



## **Chairperson's Address AGM 2019**

Dear members, employers, colleagues and other stakeholders,

It is a privilege to be presenting this Fund report to you in my position as Chairperson of the LA Retirement Fund. I was elected by the Board of Trustees to take over the chairmanship from Mr Sakkie du Toit on 1 July 2018. I have the benefit of having been assisted with the management of this exceptionally well-run municipal fund since 2013 when I was elected onto the Board by my fellow members. I am therefore well versed in all the developments and I am comfortably able to provide this update on the previous financial year. I have taken the liberty of also looking forward just a bit when describing work that commenced during the 2017/2018 year and was implemented shortly thereafter.

First and foremost, I wish to thank my predecessor, Mr Du Toit, for having assisted the Board in successfully navigating the Fund through its name change in 2016, the many positive benefit changes implemented for our members since then and the constant dedicated focus on ethical leadership and governance. It was also a privilege to welcome back Mr Johan Jacobs to the Board in August 2018 – this time as an additional trustee. We also said goodbye to Mr Jan van der Merwe who decided to retire in December after having served this Board for just over 16 years.

The 2018 financial year was a busy period for the Board of Trustees and all the stakeholders and service providers. Despite the local and global economic challenges and having to meet numerous legislative changes, the Fund continued to deliver on its promise to members to help them secure the retirement they deserve. Not only have we focused on meeting the needs of our members, we have become their trusted partner who walks with them along the journey to retirement and beyond.

Our low cost, actively managed In-Fund Living annuity, created in 2016, has seen a large uptake amongst retiring members whose investment in the Fund's default lifestage portfolios has enabled a seamless transfer to the In-Fund Living annuity on retirement. These retirees therefore continue to benefit not only from the Fund's low cost structure they enjoyed whilst an active member of the Fund but also from the Trustees long term, diversified investment approach and principled philosophy to Fund governance.

The remainder of my report back will focus on the four clear promises underpinning the Fund's mission statement, namely effective retirement investments, ethical fund management, clear communication and education and affordable risk benefits.

### **Retirement investments**

After a strong equity market recovery in the second half of 2017 and a newly elected ANC President, confidence returned to South Africa. It was unfortunately short lived due to global events. The many unrelenting geopolitical issues led to a flight for safety out of emerging economies, including South Africa. However, despite the tough macro environment and very low growth locally, the Fund's defined contribution risk profiled solutions yielded returns above expectations ranging from 7.29% to 11.43%.

The results, when viewed against other institutional municipal retirement funds and retail unit trust funds (of particular importance for retiring members when choosing the provision of an income into retirement) with similar risk profiles, show that over the short, medium and long term, the Fund remains a leader in the industry. This is good news not only for active members of the Fund but also for retiring members who have chosen to purchase the In-Fund Living Annuity.

It is evident that the strategies implemented by the Trustees and their continuous focus on keeping costs as low as possible have benefited our members and retirees in these uncertain market environments.

2018 was a very difficult year from an investment point of view with more volatility predicted for 2019. A consolation in these uncertain times is that the Trustees follow a disciplined investment approach and they don't allow the Fund's risk profiled solutions to hinge on single macro-economic and investment views. Instead, the Trustees value diversification across sectors, industries, regions, investment managers, funds and currencies which will hopefully mean that our members will enjoy even better news in the investment review section of the next year's annual report.

Mr Duncan Theron of GraySwan Investments, the Fund's asset consultant, will provide more insight into the Fund's investments during his presentation.

### **Ethical Fund Management**

The Board holds its service providers accountable for delivering high quality services to the Fund that comply with the standards set out in the various agreements. During the year under review, the Trustees approved the drafting of a list of key performance indicators per service provider (the KPI Protocol) and every year all service providers are required to substantiate their performance against these key areas of delivery.

Cost curtailment is a constant focus of the Trustees as the Fund's total cost ultimately impacts members' retirement savings. The Board regularly reviews offerings, services and fees levied across the retirement fund industry and benchmarks the Fund against these industry standards to ensure that it provides the best possible service at competitive rates. The Trustees set an example by reviewing their own costs to the Fund. Recommendations were placed before the Board by the Audit Committee during the last quarter of 2018. This self-analysis resulted in a reduction of the number of Board meetings from monthly to bimonthly, the removal of meeting allowances in favour of one market related monthly retainer fee and an agreement that the Trustees annual training would be undertaken in the offices of the Fund as opposed to an outside venue. These three cost saving initiatives came into operation on 1 January 2019 and directly benefit not only our active members but also our In-Fund Living annuitants.

### **Communication and education**

Communication and education empower our members to take the right decisions so the more effectively we undertake this, the better. The Fund embarked on a number of education campaigns during the previous financial year.

