

Newsletter Q1 2024

VMPF

Vrystaat Munisipale Pensionfunds

March 2024

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

A word from the

Board of Trustees and Principal Officer

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

In this newsletter we update you about the Government's proposed two-pot system which is anticipated to come into effect 1 September 2024.

We set out a summary of the annual financial statements of the Fund as at 30 June 2023.

Read on to find out more about how the Fund is being managed as well as information about the board composition and other pertinent information.

Please contact us should you wish to update your details, 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

03.2024

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, 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.

What's Covered

1. The Proposed Two-Pot System
2. Surplus distribution
3. Board of Trustees composition
4. Investment Update
5. Fund Contributions
6. Death Benefits
7. Extracts from financial statement
8. Fund matters and updates



The Proposed 2-Pot System

Since our last newsletter, a few things have changed and as we write this newsletter it is important to note that the FINAL legislation has not been enacted, so things may still change. Here is the current status (as we understand it...).

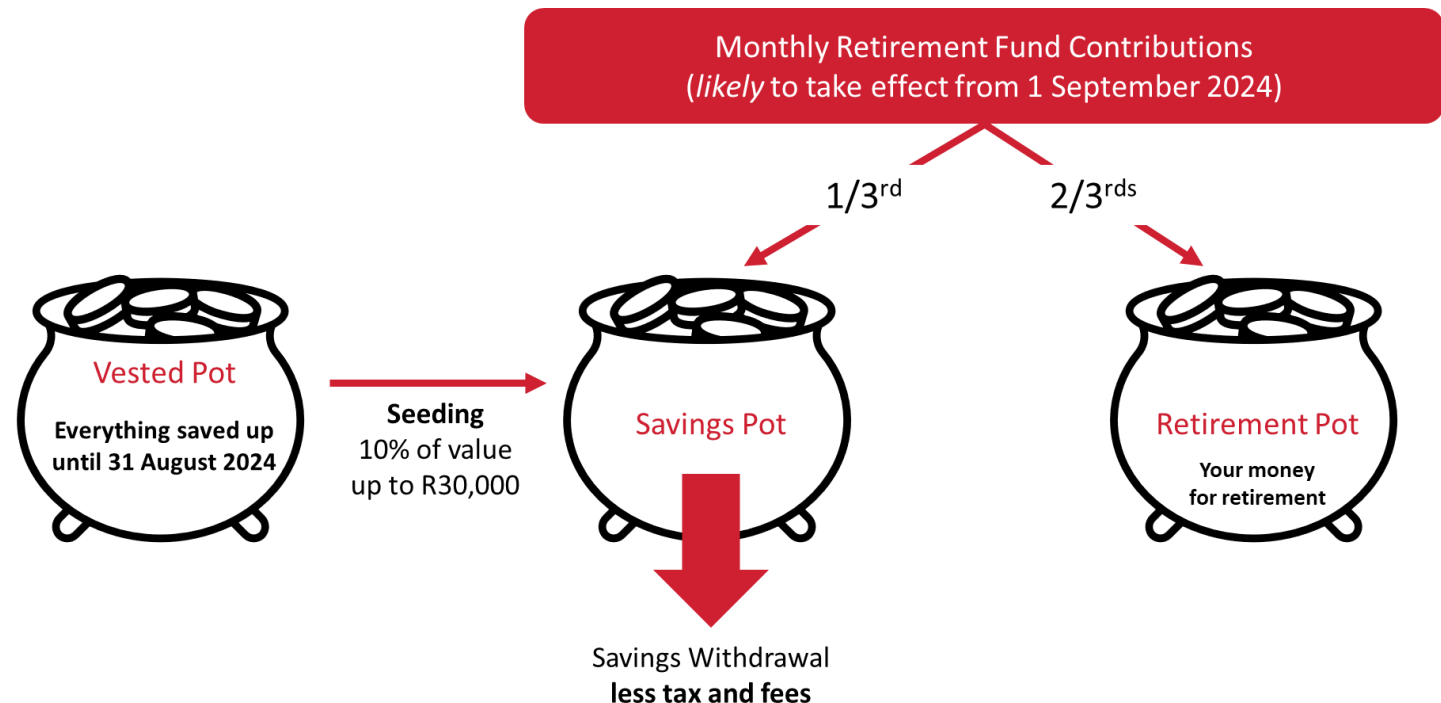
- Amended Effective date is **1 Sept 2024** (previously proposed 1 March 2024).
- Access to withdraw Savings from your Seeding capital (as at 31 Aug 2024) – refer below for more on Seeding capital.
- Members who were **55 or older** as at 1 March 2021, will be excluded but can choose to opt in.

“Seeding” – 10% available on 1 September 2024

You will be able to access a part of your savings component on 1 September 2024.

