Municipal Gratuity Fund
Your Wealth Creator Fund of Choice

INTEGRATED TRUSTEE REPORT

2025

MGF
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MGF wealth creator of choice

MGF at a glance - 2025 Highlights

Assets under Management as at 30 June 2025

R44.9 billion

Claims Paid to members during the year under review

R3.7 billion

Contributions received to the value of

R2.7 billion

Two-pot claims paid to members during the 2025 tax year

R491 million

Funeral Cover for the main member

R52.9 thousand

Retirement Fund
Excellence in ***growth, governance*** *and* ***service delivery***

"The past financial year has been an ***exceptionally positive one*** *for the Fund. As detailed in this Annual Report, the Fund delivered* ***strong and competitive investment returns****, reflecting the effectiveness of our investment strategy and oversight processes.*

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2. Message from the Chairperson

***Piet Venter** MGF Chairperson*

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It is with great pride and appreciation that I attended the **30th Annual Meeting of the Municipal Gratuity Fund.** *This meeting was particularly significant for me personally, as it marked my final year of service as Chairperson and Trustee of the Fund, ahead of my retirement on 31 January 2026, following* **31 years of dedicated service** *in local government, first with the Randburg Town Council and later with the City of Johannesburg.*

Since 24 June 1996, I have been privileged to serve as a Trustee of the Fund and as Chairperson since 31 October 2012. Over this period, the Board has remained steadfast in its commitment to acting in the best interests of members, guided by strong governance principles, prudence, and accountability. It has been an honour to contribute to safeguarding members' retirement outcomes during my tenure.

Strong Performance and Member Value

The past financial year has been an **exceptionally positive one** for the Fund. As detailed in this Annual Report, the Fund delivered **strong and competitive investment returns**, reflecting the effectiveness of our investment strategy and oversight processes.

The favourable position of the Risk Account enabled the Board, in consultation with the Actuary, to implement contribution allocation changes effective 1 March 2025. The allocation to the Risk Account was reduced from 2.60% to 2.25%, while the Operational and Data Account allocation increased from 0.40% to 0.50%. Importantly, the total allocation to these accounts decreased from 3.00% to 2.75% of salary, funded from the employer contribution.

This decision directly benefits members by allocating an **additional 0.25% of pensionable salary** to members' individual fund credits for retirement. From the standard **18% employer contribution, 15.25%** is now allocated to members' fund credits, while members still receiving a **22% employer contribution** have **19.25%** allocated to their fund credits. The full member contribution continues to be allocated entirely to members' fund credits. These changes demonstrate the Board's commitment to enhancing retirement outcomes where prudently possible.

Governance, Oversight and Responsible Decision-Making

The retirement fund industry continues to evolve, with the two-component system (previously referred to as the two-pot system) remaining a key area of focus following its implementation on 1 September 2024. The Fund successfully submitted all required rule amendments, which were approved by the Financial Sector Conduct Authority (FSCA) on 6 August 2024, reflecting sound governance, regulatory compliance, and effective stakeholder engagement. As Trustees, we are acutely aware of our fiduciary duties. Board members are legally accountable, both individually and collectively, for decisions taken, and we therefore apply rigorous governance standards, comprehensive due diligence, and independent expert advice in all material decisions. The Board does not, and cannot, take reckless, irresponsible, or politically motivated decisions. At all times, our focus remains on protecting members' benefits and long-term retirement security.

Investment Governance and Transformation

During the previous Annual Meeting, questions were raised regarding the appointment of black-owned investment administrators. While **B-BBEE credentials** are an important consideration, they form part of a broader evaluation framework. The Board's overriding responsibility is to ensure sustainable, risk-adjusted investment returns aligned with **the Fund's Investment Policy Statement.**

Before appointing any investment administrator, the Board undertakes a comprehensive due diligence process, conducted by SMMI under the leadership of Mr David Galloway, assessing factors such as investment performance, risk management, investment philosophy, organisational stability, and team capability. Transformation and diversity remain important considerations within this disciplined framework.

The Fund's local investment administrators continue to reflect strong transformation credentials, as indicated by their B-BBEE ratings. (International investment managers are not subject to the same ratings framework.)

Socially Responsible Investments (SRI's)

The Board recognises the increasing importance of environmental, social and governance ("ESG") factors in social society and the important role that retirement funds, as large institutional investors, are able to play in ensuring responsible corporate behaviour.

The MGF supports **The Code for Responsible Investing in South Africa (CRISA)** and has integrated its five principles into the investment decision-making process and its Investment Policy Statement.

Service Delivery and Member Engagement

The implementation of the two-component system has presented operational and administrative challenges, both for administrators and members. The Board continues to closely monitor service delivery to ensure that member exits, benefit payments, and withdrawals are processed efficiently and correctly, within the constraints of complex legislation.

Clear communication remains essential. Member representatives play a critical role as a link between the Fund and members, particularly where access to digital communication may be limited. The Fund's Communication Officers continue to conduct regular member education sessions at municipalities, and trustee visibility and engagement remain vital to building trust and understanding.

During the 2025 tax year, a total of 17,098 members accessed their savings component, amounting to R491 million in withdrawals. For the 2026 tax year, withdrawals up to 30 September 2025 already exceed R227 million. While the savings component provides important flexibility, members are strongly encouraged to seek **independent financial advice** before making withdrawals, as repeated access may materially reduce retirement benefits over time. The long-term value of compound growth should not be underestimated.

Looking Ahead

As I conclude my term as Chairperson, I do so with confidence in the Fund's governance framework, operational resilience, and commitment to continuous improvement. I thank my fellow Trustees, service providers, participating employers, and members for their support, dedication, and trust over the years.

The Municipal Gratuity Fund is well-positioned to continue delivering on its mandate—protecting members' benefits, strengthening governance, and improving service delivery—for many years to come.

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3. Meet your Board Members

The **Board** of the **Fund consists** of 11 Board member positions currently filled as follows:		
Mr Roja Ramare	***New*** *Chairperson*	*Member Rep*
Mr Lifa Majola	***New*** *Vice-chairperson & Exco member*	*Member Rep*
Mr Johan Grobbelaar	*ExCo member*	*Independent*
Mr Levi Moleme	*ExCo member*	*Independent*
Mr Jannie Venter		*Independent*
Mr Sphiwe Khumalo		*Member Rep*
Mr Jabu Mahlangu		*Member Rep*
Ms Idah Mkansi		*Member Rep*
Mr Aubrey Mayaba		*Member Rep*
Ms Rampuru Setati		*Member Rep*
Cllr Mfichana Shingange		*Employer Rep*

The ultimate responsibility for the ***governance of the Fund*** resides with the ***Management Committee*** which, in the retirement industry, is referred to as the ***Board of Fund (board of trustees).*** The Board comprises of ***eleven members*** of which ***seven*** are ***member representatives***, ***one employer representatives*** and ***three independent members***. There is also an Executive Committee consisting of four members. The Chairperson, the Vice-chairperson and two other Board members constitute the Executive Committee. The Board has eight ordinary meetings per year and the Executive Committee also meets eight times between the meetings of the Board. Sufficient meetings are held to avoid undue delays of urgent matters. The composition of the Board makes for a diverse mix of experience and expertise. It covers representation from all provinces served by the Fund. There is stability in the management of the Fund and retention of members assists greatly in establishing long term investment goals which is of paramount importance for successful retirement planning.

Outgoing Chairperson

Piet Venter

Piet Venter: Chairperson of the Fund since November 2012 and retiring on 31 January 2026. The Fund thanks him for his invaluable guidance and leadership over the last 31 years of being a board member, and wish him well in his new journey as a retiree.

New Chairperson

Roja Ramare

Roja Ramare: Sixteen years' experience as a Board member. Served as the Vice-Chairperson since October 2020 and took over as Chairperson of the Fund on 21 November 2025. Roja is a member representative in the employment of Tshwane Metropolitan Municipality. He adds business skills to the Board through his work experience at the Tshwane Fresh Produce Market.

New Vice-Chairperson

Lifa Majola

Lifa Majola: Member representative, as well as a member of the Executive Committee, employed at the City of Ekurhuleni. He is the new Vice-Chairperson of the Fund from 21 November 2025. He holds an LLB Degree from the University of KwaZulu-Natal, Post Graduate Diploma in Drafting and Interpretation of Contracts, as well as a Certificate in Legislative Drafting both from UJ. Lifa was admitted to the High Court RSA as an attorney in 2009. He is employed as Chief Specialist: Governance & Compliance in the Support Service Division, Development Planning & Real Estate. He has extensive experience in conducting legal research and drafting contracts and SLA. His knowledge of the legal environment makes Mr Majola an excellent addition to the Board.

Jannie Venter

Jannie Venter: Member of the Executive Committee until November 2023. Initially served on the Board as a member representative. He was appointed as an independent Board Member after his retirement in February 2004. Jannie has been serving as a board member for more than twenty-six years, since September 1999. He has vast experience in community and financial matters, serving his entire 30 year career in the financial department of the Polokwane Municipality of which the last ten years as City Treasurer and Manager Financial Services.

Idah Mkansi: Member representative of the Board since June 2023. She has a Bachelor of Public Administration degree and National Certificate in Municipal Governance amongst her many other certificates and qualifications. She is a Senior Administrator in Office Facilities at Corporate Service at Ba-Phalaborwa Municipality.

Idah Mkansi

Cllr Mfichana Shingange: An employer Board member since November 2022. He works as a full-time Councillor responsible for Corporate Governance and Shared Services at Greater Tzaneen Municipality, where he is also a Ward Councillor. His career prior to being appointed as a Councillor was a mathematics and physical science teacher and deputy and acting Headmaster. Mfichana holds a Masters Degree in Governance and Political Transformation from the University of the Free State and five more qualifications, which places him in a position to add value to the Board. He is member of the following: South African Local Government Association Provincial Working Groups: Municipal Capability and Institutional Resilience, and Governance and IGR and Municipal Digital Solution.

Cllr Mfichana Shingange

Johan Grobbelaar

Johan Grobbelaar: He has 31 years' experience on the Board and is also a member of the Executive Committee. Previously a member representative until his retirement where-after he was appointed as an independent Board member. Johan has extensive experience in financial matters from his 39 years employment in the financial department of Merafong City, the last 29 years as Assistant Chief Financial Officer. He is also a Registered HR professional with the SABPP. During his tenure as municipal employee he was actively involved in other member related matters such as serving on the NEC and Finance Chairperson of IMATU in Gauteng and IMATU representative at the SALGBC and on various other committees.

