



MGF MEMBER INVESTMENT CHOICE

Complete section A and/or section B, which has to add up to a 100% in total. In either instance fill in section C.

SECTION A: TRANSFER TO GUARANTEED PORTFOLIO

I, the undersigned hereby elect to transfer % of my fund credit as well as the said percentage of my future contributions from the Standard Portfolio to the Guaranteed Portfolio as from 1 July **this year**.

I agree;

- that my capital (fund credit) is guaranteed in the Guaranteed Portfolio
- that a minimum growth of **5%** for one year from 1 July **this year** to 30 June **next year** is guaranteed. This guaranteed rate is based on quotations received on 10 May 2004. The guaranteed product will be purchased at the end of June 2004. If the rate has changed by then I will be advised accordingly to reconsider my option.
- that any additional capped growth will depend on the position of the underlying structured investment on maturity date at financial year end, but that it is **restricted** to a possible maximum **9%** for the above mentioned twelve months.

SECTION B: TRANSFER TO STANDARD PORTFOLIO

I, the undersigned hereby elect to transfer % of my fund credit as well as the said percentage of my future contributions from the Guaranteed Portfolio to the Standard Portfolio as from 1 July this year. I agree that no guarantees regarding my capital (fund credit) or growth are given in the Standard Portfolio, but that I will get market related returns.

COMPLETE SECTION C IF YOU CHOSE EITHER A OR B

SECTION C: PARTICULARS AND SIGNATURE MUST BE COMPLETED IN FULL

I agree;

- that I know that the guaranteed rates may vary from year to year and that I will verify the applicable rate with the MGF annually,
- that this option will be valid until I submit a new option form at future closing dates,
- that in the event of a split option the proportions will change over time due to the difference in returns,
- that the option exercised by me will only be effective after the Fund Administrator (Coris Capital) has received my application and acknowledged receipt by facsimile. **Such facsimile to be kept by me as proof of this option,**
- that I subsequently indemnify the Fund from any claims in respect of investment in a member choice made against my intention if I cannot submit proof of acknowledgement of receipt,
- that this option shall not be valid unless this form is in possession of the Administrator by **not later than 11 June 2004**,
- that no housing loan will be allowed from funds in the GP with effect from 1 July 2004; existing housing loans of members in the GP will be maintained and members invested in the GP may once per year, before the new guaranteed product for the next financial year is fixed, elect to transfer a portion out of the GP for purposes of a housing loan,

My member number is C.....

My fax number is code (.....)

My telephone number is code (.....) cell

Signed at (municipality) on the (day) of (month) (year). (Herein above referred to as **this year**).

Signature of member PRINT NAME

Signature of witness PRINT NAME

Witness' id number

Fax the completed application to Coris Capital, facsimile 086-613-5040/1

Confirmation by Coris Capital

Herewith we confirm that we have received your member choice form on

Y	Y	Y	Y	M	M	D	D
---	---	---	---	---	---	---	---

If any of the above information is incomplete or incorrect, fax us immediately at the number above.



THE NEWSLETTER OF THE MGF

JUNE 2004



MGF - Your Wealth Creator

IN THIS ISSUE:

GP Options	pg1
Ten months' performance	pg1
Investment Policy Statement	pg2-6
Contract appointment	pg6
Member & employer contributions	pg7
Restructuring of pension funds	pg7
Current Management Committee	pg8
Surplus funds	pg8
Statement of indemnity	pg8
Benefit Statements	pg8
10 years - A reason to celebrate	pg9
Medical disability	pg10
Update your information	pg10
Annual meeting	pg10
MGF Member Investment Choice Form	pg11

Fund Administrator:



P.O. Box 1588 Pretoria 0001 Tel: (011) 426 0570 Fax: (011) 426 0584	901 Kingsley Centre Building 481 Church Street Arcadia 0001 www.coriscapital.com Toll Free: 0800 118 334
---	--

web address: www.mymgf.co.za

FLASH!

FLASH!

FLASH!

Guaranteed Portfolio Options

The closing date for option forms has been extended to 11 June 2004. No option forms after this date will be considered. For more information, please read the item on page:



Ten months' performance:

In an effort to change the retirement prospects of members, the Fund embarked on a new and exciting road with the intention to enhance the retirement prospects of its members considerably.

