



# CAPE JOINT PENSION FUND

**AGM 2016**

## Chairperson's Address

Dear members, employers, colleagues and other stakeholders

Thank you for your attendance today and for the opportunity for me to be able to provide you with an update on important Fund developments.

I once again have the privilege of addressing you today as the proud chairperson of the Cape Joint Pension Fund. The Fund is one of the oldest funds established for the benefit of local government employees (it's been around for 73 years to be exact) and has evolved to where it is today – a large, well-funded pensioner pool and a dynamic defined contribution benefit offering for active members.

The Board of Trustees and our service providers have worked tirelessly over the last 3 years in restructuring the Fund. This exercise was recently successfully concluded with the transfer of the last remaining 20 active defined benefit members to the defined contribution section. As of 1 April 2016, our active membership only consists of defined contribution members.

Our liability driven investment (LDI) strategy underpinning the pensioner's portfolio has achieved exactly what was intended. The pensioner account was 101.4% funded as at 30 June 2015. I am pleased to confirm that the Fund has always met its pensioner promise of being able to declare an annual increase of 60% of CPI on 1 January every year. In addition, the Board of Trustees declared an annual bonus amounting to 75% of gross monthly pensions to our 4 218 pensioners in December last year.

We have prided ourselves in achieving excellent investment returns over many years. This remains our objective despite the very tough economic and political environment and the incredibly volatile investment markets. Our investments underlying the Fund's Life Stage investment strategy have performed well considering this extreme volatility. The Fund's Accumulation Phase with its moderate to aggressive allocation to equities underperformed its target of CPI + 6% over the year ending 30 June 2015 but it outperformed the All Share Index by 1.47% over the period returning a total of 7%. The Consolidation and Preservation Phases both handsomely outperformed their long-term performance targets of CPI + 4% and CPI + 2% over the 12 months to June 2015, returning 12% p.a. and 10.4% p.a. respectively. Overall, the defined contribution returns for the 12 months ended 30 June 2015 exceeded the target of 10.8% (i.e. CPI + 6%) to return a total of 11.4%.

Having said the above, our asset consultants have recently cautioned members in the April member newsletter not to expect the exceptional returns earned over the last decade to be repeated over the next 3 to 5 years due to the negative macro and political environment. Members are reminded that adequate preparation for retirement is not about timing the market but it is rather about time in the market. It is never advisable to try to time the market by switching in and out of the various

investment portfolios, thereby potentially locking in your losses. Our message to members is to remain disciplined and to focus on your time horizon to your normal retirement date. This is also the cornerstone of our Life Stage investment strategy.

In order to maximize the contributions that you make towards retirement funding, we remain committed to reducing our overhead costs and the costs of providing our risk benefits. In this regard, our risk benefits are evaluated every year. In addition, all our consulting services were recently evaluated and our benefit consultant constantly engages with the market to ensure the provision of competitive benefits at best prices.

Now onto the developments since 30 June 2015 – we appointed our new Principal Officer, Ilse Hartlief. Ilse joined the Cape Joint team on 1 July 2015 and has brought with her a wealth of knowledge in running other corporate and multiple employer funds like ours. We welcome her to our team!

On the legislative front, so much has been said about the implementation of the Taxation Laws Amendment Act on 1 March 2016 and its implications but suffice to say that it has enabled members to obtain full tax deductibility on their total 27% contribution towards retirement funding. This is indeed good news. Various recent rule amendments now provide additional benefits for members e.g. phased retirement permits members to retire from employment but to retain their retirement benefit in the Fund until a later date and Councillors may join the Fund with effect from 1 June 2016. We look forward to newly appointed Councillors joining our Fund after the local government elections later this year and any Councillors whose terms of office come to an end and are renewed are also entitled to join the Fund. Many of these Councillors will for the first time qualify for affordable and competitive risk benefits provided by the Fund – these benefits remain applicable until age 65.

The Fund will also be launching its brand new in-fund living annuity with effect from 1 July 2016 which will enable retiring members to purchase a very cost-effective living annuity via the Fund, thereby enabling them to continue to enjoy access to the Fund's cost-effective and well-managed investment portfolios. Braam du Plessis of Simeka Consultants and Actuaries will take you through the highlights of this new benefit during his presentation.

The Board of Trustees, together with the Principal Officers and service providers, has worked tirelessly to date to achieve our goals. Our focus for the forthcoming year is to:

- further enhance our investment returns,
- further reduce costs where possible,
- continue to ensure best practices in terms of corporate governance, compliance and clean audits,
- help you, our members, to secure your retirement and to deliver on our pension promise to our many pensioners,
- grow the Fund membership, and
- successfully implement the Fund's enhanced communication strategy.

In this regard, I am extremely pleased to be able to confirm the appointment of the Fund's new Communication Consultants, Old Mutual Corporate, with effect from 1 January 2016. Old Mutual has partnered with the Fund in launching its enhanced communication strategy. Financial education of our members remains the key focus of this strategy and in this regard, the Fund aims to:

- engage more with our employers and members via education sessions at the local authorities,
- disseminate more Fund information via e-mail, SMS and via our new soon-to-be-launched mobi-friendly website, and
- engage with prospective members at face-to-face induction sessions and via our new induction video. The implementation of the Fund's enhanced communication strategy has effectively enabled the Fund's vision to grow its membership and it is envisaged that the establishment of possible associations with various stakeholders in the near future will further enhance this vision.

The implementation of this strategy has also resulted in the launch of a brand new fund identity – but more about this after the presentations by the Fund's service providers.

I once again take this opportunity to thank my fellow Trustees, the Principal Officer and the Fund's service providers for their hard work, dedication and professionalism in achieving the above. All our service providers have been short listed and are therefore finalists in the 2016 Batseta Imbasa Yegolide awards for service excellence. Our team therefore represents the cream of the crop!

I also thank the trustees who give of their time to the Fund's two Committees and especially the chairpersons of these Committees (Audit & Risk Management Committee and the Corporate Committee) for the additional hours spent in ensuring that world class governance practices are adhered to and the assistance they provide to the Board of Trustees in making informed decisions.

I will now hand over to the service providers for them to take you through their presentations. Thereafter I will return to the podium to unveil our new Fund identity. As always, the agenda includes an item to allow attendees to ask questions about my report. You are welcome to engage with me at that point.

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Service providers' presentations

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The Chairperson resumes his address:

Launch of the Fund's new identity:

As mentioned earlier, Old Mutual Corporate has partnered with the Fund to implement our enhanced communication strategy. Our first item of business was to refresh the Fund's appeal to both existing and new members by giving it a complete "face-lift" so to speak. Our new name, LA Retirement Fund, reflects the dawn of a new era – one in which we actively portray the following:

- A dynamic defined contribution fund for active members
- All-inclusive membership not constrained just to the Cape
- A unique, easily recognizable brand that is representative of our membership of local authority employees
- Our aim to grow our membership
- The retention of our members at the heart of everything we do
- Our proud history of world class governance practices and our solid investment performance

Our Principal Officer will drive the implementation of the above.

Our ultimate aim is to empower our members to enable them to make the right choices and to retire comfortably. Sit back and watch the short video clip.

Thank you.

Herman Botha  
**CHAIRPERSON**