Sphiwe Khumalo

Sphiwe Khumalo: A member representative at Lekwa Local Municipality who has 25 years of experience in administration for local municipalities, as well as a background in NGO work. He is currently employed as Manager Auxiliary Services & Record Management and Acting Executive Manager Corporate Services. He boasts 6 qualifications in various disciplines and started his career with a B.Admin degree at what is now known as Govan Mbeki City Municipality. He later completed his B.Admin Honours degree at the University of Stellenbosch. Siphwe then went on to complete various certificates such as labour law, municipal governance and municipal development. He also serves as chairperson for various institutions such as SAMWU and the Student Association of the Seventh-Day Adventist Association (SDASSO).

Rampuru Setati

Rampuru Setati: A member representative from 21 November 2025. She has been a member of MGF since 2007 and furthermore she has been serving the MGF members in her Local Municipality as Employee Representative from 2012. Over the past two decades Rampuru has built a career in Internal Auditing starting as Internal Auditor, then Senior Internal Auditor and now in her current role as Chief Audit Executive of Lepelle - Nkumpi Local Municipality. The Internal Audit profession instilled in her deep respect for governance and integrity, skills she brings to the Board. She obtained her Diploma in Internal Auditing from Pretoria Technikon, Btech in Internal Auditing from UNISA and she is currently pursuing a Post Graduate Diploma in Forensic Auditing with UNISA.

In Memorium

Cllr Johanna Rangata

Cllr Johanna Rangata: It is with sadness that we report that Cllr Johanna Rangata who was a Employer Board Member for many years was killed in a motor vehicle accident on 18 June 2025. Rest in peace Johanna, your input and counsel at Board meetings will be missed.

Levi Moleme

Levi Moleme: An Independent Board members of MGF and has served as a Principal Trustee of the Unisa Retirement Fund (UNISARF) since 2023, where he is also a member of the Investment Committee. He is currently a PhD candidate pursuing a Doctor of Business Leadership with a focus on Business and Technology. He holds an MBA, a Postgraduate Diploma in Business Administration, a Practical Project Management Certificate from the UNISA Graduate School of Business Leadership, and a BA in Communication from North-West University. He is an academic in the Unisa College of Economic and Management Sciences (Business Management) and has been employed by UNISA since 2009, with experience in Financial Administration, Student Funding, and Programme Administration. He also serves on the Quality Assurance and Enhancement Committee, is a member of the Change Management Committee and the Educational Foundations Research Group, and has published academic work on Emerald Insight.

Jabu Mahlangu

Jabu Mahlangu (JJ): A member representative who completed his Bachelor's degree in Public Administration with Mancosa and is currently studying towards his Honours degree in Public Administration. He completed an Executive Leadership Program with University of Pretoria, and a HRM Program with UNISA. His current position is Senior Customer Care Officer dealing with complaints management, Batho Pele coordinations. He joined Elias Motsoaledi Local Municipality on 1st July 2011 after having served as the Counsellor in the same Municipality for two terms from 2000 to 2011.

Aubrey Mayaba

Aubrey Mayaba: A Senior Specialist: Tariff and Costing accounting in the City of Ekurhuleni. Aubrey has served in different roles in the insurance and revenue sections of the municipality over the past 20 years and currently he is responsible for costing, tariff setting, assisting in the preparation of budget-related documents, National Treasury submissions, advising departments of irregularities and correcting variances regarding their spending, etc. He holds a diploma and bachelor's degree in Internal Auditing with Tshwane University of Technology (TUT) and the University of South Africa respectively. He also holds a Certificate in Criminal Justice from the TUT

Principal Officer

Christine Seierlein

The ***Principal Officer, Christine Seierlein,*** is the executive representative of the Fund, and the official contact person for the Financial Sector Conduct Authority (FSCA, previously the Financial Services Board). The Principal Officer has the same fiduciary responsibilities to the Fund as those pertaining to Board members.

4. Economic matters and financial markets

Let us first reflect on the economic matters and financial markets.

4.1 General overview

The 2024/25 financial year was characterised by a market rally in the first quarter (i.e Q3 2024) as the US Federal Reserve (US Fed) joined other central banks in cutting interest rates and the People's Bank of China (PBoC) announcing a surprise monetary stimulus package. Chinese equities stole the show, buoyed by the Chinese central bank's announcement that brokers and non-financial institutions would be able to access PBoC funding to buy stocks, using bonds, cash, Exchange-traded Funds (ETFs) and other financial assets as collateral. Trade tensions between China and the European Union (EU) also increased after the EU's decision to impose anti-dumping duties on Chinese electric vehicle imports, with China targeting EU agricultural and dairy imports in retaliation. In the second and third quarters of the financial year (i.e Q4 2024 and Q1 2025) risk assets sold off as sticky US inflation and above-trend economic growth caused the US Fed to revise its dot-plot higher, implying fewer rate cuts through the cycle. The minutes of the Federal Open Market Committee (FOMC) meeting (released in January 2025) showed the shift in sentiment had much to do with the election of Donald Trump as US president, with uncertainty about the policy direction of the new administration adding to inflationary concerns. While tax cuts, deregulation and increased government expenditure were expected to be positive for growth and earnings, the forced repatriation of illegal immigrants, coupled with tariff increases, was likely to be inflationary.

Despite an initial sell-off in risk assets at the start of the fourth quarter (i.e Q2 2025) following President Trump's "Liberation Day" tariff announcement, risk assets rallied, erasing all of their earlier losses following the subsequent 90-day pause that was announced. Earnings surprises and positive earnings revisions were a tailwind for markets, while an improvement in developed market purchasing manager indices was a further boost to the growth outlook. The tailwinds were sufficient to offset heightened geopolitical tensions following Israel's missile attacks on Iran's nuclear facilities and the ongoing war in Ukraine.

Despite expectations of rising fiscal deficits over the coming years, fuelled by defence and infrastructural spending in Europe and Trump's One Big Beautiful Bill Act (OBBBA), bond yields were lower helping to underpin equities. The final version of the OBBBA raised the debt ceiling by US$5 trillion, with the cost of the bill estimated at US$3.3 trillion or 7.1% of gross domestic product (GDP).

South African equities outperformed their developed and emerging market counterparts, led by stellar gains in resources, technology and telecommunication stocks. Resource stocks rallied on a surge in gold, platinum and palladium prices. In contrast, SA Inc. counters lagged the returns of the other broad sectors following the US's announcement of a 30% tariff on South African exports, the country's effective exclusion from duty-free benefits under the Africa Growth and Opportunities Act (AGOA) and a sticky interest rate outlook in the event that a 3% inflation target is adopted. Similarly, South African bonds handsomely outperformed their developed and emerging market peers as better-than-expected consumer and producer price inflation drove bond yields lower. With both headline and core inflation holding at the low point of the South African Reserve Bank's (SARB) current target range, coupled with very benign producer price inflation, the SARB's May Quarterly Projection Model only proposed one 25 basis point rate cut through the cycle, suggesting it may unofficially already be targeting a 3% inflation rate.

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4.2 Looking ahead

The outlook for the global and the South African economy is summarised below.

4.3 Global economy

After the Fund's financial year-end, risk assets continued to advance boosted by strong corporate earnings, better-than-expected economic data releases and expectations of lower interest rates. Emerging markets outperformed their developed market counterparts due to a surge in Chinese tech stocks. While Nvidia sold off towards the back end of August despite beating overall sales and earnings estimates, it missed on data centre revenue forecasts, the largest driver of its revenue. In contrast, Chinese tech heavy weight Alibaba surged after reporting revenue gains from AI, lifting peers in the overall sector. The Magnificent 7 (Apple, Microsoft, Amazon, NVIDIA, Alphabet, Meta, and Tesla) grew earnings 26% y/y versus just 4% for the rest of the S&P500 Index.

With more than 75% of the S&P 500 companies having reported earnings at the time of writing, earnings per share growth was double initial forecasts, driven by strong performance in tech and AI-related counters.

Expanding global composite purchasing manager indices and better-than-expected second quarter US and Japanese GDP releases, were a further boost to sentiment with recession risks largely priced out of markets. Earnings momentum was also positive, with third quarter 2025 consensus earnings estimates revised higher, notwithstanding concerns about tariffs and rising inflation. In general, consensus global earnings estimates were revised higher over the coming year, with double digit earnings growth expected in the second forecast year. Cumulative rate cuts of around 1.25% priced into fed fund futures provide a further underpin for risk assets over the investment horizon.

The dominant theme after the financial year-end was, however, the downward revisions to US non-farm data, raising expectations of a September Fed rate cut. As expected, the Fed did not disappoint, cutting rates by 0.25%, citing unemployment risks rather than inflation risks as the over-riding concern of the central bank. Unsurprisingly global bonds rallied, although returns varied across regions. While US treasury yields declined sharply, European government bond yields increased as German fiscal expansion and a looming French fiscal deficit showdown weighed on bonds.

Fiscal stabilisation, requiring countries to run primary budget surpluses, is also a headwind for bonds in the UK, US and Japan which could see yields rise as investors demand a higher premium for holding these bonds going forward.

While the Fund has a neutral weighting on global bonds, this will likely be pared back over the investment horizon since yields have already declined substantially.

On the trade front there were fewer developments than in prior months with Trump's reciprocal tariffs coming into effect in August. However, these now appear to be at risk following the US Federal Appeals Court ruling, in a 7/4 majority judgement, that Trump's tariffs issued under an emergency law were illegal. The majority upheld a May ruling by the Court of International Trade that the tariffs were illegal. However, the levies were to remain intact until mid-October while the case proceeded to the Supreme Court. The ruling affects reciprocal tariffs of 10%, plus the fentanyl (powerful drug used for pain) tariffs levied on China, Canada and Mexico. The ruling does not affect tariffs on Brazil or India and excludes sector specific tariffs in the steel, aluminium and auto sectors. If the Supreme Court rules against Trump, Treasury will need to refund about half of the tariff revenue raised. But there are other avenues that the US could pursue in order to levy tariffs, such as Section 232 tariffs that could be used to impair imports that threaten the so-called national security of the country.

> "*The **global economy** is not a zero-sum game. A successful economic development strategy must focus on **improving the skills** of the area's workforce, **reducing the cost** of doing business and making available the resources business needs to compete and **thrive in** today's global economy.*"

4.4 The South African Economy

While the latest reading on the South African economy showed that second quarter GDP expanded by 0.8% quarter/quarter, ahead of the 0.6% estimate, half year growth was still subdued at 0.8% year/year. The South African Reserve Bank (SARB) subsequently revised growth higher for this year to 1.2% from an initial estimate of 0.9%, while growth for 2026 was also revised up to 1.4% from 1.3% previously. While manufacturing, mining and trade led growth on the production (supply) side of the economy, stronger household consumption expenditure and softer imports drove the expenditure (demand) side of the economy. However, fixed capital formation contracted by 1.4%, following contractions of 1.5% and 0.5% in the previous two quarters.