Last year was a very unstable one for the Fund as financial markets were quite unpredictable and many members were uneasy about their retirement security. The financial year closed on 30 June 2003 with a negative of 3.5% for members in the Standard Portfolio whilst those in the Guaranteed Portfolio only received 8%.

Since 1 July 2003 however there was a marked change and it was possible to declare the following positive bonuses for members in the Standard Portfolio:

➤ July	2003	2.00%
➤ August	2003	2.00%
➤ September	2003	0.00%
➤ October	2003	4.00%
➤ November	2003	0.00%
➤ December	2003	3.00%
➤ January	2004	4.00%
➤ February	2004	0.0%
➤ March	2004	0.0%
➤ April	2004	0.0%



This means a compounded growth of 15.91%.

Bonuses for the Guaranteed Portfolio for the same periods as mentioned above were allocated at 0.643% per month, which means a compounded growth of 6.43%.

MEDICAL DISABILITY

The Fund is often in a very difficult position when it comes to the applications for medical disability. Employers usually wait until the member has utilised all sick leave before any application reaches the Fund /Administrator. These applications take time because the evaluation of such application is outsourced to expert institutions in that particular field. This means that the member often sit at home without any income and/or medical aid assistance.

It is of the utmost importance that Human Resource Departments and members manage sick leave very carefully. It should be easy to determine if a member's health situation is of such a nature that he/she might need to apply for medical disability. Normally there is a history of sickness and various doctors' reports, which could indicate that an application is advisable. Should the doctor who then sees the member, be of the opinion that the member could still recuperate over time or with the assistance of any particular medical intervention, to such an extent that he/she could remain in the labour market, the employer will also be in a much better situation to manage the situation. If the member is too ill to work and will not be able to return to work, the sooner such member receives a medical disability benefit, the better.



ANNUAL MEETING OF THE GENERAL COMMITTEE

Elected member- and employer representatives must please note that the annual meeting of the General Committee will be held on 19 November 2004. Only elected representatives may attend this annual meeting.

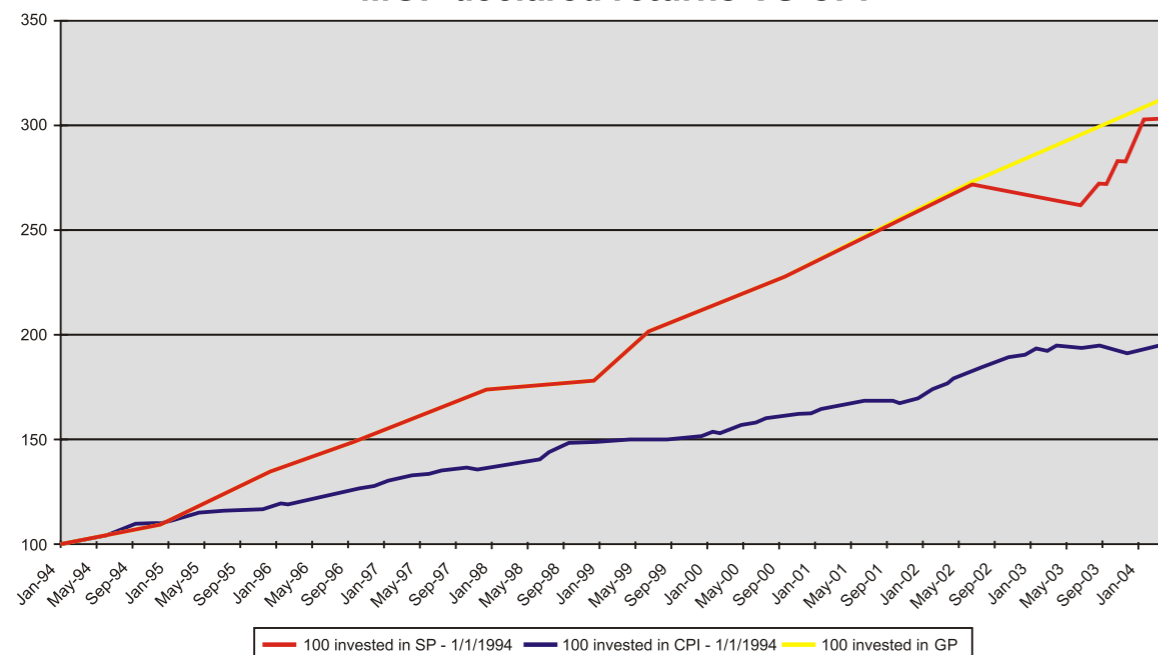
UPDATE YOUR INFORMATION!!

