Fifth Quadrant
Actuaries & Consultants (Pty) Ltd
a member of the Towers Watson group

30 June 2010

University of Cape Town Retirement Fund

(P.F. 12/8/31582/1)

Statutory Actuarial Valuation Report

Produced: August 2011

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Fifth Quadrant Actuaries & Consultants (Pty) Ltd

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EXECUTIVE SUMMARY

Purpose of report

The purpose of this valuation is to assess whether the University of Cape Town Retirement Fund's assets are at least equal to the aggregate of the members' liabilities and the reserves, to review the employer contribution rate to ensure that it is sufficient to finance the costs and benefits as provided for in the Fund rules, and to review the level of the reserves of the Fund.

This report is prepared for the Trustees of the Fund.

Summary of results

The valuation balance sheet compares the overall liabilities of the Fund with the market value of the assets at the valuation date. The position at the previous valuation is shown for comparison.

	Previous valuation 31 December 2007 R'000	**Current valuation 30 June 2010 R'000**
Total liabilities and contingency reserves	**1 554 884**	**1 853 455**
Accrued liabilities:		
Member Accumulated Credits	1 412 873	1 698 928
Pensioner Account (Living Annuitants)	79 795	114 051
Adjustments to Member Credits	-	22 167
Member Transitional Retirement Reserve	41 924	-
Contingency reserves:		
Processing error reserve	7 784	5 344
Surplus apportionment cost reserve	1 282	1 638
Data reserve	7 784	9 327
General reserve	3 442	2 000
Assets (Total funds and reserves):	**1 556 710**	**1 865 450**
Market value	1 556 710	1 865 450
Actuarial surplus	**1 826**	**11 995**
Funding level	**100.1%**	**100.6%**

The Fund's financial condition has improved from a surplus of R1.826m at the previous valuation to a surplus of R11.995m at the current valuation. The funding level is 100.6%, and the Fund is financially sound.

Future service contributions

The structure of the contribution rates is such that there is limited potential for actuarial surpluses to accumulate in future. The Employer should continue to contribute at the rates specified in the Rules.

Over the valuation period actual administration costs were lower than budgeted for. The Trustees may wish to consider reducing the portion of the contribution allocated towards the administration and other expenses of the Fund slightly, from the current level of 0.66% of pensionable salaries. (The equivalent figure was 0.68% as at the previous valuation date.)

Membership summary

The change in the membership of the Fund during the valuation period was as follows:

	Actives	Deferred	Total
Number at 31 December 2007	**2 688**	**51**	**2 739**
New entrants	1 116	0	1 116
Section 14 transfers	28	0	28
Adjustments	(8)	14	6
Withdrawals	(447)	(1)	(448)
Deaths	(14)	0	(14)
Transfer to deferred pensioners	(21)	21	0
Retirements	(115)	(1)	(116)
Number at 30 June 2010	**3 227**	**84**	**3 311**

Pensioners and beneficiaries (living annuitants)	Total
Number at 31 December 2007	**71**
Adjustments	1
New Retirements	32
New death-in-service beneficiary pensions	-
Living annuitants who purchased life annuity	(1)
Deaths	(4)
Number at 30 June 2010	**99**

Conclusion

The Fund's assets are sufficient to cover the member and pensioner liabilities and to provide for the establishment of various reserves as at 30 June 2010. The Fund was therefore in a sound financial position, with a surplus of R11.995m at the valuation date.

In presenting this report we are operating under the professional standards of the Actuarial Society of South Africa which is the professional body governing our conduct as a retirement fund valuator.

EJ Potgieter

Erich Potgieter, F.A.S.S.A.
Valuator to the University of Cape Town Retirement Fund
August 2011

1. Introduction

1.1 Background

1.1.1 This report sets out the results of the statutory actuarial valuation of the University of Cape Town Retirement Fund ("the Fund") as at 30 June 2010 ("the valuation date").

1.1.2 The previous statutory valuation was carried out as at 31 December 2007. The current valuation covers the two and a half year period since the last valuation ("the valuation period"). (The Fund's financial year end changed from 31 December to 30 June, during 2008.)

1.2 Professional standards

1.2.1 This report has been prepared in my capacity as the appointed valuator to the Fund and as a Director of Fifth Quadrant Actuaries & Consultants.

1.2.2 The report has been prepared in accordance with the requirements of Board Notice 149 of 2010, Regulation 35 of the Pension Funds Act, and the Professional Guidance Notes 201, 205 and 206 issued by the Actuarial Society of South Africa.

2. Purpose of the valuation

2.1 Valuation objectives

2.1.1 The purpose of this valuation is to:

(i) To assess whether the Fund's assets are at least equal to the member and pensioner liabilities as defined in the rules.

(ii) To review the employer contribution rate to ensure that it is sufficient to finance the benefits and costs/expenses as provided for in the Fund rules.

(iii) To review the level of contingency reserves required by the Fund.

2.2 Scope of assessment

2.2.1 This report is addressed to the Trustees of the Fund, and has been prepared for the use by the Trustees. It should not be used by any other party, or for purposes not specifically noted. It may be submitted to the relevant stakeholders of the Fund, subject to the consent of the Trustees.

2.2.2 Consequently the report does not address the employer's pension expense or the relevant accounting disclosure that may be required in terms of pension accounting standard IAS 19.

2.3 Limitations and disclaimer

2.3.1 Any party, other than the Board of Trustees of the Fund, who receives a copy of this report (or any part of it) and discusses it (or any part of it) or any related matter with Fifth Quadrant or any third party, does so on the basis that they acknowledge the full report and accept that they may not rely on it for any purpose.

2.3.2 Fifth Quadrant does not accept any liability to any person other than the Board of Trustees in connection with this report or related enquiries. We accept no liability in respect of any matter outside the scope and limitation of this report and the purpose for which it has been prepared.

3. Valuation data

3.1 Membership data

3.1.1 The Fund's auditor performs extensive checks on the data and as such we have largely relied on the information supplied in the audited annual financial statements.

3.1.2 In order to ensure the accuracy of the valuation data, certain broad checks have been made for reasonableness and consistency compared with the data for the previous valuation.

3.1.3 In addition to the membership reconciliation, checks were performed for a sample of active members, deferred members and living annuity pensioners on the build-up of their Accumulated Credit/living annuity account balance over the valuation period. We would normally expect some minor differences between our estimates of the accumulation and the amounts maintained on the administrators' records. These differences could arise from any one or all of the following factors:

(i) timing of investment of contributions/pension draw down;

(ii) use of monthly net investment returns in our calculations versus the daily unit prices used by the administration system (from 1 April 2009 onwards);

(iii) technical differences between the administration system and the actuarial valuation system; and

(iv) differences between the administration data and the details extracted from the administration system for the purpose of the actuarial valuation.