The second quarter's decline was largely due to a 33.5% decline in public corporation investment and a 3.4% decline in government investment. In contrast, private sector investment was up 5.6%, having declined by 6.5% in the previous quarter. While fixed capital investment is expected to benefit from an end to load-shedding and private sector participation in logistics and rail, momentum has slowed after the solar boom. Recent announcements of job losses at ArcelorMittal SA, Ford SA, Goodyear and Glencore potentially leading to 250 000 job losses, suggest a disinvestment trend is in progress. Also adding to the country's woes is the 30% tariff imposed on SA exports to the US, potentially leading to an immediate 30 000 job losses. While SA's benefits under AGOA could be extended for a year, the current 30% duty levied on SA's exports to the US are likely to remain in place given SA's close ties to Russia, China and Iran.

Despite the subdued growth picture, bottom-up consensus earnings estimates are buoyant at some 19% over the coming year, supporting a more aggressive overweight position in domestic equities. While earnings growth is expected to slow to some 12% in the second forecast year, in line with the slowdown in the SARB's leading economic indicator, double digit returns in the upper teens are still expected in the second forecast year. However, since double digit earnings growth in both developed and emerging markets is expected in the second forecast year, the overweight to South African equities will be reduced back while that for developed and emerging markets will be increased.

After consecutive months of solid gains, South African bonds yielded pedestrian returns after financial year-end as the SARB's new 3% inflation target was now largely priced into the bond market. The R54 billion claw-back agreement between Eskom and Nersa allowing for tariff increases of around 8.8% per year for the 2026/27 and 2027/28 financial years, up from earlier projections of 5.4% and 6.2% respectively, is expected to increase headline inflation by between 0.2% and 0.4% in the affected years. Base effects are also expected to lift inflation to in excess of 4% over the coming quarters. Even though inflation expectations have decreased to a low of 4.2%, the SARB's scope for rate cuts is limited with the money market currently pricing in, at best, two rate cuts of 0.25% each over the coming eighteen months, well short of the 1% reflected in the SARB's Quarterly Projection Model. In contrast, fed fund futures are pricing in a cumulative 1.25% of rate cuts over the comparable period, with the widening in the interest rate differential between SA and the US expected to underpin the rand, helping to limit imported inflation from food and oil prices. While long bond yields have declined sharply over the past number of months, with further downside limited due to expectations of limited rate cuts and higher inflation, the current overweight position in nominal bonds is likely to be pared back, while the underweight to inflation-linked bonds will be retained.

4.5 Summary

In summary, the Fund's base case view is that the global economy will slow somewhat over the near term as tariffs and the trade war slow down growth in global trade, but that rate cuts, coupled with increased fiscal spending in the US and the EU will underpin growth and the earnings outlook. The tax cuts announced in the One Big Beautiful Bill Act for both US individuals and corporates are expected to insulate the US economy from recession, while EU expenditure on infrastructure and defense will similarly underpin growth. While US valuations are stretched, in part due to high multiples on technology and communication stocks, these valuations are still materially lower than the levels seen at the time of the dot-com bubble, suggesting a market crash is not imminent. With earnings growth being revised higher, the momentum trade currently favours risk assets supporting the Fund's overweight tilt in portfolios.

While global bonds have also rallied strongly in recent months, limiting further downside in bond yields, a neutral weighting is retained in global bonds as a hedge against a negative economic outcome. On the domestic front, South African bonds have also rallied sharply on declining bond yields as the market priced in a lower inflation target and the country's expected removal from the Financial Action Task Force's (FATF) grey list. Bond yields are, however, at fair value suggesting that further downside to bond yields is limited. However, relative to other domestic asset classes, SA bonds still offer attractive risk-adjusted returns supporting the retention of an overweight bias in the Funds' portfolios. Due to expectations of rand strength vis-à-vis the US dollar, South African assets are also overweighted relative to their global counterparts.

5. Investment Strategy and Portfolio Returns

5.1 Life Stage Model investment portfolios

The Life Stage Model (LSM) was adopted by the Board as the default investment option for members of the Fund. The LSM is made up of four portfolios being the Aggressive Portfolio (AP), Moderate Portfolio (AP), Conservative Portfolio (CP) and Protected Portfolio (PP). This LSM took a decent amount of time and investment knowledge to construct, which was done in conjunction with the investment advisor of the Fund. Members do however have the option to opt out of the LSM into a mix of portfolios of their choice adding up to a 100% allocation. Members must, however, take note that once member choice has been made they will remain in that portfolio until another switch form is received to switch and will not automatically be switched as per the LSM. Members invested in the LSM will automatically be switched from one portfolio to the next according to their age next birthday. This automatic switch is performed in four quarterly batches according to the age next birthday starting on 1 July of each year ***The table below shows the investment of a member at age next birthday.***

Age	% in AP	% in MP	% in CP	% in PP
Younger than 55	100%			
55 to 60		100%		
60 to 63			100%	
Older than 63				100%

The Fund's Investment Policy Statement (IPS) is available on the website www.mymgf.co.za if you would like more detail on the Life Stage Model (LSM). ***The investment strategy applied for the four life stage portfolios are as follows:***

Investment strategy applied for the four Life Stage Investment Portfolios					
Portfolio	**Default Age until 30 June 2015**	**Default Age with effect from 1 July 2015**	**% of Members' Fund Credit as at 30 June 2018**	**Risk Profile**	**Investment Objective**
Aggressive AP	<50	<55	66%	High	Capital Growth (100%)
Moderate MP	50 to 59	55 to 60	22%	Moderate	Capital Growth (45%); Capital Protection and Income Enhancement (55%)
Conservative CP	60 to 62	61 to 63	8%	Low	Capital Protection and Income Enhancement (100%)
Protected PP*	63 to 65	<63	4%	Low	Capital Protection (100%)

** The PP portfolio was introduced in September 2011*

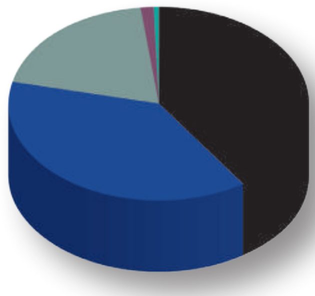
5.1.1 Life Stage 1: Aggressive Portfolio

MGF Aggressive Portfolio (AP): More money is invested in equities (shares) and less in fixed income investments and property. A greater return can therefore be expected but at an equally higher risk. A member, however, who is a long way from retirement, can tolerate such higher risk, as there is enough time to recover possible losses and create wealth.

- Inception Date: **01 July 2005**
- Fund Size as at June 2025: **R28.0 billion**
- Benchmark: **Inflation + 5%**

Asset Allocation

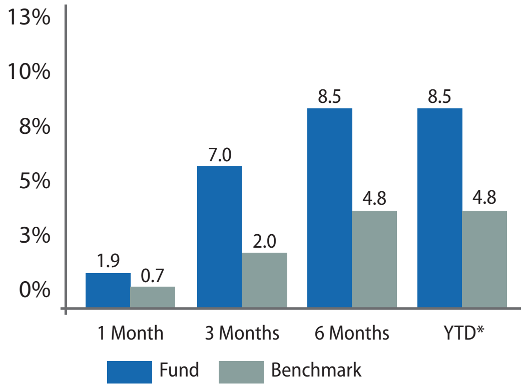
Foreign	**40.2%**	**SA Equity**	**39.1%**	**SA Bonds**	**17.5%**
Hedged	**1.5%**	**SA Cash**	**1.7%**		



Asset Manager Allocation

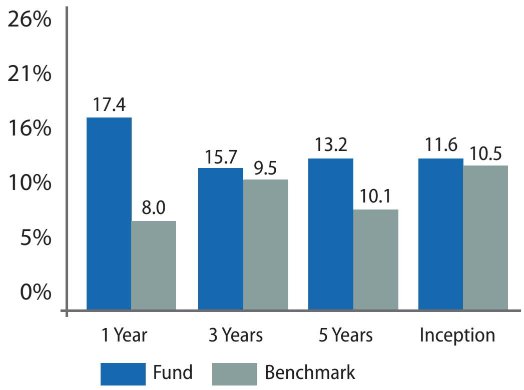
Asset Class	Manager	Exposure
Credit Funds	Futuregrowth	4.7%
Equity	ABAX, Allan Gray, Aluwani, Argon, Fairtree, Truffle	22.8%
Foreign Balanced	Allan Gray	4.7%
Foreign Equity	Coronation, Dodge & Cox, Edge, Franklin, Hoskings, Morgan Stanley, Nedgroup (Veritas), Ninety One, Sands Capital, Satrix	28.8%
Foreign Fixed Income Absolute Return	Brandywine	4.4%
Foreign Property	Nedgroup (Resolution)	2.3%
Fund of Hedge Fund	Edge Investments	1.5%
Infrastructure	Stanlib	2.3%
Mezzanine Debt	Vantage Capital	0.5%
Property	Sesfikile, SIM	3.9%
Renewable Energy	Green X Renewable	1.3%
SA Bonds	Ninety One, Sanlam	10.0%
SA Cash	ABSA, Futuregrowth, Green X Renewable, Stanlib, Vantage Capital	1.7%
SA Passive Equity	Satrix	11.1%

Short-term Returns



*Since January to Date

Long-term Returns

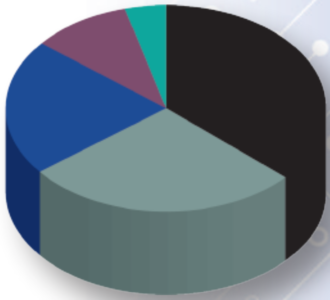


May 2024	Jun 2024	Jul 2024	Aug 2024	Sept 2024	Oct 2024	Nov 2024
1.34%	1.40%	2.49%	1.30%	1.78%	-0.32%	1.78%
Dec 2024	**Jan 2025**	**Feb 2025**	**Mar 2025**	**April 2025**	**May 2025**	**Jun 2025**
0.98%	1.40%	1.19%	-0.24%	2.87%	2.06%	1.93%

5.1.2 Life Stage 2: Moderate Portfolio

MGF Moderate Portfolio (MP): A more moderate investment approach is followed. Less money is invested in equities (shares) and more in fixed income investments and property. The return may be less but the risk is also lower. It is suitable for older members closer to retirement who should not be exposed to the higher risks of the Aggressive Portfolio.

