17. Emeritaatsversorging

17.1 REPORT: TRUSTEES GKSA MINISTER'S PENSION FUND (Art 111)

A. Rev W Vogel tables the Report.
B. The Report will be concluded during the Synod session.

C. **REPORT**
The Trustees present the following Report to Synod.

1. Call
All members of the GKSA Minister's Pension Fund and all Church Councils received notice of the general meeting of the Pension Fund during Synod 2015.
Decision: Noted.
2. Constituting
All delegates to the General Synod, ministers as well as elders, are regarded as present, with members and Church Council who have to attend the meeting at own cost in terms of the above call (during Synod). In terms of the Law on Pension Funds the general meeting of the GKSA Minister's Pension Fund occurs under the supervision of the Council of the Trustees of the Pension Fund.

(Minutes of the proceedings of the Council of Trustees are attached as unpunblished addendums)
Decision: Noted.

3. Matters that the Synod take note of
3.1 *The Trustees are assigned with enacting all matters on which Synod decided with regard to the Pension Fund*.
All matters have been concluded according to the assignment.
3.2 *Enact all the matters assigned to them in terms of the Stipulations of the GKSA Minister's Pension Fund.*
Assignments were completed on a continuous basis.
3.3 *Trustees were assigned to contact Church Councils where ministers' PGT's are below standard and to bring the PGT on par with the remuneration numbers of the retirement remuneration combination*. *The Trustees are furthermore asked to make details of ministers whose PGT does not meet the minimum guideline available to Classes annually, so that Classes can take note of Church Councils who deviate from the set minimum guideline.*
3.3.1 Synod decisions with regard to determining the PGT has been communicated to churches. Churches are responsible to Classes if Church Councils deviate from the set guideline. PGT's should increase by a minimum of 6% per year.
3.3.2 The Trustees visited the different Classes in the denomination and guided and trained them based on the above-mentioned document with regard to the determination of PGT's.
3.3.3 The amount paid every year by the Church Council for the Pension Fund was confirmed with the congregations.
3.3.4 The effect of a too low PGT is a too low investment on behalf of the minister from which his pension will be paid. The PGT is the amount based on which the pension contribution made on behalf of the minister is calculated. This contribution to the pension fund amounts to at least 20% of the PGT. The Church Council pays 12.5% and the minister 7.5% of the 20%.

3.3.5 The Minister's Pension Fund is a fixed contribution fund. The minister receives the amounts contributed on his behalf plus growth after retirement. If the pension amount invested on behalf of the minister is too low, the minister's pension will be inadequate and the Church Council(s) where the minister has served, will have to supplement the shortage. The Minister's Pension Fund will under no circumstances be used to supplement shortages due to a low PGT.

3.4 *Standard procedures as tasks that the Trustees had to complete by means of the Principal Officer*

The Trustees ensured throughout that the standard procedures are followed by the Main Officer of the Fund.

3.5 *Diverse matters resulting from the completion of the assignments*

3.5.1 It has been decided that all inquiries with regard to financial numbers should be requested from the Principal Officer/Fund manager, and should not be handled by individual Trustee members. Members/Church Councils can be held responsible for fees depending on the level of expertise needed to answer the questions, as well as for the additional costs that had to be incurred.

3.5.2 In cases where ministers left the ministry for medical reasons in terms of CO, art 13 *Church Councils* are reminded of the risk to which they expose themselves (in terms of insurability) if such a minister should still render services (of whichever nature) for which he still receives remuneration.

3.5.3 Church Councils where ministers leave the ministry for medical reasons in terms of CO, art 13, should report in writing annually regarding the state of the remuneration of the relevant ministers to the Classes and Trustees.

3.5.4 The Trustees reminded members of the fact that they have to communicate with the Trustees via their Church Council when it concerns matters of care, since Church Councils are ultimately responsible for the remuneration of the minister (CO, art 11). The Trustees only communicate with Church Councils on these matters.

3.5.5 Church Councils where ministers "emeriteer" are reminded that the Church Council has to approve the decision of the emeritering regarding the use of his Personal Account from the Pension Fund.

3.5.6 Spouse insurance can not be continued beyond the age of 65 years.

3.5.7 Where pension has to be acquired by the emeritus, the Fund Manager sends the Church Council a list of institutions with whom investments can be made and from which they can choose (to assure that the funds are invested with a trustworthy institution in the light of CO, art 13). The alternatives of either the fixed growth option or the "with profit" option (with valuation interest rate) are communicated to the Church Council and the minister who is emeritering. The Church Council and the emeritus can also make use of a broker.

3.5.8 <u>Early emeritaat and the implications with regard to among other things CO, artt 13 and 20</u>

If a minister emeriteer before the age of 65, the Church Council as well as the minister has to make a conscious decision of lesser care from the Pension Fund.