Have you been married during the last year? Was a new baby born? Did a direct family member die? Do you have a new postal address? Please inform the Fund Administrator of your changed circumstances.

NB

REMEMBER THAT IN TERMS OF THE LAW TRADITIONAL/CUSTOMARY MARRIAGES HAVE TO BE REGISTERED.

MGF declared returns VS CPI



TEN YEARS - A REASON TO CELEBRATE!!

That's right the MGF reached the ripe old age of ten years and is still going strong. This certainly would not have been possible if it was not for a dedicated Management Committee, loyalty of personnel at the various municipalities as well as the excellent work done by the Administrator and the front office personnel. In retrospect the Fund has certainly done well as it succeeded to obtain a positive return for 9 out of the 10 years. Members may rest assured that they will in future still receive the same quality of service from the Fund.

Returns for the past ten years are as follows:

1/1/1994	31/12/1994	9.0%	
1/1/1995	31/12/1995	23.2%	
1/1/1996	31/12/1996	13.9%	
1/1/1997	31/12/1997	13.5%	
1/1/1998	31/12/1998	2.5%	
1/1/1999	30/6/1999	13.1%	
1/7/1999	30/6/2000	10.5%	(Financial year end adjusted to 30 June)
1/7/2000	30/6/2001	11.0%	(Standard Portfolio) 10.8%(Guaranteed Portfolio)
1/7/2001	30/6/2002	10.3%	(Standard Portfolio) 11.2%(Guaranteed Portfolio)
1/7/2002	30/6/2003	-3.5%	(Standard Portfolio) 8.0% (Guaranteed Portfolio)
1/7/2003	30/4/2004	15.91%	(Standard Portfolio) 6.43% (Guaranteed Portfolio)

Over the past ten years the average annual compounded growth rate of the Fund Credit for members in the Standard Portfolio was 11.3%. For members in the Guaranteed Portfolio it was 11.9% since inception, to date.



INVESTMENT POLICY STATEMENT (IPS) AND LIFE STAGE PORTFOLIOS

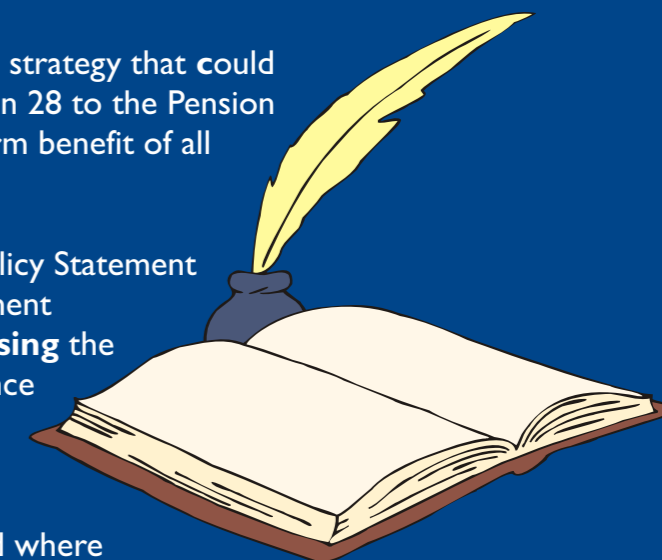
For the past 4 years members became accustomed to the two investment choices they have namely the Standard- and Guaranteed Portfolios. Members in the Standard Portfolio are exposed to all the risks where nothing is guaranteed although they receive the actual return of the financial markets. Members currently in the Guaranteed Portfolio (up to 30 June 2004) will receive a pre-determined minimum Guaranteed return of 8% per year whilst their capital is also protected and they may still share in positive returns up to a maximum of 4.5%. Although this portfolio reduced the risk for older members, they first had to exercise an option to be transferred.