- Inception Date: **01 July 2005**
- Fund Size as at June 2025: **R10.0 billion**
- Benchmark: **Inflation + 4%**



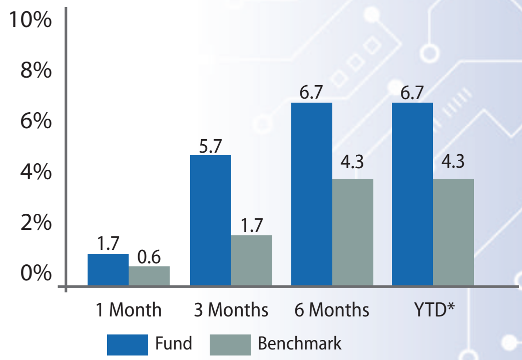
Asset Allocation

Foreign	**34.9%**	**SA Bonds**	**29.6%**	**SA Equity**	**23.0%**
Hedged	**9.5%**	**SA Cash**	**3.0%**		

Asset Manager Allocation

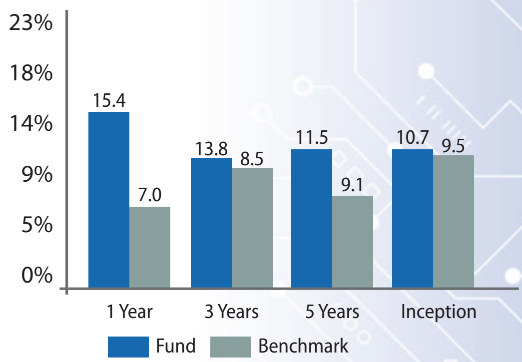
Asset Class	Manager	Exposure
Equity	ABAX, Allan Gray, Aluwani, Argon, Fairtree, GreenX, Truffle	10.7%
Foreign Balanced	Allan Gray	3.7%
Foreign Equity	Coronation, Dodge & Cox, Edge, Franklin, Hoskings, Morgan Stanley, Nedgroup (Veritas), Ninety One, Sands Capital, Satrix	20.8%
Foreign Fixed Income Absolute Return	Brandywine	3.9%
Foreign Property	Nedgroup (Resolution)	2.3%
Infrastructure	Stanlib	1.7%
Mezzanine Debt	Vantage Capital	1.1%
Property	Sesfikile, SIM	3.3%
Renewable Energy	Green X Renewable	1.7%
SA Absolute Return	ABAX, Alusi Managed Fund, Coronation, Sanlam	16.9%
SA Bonds	Ninety One, Sanlam	12.4%
SA Cash	ABSA, Allen Gray, Aluwani, Futuregrowth, Green X Renewable, Stanlib	5.0%
SA Hedge Funds	Amplify	9.4%
SA Inflation Linked Bond	Ninety One	2.7%
SA Passive Equity	Satrix	4.4%

Short-term Returns



*Since January to Date

Long-term Returns



May 2024	Jun 2024	Jul 2024	Aug 2024	Sept 2024	Oct 2024	Nov 2024
1.18%	1.30%	2.15%	1.35%	1.48%	-0.12%	2.10%
Dec 2024	**Jan 2025**	**Feb 2025**	**Mar 2025**	**Apr 2025**	**May 2025**	**Jun 2025**
0.91%	1.24%	0.23%	-0.50%	2.19%	1.69%	1.72%

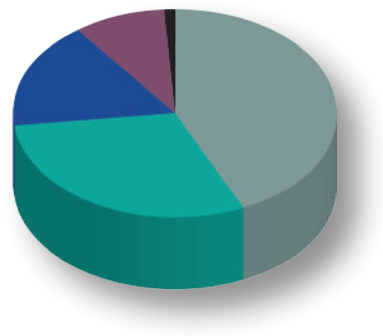
5.1.3 Life Stage 3: Conservative Portfolio

MGF Conservative Portfolio (CP): These members cannot be exposed to any significant risk and therefore their money will be invested in fixed income investments, structured products and cash with no equities (shares) in order to protect capital.

- Inception Date: **01 July 2005**
- Fund Size as at June 2025: **R4.0 billion**
- Benchmark: **Inflation + 3%**

Asset Allocation

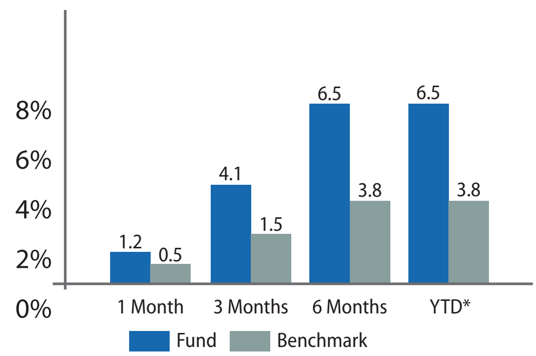
SA Bonds	**45.4%**	**SA Cash**	**26.4%**	**SA Equity**	**17.5%**
Hedged	**9.2%**	**Foreign**	**1.5%**		



Asset Manager Allocation

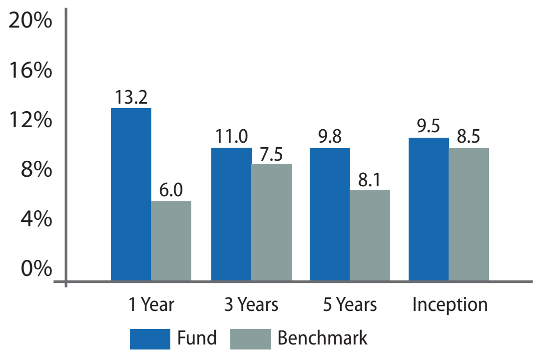
Asset Class	Manager	Exposure
Credit Funds	Futuregrowth	12.0%
Equity	Green X	0.2%
Renewable Energy	Green X Renewable	0.7%
SA Absolute Return	ABAX, Alusi Managed Fund, Coronation, Sanlam	58.4%
SA Cash	ABAX, ABSA, Coronation, Futuregrowth, Green X Renewable	17.2%
SA Hedge Funds	Amplify	8.7%
SA Inflation Linked Bond	Ninety One	2.8%

Short-term Returns



*Since January to Date

Long-term Returns

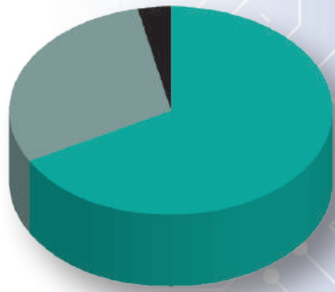


May 2024	Jun 2024	Jul 2024	Aug 2024	Sept 2024	Oct 2024	Nov 2024
1.03%	1.98%	1.80%	1.29%	1.57%	0.07%	0.96%
Dec 2024	**Jan 2025**	**Feb 2025**	**Mar 2025**	**Apr 2025**	**May 2025**	**Jun 2025**
0.52%	0.87%	0.57%	0.81%	1.39%	1.47%	1.17%

5.1.4 Life Stage 4: Protected Portfolio

MGF Protected Portfolio (PP): These members cannot be exposed to any risk and therefore their money will be invested in money market instruments in order to protect capital.

- Inception Date: **01 September 2011**
- Fund Size as at June 2025: **R2.0 billion**
- Benchmark: STeFI



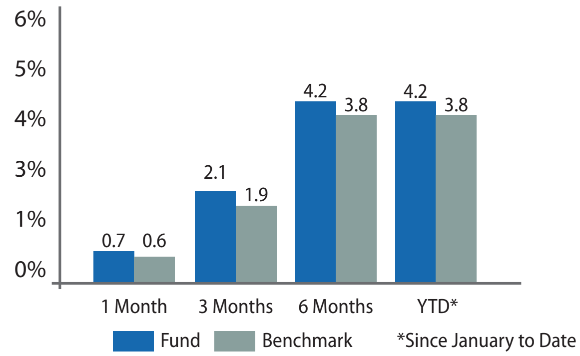
Asset Allocation

Asset Manager Allocation

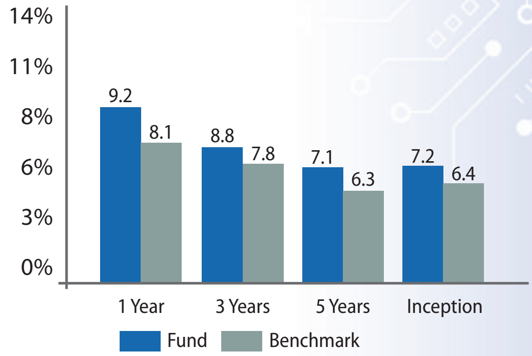
Asset Class	Manager	Exposure
SA Cash	ABSA, Futuregrowth	100%

SA Cash ABSA	**73.3%**
SA Bonds	**24.0%**
Foreign	**2.7%**

Short-term Returns

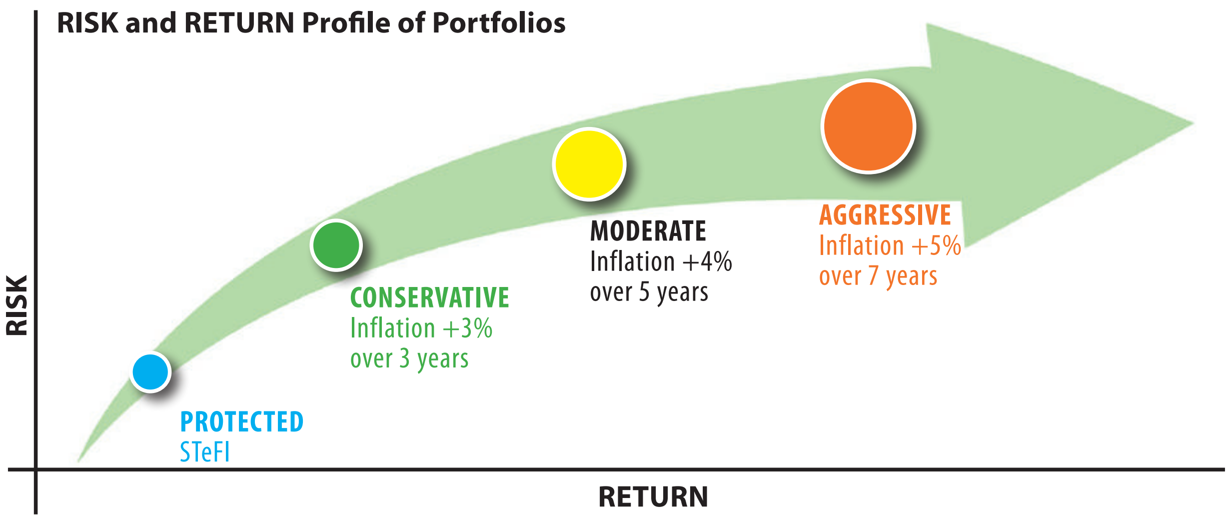


Long-term Returns



May 2024	Jun 2024	Jul 2024	Aug 2024	Sept 2024	Oct 2024	Nov 2024
0.91%	0.70%	0.82%	0.76%	1.04%	0.69%	0.68%
Dec 2024	**Jan 2025**	**Feb 2025**	**Mar 2025**	**Apr 2025**	**May 2025**	**Jun 2025**
0.73%	0.74%	0.62%	0.69%	0.68%	0.70%	0.69%

The following is an illustration of where each of the ***4 Life Stage portfolios*** lies along the risk- and- return spectrum.