Although nothing will have accumulated in your savings pot as yet – 10% of your savings on 31 August 2024 limited to R30,000 will be transferred (“seeded”) from your Vested Component to your Savings Component on 1 September 2024.

Here’s how this will work:



Pensioner increase & Surplus distribution

As previously noted in our last newsletter, the Board has agreed on a surplus distribution.

We are happy to report that the Board has now concluded on this matter and payments to qualifying members will take place by the end of March 2024.

Pensioner increase

All pensioners as at 30 June 2022 will qualify for an additional once off amount of six (6) times the normal monthly pension in March 2024. Pensions that have been terminated since 30 June 2022, will also be eligible for this additional payment based on the last pension amount they had received. In most of these cases, the payment will need to be made to the estate of the late pensioner.

Pensioners who have retired since 30 June 2022 will not qualify for any additional payment, but they are likely to receive a surplus allocation of surplus as a Category A Member as outlined alongside.

Qualifying Members – Surplus distribution

Only Category A members (including pensioners) are considered as Qualifying members. Qualifying members are entitled to share in the surplus (which has arisen from the return on the assets held against the liability for pensioners and Category A members only).

Category B and Category C members are allocated their share on any investment return (based on their respective interest in the Fund) as they arise and do not contribute to the surplus. Accordingly, as they have not contributed towards the surplus, they therefore do share in the distribution of the surplus.

Surplus Payment date to Qualifying Members – end of March 2024

All active Category A Members as at 30 June 2022 will participate in the surplus allocation. Members who have exited the Fund after 30 June 2022 will also receive an allocation. The allocation will be based on an additional 5% of the member's actuarial reserve and will be allocated to the defined contribution surplus account for each member.

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Board of Trustees Composition

Board of Trustees

Following the nomination by Matjhabeng of an employer trustee and the confirmation that the Fund can include an alternate member elected trustee (as allowed by the amended rules of the Fund), the following 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

Fund rule amendments:

A Rule Amendment (Number 6) has been approved by the FSCA – this rule amendment clarifies the following:

- (a) *To align the definition with paragraph (a)(ii) of the definition of pension fund in the Income Tax Act and to remove the Fund from that definition;*
- (b) *To provide that the appointment of an Employer Appointed Trustee is not a requirement for the Trustees to be properly constituted, and that accordingly the Trustees are properly constituted if there are four Trustees in office;*
- (c) *By the deletion of Rule 16.7.2 because it is redundant;*
- (d) *To clarify how a person is appointed as an alternate Members' Trustee; and*
- (e) *To update the quorum requirements.*

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 Updates



Market Values

as at 31 December 2023

Asset Managers	Market Value in R Million
Allan Gray Global Balanced	396.75
Coronation Global Balanced	452.36
Ninety-One Global Balanced	229.56
Ninety-One Opportunities	191.98
Prescient Balanced	95.84
ABSA Fixed Deposit	19.73
Total Growth Portfolio	1 386.22
Ninety-One Cautious Managed	19.98
Prescient Defensive Fund	3.44
Prescient Income Provider Fund	3.40
Abax Absolute Prescient Fund	12.89
Total Cautious Portfolio	39.71
AFI Banker	128.15
SIM Cash Fund	114.85
Total Cash Portfolio	243.00
DB Active – Colourfield	279.67
Pensioners	Market Value
Colourfield LDI	894.54
Total Investments	Market Value
	2 843.14

Fund Growth (before fees)

as at 31 December 2023

Active Members	1 Month	Quarter	1 Year	3 Years	5 Years	10 Years
Allan Gray Global Balanced	1.91%	5.11%	14.15%	13.18%	9.77%	8.39%
Coronation Global Balanced	2.54%	8.41%	16.19%	12.02%	12.07%	8.70%
Ninety One Global Balanced	1.62%	6.87%	7.61%	8.10%	8.23%	7.78%
Ninety-One Opportunities	1.49%	7.20%	19.34%	11.79%	11.87%	9.20%
Prescient Balanced	2.85%	8.79%	14.65%	10.67%	10.32%	8.75%
Total Growth Portfolio	2.01%	6.69%	12.94%	10.70%	9.67%	8.13%
Ninety One Cautious Managed	1.30%	5.55%	13.18%	7.91%	8.90%	7.93%
ABAX Absolute	0.91%	4.20%	11.85%	9.93%	9.35%	8.83%
Prescient Income Provider Fund	1.12%	3.85%	9.88%	7.65%	7.06%	7.89%
Prescient Defensive Fund	2.42%	7.57%	11.57%	9.29%	8.22%	4.80%
Total Cautious Portfolio	1.20%	4.96%	11.88%	7.60%	8.04%	7.72%
AFI Banker	0.72%	2.37%	9.33%	6.76%	6.98%	7.42%
Cash Portfolio	0.68%	2.21%	8.65%	6.19%	6.40%	6.86%



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

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



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

Municipality	Outstanding	Comments
Mafube	Pre 2019	
Masilonyana	Dec 2021- Dec 23	SMS sent to members
Mohokare	March 23- Dec 23	SMS sent to members

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

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.

