



LA Retirement Fund

Summary of the Actuarial Valuation as at 30 June 2016

1. Objectives of the valuation

The main objectives of the actuarial valuation are to:

- Determine the financial condition of the Fund by comparing the value of the assets to the value of past service benefits as at the valuation date;
- Review the investment return allocations for active members of the DC Section;
- Determine the level of pension increases that may be afforded; and
- Determine the amount of the contingency reserves necessary to protect the Fund.

The previous valuation was performed as at 30 June 2015.

2. Membership statistics

	30 June 2016	30 June 2015
Active members (DB Section)		
Number	-	29
Annual pensionable salaries (Rm)	-	4.9
Salary weighted average age (years)	-	51.8
Salary weighted average service (years)	-	22.2
Active members (DC Section)		
Number	1 478	1 521
Annual pensionable salaries (Rm)	289.4	295.1
Salary weighted average age (years)	49.9	49.7
Salary weighted average service (years)	21.2	20.9
Non-contributory members	3	5

The active members of the DB Section transferred to the DC Section. There were no remaining DB active members as at the valuation date 30 June 2016.

Membership statistics continued...

	30 June 2016	30 June 2015
Pensioners and DB Deferred Members		
Number	3 951	4 218
Annual pension (Rm)	192.0	197.0
Average pension (R)	48 589	46 656
Pension weighted average age (years)	75.8	75.4

3. Financial condition

Financial condition	30 June 2016	30 June 2015
DB Section	R 000	R 000
Value of assets ¹	2 037 843	2 136 012
Pensioner Account		
Value of assets	1 988 698	2 072 712
Pensioner liabilities	(1 865 989)	(1 984 926)
Solvency Reserve	(54 918)	(59 771)
Surplus	67 791	28 015
Funding level (Pensioner Account)	103.5%	101.4%
DB active members		
Value of assets	49 145	63 300
Active member liabilities	-	(41 352)
Surplus	49 145	21 948
Funding level (DB active members)	-	153.1%
Overall surplus	116 936	49 963
Overall funding level (DB Section)	106.1%	102.4%

1. The value of assets is the fair value of the net assets of the Fund after deduction of current liabilities and any liabilities arising from the pledging, hypothecation or other encumbering of the assets of the Fund. The actuarial value of the assets is equal to the fair value of the assets.

Financial condition	30 June 2016	30 June 2015
DC Section	R 000	R 000
Assets of the DC Section	1 960 970	1 932 720
Members' Shares	(1 953 190)	(1 924 363)
Contingency Reserve Account	(8 700)	(8 864)
Processing Error Reserve Account	920	507
DC Section Surplus	0	0
Funding level (DC Section)	100.0%	100.0%

4. Investment returns allocated to Members' Shares

	30 June 2016	30 June 2015
Accumulation portfolio	6.7	7.1
Consolidation portfolio	6.0	12.0
Preservation portfolio	6.5	10.4
Cash Plus portfolio	9.4	6.2

5. Contribution rates

The contribution rates as a percentage of salaries are 18% for Local Authorities, 9% for active members and 7.5% for Contract Employees.

6. Conclusions

- The Pensioner Account has a funding level of 103.5% with a surplus of R67.8 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R49.1 million in the DB Section excluding the surplus in the Pensioner Account. The surplus has been allocated to the Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 106.1% with a surplus of R116.9 million.
- The DC Section has a funding level of 100% and is in a sound financial condition.
- Overall the Fund is in a sound financial condition with a surplus of R116.9 million and an overall funding level of 103.0%.
- The Trustees awarded a 4% pension increase effective 1 January 2017.
- The Trustees awarded a 50% of monthly pension bonus to pensioners payable in December 2016.



Sean Neethling BSc CFP® FASSA FIA

Fellow of the Actuarial Society of South Africa

In my capacity as Valuator to the Fund and as an employee of MMI Group Limited.

The Actuarial Society of South Africa is the primary regulator in my professional capacity.

21 December 2016