



# Minutes

of the  
Thirty-Seventh Annual General Meeting  
held virtually on  
28 May 2021



## MINUTES OF THE THIRTY-SEVENTH ANNUAL GENERAL MEETING OF THE LA RETIREMENT FUND HELD VIRTUALLY ON FRIDAY 28 MAY 2021

PRESENT: (live)	Mr DL Carstens	: Chairperson / Member Trustee
(virtual)	Ms M van Zyl	: Deputy Chairperson / Member Trustee
(virtual)	Adv CJ Franken	: Pensioner Trustee
(virtual)	Mr J Jacobs	: Additional Trustee
(virtual)	Mr J Lawack	: Additional Trustee
(virtual)	Mr WR Meiring	: Councillor Trustee
(virtual)	Mr S Philander	: Councillor Trustee
(virtual)	Mr JAH van den Berg	: Pensioner Trustee
(live)	Ms IT Hartlief	: Principal Officer
	27 virtual delegates	

### 1. OPENING OF MEETING AND WELCOMING OF DELEGATES

- 1.1 The Chairperson welcomed all the virtual attendees. He also welcomed and introduced Ms Ilse Hartlief, the Principal Officer, Mr Braam du Plessis of Simeka Consultants & Actuaries and Ms Yvonne Wilken of Verso Financial Services who joined him at the live broadcasting at the Verso offices. He also introduced those persons who had facilitated the logistics for the meeting and who were present on the day behind the scenes: namely Mr Aasif de Vos and Ms Estelle D'Oliviera of Old Mutual and Mr Leon Vermeulen and Ms Susan Erasmus of Verso Financial Services. Furthermore, he introduced those persons who were taking part virtually: namely Ms Michelle van Zyl, the Deputy Chairperson, Mr Sean Neethling of Momentum Consultants & Actuaries and Mr Duncan Theron of GraySwan Investments.
- 1.2 The meeting was opened in prayer by Ms Michelle van Zyl, the Deputy Chairperson.

### 2. NOTICE CONVENING THE MEETING

The Chairperson noted that proper notice of the 37<sup>th</sup> Annual General Meeting had been given in terms of the Rules of the Fund. He confirmed that there was a quorum of virtual attendees, and he declared the meeting PROPERLY CONSTITUTED.

### 3. CONFIRMATION OF MINUTES

It was proposed and seconded that the minutes of the 35<sup>th</sup> Annual General Meeting held on 24 May 2019 be unanimously APPROVED.

### 4. ADDRESS BY THE CHAIRPERSON (Annexure A)

The Chairperson asked the Principal Officer to explain to the virtual attendees how to log a question in the system's chat box. The Principal Officer explained the procedure to be followed and encouraged all virtual attendees to make use of the facility. She requested that they submit their questions during each presentation which would be answered live after the respective presentations.



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

A question was raised by a virtual attendee who enquired when the promised access to the pensioners on-line portfolios would be available.

The Principal Officer responded by informing the meeting that Verso, the Fund's Administrator, would be switching to a new administration platform on 30 June 2021, and thereafter the administrator would communicate with all active members, pensioners and In-Fund living annuitants, with regards to how they could access the on-line portfolios and their personal information.

## 5. PRESENTATION: ANNUAL FINANCIAL STATEMENTS

Ms Yvonne Wilken of Verso Financial Services, the Fund's appointed administrator, presented the summary of the Annual Financial Statements as at 30 June 2020.

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

The Annual Financial Statements are available on the Fund's website.

The presentation and the AGM video can be viewed at [www.laretirementfund.co.za](http://www.laretirementfund.co.za).

## 6. PRESENTATION: ACTUARIAL VALUATION

Mr Sean Neethling of Momentum Consultants & Actuaries, the Fund's appointed consulting actuary, presented the interim actuarial valuation as at 30 June 2020.

The presentation was NOTED with appreciation.

The summary of the actuarial valuation as at 30 June 2020 is attached. **(Annexure B)**

- 1) A virtual attendee requested a copy of the minutes of the AGM, and stated that he had not received the newsletters or any communication from the Fund since lockdown.

The Principal Officer responded by informing the meeting that the minutes of the AGM would be published on the Fund's website in due course. Furthermore, she asked the member to provide her with his/her name and email address so that she could ensure that the three very important circulars were forwarded to the member. She also confirmed that the circulars were available on the Fund's website under the News and Active members tab.

