

## LA Retirement Fund

### Summary of the Actuarial Valuation as at 30 June 2018

#### 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 2017.

#### 2. Membership statistics

	30 June 2018	30 June 2017
<b>DC Section active members</b>		
Number	1 432	1 463
Annual pensionable salaries (Rm)	325.3	305.6
Salary weighted average age (years)	49.7	49.7
Salary weighted average service (years)	20.4	20.6
<b>Pensioners and DB Deferred Members</b>		
Number	3 510	3 730
Annual pension (Rm)	185.8	189.4
Average pension (R)	52.933	50 779
Pension weighted average age (years)	76.9	76.4
<b>In Fund Living Annuitants</b>	16	4

- \* DC means defined contribution  
DB means defined benefit

### 3. Financial condition

<b>Financial condition</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>Pensioner Account</b>	<b>R 000</b>	<b>R 000</b>
<b>Assets of the Pensioner Account</b> <sup>1</sup>	<b>1 776 181</b>	<b>1 859 077</b>
Pensioner liabilities <sup>2</sup>	(1 667 050)	(1 762 159)
Solvency Reserve	(45 708)	(49 929)
<b>Pensioner surplus</b>	<b>63 423</b>	<b>46 989</b>
<b>Funding level of the Pensioner Account</b> <sup>3</sup>	<b>103.7%</b>	<b>102.6%</b>

**Notes:**

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.
2. Pensioner liabilities include DB Deferred Member liabilities and a provision for future expenses related to these categories of membership.
3. The funding level is determined by dividing the value of the assets of the Pensioner Account by the sum of the pensioner liabilities and the Solvency Reserve.

<b>Financial condition</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>DC Section</b>	<b>R 000</b>	<b>R 000</b>
<b>Assets of the DC Section</b>	<b>2 018 237</b>	<b>1 911 937</b>
Members' Shares	(1 970 695)	(1 867 824)
Living Annuity Account	(44 225)	(17 062)
Contingency Reserve Account	(9 199)	(10 059)
Processing Error Reserve Account <sup>1</sup>	5 882	(16 992)
<b>DC Section Surplus</b>	<b>0</b>	<b>0</b>
<b>Funding level of the DC Section</b>	<b>100.0%</b>	<b>100.0%</b>

**Note:**

1. The Processing Error Reserve Account held a negative balance of –R5.882 million as at 30 June 2018 representing -0.3% of the DC Section liabilities. The Trustees may allocate the balance of the Processing Error Reserve Account to Members' Shares and Living Annuitants' accounts.

### 4. Investment returns allocated to Members' Shares

	<b>Year ending</b>	<b>Year ending</b>
	<b>30 June 2018</b>	<b>30 June 2017</b>
Accumulation portfolio	11.4%	3.1%
Consolidation portfolio	10.7%	5.0%
Preservation portfolio	10.6%	5.6%
Cash Plus portfolio	7.3%	7.8%

## 5. Contribution rates

	<b>% of salary</b>
Local Authorities for Councillors	7.5 or 10.0
Local Authorities for other members	18.0
Members	9.0
Contract Employees	7.5

## 6. Conclusions

- The Pensioner Account has a funding level of 103.7% with a surplus of R63.4 million and is in a sound financial condition as at the valuation date.
- 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 R63.0 million and an overall funding level of 101.7%.
- The Trustees allocated the negative balance of the Processing Reserve Account of -0.3% of liabilities to Members' Shares and Living Annuitant accounts.
- The Trustees awarded a 3.22% pension increase effective 1 January 2019.
- The Trustees increased the pension increase target from 65% to 70% of price inflation from 1 January 2019.
- The Trustees awarded a 60% of monthly pension bonus to pensioners payable in December 2018.



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Fellow of the Actuarial Society of South Africa

In my capacity as Valuator to the Fund and

as an employee of Momentum Consultants and Actuaries (Pty) Ltd.

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

21 December 2018