

# INFORMANT

## 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, which exceed the stated pension increase target of each Fund being 80% of CPI, have been awarded:

	2010 Pension Increase	Inc as % of CPI
MEPF	5,0%	119,0%
SENTINEL	5,0%	119,0%

The Trustees are also happy to announce that the pension increase effective date will now be 16 October (previously 1 November). This means that the 10 November pension payment will include a full month's increase. The impact of this on the funding level of each Fund is a reduction of 0,21%.

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, 4.2% as at 30 June 2010, 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 2010 will receive a pro-rata increase as their first increase.
- Investment growth on pensioner assets must exceed 4.94% 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%.

### BONUS

In addition to the above pension increases, the Boards of Trustees are also pleased to announce that a special once-off bonus will be paid in November 2010:

**MEPF** 10% of Annual Pension  
**SENTINEL** 10% of Annual Pension

ANNUAL PENSION is 12 times your monthly pension before the 16 October 2010 pension increase.

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**Sentinel Mining Industry Retirement Fund (Sentinel)**  
Reg No 12/8/1215  
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**Mine Employees Pension Fund (MEPF)**  
Reg No 12/8/1216  
[www.minepensions.co.za](http://www.minepensions.co.za)



**MINE EMPLOYEES PENSION FUND**

# 2010 PENSION INCREASE & BONUS

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The special bonus is payable to all pensioners in receipt of a monthly pension on 15 October 2010. Pensioners who retired during the 12 months pre-ceding 16 October 2010, 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 2010 Annual Reports)*

### Investment management and performance

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.

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 portfolio investment returns (gross) for the financial year to 30 June 2010:

	2010	3 Years	5 Years
<b>Pensioners Portfolio</b>			
SENTINEL	12.6%	4.4%	11.1%
MEPF	13.1%	4.4%	11.0%
<b>Wealth Builder</b>			
SENTINEL	14.1%	3.0%	14.0%
MEPF	14.9%	3.0%	14.0%
<b>Inflation Protector</b>			
SENTINEL	14.3%	3.3%	13.4%
MEPF	14.8%	3.1%	13.3%
<b>Pension Protector</b>			
SENTINEL	13.3%	4.0%	11.7%
MEPF	13.9%	3.7%	11.5%
<b>Cash</b>			
SENTINEL	7.8%	10.5%	n/a
MEPF	7.9%	10.6%	n/a

### 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.

### 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 Fund. The Fund is committed to the highest levels of corporate governance and to this end, the Audit and Compliance Committee of the Fund provides invaluable guidance ensuring accepted principles are adhered to.

### 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 Fund, 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 Fund follows a policy of broad-based black economic empowerment through its 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 Fund 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 Fund. I convey my deepest gratitude to all the Fund's 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 Fund and its members and pensioners will benefit handsomely from opportunities that arise.

FJ Visser  
Chief Executive Officer  
7 October 2010.





# WOW

## BITS & TIPS



### **NOTIFICATION OF CHANGE IN CONTACT DETAILS**

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

### **PENSIONER INFORMATION SESSIONS 2010**

With over 5 432 pensioners and their spouses attending the 2010 Pensioner Information Sessions, the event can only be described as being a great success, once again.

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

From comments received from the vast majority of pensioners, it is clear 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!

### **PENSIONER ADMINISTRATION FEE - 2010/2011**

Effective 1 July 2010, the administration fee charged to the Pensioner Pools of each Fund equates to R46,00 per pensioner per month (R42,00 in 2009/2010).

Both SENTINEL and MEPF achieved a cost saving in the 2008/2009 financial year. This cost saving was passed on to pensioners, through the Pensioner Pools of each Fund, in August 2009 and is equal in value to ± one month's administration fee.

**PLEASE remember to quote your PF  
number and identity number,  
initials, surname and signature on all  
written correspondence with the  
Funds**