- 2) A virtual attendee stated that he/she had worked for the City of Cape Town for 26 years and was 46 years of age and wanted to know what would happen to his/her pension if he/she resigned from the Fund.

The Principal Officer responded by saying the member would be entitled to their full resignation benefit, i.e. the full value of the member's share as at exit date. Furthermore, the member would have the option to:



- Take the full value in cash which would be subject to tax; or
- Leave the benefit in the Fund and remain a paid-up member until retirement age and enjoy the investment returns of the Fund during the paid-up period; or
- Transfer his/her benefit, tax free, to an approved preservation fund, retirement annuity fund or new employer's fund.

Mr Neethling added that it was always advisable to obtain financial advice or to speak to Mr Grant Greenfield, the Fund Counsellor, before making an election.

The presentation and the AGM video can be viewed at [www.laretirementfund.co.za](http://www.laretirementfund.co.za).

## **7. PRESENTATION: GOVERNANCE RELATED ACTIVITIES / RULE AMENDMENTS / FUND RELATED TRENDS AND DEVELOPMENTS**

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

The presentation and the AGM video can be viewed at [www.laretirementfund.co.za](http://www.laretirementfund.co.za).

## **8. PRESENTATION: INVESTMENTS AND FUND PERFORMANCE**

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

A virtual attendee wanted to know if inflation was expected to increase as a result of printing money.

Mr Theron responded by saying that market commentators had different views with regards to inflation. He said that inflation was the biggest risk, however, he said that he believed that inflation was well under control. While inflation would not remain at the 3% level, he believed it would settle between 4% and 4.5%.

The presentation and the AGM video can be viewed at [www.laretirementfund.co.za](http://www.laretirementfund.co.za).

## **9. MOTIONS**

It was NOTED that no motions were received.

## **10. GENERAL QUESTIONS**

It was NOTED that no general questions were logged.

## **11. MOTION OF THANKS**

The Deputy Chairperson reminded the meeting of the golfer, Walter Hagen's autobiography and his quote, *Don't hurry, don't worry, and be sure to smell the flowers along the way*, which was paraphrased as the expression "to stop and smell the roses". She said this was a reminder to us to slow down, to pause, to reflect and to appreciate life. She then proceeded with the following motion of thanks:



- 11.1 To Mr Danie Carstens, the Chairperson, for his leadership, vision, calmness and inspiring guidance in all matters of the Fund, and for successfully hosting the Fund's first virtual AGM;
- 11.2 To the Board for their trustworthiness, commitment and hard work towards the good governance of the Fund;
- 11.3 To Ms Ilse Hartlief, the Principal Officer, for her continued passion and excellent management of the Fund;
- 11.4 To the presenters: Ms Yvonne Wilken and Messrs Sean Neethling, Braam du Plessis and Duncan Theron for their informative and dynamic presentations and their valuable advise throughout the year;
- 11.5 To Mr Wouter Hugo, the CEO of Verso Financial Services, and his team for their administration services and continued support and loyalty to the Fund;
- 11.6 To Mr Aasif de Vos and Ms Estelle D'Oliviera of Old Mutual for their excellent communication services, and their work to ensure the technical success of the virtual AGM; and
- 11.7 To all the delegates who joined the virtual AGM and for their continued interest in the affairs of the Fund.

Members were reminded to read all the reports and circulars dealing with important Fund information on the Fund's website.

The Chairperson thanked the Deputy Chairperson for her comprehensive expression of thanks. He also thanked her on behalf of the Board for her participation and support.

The meeting adjourned on Friday, 28 May 2021 at 11:10.

.....  
DATE

.....  
CHAIRPERSON



# **Annexure A**

## **Chairperson's Address**



Dear members, pensioners, employers, colleagues and other stakeholders,

It is a privilege to once again be presenting this Fund report to you in my position as Chairperson of the LA Retirement Fund, albeit not in person but virtually. Last year, my address was pre-recorded and sent to you. This time around, you can both see and hear me speak to you in real time.

The 2019/2020 financial year was like no other. As we entered 2020 with optimism, no one could foresee the fear, panic and absolute chaos caused by the Covid-19 pandemic in South Africa and around the world. While the financial markets have rebounded substantially since the first quarter of 2020; the economic devastation and the significant loss of life because of the pandemic will continue to be felt by both South Africans and everyone around the world for some time.

The Board acknowledges that the most concerning financial aspect of Covid-19 for most of our members is the impact the global crisis has had on their retirement savings. Short-term market volatility can be emotionally devastating for members because of the fear of how this could impact their member share values.