3.1.4 In performing an actuarial valuation the actuary only needs to be satisfied that the data is materially correct so that the Trustees can reasonably rely on the valuation results for decision-making. We are satisfied on this standard of materiality that the data supplied may be used for the purposes of the valuation.

3.2 Financial data

3.2.1 We were supplied with audited accounts for the valuation period. The valuation results depend in part on the accuracy of these financial statements. At the date of this report we had no reason to suspect that the financial statements were materially incorrect.

4. Experience during the valuation period

The main financially significant events that have influenced the course of the Fund since the previous valuation at 31 December 2007 can be summarised as follows:

4.1 Net investment returns

4.1.1 At the previous valuation there were three portfolios backing member liabilities, invested in a cash portfolio, an insurer's smoothed-bonus portfolio and a market-linked portfolio according to the member's choice. The investment portfolios, which are known as Portfolio A, B and C respectively, offer members different levels of investment risk/reward. These portfolios are also available to pensioner members receiving living annuities from the fund.

4.1.2 In April 2010 the Fund introduced a fourth investment portfolio, the Shari'ah Fund (Portfolio D), that members may choose if they want to invest in a portfolio that is Shari'ah compliant.

4.1.3 The Fund offers a "life stage" default investment model using a combination of the market-linked and cash portfolios for members who do not exercise their own choice.

4.1.4 The Fund's Contingency Reserves and unallocated assets (General Reserve) are invested in Portfolio A (the cash portfolio).

4.1.5 During the valuation period, the net rates of return earned on the investment portfolios were as follows (after deducting asset management fees).

Period	Portfolio A Income Fund	Portfolio B Smoothed Bonus Fund	Portfolio C Balanced Fund	Portfolio D Shari'ah Fund
1 Jan 2008 - 30 June 2008	5.65%	4.77%	-4.72%	n/a
1 July 2008 – 30 June 2009	12.27%	2.51%	4.30%	n/a
1 July 2009 – 30 June 2010	8.08%	2.03%	16.73%	-2.80%*
1 Jan 2008 – 30 June 2010 (full period of 30 months)	**28.21% (10.45% p.a.)**	**9.57%** (3.21% p.a.)**	**16.01% (6.12% p.a.)**	n/a

* The net return on this portfolio is for the 3-month period 1 April to 30 June 2010.

** This is the return on investments in the "old bonus series" of the Metropolitan smoothed-bonus fund over this period. Between February 2009 and April 2010, new contributions and switches in to Portfolio B were invested in a "new bonus series" introduced by Metropolitan at the start of 2009. The two bonus series were merged by Metropolitan at the end of April 2010. The net return on the "new bonus series" over the 15 months from February 2009 to April 2010 inclusive was 8.62%, vs. 1.27% for the "old bonus series" over the same period.

4.2 Employer contribution rates

4.2.1 The Rules set out the required Employer contribution rates to the Fund and related schemes (i.e. the disability income benefit and the separate Group Life Assurance arrangement). The required rates differ for Permanent Staff (22.5% of salary bill) and Fixed Term Contract members (20.912% of salary bill). The table below indicates how the employer contribution rates were allocated over the valuation period:

Permanent Staff	**31/12/2007**	**01/03/2008**	**01/04/2008**	**01/03/2009**	**01/03/2010**
Retirement saving (as specified in Rules)	16.000%	16.000%	16.000%	16.000%	16.000%
Additional retirement savings contribution	3.650%	3.537%	3.500%	3.600%	3.700%
Death-in-service (based on 6x annual pensionable salary)	1.460%	1.460%	1.460%	1.299%	1.188%
Disability income benefits*	0.410%	0.530%	0.530%	0.530%	0.530%
Separate Group Life Assurance Scheme*	0.348%	0.348%	0.348%	0.402%	0.402%
Administration fee	0.182%	0.175%	0.175%	0.181%	0.178%
Other expenses (e.g. Audit, Actuarial, Consulting, Secretarial)	0.450%	0.450%	0.487%	0.488%	0.502%
Total	**22.500%**	**22.500%**	**22.500%**	**22.500%**	**22.500%**

* These arrangements are outside the Fund

Fixed Term Contract Staff	**31/12/2007**	**01/03/2008**	**01/04/2008**	**01/03/2009**	**01/03/2010**
Retirement saving (as specified in Rules)	16.000%	16.000%	16.000%	16.000%	16.000%
Additional retirement savings contribution	3.240%	3.243%	3.240%	3.040%	3.040%
Death-in-service (based on 3x annual pensionable salary)	1.044%	1.044%	1.044%	1.206%	1.206%
Administration fee	0.182%	0.175%	0.175%	0.181%	0.178%
Other expenses (e.g. Audit, Actuarial, Consulting, Secretarial)	0.446%	0.450%	0.453%	0.485%	0.488%
Total	**20.912%**	**20.912%**	**20.912%**	**20.912%**	**20.912%**

4.3 Distribution of surplus

4.3.1 At the previous valuation, a surplus of R1.826m was revealed and the Trustees resolved to allocate this surplus to those members who were members of the Fund as at 31 December 2008.

4.3.2 This surplus together with interest earned, amounting to R2.048m in total, was allocated to members' Accumulated Credits during February 2009.

4.4 Rule amendments

4.4.1 Rule Amendment 7: to replace the use of "guaranteed fund" by "smoothed bonus fund" throughout the Rules and also amending Rule 9.2 under Choice of Investment Portfolio to permit the Trustees to vary the default practice when a member fails to choose an investment option.

4.4.2 Rule Amendment 8: to accommodate the migration to a new Sanlam administration platform, and to consolidate member amounts formerly held as Transitional Retirement Reserves into the relevant members' main accumulated credits.

4.4.3 Rule Amendment 9: to change the Fund's financial year end to 30 June 2008 and every 12 months thereafter.

4.4.4 Rule Amendment 10:

- Introduce Portfolio D, the Shari'ah Compliant investment channel of the Fund. The investment manager(s) will be given specific mandate for this portfolio which will inter alia require the investments to comply with the requirements of Shari'ah law.

- Make provision for Portfolios E and F (further investment channels as defined by the Trustees from time to time). These channels will be activated at the discretion of the Trustees.

- Change the definitions of Interest and Switching Rules.

4.4.5 Re-drafted and revised Fund Rules were adopted by the Trustees in December 2010 with effect from 1 July 2010. These new Rules did not introduce any material changes to the benefits provided by the Fund, as described in this report. The new Rules were approved by the Registrar of Pension Funds on 25 March 2011.

