

MEMBER NEWS

Newsletter for Municipal Councillors Pension Fund



Message from the Desk of the PEO/CEO

Issue 2 of 2016



Dear Councillor,

Having taken into cognisance the oversight role played by the Chairperson of the Board supported by the Board of Trustees as outlined on PF 130 we bring you important updates from the Municipal Councillors Pension Fund.

**MCPF CHAIRPERSON -
TRUSTEE BUSISIWE**

Our PEO Mildred Mlinjana together with the Board of the Municipal Councillors Pension Fund ("MCPF") as well as all staff members, warmly welcomes you to the desk of the PEO wherein communication with you on recommendations made by various committees to the board leading to key decisions taken on behalf of members. The purpose of this newsletter is to keep you well-informed of all the latest developments in the MCPF. In terms of the governance structures implemented by the Board, the services provided by the Principal Executive Officer includes both statutory and management duties directed at ensuring that the Fund fulfills its promise to the members and all other stakeholders. By doing so it's for the purposes of smooth running of the fund taking into account board resolutions, good governance and key critical issues that emanated from various provinces during members report back meetings and queries raised by members. The Fund to continue working as a team to ensure better results in relation to 2016 bulk exits. We therefore want to ensure that you are kept abreast in this regard. As a result hereunder are the milestones acquired by MCPF board for the past four years.

MCPF Milestones from 2011 to date

The Fund was established on 1 May 1988 in terms of the Pension Benefits for Local Authorities Act 105, 1987. The fund is a Defined Contribution (DC) Pension Fund, committed to effectively and efficiently provide benefits to members and their beneficiaries. Since its inception the fund went through four administrators namely JMPF (1988 – 2003); Akani (2003 – 2008); ABSA (2009 – 2012) and Moriting (2013 – 2015). From the 15 April 2015 the Fund entered self-administration era wherein bulk of services are offered by the Fund itself instead of depending on service providers.

The Fund's Membership records confirm that 6006 Councillors from 264 municipalities from all nine Provinces are members of the Fund with 327 non-contributing members. Remuneration Committees and MCPF Property Company introduced recently further Committee that will oversee the matters of Bulk exits, election of new board and induction processes. The PEO / CEO has been appointed by the Board to fulfil the legal obligations, Strategic objectives of the Fund and day to day operations management of the Fund. The PEO/CEO as custodian of the Fund liaises closely with the Members of the Board ("the Board"), Actuary, Auditor, Consultants and other Service Providers to the Fund, Including Members.

Achievements

Implementation of the Self- Administration Strategy:

The board managed to reduce expenses significantly compared to the time of section 13b licence administration where by monthly standard operational costs.

Board Strategy

The board through annual board strategy session held over the past four years, managed to implement most of the PF 130 requirements that were lacking in the past, amongst others the following systems and processes assisted the Fund to achieve better results.

Establishment of Sub-Committees with Mandates

- ✓ Risk management policy and a Risk Register
- ✓ Policies of the Fund
- ✓ Contracts with service Providers and Penalty clauses
- ✓ Processes and Procedure Manual
- ✓ Integrated Administration system
- ✓ Better Communication and visibility with members
- ✓ Growth on our Assets from 1.1 Billion in 2011 to 2.7 Billion as at 2016.
- ✓ The Fund managed to conduct due diligence over its current asset managers, locally and internationally to enable better governance and segregation of duties as well as direct accountability.

Home loans

The Fund entered into a loan agreement with Absa Housing Loans division in 2009 according to National Credit Act and FICA compliance. The Fund in line with its procurement policy has subsequently appointed Standard Bank, as the members were complaining about service provided by Absa backed housing loan and further appeal to the board to review the service provider and consider bank that will not jeopardize members request to acquire loans hence the subsequent appointment to Standard bank.

Death Benefits

Members over the age of 75 were previously covered at one times annual salary and that

rule was eventually changed to three times annual salary, effective 1 September 2014.

A significant number of members requested the Fund to review this benefit as it's not fair to other members. The Governance and Legal committee reviewed this matter and come up with an amicable solution to the Fund members whereby a rule amendment was done to pay all members three times annual salaries.