5.2 Investment Returns
Long term investment goal

The Fund's long-term objective remains; to aim to provide for a 75% net replacement ratio (NRR) at retirement. In layman's terms it means that if you retire and you invest your fund credit your monthly pension should be equal to 75% of your last salary earned prior to retirement.

Members should aim to not have any debt at retirement to increase the possibility of reaching the 75% NRR. As many members have exercised the option to withdraw their emergency savings pot as allowed with the two-component legislation, it could prevent those members from reaching the 75% net replacement ratio at retirement.

*The **markets** have been **positive** over the last financial year and continues in that trend within the current financial year.*

The four different investment portfolios of the Life Stage Model (**LSM**), that is the Aggressive Portfolio (**AP**), the Moderate Portfolio (**MP**), the Conservative Portfolio (**CP**) and the Protected Portfolio (**PP**), each has its own return objective as indicated in the table, that follows.

It will be noticed from this table that every investment portfolio is still on track, measured from the inception of the LSM during July 2005, outperforming the return objectives and handsomely outperforming inflation. ***It is important to note that this is an annualised outperformance.*** The ***inflation outperformance***, also annualised, indicated in the following table, ***is significant***.

Annualised investment objectives and returns for the period July 2005 to 30 June 2025

Portfolio	Return objective		Actual return	Objective outperformance	Inflation outperformance
AP	CPI + 5%	10.50%	11.63%	1.14%	6.14%
MP	CPI + 4%	9.50%	10.67%	1.17%	5.17%
CP	CPI + 3%	8.50%	9.49%	0.99%	3.99%
PP*	Cash	6.44%	7.22%	0.78%	2.19%

** The PP portfolio was introduced in September 2011*

Members are reminded that a retirement fund is a long-term investment and the compound growth phenomenon takes effect only from about 30 years onwards.

The ***returns of the life stage portfolios for 2024/25 financial year*** are as follows:

	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Year Total
AP	2.49%	1.30%	1.78%	-0.32%	1.78%	0.98%	1.40%	0.19%	-0.24%	2.87%	2.06%	1.93%	17.41%
MP	2.15%	1.35%	1.48%	-0.12%	2.10%	0.91%	1.24%	0.23%	-0.50%	2.19%	1.69%	1.72%	15.38%
CP	1.80%	1.29%	1.57%	0.07%	0.96%	0.52%	0.87%	0.57%	0.81%	1.39%	1.47%	1.17%	13.22%
PP	0.82%	0.76%	1.04%	0.69%	0.68%	0.73%	0.74%	0.62%	0.69%	0.68%	0.70%	0.69%	9.21%

Historical returns since unitization are as follows:

	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016
AP	25.60%	28.45%	2.43%	-4.14%	16.70%	14.83%	10.23%	16.43%	26.83%	4.94%	7.22%
MP	17.80%	24.77%	1.55%	1.48%	15.33%	13.90%	9.68%	14.49%	21.94%	6.66%	8.04%
CP	11.00%	20.27%	3.22%	8.13%	14.92%	12.85%	8.63%	10.46%	14.85%	7.84%	6.50%
PP	-	-	-	-	-	-	4.98%	5.96%	6.04%	6.64%	7.53%

	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	Since Unitisation	Annualised return per annum
AP	4.05%	10.38%	4.43%	4.30%	18.85%	0.85%	18.29%	11.49%	17.41%	823.09%	11.98%
MP	4.96%	8.96%	4.97%	4.75%	14.00%	2.68%	15.14%	11.03%	15.38%	676.73%	10.88%
CP	6.44%	8.29%	6.07%	2.49%	10.43%	5.93%	9.27%	10.56%	13.22%	518.35%	9.57%
PP	8.58%	8.22%	8.55%	8.16%	4.41%	4.87%	7.59%	9.47%	9.21%	166.90%	7.16%

5.3 Returns going forward

The ***returns for the first six months of the 2025/26 financial year*** are as follows:

Portflio	31 Jul 2025	31 Aug 2025	30 Sep 2025	31 Oct 2025	30 Nov 2025	31 Dec 2025	Year to date
Aggressive	2.29%	1.41%	2.61%	1.92%	0.82%	1.74%	10.79%
Moderate	1.92%	0.81%	1.81%	1.79%	0.41%	1.23%	7.97%
Conservative	0.87%	1.03%	1.66%	1.27%	1.06%	1.54%	7.43%
Protected	0.67%	0.66%	0.68%	0.62%	0.60%	0.66%	3.89%

The Fund has had **exceptional returns**, which is evident from the returns above.

5.4 Socially Responsible Investments

The Board recognises the increasing importance of environmental, social and governance ("ESG") factors in social society and the important role that retirement funds, as large institutional investors, are able to play in ensuring responsible corporate behaviour. ***The MGF supports The Code for Responsible Investing in South Africa (CRISA) and has integrated its five principles, listed below, into the investment decision-making process.***

- **Principle 1:** An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.
- **Principle 2:** An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.
- **Principle 3:** Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.
- **Principle 4:** An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur.
- **Principle 5:** Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

Socially Responsible Investment (SRI) can be undertaken through a number of different strategies ranging from the Fund allocating capital directly to investment opportunities which are directly associated with having a positive benefit to society ("Positive Screening"), or to explicitly exclude investment opportunities from its investable universe where they are associated with having a negative impact on society ("Negative Screening"). The Board will consider positively screened SRI opportunities for potential inclusion within the context of the Fund's investment strategy. The Board does not impose negative screening requirements on the appointed investment administrators. The Board chooses to engage with appointed investment administrators on their ESG policies. The Fund's investment advisor has been instructed to obtain the ESG policies from the investment administrators on an annual basis.

5.5 Fee structure

The fees paid to investment managers vary according to asset class. For instance, managing cash does not require the same effort and skill set as is the case when managing equities. The management fees in respect of overseas investments are also higher than those in South Africa. Investment management fees may vary between 0.10% to 2%. The average investment fee of all investments made by the Fund is about 0.5%. This low fee percentage is due to the negotiating power the Fund has because of the considerable amount of assets. The four life stage portfolios comprise of different asset classes and therefore the investment management fees are allocated accordingly. For instance, the Protected Portfolio consists mainly of money market investments (cash) with a lower fee structure and therefore only those fees are allocated to the Protected Portfolio and vice versa with the Aggressive Portfolio which consists of a big component of shares, which cost more to manage. ***The investment management fees for the four portfolios are approximately as follows:*** **Aggressive 0.56%, Moderate 0.49%, Conservative 0.47%, Protected 0.10%.**

6. Actuarial valuation

This year was an interim actuarial valuation for the financial year ending 30 June 2025, as the statutory actuarial valuation was performed for the previous financial year ending 30 June 2024. The Board appointed the independent actuary to perform the same rigid actuarial valuation annually, thus for the two interim years, which included this financial year. The Actuary made an unqualified finding that the Fund was financially sound as at 30 June 2025.

7. Financial Statements

The independent external auditors, Binder Dijker & Otte South African Incorporated (BDO), are satisfied that the financial statements, in all material respects, fairly represent the result of the financial activities of the Fund for the 2024/25 financial year. The Fund retained the services of BDO and they were appointed by the Board for the 2024/25 financial year due to the excellent work performed by their staff in collaboration with the administrator's staff.

The Fund again received an unqualified (clean) independent audit report. As reflected in the balance sheet of the financial statements, the total asset value as at 30 June 2025 is almost R45 billion. According to the income statement, the contributions were R2.7 billion. The administrative expenses, including external fees such as the levies payable to the Financial Services Conduct Authority (FSCA) and the National Credit Regulator (NCR), as well as administration, actuarial services and external audit services was R50.5 million, which is funded from the 0.50% of salary contribution. As a percentage of total asset value of the Fund it translates to 0.11%, which is extremely reasonable in the industry.

The balance in the Risk Account (RA) increased to R382 million from R348 million at the end of the previous financial year. The Actuary keeps a close eye on the balance in the Risk Account and that is the reason why the allocation to the Risk Account was decreased by 0.35% from 2.60% to 2.25% as from 1 March 2025. This is to the advantage of all our members as 0.25% of salary is added to their fund credits, as the cost of the administration increased from 0.40% to 0.50%. The total cost for the risk cover and administration cost has thus reduced from a total of 3% to 2.75% of pensionable salary with effect from 1 March 2025, resulting in members saving more for retirement.

Financial Statement of Net Assets and Funds as at 30 June 2025

	30 June 2025	30 June 2024
ASSETS	**R**	**R**
Non-current assets	**44,203,122,741**	**38,861,698,299**
Plant and equipment	345,681	5,067
Investments	44,200,079,682	38,857,897,294
Housing loans	2,697,378	3,795,938
Current assets	**749,177,155**	**1,011,245,108**
Accounts receivable	52,052,859	86,493,896
Contributions receivable	155,725,406	154,201,475
Cash and cash equivalents	541,398,890	770,549,737
Total assets	**44,952,299,896**	**39,872,943,407**
FUNDS AND LIABILITIES		
Members' funds and surplus account	**43,154,960,816**	**38,054,660,580**
Members' individual accounts	42,876,677,502	37,787,708,411
Amounts to be allocated	278,283,314	266,952,169
Reserves	**453,194,182**	**422,293,362**
Reserve accounts	453,194,182	422,293,362
Total funds and reserves	**43,608,154,998**	**38,476,953,942**
Non-current liabilities	**20,682,103**	**7,500,745**
Unclaimed benefits	20,682,103	7,500,745
Current liabilities	**1,323,462,795**	**1,388,488,720**
Benefits payable	1,309,808,214	1,374,252,250
Accounts payable	13,654,581	14,236,470
Total funds and liabilities	**44,952,299,896**	**39,872,943,407**

8. Rule amendments

The following rule amendments were approved during the 2025 financial year.

MGF 1:
Reasons for this amendment:
Rule 8:
Remove the Employers' Representatives from participating in the General Committee and the requirement to have such representatives as Board Members when the current terms of office of the Employers' Representatives as Board Members expire in 2025 and 2026, reduce the number of Board Members to 11 from 2026 with the appointment of a SALGA (South African Local Governmenet Association)representative in an effort to streamline the management of the Fund and remove historical provisions relating to the composition of the Board.

Definition of "EMPLOYERS' REPRESENTATIVE":
Substitute the reference to Rule 5(2)(a) with Rule 8.

Definition of SALGA and amendments to Rules 8, 9 and 10: Provide for the appointment of a SALGA representative to the Board and ancillary matters.

