



Dear members, employers, colleagues and other stakeholders,

I address you today as the proud chairperson of the Cape Joint Pension Fund, a Fund which is very well funded, with top of the class investment results and with solid governance processes in place. The Board of Trustees is also spending much of its time investigating opportunities to improve our fund even further and provide our members with the best and most secure retirement benefits possible.

We are not in this great position just by chance. The past three years in particular were spent tirelessly on getting ourselves into a position where we can capitalise on opportunities and the many new developments in the retirement industry. The very successful conversion of Defined Benefit members to the Defined Contribution Section will count as the biggest feat. We share in the joy of all these members who, apart from having received a very nice financial top-up, no longer have to fear not receiving the promised pension benefits of the old Defined Benefit Section.

With life stage portfolios now available in the Defined Contribution Section, members are automatically invested in the most appropriate portfolios. Members also have the option to decide themselves on a risk/reward combination that best suits them and I encourage those of you who enjoy taking control of your retirement planning to study our options for this.

Only around 20 active members remain in the Defined Benefit Section and we are continuing with talks to convince their employers to participate in the transfer of these members to the Defined Contribution Section.

We are looking at various options to grow the Fund. It is however not about size, it is about obtaining economies of scale on costs. This can be achieved in a number of ways, such as actively marketing the Fund, entering into co-operation agreements with other funds or even an amalgamation. Whatever we decide on, our assurance as a Board of Trustees is that the long-term interests of members and pensioners come first and we will only have dealings with funds that will not compromise the solid and sound governance of this Fund.

Over the short term, we are looking at further cost reduction opportunities across the board in order to increase the portion of contributions going to retirement savings. We all know the benefits of the compounding effect and over time, every cent counts.

There are also some exciting opportunities arising from recent regulatory changes which have opened the door for some innovative products, such as the ability to preserve your benefits inside the Fund after retirement. The discussion on retirement reform in South Africa is also back on the table and it is expected that these changes will be implemented on 1 March 2016 should the parties, which includes NEDLAC, reach consensus by June 2015. If no consensus is reached, the implementation date will be extended.



Our investment advisors and the Fund actuary will shortly report on the financial performance and state of the Fund, but I wish to point out that much of our recent successes are the result of excellent investment returns; and this despite a very volatile market.

The Fund restructuring process was aimed at correcting the underfunded position of the Pensioner Section and leave it 100% funded, and this we achieved. One year later and the actuarial valuation confirmed that the Pensioner Section is already at a funding level of 106% as at 30 June 2014. This means that we have a comfortable cushion to meet the payment of pensions until the very last pensioner, and provide annual increases of at least 60% of inflation. Our liability driven investment strategy is clearly working very well and we will continue with this strategy until we achieve secure pensions with 100% of inflation increases.

The Defined Contribution Section achieved 4.5% better than the long-term target over the past 12 months ending June 2014. To put this in perspective for Defined Benefit members who recently transferred to the Defined Contribution Section: In order to at least match what you would have received as a pension promise if you had stayed in the Defined Benefit Section, the average Fund return should have been CPI plus 4%. We achieved CPI plus 10.9% over the same period.

For the past 12 months to end April 2015 the DB Fund and DC Fund has produced a sterling 12.2% (CPI+8.2%) and 16.0% (CPI+12.0%) respectively, which is well above the long term performance targets. Over the last three years, which performance is normally judged on, the DB Fund yielded 56.5% in total which is well above the target of 31.4% for the same period and the DC Fund yielded 57.1% in total which is also well above the target of 39.2% for the same period.

Although early days, it is certainly a very good sign that the Defined Contribution members will do much better than with the old pension promise. Keep in mind that the reason why we had to do the conversion in the first place, was because the original pension promise in the Defined Benefit Section would in all probability not have materialised.

Jim Collins, an American business consultant and author, said "Don't be satisfied with merely good or excellent. Discover what it takes to be GREAT". We have indeed achieved a lot during 2014/2015, but have set our target on being **great**.

Our "key business" focus areas will continue to be the following:-

- (a) As Trustees, we will, at all times, be worthy of the trust placed in us and manage the CJPF with honesty, integrity, utmost good faith and to the best of our ability. We will not tolerate any conflict of interest;
- (b) We will manage, monitor and where possible reduce cost;



- (c) Achieve excellent investment returns for our members, without taking unnecessary risks;
- (d) Provide modern, new and cost effective risks benefit options (death and disability benefits) to members;
- (e) Protect the interest and rights of our members;
- (f) Ensure best practices in terms of corporate governance, compliance and clean audits;
- (g) Create total transparency and ensure that all members are fully informed on fund business, benefit structures, costs, retirement options, industry developments and rule amendments.

As trustees and service providers we remind ourselves every day, that it is now our privilege to manage a fund with a 72 years proud history. Our sole purpose will always be to ensure your successful retirement!

As always, I want to pay tribute to the Board of Trustees and the Principal Officer and his team of service providers who never stop pursuing the improvement of the Fund for the benefit of all members. I know that I can count on them to continue doing so.

Before I end off, there is someone who deserves a very special thank you, Michael de Waal. He is a pensioner representative on the Board and has indicated that he wants to retire from this position at the end of the year. Michael, we could always rely on your support and wisdom and we wish you a well-deserved rest.

Thank you all for attending and for the opportunity to update you on important matters of your Fund. I wish you all the best and look forward to seeing you next year again.

We will now go over to the presentations by service providers. As always, we have a general questions item on the agenda, at which time you are welcome to also raise any questions you may have on my report.

I thank you.

Herman Botha
CHAIRPERSON

29 May 2015