It was imperative for the Fund to find a strategy that could comply with the guidelines of Regulation 28 to the Pension Funds Act and would be to the long term benefit of all members.

The purpose of the new Investment Policy Statement is to enhance governance and management processes of the Fund and thus **increasing** the potential for achievement of performance in line with realistic expectations of all its members.

The Fund is a defined contribution fund where the members carry all the risk although they also receive the actual return on all investments. The benefit accruing in the Fund Credit account of each member is the total value of what any specific member will receive at termination of membership. Protection of the money in the Fund Credit account, especially closer to retirement, is of the utmost importance.

It is therefore important to try and address the needs of all members on such individual level as possible. A careful analysis of the member profile was done, taking into account age, salary, years of service, retirement age etc. as well as the historical performance of the Fund measured against the performance of the various asset classes over time.



Investment Objectives

The most important characteristic of a member's goal must be to replace a reasonable percentage (75%-80%) of his/her final pensionable salary at the time of retirement. The member's portfolio must be protected against inflation and also offer a compound net real return to achieve the targeted goal at retirement.

The length of time to retirement will have a large influence on the real return required by members. It is the responsibility of members to contribute to their retirement savings throughout their whole career.

If one assumes that members retire at between 75% and 80% of their final pensionable salary and their length of service is between 30 and 40 years, an annual return target of approximately 5% above inflation will offer members a reasonable good retirement benefit. Taking into account the profile of members of this Fund and the potential number of years a member can contribute before retirement the assumption of retiring with 70% to 80% of final salary after 35 years of service seems realistic.

The assets of the Fund are invested in different standard asset classes and instruments such as equities (shares), fixed interest products, cash and properties in varying relationships in order to obtain the maximum real return. It is also imperative that the Fund measures each product against a relevant market index.

Life stages

Taking into account the member profile of the Fund and the nature and term of the Fund's liabilities, three different life stages were identified. In an effort to address the needs of members in these different life stages, three different portfolios were established, each with its own specific asset class allocation. Members will be transferred **automatically** from one life stage portfolio to another. These three identified life stages correlate mainly with the age of members and the remaining possible years of service. Members with a long investment horizon can much easier absorb risk at a higher return as they have enough time to make up any possible losses while members closer to retirement cannot afford such risks and will therefore not be exposed to such high risks.

Members have the right however to transfer to any life stage portfolio of their choice if they can motivate to the satisfaction of the Management Committee that it will be to their advantage to be in that particular portfolio. Investment options are all very well but members should be very sure that they are indeed where they should be.

THE CURRENT MANAGEMENT COMMITTEE

Mr. Eddie Alberts
(chairperson)
Mr. Gerald Fourie
(deputy chairperson)
Cllr. Peter Maluleka

Cllr. Speed Mashilo
Cllr. Welheminah Molubi
Mrs. Hannie Botha
Mr. Piet Venter

Mr. Rian Lubbe
Mr. Johan Grobbelaar
Mr. Jannie Venter
Mr. Ernè Smal

SURPLUS FUNDS

The Pension Funds Second Amendment Act, no. 39 of 2001, better known as the Surplus Act, provides that if any retirement fund consists of surplus funds as determined by the first triennial statutory actuarial valuation, such surplus must be distributed to members including former members. Being a defined contribution fund (DC) the MGF has always allocated all market returns to the members with the result that surpluses could not be accumulated. The statutory valuation done by the registered actuary as on 30 June 2002 revealed that there were no surpluses in the MGF for distribution or members. The Registrar of Pension Funds was advised accordingly.

Some confusion was created recently when a retirement fund with a similar name as the MGF but operating in the Cape region, advertised regarding surplus funds. Members and former members of the MGF thought that it was the MGF advertising. The MGF does not operate in the Cape region and has never placed any advertisement regarding surplus funds, as there are no surpluses.

Members should note that any retirement fund from which they exited since 1 January 1980, can be approached in the event that there might be surplus funds in that particular fund.