3.5.9 <u>Investment choices:</u> There are four portfolios to choose from: High Growth, Moderate Growth, Capital Protector and Balanced Growth (previously Aggressive Growth). Three of these four portfolios are managed by Momentum Multi-fund Managers namely High Growth, Moderate Growth and Capital Protector. The Balanced portfolio is managed by Coronation and Allan Gray.

Portfolio	Composition	Probable time to retirement	Expected Max depreciation	Long term performance target
1. Balanced	Single Manager portfolio: Invest **50%** in Allan Gray balanced and **50%** in Coronation balanced Maximum shares (growth assets) investment Allan Gray – 75% Coronation – 85%	3-9 years	Allan Gray – 15% Coronation – 35%	Inflation + 6%*
2. High Growth	Multi Manager portfolio: Invest **80%** in growth focused asset classes and **20%** in defensive focused asset classes	10 years and more	15%	Inflation + 7%
Portfolio	**Composition**	**Probable time to retirement**	**Expected Max depreciation**	**Long term performance target**
3. Moderate Growth	Multi Manager portfolio: Invest **45%** in growth focused asset classes and **55%** in defensive focused asset classes	5 – 9 Years	10%	Inflation + 5%
4. Capital Protector	Multi Manager portfolio: Invest **30%** in growth focused asset classes and **70%** in defensive focused asset classes	Less than 5 years	2%	Inflation + 3%

* Estimate

On 30 September 2014 the total division of funds with Momentum was

1.	Balanced growth	R 72 558 410.60
2.	High growth	R106 263 438.36
3.	Average growth	R 22 558 463.38
4.	Capital protector	R 56 524 320.94
5.	Fund Reserve	R 10 384 299.49
	Total	R268 288 932.77

3.5.10 The Trustees and members of the Minister's Pension Fund will convene for a member meeting during Synod 2015.

3.6 Synod appoints Mr Neville Strohmenger of ABSA Consultants and Actuaries as actuary for the Fund.

3.7 The following reverends are elected as Trustees for the following term: Revs CA Jansen, W Vogel, PJ Nel and N Boy. As secundi: rev JA Berg.

3.8 *Valuation Report ABSA Consultants and Actuaries*

3.8.1 The valuation report for the period 2012-2014 was received on 3 December 2014.

3.8.2 Nett proceeds realised in the different portfolios

Portfolio	01 Jul 2011 – 30 Jun 2012	01 Jul 2012 – 30 Jun 2013	01 Jul 2013 – 30 Jun 2014
Balanced	12,7%	24%	22,8%
High growth	12,8%	23,4%	24,5%
Moderate Growth	11,7%	19,5%	16,9%
Capital Protector	9,5%	9,3%	13,7%

3.8.3 The investmentstrategy and composition of investment are in line with the expected obligations of the Fund.

3.8.4 Up until evaluation the Fund is in a sound financial position.

3.8.5 The administration of the Fund by the staff of the Administrative Bureau (Fund Manager: dr Wymie du Plessis, Financial Manager: br Johan Coetzee en Assistant-Accountant, sr Dalene Pretorius) has been judged as "excellent".

Decision: Points 3.1 to 3.8.5 noted.

Actuarial Valuation of the GKSA Predikante Pensioenfonds 30-06-2014

Executive Summary

It is our pleasure to present the valuation report of the GKSA Predikante Pensioenfonds. For the purpose of understanding our report and recommendations, this Executive Summary needs to be read in conjunction with the main report.

1. Membership

The number of active members and their total annual pensionable salaries as at 30 June 2014 compared as follows to those as at 30 June 2011:

Number of Members		Total annual pensionable salaries (R'000)		Average Age	
30.06.2011	**30.06.2014**	**30.06.2011**	**30.06.2014**	**30.06.2011**	**30.06.2014**
273	274	83 170	91 222	48,4*	48,8

* Erroneously shown as 44,9 in previous 2011 valuation report.

2. Financial position

If the recommendations as set out in this report are accepted, the financial position as at 30 June 2014, compared to the position as at 30 June 2011 is as follows (amounts in R'000):

	30.06.2011	**30.06.2014**
Value placed on assets	147 900	265 669
Less: Members in active employment	(144 745)	(259 157)*
Data and Processing Reserve Account	(833)	(1 012)
Risk Reserve Account	(2 322)	(5 500)
Surplus/(deficit) in respect of accrued liabilities	-	-
Funding level	**100,0%**	**100,0%**

* Includes surplus allocation to member accounts.

