022 Schedules Outstanding ; November 2022 - December 2022 Contributions outstanding
Setsotho Municipality	December 2022 schedule outstanding
Tswelopele Municipality	December contributions outstanding
Kopanong Municipality	September - December 2022 contributions and schedules outstanding
Mafube Municipality	July 2019 - Dec 2022
Mafube Municipality	Prior to admin change (May 2015 to June 2019)

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

Investment Updates

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Market Values

as at 31 December 2022

Asset Managers	Market Value in R Million
Allan Gray Global Balanced	438,38
Coronation Global Balanced	504,97
Ninety-One Global Balanced	389,53
Ninety-One Opportunities	105,09
Prescient	107,03
Total Growth Portfolio	1 545,00
Ninety-One Cautious Managed	12,61
SIM Cautious Absolute Fund	14,08
ABAX	12,61
Total Cautious Portfolio	53,26
AFI Banker	147,19
SIM Cash Fund	100,54
ABSA Fixed Deposit	
Total Cash Portfolio	247,73

Pensioners	Market Value
Colourfield LDI	895,16

	Market Value
Total Investments	2 741,15

Active Members	1 Month	Quarter	1 Year	3 Years	5 Years	10 Years
Allan Gray Global Balanced*	0,43	7,71	9,64	9,74	6,35	9,25
Coronation Global Balanced*	-1,5	7,89	-1,87	9,4	7,18	9,59
Ninety One Global Balanced*	-0,81	7,48	0,34	7,81	6,29	9,21
Ninety-One Opportunities	0,02	7,69	-0,92	9,17	7,76	8,82
Prescient	-0,64	10,13	-2,46	8,57	6,56	9,40
Total Growth Portfolio	-0,68	7,68	2,50	8,13	6,12	9,11
Ninety One Cautious Managed**	0,80	4,16	-1,50	6,39	7,03	7,86
ABAX	-0,14	4,99	4,75	8,18	8,37	9,08
SIM Cautious Absolute Fund**	0,08	4,81	3,54	5,70	6,25	7,95
Total Cautious Portfolio	0,33	4,39	0,64	5,96	6,59	7,88
AFI Banker	0,70	1,95	6,26	5,76	6,85	7,12
SIM Cash Fund	0,61	1,76	5,58	5,33	6,03	5,89
Total Cash Portfolio	0,67	1,87	5,98	5,59	6,52	6,63

Fund Growth (before fees)

as at 31 December 2022

Life Stage Model Reminder

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 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

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

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Death Benefits

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



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.

Financial Results 30 June 2022

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

	30 June 2022 R	30 June 2021 R
Futuregrowth Asset Management	147,488,972	180,760,016
Allan Gray South Africa (Pty) Ltd	514,331,534	510,311,409
Colourfield Liability Solutions (Pty) Ltd	915,781,713	895,663,571
Coronation Fund Managers Limited	481,724,701	522,013,742
Investment Property - Erf 6182 Kroonstad	12,800,000	12,800,000
Ninety One Limited	509,101,163	532,759,786
Sanlam Investment Management (division of Sanlam Life Insurance Ltd)	133,354,372	166,481,262
Total value of investments managed	2,714,582,455	2,820,789,786

STATEMENT OF NET ASSETS AND FUNDS AS AT 30 JUNE 2022

	Note	30 June 2022 R	30 June 2021 R
ASSETS			
Non-current assets		2,714,582,455	2,820,789,787
Plant and equipment		-	1
Investments	2	2,714,582,455	2,820,789,786
Current assets		51,719,428	50,889,510
Accounts receivable	3	3,439,561	2,661,428
Arrear contributions	7	3,399,804	5,148,065
Cash and cash equivalents		44,880,063	43,080,017
Total assets		2,766,301,883	2,871,679,297

Financial Results 30 June 2022

FUNDS AND LIABILITIES

Members' individual accounts and Accumulated Funds

Accumulated Funds: Category A Members - Defined Benefit Members
 Members' Individual Accounts: Category B Members - Defined Contribution Members
 Members' Individual Accounts: Category C Members - Hybrid Members
 Pensioner Reserve Account

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2,072,757,789

2,085,100,828

717,016,398

704,826,634

279,754,441

298,807,795

160,205,660

185,803,228

915,781,290

895,663,171

Reserves

Reserve accounts

14

486,328,444

506,499,732

Total funds and reserves

2,559,086,233

2,591,600,560

Non-current liabilities

Unclaimed benefits

5

165,593,088

183,703,171

Current liabilities

Benefits payable

4

41,622,562

96,375,566

Accounts payable

6

39,561,006

93,503,888

2,061,556

2,871,678

Total funds and liabilities

2,766,301,883

2,871,679,297



Fund Matters and Updates

We Need Your Details

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.

Please ensure that you send your email address and/or mobile number to any of the following contact email addresses:

freepen@e3.co.za | client.services@sanlam.co.za | hazel@axiomatic.co.za

Complaints / Dissatisfaction

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

The Fund has launched a website for members to access general information: <https://vrystaat-mun-pensionfund.co.za>

Contact Details

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

Front Office

Telephone number: +27 (0)56 212 6161
Email address: freepen@e3.co.za

Fund Administrator (Sanlam)

Telephone number: +27 (0)21 916 3883
Email address: client.services@sanlam.co.za

Principal Officer

Email address: hazel@axiomatic.co.za

Unclaimed Benefit Challenges

Although we have managed to trace 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 our members to assist us by informing former-colleagues and 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 contacts listed below.

Accreditation of Retirement Funds

Reminder that the parties to the South African Local Government Bargaining Council concluded a Retirement Fund Collective Agreement (RFCA) on 15 September 2021.

We inform you that the process of opening membership is currently on hold the pending decision of the High Court. Updates will be communicated to you when available.