Members' annual benefit statements were completely redesigned and included a brand new projection statement to assist them in better understanding what level of monthly income or pension can be purchased in today's money terms from their member share values. Positive feedback was received from members and the 30 June 2018 statements were once again amended to further assist members. We also produced the Fund's first In-Fund Living Annuity projection statement that was issued to all In-Fund Living Annuitants at the end of the financial year. This statement assisted annuitants in determining their appropriate draw down rates. It will now be a standard statement to be issued every year.

The Fund's website and all its Q&A booklets and forms were updated to ensure compliance with Regulations 37, 38 and 39 (i.e. the so-called Default Regulations) as well as the requirements of the Taxation Laws Amendment Act.

The Fund's new quarterly investment newsletter was launched and, I'm pleased to confirm, has become the most read communique issued by the Fund. Not only does it provide a short updated global and local market commentary, it provides the Fund's investment portfolios performance and compares this to the performance of our municipal fund peers.

The administrator embarked on a process of obtaining members e-mail addresses and cellphone numbers during the year under review. Providing your cellphone number enables us to send an SMS to you to make you aware of important Fund information. We aim to make use of more electronic mediums in the future, thereby reducing the need for costly printing and postage. So please ensure that we have your correct e-mail address and cell phone number on record.

The Fund held face-to-face member education sessions towards the end of 2018. I am pleased to confirm that the first sessions were held in Hessequa and Atlantis. Members are encouraged to look out for invitations to attend these sessions at their local authorities as the information shared at these events further empowers our members through their journey to retirement and beyond.

All members from age 54 onwards will be given the opportunity of attending a retirement planning workshop during 2019 which encompasses not only the financial aspect of retiring but also the psychological impact and the issues that need to be dealt with leading up to retirement and beyond. Four very successful retirement planning workshops were held for our City of Cape Town members in March this year.

### **Affordable risk benefits**

The Fund introduced flexible death and disability benefits in August and September 2017. Members are able to determine their own level of death cover required that meets both their needs and pocket. On request from members and some employers, two new voluntary benefits were introduced during the 2018 financial year. Voluntary extended family funeral cover was provided to all members in addition to the Fund's funeral cover for members and their immediate families. Voluntary Critical Illness benefits were introduced to enable members a once-off opportunity to take out insurance at reasonable rates against certain dread diseases. These same benefits at group rates cannot be purchased on an individual basis from the retail market.

The provision of risk benefits is benchmarked every year to ensure the provision of the most robust, cost effective and affordable benefits for our members.

I have some hot-off-the press news: our funeral cover rates will, for the 3<sup>rd</sup> consecutive year, reduce with effect from 1 July this year. This means that more of the employer's contribution will go into your retirement savings.

### **Our pensioner assets**

The Trustees have continued to work very closely with the Board of Directors of Newshelf 922 (Pty) Ltd, the company in which all but one of the Fund's investment properties are held. The Board of Trustees mandated the Board of Directors in 2016 to sell all the Fund's direct properties in order to invest these assets elsewhere to achieve higher returns for the direct benefit of our pensioners. I am pleased to report that as at the end of the reporting period, all the properties held by Newshelf had been sold with the actual transfer of the last two being accomplished towards the end of 2018.

The portion of the pensioner portfolio that is managed in terms of a Liability Driven Investment (LDI) strategy has continued to match the pensioner liability and the trustees granted a pension increase in line with the Pension Increase Policy without compromising on the overall funding level of the pensioner portfolio. The pension increase target was again increased and pensioners received their discretionary pensioner bonuses.

### **Looking forward**

The Board of Trustees will continue to deliver on our commitment to our members, retirees and pensioners through a dedicated focus on a culture of ethical conduct and good governance. Cost management underpins all that we do as the Board is aware that every Rand spent in a defined contribution retirement fund ultimately impacts our members.

As mentioned, we aim to further enhance our communication efforts from mere information sharing to truly empowering our members to take decisions in their best interests and we aim to continue to walk the journey with our members as they transition from being active members to In-Fund Living annuitants in retirement.

### **Thank you**

I thank our participating employers and Fund members as without their support and trust, the LA Retirement Fund would not exist. We look forward to continuing to reward that trust with consistent investment performance, superior service and world-class governance in the years to come.

I thank my fellow trustees for their ongoing commitment, professionalism and support and the rest of the team (the professional service providers and Principal Officer) for helping us to consistently deliver on our mission.

I will now hand over to Ms Yvonne Wilken of Verso Financial Services to take us through the highlights of the 30 June 2018 Fund Financial Statements.

Danie Carstens  
**CHAIRPERSON**