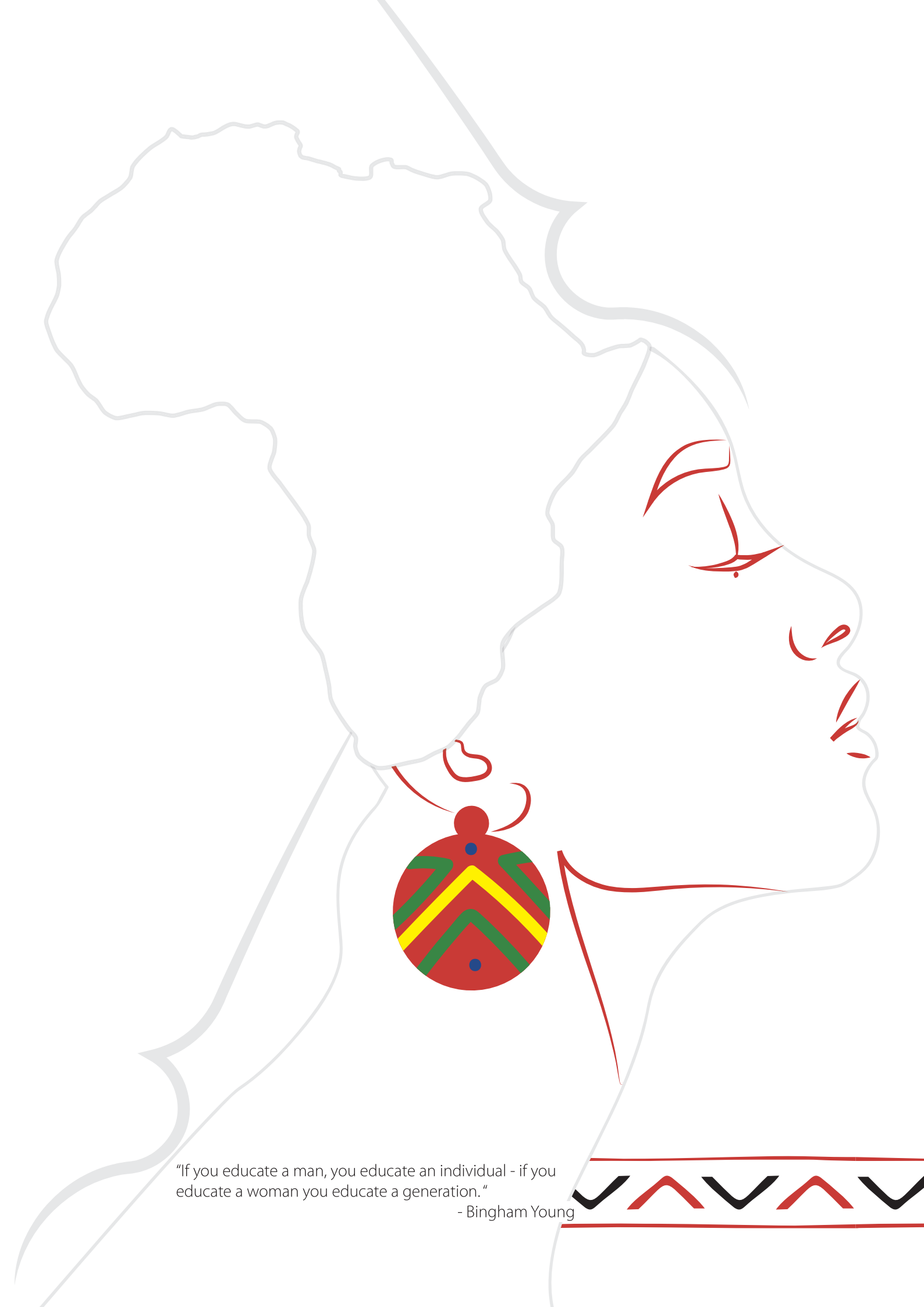


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FOR BEING OUR
PILLARS OF STRENGTH



TSHWANE
Municipal Provident Fund

Board of Management Report
2021



"If you educate a man, you educate an individual - if you educate a woman you educate a generation."

- Bingham Young

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1. Chairperson's Review

It is my pleasure to present the Board of Management Report of the Tshwane Municipal Provident Fund (the Fund) for the period ended 31 December 2021. Please take the time to read this report as it contains valuable information about the Funds' operations, as well as some regulatory changes that impact the Fund and possibly you as a member or annuitant of the Fund.