5. Fund assets

5.1 Market values

5.1.1 The change in the market value of the assets since the previous valuation at 31 December 2007 is summarized below.

5.1.2 The figures below were extracted from the audited accounts of the Fund at the valuation date. Assets have been valued at market value for the purpose of the actuarial valuation (numbers may not add up exactly, owing to roundings).

Portfolio and Asset Class	Investment Manager	31.12.2007 (R'000)	30.06.2010 (R'000)
Portfolio A (Cash):	Prescient Investment Management	**96 224**	**236 849**
Portfolio B:	Metropolitan Life Multi-Manager Smooth Growth Fund	**573 958**	**552 278**
Portfolio C (Market):			
SA Equities	Investec Asset Management	268 946	302 133
	Allan Gray	280 177	309 991
SA Bonds	Prescient Investment Management	217 215	252 870
International	Orbis via Allan Gray	119 910	190 547
	Total Portfolio C	**886 248**	**1 055 541**
Portfolio D (Shari'ah):	27four Shari'ah Balanced Fund[(i)]	**-**	**13 306**
Total Investments		**1 556 431**	**1 857 974**
Net current assets		+279	+7 476[(ii)]
Total funds and reserves		**1 556 710**	**1 865 450**

(i) The Shari'ah Balanced Fund had an asset allocation at 30 June 2010 of 46% domestic equities, 13% global equities, and 41% cash and sukuks (Islamic debt instruments).

(ii) Net current assets are calculated as current assets (together with cash and money market investments held to cover benefits payable and other current liabilities) of R58.453m, less current and non-current liabilities of R50.976m.

Note on Metropolitan Multi-Manager Smooth Growth Fund:

The Metropolitan Multi-manager Smooth Growth Fund holdings include non-vested bonuses of R44.94m (9.09% of the total investment value). In adverse market conditions the Insurer has the right to withdraw these non-vested bonuses in part or in full, or to reduce the balance in members' non-vested accounts on member switches or policy termination, subject to the insurer applying such action equitably to other investors in the Smooth Growth Fund.

The proportion of non-vested bonuses differs from member to member invested in the portfolio, depending on the pattern of cashflows invested in the portfolio in respect of the member concerned.

Furthermore, the value of the Smooth Growth policy is stated in the above table on the premise that the Fund continues with this investment. At times when the insurer has declared more in bonuses than it has earned on the underlying assets, a “market value adjustment” (reduction) would apply on early termination.

If members choose to switch out of the portfolio in defined circumstances (usually before the member has completed 5 years as an investor in the portfolio), a “market value adjustment” (reduction) may also apply to the member’s own investment in the portfolio when switching. The extent of any such adjustment will again depend on the pattern of cashflows invested in the portfolio in respect of the member concerned.

The above circumstances do not increase the financial risk of the Fund, as in terms of the Rules such adverse circumstances would be passed onto the members via a negative investment return. Of course the above situation represents risk for the members.

5.2 Actuarial value of assets

5.2.1 The assets have been valued at market value for the purpose of this actuarial valuation, adjusted as shown above by the net current assets.

5.2.2 It is Fund policy not to grant loans for any purposes from the Fund. The Fund allows members to pledge a portion of their net withdrawal benefit as security for loans for housing from approved financial institutions. At the valuation date the total outstanding amount against which pledges had been given by the Fund was R1.808m in respect of 94 members. This has no effect on the actuarial value of the Fund’s assets, as the outstanding pledges are covered by the relevant members’ withdrawal benefits.

5.2.3 To our knowledge no Fund assets have been hypothecated or encumbered.

6. Financial structure of the Fund

The Fund Rules provide for the following accounts to be established and maintained. (For a detailed description of the structure of each account, reference must be made to the Rules.)

6.1 Accumulation Account

6.1.1 This account is credited with retirement savings contributions, amounts transferred in from other approved retirement funds or from other accounts in the Fund, and net investment returns. It is debited with any charges incurred in connection with any investment choice made by the member. It represents the members' interests in the Fund in terms of the Rules. (Members' Transitional Retirement Reserves, where applicable, were consolidated into their Accumulated Credits with effect from 29 February 2008.)

6.2 Living Annuity Balance Account

6.2.1 This account is credited with transfers from the Accumulation Account when members retire and choose to take living annuity pensions from the Fund, transfers as at the surplus apportionment date to this account as agreed by the Trustees and approved by the Registrar, and investment returns. It is debited with pensions payable, administration expenses and Fund charges as determined by the Trustees.

6.3 Risk Benefit Reserve Account

6.3.1 This account is credited with the portion of the contributions required to meet the cost of death cover of members within the Fund and debited with the corresponding premium amounts. It is also credited with reinsurance payments made by the insurers on the death of a member, and debited with the corresponding death benefits paid payable. The intention is that the balance held in this account will always be zero.

6.4 Data Reserve Account

6.4.1 This contingency reserve account is credited with amounts determined by the Trustees in consultation with the actuary, and investment returns.

6.4.2 It is debited with fund payments arising as a result of errors in the fund data, and also with amounts representing surplus transferred to the Accumulation account or Living annuity balance account, as agreed by the Board.

6.5 Processing Error Reserve Account

6.5.1 This contingency reserve account is credited with an opening balance as determined by the Board, other amounts as agreed by the Board, and investment returns.

6.5.2 The account is debited with fund payments arising as a result of processing errors arising from timing differences between the actual vs. deemed investment (or disinvestment) of Fund monies, and also with amounts representing surplus transferred to the Accumulation account or Living annuity balance account, as agreed by the Board.

6.6 Surplus Apportionment Cost Reserve Account

6.6.1 This contingency reserve account is credited with amounts determined by the Trustees and approved by the Registrar in terms of Section 15B of the Act, and investment returns. The account is debited with expenses in respect of the surplus apportionment exercise.

6.7 Employer Surplus Account

6.7.1 This account would be credited with any surplus apportioned to the employer. Any balance held would be applied at the request of the employer for any purpose specified in terms of Section 15E of the Pension Funds Act.

6.8 Former Member Reserve Account

6.8.1 This account is credited with amounts as agreed by the Trustees and approved by the Registrar in terms of Section 15B of the Act representing any surplus allocated to former members of the Fund, and investment returns. It is debited with payments to former members or deferred pensioners in terms of section 15B of the Act.

6.9 General Reserve Account

6.9.1 This account is established to provide for contingencies not covered by the other reserve accounts, and comprises a record of all monies of the Fund not allocated to other accounts.

6.9.2 It is credited with the portion of contributions allocated to cover administration, auditing fees and consultancy services to the Fund and other fees approved by the Trustees, and also with investment returns.

6.9.3 It is debited with expenses related to the management and administration of the Fund, including but not limited to legal expenses, and the cost of audits and actuarial investigations borne by the Fund.

