

Informant

NEWSLETTER FOR PENSIONERS
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.

High levels of volatility and weakness continue in both domestic and global investment markets with severe weakness being experienced in certain international economies. Concerns over high levels of government debt in the USA combined with uncertainty with regard to the economic stability of certain European nations, together with unpredictable and relatively poor economic growth prospects for South Africa and other emerging markets, has continued to plague these markets resulting in a risky and uncertain environment.

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%

Although the Rules of the Funds do not guarantee pension increases, the Boards of Trustees strive toward granting pension increases that counter the eroding effects of inflation on the purchasing power of pensions. The year-on-year change in CPI is used as a benchmark in this regard but the decision to award an increase is, however, directly related to the valuation of the pensioner assets and investment returns of the Pensioner Portfolios of each Fund at the preceding financial year-end.

Important reminders about pension increases:

- Pensioners who retired during the 12 months before 16 October 2011 will receive a pro-rata increase as their first increase.
- Investment growth on pensioner assets must exceed 4,7% per year (after-retirement interest rate assumption) in order for the Funds to afford and award an annual pension increase.
- Any pension increase must not result in the Funds pensioner pool's funding levels falling substantially below 100%.



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BONUS

In addition to the above pension increases, the Boards of Trustees are also pleased to announce that a 10% of annual pension **special once-off bonus** will be paid in November 2011 by both funds.

ANNUAL PENSION is 12 times your monthly pension before the 16 October 2011 pension increase. The special bonus is payable to all pensioners in receipt of a monthly pension on 15 October 2011. Pensioners who retired during the 12 months pre-ceding 16 October 2011, will be paid a pro-rata bonus.

In awarding the special bonus, the Boards have given careful consideration to the long term sustainability of pension payments and the financial stability of the Funds. This special bonus payment will not significantly impact the funding levels of the pensioner pools of either Fund's.

Pensioners are reminded that the bonus is not to be expected every year as it is a special payment and will only be awarded if the Funds are in a financial position to make this award.

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
Pensioners Portfolio			
SENTINEL	13.2%	12.6%	9.5%
MEPF	12.8%	13.1%	9.2%
Wealth Builder			
SENTINEL	15.5%	14.1%	10.6%
MEPF	14.7%	14.9%	10.5%
Inflation Protector			
SENTINEL	14.6%	14.3%	10.2%
MEPF	14.2%	14.8%	10.0%
Pension Protector			
SENTINEL	14.0%	13.3%	9.8%
MEPF	13.6%	13.9%	9.5%
Money Market			
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 will relocate 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

PENSIONER INFORMATION SESSIONS 2011

4,320 Pensioners and their spouses attended the 2011 Pensioner Information Sessions which was again a great success.

Sessions were presented at 28 venues across South Africa where attendees enjoyed light refreshments on arrival, met old friends and were presented with information about the Funds, investment markets and various financial matters. In this year's presentation, specific attention was given to income tax, asset management and pension increases.

Comments received from the vast majority of pensioners clearly indicate that pensioners are very satisfied with the manner in which their Funds are managed, the communication provided to them and the annual Pensioner Information Sessions in particular.

We express our sincere appreciation to those who attended this year's event and invite you to be on the lookout for details of next year's event!

FREQUENTLY ASKED QUESTIONS ABOUT DEATH PROCEDURES AND BENEFITS

The following questions are regularly asked by Pensioners and hopefully this article will clarify uncertainties.

What benefits will become payable in the event of my death?

Please refer to your latest Benefit Statement pack, which is normally distributed annually in October, for your current pension and death benefits detail. Refer to the booklet for explanations of the benefit statement and the death benefits that were available when you retired.

What must my loved ones do when I pass away?

The Funds' Client Service Centres in Welkom, Klerksdorp, Carletonville, Witbank and Johannesburg as well as the Contact Centre (telephone **011 481 8000**) is equipped to assist. A person that knows you well (ideally your spouse, child or other dependant) must notify the Fund, through any of these Centres, of your death and our dedicated staff will assist with all the relevant information, requirements and procedures.

What can I do to assist?

1. Maintain a personal file with information about your pension, executor, assets, liabilities, banking details, insurance policies, funeral policy, and relevant contact details and **tell someone where to find it when they need it!**
2. Notify the Fund when your circumstances change:
 - a. You must notify the Funds if your relationship with your spouse changes, i.e. your spouse pre-deceases you, you are separated or divorced, etc.
 - b. You must update your Nomination Form if your circumstances change to such an extent that this influences your dependants and/or nominated beneficiaries.

Please contact the Fund for further assistance and advice.

PENSIONER ADMINISTRATION FEE 2011/2012

Effective 1 July 2011, the administration fee charged to the Pensioner Pools of each Fund equates to R49,00 per pensioner per month (R46,00 in 2010/2011).

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

*Wishing all our pensioners
a joyous festive season
together with abundant health,
prosperity and peace in 2012*

The Chairman and Boards of Trustees