1.1 Annuitisation of provident funds

With effect from 1 March 2021, it became compulsory for a provident fund or provident preservation fund members to convert at least 2/3 of benefit into a pension (annuity) at retirement. This applies to accrued benefit in a provident fund or provident preservation fund from 28 February 2021 or future investment return thereon. This has been communicated extensively in the 2020 report.

1.2 Protection of Personal Information Act (POPIA)

Retirement funds had to comply with the requirements of the Protection of Personal Information Act with effect from 1 July 2021. Its purpose is to, amongst others, safeguard and regulate the manner in which personal information may be processed and provides members with rights and remedies if POPIA is contravened.

As a Board of Management, we are comfortable to advise that we are compliant with POPIA and that we have entered into the necessary engagements with our service providers to ensure adherence to the Act.

1.3 Personal contact details

The Board Members have a fiduciary duty to ensure that the Fund has the up-to-date personal contact details of all its members and pensioners on record. You are urged to contact the Fund to ensure that the Fund has your latest contact details on 086 637 778.

1.4 Operations of the Fund

As in the past, the Board Members remain pleased with the general service that all the relevant service providers delivered to the Fund. In conjunction with the Fund Consultant, the Board members continue to identify aspects of service delivery which can be improved on to provide all stakeholders of the Fund with a world-class experience. During the year, two service providers were appointed,

- i. AdviceCube – Housing loans
- ii. Vunani Benefit Administrators (sec 37C tracing services)

1.5 Acknowledgements

The Tshwane Municipal Provident Fund is a large and complex Fund, and as a result the role of a Board Member of the Fund is both demanding and onerous. The challenges experienced as a result of COVID-19 highlighted the conscientiousness a Board requires. Allow me to express a sincere word of thanks to my fellow Board Members for their dedicated contributions to the affairs and the well-being of the Fund over the past year.

Signature
Ms. Magdalene Siwela, CHAIRPERSON, 2021

2. Fund Governance



The Board of Management ("the Board") serves as the focal point and custodian of the corporate governance of the Fund. The Board has adopted a Code of Conduct which ensures that their roles, fiduciary duties and accountability are documented and adhered to, which includes governance responsibilities.

Pension Fund Circular 130 (PF130), as published by the Financial Sector Conduct Authority ("the FSCA"), provides guidelines regarding the fiduciary duties, governance and policies that funds must have in place. In addition, the King IV Report on Corporate Governance for South Africa 2016 ("King IV") contains 17 principles which should be applied in the policy and practice of the governance of the Fund. These principles assist in the establishment of an ethical culture in the Fund and ensure continuous entrenchment of the recommended practices through the Fund's governance processes and procedures. The Board aims to ensure that the Fund complies with applicable laws, FSCA directives and circulars.

2.1 Fund Profile






Board of Management

The Tshwane Municipal Provident fund is managed by a Board consisting of ten members, together with the Deputy Principal Officer and the Principal Officer of the Fund. During April to June 2022, the Fund concluded member elections. Extensive communication was distributed to members explaining the nomination and election process as well as the roles and duties of a Board Member. The election results were furthermore audited by BDO South Africa, the Fund's auditors. The newly elected Board is detailed below:

Name	Capacity	Start of term	Current term expires
Mr MS Matheba	Chairperson and Member Elected Trustee 	22/07/2020	21/07/2024
Ms M Siwela	Deputy Chairperson and Employer Appointed Trustee 	22/07/2020	31/08/2024


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Name	Capacity	Start of term	Current term expires
Mr LJ Moleli	Employer Appointed Trustee 	22/07/2020	31/08/2024
Mr NDD Motaung	Employer Appointed Alternate 	01/06/2022	31/08/2024
Dr F Manganye	Member Elected Trustee 	22/07/2020	21/07/2024
Mr M Steyn	Member Elected Trustee 	22/07/2020	21/07/2024
Mr G Kgwatla	Member Elected Trustee 	22/07/2022	21/07/2026

Name	Capacity	Start of term	Current term expires
Ms V Tshivhase	Member Elected Trustee 	22/07/2022	21/07/2026
Ms BD Mampane	Member Elected Trustee 	22/07/2022	21/07/2026
Mr AAT Ntamo	Member Elected Alternate 	20/04/2021	21/07/2024
Mr DPJ Kruger	Principal Officer 	01/04/2009	
Mr M Nkosi	Deputy Principal Officer 	01/11/2019	21/07/2026



Fund Committees

The Board of Management is supported by various committees which have delegated responsibility to assist it to fulfil specific functions.

