



Minutes

of the

Thirty-Fifth Annual General Meeting

held in the

C R Louw Lecture Hall, Sanlam Head Office, Bellville

24 May 2019



**MINUTES OF THE THIRTY-FIFTH ANNUAL GENERAL MEETING
OF THE LA RETIREMENT FUND
HELD IN
THE C R LOUW LECTURE HALL, SANLAM HEAD OFFICE, BELLVILLE
ON FRIDAY 24 MAY 2019**

PRESENT:	Mr DL Carstens	: Chairperson / Member Trustee
	Ms M van Zyl	: Deputy Chairperson / Member Trustee
	Mr HF Botha	: Additional Trustee
	Mr J Jacobs	: Additional Trustee
	Mr WR Meiring	: Councillor Trustee
	Mr S Philander	: Councillor Trustee
	Mr JAH van den Berg	: Pensioner Trustee
	Mrs IT Hartlief	: Principal Officer
	36 Delegates and 6 observers	
VERSO FINANCIAL SERVICES:	Messrs W Hugo, E Thomson and P Wallace Mss Y Wilken and S Erasmus	
OLD MUTUAL CORPORATE CONSULTANTS:	Mss V Nelson and E D'Oliviera Messrs A de Vos and C Carolissen	
GRAYSWAN INVESTMENTS:	Mr D Theron	
MOMENTUM CONSULTANTS & ACTUARIES:	Mr S Neethling	
SIMEKA CONSULTANTS & ACTUARIES:	Mr B du Plessis	
APOLOGIES:	Mr PW Esterhuizen – Pensioner Trustee Ms M de Klerk - Councillor of Mossel Bay Municipality	

1. OPENING OF MEETING AND WELCOMING OF DELEGATES

The Chairperson welcomed all the attendees and he expressed his appreciation for their special effort in attending the 35th Annual General Meeting of the Fund. He also expressed the hope that the information provided at the meeting would address any concerns and queries that the delegates might have.

1.2 The meeting was opened with a scripture reading and prayer by Mr Edward Thomson.



2. NOTICE CONVENING THE MEETING

The Chairperson noted that proper notice of the 35th Annual General Meeting had been given in terms of the Rules of the Fund. He confirmed that there was a quorum of delegates, and declared the meeting PROPERLY CONSTITUTED.

3. CONFIRMATION OF MINUTES

It was proposed and seconded that the minutes of the Annual General Meeting held on 25 May 2018 be unanimously APPROVED.

4. ADDRESS BY THE CHAIRPERSON (Annexure A)

The Deputy Chairperson, Ms Michelle van Zyl, took over the chair for the period during which the Chairperson delivered his address. His address was ACCEPTED with thanks by the meeting.

5. PRESENTATION: ANNUAL FINANCIAL STATEMENTS

Ms Yvonne Wilken of Verso Financial Services, the Fund's appointed administrator, presented the Annual Financial Statements as at 30 June 2018.

A question was raised by a representative who enquired what was meant by the statement that a certain number of members had withdrawn from the Fund.

Ms Wilken explained that she was referring to those members who had received a benefit in terms of the Rules of the Fund and had therefore terminated their membership with the Fund. For example, those persons who had resigned from their employment.

It was then proposed and seconded that the Annual Financial Statements be unanimously APPROVED.

The Annual Financial Statements were included in the agenda.

The Powerpoint presentation and the full transcription of the presentation can be viewed at www.laretirementfund.co.za.

6. PRESENTATION: INVESTMENTS AND FUND PERFORMANCE

The presentation by Mr Duncan Theron of GraySwan Investments, the Fund's appointed investment consultant, was NOTED with appreciation.

The Powerpoint presentation and the full transcription of the presentation can be viewed at www.laretirementfund.co.za.

7. PRESENTATION: ACTUARIAL VALUATION

Mr Sean Neethling of Momentum Consultants & Actuaries, the Fund's appointed consulting actuary, presented the actuarial valuation as at 30 June 2018.

Mr Derick Tromp, an employee from City of Cape Town, expressed concern at the decline in the number of active members and wanted to know what cause of action the Board was taking to increase the membership.



Ms Hartlief, the Principal Officer, responded by explaining that there was a misperception by participating employers that the Fund was closed to new members. The Fund had been a defined contribution Fund for many years and had never been closed to new members. She said the Fund had been engaged in a communication and marketing campaign since 2016. This entailed building relationships and being involved in new member inductions in an attempt to attract new members. The Fund was succeeding in attracting new members and was on a growth curve. There were, however, members exiting the Fund at the same time as new ones were joining. Consequently, the new member growth was not always obvious.

Mr Tromp then referred to the opportunity members were given in 1997 to join the then Cape Joint Retirement Fund (CJRF) and enquired if there was a possibility that members would be given a similar option to join another fund.

Ms Hartlief explained that the opportunity given in 1997 arose because the Fund created CJRF as a separate DC Fund and members were therefore given the opportunity to transfer to the DC Fund. The moratorium on the freedom of association did not permit members to transfer their membership to another fund. Ms Hartlief then stated that members need not be concerned about the membership size as investment returns and not membership size determined wealth at retirement.

The presentation was NOTED with appreciation.

The summary of the actuarial valuation as at 30 June 2018 was NOTED. **(Annexure B)**

The Powerpoint presentation and the full transcription of the presentation can be viewed at www.laretirementfund.co.za.

8. PRESENTATIONS: GOVERNANCE RELATED ACTIVITIES / RULE AMENDMENTS / FUND RELATED TRENDS AND DEVELOPMENTS

The presentations by Mr Braam du Plessis of Simeka Consultants & Actuaries, the Fund's appointed consultant, were NOTED with appreciation.

