
KWAZULU NATAL CLOTHING INDUSTRY PROVIDENT FUND

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Report of the Trustees **31 December 2022**

INDEX

| | Page |
|--|------|
| REPORT BY THE TRUSTEES | |
| • Introduction | 2 |
| • Management of the fund | 2 |
| • Trustees | 2 |
| • Stakeholders | 2 |
| • Trustee meetings & training | 2 |
| • Governance | 3 |
| • Taxation Laws Amendment | 3 |
| • Protection of Personal Information Act (POPIA) | 3 |
| | |
| FINANCIAL REPORT BACK | |
| • Income statement | 4 |
| • Summary of membership | 4 |
| • Summary of benefits paid | 4 |
| • Summary of investments held | 4 |
| • Investment return | 4 |

REPORT BY THE TRUSTEES

INTRODUCTION

The KZN Clothing Industry Provident Fund was established on 12 May 1961 under the Government Notice No. R692 and subsequently registered in terms of the Pension Funds Act on 5 May 2008. The Fund is a separate legal entity and its operation is governed by the Pension Funds Act 1956 (No. 24 of 56) as amended and the regulations framed hereunder.

The objective of the Fund is to provide retirement and other benefits for members of the Fund and their dependents.

The KZN Clothing Industry Provident Fund operates and exists solely for members and their dependents. It is your Fund and, as a member, you and the other members are the only people who will benefit from its existence.

MANAGEMENT OF THE FUND

The Fund is managed by a Board of Trustees. At all times, there must be no fewer than six trustees, of whom three shall be appointed by the Employer Party of the Regional Chamber and three by the member representatives. The Trustees meet at least four times a year and act in the best interests of the members. They make important decisions on your behalf, such as:

- Rule and Benefit design.
- Investing the Assets of the Fund.
- Appointing and consulting with professional advisors.
- Appointment of service providers

TRUSTEES

Member Trustees

MW Nxumalo
 M A Lephafa
 M Hlengwa
 J Gwala
 T Zungu (Alternate)
 ZI Ndimande (Alternate)
 NM Govender (Alternate)

Employer Trustees

S Madaray (Chairman)
 EOC Loyson
 R Rama
 H Pillay (Alternate)
 VM Naicker (Alternate)

Principal Officer

T Naidoo

The Fund extends its condolences to the family and friends of the late Mr. Vengtas Munsamy Naicker (Rajen) who passed away in October 2022. He was a long serving member of the Board and the Fund is eternally grateful for his contribution.

STAKEHOLDERS

The following are stakeholders of the KZN Clothing Industry Provident Fund:

The Members of the Fund

The Trustees of the Fund

The Administrators, National Bargaining Council for Clothing Manufacturing Industry (KZN Chamber), who are responsible for collection and allocation contributions, processing and payment of claims, providing the auditors with information for the preparation of the annual financial statements, member benefit statements, implementation of decisions taken by the Trustees, etc.

The Consultants, Alexander Forbes Financial Services, who are responsible for providing the Trustees with advice on matters relating to the Fund, preparation of documentation for Trustee meetings, Rules, benefits, formulation of strategy, legal issues, etc.

The Actuary, Keystone Actuarial Solutions. Mr. G Base, the financial expert who performs the necessary calculations of returns to be credited to members, and who also makes sure that the Fund is in a sound financial position.

The Auditors, Nolands Jhb Inc. who are responsible for the preparation and auditing of the Annual Financial Statements.

The Investment Managers, Allan Gray, Investec, Oasis and Camissa. These are the specialists who are responsible for managing the Fund's investment portfolios.

The Asset Consultant, Alexander Forbes Asset Consulting are the appointed investment advisor who, and with the Trustees put together an investment strategy and then put that strategy into practice.

TRUSTEE MEETINGS & TRAINING

At each Trustee meeting, your Trustees focus on specific strategic issues relating to the Fund. These issues influence the following factors which impact the long-term financial security of the members.

GOVERNANCE

The Financial Sector Conduct Authority issued a Circular, PF 130, which requires all retirement funds in South Africa to implement and adopt the following policies, and to continuously review the policies:

Code of Conduct
 Investment Policy
 Communication Policy
 Risk Assessment Policy
 Annuity Strategy Policy
 Complaints Management Policy
 Trustee Training Policy
 POPIA Privacy Policy
 Crisis Communication Policy

The Trustees have implemented and adopted the policies and they continuously review the policies.