3. Contribution rates

The recommended provisions and the resulting contributions to retirement after 30 June 2014 compared to those in place at this and the previous valuation dates are (% of salary):

	30.06.2011	30.06.2014	Recommended provisions after 30.06.2014
Member contribution rate	7,50%	7,50%	7,50%
Employer contribution rate	12,50%	12,50%	12,50%
Less: Operational cost provision	(0,29%)	(0,34%)*	(0,40%)
Risk cost provision for death benefits	(5,40%)	(5,40%)	(5,40%)
Risk cost provision for disability benefits	(1,44%)	(1,52%)	(1,52%)
Contribution rate towards retirement benefits	**12,87%**	**12,74%**	**12,68%**

* The operational costs provision is calculated and recovered from members monthly and it was therefore not constant. The rates shown above are the average rate for the year ended 30 June 2014.

4. Financial soundness

4.1 The results show a funding level of 100%. The Fund was therefore in a sound financial position as at the valuation date.

4.2 As at the valuation date, expected future contributions are adequate to provide future benefits in accordance with the Rules of the Fund.

4.3 I am of the opinion that the investment strategy, nature and composition of the assets are not unsuitable given the liabilities of the Fund provided that the members' assets are invested according to their individual investment choices.

4.4 I am specifically not commenting on the appropriateness of members' individual choices. The members should be informed about the asset composition as well as the risks associated with the various portfolios available for investment choices, so that they can make an informed investment choice, which corresponds with their benefit expectations.

Decision: Noted.

5. Conclusions and recommendations

5.1 I recommend that a Data and Processing Account of R1 012 000 be held to protect the Fund against fluctuations in experience.

5.2 I recommend that a Risk Reserve Account of R5 500 000 be held to protect the Fund against any risk averse experiences and that the excess funds worth R3 549 000 in this account be released to members as recommended in paragraph 6.7.

5.3 I am of the opinion that the combination of reinsurance and self-insurance is adequate to ensure the financial soundness of the Fund, on condition that the balance in the Risk Reserve Account is reviewed regularly and kept at an acceptable level.

Decision: Noted.

Actuarial Report

1. Introduction

1.1 I have performed an actuarial valuation of the GKSA Predikante Pensioenfonds (the Fund) as at 30 June 2014 (the valuation date). The previous actuarial valuation was completed as at 30 June 2011. The period from 30 June 2011 to 30 June 2014 represents the valuation period.

1.2 The purpose of the valuation is to:

1.2.1 investigate and report on the financial position of the Fund,
1.2.2 analyse the financial progress of the Fund since the previous valuation,
1.2.3 show the build-up of the contingency reserve accounts, review the requirements for allocations to the contingency reserve accounts and recommend the balances to be held in any reserve accounts,
1.2.4 analyse the sources of any surplus or strain that has arisen in the period and review the assumptions used in this valuation as a result of the experience,
1.2.5 make recommendations regarding the apportionment of any surplus or deficit that arose during the valuation period,
1.2.6 comments on the appropriateness of the investment strategy in place at the valuation date.

1.3 This report sets out the results of the actuarial valuation. The report is addressed to the Trustees of the Fund. The results of the valuation should not be used for any other purpose without further consultation. I am available to discuss any further advice required or provide answers to any queries relating to this report on request.

1.4 The report has been prepared in accordance with SAP201: Retirement Funds – Actuarial valuation reports and the relevant regulatory guidance issued by the Registrar of Pension Funds.

1.5 This is the first report I am doing as valuator to the Fund. The previous valuation report was completed by Marli Venter.

1.6 This report has been reviewed and co-signed by a senior actuarial staff member in addition to the valuator and has therefore not been further peer-reviewed.

2. Particulars of the Fund

2.1 The GKSA Predikante Pensioenfonds was established on 1 July 1994 and operates as a privately administered fund.

2.2 The Fund is administered on a unitised basis. Units are purchased at the relevant unit prices when contributions are made. Benefits are based on the value of the sum of all purchased units.

2.3 A summary of the main benefits provided by the Fund is set out in Annexure A.

2.4 To my knowledge no significant developments occurred during the valuation period that materially affected the financial position of the Fund.

3. Consolidated income statement

The consolidated income statement for the valuation period is as follows (amounts in R'000):

Value of assets per financial statements as at 30 June 2011	147 900
Plus: Employee contributions received	20 353
Additional employee contributions received	1 391
Employer contributions received	33 707
Reinsurance recoveries on death received	2 122
Reinsurance recoveries on disability received	1 067
Investment income received	96 541
Less: Withdrawal benefits paid	(4 894)
Retirement benefits paid	(14 176)
Death benefits paid	(4 047)

Disability benefits paid	(1 067)
Administration expenses paid	(853)
Reinsurance premiums paid	(12 375)
Value of assets per financial statements as at 30 June 2014	**265 669**

4. Valuation information

4.1 Valuation data

4.1.1 For the purposes of my calculations, I obtained details of the assets and membership data from the Administrative Bureau of the Gereformeerde Kerke in Suid-Afrika, who administers the Fund. I have performed reconciliations and reasonability tests on the information supplied to verify the overall consistency of information contained in the investment statements, financial statements and administrator records. Based on these measures I am satisfied with the general accuracy of the data used for the purpose of this valuation. The report should however not be seen as a confirmation of the accuracy of the data used.