It is for this reason that we focused most of our attention last year on communicating with and educating our members. In addition to our quarterly investment newsletters, we issued two Special Investment Updates – the first one during mid-March that reflected the market conditions and the impact of Covid-19 at the time and the second one during early April that focused on the downgrade of South Africa's local and foreign currency denominated debt to sub-investment grade by Moody's rating agency on 27 March 2020 and the subsequent further downgrading of SA's debt by Fitch rating agency 03 April 2020.

Whilst the equity market correction may not have been the worst in recent history, it was certainly the fastest market correction ever experienced. The JSE All Share Index fell by some 26% over the first quarter of 2020. The Fund's Risk Profiled Solutions were also unfortunately materially affected by the significant and rapid equity drawdowns during this period. We informed members that while it was tempting to make impulsive decisions based on positive or negative information in the media; saving for retirement remains a long-term initiative that involves many risks and uncertainties. The best way to deal with uncertainty is through proper planning and adherence to a long-term investment strategy. Making "knee-jerk" changes to a long-term investment strategy, without any clear evidence, could result in more harm than good. Members were encouraged to stick to their long-term investment strategies and not reduce exposure to growth portfolios at the time to avoid locking in their losses permanently. Members were also encouraged during Q1 not to retire at that point and the various alternative options were provided.

Thankfully, a pandemic such as Covid-19 is nothing new to investment markets. History shows us that investment markets have recovered and in fact, move to new highs, and that is exactly what happened during Q2 2020. After the significant losses in February and March 2020, markets strongly rebounded in Q2 and the Fund's Risk Profiled Solutions once again posted strong results with positive returns over the past 12 months. Over the 3-year period, performance exceeded inflation and therefore member shares did not lose any value in real terms. When compared to the Fund's peer group, the Fund's Risk Profiled Solutions continued to outperform the broader industry of retail retirement fund products.



We continue to urge members to consider the Fund's "In-Fund Living Annuity" when they retire. Our low cost, actively managed In-Fund Living annuity, created in 2016, has continued to see 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.

Members are reminded that the Trustees follow a disciplined investment approach, and they do not 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 next year's annual report.

Mr Duncan Theron from GraySwan, the Fund's asset consultants, will elaborate further on the financial markets and specifically on the Fund's investment performance over the period under review.

The focus of the 2019/2020 report is "**Helping to ensure your retirement goals stay within reach.**" This has required the Board, the Principal Officer and all the Fund's service providers to be practical, adaptable and flexible in their approach to change. The pandemic and the nation's lockdown from 27 March 2020 tested all our ability in this regard.

The Board thanks all the Fund's service providers for their ingenuity over the period. Verso Financial Services, the Fund's administrator, put plans and mitigation strategies in place during Q1 to prevent the disruption of business continuity and practices due to the pandemic. Verso took every precaution to ensure that their business continued to run smoothly and that they continued to service all our members and pensioners remotely with as little disruption as possible. The continuity of the member support services team, including their call center staff, was ensured. Whilst the walk-in facility was closed during lockdown levels 5 and 4, it re-opened, subject to the adherence of stringent Covid-19 protocols, during lockdown level 3. In addition to the normal call center number and e-mail address, members were also provided with the Fund's new WhatsApp number during April which enabled them to message the Fund during office hours to request the administrator to contact them. This WhatsApp number has been retained as it has proven to be of value to members.

It was "business as usual" for all our other service providers and Principal Officer who were all able to successfully work from home to ensure the effective and efficient running of the Fund.

The Board realised that technology has become a key enabler to enhancing members' experiences and they decided that it should be used at every opportunity to engage, educate and support members. This digitisation and technological innovation were certainly accelerated by Covid-19. We thank our members who have been willing to make the switch from face-to-face engagement at their places of work to accessing online Fund webinars to learn more about the benefits they enjoy as Fund members. A number of these were scheduled last year, during and after the reporting period. They ranged from investment updates to member education regarding benefits, retirement planning seminars and Skype presentations to prospective members.

Prospective members were also asked to access the Fund's online induction voice-over slide presentation in lieu of listening to face-to-face induction presentations from the Fund's Client Liaison Officer at their new places of work. Online webinars have enabled the Fund to uphold the



social distancing requirement and ensure the dissemination of information to members timeously and cost effectively. We began the online journey in 2020 and we aim to continue to provide member education and retirement planning sessions online. Members can link into sessions of short duration from their homes and offices via their laptops, desktops and smart phones.

