ANNUAL REPORT

Municipal Gratuity Fund
Your Wealth Creator Fund of Choice

01
Positive Fund **Performance**

02
Healthy Financial **Position**

MODERN PORTFOLIO THEORY STANDARD DEVIATION

2024

MGF
Proactive Future **Prospects**

1994 10 2004 20 2014 30 2024

30 years of service excellence

MGF wealth creator of choice

MGF at a glance - 2024 Highlights

Assets under Management
R40 billion as of December 2024

Contributions received
During the period under review, active members paid contributions to the value of
R2.5 billion

Claims Paid to members
R1.3 billion during the year under review

Two-pot claims paid to
17 102 members to the value of
R491 393 678

Funeral Cover
R45 000 for the main member

Contents

SERVICE EXCELLENCE

*"The **Municipal Gratuity Fund** is well-positioned to navigate the **evolving** retirement and investment landscapes and to deliver **sustainable growth** to our members and stakeholders over the next 30 years.*

2. Message from the Chairperson

It gives me great pleasure to share the Board Report with you our valued members. Over the past 30 years, the Fund has navigated significant industry changes while maintaining its commitment to progress***. In 2024, we proudly celebrated the Fund's 30th anniversary*** alongside another remarkable ***milestone*** **-** the Fund's ***assets reaching the R40 billion mark.***

It has been a very busy year worldwide with elections taking place in 64 countries and our own elections on 29 May 2024, which brought us the Government of National Unity (GNU). We are all anticipating a positive and prosperous outcome for our country, as this political arrangement has been beneficial to the Fund, with positive returns achieved in all our portfolios.

Due to the fact that the number of death claims have decreased substantially after the Covid-19 pandemic, the Risk Account's balance was favorable and the Board in consultation with the Actuary, with effect from 1 March 2024, reduced the allocation towards the Risk Account from 3.60% to 2.60%, which has the effect that an additional 1% of salary is invested on member's behalf, thus growing your fund credit for retirement. The total allocation towards the Operation Account remains at 0.40%, plus the 2.60% towards the Risk Account totals a 3% of salary deduction compared to the previous 4% of salary, which is funded from the employer contribution.

The buzz in the industry for this year was the two-pot system, renamed to the two-component system, which was signed into legislation on 21 July 2024 for implementation 1 September 2024. A number of rule amendments had to be made and approved by the Financial Sector Conduct Authority (FSCA) prior to the implementation of the two-pot system. The Fund submitted its rule amendments in time and the FSCA approved the Fund's two-pot rule amendments on 6 August 2024.

As 1 September 2024 fell on a Sunday, the administrator had a freeze period on the Monday, 2 September 2024, to ensure that the 10% to a maximum of R30 000 seed capital was successfully transferred to the emergency savings pot of each member. On 3 September 2024 the administrator's system was live and members were able to access their early withdrawal from the emergency savings pot. The members of the Fund eagerly took up the opportunity to withdraw from the emergency savings pot and as at the end of October the total amount that was disinvested for the emergency two-pot withdrawals exceeded R400 million.

The Fund calls on our member representatives to fulfill a very important role at their municipality to represent the Fund and our members. It is important that representatives communicate with the membership at their municipality when they receive correspondence from the Fund. If the Communication Officers of the Fund conduct member sessions it is of the utmost importance for representatives to attend and to represent the Fund so that the members can approach them in future, should they have any queries. Please continue to be visible and available to our members.

At last year's Annual Meeting the question was raised regarding the B-BBEE level of our investment administrators. ***Below is a comprehensive list of our local investment administrators and their B-BBEE levels.***

Investment Administrator	B-BBEE Level
Abax Investments (Pty) Ltd	2
ABSA Group Ltd	1
Allan Gray Group Ltd	1
Alusi Asset Management (Pty) Ltd	1
Aluwani Capital Partners (Pty) Ltd	1
Argon Asset Management (Pty) Ltd	1
Coronation Fund Managers Ltd	1
Edge Capital (Pty) Ltd	1
Fairtree Asset Management (Pty) Ltd	2
Futuregrowth Asset Management (Pty) Ltd	1
Nedgroup (Resolution Capital & Veritas)	1
Ninety One Ltd	1
Sanlam Life Ltd	1
Sesfikilr Capital (Pty) Ltd	1
Truffle Asset Management	1
Vantage Capital	3

It is important to note that the above levels are not applicable to the international administrators. Although Vantage Capital is a level 3 contributor they are committed to black economic empowerment. In 2023 they contributed R883 000 towards bursaries for underprivileged black female high school students and they have contributed substantially towards skills development, children's homes, learnerships, etc for previously disadvantaged communities.

At last year's meeting the issue was raised on the delay in exit payments. At the Board meetings the Board receives feedback from the administrator on this issue and it seems like the delay in exit payments are due to tax numbers rejecting or banking details not matching the surname of the member. Roughly 99% of exits are paid within the agreed service level agreement with the administrator.

Sincere appreciation is expressed to the following persons for their contribution to the business of the Fund during the past financial year;

- ***All the staff of Sanlam Employee Benefits (SEB)*** for the member administration services rendered with great commitment and exceptional retirement fund knowledge, with special mention of Ms Dola Nortje, the Client Relations Manager and Veron Pillay the Fund Financial Manager and his very capable second in charge, Lenah Ntshabele,

- ***David Galloway, the Fund's investment advisor*** for giving sound advice and applying his strategic asset allocation skills during difficult market conditions the past year in order to maintain the long-term return objectives of the IPS, as well as a special word of thanks to Keith Anthony for his strong administrative support with the investment reporting matters,

- Our ***auditors, BDO South Africa Incorporated***, ***Mahomed Lockhat*** and ***Gina Pazzi-Corregedor***, together with their audit team for rendering a thorough independent auditing function to the Fund,

- ***Gerda Grobler the independent actuary*** and her very able assistants the meticulous ***Melanie Swart*** and ***Walter Graham*** for their valuable advice on actuarial matters and a comprehensive interim actuarial valuation completed,

- ***The staff members of the Fund,*** under the leadership of Christine Seierlein, for their dedicated commitment to the Fund and its members,

- ***Every Board member,*** your valuable inputs, debate and differences of opinion, but at the end loyal support to the Fund during the year is sincerely appreciated,

- ***All the delegates who represent our members and employers at the municipalities*** your hard work and dedication to our members in these trying times are greatly appreciated.

In conclusion, I am confident that the MGF is well-positioned to navigate the evolving retirement and investment landscapes and to deliver sustainable growth to our members and stakeholders over the next 30 years. We remain committed to transparency, accountability, and excellence in all that we do. ***Together, we will continue to build a strong and resilient retirement fund for the future.*** Thank you for your continued trust and support.

Piet Venter
MGF Chairperson
22 November 2024

*"Over the past 30 years, **the Fund** has navigated significant industry changes while maintaining its commitment to progress. In 2024, we proudly celebrated **the Fund's 30th anniversary** alongside another remarkable **milestone - the Fund's assets** reaching the **R40 billion** mark.*

3. Meet your Board Members

The ultimate responsibility for the governance of the Fund resides with the Management Committee which is in the retirement industry referred to as the Board of Fund (board of trustees). The Board comprises of twelve members of which seven are member representatives, two 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. Therefore sufficient meetings are held to avoid undue delays of urgent matters. ***The twelve Board members are introduced below:***

The **Board** of the **Fund consists** of 12 Board member positions currently filed as follows:

Mr. Piet Venter	Chairperson	Employee representative
Mr. Roja Ramare	Vice-chairperson	Employee representative
Mr. Jannie Venter	ExCo member	Independent
Mr. Johan Grobbelaar	ExCo member	Independent
Mr. Levi Orometswe Moleme		Independent
Mr. Sphiwe Khumalo		Employee representative
Mr. Jabu Mahlangu		Employee representative
Mr. Lifa Majola		Employee representative
Ms. Idah Mkansi		Employee representative
Mr. Aubrey Mayaba		Employee representative
Cllr. Johanna Rangata		Employer representative
Cllr. Mfichana Shingange		Employer representative

Piet Venter

Piet Venter is the Chairperson of the Fund since November 2012. He is a specialist human resources manager in the employment of the City of Johannesburg. He is a member representative and became a board member during June 1996 sharing almost 28 years' experience as a board member of which the last nine years as Chairperson.