4.1.2 The valuation is based on audited financial statements as at 30 June 2012, 30 June 2013 and 30 June 2014.

4.2 Active members

4.2.1 The number of members and their total annual pensionable salaries as at 30 June 2014 compare as follows with those as at 30 June 2011.

Number of Members		**Total annual pensionable salaries (R'000)**		**Average Age**	
30.06.2011	**30.06.2014**	**30.06.2011**	**30.06.2014**	**30.06.2011**	**30.06.2014**
273	274	83 170	91 222	48,4*	48,8

* Erroneously shown as 44,9 in previous 2011 valuation report.

4.2.2 During the valuation period the number of active members changed as follows:

Active members as at 30 June 2011		273
Plus:	New members	30
Less:	Withdrawals	(11)
	Deaths	(1)
	Retirements	(17)
Active members as at 30 June 2014		**274**

5. Particulars of the investments

5.1 At the valuation date, the Fund's assets were invested with Momentum. There are five portfolios, namely: Balanced Growth, High Growth, Moderate Growth, Capital Protector and Fund Reserve.

5.2 On 1 July each year, members are given the option to review their investment choices. All new monies received for investment during the valuation period were invested in the appropriate portfolios according to the members' investment choices.

5.3 The build-up of the balances in the respective investment accounts during the valuation period as well as the net effective investment yields achieved over the valuation period were as follows (amounts in R'000):

1 July 2011 to 30 June 2012

	Balance 01.07.2011	Net investments	Investment earnings	Balance 30.06.2012	Net Effective yield p.a.
Momentum : Balanced Growth	35 814	(717)	4 390	39 487	12,7%
Momentum : High Growth	51 311	3 558	6 846	61 715	12,8%
Momentum : Moderate growth	38 580	3 585	4 802	46 967	11,7%
Momentum : Capital Protection	19 307	(3 496)	1 747	17 558	9,5%
Momentum : Fund Reserve	3 768	464	83	4 315	2,4%
FNB Corporate	5 433	(5 016)	31	448	3,9%
Investec	-	675	5	680	1,4%
Total	**154 213**	**(947)**	**17 904**	**171 170**	**11,8%**

1 July 2012 to 30 June 2013

	Balance 01.07.2012	Net investments	Investment earnings	Balance 30.06.2013	Net Effective yield p.a.
Momentum : Balanced Growth	39 487	(1 654)	8 826	46 659	24,0%
Momentum : High Growth	61 715	4 934	15 091	81 740	23,4%
Momentum : Moderate Growth	46 967	1 976	6 964	55 907	14,5%
Momentum : Capital Protection	17 558	2 339	1 920	21 817	9,3%
Momentum : Fund Reserve	4 315	2 696	523	7 534	8,7%
FNB Corporate	448	(441)	5	12	3,6%
Investec	680	(690)	10	-	N/a
ABSA Daggelde	-	25	-	25	4,8%
Total	**171 170**	**9 185**	**33 339**	**213 694**	**18,9%**

1 July 2013 to 30 June 2014

	Balance 01.07.2013	Net investments	Investment earnings	Balance 30.06.2014	Net Effective yield p.a.
Momentum : Balanced Growth	46 659	7 447	12 109	66 215	22.8%
Momentum : High Growth	81 740	4 617	20 719	107 076	24.5%
Momentum : Moderate Growth	55 907	(7 105)	8 273	57 075	16.9%
Momentum : Capital Protection	21 817	520	3 085	25 422	13.7%
Momentum : Fund Reserve	7 534	1 176	1 112	9 822	14.3%
FNB Corporate	12	(12)	-	-	1.8%
ABSA Daggelde	25	2 171	16	2 212	4.3%
Total	**213 694**	**8 814**	**45 314**	**267 822**	**20.9%**

5.4 The investment yields shown are based on the total market value and represent the annually compounded yield taking into account the effect of investment income and realised as well as unrealised capital gains.