Not only have members been asked to engage electronically with the Fund, the Board of Trustees, service providers and Principal Officer were also required to embrace change and acquaint themselves with and make use of Microsoft (MS) Teams to hold Board meetings every second month. Board meetings have been held very successfully in this manner since April 2020. The Board agreed to enable Trustees to decide for themselves if they wish to continue to link into meetings remotely via MS Teams or to attend meetings at the Fund's office. In addition, the Fund held its first electronic Annual General Meeting (AGM) in May 2020 by making a number of previously recorded presentations available to all stakeholders to ensure the dissemination of information to our members and pensioners.

Cost curtailment remains a constant focus of the Trustees as the Fund's total cost ultimately impacts members' retirement savings. The increased use of technology has resulted in several cost savings for the Fund. From March 2020, the Board has not had to incur any expenditure on travel to and from meetings and on accommodation costs. All member communication, including the annual member statements, was issued electronically from March 2020 as the nation's lockdown prevented the Fund from printing anything and making use of the SA Post Office. Not only has this meant that members have been able to receive timeous communication, but the Fund has also saved all printing and postage costs.

We therefore continue to urge our members and pensioners to contact the Fund to provide updated mobile numbers and e-mail addresses. This enables us to extend our reach to all stakeholders. Electronic information is instant, cost-effective and secure (especially when making member statements available which include sensitive personal information). These statements will once again be made available in 2021 only via the Fund's secure website and Verso's app.

## **Our pensioner assets**

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 remained at 70% of inflation with effect from 1 January 2020 and a pension increase of 3.12% (i.e. 70% of inflation) was therefore granted on the same date. In addition, a discretionary pensioner bonus of 50% of gross monthly pensions was declared on 1 December 2019.

## **SALGBC Pension Fund Restructuring Proposal**

We confirmed in last year's Annual Report that we would continue to keep a watchful eye over the South African Local Government Bargaining Council's (SALGBC) pension fund restructuring proposals and that we would inform members should there be any developments in this regard. We also stated that we have provided SALGBC with the Fund's detailed comments and concerns in response to their proposals to date (i.e. their draft facilitator's proposals or draft collective agreement).



We informed members, pensioners and other stakeholders (most notably the employers) in a special edition newsletter in October 2020 that the Fund had unofficially become aware of a final facilitator's proposal that was made available by SALGBC to all local authorities in the Western Cape in late March 2020 as they sought to obtain a mandate from the employers to sign the collective agreement. We also became aware that IMATU's general secretary had informed all IMATU regions that a mandate would be obtained from IMATU's members during the nation's lockdown level one. It is our understanding that they are currently seeking to obtain the necessary mandates from their members. All our concerns raised when previous versions of the facilitator's proposals were obtained by the Fund seem to have fallen on deaf ears as the final proposal or collective agreement does not differ much from the earlier versions. We have again supplied our concerns to SALGBC in a submission sent to them in May 2020 but it would seem that they no longer wish to consult retirement funds.

The above is of huge concern to the Board of Trustees as the facilitator's proposal for the restructuring of pension/retirement funds in the local government sector and the resulting collective agreement will affect the vested rights of our members. Implementation of this proposed collective agreement will negatively impact members' future retirement benefits. The Fund's special edition newsletter provided a list of concerns regarding SALGBC's proposal. These concerns simply increase with the promulgation of the Tax Laws Amendment Act and the implementation of annuitisation with effect from 1 March 2021. This was explained in the Fund's 2<sup>nd</sup> special edition newsletter in March 2021.

The Fund issued a 3<sup>rd</sup> special communique in April 2021 to clarify some of the confusing and, in some cases, factually incorrect statements made in the latest union circular issued by their national office and distributed to shop stewards.

We have noticed that the parties to the agreement as well as some municipal funds are only focusing on the issue of "Freedom of Association" in their attempt to win over their members. The proposed collective agreement may have had its origins in the request from unions for "Freedom of Association", but the current proposal has very little to do with this concept. It is undeniably about the parties to the agreement, through SALGBC, having control over retirement funds in the local government sector. They control the arbitrary accreditation criteria which may change at any time and in so doing they have control over which funds remain accredited. A fund may be accredited today and be non-accredited by the end of the year because the criteria have changed. They talk about "voting with your feet" as being a liberating concept to which we are all entitled. However, making sure that you do not lose a portion of your precious retirement nest egg on transfer to another fund requires substantial knowledge about retirement funds and how investment markets work. Not even the investment professionals are able to time the investment markets. Transferring voluntarily or being forced to transfer to other funds at regular intervals may seriously jeopardise your retirement nest egg.

