

**MOTOR INDUSTRY FUND ADMINISTRATORS (PTY) LTD**  
**CHAIRMAN'S STATEMENT**  
**TO THE 58<sup>TH</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**  
**HELD ON 19 JULY 2011**

**1. INTRODUCTORY REMARKS**

Notwithstanding volatility, both local and international markets continue to trade at levels well above the lowest levels reached during the 2008 collapse, but still below the highs that prevailed prior to the collapse.

Although some two years into the so-called recovery of the global economy, growth is still evasive and nowhere near earlier predictions or expectations.

In the USA deficits appear to be out of control, with little improvement in the high levels of unemployment. Yet the Federal Government continues to "print money" to fight wars they don't need but fail to avoid, fuelled by foreign policies of global interference. Thus the world's strongest economy is floundering.

Old European economies are, with the exception of Germany, under severe stress

- Chaotic street scenes are still visible in Greece, with a Government at its wits end to persuade citizens to accept the additional austerity measures required to qualify for further bail-out funds.
- Add Ireland with a Banking system teetering on collapse, Portugal on the brink and question marks around the well-being of the Spanish economy.
- Even the UK , for so many years the financial hub of the world, indebted beyond belief, the remedy being austerity measures in the form of severe cuts to social services plus higher taxation, a combination guaranteed to slow down economic growth.

Human nature being what it is, the beneficiaries of the largesse so freely provided by corrupt politicians to "buy votes", now protest and strike to show their discontent about having to give up their gains, no matter how ill-begotten. The return to sanity is a cumbersome one!

Given the aforementioned state of affairs in some of the major markets supported by our off-shore Asset Managers and with the benefit of hindsight, the MIFA Board was wise to retain it's conservative policy covering off-shore investments, thus limiting such investments to 15% of assets (inclusive of the 5% allocated to Africa).

The balance of the Funds' assets were successfully invested in various asset classes in the RSA and according to the funds' Investment consultant the MIFA administered funds currently fall within the top performing retirement funds in the country.

1.1 Statutory Actuarial Valuations and Audited Financial Statements of the Funds as at 31 March 2010

The Actuary, having performed full statutory valuations of the Funds under administration, declared all the Funds to be financially sound.

The Funds' Audited Financial Statements, lodged with the FSB, were yet again signed off by the Auditors without qualification.

The results of the statutory actuarial valuations of the Funds were presented to the Board at the November 2010 meeting and the recommended pension and other increases approved and implemented on 1 December 2010.

1.2 Financial Services Board

The General Manager has played a major role to ensure a continued relationship of the highest order with the Financial Services Board.

The Board has continued to function strictly in accordance with the comprehensive Policy document developed in terms of the guidelines set out in the FSB circular PF130, thus ensuring ongoing compliance with the FSB requirements and good Corporate governance in general.

The FSB conducted a compliance visit at MIFA during the year under review and I am pleased to report that all recommendations resulting from the visit have been or are being dealt with by the Board.

1.3 Functioning of Sub-Committees

The various sub-committees continued to function satisfactorily in accordance with the established Terms of Reference and the objectives of good governance. The Terms of Reference of the various sub-committees are under review.

1.4 Retention of Auditors

Both the external auditors, Deloitte & Touche, and the internal auditors, KPMG, were retained during the year under review. The auditing results were once again highly satisfactory, indicating ongoing compliance and effective controls within the administration.

1.5 Retention of Consulting Actuaries

Alexander Forbes were retained as Consulting Actuaries to the Funds. Mr Andreas Michael, the Actuary appointed to assume responsibility for the Funds, has rendered services of a high standard during the year under review. He unfortunately resigned his position during the course of the year and Mr Andre Pienaar, who heads up the Actuarial division of Alexander Forbes, has assumed responsibility for the MIFA administered funds.

1.6 Retention of Risk and Asset Consultant and appointment Asset Managers

Riscura were retained as Risk and Asset Consultants to the Funds and no new appointments of Asset Managers were made.

1.7 Relationship with MIBCO

The company has continued to enjoy close ties with MIBCO and we were once again privileged to experience co-operation of the highest order from the MIBCO Office-bearers and staff. It is, therefore, appropriate for me to express my appreciation to the past President of the Council, Mr Basil Cele, to the newly-appointed President, Mrs Jeanne Esterhuizen, and to Mr Willem Schröder, his management team and support staff for their roles in maintaining this relationship.

During the past year agreement was reached on a new fee structure covering the collections of contributions by MIBCO on behalf of the Funds and reasonable progress has been made in regard to the reconciliation of documentation in support of contribution advances made by MIBCO to the funds.

1.8 Fund Communication

A website is operational for the downloading of Benefit Statements by or on behalf of members of the various Funds. Currently 3 110 employers representing 97 776 employees are registered and are actively making use of this service.

This website also provides access to Fund Rules, financials and other relevant information and has become a functional element in our communication strategy.

During the past year two newsletters (unique to each Fund) were produced in four of the official languages and forwarded to members. This form of communication is also ongoing and in compliance with the FSB PF130 recommendations. A formal Communication Committee has been established to oversee communication by the Funds.

1.9 Staff changes

There were two staff terminations during the year.

New appointments were made in accordance with the Company's Employment Equity objectives and operational requirements. Staff training and development, including tertiary opportunities, continue in accordance with the facilities approved by the Board. I am heartened by the low staff turnover, which augurs well for the continued effective administration of the Funds.

1.10 Motor Industry Beneficiary Fund

In accordance with directives issued by the FSB, a set of rules was developed in consultation with Alexander Forbes Actuaries to direct the administration of the Motor Industry Beneficiary Fund. These rules were approved by the Board and MIBCO and

submitted to the FSB for final approval. This final approval was received during the year.