Committee	Mandate
Committee	Manages all audit-related issues of the Fund. Oversees internal controls and risk management procedures. Assists in promoting the overall effectiveness of good governance
Investment Committee	Monitors the Fund's investment strategy and performance. Members are suitably qualified to judge the investment philosophy and actions of the Fund.
Benefits Committee	Recommends the distribution of lump sum death benefits to eligible beneficiaries in terms of section 37C of the Pension Funds Act ("the Act") for approval by the Board.
Communication Committee	Assists the Board in discharging its duties relating to communication to the active Fund members and pensioners in line with the objective and duties of the Board in terms of section 7C and 7D of the Act, as well as the principles of Treating Customers Fairly, as set out by the FSCA.

2.2 Conduct

The Fund is committed to achieve the highest standards of governance and ensures strong ethical behaviour. Board Members are required to comply with the Fund's Code of Conduct.

Our Code of Conduct embodies the ethical characteristics listed in King IV and sets out the roles and responsibilities of the Board Members to ensure good corporate governance.

The Code:

Outlines ethical standards and procedures for the disclosure and management of conflicts of interest;

- Dictates confidentiality rules;
- Dictates compliance with the Rules of the Fund and applicable legislation; and
- Includes provisions to ensure fair treatment of members and beneficiaries and that Trustees act in the best interest of the Fund.

A Gift Policy is included in the Code of Conduct and adheres to the provisions of Directive 8 – Prohibition of Acceptance of Gratification. Any breaches of the Gift Policy must be reported to the FSCA. No such breaches occurred in 2021 and 2022. The Board is committed to comply with the requirements of Directive 8 and ensures that the directive is appropriately managed through a gift registry update at every meeting.

Neither the Board of Management nor any individual Board Member breached the Code of Conduct during 2021 and 2022. No regulatory penalties, sanctions or fines for contraventions of or non-compliance with regulatory obligations were imposed on the Board of Management or its individual members.

The attendance at Board of Management meetings during 2021 and 2022 was 98%.

2.3 Conflict of Interest

To hold the Board Members accountable for ethical and effective leadership, the Fund has a Conflict-of-Interest Policy. Part of the requirements of the Conflict-of-Interest Policy is that all Board Members complete a Declaration of Interest Form annually. No interest of concern was raised in 2021.

2.4 Training

The Fund also maintains a Trustee Training register. This register is circulated at each Board meeting and updated accordingly. The following training was provided to the Board Members during 2021 and 2022:

Type of training	Training date
PFA Section 37C Death Benefits	13 August 2021
Retirement Fund Trustee Governance and Ethics Part 1	20 August 2021
Retirement Fund Trustee Governance and Ethics Part 2	8 October 2021
Fundamentals of Investing Part 1&2	15 October 2021
Infrastructure Investing	22 March 2022
Responsible Investing Part 1	19 May 2022
Responsible Investing Part 2	20 May 2022

The Board Members further attend industry training events on an ad hoc basis which are recorded in the Trustee Training register. Board Members are provided with the latest industry and legislative developments and summaries of noteworthy Adjudicator Rulings on a quarterly basis. All noteworthy industry/legislative developments are discussed at the quarterly Board meetings.

2.5 Operations of the Fund

While the Board retain overall responsibility for the Fund, it delegates actuarial, administrative, consulting and investment functions to the Actuary, Administrator, Consultant and Investment Consultant respectively to manage the day-to-day business and affairs of the Fund.

The Fund has a Service Provider Policy which requires service providers to prescribe to ethical behaviour. In this regard service providers are required to confirm to the Fund how they address ethics, confidential information, risk and compliance management. The Board is satisfied that all the Fund's service providers manage these issues in a satisfactory manner. The Board also remains comfortable with the quality of the Fund's service providers' performance.

The following service providers have been appointed by the Board of Trustees to assist with the management of the Fund.

Principal Officer	Mr D Kruger
Deputy Principal Officer	Mr M Nkosi
Actuary	Ms G Grobler- Alex Forbes
Investment Consultants	Riscura
Auditors	BDO South Africa
Administrators	Sanlam
Consultants	Simeka Consultants and Actuaries



BOARD OF MANAGEMENT REPORT

You are reminded that the Fund offers financial advisory services to members, provided by a panel of two preferred service providers. Members who are considering retirement, have resigned from the Employer or want to exercise individual investment choice are encouraged to make use of the advice service.