Jannie Venter

Jannie Venter was a member of the Executive Committee until November 2023. He 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-four years, since September 1999. He has vast experience in community and financial matters, serving his entire 22 year career in the financial department of the Polokwane Municipality of which the last ten years as City Treasurer and Manager Financial Services.

Lifa Majola

Lifa Majola is a member representative, as well as a newly elected member of the Executive Committee, employed at the City of Ekurhuleni. He is the youngest Board member and 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. He 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 Department. 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.

Roja Ramare

Roja Ramare has almost fourteen years' experience as a Board member. He has served as the Vice-Chairman since October 2020. 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.

Idah Mkansi

Idah Mkansi is a 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.

Cllr Mfichana Shingange

Cllr Mfichana Shingange has been 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. He 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.

Johan Grobbelaar

Johan Grobbelaar has 19 years' experience on the Board and is also a member of the Executive Committee. Previously he was 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 28 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 of IMATU and various other committees.

Sphiwe Khumalo

Sphiwe Khumalo is a member representative at Lekwa Local Municipality who has 24 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. He then went on to complete various certificates such as labour law, municipal governance and municipal development. Sphiwe also serves as chairperson for various institutions such as SAMWU and the Student Association of the Seventh-Day Adventist Association (SDASSO). With such diverse knowledge in different fields, we welcome Sphiwe's contribution to the Board.

Jabu Mahlangu

Jabu Mahlangu (JJ) is a member representative who completed his degree Bachelor in Public Administration with Mancosa. 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 May

Levi Orometswe Moleme

Levi Orometswe Moleme is the latest addition to MGF as an independent board member from 1 April 2025. He is a Principal Trustee at UNISARF (Unisa Retirement Fund) since 2023, and a member of its Investment Committee. He is currently a PhD candidate studying towards Doctor of Business Leadership in the direction of Business and Technology. He also holds a Master of Business Administration (MBA) Degree, a Postgraduate Diploma in Business Administration and a Practical Project Management Certificate from the UNISA Graduate School of Business Leadership. He is currently employed at Unisa as an e-Assessment Advisor in the Directorate: Student Assessment and System Integration. He has been an employee of UNISA since 2009, with experience in Financial Administration, Student Funding and Programme Administration. He is also a member of the Unisa Change Management Committee, a member of the Educational Foundations Research group and has published one academic journal on Emerald Insight.

Cllr Johanna Rangata

Cllr Johanna Rangata started her career as a teacher in 2007 and then advanced to Ward Councillor for Blouberg Municipality in 2011. Her qualifications in Education, as well as Municipal Governance and Management makes her an asset to the board. With 16 years' experience in Municipal positions, she has also done courses in Municipal Performance Management, Road Traffic Legislation and Ethics Management.

Aubrey Mayaba

Aubrey Mayaba was appointed as member representative in February 2024. Aubrey is 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 18 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

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.

Christine Seierlein

The composition of the Board makes for a diverse mix of skills, experience and expertise. It covers representation from all four provinces served by the Fund. ***There is a high retention of board members with over a 120 years of service, collectively. This enhances stability in the management of the Fund*** and assists greatly in setting and ***enforcing long term investment goals*** which is of paramount importance ***for successful retirement planning.***

4. Economic matters and financial markets

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

4.1 General overview

The 2023/24 financial year was characterised by an initial market sell-off in the first quarter of the financial year (i.e Q3 2023), as renewed inflationary risks and a higher-for-longer interest rate outlook pushed yields higher across both the nominal and inflation-linked bond curves. A surge in the oil price due to OPEC+ production cuts contributed to the rise in yields, while headline inflation misses added to the negative sentiment. While the steepening in the US yield curve pointed to a soft landing for the global economy, the increase in short, dated yields suggested that the rate cutting cycle would also be shallower than previously expected. Unsurprisingly, global bonds yielded barely positive returns for the year as investors waited patiently for the rate cutting cycle to commence. Due to the higher discount rate applied to future cash flows, along with downward revisions to consensus earnings estimates, equity valuations were revised lower.

Despite the weak start to the financial year, sentiment improved over the next upcoming quarters as the US Federal Reserve (Fed) signalled the end of the rate hiking cycle and the market brought forward the timing and quantum of interest rate cuts. Ongoing disinflation globally triggered interest rate cuts in Canada, the European Union (EU), Sweden and Switzerland, helping to support equities. While the Fed failed to cut interest rates over the past year, its revised dot-plot signalled that the next move in rates would be a cut. The Fed did not disappoint, cutting rates by a bigger than expected 50 basis points (0.50%) in September, with a further 200 basis points (2%) of rate cuts through-the-cycle reflected in the Fed's latest dot-plot.

While South African equities lagged their developed and emerging market counterparts, bonds and listed property rallied sharply over the year supported by the SA election outcome that saw the creation of the Government of National Unity (GNU). Sentiment among both local and foreign investors improved markedly on expectations that economic policy would become more market-friendly as policy shifted from the centre-left to the centre-right. The re-appointment of Enoch Godongwana as the Minister of Finance – ensuring fiscal consolidation – further supporting sentiment, with the yield on the All-Bond Index falling from around 12.05% before the election to 11.31% at financial year-end, a massive 74 basis point (0.74%) decline. The positive momentum in the bond market continued after the financial year-end, with the yield on the All-Bond Index currently trading at around 10.1%. Consequently, South African bonds have materially outperformed their global peers.

Notwithstanding the volatility in markets, the Fund's risk-profile portfolios all outperformed their respective CPI-linked benchmarks with the Aggressive Portfolio returning 11.5%, the Moderate Portfolio 11.0% and the Conservative Portfolio some 10.6%. The Protected Portfolio, benchmarked against the Stefi index, yielded 9.5% for the year.

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, equities, bonds and listed property rallied strongly as the Fed's dot-plot and market pricing of future interest rates became more aligned, with both measures pointing to a Fed funds rate of below 3% through-the-cycle, down from the current 4.75% to 5.0% range. Interest rate sensitive stocks were the primary beneficiary with listed property stocks the best performing of the broad asset classes. Markets have, however been volatile with two significant market events helping to trigger an equity market sell-off in early August. The first was the Bank of Japan's decision to raise the policy interest rate by 15 basis points to 0.25% and to reduce its bond purchases to around 3 trillion yen from 6 trillion yen by March 2026. This resulted in a sharp appreciation in the yen that caused an unwinding of the yen carry trade. The yen carry trade has been especially popular over the past four years, since Japan was the only major economy in the world offering essentially free money. As a result of margin calls, investors headed for the exits by selling stocks to raise cash, or to simply close out their positions. Technology stocks were heavily punished, in part due to an underwhelming earnings season, while sector rotation into mid- and small-cap stocks resulted in an improvement in market breadth, pointing to a reduced dependence on technology heavy weight stocks to drive future market returns.

