

Newsletter Q2 2023

VMPF

Vrystaat Munisipale Pensionfunds

June 2023

A cup of coffee on a saucer next to financial documents and a pen.

A word from the

Board of Trustees and Principal Officer

Welcome to the second newsletter of the Vrystaat Munisipale Pensioenfonds (the Fund) for 2023.

This newsletter provides you with an update of 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

06.2023

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 grey triangle pointing upwards, and a yellow rectangle in the top-left corner.

What's Covered

1. Stakeholders and Service Providers
2. Fund Contributions
3. Investment Update
4. Death Benefits
5. Treating Customers Fairly
6. Fund Matters and Updates

Stakeholders and Service Providers

Board of Trustees

The rules of the Fund were amended to clarify that employer-appointed trustees will be filled by the two participating municipalities with the higher number of members in the Fund. The municipality may appoint either a councilor or employee in this capacity. The Principal Officer invited the municipalities of Mangaung and Matjhabeng to put forward their appointed persons on 3 May 2023. The Board currently has two vacancies for employer elected trustees 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 Board of Trustees are confirmed 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
	- Sanlam
	- ABAX
Risk Assurer	BrightRock <i>(recently acquired by Sanlam)</i>

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 end April 2023, the municipalities below were in arrears or had not submitted the schedule with contributions:

Municipality	Last Fiscal Receipted	Comments
Kopanong	January 2023	February to April 2023 contributions outstanding
Mantsopa	February 2023	March to April 2023 contributions outstanding
Mafube	April 2015	Amount due prior to the Municipality being placed under administration (May 2015 to June 2019)
Mafube	June 2019	Contributions outstanding since being placed under administration (July 2019 to April 2023)
Masilonyana	January 2022	Under investigation
Mohokare	February 2023	March to April 2023 contributions outstanding
Phumelela	March 2023	April 2023 contributions outstanding

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 30 April 2023

Asset Managers	Market Value in R Million
Allan Gray Global Balanced	461.20
Coronation Global Balanced	529.58
Ninety-One Global Balanced	301.88
Ninety-One Opportunities	216.59
Prescient Balanced	111.74
Total Growth Portfolio	1,620.99
Ninety-One Cautious Managed	16.42
SIM Cautious Absolute Fund	2.91
ABAX Absolute	13.35
Total Cautious Portfolio	32.68
AFI Banker	134.74
SIM Cash Fund	105.18
Total Cash Portfolio	239.92

Pensioners	Market Value
Colourfield LDI	890.59

	Market Value
Total Investments	2,784.18

Fund Growth (before fees)

as at 30 April 2023

Active Members	1 Month	Quarter	1 Year	3 Years	5 Years	10 Years
Allan Gray Global Balanced	3.14%	2.12%	13.60%	13.96%	7.74%	9.26%
Coronation Global Balanced	2.58%	-0.85%	9.07%	16.36%	8.54%	9.55%
Ninety One Global Balanced	2.13%	0.47%	9.36%	11.14%	7.16%	9.34%
Ninety-One Opportunities	2.34%	3.26%	15.33%	10.59%	9.80%	9.58%
Prescient Balanced	1.74%	0.44%	8.16%	13.23%	7.97%	9.63%
Total Growth Portfolio	2.56%	0.58%	10.83%	12.93%	7.33%	9.15%
Ninety One Cautious Managed	1.13%	1.55%	8.22%	6.80%	7.83%	8.08%
ABAX Absolute	1.64%	2.24%	11.19%	9.56%	8.91%	9.84%
SIM Cautious Absolute Fund	0.88%	0.69%	7.28%	7.28%	6.70%	7.85%
Total Cautious Portfolio	1.32%	2.24%	8.31%	7.16%	7.34%	8.01%
AFI Banker	0.63%	2.00%	7.36%	5.79%	6.83%	7.21%
SIM Cash Fund	0.54%	1.82%	6.60%	5.26%	6.03%	5.99%
Total Cash Portfolio	0.59%	1.92%	7.04%	5.58%	6.51%	6.72%

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 shown alongside...



Beneficiary nomination form

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

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>

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.



Treating Customers Fairly

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

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 contact email addresses on the next page

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 website for you to access general information: <https://vrystaat-mun-pensionfund.co.za>

Unclaimed Benefit Challenges

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.

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 advise that the process of opening membership is currently on hold pending the decision if the High Court ruling will be challenged. Updates will be given when available.



Fund Matters and Updates

Civil Matter against former PO

Following the Fund being placed under Curatorship in 2017, and after investigations were conducted, the Fund instituted various civil actions against the former Principal Officer.

We are happy to report that in June 2023, the Fund settled these civil matters, where the parties agreed that the Fund retain a significant portion of the pension monies withheld from the former Principal Officer.

Pensioner Increase

The Board of Trustees, based on the actuary's advice have agreed to a top up on pensioner increases for those pensioners where the full CPI increase was not granted since 2019. This top up is being processed in June 2023.

Retirement Benefit Quotes

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.

Open Period to Switch from Category A - B

From 1 July 2023 – 31 December 2023, Category A members will be given the option to switch into Category B. Category A members should be aware of this option period.

Contact Details

The Fund's front office is closed and we are operating remotely. Please use the email addresses and contact numbers alongside 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.servicesS@sanlam.co.za

Principal Officer

Email address: hazel@axiomatic.co.za