7. Contingency reserves

7.1 Principles

7.1.1 Regulation 35 of the Act provides for the Trustees to set up such contingency reserves as they deem prudent based on the advice of the actuary. The establishment and quantum of any contingency reserve must be soundly motivated based on an objective assessment of the specific risks. To the extent that the assets of the Fund are insufficient to cover the ideal level of contingency reserves, the valuation result will understate the risk of possible future deficits.

7.1.2 In deciding on appropriate contingency reserves, Trustees should be aware of:

- the competing interests of different groups of members; and

- the inter-dependence of the risks involved and the possibility of double-counting.

7.2 Specific contingency reserves

Risk benefit reserve

7.2.1 The Risk benefit reserve will reflect a zero balance, as this account is simply used to record the portion of contributions that is allocated to cover premiums required for insured risk benefits, and matching premium payment amounts. No balance is accumulated in this account – the risk benefits are fully reinsured by the Fund.

Surplus apportionment cost reserve

7.2.2 The Trustees established a reserve of R881 000 as at 31 December 2001 for the costs of the surplus apportionment exercise costs. The amount held in this reserve as at 31 December 2007 was R1.282m. This amount has been updated with net Portfolio A investment returns to 30 June 2010, minus surplus apportionment expenses incurred, resulting in the balance of **R1.638m** shown at this date. Since the surplus apportionment exercise is incomplete and further costs have been incurred since the valuation date, we suggest that this balance should be retained in the account.

Processing error reserve

7.2.3 This is a provision for mismatching and for timing differences between the actual date of investment or disinvestment of moneys and the dates when investment or disinvestment is deemed to have occurred for the calculation of benefits or the accrual of investment returns. In the previous statutory valuation, we proposed that this should be set at 0.50% of the market value of assets, and commented that the appropriate level of this reserve would be reconsidered after migration of Sanlam's administration system to the new Coris Capital administration platform had been completed.

7.2.4 The amount of R12.632m reflected in the financial statements as at 30 June 2010 represents the (unadjusted) reserve balance of R9.101m as at 31 December 2007 accumulated with net Portfolio A investment returns to 30 June 2010, plus a net transfer of R0.813m from the Data Reserve and General Reserve accounts.

7.2.5 Based on the Fund's experience over the inter-valuation period, we recommend that the reserve should be limited to 0.50% of the market value of assets of Portfolio C and Portfolio D only (as these are the market-linked portfolios in the Fund where the possibility of small mismatches is greater), which equates to an amount of **R5.344m** as at 30 June 2010 – this requires a reallocation of R7.288m to the General Reserve.

Data Reserve

7.2.6 This is a provision for amounts that may become payable as a result of data errors, in circumstances where it is not possible to make recovery from the party responsible for the error (or from the Fund's insurers). In the previous statutory valuation, it was proposed that this should be set at 0.50% of the market value of assets (consistent with the auditor's materiality limit).

7.2.7 The account balance of R7.788m reflected in the 30 June 2010 financial statements represents the (unadjusted) balance of R6.766m at 31 December 2007, accumulated with net Portfolio A investment returns to 30 June 2010, minus R0.345m in the 2008 financial year described as a "transfer to member accounts", and also minus R0.354m in the 2008/09 financial year reallocated to the Processing Error Reserve (see paragraph 7.2.4 above).

7.2.8 (The R0.345m allocation to members in the 2008 financial year was in respect of Portfolio C returns for December 2007 that were initially under-allocated to the members concerned, and were corrected in January 2008. This matter was dealt with in the 2007 valuation report.)

7.2.9 We recommend that the Data Reserve balance be adjusted to **R9.327m** (0.5% of the market value of assets) as at 30 June 2010 – this requires a reallocation of R1.539m from the General Reserve.

General Reserve

7.2.10 This reserve operates as the account into which are paid (a) the contributions in excess of the specified 16% minimum allocation for retirement funding and the amount needed to fund the risk benefit premiums, and out of which are paid (b) the additional discretionary contribution allocation for retirement funding (as set by the Trustees from time to time) and (c) the costs of Fund administration.

The balance that accumulates in this account therefore represents the small margin of contributions left over, after deducting retirement savings, risk benefit costs, administration and other Fund expenses (other than investment manager fees). It is also the account in which any timing error mismatches would accumulate. The amount in this reserve at this stage is therefore the balancing item after allowing for the preceding reserves.

7.2.11 The table below summarises the build-up of the General Reserve as shown in the financial statements over the valuation period.

Build-up of the General Reserve over the inter-valuation period	R'000
Opening balance (1 January 2008) before valuation adjustments	**4 969**
Net contributions allocated to the General Reserve (towards Fund expenses)	11 185
Expenses paid out of the General Reserve	(7 768)
Amounts credited to members out of the General Reserve:	
Adjustment (Jan.2008) in respect of Dec.2007 Portfolio C returns	(1 432)
31.12.2007 surplus allocated to members in 2009 year*	(2 048)
Transfer to Processing Error Reserve account	(459)
Transfer from member and pensioner accounts – unallocated assets at migration**	1 033
Investment return allocated (net Portfolio A return)	1 085
Closing balance (30 June 2010) before valuation adjustments	**6 566**

*The prior valuation proposed that R1.826m be allocated from the General Reserve, taking values as at 31.12.2007, to members' credits. The intention was that, after adjustments, the General Reserve would have an opening balance of R1.300m.

**The reason for this transfer is not really clear to us, but it is assumed to relate to the "unallocated assets at migration", as discussed in section 7.3 below.

7.2.12 It is evident from the above table that the contributions allocated towards the Fund's expenses (roughly 0.66% of pensionable salaries over the valuation period) were greater than the actual administration expenses incurred by the Fund (roughly 0.45% of pensionable salaries) resulting in the marked growth of the General Reserve over the valuation period. This can largely be attributed to the growth in the active membership (from 2 688 to 3 227 active members) and the pensionable salary bill over the valuation period.

7.2.13 The net effect of the 30 June 2010 adjustments proposed for the Data and Processing Error Reserves is an increase of R5.749m in the General Reserve balance. These adjustments would leave a balance of R12.315m in the General Reserve.

7.2.14 In our opinion, a reasonable ceiling for this reserve is 6 months' operational expenses – this would result in a figure of **R2.0m** based on the 2011 operating budget. We have previously stated that, once the reserve exceeds this level, the Trustees should give consideration to declaring a once-off bonus.

7.2.15 The adjusted General Reserve balance of R12.315m exceeds the level of R2.0m identified above as a reasonable ceiling for the General Reserve. Accordingly this implies a surplus in the Fund of R10.315m as at the valuation date.