The second event was the release of much weaker-than-expected US non-farm payroll data and a bigger-than-expected increase in the unemployment rate to 4.3% (4.1%). The increase triggered the Sahm Rule (indicator that signals the early stages of a recession), raising investor fears that the US economy was headed for a recession. While recession risks contributed to the market sell-off, this proved to be short-lived, as better-than-expected US initial jobless claims, retail sales, consumer confidence and lower August unemployment figures allayed market concerns, at least for now. But, a recession in the US cannot be ruled out, since consumption expenditure is slowing to below trend growth given the fading effects of the Covid-stimulus that helped to underpin consumption. While fund managers expect global growth to slow, they have also turned net negative on global profit expectations for the first time in six months. Despite the more subdued outlook, fund managers were overweight stocks, while expectations for lower bond yields increased sharply. In addition, fund managers have been rotating out of cyclical stocks into more defensive, bond-sensitive counters. While some analysts suggest that the recent steepening in the yield curve (the 10-year less the two-year yield) is a precursor to a market sell-off, the reverse may be true if the rate cutting cycle is driven by disinflation rather than a recession. While an overwhelming majority of fund managers expect a steeper yield curve, 79% of managers expect a soft-landing. The Fund's basic view is still for a soft landing, with disinflation the primary driver of the steeping in the yield curve.

While global composite purchasing manager indices have been trending lower, lending support to the slower growth outlook, this was largely due to a broad-based contraction in the manufacturing sector rather than a contraction in the services sector. Factors fuelling the manufacturing slowdown include weak aggregate demand due to the lagged effect of interest rate hikes, negative wealth effects from a Chinese property market collapse and a broadening in the trade war between the US, Europe and China. While China's Third Plenum – a meeting held roughly once every five years to map out the general direction of the country's long-term social and economic policies - contained no major policy initiatives to address the country's near-term growth challenges, the Peoples' Bank of China (PBOC) announced a monetary stimulus package that surprised markets, buoying growth expectations and fueling a strong equity market rally in the backend of September.

A bigger-than-expected 20 basis point (0.20%) cut in the benchmark 7-day reverse repo rate along with a 50 basis point (0.50%) cut to the required reserve ratio for major banks were some of the changes announced. In addition, brokers are able to access PBOC funding in order to buy stocks, a factor that no doubt contributed to the strong rally seen in Chinese stocks in September. The PBOC also confirmed that existing mortgage rates would be cut by 50 basis points (0.50%), offering some relief to households that could support consumption in the coming months. The down-payment ratio on second home purchases is to be reduced to 15%, down from 25% previously, following a similar move for first home purchases earlier in the year. The PBOC also indicated it would ramp up its re-lending programme to banks, providing 100% of the principal of bank loans for SOEs to acquire unsold property inventories. This move is expected to ease the reluctance of some banks to provide property-related loans and should help to accelerate property acquisition. While the latest measures will boost sentiment and help China achieve its growth target, investors still want to see a fiscal boost from government to stimulate the economy. The reluctance on the part of the Chinese government to embark on a bazooka fiscal stimulus is due to its large fiscal deficit and concerns about its long-term debt sustainability. Notwithstanding recession risks, bottom-up consensus earnings estimates paint a positive longer-term earnings outlook for equities, with bonds expected to yield positive real returns on a higher neutral rate of interest.

Given the sharp decline in bond yields over the past few months and the backdrop of rising global fiscal deficits, increased bond issuance and the prospect of a second Trump presidency, a more cautious approach is taken to global bonds over the near term. With 10-year and two-year US treasury yields at around 3.9% at the time of writing, a neutral position is retained in global bonds until after the US elections. Over the remainder of the investment horizon, bonds are overweighted as growth slows, bonds reprice and the rate cutting cycle accelerates. In the case of inflation-linked bonds, a neutral weighting is retained as a hedge against a bad inflation outcome and a higher neutral rate of interest. However, once the rate cutting cycle is well advanced (six- to twelve

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*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 was the release of lower-than-expected second quarter Gross Domestic Product (GDP) figures, equities made further gains as yields on the All Bond Index continued to decline on better-than-expected inflation prints. Real second quarter GDP increased by 0.4% quarter/quarter, up from 0% the previous quarter, but below consensus estimates for a 0.5% expansion. Household final consumption expenditure rebounded from a 0.2% contraction in the first quarter to a 1.4% increase in the second quarter, while gross fixed capital formation contracted by 1.4%, having contracted by 1.7% in the previous quarter. Although government consumption expenditure increased by 1%, net exports contributed negatively to overall growth. Growth for the first six months of the year was 0.5% higher than in the corresponding period in 2023, still behind the South African Reserve Bank's (SARB) estimate of a 1.1% expansion for the year. While the absence of load shedding supported growth, the SARB expects the implementation of the two-pot system to also contribute positively to growth in 2024 and 2025 and that the debt-to-GDP ratio will also improve.

The SARB's findings suggest that under a moderate two-pot system scenario, GDP will increase by 0.1% and 0.3% respectively in 2024 and 2025, while reducing the government debt-to-GDP ratio by 0.5% in 2024/25 and by 1.0% in 2025/26. Under a high withdrawal scenario, the SARB expects that GDP growth will increase by 0.3% and 0.7% respectively in 2024 and 2025. In this instance, the debt-to-GDP ratio improves by 1.1% in 2024/25 and by 2.3% in 2025/26 lending further support to bonds. The SARB did, however, warn that the negative side of the two-pot system is that higher withdrawal rates will result in less funds available for individuals at retirement age.

With domestic inflation firmly entrenched at the mid-point of the SARB's target range, and likely to head lower in the near term, interest rate expectations have continued to improve, helping to shore up risk assets. With August's core and headline inflation printing at 4.3% and 4.6% respectively, more aggressive rate cuts have been priced into the market. While the Forward Rate Agreements (FRAs), at financial year-end, were pricing in three rate cuts through-the-cycle rather than the single one priced in at the end of March, the more positive inflation outlook after financial year-end further boosted interest rate expectations. Following the Reserve Bank's 25 basis point (0.25%) rate cut in September, the FRAs are now pricing in further cumulative rate cuts of around 100 basis points (1%) through-the-cycle, front loaded over the next 12 months. Although these expected rate cuts are 100 basis points (1%) less than those expected in the US, the shallower rate cutting cycle could be in response to the SARB's stated intention of lowering the current inflation target range of 3% to 6%, to a band of between 2% to 4%. This would align SA's inflation rate with those of other emerging markets, helping to reduce volatility in the exchange rate and the risk of imported inflation.

Unsurprisingly, SA Inc. shares have continued to rally, with financials gaining as the risk of nationalisation abated. Healthcare stocks also gained as the perceived risk of the National Health Insurance (NHI) moderated and interest rate sensitive stocks (listed property, consumer discretionary and consumer staples) gained on expectations of more aggressive rate cuts. With inflation expected to decline further over the coming months as food prices head lower, in line with rand-adjusted global food prices, rand strength coupled with softer oil prices could be a further catalyst for bond yields to push below 10%. However, escalating tensions in the Middle East could still derail this tailwind if the conflict between Iran and Israel turns into a full-blown war. While the best of the bond market rally may be over, with nominal bonds trading at around 5.5% in real terms, bonds are still expected to deliver an attractive return over the investment horizon.

4.5 Summary

In summary, the Fund's base case view is that the global economy will avoid a recession over the coming year, but that growth will slow as the tailwind from Covid-era stimulus measures fades and the boost to growth from infrastructural investment – via the US Inflation Reduction Act, the CHIPS Act (Creating Helpful Incentives to Produce Semiconductors) and the onshoring of supply chains – becomes embedded in this year's growth base. With disinflation well entrenched and the rate cutting cycle having commenced across multiple geographies, earnings growth is expected to rebound over the next two years, lending support to equities. While bonds have rallied strongly in recent months, limiting further downside in bond yields, an overweight position is retained in bonds post the US election as a hedge against a recession. Even in the event of a soft-landing, at worst, bonds will deliver a positive real running yield.

