

Cape Joint Pension Fund

Summary of the Actuarial Valuation as at 30 June 2011

1. Objectives of the valuation

The main objectives of the actuarial valuation are to:

- Determine the financial condition of the Fund by comparing the actuarial value of the assets to the value of past service benefits as at the valuation date;
- Calculate the future service contribution rate required to fund benefits in the defined benefit (DB) section;
- Determine the level of pension increases that may be afforded;
- Determine the appropriate contingency reserves to protect the Fund; and
- Confirm the final bonus rate to be applied to Members' Shares in the defined contribution (DC) section.

The previous valuation was performed as at 30 June 2010.

2. Membership statistics

	30 June 2011	30 June 2010
Active members (DB Section)		
Number	1 222	1 362
Annual pensionable salaries (Rm)	173.2	177.9
Salary weighted average age (years)	49.6	49.3
Salary weighted average service (years)	21.6	20.9
Paid-up members (DB Section)	2	3
Active members (DC Section)		
Number	751	788
Annual pensionable salaries (Rm)	108.2	102.6

Salary weighted average age (years)	47.0	47.0
Salary weighted average service (years)	17.0	16.9
Pensioners (DB Section)		
Number	5 070	5 344
Annual pension (Rm)	205.98	209.5
Average pension (R)	40 627	39 195
Pension weighted average age (years)	73.3	72.8

3. Financial condition of the Fund

DB Section

Financial condition	30 June 2011	30 June 2010
DB Section	R 000	R 000
Market value of assets	3 039 127*	3 141 932
Less investment reserve	67 977	190 464
Actuarial value of assets	2 971 150	2 951 468
Past service liabilities	3 030 085	2 946 599
Active service members	1 129 771	1 017 455
Paid-up members	239	229
Pensioner liability	1 900 075	1 928 915
Optimal solvency reserve	391 380	286 223
Reduction	(391 380)	(281 354)
Solvency reserve	0	4 869
Surplus	(58 935)	0
Funding level (DB Section)	98.1%	100.0%

**The market value of the assets includes an amount of R181.7 million in respect of the Rule 17(5) claim.*

The funding level of the DB Section is determined by dividing the actuarial value of the assets by the total of the past service liabilities and the solvency reserve.

The financial condition of the Fund has deteriorated by R58.9 million over the inter-valuation period. The funding level has decreased from 100% at the previous valuation date to 98.1% at the current valuation date.

DC Section

Financial condition DC Section	30 June 2011 R 000	30 June 2010 R 000
	Declared 4.0% p.a.	Declared 7.0% p.a.
Assets of the DC Section	386 570	380 967
DC Section Members' Shares	371 285	373 656
Investment Reserve	15 285	7 311
Funding level (DC Section)	104.1%	102.0%

The funding level of the DC Section represents the ratio of the assets to the past service liabilities. The Investment Reserve in the DC Section is used to smooth interest declared each year. The Trustees have, since the valuation date, revised the investment strategy for the DC section. With effect from 1 December 2011, the full investment return earned on the Fund's assets is allocated to Member's Shares.

4. Future service contribution rate

The recommended total contribution rate of 32.40% of pensionable salaries, as recommended in the previous statutory actuarial valuation, exceeds the total current contribution of 27.0% of salaries in the DB Section. This shortfall translates to about R9.4 million a year based on DB Section active member salaries at the valuation date.

5. Conclusions

- The DB Section of the Fund had a funding level of 98.1% at 30 June 2011. Whilst this has decreased since the previous actuarial valuation it is still within the Registrar's normally acceptable range of at least a 95% funding level, provided that the previous statutory valuation reflected at least a 100% funding level.
- The Fund cannot afford to hold any solvency reserve. This leaves the Fund exposed to adverse market conditions.
- A final interest rate of 4.0% p.a. was declared in the DC Section for the year ending 30 June 2011.
- A pension increase of 2% on 1 January 2012 was awarded.
- It is my opinion that, if the deficit is cleared and the recommended contribution rate is adopted for the DB Section, the Fund, in the normal course of events, will be funded on sound actuarial principles.

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Fellow of the Institute of Actuaries

in my capacity as Actuary to the Fund and

as an employee of Metropolitan Life Limited

7 May 2012