

bulletin

2010 PENSION INCREASE & BONUS

The 2008/2009 crash in international financial markets continued to have a negative impact on investment markets worldwide. Although the brunt of this meltdown is now, hopefully, behind us, high levels of volatility continue in both domestic and global markets with severe weakness being experienced by certain international economies.

The Mine Employees Pension Fund (MEPF) and Sentinel Mining Industry Retirement Fund (SENTINEL) have also been subjected to these difficult conditions but have managed to perform well given the difficult operating environment of the past 2 financial years. This is mainly as a result of disciplined and active longer term investment and risk management strategies.

The Boards of Trustees of the Funds are therefore pleased to announce that the following pension increases have been awarded effective 16 October 2010 (previously 1 November):

	Pension Increase	CPI at 30/06/2010	Inc as % of CPI
MEPF	5,0%	4,2%	119,0%
SENTINEL	5,0%	4,2%	119,0%

In addition to the above pension increases, the Boards of Trustees of both Funds have also awarded a special once-off bonus of 10% to pensioners based on a pensioner's annual pension prior to the 2010 pension increase.

*Wishing all our members a joyous and peaceful festive season,
a successful 2011 coupled with abundant health and prosperity.*

The Chairman and Boards of Trustees



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MINE EMPLOYEES PENSION FUND

CEO REVIEW (Extract from the 2010 Annual Reports)

The period under review has been challenging as market volatility remained relatively high following the meltdown in international financial markets in the previous financial period and continued weakness in certain international economies such as Greece and the United Arab Emirates.

Investment management and performance

In managing the assets of the Funds, a liability driven investing (LDI) philosophy is followed. This approach enables the Trustees to focus on the commitment of the Fund's to members and pensioners by managing investment risk around specific pension targets, rather than the traditional and simple approach of avoiding volatility. The responsibility of the Funds, with regard to pensioners, is to ensure that pensions in payment with a proportion of inflationary growth are sustainable over the long term.

NET ASSETS AT 30 JUNE	2010	2009	2008
SENTINEL	R33.9bn	R31.2bn	R35.0bn
MEPF	R16.6bn	R15.6bn	R18.4bn

Active investment and disciplined risk management strategies delivered anticipated results with overall performance reflecting the effects of these prudent yet innovative strategies. Over the last 12 months, the Funds have continued to hold a prudent position relative to their goals. This conservative position has been in place in relation to a number of risk drivers in the portfolios including currency and interest rates. The resulting performance achieved has been in-line with targets, yet protecting members to some extent in periods of market weakness. This position will continue to be held whilst markets are relatively volatile and the Funds will continually apply a disciplined and flexible approach to investing to ensure that investment returns will be maximised around liabilities over time. Annualised investment returns for the financial year to 30 June 2010:

Gross Returns	2010	3 Years	5 Years
Wealth Builder			
SENTINEL	14.1%	3.0%	14.0%
MEPF	14.9%	3.0%	14.0%
Inflation Protector			
SENTINEL	14.3%	3.3%	13.4%
MEPF	14.8%	3.1%	13.3%

Gross Returns	2010	3 Years	5 Years
Pension Protector			
SENTINEL	13.3%	4.0%	11.7%
MEPF	13.9%	3.7%	11.5%
Cash			
SENTINEL	7.8%	10.5%	n/a
MEPF	7.9%	10.6%	n/a

During the year a Shari'ah compliant portfolio was introduced as part of the Member Investment Choice model.

Benefits

The flexible membership structure of the Funds continues to allow members and their employers to negotiate contribution rates, normal retirement age and pensionable salary. In addition, members and their employers are able to negotiate the Risk Salary utilised to determine death and disability cover.

The Fund also provides home loan guarantees through a third-party service provider and most large employers now participate in this product.

Administration

Our commitment to excellent service and the maximisation of efficiencies has resulted in an administration process driven by technology and cost effectiveness. Amongst others, the following has been achieved:

- Regular meetings of the Board of Trustees and subcommittees to ensure the effective and proactive management of the Funds.
- A fully integrated workflow solution is being implemented to speed up claim processing times, accuracy and resource optimisation.
- A large increase in attempted fraudulent claims has required innovative solutions and best-of-breed identification processes. This is further being focused on in an attempt to minimise future risk.
- Low-cost administration service, one of the lowest fee structures within the retirement industry.