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 the 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*

The Fund's Investment Policy Statement (IPS) is available on the website **www.mymgf.co.za** and an extract of the LSM follows on the next few pages.

5.1.1 Life Stage 1: Aggressive Portfolio

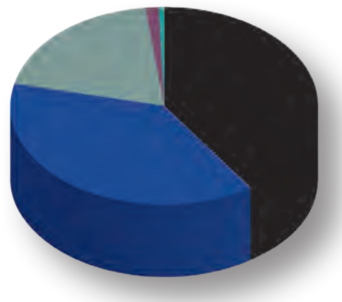
MGF Aggressive Portfolio (AP) Profile

This is an aggressive investment portfolio. More money is invested in equities (shares) and less in fixed income investments and property. ***A greater return can therefore be expected, 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. ***This portfolio is recommended for members 55 years and younger.***

- Inception Date: **01 July 2005**
- Fund Size as at September 2024: **R26.0 billion**
- Benchmark: **Inflation + 5%**

Asset Allocation as at 31/12/2024

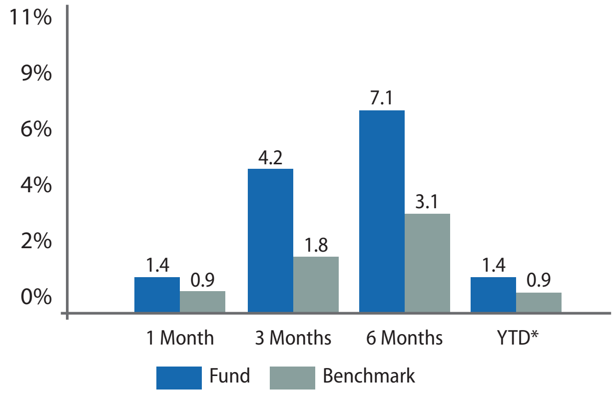
Foreign	**42.5%**	**SA Equity**	**37.3%**	**SA Bonds**	**18.4%**
Hedged	**1.4%**	**SA Cash**	**0.4%**		



Asset Manager Allocation

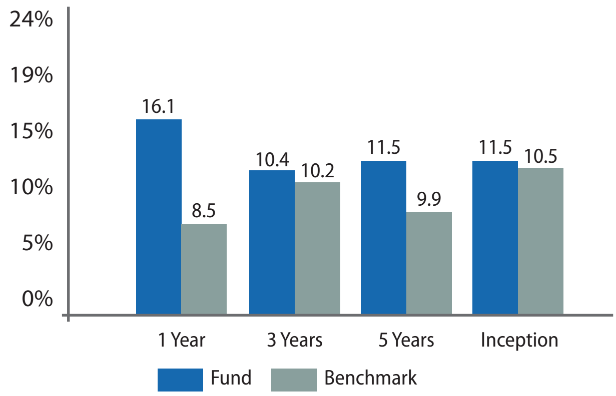
Asset Class	Manager	Exposure
Credit Funds	Futuregrowth	4.9%
Equity	ABAX, Allan Gray, Aluwani, Argon, Fairtree, Truffle	22.1%
Foreign Balanced	Allan Gray	4.4%
Foreign Cash	JP Morgan	0.6%
Foreign Equity	Coronation, Dodge & Cox, Edge, Franklin, Hoskings, Morgan Stanley, Nedgroup (Veritas), Ninety One, Sands Capital, Satrix	30.1%
Foreign Fixed Income Absolute Return	Brandywine	4.6%
Foreign Property	Nedgroup (Resolution)	2.4%
Fund of Hedge Fund	Edge Investments	1.4%
Infrastructure	Stanlib	2.2%
Mezzanine Debt	Vantage Capital	0.6%
Property	Sesfikile, SIM	3.8%
Renewable Energy	Green X Renewable	1.4%
SA Bonds	Ninety One, Sanlam	10.4%
SA Cash	ABSA, Futuregrowth, Green X Renewable, Stanlib, Vantage Capital	0.6%
SA Passive Equity	Satrix	10.5%

Short-term Returns



*Since January to Date

Long-term Returns



Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024
1.97%	0.48%	1.49%	1.44%	-0.01%	1.34%	1.40%
Jul 2024	**Aug 2024**	**Sep 2024**	**Oct 2024**	**Nov 2024**	**Dec 2024**	**Jan 2025**
2.49%	1.30%	1.78%	-0.32%	1.78%	0.98%	1.40%

5.1.2 Life Stage 2: Moderate Portfolio

MGF Moderate Portfolio (MP) Profile

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. ***This portfolio is for members 55 to 60 years of age.***

- Inception Date: **01 July 2005**
- Fund Size as at September 2024: **R9.0 billion**
- Benchmark: **Inflation + 4%**

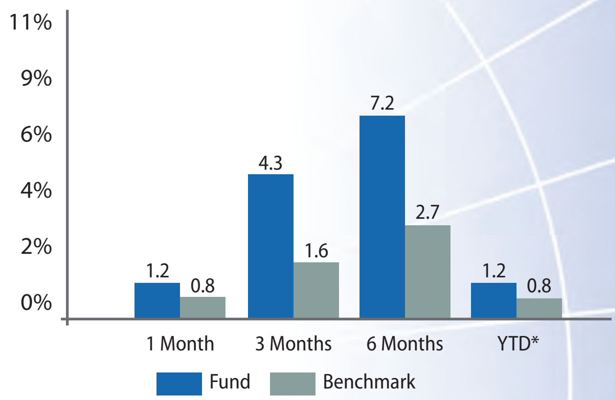
Asset Allocation as at 31/12/2024

Foreign	**36.5%**	**SA Bonds**	**28.1%**	**SA Equity**	**21.5%**
Hedged	**9.7%**	**SA Cash**	**4.2%**		

Asset Manager Allocation

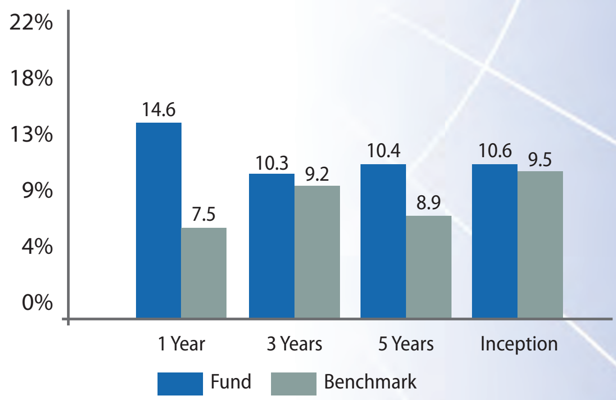
Asset Class	**Manager**	**Exposure**
Equity	ABAX, Allan Gray, Aluwani, Argon, Fairtree, Truffle	10.1%
Foreign Balanced	Allan Gray	3.4%
Foreign Equity	Coronation, Dodge & Cox, Edge, Franklin, Hoskings, Morgan Stanley, Nedgroup (Veritas), Ninety One, Sands Capital, Satrix	21.7%
Foreign Fixed Income Absolute Return	Brandywine	4.1%
Foreign Property	Nedgroup (Resolution)	2.5%
Infrastructure	Stanlib	1.6%
Mezzanine Debt	Vantage Capital	1.1%
Property	MGF, Sesfikile, SIM	3.2%
Renewable Energy	Green X Renewable	1.9%
SA Bonds	Ninety One, Sanlam	11.4%
SA Cash	ABSA, Futuregrowth, Green X Renewable, Stanlib, Vantage Capital	5.3%
SA Inflation Linked Bond	Ninety One	2.8%
SA Passive Equity	Satrix	4.1%

Short-term Returns



*Since January to Date

Long-term Returns



Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024
1.97%	0.82%	1.60%	0.97%	-0.40%	1.18%	1.30%
Jul 2024	**Aug 2024**	**Sep 2024**	**Oct 2024**	**Nov 2024**	**Dec 2024**	**Jan 2025**
2.15%	1.35%	1.48%	-0.12%	2.10%	0.91%	1.24%

5.1.3 Life Stage 3: Conservative Portfolio

MGF Conservative Portfolio (CP) Profile

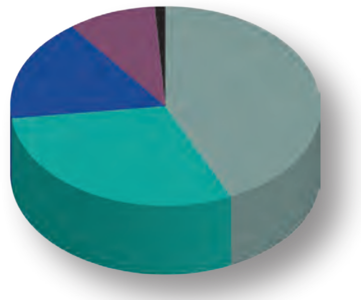
These members cannot be exposed to any significant risk and therefore their money will be invested in fixed income investments, structured products and cash with no equities (shares) in order to protect capital.