5.5 The composition of the market value of the assets as at the valuation date was as follows (amounts in R'000):

Portfolio	Equities	Bonds	Property	Cash	Inter-national	Other	Total
Momentum Balanced Growth	30 061 45,4%	10 262 15,5%	2 820 4,3%	4 244 6,4%	16 747 25,3%	2 081 3,1%	**66 215** **100%**
Momentum High Growth	55 162 51,5%	3 363 3,1%	9 678 9,0%	2 841 2,7%	26 176 24,4%	9 856 9,2%	**107 076** **100%**
Momentum Moderate Growth	20 826 36,5%	10 414 18,2%	4 960 8,7%	3 675 6,4%	11 367 19,9%	5 833 10,2%	**57 075** **100%**
Momentum Capital Protector	6 558 25,8%	8 727 34,3%	1 471 5,8%	2 627 10,3%	2 595 10,2%	3 444 13,5%	**25 422** **100%**
Momentum Fund Reserve	3 046 31,0%	3 099 31,6%	35 0,4%	3 635 37,0%	7 0,1%	- -	**9 822** **100%**
Absa Daggelde	- -	- -	- -	2 212 100,0%	- -	- -	**2 212** **100%**
Total	**115 653** **43,2%**	**35 865** **13,4%**	**18 964** **7,1%**	**19 234** **7,2%**	**56 892** **21,2%**	**21 214** **7,9%**	**267 822** **100%**

6. Basis of calculation

6.1 The value placed on the assets for valuation purposes should be determined on a basis which is consistent with the basis used to determine the liabilities.

6.2 Assets

6.2.1 The value placed on the assets for valuation purposes should be determined on a basis which is consistent with the basis used to determine the liabilities.

6.2.2 I have taken the value of the investments at full market value of R267 822 000 as reflected in the financial statements and which is consistent with the value placed on the liabilities.

6.2.3 The value placed on the assets as at 30 June 2014 is as follows (amounts in R'000):

Market value of investments	267 822
Net current liabilities as per the financial statements	(2 153)
Value placed on assets as at 30 June 2014	**265 669**

6.3 Liabilities

6.3.1 As at the valuation date the Fund operated on a unitised system. Units are purchased at the availing unit price when contributions are made. Benefits are based on the value of the sum of all the purchased units.

6.3.2 The Fund offers individual investment choices to the members which takes effect on the fund's anniversary every year.

6.3.3 Accrued liabilities in respect of members entitled to Equitable Shares are by definition equal to the total Equitable Shares in respect of all these members.

6.3.4 Provisions were deducted from the employer contributions to recover the costs incurred by the Fund, resulting in the net employer contributions that were allocated to the members' retirement benefits.

6.3.5 The gross employer contribution rate and the respective net contribution rates available for retirement benefits during the valuation period were as follows (% of pensionable salaries):

	01.07.2011 to 30.10.2011	**01.11.2011 to 31.03.2014**
Member contribution rate	7,50%	7,50%
Gross employer contribution rate	12,50%	12,50%
Less: Operational cost provision*	(0,34%)	(0,34%)*
Disability cost provision	(1,44%)	(1,52%)
Risk cost provision	(5,40%)	(5,40%)
Contribution rate available for retirement benefits	**12,82%**	**12,74%**

* The operational costs provision is calculated and recovered from members monthly and it was therefore not constant. The rates shown above are the average rate for the year ended 30 June 2014.

6.3.6 The unit prices do not allow for investment management fees. Provision for investment management fees is made by a recovery from members' Equitable Shares in proportion to the costs associated with the applicable investment portfolio.

6.3.7 At the previous valuation a recommendation was made that the members' records invested in the Capital preservation portfolio be corrected and the effect of that be funded from the data and processing reserve account. This correction was not made during this valuation period and we had to make some adjustments to the Equitable Share values which the administrator provided me. In some instances additional creditors was created for those who have already exited the Fund.

6.3.8 The build-up of the provisions for investment management fees, operational cost and risk cost, net of the actual costs incurred, were as follows over the valuation period (amounts in R'000):

	Investment management fees	**Operational cost provision**	**Risk cost provision**
Provisions allocated	4 081	885	18 479
Actual cost	(4 198)	(853)	(12 375)
Balance as at 30 June 2014	(117)	32	6 104

The balances of the provisions with respect to investment management fees and operational cost form part of the Data and Processing Reserve Account as it resulted from processing variations arising from the actual costs differing from the provisions during the valuation period.

The balance of the provision with respect to the risk cost form part of the Risk Reserve Account as it resulted from the additional premiums collected from members over the valuation period required to fund the self-insurance risk which the Fund is undertaking.

6.3.9 The net contributions which were available for retirement benefits were allocated to each member at the relevant unit prices. The total Equitable Shares of the members of the Fund as at 30 June 2014 were calculated by multiplying the number of units with the unit prices as at 30 June 2014.
A summary of the unit prices applicable during this valuation period is shown under Annexure B.
I am satisfied that the unit prices applied in respect of the assets in the investment portfolios during this period fairly represents the investment returns earned on these assets.

6.4 Data and Processing Reserve Account

6.4.1 A Data and Processing Reserve Account is maintained to protect the Fund against fluctuations in experience. Data variations can occur as a result of under or over provision for debtors or creditors as at the previous valuation date. Processing variations can occur as a result of timing of cash flows, provision for expenses differing from actual costs, investment returns on current assets or liabilities, etc.

