



**Municipal Councillors Pension Fund
Presentation to
SALGA Special National Members
Assembly– 19 May 2016
PRESENTED BY CHAIRPERSON
BUSISIWE MODISAKENG**

Agenda



- Status of the pension fund
- MCPF Board of Trustees
- Governance Matters
- Achievements by the current Board
- Future of Councillors Remaining
- Bulk exits for Councillors
- MCPF Satellite Offices
- Proposed rules options to address issues raised by members
- Retirement Reform
- Investment and Growth
- Financial Report Back
- Investments Fund Performance 31 March 2016
- Current Managers and investment Portfolios
- Service Providers to the Fund
- Issues raised by Members and SALGA PEC
- Contacting the Fund



STATUS OF THE MCPF

- The Municipal Councillors Pension Fund was established on 1 May 1988 in terms of the Pension Benefits for Local Authorities Act 105, 1987
- The Board meet bi monthly to deliberate on all matter of matters outlined on each agenda.
- The board delegates the Chairperson, Deputy Chairperson to sign off all resolutions taken by the board.
- The PEO / CEO has been appointed by the Board to fulfil the legal obligations and operational management of the Fund.
- With effect from 15 April 2015 the administration of the MCPF has been undertaken by the Fund itself.
- The Fund has insourced the bulk of services in order to reduce dependency and/or reliance on external service providers, this process is continuous.
- Self-Administration and financial management and reporting are major focus areas of operational management and thus far within this eleven month of self –administration.
- The CEO/PEO as custodian of the Fund liaises closely as with the Members of the Board (“the Board”), Actuary, Auditor, Consultants and other service providers to the Fund, including members.



Governance Matters: Sub-Committees

1

Governance, Legal & Marketing Committee

- Chairperson: Cllr. Mafika Nkosi
- Legislative Compliance
- Marketing Activities
- Review of contracts

2

Administration, Audit & Risk Committee

- Chairperson: Cllr. Nombulelo Hermans
- Administration and Audit Matters
- Section 13B of Pension Funds Act compliance

5. REMCO Committee

- Chairperson: Cllr. Vukile Balura;
- Oversight of Human Resource and assessment processes

3

Death Benefit Distribution Committee

- Chairperson: Cllr Hendrik Minnie
- Section 37C death benefit distributions
- Oversight of payment process

4

Investment Committee

- Chairperson: Cllr Willie Johnson
- Review of performance of Asset Managers
- Review of the Investment Strategy



Processes to be followed when appointing the new board in terms of the registered rules of the fund

- Issue communication to each municipality to participate by nominating two municipal member representatives, who are members of the Fund;
- A provincial meeting will be convened where two municipal member representatives will attend;
- The Provincial meeting will elect two preferred members, where one that will acquire more votes will be considered a newly appointed Trustee and the second highest with votes will be recognized as a member representative that will fill the vacant should the other Trustee services get terminated;
- If the alternative Trustee does not want the position the National Salga office, together with the particular province will be requested to assist by providing the Fund with a member Trustee at the provincial level



ACHIEVEMENTS BY THE CURRENT BOARD

Within the eleven months' period of self-administration the fund managed to acquire the following;

Home loans

- The Fund in line with its procurement policy has subsequently appointed Standard bank. Members were complaining about service provided by Absa backed housing loan and further appeal to the board to review the service provider and consider a 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 three times annual salary and that rule was eventually changed to three times annual salary .A significant number of members is requesting the Fund to review this benefit as it's not fair to other members. The Governance and Legal committee is due to review 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



ACHIEVEMENTS BY THE CURRENT BOARD

Member Communication

- The Fund has developed and implement the Funds national marketing, communications plans and strategy Plans and delivers 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 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.

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ACHIEVEMENTS BY THE CURRENT BOARD

Reduction of Cost and self-administration

- In April 2015 the Municipal Councilor's Pension Fund undertook to do self-administration of the Fund which saved the fund on third party operations which was creating a social distance between trustees and members. There is only have 6 service providers.
- Administration system which is integrated with financial management system and SARS system for tax directives
- Acquisition of good Personnel
- Conclusion of long term litigation matter between Akani and MCPF where settlement of 13 million was negotiated and settled.



Future of Councilors remaining

- in accordance with the Fund rules Members can not exit while they still serve as Councillors.
- Membership can only be terminated in instances when you are no longer a serving Councillor or due to untimely death .
- In accordance to the Proposed rules amendment , upon approval members re-elected will be in a position to claim 1/3 of their member share.
- Members who were active as at June 2015 will earn surplus on the direct property investments upon completion of top structure , currently the yearly valuation will confirm growth of asset for Isago investment.
- In relation to the property owned by the Fund in Midrand all members who were active as at April 2016 will earn surplus on the growth of this investment.