7.2.16 However, as discussed in section 7.4 below, an amount of R 941 255 has already been pre-allocated by the Trustees to members invested in Portfolio C, to correct an asset / liability mismatch identified at the time of the migration to a new administration platform in April 2009. This effectively reduces the surplus in the Fund to **R9.374m** as at 30 June 2010, which represents some 0.51% of active and pensioner members' Accumulated Credits.

7.3 “Unallocated assets at migration”

7.3.1 With effect from 1 April 2009, the administration of the Fund was migrated by Sanlam to a new administration platform. This has brought the advantage that the investment portfolios are now daily-unitized (by Sanlam). It has also enabled tighter financial controls and better financial reporting to the Trustees.

7.3.2 Asset / liability reconciliations were performed by Sanlam as part of the migration process. Sanlam afterwards reported that they had identified small mismatches on some of the investment manager portfolios. The total of these mismatches (referred to as the “unallocated assets as at migration”) was reported to be R941 225 at 30 June 2010, representing an excess of assets over liabilities in respect of Portfolio C. The Trustees resolved in August 2010 that these “unallocated assets” should be distributed to the current members and pensioners (including pending but not yet finalized exits) who were invested in Portfolio C as at 1 April 2009 (on the basis that this amount was less than 0.1% of total Portfolio C Accumulated Credits).

7.3.3 As noted above, this pre-allocation of R 941 255 by the Trustees reduces the surplus in the Fund accordingly. We have treated this allocation as an “Adjustment to member credits” as at 30 June 2011.

7.3.4 (A net amount of R 1 033 409 was transferred in to the General Reserve in the 2009 financial year, from the member and pensioner accounts. Our assumption, as noted earlier, is that this related to the “unallocated assets at migration”. This amount exceeds the figure of R 941 255 as at 30 June 2010 – the excess remains as part of the surplus in the General Reserve and is dealt with accordingly.)

7.4 Asset / liability mismatch existing as at 30 June 2010

7.4.1 As was the case with the 30 June 2009 audited financial statements, the 30 June 2010 financials include in “Total funds and reserves” an item labelled “Amounts to be allocated”.

7.4.2 As at 30 June 2009, the amount of this item was R 29.720 million and a breakdown of the item was included in a note to the financial statements – essentially this amount was described as representing contributions held in the bank account awaiting allocation to members, as well as some individual transfer values received (also not yet allocated). The contribution amount was said to represent two months’ contributions, plus interest, not allocated by 30 June 2009 because of the “freeze” on transactions on the member database at the time of the migration to the new Sanlam / Coris administration platform during the second quarter of 2009.

7.4.3 As at 30 June 2010, the “Amounts to be allocated” as reflected in the audited financial statements were R17.185m. However, the auditors have subsequently agreed after further investigations that the Living Annuity account balance was overstated by R6.662m, because death benefits in respect of two pensioners who died during the year were incorrectly counted as part of the account balance even though they had also been (correctly) included in the Benefits Payable figure as at the year end. The effect of this correction is to reduce the Living Annuity account balance by R6.662m and to increase the Members’ Funds balance (which relates to in-service members) and consequently the “Amounts to be allocated” figure by the same amount. This brings the “Amounts to be allocated” figure up to **R23.847m** as at 30 June 2010.

7.4.4 The Trustees requested that the administrator provide a breakdown and explanation of this figure. The administrator has provided the following breakdown:

Item	**R'm**
Adjustment to "Members' individual accounts" figure reflected in financial statements	(0.022)
June 2010 contributions not yet allocated on member records by accounting cut-off date	12.899
Portfolio B investment returns (bonuses) not yet fully credited to members	10.109
Allan Gray investment performance fee not yet deducted from member records (paid after	(1.760)
Miscellaneous – timing differences and interest earned in bank account not yet allocated to	2.621
Total	**23.847**

7.4.5 We consider that the "miscellaneous" figure of R2.621m essentially represents additional surplus in the Fund as at 30 June 2010.

7.4.6 It should be noted that this figure is small in relation to the proposed amounts to be held in the Data Reserve and Processing Error Reserve (a combined total of R14.671m). Even if it should turn out that part of this R2.621m had already been "earmarked" for members (so that it was not really available as surplus), this would just reduce the balances in these reserve accounts – we consider that this would be in line with the purpose of these reserve accounts.

7.5 Breakdown of contingency reserves

7.5.1 The table below shows the breakdown of the Fund's contingency reserves as reflected in the 30 June 2010 financial statements and as discussed in section 7.2 above.

Allocation of Contingency Reserves	***30/06/2010 (as reflected in financial statements)***	**30/06/2010 (proposed)**
	R'000	**R'000**
(A) Total available for contingency reserves:	***28 624***	**28 624**
(B) Recommended contingency reserves:	***28 624***	**18 309**
Data Reserve	*7 788*	9 327
Processing Error Reserve	*12 632*	5 344
Surplus apportionment cost reserve	*1 638*	1 638
General Reserve	*6 566*	2 000
(C) Surplus (= A minus B) :	**-**	**10 315**
Pre-allocated to increase Portfolio C member credits ("unallocated assets at migration")*	-	(941)
(D) Adjusted surplus		**9 374**
"Amounts to be allocated" available as surplus**		2 621
(E) Final adjusted surplus		**11 995**

* See section 7.3 above.
** See section 7.4 above.

7.5.2 Since the Fund's Rules do not specify in detail how Fund surplus should be apportioned, the Trustees must take into consideration the interests of all stakeholders in the Fund if they decide to apportion this surplus, since there is no requirement in the Act that requires the surplus to be apportioned at the current valuation.

7.5.3 The surplus shown above is somewhat larger than that revealed at the previous valuation and so where the last surplus allocation ignored former members on the basis that it would not be cost-effective to include them, the Trustees should consider the merits of including former members who exited the Fund over the inter-valuation period (there were 597 exits) in the apportionment.

7.6 Employer surplus account and Former Member reserve account

7.6.1 These accounts had nil balances at both the previous and the current valuation dates, i.e. they have not been used by the Fund yet. (Benefits to former members arising from the Fund's statutory surplus apportionment as at 31 December 2001 have all previously been expensed as benefits paid/payable.)

7.6.2 We do not believe there is a reason why any part of the surplus existing in the Fund as at the current valuation date should be apportioned to the Employer. This account will therefore continue to be unused. Any portion of the surplus apportioned to former members may be passed through the Former Member reserve account.

8. Valuation results

8.1 Accrued position

8.1.1 The following table shows the valuation balance sheet as at 30 June 2010 and 31 December 2007 (the last statutory valuation date).

8.1.2 These results reflect the various contingency reserve adjustments proposed in section 7, still to be approved by the Trustees.

