

# Compass

Motor Industry Pension Fund

*Providing reliable direction  
to true financial freedom*

## Welcome to Compass

If ever you have been lost in the middle of nowhere, you will appreciate the value of a compass. Unlike modern technology that can fail you in the most desperate of situations, the compass has always remained a reliable and timeless invention. It needs no battery, requires no charging and never needs a software upgrade. Best of all it can never, ever lose signal. Truly incredible!

With every issue of 'Compass' we will provide you with relevant and reliable information that will help you sustain financial independence throughout your retirement years. Compass will provide valuable information about your pension.

Your Board of Trustees have recognised the importance of regular communication with retired members and we hope that you will find this publication both interesting and informative.

Your Trustees work tirelessly to ensure you receive regular increases in your pension notwithstanding difficult financial circumstances.

## Investment news

After last year's good investment returns, thanks mainly to increases in share and property prices, investors are now facing the other side of the coin – a reduction in their investment values. Reasons for the poorer investment performances this year is a result of worldwide economic uncertainty due to the collapse of a number of international markets and the consequential reduction in share-values across the globe. Our Stock Exchange did suffer significant losses during the past few months. This reaction of our share-market was to be expected as investors generally lost confidence and many foreign investors sold their investments in our market. When there are more sellers than buyers the prices of shares tend to drop sharply. If the history of the Johannesburg stock exchange (covering almost the entire 20th century) is anything to go by, we can expect the market to recover over time, which means that your Fund will also recoup any losses recorded during the current international financial crises.

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Your Fund is a closed Pension fund with no contributory members. The Fund therefore has no new money flowing in (no new contributions). The Fund follows a conservative investment strategy and the main aim is to sustain current pension values and whenever possible to increase pensions. The Fund's record speaks for itself.

Due to the current economic uncertainty, your Trustees have, on the advice of the Fund's Actuary, decided not to award any pension increases effective 1 December 2008. The Trustees will monitor the investment markets and if markets recover sufficiently, the decision will be reviewed with the help of the Fund's Actuary.

The Trustees have however decided to award a flat rate of R1000 as a special non-repeatable once off bonus to all pensioners. This once off bonus will be paid to all pensioners along with their pensions in December 2008.

## estive Season Wishes

The Trustees and management of the Fund hope that you and your loved ones will have a peaceful holiday season. Enjoy a well deserved break, whether you are going on holiday or spending quiet time at home with your family and friends. May 2009 hold great prosperity and good health for all.

## Role players involved in your fund

Retirement funds are governed by the Pension Funds Act. Although industrial funds such as yours have until recently been exempt from having to comply with the Pension Funds Act, your Fund has seen compliance with the Act as a necessity and therefore has voluntarily complied with the provisions of the Act over many decades.

Every fund has a Board of Management (Trustees) to run the affairs of the fund. Trustees have fiduciary duties, which mean that the trustees must exercise their powers for the benefit of the retirement fund and in such a manner as to always act in the best interest of the fund and its members.

The objectives of the Board of Trustees are to direct, control and oversee the operations of the fund in accordance to applicable laws and the rules of the fund. In pursuing its objectives the Board shall:

- Act with due care, diligence and good faith
- Avoid conflict of interests
- Act with impartiality in respect of all members and beneficiaries

Circular PF 130 issued by the Financial Services Board (FSB) further elaborates on the duties of Trustees and how they should act in accordance to good governance principles. The Board of Trustees have committed to the principles of PF130 and is in the process of adopting the various requirements of this circular.

To ensure that the trustees are able to fulfil all their duties, they appoint various professional service providers such as Investment Managers, an Actuary, and Auditors. The roles of these service providers are briefly explained here:

### **Administrator**

The administration of the fund is undertaken by MIFA (Motor Industry Fund Administrators) which is overseen by the Trustees. MIFA was established in 1952 and is a registered administrator in terms of the Pension Funds Act and currently administers retirement funds for about 210 000 members who work within the motor industry.

### **Auditor**

The Fund appoints an external auditor to audit and report on the financial statements of the Fund annually. The Fund's auditors are Deloitte & Touche.

The Fund also appoints an internal auditor to continually review and report on the administrative controls. The Fund's internal auditors are KPMG. All audit reports for the past year have again confirmed excellent record keeping and administration of your Fund.

### **Actuary**

The Fund appoints an Actuary to evaluate and report on the financial soundness of the Fund. The Actuary is accountable to the Trustees and the Financial Services Board for the reliability of the valuation results. The Fund's Actuary is Alexander Forbes Consultants & Actuaries.

The Actuary has certified your Fund to be financially sound.

### **Investment managers**

The Fund appoints the best local and international asset managers to invest the money on behalf of members. The Fund has an Investment Committee that monitors the investment performance monthly to ensure the best returns for pensioners at acceptable levels of risk.

A professional Investment Consultant assists the Investment Committee with these tasks.

## *S*POUSES PENSION EXPLAINED

The member's pension is guaranteed for the first 10 years after retirement. In the event of the member's death within the first 10 years the pension will continue to be payable at full value for the remainder of the 10 year period. Thereafter the surviving spouse will receive a pension at 50% of the original pension calculated.

## *C*hanges to the Pension Funds Act

You might have heard rumours regarding the Government's retirement fund reform process and read articles published in many newspapers throughout the year. A lot of what was covered in these articles was reported incorrectly. As a pensioner these changes will not impact your pension benefits and will not affect you. The information is published here for information purposes only.

The main aim of the retirement reform process is to introduce a National Savings Fund (NSF) also referred to as the National Social Security Fund. As part of the process, a complete overhaul of the Income Tax Act relating to retirement provision is also looked at. An inter-ministerial task team has more recently been established to drive the process. Public and institutional comment has been invited.

Currently very few South Africans have any form of retirement provision and have to rely on the State Old Age Pension. This is at tax-payers' cost. It is so far proposed that the NSF will extend to all employed, also in the small and medium business areas, contract workers, domestics workers, informal labour, seasonal workers, etc.

The real impact on funds will be known once the final legislation is promulgated.

As and when more developments are known, we will keep you informed via these newsletters.

The Fund has an Investment Committee that monitors the investment performance monthly to ensure the best returns for pensioners at acceptable levels of risk.



# PAYMENT DATES FOR PENSIONS

The following payment dates have been set for the payment of your pension in 2009.

JANUARY	2009	<u>22</u>
FEBRUARY	2009	<u>24</u>
MARCH	2009	<u>24</u>
APRIL	2009	<u>24</u>
MAY	2009	<u>25</u>
JUNE	2009	<u>25</u>
JULY	2009	<u>23</u>
AUGUST	2009	<u>25</u>
SEPTEMBER	2009	<u>25</u>
OCTOBER	2009	<u>23</u>
NOVEMBER	2009	<u>24</u>
DECEMBER	2009	<u>11</u>

## Did you know?

- The Motor Industry Pension Fund has 8 100 retired members with assets of more than R4,3 billion. The Fund is valued annually and is fully funded (able to meet its liabilities as determined by the Actuary).
- Almost R16 million is paid as pensions to pensioners every month.
- The Motor Industry Pension Fund often receives enquiries from pensioners regarding their medical aid benefits and deductions. As the medical aid, Moto Health Care, is administered separately from the Pension Fund we cannot assist with medical aid enquiries. The Pension Fund is only involved in deducting your medical contributions (as instructed by Moto Health Care) from your monthly pension and then paying these over to the medical aid. The Fund is therefore not in a position to answer questions related to medical benefits and monthly contributions.