Member Communication

The Fund has developed and implemented the Funds national marketing, communications and strategy plans and deliver external communications to Fund members; The Fund issues membership newsletter quarterly and has put in place SMS portal to communicate with members. Revamped web site which provides member zone whereby communication to each member at the municipality level has been communicated. Provincial Report back meetings taken to all Provinces at District level.

Member Data Queries

The Fund agreed to facilitate a query resolution process and to further reconcile_all the queries prior to the upload of data onto the Administration electronic system. The electronic system is now up and running that's where members are now in apposition to review their member benefit quotes.

Non Contributing Municipalities – Section 13 a transgressions

The fund embarked on a reconciliation project and ensure compliance for the arrears contribution of non-contributing members as well as late payment interest calculation for the late paying Municipalities by communicating to Municipalities. 327 non-contributing members were identified through this process and letters of transgressions were sent to them.

Member data reconstruction/ build-up

Through self-administration the Board has effectively managed to stabilize the Fund and is in a much better position to confirm to members that data integrity and safekeeping of member records in accordance to member data protection has been achieved. This achievement came as a result of a specialized integrated system, which is effective and accurate in assuring that all member contributions are updated monthly with interest accrued.

MCPF Property Company

The Fund had formed MCPF Property Company in order to manage the two acquired property portfolios: i.e. ISAGO and Gauteng Direct Property (Midrand).

Gauteng Direct property was registered under the Fund on April 2016. Through this investment, the Fund is earning rental income on a monthly basis as we currently have tenants that are renting out the units at the office block. The Fund will further utilize the other

office space for its staff component which will bring cost saving of hundred thousand per month, since the Fund will no longer be required to pay rent. These portfolios allows the Fund to diversify its investment portfolios.

The Financial Statements as at 30 June 2015

The Audited Financial Statements for 30 June 2015 were approved by the Board of the Fund on the 10th May 2016 and submitted to the FSB on 31st May 2016, after FSB had granted the extension.

The Fund managed to move away from the disclaimer opinion that was received on the 30 June 2014 Audited Financial Statements and managed to reduce the number of qualifications. The Fund did not have any none complaint issues on its 2015 Audited Financial statements.

Statutory Valuation as at 30 June 2015

The statutory valuation for the period 30 June 2015 has been completed, as per the draft valuation, the Actuaries has indicated that the Fund is 100% funded as at 30 June 2015. The final statutory valuation is due to be submitted to the FSB on the 30 June 2016.

SARS rebate issues

The Fund embarked on a reconciliation of PAYE payments made to SARS on benefit payouts. As at the end of the 2014/15 financial year the PAYE debt reflected in the Annual Financial Statements is in excess of R53 799 771. This amount arises from the discrepancies between the amounts initially paid out by ABSA, which were subsequently reversed when member records were corrected.

An investigation confirmed that the Fund may have a legitimate case to recover this money from SARS. With the assistance of services providers and working together with SARS the claim against SARS has been validated. SARS has now acknowledged the overpayment and a process has been agreed upon to recover the said monies.

In the last meeting which was held with SARS, a resolution was taken to reconcile the 203 outstanding tax directives, as per SARS. The reconciliation of the certificate just started as SARS only gave the certificates in the week of 10th June 2016. The findings of the reconciliation will determine the final amount which will be refunded to the Fund as SARS confirmed refund at this stage. The Refund will be allocated to Fund Assets.

Akani Litigation Matter

Since its inception the fund went through four administrators namely **JMPF (1988 – 2003)**; **Akani (2003 – 2008)**; **ABSA (2009 – 2012)** and **Moriting (2013 – 2015)**. The challenges, began in 2008 when Akani proposed increasing costs for administration and the then Board of Trustees agreed to handle the matter through a competitive bidding

process. Akani refused to co-operate with ABSA as successful bidder in handing over the records as the information handed over was not user friendly for Absa administration and certain data was not provided.

The Fund then took a legal route after FSB intervention failed and the Litigation case against Akani took far longer than expected. In late August 2015 a settlement was reached in which Akani insurer agreed to pay the Fund R13 million (in full and final settlement without prejudice and without admitting) plus the legal costs of the Fund.