The Board of Trustees also confirmed that it would do everything in its power to protect members' Fund benefits. We asked for members' help to ensure that their union does not sign a collective agreement that is to the detriment of members as it has far reaching long-term consequences. We provided several ways in which members can assist the Fund in this regard. Lastly, we confirmed that the Board was collaborating with 3 other municipal retirement funds and was intent on obtaining a legal opinion from a respected senior retirement fund advocate about the position of the Fund should the parties sign the collective agreement. This has subsequently been obtained and the Fund is progressing to the next level of action.



## **Looking forward**

I trust that our increased use of technology, necessitated by the pandemic and the nation's lockdown, has enhanced our communication efforts to date and that our members are being empowered to take decisions that will ensure their retirement goals stay within their reach. We aim to continue to walk this journey with our members as they transition from being active members to In-Fund Living annuitants in retirement.

The Board of Trustees will continue to deliver on our commitment to our members, retirees and pensioners through a dedicated focus on cost management and good governance. As previously mentioned, we aim to continue to use technology to engage electronically with our members to ensure timeous delivery of information in a secure way.

## **Condolences and gratitude**

On behalf of the LA Retirement Fund Management Board, the Principal Officer and all the Fund's service providers, I would like to extend our condolences to all our Fund members, retirees and pensioners who have lost family members and friends to Covid-19.

I once again thank our participating employers, members, retirees and pensioners 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.

Danie Carstens  
**Chairperson**



# **Annexure B**

## **Summary Actuarial Valuation 30 June 2020**



## LA Retirement Fund

### Summary of the Actuarial Valuation as at 30 June 2020

#### 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 2019.

#### 2. Membership statistics

	30 June 2020	30 June 2019
<b>DC Section active members *</b>		
Number	1 436	1 415
Annual pensionable salaries (Rm)	365.9	340.9
Salary weighted average age (years)	49.0	49.4
Salary weighted average service (years)	19.3	20.0
<b>Pensioners and DB Deferred Members #</b>		
Number	3 093	3 265
Annual pension (Rm)	174.2	178.6
Average pension (R)	56 337	54 696
Pension weighted average age (years)	77.7	77.4
<b>In Fund Living Annuitants</b>	52	35

\* DC means defined contribution

# DB means defined benefit



### 3. Financial condition

<b>Financial condition</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
<b>Pensioner Account</b>	<b>R 000</b>	<b>R 000</b>
<b>Assets of the Pensioner Account <sup>1</sup></b>	<b>1 420 856</b>	<b>1 655 893</b>
Pensioner liabilities <sup>2</sup>	(1 398 605)	(1 600 391)
Solvency Reserve	(22 251)	(44 335)
<b>Pensioner surplus</b>	<b>0</b>	<b>11 167</b>
<b>Funding level of the Pensioner Account <sup>3</sup></b>	<b>100.0%</b>	<b>100.7%</b>

**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.

<b>Financial condition</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
<b>DC Section</b>	<b>R 000</b>	<b>R 000</b>
<b>Assets of the DC Section</b>	<b>1 891 631</b>	<b>1 960 090</b>
Members' Shares	(1 776 817)	(1 870 188)
Living Annuity Account	(118 771)	(89 164)
Contingency Reserve Account	(5 240)	(7 427)
Processing Error Reserve Account <sup>1</sup>	9 197	6 689
<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 R9.197 million as at 30 June 2020 representing -0.5% 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

	30 June 2020	30 June 2019
Accumulation portfolio	1.1%	3.0%
Consolidation portfolio	1.9%	4.5%
Preservation portfolio	2.2%	8.4%
Cash Plus portfolio	2.9%	8.5%
Shariàh portfolio	(1.4%)	4.7%

#### 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% and is in a sound financial condition.
- The DC Section has a funding level of 100% and is in a sound financial condition.
- The Fund is in a sound financial condition with a funding level of 100%.
- The Trustees allocated the negative balance of the Processing Reserve Account of -0.5% of liabilities to Members' Shares and Living Annuitant accounts.
- The Trustees awarded a 1.0% pension increase effective 1 January 2021.
- The Trustees awarded a 55% of monthly pension bonus to pensioners payable in December 2020.

**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.

15 December 2020