	Previous valuation 31 Dec. 2007 R'000	**Current valuation 30 June 2010 R'000**
Total liabilities and contingency reserves	**1 554 884**	**1 853 455**
Accrued liabilities:	**1 534 592**	**1 835 146**
Member Accumulated Credits	1 412 873	1 698 928
Pensioner Account (Living Annuitants) (1)	79 795	114 051
Adjustments to Member Credits (from "Amounts to be allocated") (2)		21 226
Adjustments to Member Credits (from "Unallocated amounts at migration") (3)		941
Member Transitional Retirement Reserve(4)	41 924	0
Contingency reserves (proposed):	**20 292**	**18 309**
Processing error reserve	7 784	5 344
Surplus apportionment expense reserve	1 282	1 638
Data reserve	7 784	9 327
General reserve	3 442	2 000
Assets:	**1 556 710**	**1 865 450**
Market value	1 556 710	1 865 450
Actuarial surplus	**1 826**	**11 995**
Funding level	**100.1%**	**100.6%**

(1) The only pensions payable from the Fund are those where the members choose to take a Living Annuity from the Fund. The Fund has no obligations for pension increases in respect of such pensioners, and the pensioner also takes on the full investment and mortality risk. (Note that the Pensioner Account balance as at 30 June 2010 has been reduced by R 6.662 million, compared to the figure reflected in the audited financial statements. This is because the benefits in respect of two pensioners who died during the financial year were incorrectly included in the total shown in the financial statements – the amount was also, correctly, included in the Benefits Payable figure.)

(2) The "Amounts to be allocated" figure of R17.185m reflected in the audited financial statements as at 30 June 2010 was increased by R6.662 million - this offsets the adjustment to the Pension Account balance described in note (3) below. However, out of the total adjusted "Amounts to be allocated" of R23.847m, we have determined that R2.621m can be treated as surplus, as discussed in section 7.4. This leaves only R21.226m that represents an increase to the member credits figure shown in the financial statements. A breakdown of this figure is given in paragraph 7.4.4.

(3) Discussed in section 7.3.

(4) This represents the full value of the Transitional Retirement Reserve (TRR) accounts at 31 December 2007. As at 30 June 2010 the TRR balances are consolidated with the members' Accumulated Credits.

8.2 Explanation for change in past service position

8.2.1 The financial position of the Fund has improved from a surplus of R1.826m at the previous valuation to a surplus of R11.995m at the current valuation.

8.2.2 We have conducted an analysis of surplus to quantify the impact of the most significant factors that influenced the financial progress of the Fund over the two and a half year period. This can be summarised as follows:

Analysis of change in funding position	**R'000**
Opening surplus (31 December 2007)	**1 826**
Interest earned	727
Distribution of surplus to members	(2 048)
Excess contributions compared to Fund expenses in General Reserve	3 960
Release of unutilised portion of the contingency and General Reserves	4 909
Miscellaneous timing and interest profits in respect of member funds	2 621
Closing surplus (30 June 2010)	**11 995**

8.3 Comparison of assets and liabilities at portfolio level

8.3.1 The table below compares the invested assets in each portfolio with the corresponding total members' and pensioners' Accumulated Credits and reserves at the valuation date, and has been based on the revised asset/liability match supplied by the administrator after the financial statements were audited. The objective is to assess the extent of any mismatches at the valuation date that could result in deficits or surpluses arising after the valuation date.

Portfolio	Assets R'000	Member Credits and Reserves R'000	Benefits still invested R'000	Mismatch R'000	Adjust-ment R'000	Residual Mis-match R'000
	A	B	C	D = (A minus (B+C))	E [1]	F = (D plus E)
Portfolio A	236 849	236 520	337	(8)	-	(8)
Portfolio B	552 278	535 751	6 410	10 117	(10 109) [2]	8
Portfolio C	1 055 540	1 052 180	2 357	1 003	(941) [3]	62
Portfolio D	13 306	13 306	-	-	-	-
Member credits and reserves held in cash / money market		3 846[4]		n/a		
Total	**1 857 974**[5]	**1 841 603**[6]	**9 104**	**11 113**	**(11 050)**	**62**

(1) A negative amount in this column E represents an increase (write-up) to the liabilities. A positive amount would represent a reduction (write-down) of the liabilities.

(2) This amount represents Portfolio B bonuses not allocated on the member records by 30 June 2010 – refer to paragraph 7.4.4.

(3) This amount represents the "unallocated assets at migration" in respect of Portfolio C – refer to section 7.3.

(4) A small portion of the reported liability for living annuitants was backed by money market investments outside the four main portfolios - our assumption is that this is "cash-in-transit" awaiting investment, in respect of recent retirals. Similarly, this figure includes a small portion of the reserve accounts that was invested in cash and money market investments outside Portfolio A, as at 30 June 2010.

(5) This figure is "Total Investments" taken from the table in paragraph 5.1.2.

(6) This figure is the sum of Member Accumulated Credits (R1 698 928 000) and Pensioner Account (R 114 051 000), both taken from the table in paragraph 8.1.2, and the total Reserve Account balance of R 28 624 000 before our proposed reallocation (see paragraph 7.5.1). Note that this excludes any "Amounts to be allocated" (see paragraph 7.4.4).

8.3.2 We are satisfied that the unexplained mismatches in column F are insignificant and require no further investigation.

8.4 Employer contribution rate

8.4.1 The table below shows how the employer contribution rate for Permanent Staff and Fixed Term Contract members was allocated, at 30 June 2010:

	Permanent Staff	**Fixed Term Contract Staff**
Retirement saving (as specified in Fund rules)	16.000%	16.000%
Insured death-in-service benefits of the Fund*	1.188%	1.206%
Disability income benefits**	0.530%	n/a
Separate Group Life Assurance Scheme**	0.402%	n/a
Administration fees	0.178%	0.178%
Provision for other Fund expenses	0.502%	0.488%
Extra allocation for retirement savings	3.700%	3.040%
Total	**22.500%**	**20.912%**

* Assuming that the member chooses cover of 6 x annual pensionable salary.

**These arrangements are outside the Fund. The rate shown for the separate Group Life cover is for a cover multiple of 1 x annual pensionable salary.

8.4.2 The Fund reinsures its salary-multiple death benefits, and we continue to regard this as prudent and appropriate.

8.4.3 The additional retirement savings contribution shown in the above table continue for the period up to 1 November 2010, after which it was revised in the light of changes in the administration costs of the Fund and the premium rates for the insured death-in-service and disability income benefits. Accordingly the additional retirement savings contribution was increased with effect from 31 December 2010 to 3.800% for permanent staff, and 3.180% for fixed-term contract staff.

8.4.4 We regard the current allocation for Fund administration and other expenses and consequently the additional allocation for retirement-funding as prudent, although the latter should be reviewed whenever the insured benefit premium rates change and/or the budget for administration and other expenses changes materially.