6.4.2 At the previous valuation date, the amount which was required to correct the members' Equitable Share values who were invested in the capital preservation portfolio, was estimated to be R220 000. However after closer inspection we found that the amount should rather have been R363 000 at the previous valuation date. The difference of the two amounts is treated as a processing variation.

6.4.3 The balance in the Data and Processing Reserve Account changed as follows during the valuation period (amounts in R'000):

Balance as at 30 June 2011	833	
Data variation	(143)	Par 6.4.2
Investment management fees	(117)	Par 6.3.8
Operational cost provision	32	Par 6.3.8
General Processing variations	173	Par 6.4.1
Interest	234	
Balance as at 30 June 2014	**1 012**	

6.4.4 In accordance with an interpretation note issued by the Financial Services Board any difference between total investment returns earned on the Fund's overall assets and the investment returns allocated to members and reserve accounts, need to be redistributed to members.
Given the unitised method of operation of the Fund, such differences are only expected to arise where underlying investment are not exactly aligned with the growth due on liabilities, also known as "Investment mismatching". Members' liabilities are based on growth in the underlying unit prices in accordance with their respective investment choices, which is separately identifiable. I am therefore of the opinion that members received the total fund return due to them in respect of the applicable assets where they should be separately invested and that no further allocation of Fund return is required.
As a result any profits or losses arising as a result of temporary mismatching of assets and liabilities are therefore treated as general processing variations.

6.4.5 In view of the current balance, I recommend that the available balance of R1 012 000 be retained for the purpose of the valuation of the Fund.

6.4.6 Given the nature of the Data and Processing Reserve Account, I also recommend that members who exit the Fund do not share in this reserve account.

6.5 Risk Reserve

6.5.1 The benefits payable on death before retirement are reinsured on a basis where the lump sum payments and expected annual pensions are discounted at a rate of 10% per annum. Consequently, a portion of the liabilities with regard to future spouse's and children's pensions are carried by the Fund. A Risk Reserve Account is held for this purpose as well as for any differences in actual claim amounts compared to expected claim amounts. During the valuation period the balance in the Risk Reserve Account changed as follows (amounts in R'000):

Opening balance	2 322
Risk provision net of reinsurance premiums paid	6 104
Reinsurance proceeds	3 189
Release of Equitable Shares	1 029
Benefits paid	(5 114)
Interest	1 519
Balance at end of the period	9 049

6.5.2 I recommend that the calculated recommended balance in the Risk Reserve Account of R5 500 000 be held and that the balance of R3 549 000 be released.

6.5.3 Given the number of members in the Fund, it is not possible to make an accurate provision for the risk associated with death before retirement. It is likely that no members may die over any given year, but then it may also happen that six members may pass away. Our calculation made provision for an average of 2 deaths per year and an average strain of roughly R887 000 per death.

6.5.4 I am of the opinion that this combination of reinsurance and self-insurance is adequate to ensure the financial soundness of the Fund, on condition that the balance in the Risk Reserve Account be reviewed regularly and kept at an acceptable level.

6.5.5 Given the nature of the Risk Reserve Account, I also recommend that members who exit the Fund do not share in this reserve account.

6.6 Provisional results

I have compared the liabilities and the balances in the reserve accounts with the value placed on the assets. The resultsare as follows (amounts in R'000):

		30.06.2011	**30.06.2014**
Value placed on assets		147 900	265 669
Less:	Members in active employment	(144 745)	(255 608)
	Data and Processing Reserve Account	(833)	(1 012)
	Risk Reserve Account	(2 322)	(5 500)
Surplus/(deficit) in respect of accrued liabilities		-	3 549
Funding level		**100,0%**	**101,3%**

6.7 Distribution of surplus/shortfall

6.7.1 No surpluses or deficits, other than the experience shown under the changes in the Data and Processing Reserve Account and Risk Reserve Account, arose during the valuation period. A further analysis of the sources of surpluses and deficits is therefore not required.

6.7.2 I recommend that the surplus must be distributed to those members who did not receive their fair share of the surplus distribution at the previous valuation date as a direct result of the unit price adjustment at 31 July 2008 as mentioned in the previous valuation report.
I further recommend that the surplus is distributed to members who were active at the valuation date even if they have exited the fund after the valuation date.

7. Results

7.1 Financial Position

Based on the results and recommendations set out in this valuation report, the financial position as at 30 June 2014, compared to the position as at 30 June 2011, is as follows (amounts in R'000):

		30.06.2011	30.06.2014
Value placed on assets		147 900	265 669
Less:	Members in active employment	(144 745)	(259 157)*
	Data and Processing Reserve Account	(833)	(1 012)
	Risk Reserve Account	(2 322)	(5 500)
Surplus/(deficit) in respect of accrued liabilities		-	-
Funding level		**100,0%**	**100,0%**

* Includes surplus allocation to member accounts.