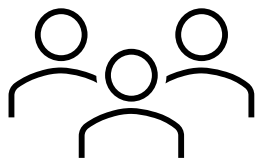
All death benefits are subject to tax.

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.

EXTRACT FROM ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



MEMBERSHIP PROFILE

The table below sets out the change in membership of the different membership types between 1 July 2022 and 30 June 2023 (as reflected in the Annual Financial Statements for the year ended 30 June 2023).

	Active Members	Deferred Members	Pensioners	Beneficiaries	Unclaimed Benefits
1 July 2022	432	4	849	78	1441
Pension Ceased			-56	-12	
Additions	-		11	29	6
Withdrawals	-4				
Retirements	-26				
Deaths	-5				
Unclaimed Benefit Paid					-216
30 June 2023	397	4	804	95	1,231



FUND CONTRIBUTIONS

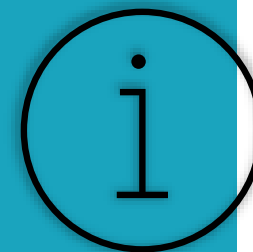
The amounts depicted below are all shown as a percentage of salary:

Category	A Members (Defined benefit)	B Members (Defined contribution)	C Members (Hybrid)
Employer contributions	18.07%	18.07%	18.07%
Employee contributions	8.5%	8.5%	8.5%
Total (before costs)	26.57%	26.57%	26.57%

ARREAR CONTRIBUTIONS

The latest information available reflects that there are three Municipalities who have not paid their contributions as is required by SI3A as follows:

- Mafube
- Masilonyana
- Mohokare



EXTRACT FROM ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF NET ASSETS AND FUNDS

	30 June 2022	30 June 2023
ASSETS	R 2 766 301 883	R 2 841 605 629
Non-current assets		
Investments	R 2 714 582 455	R 2 758 297 864
Current assets		
Accounts receivable	R 3 439 561	R 589 569
Arrear contributions	R 3 399 804	R 1 661 596
Cash and cash equivalents	R 44 880 063	R 81 056 600
LIABILITIES	R 2 766 301 883	R 2 841 605 629
Member Individual Accounts and Funds	R 2 072 757 789	R 2 142 211 428
Reserve Accounts	R 486 328 444	R 516 376 075
Non-current liabilities		
Unclaimed benefits	R 165 593 088	R 155 800 979
Current liabilities		
Benefits payable	R 39 561 006	R 24 640 259
Accounts payable	R 2 061 556	R 2 576 888



EXTRACT FROM ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF NET ASSETS AND FUNDS

	Member Individual Accounts and Funds	Reserve Accounts
Contributions received and accrued	R 31 109 151	–
Reinsurance proceeds	R 52 333	
Net investment income	R 223 964 171	R 68 123 962
Allocated to unclaimed benefits	(R 12 237 303)	–
Other income	R 6 747	–
Re-insurance premiums	(R 2 327 615)	–
Administration expenses	(R 12 862)	(R 17 464 963)
Net income/(loss) before transfers & benefits	R 240 554 622	R 50 658 999
Benefits	R 191 712 351	–
Net income after transfers and benefits	R 48 842 271	R 50 658 999
Balance at the beginning of the period	R 2 072 757 789	R 486 328 444
Transfer between accounts	R 20 611 368	(R 20 611 368)
Balance at the end of the period	R 2 142 211 428	R 516 376 075





Fund Matters and Updates

Treat your clients 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.

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

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 and forms: <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

Important Fund Updates

To remind our members the following changes have occurred:

- The administration of the Fund moved to Robson Savage effective 1 September 2023;
- The life cover reassurance moved from Brightrock to Sanlam (as Sanlam took over the Bright rock business)

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.

Your Contact Details

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 details by sending the Principal Officer your details (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	Effective 1 Sept 2023: Robson Savage
Investment Advisor	GraySwan
Investment Managers	<ul style="list-style-type: none">- Alexander Forbes- Allan Gray- Coronation- Colourfield- Ninety-One- Sanlam- ABAX
Risk Assurer	Effective 1 September 2023 Sanlam

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

Fund Administrator (Robson Savage)

Telephone number: +27 (0)11 643 4520
Email address: sunithar@robsav.com

Principal Officer

Email address: hazel@axiomatic.co.za

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.