The service providers are:

- Absa Financial Planning Consultants
- ConsultM Financial Advisors

2.6 Risk Management

As part of the responsibility to manage the risks in the Fund, the Board maintains a risk management tool and follow a four-step approach to manage risk, namely: to identify risk, assess the risk, putting mitigating controls in place and monitoring the effectiveness of these controls. The Audit Committee and the Board of Management annually review the Risk Management Policy and risk management tool.

All identified risks, the impact and/or probability of risk rating and the controls to reduce the impact of the identified risks were documented in the risk management framework and reviewed at the Board meeting held on 11 June 2021.

2.7 Information and Technology

The Fund has a Data Protection and Information Technology Management Policy in place which, inter alia, identifies key risks linked to the protection of data and information. The service providers' management of these key risks are measured and reported to the Board and any concerns are raised with the relevant service provider to be effectively addressed.

In terms of the Code of Conduct, Board Members must respect the confidentiality of the information pertaining to the Fund and may not release it to any person unless such person has a lawful right to such information.

All the Fund's service providers are required to confirm on an annual basis that they have a disaster data recovery plan in place. In terms of the service agreements, service providers are required to treat all Fund information as confidential. Service providers are required to take such steps to ensure that their directors, employees, contractors and agents comply with the confidentiality provisions and any law which may become applicable to the holding and use of personal information.

Due to the Fund's data primarily being stored on the servers of the administrator, there is a cybercrime clause included in the fidelity cover of the administrator to reimburse the Fund in the event of any losses due to data leakages because of cybercrime.

2.8 Promotion of Access to Information Act (PAIA)

The Promotion of Access to Information Act (PAIA) gives effect to the constitutional right of access to information held by any private or public body that is required by any individual for the exercise or protection of rights.

Therefore, PAIA gives a member of a retirement fund the right to access information that he or she might require for the exercise or protection of any of his or her rights. A fee may be levied for the cost of providing the information.

PAIA requests

PAIA requires retirement funds to compile a manual which will assist persons who want to exercise their right to access to information. A manual on the information available to you is available on the website of the fund and at the registered address of the fund by completing a PAIA request form.

You are entitled to request information pertaining to your benefits in the fund, as well as the documents that are available in terms of the Pension Funds Act (the fund rules, valuation report, financial statements and risk benefit policies). This information may be requested without a formal PAIA request form.

However, should you need any information outside of this scope, or should a third-party request information regarding a member of the fund, the PAIA request form must be completed for consideration by the information officer of the fund.

Fees

Fees for providing you with information may be charged and are set out in the PAIA manual.

Should you want to exercise your right of access to information, you can download or review the manual on the fund's website, as well as the prescribed request form and fees you need to pay, if any.

2.9 Complaints

The Complaints Policy as adopted by the Board refers to adequate dispute resolution mechanisms and processes to resolve a dispute. All formal complaints received are reported to the Board and effective resolution is monitored.

A complaints line is available to members at the administrator which deals with members' day-to-day queries. Complaints are forwarded to the relevant Fund administrator and are escalated to either the Administration Operations Manager or the Consultant for assistance. Most queries are resolved immediately, resulting in the number of formal complaints being very low.

All formal complaints are lodged on the complaints register from where progress on their resolution is tracked and reported on to the Board on a quarterly basis.

3. Regulatory Developments - February 2022

Early access to retirement benefits and compulsory preservation (the “two-pot system”)

Many South Africans find themselves in financial difficulty due to the Covid-19 pandemic and have requested that Government allow early withdrawals from retirement funds. Even though retirement savings should preferably only be used for retirement provision, Government recognises that there might be a need to allow limited withdrawals prior to retirement.

Even if early withdrawals from retirement funds are allowed, retirement savings still need to be safeguarded. Government is therefore considering a “two-pot” system. Contributions made by employees to their retirement funds will be channelled to two pots, where one pot of two-thirds is to be preserved until retirement, while the other one-third can be accessed prior to retirement. This means that going forward one-third of a member’s contributions to his/her retirement fund may be accessible from the date such a change to legislation is implemented.

In terms of current proposals, members will be able to make such a withdrawal at any time, but only once a year and it might be subject to a minimum amount. Members should not feel compelled to make a withdrawal every year, as the option will still be available to them in future. The cost of such a withdrawal would be paid by the member making the withdrawal to avoid other members having to pay for it.