8.4.5 We would comment that a contribution margin of **0.60%** for administration and other expenses seems reasonable to us, in the light of the current budgets for these expenses, and therefore there may be scope to reduce the current allocation of around 0.66% slightly. It is not really desirable to build up surplus in the General Reserve by setting too conservative a contribution allocation to provide for these expenses (as has happened, with the benefit of hindsight, over the inter-valuation period).

9. Investment strategy

9.1 Professional requirement

9.1.1 The valuator is required to comment on the nature of the assets and the suitability of the Fund's investment strategy relative to the liabilities.

9.1.2 This is in addition to the fundamental requirement that the Trustees are responsible for the investment of the assets, and they need to ensure that the investment strategy remains appropriate in relation to the Fund's liabilities.

9.2 Asset / liability matching

9.2.1 Under the Fund's default investment strategy for individual members, members' Accumulated Credits are allocated to a portfolio with a risk and return profile broadly appropriate to their expected term to normal retirement (as described in 4.1.3). Members who wish to invest differently, and living annuitants receiving pensions from the Fund, are allowed to choose among (or a combination of) the Fund's four member-choice portfolios.

9.2.2 The members' Accumulated Credits are credited at the end of each day with the investment return earned for the day on the underlying portfolio. The Administrator carries out a monthly reconciliation to check that the Accumulated Credits in each portfolio correspond to the amount invested in each underlying portfolio, and reports on this to the Trustees.

9.2.3 The reserve accounts are invested in the money market investment channel, and benefits awaiting payment are invested in a money market unit trust.

9.3 Overall comment

9.3.1 In view of the above, we consider that the current investment strategy of the Fund and the nature of the assets held by the Fund remain broadly appropriate as at the valuation date in relation to the liability profile. (As the Fund is a Defined Contribution fund, the question of "matching" of assets to liabilities does not arise except in the sense referred to in section 9.2 above, so we do not consider that it is necessary to give any further certification e.g. as to whether the assets are real or nominal.)

9.3.2 (This is not intended to be a detailed analysis of the investment strategy, or to suggest that this is the best possible strategy for the Fund. We merely confirm that the strategy is broadly suitable for the Fund given the nature of its liabilities.)

10. Conclusion

10.1 Key results

10.1.1 The Fund is in a sound financial position as at 30 June 2010, with sufficient contingency reserves to buffer the Fund against adverse experience.

10.1.2 In respect of the future service contributions we recommend that permanent members should continue to be credited with an additional 3.800% of pensionable salaries for retirement savings up to 1 March 2012 (i.e. the next risk benefit premium review date). These members have already been credited with additional contributions of 3.800% from 1 December 2010.

Similarly, fixed-term contract members should be credited with 3.180% of pensionable salaries for retirement savings up to 1 March 2012. These members have been credited with additional contributions of 3.180% from 1 December 2010.

This reflects the fact that the cost of the risk benefits and expenses is well below the threshold of 6.5% of pensionable salary for permanent members defined in the Fund Rules (4.912% for fixed-term contract members).

This leaves a margin of 0.662% of pensionable salaries (for both permanent and contract staff) to cover Fund administration and expenses. The Trustees may also consider reducing this to around 0.6% which would result in a small additional allocation to retirement savings (i.e. in addition to the 3.800% or 3.180% as indicated above).

If the insured benefit premium rates change materially before 1 March 2012, then this allocation should be reviewed.

10.1.3 We have recommended that the Processing Error Reserve should be set at a level of 0.5% of the market value of assets for Portfolio C and Portfolio D only, and that the Data Reserve should set at a level of 0.5% of the market value of total assets. We have also recommended that a balance of R2.0m be retained in the General Reserve account.

10.1.4 An apportionable surplus of R11.995m existed in the Fund as at the valuation date. The Trustees should exercise their discretion on whether and on what basis the surplus should be apportioned.

10.2 Actuarial opinion

10.2.1 In our opinion:

- the value of the assets is sufficient to cover the accrued actuarial liabilities and therefore the Fund is financially sound at the valuation date;
- there is a surplus in the Fund - the Trustees may exercise their discretion on whether and on what basis this surplus should be apportioned;
- the structure of the benefits and contribution rates is sustainable and consistent with the continued financial soundness of the Fund in future;
- the contingency reserves are not greater than the provisions that are reasonably required in terms of the contingencies for which they are established, and overall the amounts set aside in these reserves are reasonable in the circumstances;

- the investment strategy and the nature of the assets are appropriate to the nature and term of the liabilities of the Fund (which is a Defined Contribution fund);
- the arrangements for the reinsurance of the salary-multiple death benefits are appropriate for the Fund, and it remains appropriate for the Fund to reinsure these benefits;
- the matching of the assets to the liabilities is satisfactory.

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Senior actuary

11. Annexure A – Membership statistics

11.1 In-service membership (including Deferred Pensioners)

	Actives	Deferred	Totals
Number at 31 December 2007	**2 688**	**51**	**2 739**
New entrants	1 116	0	1 116
Section 14 transfers	28	0	28
Adjustments	(8)	14	6
Withdrawals	(447)	(1)	(448)
Deaths	(14)	0	(14)
Transfer to deferred pensioners	(21)	21	0
Retirements	(115)	(1)	(116)
Number at 30 June 2010	**3 227**	**84**	**3 311**

11.2 Annual pensionable salaries

Total annual pensionable salaries per annum as advised by the Fund Administrator:

	Total Pensionable Salaries R'000
31 December 2007	535 414
30 June 2010	786 713

11.3 Pensioners and beneficiaries (living annuitants of the Fund)

	Total
Number at 31 December 2007	**71**
Adjustments	1
New Retirements	32
New death-in-service beneficiary pensions	-
Living annuitants who purchased life annuity	(1)
Deaths	(4)
Number at 30 June 2010	**99**

11.4 Monthly living annuity payments

Total average monthly living annuity payments as shown in the Fund's financial statements:

	Average monthly living annuity payments R'000
12 month period ending 31 December 2007	304
12 month period ending 30 June 2010	505

12. Annexure B - Benefit summary

The following is only a summary of the key provisions in the Fund Rules.

ELIGIBILITY CONDITIONS

All persons who are in service of the Employer and who receive a Pensionable Salary are required to be members of the Fund. The Pension Salary is the deemed pensionable amount (portion) of the employee's total remuneration package as defined in the employee's conditions of service, and is subject to a minmum of 50% of the total remuneration package.

NORMAL RETIREMENT AGE

65

PENSIONABLE SERVICE

Membership of the Fund plus any service granted in respect of additional employer contributions on a basis specified in the Rules, plus service under the AIPF.