This portfolio is for members between 61 and 63 years of age.

- Inception Date: **01 July 2005**
- Fund Size as at September 2024: **R3.0 billion**
- Benchmark: **Inflation + 3%**

Asset Allocation as at 31/12/2024

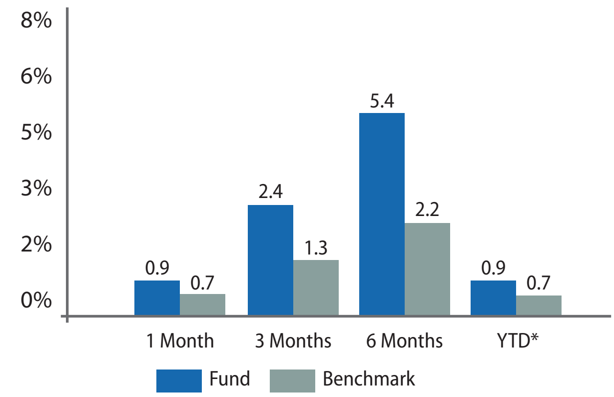
SA Bonds	**48.4%**	**SA Cash**	**24.3%**	**SA Equity**	**16.2%**
Hedged	**9.4%**	**Foreign**	**1.7%**		



Asset Manager Allocation

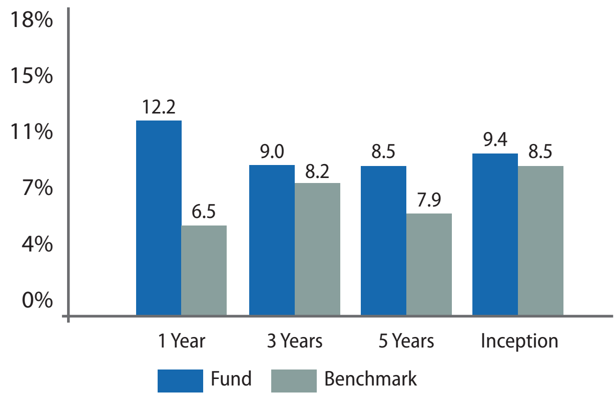
Asset Class	Manager	Exposure
Credit Funds	Futuregrowth	12.3%
Renewable Energy	Green X Renewable	0.8%
SA Absolute Return	ABAX, Alusi Managed Fund, Coronation, Sanlam	58.0%
SA Cash	ABAX, ABSA, Coronation, Futuregrowth, Green X Renewable	17%
SA Hedge Funds	Amplify	9.0%
SA Inflation Linked Bond	Ninety One	2.9%

Short-term Returns



*Since January to Date

Long-term Returns



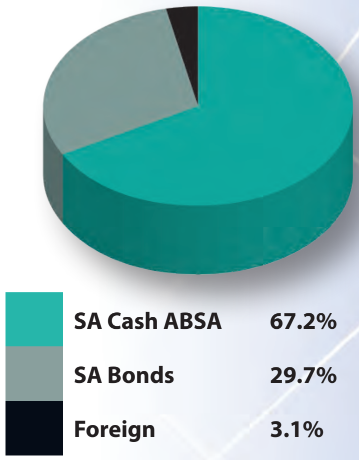
Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024
1.23%	0.30%	0.17%	0.46%	0.88%	1.03%	1.98%
Jul 2024	**Aug 2024**	**Sep 2024**	**Oct 2024**	**Nov 2024**	**Dec 2024**	**Jan 2025**
1.80%	1.29%	1.57%	0.07%	0.96%	0.52%	0.87%

5.1.4 Life Stage 4: Protected Portfolio

MGF Protected Portfolio (PP) Profile

These members cannot be exposed to any risk and therefore their money will be invested in money market instruments in order to protect capital. ***This portfolio is for members older than 63 years of age.***

- Inception Date: **01 July 2005**
- Fund Size as at September 2024: **R2.0 billion**
- Benchmark: STeFI