Establishment of MCPF Satellite Offices-

As part of the 2016 exit plan for Councillors, MCPF Board of Trustees on the meeting held on 29 January 2016, resolved to establish satellite offices in all nine provinces in order to be accessible to members during the exit period. The offices had been secured in all Provinces within SALGA offices and the exact addresses is provided on the table below. The offices will enable interaction with members at the provincial level and better service delivery with regards to bulk payments during exit period of 2016 five-year term.

The process of recruiting staff for the satellite offices had been concluded and the offices are operational. All contractual arrangements with SALGA has been concluded. Contacts for the offices are provided below and addresses for the office locations are as follows:

PROVINCE	LOCATION
Mpumalanga	SALGA House, 11 van Rensburg Street, Nelspruit, 1200
Eastern Cape	Berea Terrace Office Building, First Floor Suite 3, Berea, East London, 5214
North West	Jage Square, Suite 400, Cnr OR Tambo & Margaretha Prinsloo Street, Klerksdorp, 2570
Northern Cape	10 Oliver Road, Monument Heights, Montrio Corporate Park, Building 2, Kimberley, 8300
Free State	SALGA House, 36 McGregor Street, East End, Bloemfontein, 9300 (N8 next to Airport)
KZN	4th Floor Clifton Place, 19 Hurst Grove, Musgrave, 4001
Limpopo	127 Marshall Street, Polokwane, 0699 (SALGA Offices)
Gauteng	3rd Floor Braampark, Forum 2, 33 Hoofd Street, Braamfontein, 2017
Western Cape	SALGA House, 44 Strand Street, 7th Floor, Cape Town, 8000

PROVINCE	TELEPHONE NO./ EXTENSION	EMPLOYEE
Gauteng	010-0051734	Roy Ndondo
Mpumalanga	013-7521200 Ext 202	Petrus Obelhozer
Limpopo	015-291 1400 Ext 215	Khotso Moloi
North West	087 358 7849	Kutloano Senyane
Northern Cape	087 358 7826	Phakiso Malebye
Western Cape	021 446-9800 Ext 9865	Faith Naude
Eastern Cape	043-7271150	Zusakhe Mbane
Free State	051-4471960 Ext no 147	Khanyiswa Maud Teisi
KZN	031-8172046	Sibonakaliso Buthelezi

Review of Asset Managers

As part of ensuring maximum returns of our assets for the benefit of members, the MCPF Board of Trustees on its meeting held on 10th May 2016 resolved to appoint Mvunonala and Benguela Asset Managers to replace Allan Gray. The decision to appoint the two asset managers was based on the recommendation of the Investment Sub-Committee assessment of the Allan Gray poor performance over the period of time. In the process of appointing the two assets managers technical expertise, proposed approach and methodology, understanding of the public sector pension funds, and previous performance record were taken into consideration. The Board had also made sure the Service Level Agreement is in place and the service provider gave a clear project plan in order to monitor their deliverable. The Board will continue to monitor the service provider performance.

Disinvestment of Assets from Allan Gray

Having decided to appoint two asset managers above, the Board also resolved that the FUND assets held by Allan Gray should be liquidated. The following were resolved;

- The Fund to liquidate all the Assets held by Allan Gray and replaced by Mvunonala and Benguela Asset Managers to manage these Assets;
- Further, relevant interactions with the Financial Services Board (FSB) in relation to the above was completed.

Members will continually be informed about the performance of all the asset managers and different portfolios.

Report on the State of the Municipal Councillors Pension Fund 2011 – 2016.

The 2016 comes with the end of the term for the councillors who were elected in 2011. The MCPF compiled a state of the Fund report which was resolved on the Board meeting held on 10 May 2016 outlines as follows:

- A broad report on the State of the Fund;
- Issues raised by members and the fund's response thereto; and
- Issues raised by SALGA NEC and the National Pension Fund Forum (NPF)

The state of the Municipal Councillors Pension Fund was presented at SALGA special NMA in Port Elizabeth on the 14 June 2016.