Delete the definition of "EMPLOYERS' REPRESENTATIVE" and "REPRESENTATIVE" and the references to these terms wherever they appear in Rules 5 to 13 and Rules 19(2) and 21(4), to align with the amendment to Rule 8.

Rule 36A: Provide for the treatment of benefits of Members who dies after a benefit other than a death benefit became payable.

8.1 Changes to the Disability Benefit

The new disability benefit was applicable from 1 July 2023, which will pay a disability benefit equal to fund credit PLUS a scaled multiple of annual salary. This distinction is still in place for members with less than 5 years' service who have a pre-existing condition, where they will receive the greater of scaled down multiple annual salary plus their fund credit or the existing benefit if that is greater for membership prior to 1 July 2023.

The old disability benefit remains in place for all members who were members of the Fund with a joining date prior to 30 June 2023. If such member becomes disabled after 1 July 2023 the greater of the old disability or new disability benefit will be payable. New members joining the Fund from 1 July 2023 will only be liable for the payment of the new disability benefit.

Members who joined the Fund from 1 July 2023 will receive the new disability benefit explained in the table shown right.

Members 65 years and older do not enjoy any disability benefits. The 2.25% of the employer contribution required for risk benefits is allocated towards their fund credit, thus they are not paying for any risk benefits. Contributing members older than 65 do however enjoy funeral cover.

Members who joined the Fund on or after 1 July 2023		
Attained age at date of disability	**Scaled multiple in excess of member share**	**Reduced multiple for members with less than 5 years' service with pre-existing condition**
Up to age 30	4 times	2 times
Age 31 to 35	3.5 times	1.75 times
Age 36 to 40	3 times	1.5 times
Age 41 to 45	2.5 times	1.25 times
Age 46 to 50	2 times	1 time
Age 51 to 55	1.5 times	0.75 times
Age 56 to 64	1 time	0.5 times

9. Benefit counselling

Benefit counselling continues to add significant value to members, particularly during the implementation of the two-pot system, with support provided for Sanlam App registration and pre-retirement planning. Members are informed of the product options available at retirement, resulting in a growing number choosing to invest a portion of their benefit into annuities rather than taking full cash withdrawals. This approach reduces tax exposure, as annuity transfers are tax-free, and provides members with a sustainable monthly income in retirement. Under the two-pot system, members may not withdraw their retirement pot until actual retirement, and the benefit counselling team assists members in understanding the available preservation options.

All our members have access to a benefit counsellor and may contact them for any financial queries they might have. The benefit counselling team proactively engages members from age 49, following Board approval to provide counselling to all members in this age group from 2026. Members are notified via SMS and subsequently contacted telephonically to support informed retirement decision-making and improve member knowledge levels as they near retirement. While the Fund Rules permit early retirement from age 50 without penalty, members are encouraged to carefully consider their level of accumulated savings and the financial implications before electing to retire early.

The benefit counsellors can be contacted via:

advicereferral@sanlam.co.za

0800 111 956 (toll-free number)

SMS to **38300** and they will get back to you

Important factors you need to consider before taking early retirement:

Loss of future earnings: If you retire at the age of 50 you will forfeit receiving your salary for the next 15 years, which is a substantial amount, especially if you add the contributions for 15 years not paid into your fund credit. The earlier you retire the longer your retirement years and the more certain you need to be that your savings will last until you die. You must accept that you're forfeiting the opportunity to increase retirement savings.

The best financial years of your life: The last 15 years before retirement is normally a period when you have no dependent children, allowing you to increase your savings. You are also able to achieve the biggest growth on your investments due to the large capital that you have built up in your fund. This is when the full force of compound interest is at work. ***Compound interest is the interest earned on interest saved. Save as soon as you can, leave it for as long as you can. Let compounding make your money work for you.***

Medical benefits: Medical inflation is high and many employers do not continue the employer contribution towards your medical aid should you retire early. It is important to ensure that you know your position before retirement.

Your level of debt: You should have paid off your debts by the time that you retire. You should postpone your retirement if you have a high level of debt. You will reduce your pension significantly if you use the cash lump sum benefit that you receive at retirement to pay off your debts.

Considering the above, it is clear that it may be more beneficial for most members to remain in service until the normal retirement age of 65 and not to retire early at age of 50.

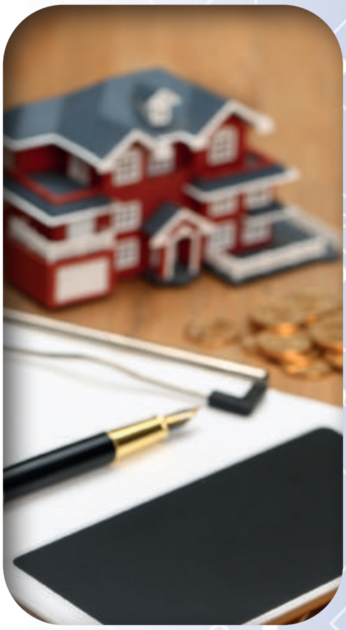
Did you know?

Your retirement savings in the first 10 years of your working life (i.e. assuming you contribute for 30 years), ***could contribute towards 50% of your pension one day***. Cashing these in when you change jobs means giving away half of your retirement savings.

10. Housing loans

Both FNB and Standard Bank offer members pension-backed home loans at an interest rate of prime less 1.25%, with FNB charging lower administration and application fees. The Fund does not intervene in loan approval decisions and cannot influence banks to grant loans where members are over-indebted, under administration, or fail affordability assessments. Banks are required to comply with the National Credit Act and avoid reckless lending by ensuring members can meet monthly instalments while retaining sufficient take-home pay.

During the year, the Fund received requests from banks to settle pension-backed home loans where members had fallen into arrears. It has been noted that some members instructed payroll departments to stop loan deductions, which is not permitted, as municipalities have signed undertakings with banks to deduct instalments directly from salaries. Allowing settlement of arrear loans would create an unsustainable precedent. Best practice requires members to fully repay pension-backed home loans before retirement to avoid reducing their retirement benefits. In addition, members employed by municipalities in the North West province that are in arrears with monthly contributions are not eligible for home loans, as employer defaults compromise repayments to the banks.



11. Communication

The Fund is focused on regular and meaningful communication with existing members to keep them informed on the important matter of retirement. In order to gain new members, the Fund does not engage in cheap marketing but provides comprehensive, objective and retirement-related information about the Fund. During induction sessions new municipal employees have the freedom to choose to which Fund they prefer to belong, without being pressured. The goal is not to have many members but rather to have happy members, the rest will follow. The Fund believes in quality not quantity. The superior returns of the Fund should be an indication to new members that the Fund has excellent governance structures and investment policies in place.

The Fund employs two full time communication staff who visit the various municipalities on a regular basis and attend to numerous member requests. Stanley as the Chief Communication Officer and Edith as the Senior Communication Officer are familiar faces at every municipality and needs no introduction. Together they work tirelessly to promote the Fund amongst members, new and old.

Communication with members remains a priority of the Fund. This is one of the main reasons why the Fund established a front office on 1 July 1999. Instead of leaving the communication services to the fund administrator, the Fund identified the need of members to put a face to the Fund and to have an ear in the event of concerns and service lapses by the outsourced benefit administrator. The Fund's communication officers conduct regular member information meetings at municipalities and visit municipalities as and when required to attend to specific member matters and induction of new members joining the Fund.

Stanley Muremi
Chief Communication Officer
Cell: 078 532 1912
Email: stanley.muremi@mgfund.co.za

*The Fund is focused on regular and **meaningful communication** with **existing members** to keep them informed on the important matter of **retirement**.*

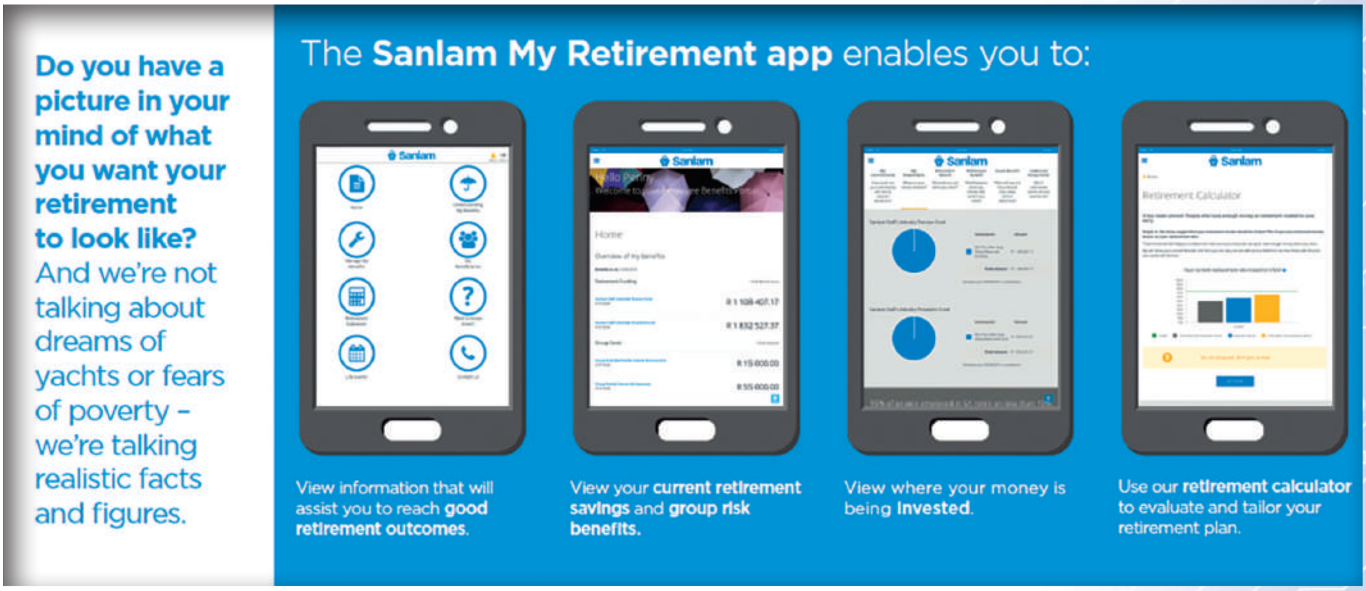
Edith Da Cunha
Senior Communication Officer
Cell: 068 176 7230
Email: edith.dacunha@mgfund.co.za