At each meeting, a gift register is circulated, and Board members are required to disclose any gifts that they receive. The Trustees are also obliged to disclose any conflict of interest that may arise.

In November 2022, the Trustees adopted a revised Investment Policy Statement. The revised Statement has been aligned with the requirements of Regulation 28. In terms of Regulation 28, the Trustees are required to communicate aspects of the Investment Policy Statement. The IPS was accepted with the following objectives:

- *To ensure the assets meet liabilities*
- *Maximize fund returns*

- *Target long term return of CPI+4.5% before investment fees*
- *Minimize the risk of negative returns through maintaining an investment reserve that will enable the smoothing of returns.*

In terms of the Investment Policy Statement of the Fund, the Trustees are required to monitor and review the Fund's investment managers. The Trustees do this by engaging with the Investment Managers, inviting them to present to the Trustees to provide a report back on the performance of the Fund's assets and the economic outlook going forward.

During the financial year, the Trustees received presentations from Oasis Asset Management and, Allan Gray Asset Management.

The Trustees also reviewed the appointment of Oasis Asset Management and following a very detailed process which included presentations and proposals from 3 different asset managers, Kagiso (Camissa) asset management was appointed to replace Oasis.

As you know, communication is very important, not only from the Trustees, but communication from the members of this Fund. Your Trustees have, as part of their communication policy, identified the following communication mediums, which they will use to communicate with you the member:

- Notice to Industry via the Factory
- Trustee Report.
- Summary of Provident Fund rules.
- Funds website www.kzncipf.org.za
- Benefit statement.
- Report backs from Union Shop-stewards – these are conducted during the year.

TAXATION LAWS AMENDMENT ACT

One of the aims of retirement reform is to create a uniform retirement fund system for all types of retirement savings vehicles, such as pension, provident and retirement annuity funds.

What has the fund done?

- The Fund has implemented a rule amendment to accommodate the provisions of the Retirement Reform according to the Income Tax Act and the Taxation Laws Amendment Act.
- The Fund has consulted professionals and the Trustees have implemented an Annuity Strategy Policy adopted 26 May 2021.
- The Fund offers the Old Mutual with Profit Annuity as a default option for members who wish to purchase an annuity at retirement. The Old Mutual With-Profit Annuity offer. Annuity income will never decrease, regardless of how long the annuitant lives or investment market performance;
- annuity income is increased each year, and it is this new level of income each year which is guaranteed never to decrease.

What happens when you retire / are disabled?

If you are:

- under 55 years as at March 2021
- accumulated a total savings of more than R247,500 from 1 March 2021 till the date of your retirement
- your insured disability portion is greater than R247,500

Then your benefit will be split in the following manner:

Let's take an example

Themba is 60 years old, has **R1,100,000.00** and wants to retire. Of The R1,100,000, R800,000 relates to contributions and interest earned prior to 01 March 2021 and R300,000 relates to contributions and interest earned after 01 March 2021. What portion can Themba take as a cash payment?

- ✓ Themba can take the full R800,000 in cash
- ✓ Of the R300,000 Themba can take R100,000 as a cash payment
- ✓ The total cash that Themba can take upon retirement is **R900,000.**
- ✓ The amount that Themba should use to purchase an annuity is R200,000.

PROTECTION OF PERSONAL INFORMATION ACT (POPIA)

The purpose of the Act is to promote the protection of personal information processed by public and private bodies. In addition, it seeks to introduce conditions so as to establish minimum requirements for the processing of information.

When does the Fund share your information?

Information is released to third parties only if there is a need for the processing of that information for payment to be made.

Information is released in order to provide members with Fund benefits i.e., Risk Cover, disability cover and funeral cover

What you need to know as a member

We need for you to be aware that when you are signing your form as a member you give us consent to circulate your information to the tax office, your bank and underwriters in order for us to facilitate your payment.

We also need for you to be aware that when you start working for a particular employer they will provide us with your information (ID copy, Address details, Contact numbers, tax information etc.) in order for us to administer your retirement funds accordingly

FINANCIAL REPORT BACK

The financial position of the Fund is examined and reported upon each year.