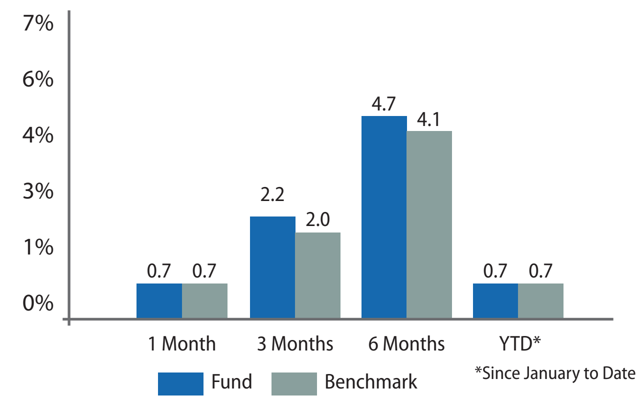


Asset Allocation as at 31/12/2024

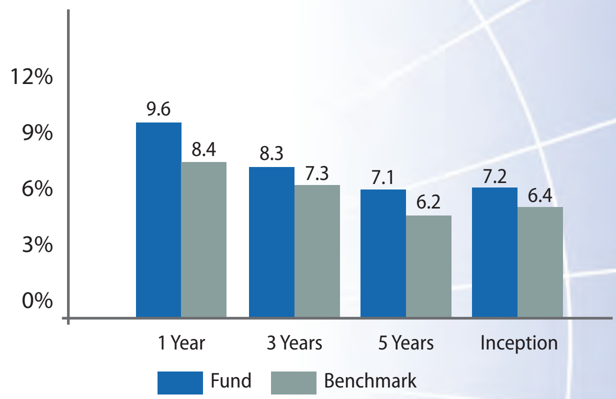
Asset Manager Allocation

Asset Class	Manager	Exposure
SA Cash	ABSA, Futuregrowth	100%

Short-term Returns

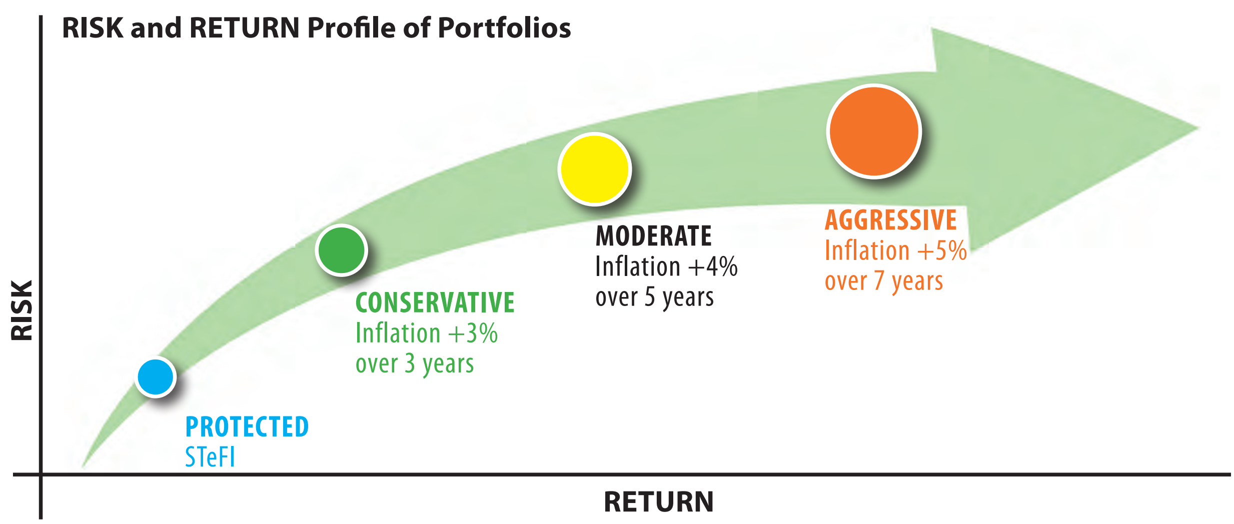


Long-term Returns



Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024
0.69%	0.78%	0.74%	0.66%	0.77%	0.91%	0.70%
Jul 2024	**Aug 2024**	**Sep 2024**	**Oct 2024**	**Nov 2024**	**Dec 2024**	**Jan 2025**
0.82%	0.76%	1.04%	0.69%	0.68%	0.73%	0.74%

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 continue 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 2024

Portfolio	Return objective		Actual return	Objective outperformance	Inflation outperformance
AP	CPI + 5%	10.63%	11.34%	0.71%	5.71%
MP	CPI + 4%	9.63%	10.43%	0.80%	4.80%
CP	CPI + 3%	8.63%	9.30%	0.67%	3.67%
PP*	Cash	6.32%	7.07%	0.75%	1.88%

** 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 2023/24 financial year*** are as follows:

	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Year Total
AP	1.28%	0.21%	-2.87%	-2.61%	7.14%	1.97%	0.48%	1.49%	1.44%	-0.01%	1.34%	1.40%	11.49%
MP	0.67%	0.98%	-2.52%	-1.72%	5.89%	1.97%	0.82%	1.60%	0.97%	-0.40%	1.18%	1.30%	11.03%
CP	1.45%	0.29%	-0.53%	0.09%	2.77%	1.23%	0.30%	0.17%	0.46%	0.88%	1.03%	1.98%	10.56%
PP	0.81%	0.82%	0.69%	0.77%	0.74%	0.69	0.78%	0.74%	0.66%	0.77%	0.91%	0.70%	9.47%

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	Since Unitisation	Annualised return per annum
AP	4.05%	10.38%	4.43%	4.30%	18.85%	0.85%	18.29%	11.49%	687.78%	11.42%
MP	4.96%	8.96%	4.97%	4.75%	14.00%	2.68%	15.14%	11.03%	574.71%	10.52%
CP	6.44%	8.29%	6.07%	2.49%	10.43%	5.93%	9.27%	10.56%	451.20%	9.36%
PP	8.58%	8.22%	8.55%	8.16%	4.41%	4.87%	7.59%	9.47%	144.77%	7.13%

5.3 Returns going forward

The ***returns for the first eight months of the 2024/25 financial year*** are as follows:

Portflio	31 Jul 2024	31 Aug 2024	30 Sep 2024	31 Oct 2024	30 Nov 2024	31 Dec 2024	31 Jan 2025	28 Feb 2025	Year to date
Aggressive	2.49%	1.30%	1.78%	-0.32%	1.78%	0.98%	1.40%	0.19%	9.99%
Moderate	2.15%	1.35%	1.48%	-0.12%	2.10%	0.91%	1.24%	0.23%	9.70%
Conservative	1.80%	1.29%	1.57%	0.07%	0.96%	0.52%	0.87%	0.57%	7.89%
Protected	0.82%	0.76%	1.04%	0.69%	0.68%	0.73%	0.74%	0.62%	6.24%

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

5.4 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 consist of a big component of shares, which cost more to manage. The investment management fees for the four portfolios are approximately as follows:

The ***investment management fees*** for the ***four portfolios*** are ***approximately*** as follows:	
Aggressive Portfolio (AP)	0.56%
Moderate Portfolio (MP)	0.49%
Conservative Portfolio (CP)	0.47%
Protected Portfolio (CP)	0.10%

6. Actuarial valuation

This year was an interim actuarial valuation for the financial year ending 30 June 2024, as the statutory actuarial valuation was performed for the previous financial year ending 30 June 2023. As you are aware 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 of 30 June 2024.

7. Financial Statements

The independent external auditors, Binder Dijker & Otte (BDO) South African Incorporated, are satisfied that the Fund's financial statements, in all material respects, fairly represent the result of the financial activities of the Fund for the 2023/24 financial year. The Fund retained the services of BDO and they were appointed by the Board for the 2023/24 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 of 30 June 2024 is just over R39 billion. According to the income statement, the contributions were R2.5 billion. The administrative expenses, including external fees such as the levies payable to the Financial Services Conduct Authority and the National Credit Regulator, as well as actuarial services and external audit services was R44.7 million, which is funded from the 0.40% 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.

By the end of the 2024 financial year, the balance in the Risk Account (RA) had increased to R348 million after only being R254 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 1% from 3.60% to 2.60% as from 1 March 2024. This is to the advantage of all our members as 1% of the salary is added to their fund credits. The total cost for the risk cover and administrator has thus reduced from a total of 4% to 3% with effect from 1 March 2024.

Financial Statement of Net Assets and Funds as at 30 June 2024

	30 June 2024	30 June 2023
ASSETS	**R**	**R**
Non-current assets	**38,861,698,299**	**34,396,758,761**
Plant and equipment	5,067	32,040
Investments	38,857,897,294	34,391,038,640
Housing loans	3,795,938	5,688,081
Current assets	**1,011,245,108**	**1,911,563,318**
Accounts receivable	86,493,896	8,769,4887
Contributions receivable	154,201,475	121,855,948
Cash and cash equivalents	770,549,737	1,780,937,883
Total assets	**39,872,943,407**	**36,308,322,079**
FUNDS AND LIABILITIES		
Members' funds and surplus account	**38,054,660,580**	**34,503,354,484**
Members' individual accounts	37,787,708,411	34,485,520,987
Amounts to be allocated	266,952,169	17,833,497
Reserves	**422,293,362**	**304,066,880**
Reserve accounts	422,293,362	304,066,880
Total funds and reserves	**38,476,953,942**	**34,807,421,364**
Non-current liabilities	**7,500,745**	**6,898,705**
Unclaimed benefits	7,500,745	6,898,705
Current liabilities	**1,388,488,720**	**1,494,002,010**
Benefits payable	1,374,252,250	1,244,422,406
Accounts payable	14,236,470	249,579,604
Total funds and liabilities	**39,872,943,407**	**36,308,322,079**

8. Rule amendments

The following rule amendments were approved during the 2024 financial year.

MGF 5:
Reasons for this amendment: Rule 31(1)(b): To provide for the employer contribution of 18 per cent that applied for new members from 1 July 2012.

MGF 6:
Reasons for this amendment: Definition of SERVICE: To delete the provision relating to the inclusion of service with a local authority, resulting in service transferred from any previous fund being included in the definition of SERVICE.
Rules 26(6) and 31(3): To remove the requirement for the Board to approve contributions at a rate higher than the rates determined in the Rules.
Rule 34(1)(a) and 38: To provide for the continued membership of a member who is re-employed by another Local Authority.
Rule 35(5)(c), 41(1)(d) and (2)(c): To substitute the reference to SERVICE with service to refer to employment as opposed to the defined term.