The proposed effective date is March 2024. The taxation of such withdrawals is still being considered.

If such a two-pot system is introduced to allow partial access to retirement savings, Government has stated that preservation must then accompany such access, to ensure sufficient retirement provision and avoid old-age poverty and reliance on the state. Many members of retirement funds do not preserve their benefits, but rather “cash out” every time they change jobs. It is proposed that the two-third pot will have to be preserved until retirement.

Note that the proposed two-pot system is still under consideration and the draft proposal is being consulted on with the retirement funds industry and other stakeholders.

Investments *Budget speech*

The board of management of a retirement fund must invest the assets of the fund responsibly and within the confines of the Pension Funds Act, 1956. For example, Regulation 28 to the Act states that a maximum of 75% of the fund’s assets may be invested in shares and a maximum of 25% in property. In the budget speech of February 2022, the Finance Minister said that a process has been started to change regulation 28 so that funds may invest more of its assets in infrastructure.

The limit for the fund to invest offshore has been increased to 45%, which includes a 10% allowance for investment in Africa.

National Treasury: Technical Paper 2021 - Financing a Sustainable Economy

On 15 October 2021, National Treasury published a technical paper regarding encouraging more long-term investments in sustainable economic assets, activities and projects. Where previously financial institutions would only focus on the return on investment of projects, the focus on sustainable finance encourages them to also be aware of how their investment decisions impact the environment. It is possible for larger retirement funds to consider specific sustainability-themed investment funds.

Financial Ombud System

On 29 July 2021, National Treasury and the FSCA published an invitation for public comments on a diagnostic study, entitled South Africa - Financial Ombud System Diagnostic. The study proposes the amalgamation of the different ombud schemes for financial services currently operational in the country, which is currently fragmented, complex and costly.

Recommendations in the study include the establishment of a National Financial Ombud (“NFO”), a new non-statutory body, to replace the current ombud schemes, namely the long term and short-term insurance ombuds, FAIS ombud, JSE ombud, credit ombud and ombud for banking services, but excluding the office of the Pension Funds Adjudicator. The consolidation of ombud schemes should be managed by the new NFO board, which should be appointed at the earliest possible opportunity, so that it can establish the NFO, oversee the consolidation process, and make any necessary design decisions.

The NFO should be independent from the financial services industry and from Government. It would handle all complaints that seek redress from providers of financial services including credit, to enable the National Credit Regulator and the FSCA to focus on dealing with enforcement, systemic sector-wide issues, and broader financial literacy efforts.

Tax treatment of pensioners with multiple sources of income

In the case where a pensioner receives two or more sources of employment income (one source being a retirement fund or an insurer paying a pension), the tax rebate which taxpayers are entitled to, will only be applied once during the tax year and not on both income streams.

SARS will issue tax directives before the end of the tax year to the entity paying the pensions (the administrator of the fund or the insurer), instructing the tax rate at which PAYE must be calculated. SARS indicated that they would communicate to those pensioners, explaining the changes.

Where a pensioner’s circumstances change during the year, such as where other employment income ceases or the pensioner dies, the retirement fund administrator may apply the normal PAYE withholding rate, as opposed to the withholding rate provided by SARS, with effect from the month in which the administrator becomes aware of the change in circumstances. The effective date of this change is 1 March 2022.


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5. Annual Actuarial Valuation of the Fund as at 31 December 2020

Tax on emigration

Last year's proposal regarding tax when changing residence showed that multiple tax treaties need to be revised to ensure South Africa retains taxing rights on payments from local retirement funds. In the 2022 budget, the Minister confirmed that Government intends to initiate these negotiations this year.

4. Rule Amendments

The Board of Management regularly review/s the Rules to ensure compliance with the Fund's practice, relevant legislation and industry trends. During the reporting period, rule amendment 17 dealing with legislative changes was submitted and approved by the Financial Sector Conduct Authority.

The most recent valuation report as at 31 December 2020 in respect of the Fund showed that the Fund was 100.6% funded. The Fund is in a sound financial position as at the valuation date.

The market value of the Fund's assets managed by the asset managers as at 31 December 2020 was **R5,889,105,475**.