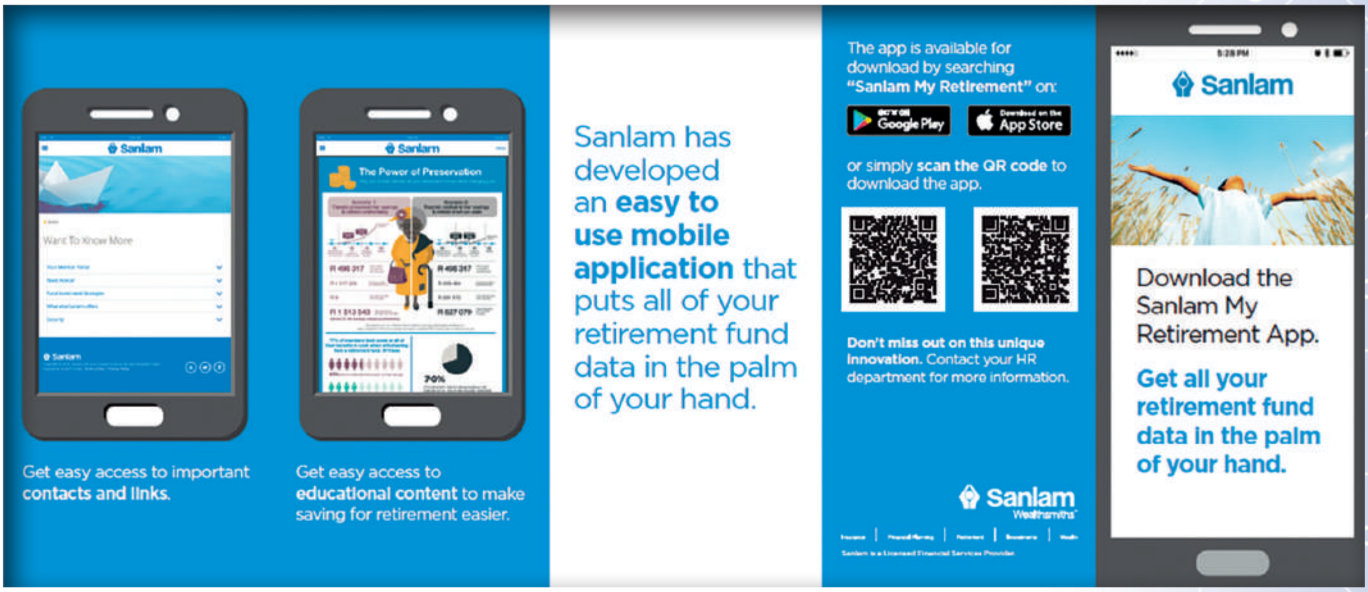
The Fund produces a Member Booklet that is updated regularly, and available on the Fund website. The Fund's annual wall and desk calendars have proven very popular and contain valuable information members can use. These are distributed at the Annual General Meeting and when the Fund's communication officers visit the various municipalities.

The Member Booklet and Annual Report and much more is available on the Fund's website that allows internet users 24 hour access to relevant information and to their benefit statements, including a platform to communicate with the Fund through this electronic medium.

With the development of social media and suchlike facilities the Fund also explored this area. During 2017, with the assistance of the fund administrator, the Sanlam Retirement App was developed and introduced. To date 20 350 members have downloaded the app, which is 71% of our membership and very promising. We continue to encourage members to download this valuable communication channel.

The most popular means of communication remains the face-to- face visits by the communication officers to the workplaces of members and direct live telephone calls. The availability and approachability of the Fund's staff appears to entrench the direct communication channel as the preferred option. The Fund will therefore keep allocating resources accordingly. Should any of the municipalities require pre-retirement workshops it can be arranged via either Stanley or Edith as it is really helpful to assist members in knowing what products are available at retirement.





"

The saying by

Warren Buffett:

Do not save what is left after spending, but spend what is left after saving.

Embodies excellence in financial planning by prioritising savings.

12. Family funeral plan

As from 1 August 2025 the family funeral benefit payable is:	
Insured life	**Funeral cover**
Member	R52,900
Qualifying spouse	R39,500
Qualifying child age 14 to 21 years	R26,500
Qualifying child age 1 and older but younger than 14	R13,500
Qualifying child younger than 1	R6,800
Still-born qualifying child	R6,800

Only direct family members qualify for the funeral benefit. Funeral benefits continue after the age of 65 years if members continue to work past normal retirement age.

Unfortunately, there are still a large number of members who have not completed the Family Funeral Plan nomination form. If a member passes away without completing the Family Funeral Plan's nomination form the Insurer has no other option but to pay the funeral benefit to the estate of the late member. This is obviously not ideal and therefore we ask our member representatives to please convey this message to all our members and assist them to complete the nomination form. As previously explained the Family Funeral Plan with the Insurer falls under the Insurance Act 18 of 2017, whereby the Prudential Authority requires that **a funeral nomination form MUST** be completed in order for the funeral benefit to be paid out to the nominated beneficiary.

The Fund will continue to convey this message and encourage members to complete the **nomination form**, which is available on the ***Fund's website:***

www.mymgf.co.za under the ***Forms*** tab and then under the ***Funeral Plan*** heading.

The ***Benefits Claim Form*** and ***Funeral Nomination Form*** is available from SANLAM. The ***email address*** for submission of claims is:

sgrdeathclaims@sanlam.co.za

If no documentation is submitted and the Insurer is not aware of the death, the claim expires after 6 months of date of death. If the member did not complete a Funeral Nomination Form it is of the utmost importance to submit the claim to the Insurer in the meantime while waiting for the estate late banking details to ensure that the funeral cover does not lapse.

Funeral support and ***burial repatriation service*** are available on request from the **24-hr call centre** on

0860 0004 080

12.1 Funeral Support

The Burial Repatriation Benefit is a service that allows for the transport of the deceased member's body back home to the final funeral home closest to their place of burial in South Africa, if the death occurred far from his/her home. This service is available at the death of any member, his/her qualifying spouse and child/ren.

If death occurs in South Africa, the services also allows for:

- ***Transportation*** arrangements for a single relative to accompany the mortal remains to the final funeral home; and
- ***Overnight accommodation*** (subject to limitations) for a single relative.

Other services, which are aimed at simplifying the death/burial for the family, include:

- ***Assistance and advice*** on claims procedures is provided to the surviving family.
- ***If necessary, legal assistance*** can be arranged to assist with the interpretation of the will and the management of the necessary documentation.
- ***Advice*** can be provided on matters such as obtaining a death certificate and cross-border documentation.
- ***Referral to a pathologist*** will be made if an autopsy is necessary.
- ***Referral to reputable funeral parlours*** and providers of other funeral services such as catering and transport can be made, and clients benefit from our experience and knowledge of suitable providers; and
- ***Assistance*** can be provided when looking for a tombstone supplier.

13. Important information

13.1 Payment of Contributions

As at the end of the 2025 financial year there were two municipalities who were in arrears with the payment of the monthly contributions, being Ditsobotla Local Municipality and Mamusa Local Municipality, both located in North-West Province. Treasury has become actively involved with the municipalities who fail to pay the monthly contributions. The Fund has to prepare information on a monthly basis to be submitted to the Financial Services Conduct Authority (FSCA) on the defaulting municipalities, as the FSCA compiles a report for submission to Treasury.

In all instances the members are made aware of the non-payment of the contributions via SMS communication. The issue is also taken up with the Municipal Manager and Chief Financial Officer. In some instances, salaries are paid very late and even the medical aid premiums and other deductions are not paid to the various institutions.

It is important to note that if a municipality fails to pay the members' contributions for three consecutive months or four months in a financial year the members forfeit their risk cover. This is communicated to the affected members via SMS.

13.2 Distribution of Death Benefits

There is the misconception that in the event of the death of a member the spouse is entitled to 50% of the death benefit. The death benefit in a pension/provident fund does not form part of the joint estate, thus the 50% is not applicable. Members often ask about the binding force of a nomination form in the event of death of a member. Section 37C of the Pension Funds Act regulates the distribution of a death benefit and it is very explicit in this regard. It stipulates that if a pension fund cannot trace any dependant of the deceased member within twelve months, then the death benefit must be paid to the nominees as specified on the nomination form. However, in the event that there are dependants and nominees, a pension fund must allocate the death "benefit or such portion thereof to such dependant or nominee in such proportions as the board may deem equitable."

The Act entrusts the Board with the discretion to distribute the death benefit between dependants and/or nominees. The discretion must be applied within the boundaries set by law. As indicated, the Act distinguishes between two main categories of beneficiaries namely dependants and nominees. It then goes further and categorises the dependants in what is commonly referred to as legal dependants, non-legal dependants and future dependants.

The main object of section 37C of the Act is to ensure that those persons who were factually dependent on the deceased during his/her lifetime are not left destitute and without financial support after his/her death. The spirit of a death distribution is not to enrich any beneficiary, but if possible to place that person in the position he/she would have been had the member not passed away.

Regard must be had given to all relevant factors including, but not limited to:

1. the ages of the dependents;
2. their relationship with the deceased;
3. the extent of their dependency;
4. the wishes of the deceased expressed in the nomination form or will;
5. the financial affairs of the dependents including their future earning capacity potential; and
6. the amount available for distribution.

There have been instances where the death benefit was too little to satisfy the financial needs of all the beneficiaries. It is of the utmost importance that a thorough investigation is done to determine the financial dependency of the beneficiaries. In quite a number of instances the beneficiary would complete the death application form and just indicate that he/she was financially dependent on the deceased to a certain amount, but no evidence can be provided where a regular monthly payment was made into a bank account. The Pension Funds Adjudicator has determined that an amount paid by the deceased to a beneficiary every now and then is viewed as gratification and is not sufficient grounds for financial dependency and such a person will be excluded as a factual (financial) dependant.

If the death benefit is exhausted and no monies are left once the factual dependency has been taken care of, it is the end of the process and other beneficiaries such as legal dependants (as defined in the Act) and nominees will not receive anything. If, on the other hand the death benefit is not exhausted and there is a residue left after provision was made for the needs of the factual dependants, the residue may be distributed between all the beneficiaries namely dependants and/or nominees. The same beneficiaries often fall under various categories, for instance a spouse and a child are usually factual dependants, are also legal dependants as per the definition in the Act and may be a nominee on the nomination form. In such event the beneficiary may be considered for an allocation under each of these categories.

The next step is to determine the extent of the factual dependency of the factual and future dependants. That's quite a difficult task and takes by far the most time in the distribution exercise, often involving disputes and family feuds. Moreover in the event of multiple marriages with a city family, a rural family and to complicate matters further, a girlfriend with a love child. There are specific considerations to be taken into account in terms of case law.

Once the needs of the factual and future dependants have been taken care of, there may be money left from the total death benefit. This is referred to as the free residue. The free residue is to be distributed between the dependants and/or the nominees. The Board has a fairly wide discretion how to divide the free residue. That said, it does not mean that they may distribute it without reason. The discretion is to be exercised fairly and reasonably in an equitable manner. Such distribution may not necessarily be regarded by all beneficiaries as optimal. Typically, the free residue would first be split 50/50 between the two categories, being all the dependants (spouse and children) on the one side and all the nominees on the other side. If the free residue has an allocation towards the nominees, the letter of the nomination form will be followed. For example if a specific beneficiary was allocated 35% on the nomination form and the free residue portion of the death benefit allocated to the nominees is 25% then that nominee will receive 35% of 25% which is 8.75% of the total death benefit. There have been nominees who have complained to the Pension Funds Adjudicator that they did not receive their full nominee allocation, but once the distribution was explained to the Adjudicator the complaint was dismissed.

