

# Bulletin

NEWSLETTER FOR MEMBERS

OCTOBER 2011

## 2011 PENSION INCREASE & BONUS

The Sentinel Mining Industry Retirement Fund (SENTINEL) and Mine Employees Pension Fund (MEPF) have produced good results once again despite an extremely difficult operating and overall economic environment. This is largely the result of strategic investment and risk management strategies, implemented over a number of years, which have safeguarded the Funds against the unusual volatility and tough market conditions of recent times.

The Boards of Trustees of the Funds are pleased to announce that the following pension increases (effective 16 October 2011), which exceed the stated pension increase target of each Fund, being 80% of CPI, have been awarded:

	2011 Pension Increase	CPI at 30 June 11
MEPF	5,0%	5,0%
SENTINEL	5,0%	5,0%

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 2011 pension increase.



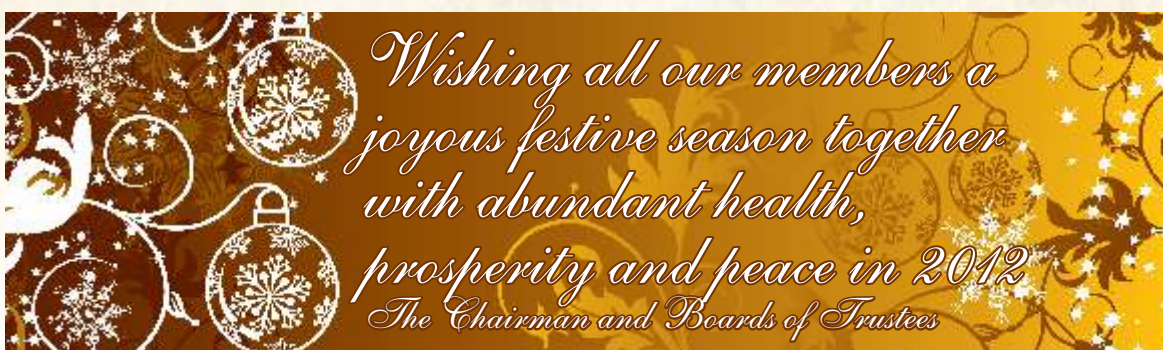
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Reg No 12/8/1216  
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# CEO REVIEW

## (Extract from the 2011 Annual Reports)

### Investment management and performance

A challenging investment environment has been characterised by high levels of market volatility, especially during the last six months of the financial year. This volatility still remains following the meltdown in global financial markets in 2008 with continued weakness in certain international economies such as Greece, Portugal and Spain. As yet, no remedy is in place and volatility is expected to continue into the foreseeable future.

NET ASSETS AT 30 JUNE	2011	2010	2009
SENTINEL	R37.0bn	R33.9bn	R31.2bn
MEPF	R17.7bn	R16.6bn	R15.6bn

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 Funds 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.

Active investment and disciplined risk management strategies again delivered anticipated results with overall performance reflecting the effects of these prudent yet innovative strategies. Over this reporting period, 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 investment portfolios including currency and interest rates. The resulting performance achieved has been in-line with stated targets, yet protecting members and pensioners to some extent in periods of market weakness. This position will continue to be held whilst markets are relatively volatile and the Funds will maintain a disciplined and flexible approach to investing to ensure that investment returns will be maximised, around the liabilities, over the longer term.

Annualised portfolio investment returns (gross) for the financial year to 30 June 2011:

	2011	2010	5 Years
<b>Wealth Builder</b>			
SENTINEL	15.5%	14.1%	10.6%
MEPF	14.7%	14.9%	10.5%
<b>Inflation Protector</b>			
SENTINEL	14.6%	14.3%	10.2%
MEPF	14.2%	14.8%	10.0%
<b>Pension Protector</b>			
SENTINEL	14.0%	13.3%	9.8%
MEPF	13.6%	13.9%	9.5%
<b>Money Market</b>			
SENTINEL	6.8%	7.8%	9.5%
MEPF	6.8%	7.9%	9.5%

### 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 also able to negotiate that portion of remuneration that is utilised to determine death cover and disability cover.

### 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:

- Meetings of the Board of Trustees, committees and Board subcommittees are well attended and held regularly to ensure the effective and proactive management of the Funds.
- A fully integrated workflow solution is being implemented that will 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 any future risk.

### **Pension increases and bonuses**

Whilst recognising the importance of the increases that the Funds grant to pensioners and the Boards 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 of each Fund. The core priority is to keep the Funds financially sound over the long term.

### **Corporate governance**

In ensuring that the Boards of Trustees effectively fulfil their fiduciary responsibilities, various Board subcommittees perform a pivotal role in managing and 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 provides invaluable guidance ensuring accepted principles are adhered to. In addition, this commitment has led to the establishment, at a senior management level, of a dedicated department to focus solely on the function of governance and compliance.

### **Communication and client service**

The Funds operate five Client Service Centres manned by experienced and qualified staff who are able to assist members with Fund choices, options and benefits and provide information with regard to all Fund products. During this financial period, the Witbank Client Service Centre was relocated to new premises and the Klerksdorp Client Service Centre relocated to new premises in September 2011.

### **Transformation and BEE**

The Funds follow a policy of broad-based black economic empowerment to ensure transformation at all levels of society. The main areas utilised in this regard include a Socially Responsible Investment (SRI) strategy that allocates a set percentage of total assets to target

appropriate SRI projects and investment opportunities, an incubation programme for emerging black asset and investment managers who display the potential to add value to the Funds investment portfolios and the Funds own policies on employment

### **Social security and retirement reform**

No clear path has as yet been established with regard to ongoing reform initiatives in the retirement fund industry. The Boards of Trustees will continue to engage with the Financial Services Board, the Department of Finance and the Department of Social Development in this regard.

### **Appreciation**

I would like to thank the Boards of Trustees and Chairman, Mr André la Grange, for their continued support and commitment to the strategic management of the Funds. I also express my gratitude to the various Board subcommittees who add significant value by ensuring that we follow and often create best practice in the areas of asset management, governance, compliance and risk management.

My personal appreciation is extended to all of the participating employers, members and pensioners for their continued loyal support. I remain confident that with the support of our stakeholders the next financial year will again prove to be successful and that the Funds and its members and pensioners will benefit handsomely from opportunities that arise.

**FJ Visser**  
**Chief Executive Officer**  
29 September 2011

## **ABBREVIATED EXTRACT FROM THE CONSULTING ACTUARIES REPORTS**

The statutory actuarial valuations of the Sentinel Mining Industry Retirement Fund & Mine Employees Pension Fund have recently been completed as at 30 June 2011, and confirms that each 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 2011.

Pensioners have a separate pool of assets in each Fund. The Sentinel pool was 108,8% funded, and the MEPF pool 112,8% funded as at 30 June 2011. The subsequent pension increases in October 2011 will reduce these funding levels.

**AR Pienaar**  
**Fellow of the Institute of Actuaries**  
Sandton  
29 September 2011

*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.*

### **RELOCATION OF CLIENT SERVICE CENTERS**

**The Witbank Centre relocated to:**  
WCMAS Building  
Corner OR Tambo and Susanna streets  
Emalahleni (Witbank)

**The Klerksdorp Centre relocated to:**  
Greenwillow Properties 24  
Buffeldoring road  
Wilkoppies, Matlosana (Klerksdorp)  
New contact number: (018) 468-7309

**Members are invited to visit the Client Service Centres for assistance, accurate information and advice regarding their investments, benefits and options.**

**PLEASE remember to  
notify the Fund if your  
contact details  
(Address, Telephone  
Number, etc) change!**