Bulk exits for councillors

- After the 2011 municipal elections the fund was presented with a challenge where almost 6000 councillors exited the fund.
- The administrator was not ready for this exercise which resulted in a 3 months exercise going longer than a year in some cases.
- The fund is a lot better prepared now than it was in 2011. A plan is already in place to address the bulk exits that will be as a result of the municipal election to be held in 2016.
- The fund has already employed a bulk exit team that will deal with these exits. This will be over and above the current business as usual administration team.
- As part of Verification process in order to counter fraud risk, the Fund will request Municipalities to provide update on Certified Bank Accounts, Certified ID, Tax number and beneficiary nomination form for councillors.
- The Fund will have satellite offices during exit for members to have access to MCPF(Hand outs of the detailed Exit plan attached)



MCPF SATELLITE OFFICES

- As part of the 2016 exit plan for Councillors, MCPF resolved to establish satellite offices in all nine provinces in order to be accessible to members during the exit period;
- SALGA national responded positively and we are in the process of visiting Provinces to identify the office space;
- 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;



Challenges faced by the fund in relation to rule amendments

- The fund applied for rule amendments 1-5 in 2014 and it took financial services board a full year to respond to these amendments which had implications to member benefits.
- Subsequently now in early 2016, FSB considered approval of Rule amendment 1-4 after various follow up that were made by the fund with a strategic support of its lawyers.
- Rule Amendment no 5 was approved by the Board and awaiting approval by FSB.



Proposed rules options to consider for members to address issues raised at NPFF

1. Amending the rules of the Fund to at least allow for termination of membership with the option to transfer funds into another approved retirement annuity or preservation fund of a member's choice;
2. Allow returning members to continue membership but they should have access to at least 33.33% of membership value; alternatively
3. The fund explore the possibility of the creation of an internal "short term loan scheme" and "education trust".
4. Change of death benefits to five times annual salary.



Financial Report Back

Financial soundness of the Fund

- The Actuary declared that the Fund was 99.5% funded on 30 June 2012. The previous statutory Valuation was at 30 June 2012 and next 3 years Statutory Valuation will be submitted to FSB not later than June 2016.

The Financial Statements as at 30 June 2014: Two qualifications were raised:

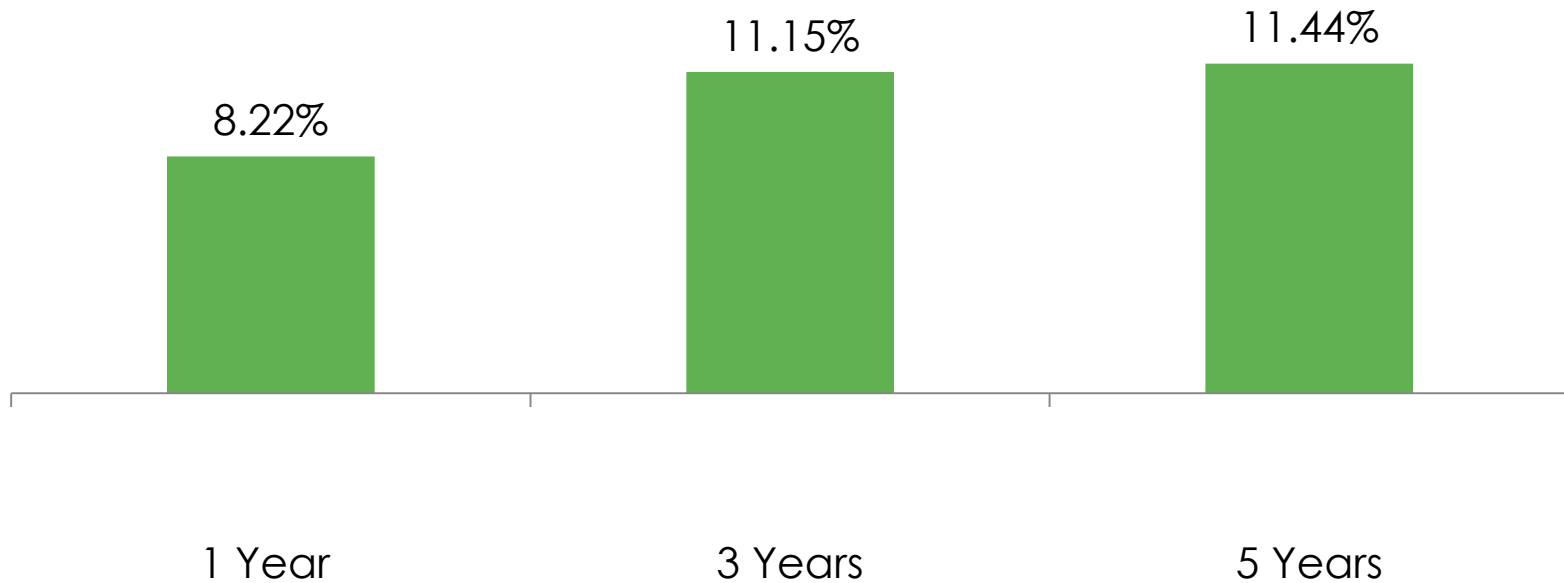
- Contribution accounting: contributions are accounted for on a cash basis unless there is certainty that contributions are recoverable – *This qualification is common with similar Funds. This arises as a result of contributions from different Municipalities not being received on time, and also the uncertainty that all the outstanding contributions may not be paid into the Fund.*