MGF 7:
Reasons for this amendment:
Rule 31(1)(b): To correct paragraph (ii) by substituting the word "before" with "after".

MGF 8:
Reasons for this amendment:
Rule 6(2): To allow Board Members to attend the Annual Meeting in their capacities as Representatives and Board Members.

MGF 9:
Reasons for this amendment:
Various rules were affected to give effect to the two-pot legislation as set out in the Revenue Laws Amendment Bills and the Pension Laws Amendment Bill, which aims to bring a balance between long-term security and meeting financial needs during emergencies. The amendments allow a member to access a portion of their fund credit without exiting the Fund while preserving the balance of their fund credit until retirement.

8.1 Enhancement of 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. The 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. 3.60% 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

The benefit counselling has proven to be to the advantage of our members, even more so during the two-pot system phase where members were assisted to register on the Sanlam App. The different products available at retirement are explained to members prior to retirement. More and more members have at retirement invested a portion of their benefit into a type of annuity to receive a monthly income than in the past where the general option was to take the total benefit in cash. This saved the members a huge amount of tax, as the transfer to an annuity is tax free and the member has a steady income after retirement. With the two-pot system members are not allowed to withdraw their retirement pot until actual retirement and the benefit counselling team assists members with the different options available for investment.

All our members have access to a benefit counsellor and may contact them for any financial queries they might have.

The pro-active benefit counselling team contacts members prior to retirement at different ages, unfortunately a lot of members do not react to the benefit counselling team's invitation to explain the different retirement options. The members are contacted at the following age intervals:

- **Age 49 (members may retire early at the age of 50)**
- **Age 55**
- **Age 59**
- **Age 62**
- **Age 64**
- **4 months prior to retirement**
- **1 month prior to retirement**

The members are first approached via SMS to inform them to expect a call from a benefit counsellor and thereafter the SMS is followed up with a telephone call to the member. This service was put in place by the Board to increase the knowledge levels of our members when they near retirement age. In terms of the Rules of the Fund members may retire early at the age of 50, but members should ensure they have accumulated enough funds to enable them to retire comfortably.

The benefit counsellors can be contacted directly at:

advicereferral@sanlam.co.za or the toll-free number

0800 111 956 or send a

SMS to **38300** and they will get back to the member.

10. Housing loans

Both FNB and Standard Bank offer members an interest rate of prime at less 1.25%. The only difference is that FNB offer members lower admin and application fees.

It is important for members to take note that the Fund can and will not intervene to put pressure on the banks to grant loans to members if they are indebted, under administration or do not pass the affordability test run by the banks. The banks have to adhere to the National Credit Act and make sure members can afford the loan they are applying for. The banks must ensure that they steer away from reckless lending practices, as members have to be able to afford the monthly instalment and still have sufficient take-home salary available.

The Fund has had a few requests from the banks to settle the pension backed home loans of members due to members falling in arrears with their monthly installments. It has come under the attention of the Fund that some members instruct their payroll staff to stop their monthly installments; this is not allowed as the municipality signed a letter of undertaking with the bank that the monthly installment will be deducted from the members' salaries. It the Fund should allow such settlement of arrear pension backed home loans it will open the floodgates of members requesting the same. Good practice dictates that members should repay the total pension backed home loan before retirement so that they do not reduce their pension payment at retirement

11. Member communication

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

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

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 which Fund they prefer to belong to, 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 Fund employs a 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 for 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.

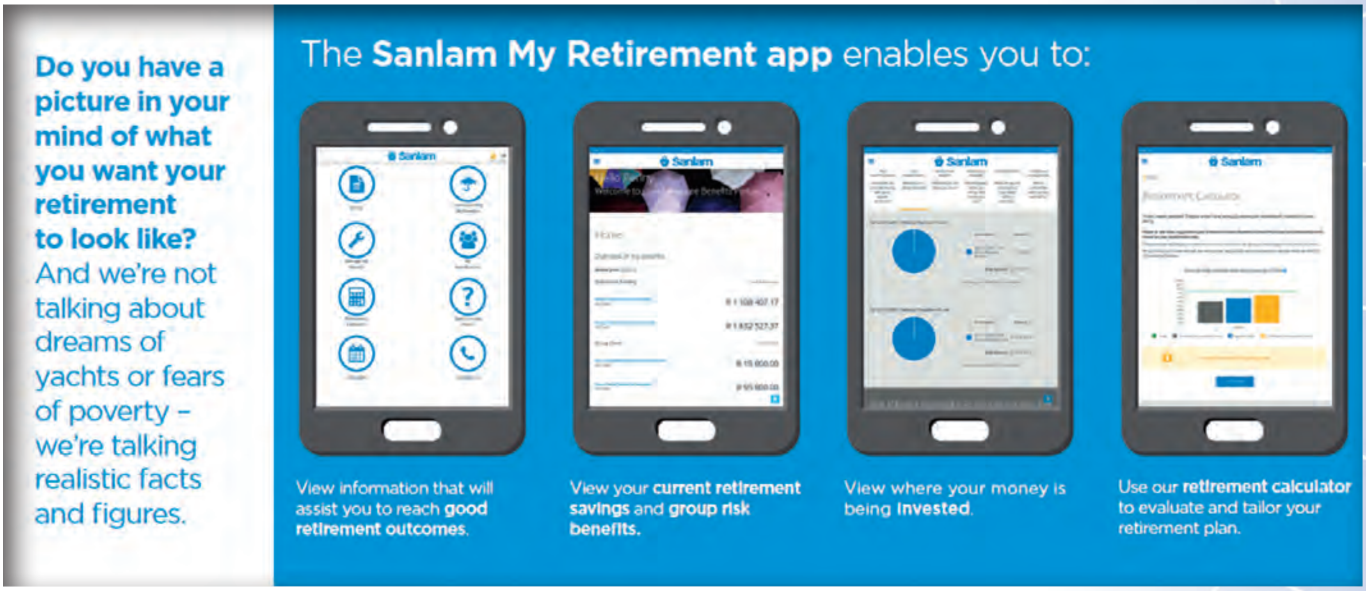
The Fund produces a Member Booklet that is updated regularly, and available on the Fund website. The Fund's annual wall and desk calendars have proven very popular and contain valuable information members can use. These are distributed at the Annual General Meeting and when the Fund's communication officers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

