LA RETIREMENT FUND
Formerly known as the Cape Joint Pension Fund
Securing your retirement

Chairperson's Address
AGM 2026

Dear members, pensioners, retirees, employers and other stakeholders

It is once again a privilege to be addressing you in my position as Chairperson of the LA Retirement Fund. My feedback for the 2024/2025 financial year begins, once again, on a positive note.

Investments: Amidst the threat of trade tariffs, the renegotiation of trade partnerships with the United States (US), and the geopolitical conflict that dominated the global economic developments in Q2 2025; local markets, by comparison, were boosted by a highly concentrated resource sector where the price of gold hit an all-time record high. Despite the market volatility, the Fund delivered steady performance aligned with its long-term objectives. All the LA Retirement Fund's diversified investment portfolios continued to perform well, comfortably outperforming their CPI targets.

The Fund's continued outperformance of all its investment portfolios against retail peer groups remains very compelling, particularly due to the higher costs and fees associated with such Retail Unit Trusts. This is particularly important for retiring members who are constantly reminded to consider the Fund's "In-Fund Annuities" when they retire.

Mr Tlotliso Modise, of Simeka, will shortly explain the Fund's investment returns in more detail.

In-Fund options at retirement: Our low cost, actively managed In-Fund Living Annuity (IFLA), 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 IFLA on retirement. Saving, and also retiring within the LA Retirement Fund, is by far the most cost-effective savings mechanism for members as our fees (i.e. investment and administration costs) are less than half the fees of the retail Unit Trust Industry.

We realised that our retirees might want to consider purchasing a life annuity at some point during their retirement and the Board therefore agreed that there was merit in offering both the IFLA and a Life annuity to retiring members and retirees. I am pleased to confirm that the Fund's Life annuity or pooled annuity account (PAC) was successfully introduced on 1 July 2024.

Continued emphasis on costs: Cost curtailment remains a constant focus for the Trustees as the Fund's total cost ultimately impacts members' retirement savings. The increased use of technology from 2020 onwards, the regular review of service providers agreements with the Fund and the annual review of the Fund's insured benefits continue to result in several cost savings for the Fund.

Review of insured benefits: The Board of Trustees remains committed to making sure that the insured benefits to which members have access, add maximum value to their lives without being too expensive. The Board therefore undertakes regular reviews of these benefits and makes changes where they feel these are in members' best interests. We are pleased to confirm that in May 2025 the insurer decreased their risk benefit rates for the funeral benefit by 18% and retained the existing rates for the Fund's other risk benefits. The cost savings were passed onto our members in the form of additional saving towards their retirement from 1 July 2025.

Good governance: Good governance continues to remain non-negotiable for the Fund. Our Annual Financial Statements for the year to 30 June 2025 were once again audited and reported on by the Fund's external auditors, PricewaterhouseCoopers (PwC). PwC once again confirmed an unqualified audit.

Much time was spent on cyber security, and a Fund policy and strategy were drafted and approved in line with legislation. In addition, the Board of Trustees, Principal Officer and the Fund's Administrator, Verso Benefits Administrator, focused on the implementation of the Two-Pot Retirement System and the education of our members in this regard.

Our pensioner assets: The portion of the pensioner portfolio that is managed in terms of a Liability Driven Investment (LDI) strategy has once again 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 January 2025 pension increase and December 2024 bonus payments were equivalent in value to an increase of 121% of price inflation to June 2024. This exceeded the target of 80% of price inflation because of the additional distribution of surplus to fund both the pension increase in excess of the target and the bonus payment. On advice from the Actuary, the Trustees subsequently increased the pension target to 100% of price inflation in February 2025.

SALGBC Retirement Fund Collective Agreement: The Fund has continued to keep all its stakeholders informed of the developments surrounding the Retirement Fund Collective Agreement (the collective agreement) and its negative impact on members vested rights. The Fund, via the Municipal Retirement Organisation (MRO), instituted legal proceedings and judgement was handed down on 20 February 2023 in favour of the MRO. This means that the conditions as set out in the Collective Agreement cannot be applied and funds will not be subject to accreditation. All retirement funds in the local government sector may continue to operate.

The parties to the Collective Agreement (i.e. the Respondents) subsequently applied for leave to appeal the decision of the court. As the MRO took a decision at both their 2023 and 2024 AGM's to continue to take all the necessary legal action to defend the rights and interests of pension funds, their members and pensioners, they addressed the appeal. The appeals lodged by SALGA and SALGBC were dismissed with costs. The Court set aside the entire Collective Agreement dated 15 September 2021, including Clause 8, which was a major point of contention for retirement funds. As a result, municipalities may not exclude any retirement funds from participating or enrolling new members and funds are not required to be accredited.

Engagement with members: We continue to believe that our members should control the outcome of their decisions and in order to do so, the Fund needs to engage, educate and support our members. We engaged with our members and prospective members face-to-face at their various places of work on numerous occasions during the year under review. The focus of these sessions was on the implementation of the Two-Pot Retirement System with effect from 1 September 2024 and the subsequent ability of members to withdraw from their savings pots from 1 March 2025. The Board understands that many members may find it hard to resist the temptation to make early withdrawals from their savings pots. However, one of the best things members can do for their future is to preserve their entire retirement benefit, as far as possible, until retirement.

We also issued several written communiques and Q&A guides to assist our members. These can all be accessed from the Fund's website.

Looking forward: As I reflect on the Fund's journey of more than 70 years (10 years since its name change on 1 July 2016 from the Cape Joint Pension Fund to the LA Retirement Fund) and the substantial progress made to date; I can with certainty say that the Board sees the Fund's future clearly. Our focus remains on delivering on our fiduciary responsibilities to our members, retirees and pensioners through a dedicated focus on cost management, responsible investment and good governance. Our long-term vision remains guided by our solid governance foundation.

A note of thanks: I once again thank our participating employers, members, retirees and pensioners for their support and trust. 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 their support, dedication and hard work in serving and protecting the interests of our members.

Johan Jacobs

Chairperson