TRANSITIONAL RETIREMENT RESERVE

An amount calculated at the inception date of the Fund (1 January 1995) for members transferring from the AIPF. This reserve accumulates with investment returns and is payable in accordance with the rules as described below. This was consolidated with the relevant members' Accumulated Credits with effect from 29 February 2008.

RETIREMENT BENEFITS

(i) Normal and early retirement

On retirement after the attainment of age 55, a pension secured by the member's Accumulated Credit. A member may elect to commute part of, or the entire amount of, his/her retirement benefit and receive a lump sum benefit.

(ii) Ill health retirement

A member may apply to the Trustees to retire early at any age on the basis of ill health, provided that the member is not receiving a disability income benefit in terms of the associated disability income insurance scheme. The benefit is calculated on the same basis as for early retirement.

FORM OF PENSION BENEFIT

The member may choose to receive a "living annuity" from the Fund, or may purchase a life or living annuity from an Insurer in terms of the provisions of GN18 (i.e. the policy will be issued in the name of the retiree, and the Fund will have no further liability toward the retiree).

The Rules provide for a life annuity option from the Fund where the Fund allows this. However, the Trustees have decided not to implement this enabling provision.

DEATH BEFORE RETIREMENT

(i) Members with less than 10 years' service

Pensions for the member's beneficiaries secured by:

1) An insured benefit of 6 times annual pensionable salary; plus
2) The member's Accumulated Credit.

(ii) Member's with 10 years' service or more

The member may choose the level of death-in-service benefits payable within the following limits:

Minimum cover at time of election

4 times annual pensionable salary, taking into account the member's Accumulated Credit (i.e. the insured benefit may not be less than 4 times annual pensionable salary minus the Accumulated Credit at the time the election is made).

Maximum cover

6 times annual pensionable salary plus the member's Accumulated Credit.

Annually on 1 January, members may choose the level of insured cover they require within these limits. Once a member has chosen to reduce his/her cover, he/she may only increase it again with the consent of the Trustees and subject to providing evidence of good health.

Should the member choose to be covered for less than the maximum insured cover, an additional contribution as determined by the Trustees in consultation with the Actuary will be credited to the member's Accumulated Credit.

The member's beneficiaries may choose any of the pension options from an insurer or from the Fund, or may choose (subject to taking financial advice) to receive the death benefit (or part thereof) in the form of a lump sum.

No insured benefit is provided for contract workers who are Fund members.

WITHDRAWAL BENEFIT

The benefit on voluntary withdrawal, dismissal or retrenchment is the member's Accumulated Credit.

The member may choose to leave his or her benefit in the Fund until retirement and become a deferred pensioner of the Fund. Alternatively, the benefit may be taken in cash or transferred to another fund, including a provident preservation fund.

EMPLOYER CONTRIBUTION

The Employer contributes at a rate of 16.0% of annual pensionable salary in respect of retirement benefits, plus a further amount of 6.5% (4.912% for fixed term contract employees) of annual pensionable salary payable in respect of death-in-service benefits and Fund expenses and the separate disability income benefit and separate Group Life Assurance arrangements.

13. Annexure C – Valuation Method and Basis

13.1 Assets

13.1.1 The investment in the Metropolitan Multi-Manager Smooth Growth Fund has been taken at face value, including declared vested and non-vested bonuses. The remaining assets have been taken into account at full market value, as the members are credited with the full investment return (net of investment management fees) earned on the underlying assets.

13.2 Liabilities

13.2.1 The member liabilities are taken as the total of the Accumulated Credits of all members (including living annuitant pensioners) as at 30 June 2010.

13.2.2 The Transitional Retirement Reserve (TRR) has now been consolidated with members' Accumulated Credits.

13.2.3 The data reserve, surplus apportionment expense reserve and processing error reserve have been established in accordance with the principles set out in the Registrar Circular PF117, as set out in section 7 of the main report

14. Annexure D – Revenue Statement

14.1 Summarised revenue statement

14.1.1 The following table is a summarised build-up of the Total Funds and Reserves over the valuation period. The numbers were derived from the financial statements.

	1 January 2008 to 30 June 2010 R'000
Opening value – Total funds and reserves	**1 556 710**
Income	**644 133**
Contributions: Retirement savings	281 673
Contributions: Re-insurance and expenses	93 184
Re-insurance Proceeds	15 857
Transfers from other funds	13 806
Net investment returns	239 613
Outgo	**335 393**
Administration expenses	7 768
Re-insurance premiums	19 802
Switch fees and bank charges	35
Surplus apportionment exercise costs	5
Transfers to other funds	3 092
Benefits paid	304 690
Closing value – Total funds and reserves	**1 865 450**

15. Annexure E – Member Funds and Reserves

15.1 Summarised build up and cash flow movements

15.1.1 The following table summarises the build-up of the Member and Living Annuitants Funds and Reserves together with the cash flow movements between them over the valuation period. The numbers were derived from the financial statements and therefore do not include any of the adjustments that we have made for purposes of this valuation.

1 January 2008 to 30 June 2010	Members R'000	TRR R'000	Living Annuitants R'000	Risk Reserve R'000	Data Reserve R'000	Processing Error Reserve R'000	Surplus Expense Reserve R'000	General Reserve R'000	Total Funds and Reserves R'000
Opening value	**1 412 873**	**41 924**	**79 795**	**0**	**6 766**	**9 101**	**1 282**	**4 969**	**1 556 710**
Contributions received	268 484	0	0	21 460	0	0	0	71 723	361 667
AVCs	13 189	0	0	0	0	0	0	0	13 189
Contributions allocated	62 196	0	0	(1 658)	0	0	0	(60 538)	0
Risk premiums paid	0	0	0	(19 802)	0	0	0	0	(19 802)
Consolidation of TRR	37 512	(37 512)	0	0	0	0	0	0	0
Reinsurance recoveries received	0	0	0	15 857	0	0	0	0	15 857
Investment returns	220 693	438	12 597	0	1 720	2 719	361	1 085	239 613
Member transfers into the Fund	13 806	0	0	0	0	0	0	0	13 806
Member transfers out of the Fund	(108)	0	(2 984)	0	0	0	0	0	(3 092)
Benefits paid	(267 553)	(4 850)	(16 205)	(15 857)	0	0	0	(224)	(304 690)
Retirals to ILLA	(47 378)	0	47 378	0	0	0	0	0	0
Transfer to members accounts	2 436	0	131	0	(345)	0	0	(2 223)	0
Admin expenses paid	(35)	0	0	0	0	0	(35)	(7 738)	(7 808)
Transfer between Reserves	0	0	0	0	(354)	813	30	(489)	0
Closing value	**1 716 113**	**0**	**120 713**	**0**	**7 788**	**12 632**	**1 638**	**6 566**	**1 865 450**