The audited Financial Statements setting out the full financial position of the Fund are held by the Principal Officer and are available for inspection on request.

INCOME STATEMENT

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Accumulated Funds 1 January | R756,688,908 | R733,935,026 |
| Contributions | R116,366,769 | R110,526,629 |
| Income from investments | R39,763,300 | R167,173,582 |
| Other income | R9,000 | R9,500 |
| Reinsurance proceeds | R8,430,075 | R8,486,752 |
| Less | | |
| Benefit payments | (R134,399,784) | (R228,346,390) |
| Transfers out | (R3,488,386) | - |
| General Admin & Risk Expenses | (R25,053,814) | (R23,643,864) |
| Prior period adjustments | R1,153,889 | (R7,474,549) |
| Investment fees | (R4,142,143) | (R3,977,769) |
| Accumulated Funds at 31 December | R755,327,815 | R756,688,908 |

MEMBERSHIP DETAIL

| | Active Members | Unclaimed Members |
|------------------------------------|----------------|-------------------|
| Numbers at 1 January 2022 | 16,204 | 25,951 |
| New Members | 3,751 | |
| Less: | | |
| Withdrawals | (1,674) | (56) |
| Retrenchments | (179) | (3) |
| Retirements | (376) | (1) |
| Death | (80) | |
| Transferred to active members | | (282) |
| Transfer out | (17) | |
| Transfers to preserved benefits | | (7,947) |
| Adjustments | (1) | 1,359 |
| Unclaimed Benefits Paid out | | (775) |
| Numbers at 31 December 2022 | 17,628 | 18,246 |

SUMMARY OF BENEFITS PAID

| | 2022 | 2021 |
|----------------------------|---------------------|---------------------|
| Retirements | R47,837,585 | R75,044,475 |
| Withdrawals | R32,609,449 | R55,948,186 |
| Retrenchments | R37,401,234 | R79,341,910 |
| Deaths | R12,490,719 | R8,999,096 |
| Disability | R4,060,797 | R9,012,723 |
| Total benefits paid | R134,399,784 | R228,346,390 |

Please note that all figures contained in this report are based on the audited Annual Financial Statements as at 31 December 2022.

SUMMARY OF INVESTMENTS HELD

The Fund's assets are invested with Investec, Allan Gray, Oasis and Camissa (Kagiso).

The following table gives you the value of the Fund's assets as at 31 December 2022:

| Asset Manager | Rand Amount |
|------------------|---------------------|
| Allan Gray | R394,486,431 |
| Investec | R348,264,530 |
| Oasis | R1,291,102 |
| Camissa (Kagiso) | R138,216,893 |
| Total | R882,258,956 |

FUND RETURN

The Trustees together with Actuary of the Fund declared a smooth rate of investment return earned on the assets of the Fund.

The following table gives you the actual annual declared bonus declared by the Fund over the last 3 years as at 31 December:

| Period | Annualized Fund Return |
|---------------------------------------|------------------------|
| For the period ended 31 December 2020 | 00.828% |
| For the period ended 31 December 2021 | 15.493% |
| For the period ended 31 December 2022 | 07.660% |

The Trustees have however granted an enhancement benefit for the members that are leaving the Fund. The enhancement is granted as a once-off percentage on the value of the members fund credit. The enhancement rates are as follows:

| Period | Rate |
|----------------------------|--------|
| 01 Oct 2021 to 31 Jan 2022 | 11.00% |
| 01 Feb 2022 to 30 Apr 2022 | 15.20% |
| 01 May 2022 to 31 Jul 2022 | 09.50% |
| 01 Aug 2022 to 31 Oct 2022 | 00.70% |
| 01 Nov 2022 to 31 Jan 2023 | 00.80% |

If you have any questions concerning the information in this report, please contact the Principal Officer, or alternatively one of your Trustees.

The Trustees welcome your feedback and you are invited to communicate with them, any questions or ideas you would like considered. Should you have any complaints, these must please be directed to the Principal Officer, Tammy Naidoo, who will ensure that appropriate action is taken.

Should your query not be resolved please feel free to contact the Pension Funds Adjudicator

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This is not a legal document and in the case of any inconsistency between this document and the Rules of the Fund, the Rules of the Fund shall always prevail.