STATEMENT OF INDEMNITY

The MGF does not accept liability for any loss, damage or expense that may be incurred as a direct result or consequence of reliance upon the information in this document. If there is any conflict between the information in this document and the actual Rules of the Fund, the Rules of the Fund will prevail.

BENEFIT STATEMENTS

Interim benefit statements for the period 1 July 2003 to 31 December 2004 were distributed during March 2004. All benefit statements were delivered at your particular municipal offices for distribution. In the event where you did not receive your statements, please contact your HR-, Financial department or member representative.

MEMBER AND EMPLOYER CONTRIBUTIONS

Members must contribute at a minimum rate of 7.5% of pensionable salary. Members are however allowed to change their contribution rate once a year to any higher rate. Employers contribute at a rate of 22% of pensionable salary. 5% of pensionable salary is used for risk benefits such as death, family funeral cover and medical disability and administration. Currently the cost of risk benefits is approximately 4.25% of pensionable salary and the administration cost is approximately 0.75% of pensionable salary. 17% of pensionable salary is allocated to the member's Fund Credit.

RESTRUCTURING OF PENSION FUNDS-SALGA INITIATIVES

Many rumours about the restructuring of pension funds are floating around, many of which are farfetched and untrue e.g. 'the MGF has been closed to new members' to 'the MGF has been taken over by SALGA'.

Up to date no finality has been reached regarding the initiatives by SALGA to restructure retirement funds in local government. It was agreed between SALGA and the unions, SAMWU and IMATU, in the South African Local government Bargaining Council that the restructuring of retirement funds will be dealt with separately from the uniform standard conditions of service. Discussions in the working committee of the Bargaining Council by all stakeholders regarding the restructuring process are continuing on a regular basis. It is true that SALGA wants the employer contribution amended to 18%, that they want the redundancy liability for the employer be done away with and that they envisage one defined contribution retirement fund for all

municipal employees. **No final resolutions however have been taken in this regard.** Although the Fund is not a member of the Bargaining Council and is therefore not allowed to participate in the bargaining process, it is aware of the latest developments and it is giving its input where possible to influence the process.

Members may rest assured that they will be notified by the Fund immediately in the event where any decisions have been reached or any other important developments occur. In the meantime it is of the utmost importance that members do not resign/retire prematurely on the basis of any rumours heard. The Fund has always been loyal to its members and although the concerns of members are understood, the loyalty of the Fund remains with the members. The bargaining process is exclusive to members of the South African Local Government Bargaining Council namely SALGA and the two trade unions IMATU and SAMWU. **Members should therefore insist that the unions act on their behalf and in their best interest when terms and conditions are negotiated in the Bargaining Council.**

Life stage 1: The Aggressive Portfolio (AP)

This portfolio is suitable for younger members up to the age of 50 who still have many years of service left. Money allocation in this portfolio consists of a high percentage in equities (shares), less in bonds, cash and property. The return objective for this portfolio over time is inflation + 4.5%.

Life stage 2: The Moderate Portfolio (MP)

This portfolio is suitable for members between 50 and 60 years of age where members are exposed to less risk and but can still obtain a reasonable net real return. This means less investment in equities (shares), more in bonds, cash and property. These allocations are aimed at capital protection and include structured solutions and high yielding investment vehicles. The return objective for this portfolio is cash + 2.5%.

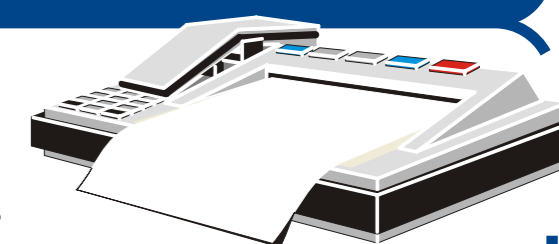
Life stage 3: The Conservative Portfolio (CP)

This portfolio is suitable for members in the age group 60 to 65 years where risk is kept to the absolute minimum yet enables them to benefit from positive returns. 100% of this portfolio will be allocated towards capital protection, which means investment in bonds, property, cash and structured products. The return objective is cash + 1%.