The results show a funding level of 100% and I can therefore certify that the Fund was in a sound financial position as at the valuation date.

7.2 Future contribution rates

7.2.1 The death in service benefits are funded by a combination of self-insurance and reinsurance. The cost of reinsurance is not constant but fluctuates according to the weighted average age of the members. In addition, the Fund carries family composition risk. I therefore recommend that provision of 5.4% of salaries be made for the future cost of the death benefits and that this provision is allocated to the Risk Reserve Account.

7.2.2 The disability benefits that members are entitled to are provided by a separate group scheme, and the costs thereof are recovered from the employer contribution rate. During July 2014 this cost was equivalent to a contribution rate of 1.52% of total salaries.
The Fund recovers the actual monthly disability premiums payable from the employer contributions. I recommend that this practice be continued and that the cost recovery is adjusted as and when the reinsurance costs change.

7.2.3 It is the Fund's practice to calculate the administration cost and recoveries from members on a monthly basis. I recommend that this practice be continued.

7.2.4 Changes in risk and operational costs will affect the net contributions available for retirement and will therefore impact on the members benefits.

7.2.5 The revised provisions which should be retained from the employer contributions (as a percentage of salary) compared with those at the last valuation are as follows:

	30.06.2011	30.06.2014	Recommended provisions after 30.06.2014
Member contribution rate	7,50%	7,50%	7,50%
Employer contribution rate	12,50%	12,50%	12,50%
Less: Operational cost provision	(0,29%)	(0,34%)*	(0,40%)
Risk cost provision for death benefits	(5,40%)	(5,40%)	(5,40%)
Risk cost provision for disability benefits	(1,44%)	(1,52%)	(1,52%)
Contribution rate towards retirement benefits	**12,87%**	**12,74%**	**12,68%**

* The operational costs provision is calculated and recovered from members monthly and it was therefore not constant. The rates shown above are the average rate for the year ended 30 June 2014.

7.2.6 The effect of changes in membership structure or any deterioration in experience with regard to HIV/Aids or general fund experience could lead to an increase in the costs of these benefits.

Changes in risk costs or operational expenses as a percentage of salary will affect the net contributions available for retirement and will therefore impact on members' benefits.

7.3 Projection of benefits

7.3.1 I recommend that the following assumptions be used if the retirement benefits of the members are projected:

Normal retirement age	65 years
Real rate of investment returns*	2,0% per annum and 4,0% per annum
Net employer contributions	As shown in paragraph 7.2.5**

* The future rate at which investment returns are expected to exceed salary increases. Projected benefits can therefore be interpreted relative to current pensionable salary.

** No provision for the effect of HIV/Aids has been made in the net employer contribution rate available for retirement benefits and this must be communicated to the members via their benefit statements.

7.3.2 To convert the projected Equitable Shares at retirement into an illustrative pension, I recommend that the following basis be used:

Mortality assumptions	Published PA90 (ultimate) tables, rated down 2 years
Spouse's pension	50% of member's pension at death
Guarantee period	5 years
Female younger than male	3 years
Post-retirement interest rate	4,0% per annum

7.3.3 The above assumptions are in my opinion adequate for the purpose of projecting illustrative benefits to members and I am of the opinion that projections based on these assumptions are sustainable in the long term.

7.4 Suitability of assets

7.4.1 Investment returns as well as any gains and losses that arise are allocated to member's accounts and reserve accounts. The Fund's assets should therefore by definition be equal to the liabilities in terms of the Rules of the Fund and should remain so in the future. I can therefore certify that the assets of the Fund are consistent with the liabilities in terms of the Rules of the Fund.

7.4.2 I am specifically not commenting on the appropriateness of members' individual investment choices. The members of the Fund should be informed about the asset composition as well as the risks associated with the various portfolios available for investment choices in order for members to make an informed investment choice which corresponds with their benefit expectations.

8. Conclusion

The main points of this report can be summarised as follows:

8.1 I recommend that a Data and Processing Reserve Account of R1 012 000 be held to protect the Fund against fluctuations in experience.

8.2 I recommend that a Risk Reserve Account of R5 500 000 be held to protect the Fund against any risk averse experiences and that the excess funds worth R3 549 000 in this account be released to members as recommended in paragraph 6.7.

8.3 With reference to the financial soundness:

8.3.1 The results show a funding level of 100%. The fund was therefore in a sound financial position as at the valuation date.

8.3.2 I am of the opinion that the investment strategy, nature and composition of the assets are not unsuitable given the liabilities. I specifically do not express any opinion on the appropriateness of the investment choices exercised by individual members.