> ***“The future is not something to predict. The future is something to build***
>
> *- Franco Ongaro*

There are many interesting examples in the Pension Funds Adjudicator cases regarding this aspect. However, the clear message in terms of the Act as enforced by the Adjudicator and the High Court is that the nomination form is to take second seat to the factual dependency.

By law, the Fund must always act in the best interest of the member. However, once the member of a pension fund is no more there, his or her best interest is no more existing but is replaced by the best interest of the beneficiaries, with priority to the factually dependent beneficiaries. Through the years many a case was seen where, if the nomination forms were to be followed, it would have resulted in gross injustice towards the family of the deceased. In many instances the deceased did not update his/her nomination form and often younger children are not included in the nomination form, as they were born after the completion of the nomination form.

13.3 Tax On Pension Benefits

The formula C in the Income Tax Act is the calculation for members who have service prior to 1 March 1998, for all members who joined the Fund thereafter Formula C is not applicable. If a member exits the Fund and has a Formula C benefit the financial advisor of each member should calculate such Formula C. It is not the responsibility of the Fund or the Fund's administrator to do such a calculation, as it must be done by an accredited financial advisor.

When a member exits from the Fund for whatever reason, a tax directive is to be obtained by a pension fund from the South African Revenue Services (SARS) before payment can be made. SARS calculates the tax payable on the benefit and directs the pension fund to deduct such tax as well as any outstanding monies owing to SARS.

In the event of resignation and dismissal, the tax scales are as shown on the table to the right:

In the ***event of resignation and dismissal,*** *the* ***tax scales*** *are as follows:*

Lump sum benefit	Lump sum benefit
R0 – R27 500	0%
R27 501 - R726 000	18% of taxable income above R27 500
R726 001 - R1 089 000	R125 730 + 27% of taxable income above R726 000
R1 089 001 and above	R223 740 + 36% of taxable income above R1 089 000

In the ***event of retirement, death and redundancy,*** *the* ***tax scales*** *are as follows:*

Taxable income	Rate of tax
R0 – R550 000	0% of taxable income
R550 001 - R770 000	18% of taxable income above R550 000
R770 001 – R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

In the event of retirement, death and redundancy, the tax scales are shown in the table on the left.

The first R550 000 is tax free and thereafter incremental rates of 18%, 27% and 36% apply. The tax up to R1million rand is about 12% but thereafter it rapidly increases to the maximum of 36%. The tax, in the event of early withdrawal such as resignation, will be more because only R27 500 is tax free compared to the R550 000 tax in the event of retirement.

The tax-free portion is allocated once in a lifetime, in other words if it has been depleted you may not claim it anymore.

For example, if a person used R300 000 of the R550 000 with the first lump sum, the balance left is R250 000 and once this is used this relief is not available again.

It is important to note that the **two-pot emergency savings withdrawal is taxed against the member's marginal rate** and the above retirement tax tables are not applicable.

13.4 Register for Tax

It is very important that members ensure that they are **registered taxpayers** before electing to withdraw or retire from the Fund.

If you are not registered as a taxpayer, or if your tax affairs are not in order **SARS will not provide a tax directive** and your **Fund benefits cannot be paid.**

13.5 Member Administration

The member administration is outsourced to **Sanlam Employee Benefits (SEB)** a specialist benefits administrator registered in terms of the Pension Funds Act. SEB is responsible for all administrative functions with reference to the receipt and processing of contributions, payment of benefits, updating of member information and the payment of death benefits to the beneficiaries of deceased members.

Enquiries regarding administrative matters to SEB:

Telephone (012) 683-3900 or toll-free **0800 118 334**

SEB can also be **visited** at West End Office Park Block D,

250 Hall Street, Centurion

13.6 Complaints Procedure

In the event that a member may be dissatisfied with the service provided by the Fund Administrator or the Fund, such member may lodge a written complaint with the Fund in terms of section 15(3) of the Fund Rules. The contact particulars of the Fund are at the end of this Annual Report. If a member is not satisfied with the outcome of the complaint or did not receive a reply within 20 days, such member may lodge a written complaint with the **Pension Funds Adjudicator (PFA).**

The contact details of the PFA are:

Email address: enquiries@pfa.org.za

Tel no (012) 346-1738, Fax no (086) 693 7472.

Address: Riverwalk Office Park, 41 Matroosberg Road,

Ashlea Gardens, Pretoria, 0081

14. Industry update

14.1 Rationalisation of Municipal Retirement Funds

Members are aware of the legal action taken by the Municipal Retirement Organisation (MRO), of which the Fund is a member, against the Collective Agreement from the South African Local Government Bargaining Council (SALGBC). The Supreme Court of Appeal's hearing took place on 8 November 2024 and on 21 August 2025 the judgment was delivered in favour of the MRO and other Funds. This is a very important moment for the Fund and its members with the judgment being in favour of the Funds.

The SALGBC and SALGA have applied to the Constitutional Court for leave to appeal the judgment of the Supreme Court of Appeal. The MRO and other Funds are opposing such application for leave to appeal. The Fund will keep members updated. Members can rest assured that the Fund will always act in the best interest of its members.

"*The Fund is focused on regular and **meaningful communication** with **members** to keep them well informed on the important matter of retirement.*

MGF EXCELLENCE

14.2 Two-pot System: *Preservation is still important*

With the new Two-Pot system you may now access your Savings component annually without having to resign BUT you also cannot access the money in your Retirement component, even if you resign, as it must be preserved until retirement to purchase an annuity. ***You basically have three options available with the money in your Savings component:***

1. ***Avoid withdrawing it until retirement.*** At retirement you can choose to receive this as a cash lump sum (subject to tax) or add it to your Retirement component to purchase a pension. If you leave it to grow and add this to your Retirement component, at retirement you can retire with a larger monthly pension.

2. ***Leave it in the Savings component to continue to grow*** and use a portion in the future so when unexpected needs arise you have meaningful resources available.

3. ***Withdraw it annually and pay marginal tax (the highest tax possible) as well as an administration fee.*** When you get to retirement you will NOT have any money to take in cash (unless you have a Vested benefit in the Fund and then you may still only receive one third of this money as a cash lump sum).

Preserving your Vested component when you resign or are dismissed and making annual Savings component withdrawals only for emergencies are not just a matter of financial wisdom; it is a crucial step toward ensuring your long-term financial security.

Think twice before making a Savings component withdrawal

14.3 Risk Management and Cybersecurity

The Board of Fund has approved a Risk Management Policy. Risk factors which might prejudice the Fund and the potential severity of such prejudice have been identified and rated in a risk matrix. The governance procedures and administration of the Fund are constantly reviewed considering the identified risks.

In this context, the Fund has always had and will continue to have protection through its own fidelity insurance against loss caused by negligence and fraud. In addition, the Fund has data protection in place, given the increased risk of cyber security in the financial sector.

The Fund has implemented Cybersecurity policies and protocols to align the Fund to the new Joint Standard 2 (Cybersecurity & Cyber Resilience) guidelines that were issued by the FSCA and needed to be in place by 1 June 2025.

The Fund requires its service providers to implement similar policies and hold similar adequate cover in their own names. In addition, many of the Fund's service providers are members of professional bodies and, as such, are required to comply with codes of conduct overseen by professional bodies.

Why Compliance with the new Cybersecurity guidelines is Crucial

- **Protect members' savings**: Strong controls help prevent data breaches, fraud, or disruptions.
- **Maintain trust:** Demonstrating proactive cybersecurity builds confidence.
- **Avoid liability:** Trustees may be held personally or civilly liable for negligence.
- **Demonstrate regulatory alignment:** Early compliance shows good governance and prepares the Fund for future regulatory developments.

Joint Standard 2 of 2024 places cybersecurity and resilience at the heart of Fund governance. It demands a structured, documented, risk-based approach that encompasses technical controls, governance, response plans, third-party assurance, training, and timely regulatory reporting. The Fund, led by its Board of Trustees, has taken steps to comply with the requirements.

15. Contact MGF

Registered Office of the MGF:

14 Bedfordview Office Park,

3 Riley Road, Bedfordview, 2007

PO Box X 1190, Bedfordview, 2008

Tel: (011) 450-1224

Website: **www.mymgf.co.za**

Fund Administrator:

Sanlam Employee Benefits (SEB)

West End Office Park Block D,

250 Hall Street, Centurion, 0157

Private Bag X14, Highveld Park, 0169

Tel: 0861 223 646 toll free

Website: **www.retirementfundweb.co.za**

Email: **SanlamEB@sanlam.co.za**

Home Loans:

All enquiries about pension-backed housing loans must be directed to:

Standard Bank at telephone number **0861 009 429**

or

First National Bank at telephone number **0860 762 278**

16. A Final Word

“

Investing is a journey of self-discovery. It reveals your relationship with money, your tolerance for risk, and your ability to stay disciplined in the face of uncertainty

– Jeremiah Say

Municipal Gratuity Fund

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Indemnity Statement

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 Fund Rules, the Fund Rules will prevail.

MGF
Municipal Gratuity Fund

Administered by
Sanlam

Nomination of Beneficiaries

Name Of Member:	
Date Of Birth:	
Pension Number:	
Municipality:	

1. **Name** your ***spouse(s)*** and ***life partner(s)*** you consider to be ***your husband/wife***.
2. **Name** all ***your children*** irrespective of their ages.
3. **Name** any ***other dependants***, for example a divorced husband/wife or a child from a previous marriage for whom you pay maintenance.
4. **Name** any ***other person(s)*** whom you maintain or whom you wish to be considered to share in your death benefits.
5. **State** the ***percentage*** you wish the persons to receive. Write "nil" in the "portion %" space if you wish a person(s) on your list to receive no benefit.
6. **Attach** certified ***identity documents of the beneficiaries*** and any ***other relevant documents*** e.g. trust deeds, a will, etc.

Name And Surname	Address	Contact Number	ID Number	Relationship	Portion %
				TOTAL	**100%**

Special requests:

The Fund is requested to take my wishes as set out herein into consideration when allocating my death benefits.
I am aware that ***the Fund is obliged to follow the provisions of the Pension Funds Act***, even if it is contrary to my wishes.

Signature **Date**

Return to Sanlam Employee Benefits, Private Bag X14, Highveld Park, 0169

Contact Centre: Tel: (012) 683 3900

E-mail: mgfbeneficiary@sanlam.co.za

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