1.11 Trustee training

A training program for Trustees has been successfully introduced and is ongoing.

1.12 Pension Fund Adjudicator

The Funds handle around 28 000 to 40 000 claims per annum. An insignificant number of complaints of any substance are lodged with the Adjudicator each year and, since the establishment of the Adjudicator's office going back over 10 years, no more than two or three determinations were forthcoming either in favour of applicants, or instructing a review by trustees on behalf of the relevant fund. This outcome is indicative of the quality of administration of the funds.

1.13 Disaster recovery tests

The Funds' Internal Auditors require disaster recovery tests on a regular basis and I am pleased to report that all tests undertaken to date have been successful and the security measures introduced, approved by the Auditors.

**2. BOARD OF DIRECTORS**

During the year the following changes in the Board's composition took place :

Resignations:

Mr B Cele (MIBCO) and Mr J Msibi (NUMSA Alternate)

Appointments:

Mrs J Esterhuizen (MIBCO) and Mr S Khanyile (NUMSA Alternate)

➤ **REVIEW OF THE COMPANY'S OPERATIONS**

In a brief review of the Company's operations, I would like to mention the following :-

**3. ADMINISTRATION**

Levels of administrative service by MIFA to members continue at a high level with rapid turnaround times in the processing of claims and resolution of related queries. The Company's administration is highly reliant on the effectiveness of the Council for the collection of contributions and collation of claim documentation. We are advised that MIBCO is continually reviewing and enhancing their systems to ensure both effective and efficient services to members.

Administrative and financial controls are in place and operating effectively, as evidenced by positive feedback from both internal and external audit reports.

The Company now serves 222 711 contributing members and 7 385 pensioners. During the year, 27 750 new claims were paid in the amount of R1.6 billion with R212 million paid in pensions. Contributions of R1.65 billion were received. In addition, monthly claims against 1 272 Beneficiary distribution accounts were dealt with during the year.

Statutory requirements are closely monitored in consultation with the Funds' Actuaries and the Financial Services Board, and the Funds are in full compliance with current requirements of the legislation.

#### 4. SURPLUS APPORTIONMENT

All statutory requirements have been met in respect of process and submission of surplus apportionment schemes to the FSB, with unqualified FSB approval having been granted.

A total of some 74 000 individual surplus payments in the amount of R309 million have been made by the funds to former members who had been successfully traced during the Surplus Apportionment process.

#### 5. ASSET MANAGEMENT

The following table shows the market value of the Funds' total investment portfolios as at 31 March 2010 :

	Fair Value (R million)
Copartes Pension Fund	R 484
Motor Industry Pension Fund (2005)	R 4 882
Auto Workers' Provident Fund	R 8 201
Motor Industry Provident Fund	R 5 811
Total	R19 378

#### 6. MEMBERSHIP

During the year membership increased from 198 000 to 222 711, an increase of 12.48%. This increase indicates some improvement in economic conditions in the industry since the slow-down in 2009.

As at 31 March 2010 membership of the Funds stood at :

Active :	AW Prov	175 261
	MI Prov	46 947
	Copartes	503
	Total	222 711
Pensioners :	MIPF	7 177

	Copartes	208
	Total	7 385

## 7. CONCLUSION

I believe the Board can justifiably consider the past year to have been satisfactory in every area of the Company's operations, whether it be the quality of the administration, the relative preservation of the assets notwithstanding extreme volatility in market conditions, or the ongoing good relationships with the Regulatory Authority, our Professional Consultants, Asset Managers and Stakeholders. The services rendered to the Industry are exemplary and are perhaps best reflected in the absence of substantiated complaints or determinations against our Funds by the Pension Funds Adjudicator. It is appropriate for me once again to express my sincere appreciation to our General Manager Mr Keith Webb, his management team and support staff for their dedication and hard work, which were essential elements to the success of the past year.

I would also like to record my appreciation to our Auditors, Actuaries, Investment Consultants and Asset Managers for their invaluable services during the past year.

My heartfelt thanks and appreciation to every Member of the Board for the co-operation and friendship which I was privileged to enjoy during the past year. Thank you for the time given in the execution of your duties as Trustees of the Funds and Directors of the Company.

It is appropriate to express a special word of thanks to those Trustees and Directors who do not reside in the Gauteng area and regularly travel by air or road from distant towns or cities to be present at meetings of the Company. The sacrifices by way of additional travelling time have not gone unnoticed. Please accept my sincere appreciation for this.

I would also like to record my appreciation to Mr.B Cele who retired as a Trustee and Director of the Company, for his valuable contribution to the Board during his tenure, also as the "Former Member Representative" on the Surplus Apportionment Committee, as the statutory appointee.

I also wish to express my appreciation to Mr J Msibi who retired as alternate Trustee and Director on behalf of NUMSA. A popular personality who stood in on behalf of his Principal on a number of occasions.

Both these gentlemen regularly travelled from Durban and Witbank respectively to attend monthly meetings of the Board.

As the formalisation of the existing "self-administration" of the Funds is under consideration this may well be the final Chairman's statement to be tabled at a meeting of shareholders of the MOTOR INDUSTRY FUND ADMINISTRATORS (Pty) Limited, thus concluding an arrangement that has spanned 58 years. Legislative changes providing each registered fund with formal legal status and the onerous rules being introduced by the FSB to strictly control fund administrators in future, have influenced this development.

**J DU PLESSIS  
CHAIRMAN**

19 July 2011