Regulation 28 Compliance Visit: Novare Offshore and Mayibentsha (Global)

In line with Regulation 28, the Fund conducted due Diligence Compliance Visits in Cape Town in July 2015 for Local Asset Managers. Based on this the Board resolved in compliance with regulation 28 to conduct the exercise with Novare Offshore and Mayibentsha Global. Further Novare Actuaries and Consultants made available an amount of R300 000.00 to sponsor the visit. The delegates for the due diligence visits were the Chairperson of the Board, PEO, the Deputy Chairperson of the Board, the Members of the Investment Sub-Committee and Novare Actuaries and Consultants representatives. The dates for the due diligence visits were 7th, 8th and 9th June 2016 where the delegation travelled during the weekend of the 04th June and return on the 10th June 2016.

Provincial workshops

The MCPF Board embarked on the provincial workshops with municipalities (HR, Councillors Support and Payroll/ Finance) to explain the detailed process in relation to the bulk exit payments which will be managed from MCPF head office supported by Satellite Office Managers. The workshops covered expected deliverables from the employer being the municipalities during 2016 exit, and MCPF satellite Office personnel that will be situated at SALGA provincial Office during bulk exit period to assist members in the exit process. The workshops were attended by the Municipal officials and some of the Councillors. The meetings were held as follows:

Province	Date	Venue	Time
Free State	21 June 2016	Mangaung Metro, Indaba Auditorium	10h00
Eastern Cape	11 July 2016	SALGA offices, East London	09h00
Western Cape	12 July 2016	SALGA offices, Cape Town	09h00
Northern Cape	22 July 2016	SALGA Offices, Kimberly	09h00
Mpumalanga	14 July 2016	Nkangala District Offices- Middleburg	09h00
KZN	21 July 2016	Durban Natural Science Museum- 1 st floor-City Hall	09h00
Gauteng	19 July 2016	SALGA Gauteng offices	09h00
North West	20 July 2016	Rustenburg Civic Centre	09h00
Limpopo	22 July 2016	New Peter Mokaba Stadium- Press Theatre	09h00

Willows Office park new home for MCPF

As from the end of September 2016, the Municipal Councillors Pension Fund will have a new home in Willows Office Park in Midrand. Willows Office Park is one of the Property owned by the Fund as long term property investment. The long term benefits of the Fund, would cost saving on rental paid at the current address. The fund will also generate income from the rentals from tenants on a monthly basis. The contacts details for the Fund will remain the same. The new address is as follows:

The Willows Office Park
276 George road
Midrand

Trustee Details

TRUSTEES	DESIGNATION	CONTACT NUMBERS	EMAILS
Busisiwe Modisakeng	Member Trustee/ Chairperson Gauteng	0823864239	Busisiwe@mcpf.co.ca
Lawrence Makgabo	Employer Trustee/ Deputy Chairperson Limpopo	0829382393	Makgabo@mcpf.co.za
Lance Joel	Employer Trustee	0829083335	lance@mcpf.co.za
Lucky Kgaladi	Member Trustee North West	0728848322	lucky@mcpf.co.za
Willie Johnson	Member Trustee Northern Cape	0792905099	Willie@mcpf.co.za
Ian Iversen	Member Trustee Western Cape	0836297051	Ian@mcpf.co.za
Hendrik Minnie	Member Trustee Free State	0824600921	Hendrik@mcpf.co.za
Yusuf Bhamjee	Member Trustee KZN	0837864496	Yusuf@mcpf.co.za
Vukile Balura	Member Trustee Eastern Cape	0824497295	Vukile@mcpf.co.za
Mafika Nkosi	Member Trustee Mpumalanga	0735812835	Mafika@mcpf.co.za

Maemili Ramataboe	Independent Trustee	0829002626	Maemili@mcpf.co.za
Leslie Patrick Primo	Independent Trustee	0735812835	Leslie@mcpf.co.za
Nombulelo Hermans	Employer Trustee – Salga Nothorn cape	0828821137	Nombulelo@mcpf.co.za

Conclusion

Based on the above resolutions and the work performed by MCPF, we can assure members that it is our Fund interest to keep them abreast with the developments of the Fund and its challenges.