6. Annual Financial Statements

The Fund's income and expenses for the year to 31 December 2021 were as follows (extracted from the audited financial statements):

	2021	2020
	R	R
ASSETS		
Total value of investments	7,425,701,651	5,889,105,475
INCOME		
Contributions received and accrued	580,761,032	526,492,632
Net investment income	1,191,366,661	504,103,815
EXPENSES		
Expenses to run or administer the Fund	12,322,334	10,289,573
Board of Fund expenses	1,020,584	290,049
Principal Officer's Office expenses	573,305	526,100

MEMBERSHIP STATISTICS:

Active members	6,057
Pensioners	28
Unclaimed benefits	59
Total Membership	6 144

WOMEN
ARE THE REAL ARCHITECTS
OF SOCIETY.

- Harriet Becher Stowe

7. Investment of the Fund's assets

Code of Responsible Investing in South Africa

The Board understand the importance of good governance in the management of the affairs of the Fund and fully support the Code of Responsible Investing in South Africa (CRISA). They have agreed, in line with Regulation 28, King IV and Guidance Note 1 of 2019, that the Fund will follow a responsible approach to investing its assets, based on a sustainable long-term risk aligned philosophy, taking account of the liabilities of the Fund.

The Board ensures that appropriate consideration is given to any factor which may materially affect the sustainable long-term performance of the Fund's assets, including ESG considerations. They have agreed that it is appropriate for the investment managers appointed by the Fund to consider matters relating to ESG as an integral part of their mandates and ongoing investment management activities, as these managers are best positioned to do so.

The Board measures the compliance of these factors annually and no non-compliance in this regard was reported.

Investment Policy statement

The Investment Policy Statement of the Fund is available to members at no cost at the registered office of the Fund. A copy of this document can also be accessed on the member website.

8. Electronic Benefit and Projection Statement

As of 2020, the Fund distributes both benefit and projection statements electronically should the Fund have your email address on record. Members are able to access their statements via an attachment emailed to them. The statements are password protected by your identity number or your passport number. Hard copies of statements are printed for members who do not have access to email or the internet and they are available at the Fund's walk-in centre.

Members can also access all statements distributed to them via the above platform, using their identity numbers as password. Remember, the projection statement accompanying your benefit statement only serves as a guideline to determine the estimated monthly pension as at normal retirement date.

9. Complaint Procedure

A complaint against the Fund must be submitted to the Fund in writing. It must be submitted to the Principal Officer or Administrator of the Fund whose contact details appear above. The principal officer or administrator of the Fund will acknowledge receipt of the complaint in writing to the member or beneficiary. The Fund will attempt to resolve the complaint within 30 days of receipt of the complaint.

In the event that the complaint cannot be resolved to the satisfaction of the member or beneficiary, the Fund will advise the member or beneficiary of the reasons why the complaint could not be resolved and what recourse the member or beneficiary may have. The member or beneficiary may have recourse to refer the matter to the Pension Funds Adjudicator whose contact details appear at the end of this report.

10. Pension Funds Adjudicator

You can contact the Pension Funds Adjudicator if your complaint against the Fund was not resolved to your satisfaction. The Adjudicator's rulings have the same legal effect as a civil judgment.

A spouse or a former spouse of a member/former member is also allowed to lodge a complaint with the office of the Pension Funds Adjudicator.

Tel number	012 346 1738 / 012 748 4000
Fax number	086 693 7472
Email	enquiries@pfa.org.za

11. Fund Contact Details

Please notify the Fund if any change in name, address, banking details or circumstance is likely to affect your membership or benefit in the Fund as well as contact detail changes.

Administration Manager	Name: Puleng Pakamile Tel no: 011 284 1271 Email address: Puleng.Pakamile@sanlam.co.za
Client Relationship Manager	Name: Mokgadi Moreroa Tel no: 012 683 3755 Email address: Mokgadi.Moreroa@sanlam.co.za
Senior Benefit Consultant	Name: Tich Makota Tel no: 012 369 8802 Email address: Tich@simekaconsult.co.za
Principal Benefit Consultant	Name: Janine Jacobs Tel no: 012 436 9913 Email address: Janine@simekaconsult.co.za
Deputy Principal Officer	Name: Mandla Nkosi Tel no: 076 6627 461 Email address: mandla.nkosi1@vodamail.co.za
Principal Officer	Name: Dauw Kruger Tel no: 083 653 4283 Email address: Kruger.dauw@gmail.com
Call Centre line	086 063 7778
Walk-in- centre	368 Sanlam Building Cnr Madiba and Sisulu Street Midtown

If you need more information on the Fund you may contact the Benefit Consultants or Principal Officers.

Please contact the Principal Officer if you have any complaints about the Fund.