8.3.3 I am of the opinion that the combination of reinsurance and self-insurance is adequate to ensure the financial soundness of the Fund, on condition that the balance in the Risk Reserve Account is reviewed regularly and kept at an acceptable level.

NEVILLE STROHMENGER FASSA
In my capacity as Valuator of the Fund and Actuary employed by
Absa Consultants and Actuaries (PTY) LTD
December 2014

MARIETJIE GOOSEN
In my capacity as Valuator of the Fund and Actuary employed by
Absa Consultants and Actuaries (PTY) LTD
December 2014

Decision: Points 1 to 8 of the Actuarial Report noted and a request for an information brochure of the GKSA Predikante Pensioenfonds.

Annexure A : Summary of benefits

1. Normal retirement age

Between the ages of 55 and 65 years.

2. Retirement benefits

A pension from an insurer of the member's choice, equivalent in value to a member's Equitable Share, becomes payable.

Up to a maximum of one third of a member's account may be taken in cash at retirement.

3. Benefit on death after retirement

The benefits on the death of a pensioner shall be as it was mutually agreed on between the member, the trustees and the insurer at the time of the purchase of the pension.

4. Death benefits prior to retirement

4.1 A lump sum equal to twice a member's annual pensionable salary, and

4.2 A spouse's pension equal to 40% of pensionable salary as well as a children's pension in respect of qualifying children, equal to 10% of pensionable salary per child is payable. If there is no spouse, the children's pension is doubled.

5. Withdrawal benefits

A lump sum benefit equal to the member's Equitable Share at the date of withdrawal becomes payable.

6. Contributions

Members : 7.5% of total pensionable salary
Employer : 12.5% of total pensionable salary
The employer contributions include contributions towards the separate disability income scheme.

Annexure B: Unit prices

	Investment portfolio			
Date	**Balanced Growth**	**High Growth**	**Moderate Growth**	**Capital Protector**
2011.06.30	137.5547	133.6816	130.0662	127.3860
2011.07.31	137.8391	132.7639	129.3741	126.7375
2011.08.31	137.4484	131.9201	131.2951	102.1457
2011.09.30	139.9863	133.5269	132.8814	102.4955
2011.10.31	147.0852	141.4458	137.1914	105.0435
2011.11.30	147.0124	140.8899	137.4700	105.5266
2011.12.31	147.5876	141.3345	137.9369	105.5289
2012.01.31	150.9075	146.1465	141.2781	107.8916
2012.02.29	152.3492	148.0510	141.7261	108.0919
2012.03.31	154.2455	149.5505	142.5542	108.1475
2012.04.30	156.0629	152.0822	144.8082	109.6228
2012.05.31	155.0931	150.8601	145.4950	110.0482
2012.06.30	156.0016	151.8818	146.4026	110.8467
2012.07.31	159.3474	156.8232	150.1538	112.8487
2012.08.31	163.2693	161.7032	153.4966	114.8004
2012.09.30	165.0150	163.0226	154.6885	116.0310
2012.10.31	170.7024	167.6388	157.6815	117.7774
2012.11.30	173.2759	171.6839	160.6838	119.4845
2012.12.31	175.1044	173.8287	161.5481	119.9231
2013.01.31	184.8304	180.8086	165.6979	122.3074
2013.02.28	183.8778	180.3536	165.6665	122.0567
2013.03.31	190.0024	184.6632	168.1565	123.4056
2013.04.30	188.9168	184.7188	168.5119	122.8655
2013.05.31	202.4557	195.6666	173.7739	125.5375
2013.06.30	194.9658	189.1172	169.0781	121.6665
2013.07.31	200.7653	194.8795	172.3582	124.0493
2013.08.31	205.7757	198.2460	174.4777	125.7367

2013.09.30	210.9991	206.7469	179.4503	128.1697
2013.10.31	215.5276	213.2382	183.0060	129.8779
2013.11.30	215.8365	212.0602	181.9603	129.0797
2013.12.31	221.1985	218.3729	185.7289	130.9576
2014.01.31	222.2572	216.3573	185.1209	131.2847
2014.02.28	226.4969	222.3182	188.5760	133.3547
2014.03.31	229.0044	225.1577	190.6610	134.5407
2014.04.30	232.9232	228.8134	193.4731	136.3595
2014.05.31	237.1220	232.6160	195.5216	137.1632
2014.06.30	241.1824	237.3049	199.1192	139.2706

Please note that the unit price for the Capital Protector portfolio was rebalanced as at 1 August 2011.

3.9 The Financial Statements are attached as unpublished Appendix for this Report and has already been made available to the Deputies Pre-Advice Finances and Audit Committee before the Synod. The Financial Statements will be published in the Acta of the Synod.