The Powerpoint presentations and the full transcription of the presentations can be viewed at www.laretirementfund.co.za.

9. MOTIONS

It was NOTED that no motions were received.

10. GENERAL QUESTIONS

The full transcription of the Q&A can be viewed at www.laretirementfund.co.za.

- 10.1 Mr Robert du Plessis, an employee from Buffalo City Municipality, said that it had been five years since the Fund had last visited his Municipality and he requested another roadshow.

Ms Hartlief responded by stating that the Fund has been to Buffalo City Municipality within the last two years to visit their HR department and to explain the benefit structure to them. She stated that the Fund would like to undertake a member education session at Buffalo City Municipality at which time the Fund would contact Mr Du Plessis.



- 10.2 Mr Sibonelo Ninela, an employee from George Municipality, echoed a similar request to that of Mr Du Plessis.

Ms Hartlief said that a well-attended member education session was held at George Municipality just the Monday prior to the AGM. She said that the goal of the Fund was to be involved in all induction sessions at the various participating employers. The reality, however, was that all inductions were held in the first week of the month and with just two people available to travel, it was impossible to attend all the inductions. Therefore, the Fund had concentrated its efforts on those municipalities which were closest in proximity, and which yielded the best opportunity for recruiting potential members. She said the Board had approved an electronic voice-over presentation that could be used at induction sessions where the Fund was not able to send a representative.

- 10.3 Mr Sibonelo Ninela, an employee from George Municipality, also referred to the moratorium on the freedom of association and said that there were many employees who were not properly informed of their choice of a retirement fund and consequently ended up in inferior funds. He asked for LA Retirement Fund marketing material so that he could use it to persuade employees to transfer their membership when possible.

Ms Hartlief reiterated the SALGA moratorium on the freedom of association and that currently members of other funds did not have the freedom to transfer their membership.

- 10.4 Mr Sibonelo Ninela, an employee from George Municipality, said that some people invested in a second annuity with a financial institution and he asked if the Fund would market that concept to the municipalities to encourage people to invest in a second annuity.

Ms Hartlief said that the best advise would be for members to invest more money in the Fund as additional voluntary contributions as this was the most cost-effective saving option for members and they would enjoy the superior returns that the Fund was achieving.

- 10.5 Mr Robert du Plessis, an employee from Buffalo City Municipality, asked if there was any validity in the rumour circulating in East London and King William's Town area that the retirement age was going to be reduced from age 65 to 60.

Ms Hartlief said that the Fund was unaware of the rumour and had not been informed of any such intention.

11. MOTION OF THANKS by Ms Michelle van Zyl

Ms Van Zyl, the deputy Chairperson, shared a poignant poem of the human heart that cares for the well-being of others without expecting anything in return. She then proceeded with the following motion of thanks:

- 11.1 To Mr Edward Thomson of Verso Financial Services for the inspirational way in which he had opened the meeting;
- 11.2 To Mr Danie Carstens, the new Chairperson, for his assertive, professional and calm leadership throughout the year and the way he always solicited the opinions of all Board members before decisions were taken;
- 11.3 To the Board for their loyal commitment, resolute trustworthiness, and hard work towards the good governance of the Fund;



- 11.4 To Ms Ilse Hartlief, the Principal Officer, for her passionate and knowledgeable contribution and her co-ordination of the affairs of the Fund;
- 11.5 To the presenters: Ms Yvonne Wilken and Messrs Duncan Theron, Sean Neethling and Braam du Plessis for their informative and dynamic presentations and their valuable advise throughout the year;
- 11.6 To Mr Wouter Hugo, the new CEO of Verso Financial Services and his team for the high quality of their administration services and continued support and loyalty to the Fund;
- 11.7 To Ms Valerie Nelson of Old Mutual Corporate and her team for the ever improving communications with members and pensioners as well as the new design enhancements in respect of the Fund's printed and electronic material;
- 11.8 To Sanlam for the use of the auditorium facilities;
- 11.9 To Ms Mandy Addison of TGI for the recording of the meeting;
- 11.10 To Ms Natalie Cedras of Fedics and her staff for the catering;
- 11.11 To Ms Susan Erasmus for organising and coordinating this meeting and her support to the Board throughout the year;
- 11.12 To all the delegates for their attendance and participation.

The Chairperson thanked Ms Michelle van Zyl for her commitment and for the synergy that existed between the Chairperson, Deputy Chairperson and Principal Officer.

He then reminded the delegates of the In-Fund Living Annuity presentation that was to take place at 12:00 in the Training Centre.

A safe journey home was extended to every delegate.

The meeting adjourned on Friday, 24 May 2019 at 11:30.

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DATE

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CHAIRPERSON



Annexure A

Chairperson's Address



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 Annuity holders 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 3rd 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



Annexure B

Summary Actuarial Valuation 30 June 2018



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 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
DC Section active members		
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
Pensioners and DB Deferred Members		
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
In-Fund Living Annuitants	16	4

- * DC means defined contribution
DB means defined benefit



3. Financial condition

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

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.

Financial condition	30 June 2018	30 June 2017
DC Section	R 000	R 000
Assets of the DC Section	2 018 237	1 911 937
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 ¹	5 882	(16 992)
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 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

	Year ending 30 June 2018	Year ending 30 June 2017
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%
Shariàh portfolio	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 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 R63.4 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.



MINUTES

Annual General Meeting

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 Momentum Consultants and Actuaries (Pty) Ltd.

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

11 April 2019