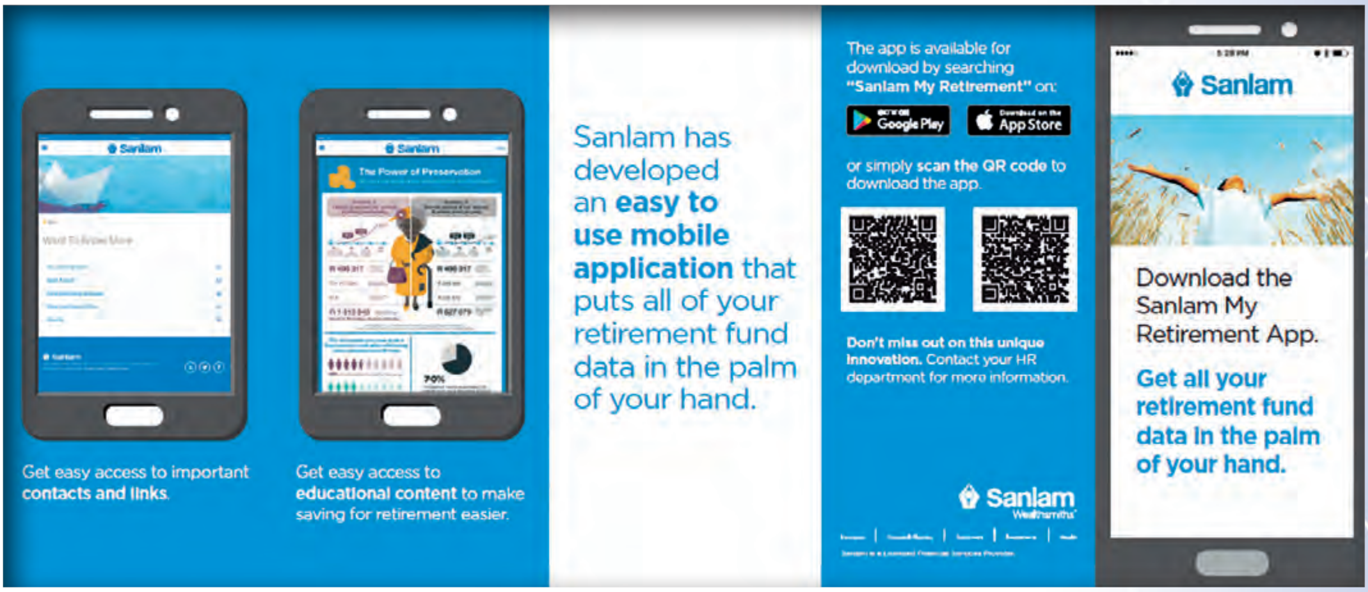
With the assistance of the fund administrator, the ***Sanlam Retirement App*** was developed and introduced during 2017. To date 20,057 members have downloaded the app, which is a 71% uptake, which increased by 56% due to the members having to register to claim the two-pot savings component. ***We encourage 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.

*If any **municipalities** require **pre-retirement workshops**, they can be arranged by contacting either Stanley or Edith. These workshops are **highly beneficial** in **helping members understand** the retirement products available to them.*

It's not how much ***money you make****, but how much* ***money you keep****, how hard it works for you and how many generations you keep it for.*

- Robert Kiyosaki





As from 1 August 2023 the family funeral benefit payable is:	
Insured life	**Funeral cover**
Member	R45,000
Qualifying spouse	R33,500
Qualifying child age 14 and older	R22,500
Qualifying child age 6 and older but younger than 14	R11,500
Qualifying child younger than 6	R5,750
Still-born qualifying child	R5,750

12. Family funeral plan

As from 1 August 2023 the following family funeral benefit is payable. 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.

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 and 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 What happens to your Contributions

As at the end of the 2024 financial year there was not a single municipality who was in arrears with the payment of the monthly contributions. Although a few municipalities paid the contributions late, all June 2024 contributions have been paid. There are a few municipalities in the North West Province who fall in arrears with the payment of the monthly contributions and then catch up when they receive their quarterly government grants from 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, SARS and Eskom have attached bank accounts of those municipalities, which leaves just enough funds available to pay salaries.

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 intent behind a death distribution is not to enrich any beneficiary but, if possible, to restore that person to the financial position they would have been in had the member not passed away.***

Regard must be 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 an 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; 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 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.

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 passes away, their best interest is no longer applicable and is instead replaced by the best interest of the beneficiaries, with priority given to those who were financially dependent on the member.

There have been many cases where following the nomination form would have led to significant unfairness toward the deceased's family. In several instances, the form was not updated, often excluding younger children born after it was completed.

"

The future is

not something to predict.

The future is

something to build

- Franco Ongaro

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.

Members may direct their enquiries regarding administrative matters to SEB at:

Telephone 0861 223 646 toll-free

They 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 Fund, as a member of the Municipal Retirement Organization (MRO) against the Collective Agreement from the South African Local Government Bargaining Council (SALGBC).

The outcome of the High Court Case held on 13 and 14 October 2022 was that the Collective Agreement was set aside, except for Clause 8, with a cost order in favour of the Funds. It is important to note that it is still the arrangement that no accreditation is required for any Fund to continue and there is currently no freedom of association to move between Funds. SALGBC, MEPF and the Municipal Retirement Organisation (MRO), to which the Fund is a member, applied for leave to appeal, which was granted by the High Court. The view of the High Court was that a higher court, the Supreme Court of Appeal (SCA), should pronounce on the matter.

The Supreme Court of Appeal hearing was set for 8 November 2024 and the Fund is awaiting the judgment, which will be shared with the member.

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 buy an annuity.

With the implementation of the Two-Pot system the following benefits will have to be considered when you resign (or are dismissed). You will need to make a decision on ALL three of your Components as shown in the table on page 29:

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

Think twice before making a Savings component withdrawal. Your future self will thank you!

Vested component

Take part or full value as a lump sum net of tax and/or, Preserve in your old fund and/or, Transfer this component to another retirement fund with other components	Although Pension Fund members may take their entire Vested component in cash (net of applicable tax), it will be wise to consider preserving this benefit when you resign (or are dismissed) from your employer before normal retirement age. If you are considering taking your Vested component in cash when you resign you should remember the following: 1. It will be wise to consult your financial advisor so that you can understand the impact on your retirement plans and replacement ratio at retirement (percentage of your final salary that you will be able to replace with a retirement income). The more withdrawals you make from your Vested component before retirement the greater the risk becomes that you will not be able to replace your salary with an adequate pension income in retirement. 2. Withdrawing your retirement funds prematurely can result in hefty tax penalties. Only the first R27 500 is tax free and remember that the tax-free threshold of R27 500 and tax table are cumulative and apply to the total amount of your withdrawals from funds in your lifetime. In addition, the tax concessions granted on early withdrawal (resignation) will reduce the tax concessions at retirement.
Tax treatment of Vested component	In the case of resignation, using withdrawal tax tables, only the first R27 500 is tax free. In the case of retirement the retirement tax tables will be applicable with the first R550 000 tax free, if not utilized with a previous withdrawal.

Savings component

Take part or full cash net of tax except if you've made a withdrawal from Savings component in the same tax year If the balance in the Savings component is R2,000 or less, a further withdrawal will not be allowed and/or, Preserve in-fund, but you must transfer if part of the cash was taken from your Vested component and/or, Transfer your Savings component to another fund	**From 1 September 2024 you may** withdraw a minimum of R2 000 (before fees and taxes) once a tax year without leaving your employer and fund; the maximum withdrawal is the total available in your Savings component. But you will pay tax (at marginal PAYE tax rates) and a processing fee on your saving component withdrawals. **We urge you to do some planning before you decide to resign.** This planning is in terms of the money available in your Savings component, as only one withdrawal is allowed per tax year. If you have therefore already made a withdrawal from your Savings component in a tax year and you decide to resign in the same year you will only be able to take amounts that are lower than R2000 in cash. Alternatively, you can decide not to make a savings withdrawal when you know you intend to resign from your employer.
Tax treatment of Savings component	In the case of resignation using PAYE tables (Marginal rates). In the case of retirement the retirement tax tables are applicable.

Retirement component

You cannot take any value in your Retirement component before retirement and therefore you must Preserve in-fund and/or, Transfer your Retirement component to another retirement fund	You cannot access your Retirement component when you leave your employer as it must be preserved for your retirement. If you do leave your employer and their fund, you have the following options and may: ✓ become a paid-up preserver member in your previous employer's fund, or ✓ transfer the benefit to an approved preservation fund, or ✓ transfer to an approved retirement annuity fund, or ✓ transfer the benefit to your new employer's fund.
Tax treatment of Retirement component	A non-taxable event if transferred to another approved fund. Retirement tax tables are applicable on the lump sum taken in cash.

15. Contact MGF

Registered Office:

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

“

When one door of happiness closes, another opens, but often we look so long at the closed door that we do not see the one that has been opened for us

– Helen Keller

SERVICE EXCELLENCE

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**

MGF

Your Wealth Creator

Fund** of **Choice

30

Years of

Service Excellence