The Financial Statements as at 30 June 2015

- The Audited Financial Statements for 30 June 2014 were submitted to the FSB on 30 June 2015.
- The Audited Financial Statements for 30 June 2015 were approved by the Board at the meeting held 11 May 2016 and have been submitted to Financial Services Board on the 16th May 2016
- The audited benefits statement has been sent to municipalities and copies will also be distributed at the NMA.



Fund Performance March 2016



As a result of the movements in the financial markets, the MCPF total market value was: R2 774 639 799 as at the end of March 2016. For the past 12 months to March 2016 the Total Fund return was 8.22% whilst it was 11.44% pa for the past 5 years to March 2016



INVESTMENTS AND GROWTH

Active Portfolio:

- The portfolio follows a growth investment strategy for the first three years following elections with the aim of providing superior returns relative to inflation.
- For the next two years leading up to municipal elections the portfolio follows a progressively more conservative strategy with the aim of providing reasonable returns relative to inflation and an increasing degree of capital protection for members who will withdraw their Member Share if not re-elected for another term.

- If the term of office of municipal councilors is shortened, the investment horizon of the portfolio will also be shortened in line with the new term of office and an investment strategy review will be conducted to determine a new investment structure appropriate to the shorter investment horizon.



Current MANAGERS





Service Providers to the Fund

- Banker



- Pension Powered Housing Loans



- Investment Consultant and Manager



- Actuary



- Auditor



- Risk Underwriters



- Beneficiary Fund Administrator





Issues raised by members and SALGA PEC

The Fund noted critical issues raised by members and the attached status of the fund report provides progress on such matters:

- Offices of the Speakers must be made a contact point regarding the Pension Fund related matters
- The Board must ensure that the Fund remains solvent
- The benefit statements must correctly be drawn noting the errors in the Member shares and years of joining the Fund.
- The Commission for Remuneration of Public Office Bearer must provide the details of where the comments on the Councillors remuneration must be forwarded.
- A report addressing all the issues raised by the delegates to be compiled and presented on the proposed meeting of the National Members Forum during the first week of May 2016.
- Partial withdrawal of the benefits must be allowed in an optional manner. The withdrawal of 33.33% must be made an option.
- Thorough investigations must be made on the contributions which were lost during the period of Akani Administrators and that proper measures must be taken against the responsible parties;
- The Rules must make provision for dispute resolution process to enable Members a structured process to follow in disputing their benefits
- A Rule dealing with the proposed educational Trust must be inserted in the Rules;
- The matter of freedom of association must be clearly outlined under Rule 24.4 as some Councillors wants to exit the Fund and withdraw all their benefits while still Councillors (North West and Free State);
- Detailed information pertaining to payments of beneficiaries must be included in the report noting that certain beneficiaries remains unpaid
- Clarifications on why some Municipalities makes contributions towards Members pension while others don't must be obtained;
- The policy must be drafted for issuing of dividends to the Members who had exited in relation to the direct property investments.



Contacting the Fund

Kindly note MCPF has new contact details hereunder:

MCPF Contact details:

Municipal Councillors Pension Fund

4th Floor Marble Towers

208-212 Jeppe Street

Johannesburg, 2001

Note new number for the Fund **086 111 2014**

New address of the Administrator

Municipal Councillors Pension Fund

4th Floor Marble Towers, 208-212 Jeppe Street, Johannesburg,

2001. Number of the Fund: **086 111 2014**



Contacting the Fund

Office of the Principal Executive Officer

MCPF PEO: Ms Mildred Mlinjana

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Contacting the Fund

ADMINISTRATOR

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Questions





Thank you