Pension increases and bonuses

Whilst recognising the importance of the increases that the Funds grant to pensioners and the Board of Trustees' objective to counter the erosive effect of inflation on the purchasing power of pensions, it is to be noted that annual pension increases are not guaranteed. These increases are dependent on investment performance and the funding level of the Pensioner Portfolios. The core priority is to keep the Funds financially sound over the long term.

Corporate governance

In ensuring that the Board of Trustees effectively fulfils its fiduciary responsibilities, various Board subcommittees perform a pivotal role in monitoring the affairs of the Funds. The Funds are committed to the highest levels of corporate governance and to this end, the Audit and Compliance Committee of the Funds provide invaluable guidance ensuring accepted principles are adhered to.

In addition, this commitment has led to the appointment of a suitably qualified individual on senior management level, to focus solely on the function of governance and compliance.

Communication and client service

During the period under review, the Fund's Advisory Service Division was expanded to include the client service function. This in effect takes the Funds, communication, education and advice to members and pensioners. A new client service centre was established in the Carletonville area and the Welkom client service centre was relocated to new premises.

Transformation and BEE

The Funds follow a policy of broad-based black economic empowerment through operating activities intended to ensure

transformation at all levels of society. The main vehicles utilised in this regard include:

- A Socially Responsible Investment (SRI) strategy that allocates a set percentage of total assets to appropriate SRI projects and investment opportunities
- An incubation programme for emerging black asset and investment managers who would not otherwise be included in the standard institutional investment manager process
- Service providers to the Funds and the Funds own policies on employment

Social security and retirement reform

No clear path has yet been established with regard to on-going reform initiatives in the retirement fund industry. The Board of Trustees will continue to engage with the Financial Services Board, the Department of Finance and the Department of Social Development with the objective of having the Funds recognised as being one of the funds of choice within the mining industry.

Appreciation

I express my sincere gratitude to the Boards of Trustees for their continued commitment and dedication to the strategic management of the Funds. I convey my deepest gratitude to all participating employers, members and pensioners for their continued and loyal support.

I am confident that, with the support of all stakeholders, the 2011 financial year will be a highly successful one and that the Funds and all members and pensioners will benefit handsomely from opportunities that arise.

FJ Visser
Chief Executive Officer
7 October 2010

ABBREVIATED EXTRACT FROM THE CONSULTING ACTUARIES REPORTS

The statutory actuarial valuation of the Sentinel Mining Industry Retirement Fund / Mine Employees Pension Fund has recently been completed as at 30 June 2010, and confirms that the Fund's assets exceeded its liabilities.

Contributory and non-contributory members have their own individual fund credits, which are matched by equivalent assets at 30 June 2010.

AR Pienaar
Fellow of the Institute of Actuaries

In my capacity as valuator of the Fund and as an employee of Alexander Forbes Consultants and Actuaries, a division of Alexander Forbes Financial Services.

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7 October 2010

For the complete CEO, Consulting Actuary and other reports, please refer to the Annual Report of each Fund available on the websites of the Funds.

RULE AMENDMENTS

The following Rule amendments have recently been approved by the Financial Services Board and SARS:

Interim Members Can Exercise Member Investment Choice

Once the Funds are notified that a contributing member has resigned, retired, been retrenched or dismissed from employment, the member's Fund Credit is disinvested and held in the Cash Portfolio until the member exercises a benefit option. ***Remember that you MUST exercise a benefit option within 24 months of the above event to prevent your benefit from becoming unclaimed!***

Although the disinvestment is done to protect a member's Fund Credit against market volatility, the member has two years in which to decide what to do and exercise a relevant option. The Rules were amended to allow members Investment Choice during this decision making period. Please contact the Fund as soon as you have decided to leave the service of your employer for a detailed explanation of all your options.

Additional Voluntary Contributions by Deferred Members of MEPF

As a result of promotions, some members who are contributing to Sentinel are also deferred (non-contributing) members of MEPF. The Rules of MEPF were amended to allow non-contributory members in MEPF to make additional voluntary contributions. These contributions qualify for a tax deduction to a maximum of R1,800 per year.

Other Rule Amendments

Various other Rules were amended to ensure compliance with legislation, regulations and ease of understanding:

- The specified rates of contributions were amended to reflect the actual contribution rates paid by participating employers and members of both Funds.
- Sentinel amended Rules to enable the transfer in to Sentinel of an employer surplus account and also clarify the management of the mismatch reserve account.
- The Rule regulating interest payable on lump sum benefits was amended by both Funds to comply with new requirements of the Pension Funds and Income Tax Acts.



**PLEASE remember to
notify the Fund if your
contact details (address,
telephone number, etc)
change!**