NB

Although the objective of the life stage portfolios is to obtain the maximum return for members, NOTHING IS GUARANTEED. Although members will be automatically switched they STILL HAVE A CHOICE, but as explained above only if they can motivate in writing to the satisfaction of the Management Committee that they know what they are doing.



Guaranteed Portfolio (GP)

The Guaranteed Portfolio will be maintained separately from the life stage portfolios. This portfolio is open to any member but he/she still has to complete the applicable option form before or on **11 June this year** and send/fax it to the Administrator's offices. The proof of your timeous request to be switched to the Guaranteed Portfolio is the fax that you will receive from the Administrator to confirm that your option form was indeed received.



The current Guaranteed Portfolio, which guarantees a minimum return of 8% for the year with a maximum upside of 4,5% (in total 12,5% for the year), lapses on 30 June 2004. Because of the changed market conditions (lower interest rates, lower inflation, etc) the Trustees have obtained an indication from the product providers what the Guaranteed Portfolio could look like for the next year (1 July 2004 to 30 June 2005).

The indications are that the new Guaranteed Portfolio will guarantee a minimum return of 5% with a maximum additional potential return of 9% (in total 14% return for the next year). These rates were quoted on 10 May 2004 based on financial market conditions on that date. The underlying structured product can only be purchased at the end of June 2004 and market conditions may have changed by then. If the rates available at that stage differ from the 5% and 9% mentioned, members who have exercised their choice for 2004/2005 will be advised accordingly and be given the opportunity to reconsider their option.

Because of the change in the minimum guaranteed value and the total potential return for the year, **all members who are in the Guaranteed Portfolio must complete the attached option form to indicate whether they still want to remain in the Guaranteed Portfolio or not.** The attached option form, which members should complete if they wish to amend their portfolio in any way or to remain in the Guaranteed Portfolio, must reach Coris Capital by 11 June 2004 in order to be updated by 1 July 2004.

NB In the event of a split option the proportions will change over time due to the difference in returns.

Members in the Guaranteed Portfolio will not be switched into any of the life stage Portfolios mentioned above on 1 July 2005 unless they specifically request such a switch.

NB

From 1 July 2004 members in the Guaranteed Portfolio will not be allowed to take up any housing loans. Existing housing loans of members in the Guaranteed Portfolio will be maintained. Members in the Guaranteed Portfolio may, once a year, before the new guaranteed product for the ensuing financial year is fixed, elect to transfer a portion out of the Guaranteed Portfolio for purposes of a housing loan.



Exit Portfolio (EP)

This portfolio is used for members who are terminating their membership. On receipt of the D-8 form the member is switched to the Exit Portfolio to prevent any losses before payment of the benefit.

NB

THE NEW INVESTMENT POLICY WILL BE EFFECTIVE FROM 1 JULY 2005. A BROCHURE CONTAINING INFORMATION EXCLUSIVELY ABOUT THE NEW INVESTMENT POLICY WILL BE AVAILABLE SOON. Municipalities will also be visited in due course to inform members.

CONTRACT APPOINTMENTS

Current members of the Fund who enter into new service agreements with their employers **CANNOT** terminate their membership. The Fund has in several newsletters and at all meetings with members warned against this practice. A letter from the Receiver of Revenue dated 16 October 2003 inter alia states as follows:

- Apart from the fact that paragraph (eA) is taxing these types of benefits (retirement benefits paid out) as part of gross income, the office of the Receiver previously also indicated in the past that it is not prepared to acknowledge funds participating in these type of activities as pension funds.
- For a fund to be recognised as a pension fund, its activities should concur with the activities one would usually expect from a pension fund.
- On face value there is no ground for members who merely change a contractual basis of employment to become entitled to retirement benefits.

The Rules of the Fund however accommodates members to the extent that they are entitled to structure their contributions of their total cost to company packages in the following way, keeping the following minima in mind:

- Member contribution at the minimum of 7.5% of pensionable salary;
- Employer contribution at 5.00% of pensionable salary to cover risk benefits and administration cost.

Members are advised to seek the advice of a tax expert

In the event where members have terminated their membership under false pretences, the Fund will have no other option but to take the necessary legal action as well as informing the Receiver of Revenue of the particular circumstances.