

LA Retirement Fund

Summary of the Actuarial Valuation as at 30 June 2019

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 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 2018.

2. Membership statistics

	30 June 2019	30 June 2018
DC Section active members *		
Number	1 415	1 432
Annual pensionable salaries (Rm)	340.9	325.3
Salary weighted average age (years)	49.4	49.7
Salary weighted average service (years)	20.0	20.4
Pensioners and DB Deferred Members #		
Number	3 265	3 510
Annual pension (Rm)	178.6	185.8
Average pension (R)	54 696	52 933
Pension weighted average age (years)	77.4	76.9
In Fund Living Annuitants	35	16

* DC means defined contribution

DB means defined benefit

3. Financial condition

Financial condition Pensioner Account	30 June 2019 R 000	30 June 2018 R 000
Assets of the Pensioner Account ¹	1 655 893	1 776 181
Pensioner liabilities ²	(1 600 391)	(1 667 050)
Solvency Reserve	(44 335)	(45 708)
Pensioner surplus	11 167	63 423
Funding level of the Pensioner Account ³	100.7%	103.7%

Notes:

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

Financial condition DC Section	30 June 2019 R 000	30 June 2018 R 000
Assets of the DC Section	1 960 090	2 018 237
Members' Shares	(1 870 188)	(1 970 695)
Living Annuity Account	(89 164)	(44 225)
Contingency Reserve Account	(7 427)	(9 199)
Processing Error Reserve Account ¹	6 689	5 882
DC Section Surplus	0	0
Funding level of the DC Section	100.0%	100.0%

Note:

1. The Processing Error Reserve Account held a negative balance of R6.689 million as at 30 June 2019 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

	Year ending 30 June 2019	Year ending 30 June 2018
Accumulation portfolio	3.0%	11.4%
Consolidation portfolio	4.5%	10.7%
Preservation portfolio	8.4%	10.6%
Cash Plus portfolio	8.5%	7.3%
Shariàh portfolio	4.7%	1.7% ¹

Note:

1. This return is for the 5 month period from 1 February 2018 to 30 June 2018.

5. Contribution rates

	% of salary
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 100.7% with a surplus of R11.2 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 R11.2 million and an overall funding level of 100.3%.
- 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 3.12% pension increase effective 1 January 2020.

- The Trustees awarded a 50% of monthly pension bonus to pensioners payable in December 2019.



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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.

6 December 2019