

Actuarial Valuation Report
IF Umbrella Provident Fund
(PF No. 12/8/37452)

31 May 2013

Prepared by:
ARGEN Actuarial Solutions | FSP Number 38235
April 2015



EXECUTIVE SUMMARY

Summarised below are the main findings of the actuarial valuation as at 31 May 2013 of the IF Umbrella Provident Fund.

1. Introduction

This valuation presents the Fund's financial position as at 31 May 2013 and considers the Fund's experience since the previous valuation on 31 May 2010.

The purpose of the valuation is to determine the financial position of the Fund and comment on developments since the previous valuation. In particular, to comment on the extent to which the qualifications raised in the previous valuation have been addressed. This valuation will further serve as an indication of the reliance that can be placed on the Fund's records in light of the intended winding up of the Fund.

This report should be read together with the Fund's financial statements as at the same date, specifically noting the subsequent events, significant matters and notes on litigation.

2. Fund history and developments since the previous valuation date

The Trustees ordered a comprehensive re-build of administrative records in respect of the period from inception to the previous valuation date. The re-built member records, with some adjustments, have subsequently been captured on the administrator's system and are currently managed on that system. This valuation includes a review of the transfer of member records onto the new system and the subsequent administration of these records.

The Fund has been closed to new members and benefit payments as well as transfers into or out of the Fund were partially suspended pending conclusion of the re-build exercise and confirmation of the Fund's financial position. Members who exited the Fund during the latter part of this valuation period received provisional exit benefits of a return of their own contributions. Subsequent to the valuation date members started receiving partial benefits of 80% of their Shares of Fund on exit.

Rule Amendment 1 was registered after this valuation date which allows for surpluses or shortfalls in the Fund to be distributed to members.

We were advised that assets were realigned with the applicable liabilities after this valuation date.

The Fund's administrator gave notice of the termination of their services to the Fund effective 31 May 2014. As a result, the Trustees are compelled to close the Fund for further contributions as from that date and it was decided that the Fund will be wound up as soon as all the Fund's affairs have been brought up to date.

3. Membership of the Fund

	31 May 2010		31 May 2013	
	Number of participants	Member liabilities	Number of participants	Member liabilities
Active members	3 978	211 736 036	3 450	384 512 037
Benefits payable	2 424	48 890 908	4 172	73 087 316
Adjustments to benefits payable			47	1 081 967
	6 402	260 626 944	7 669	458 681 320
Participating Employers	88		85	

4. Financial position of the Fund

The valuation results, based on the value placed on assets and liabilities as described in this report, are as follows:

	31 May 2010	31 May 2013
Value of assets	240 228 635	448 704 729
Market value of invested assets	236 435 855	428 991 736
Current assets	3 792 780	19 712 993
Value of liabilities	254 061 545	459 464 648
Member liabilities	211 736 036	384 512 037
Benefits payable	48 890 908	73 087 316
Adjustments to benefits payable	-	1 081 967
Unknown deposits allocated	-	1 296 105
Payable expenses to be recouped	(6 565 399)	(512 777)
Surplus/(deficit)	(13 832 910)	(10 759 919)
Funding level	94.6%	97.7%

The potential impact on the above position if the actual experience should deviate from the assumptions used in this valuation should be kept in mind when the results of this valuation are considered. The key variables that could have an impact on the results of this valuation are as follows:

- The provision of approximately R1 839 665 for possible liabilities in respect of unallocated deposits may be overstated by up to the same amount.
- Any possible recovery of costs incurred as a result of previous alleged maladministration from previous Trustees or the administrator will improve the Fund's financial position.
- We are satisfied that the current administrator and Board of Trustees have taken all reasonable steps to address all known concerns in respect of data received from the previous administrator. However, the possibility of some future liability in respect of unknown historical data issues might not be excluded with total certainty.

There were a number of material data variations in respect of both assets and liabilities used in the previous valuation, especially in respect of previously overstated provision for unpaid benefits. Processing variations in respect of the management of the Fund's records during this period were negligible.

For the purpose of this valuation it is assumed that all Participating Employers are equally funded.

5. Conclusions

The quality of data used for this valuation improved substantially since the previous valuation. The material data issues that were carried forward from the previous valuation were also addressed as far as can reasonably be expected. We are therefore of the opinion that the financial position as reported in this valuation is a reasonable reflection of the Fund's financial position, notwithstanding the highly qualified financial statements as at this valuation date. We expect the next financial statements to be much less qualified if the auditor should concur with our findings.

The key data items that could impact on the Fund's financial position still relate to some historic cash transactions that cannot be matched to individual records. Further, while we have no reason to suspect any material over- or understated benefit payments by the previous administrator, we are still not in a position to confirm the accuracy of benefit payments with absolute certainty.

Individual data variations can, to some extent, be managed over time where a fund operates as a going concern. However, accuracy on individual level is now of greater importance given this Fund's current circumstances where the Fund is about to be wound up.

We are satisfied with the accuracy and completeness of the transfer of the re-built values (as adjusted) to the new administration system. We are further satisfied that the administration of member records during this period were, to the best of our knowledge, accurate and consistent with the Fund's Rules.

We have no reason to believe that individual investment choices were not correctly implemented in the member records. However, the actual invested assets were not accurately matched with the applicable liabilities. It should therefore be noted that the Fund remains exposed to potential adverse experience until such time that the assets and liabilities are accurately matched.

6. Recommendations

The key recommendations of this valuation can be summarised as follows:

- We recommend that the underlying investment portfolios be regularly realigned with the applicable liabilities.
- We recommend that the provision for operational expenses after the valuation date be actively managed through the Expense Reserve Account. We further recommend that the equitable allocation of general operational expenses during the winding up of the Fund be considered after the contributions to the Fund are discontinued.
- The Board of Trustees needs to submit a scheme to the Registrar to bring the Fund back to a financially sound position in accordance with the Rules of the Fund, the Pension Funds Act and the applicable regulations.

7. Statement by the Valuator

Based on the results of this valuation I can certify that:

- The results show a funding level of 97.7% based on the values placed on assets and liabilities as described in this valuation. The Fund was therefore not financially sound as at the valuation date.
- I am of the opinion that the investment strategy and nature of the assets is not unsuitable given the liabilities of the Fund. However, as at this valuation date assets and liabilities were not accurately matched. I am specifically not expressing an opinion on the applicable investment choices.
- I believe that the reinsurance arrangement remains appropriate to ensure the financial soundness of the Fund, provided that it remains consistent with the benefits in terms of the Special Rules of each Participating Employer.



C Heymans FASSA

Fellow of the Actuarial Society of South Africa, in my capacity as Valuator of the Fund and actuary employed by ARGEN Actuarial Solutions.



T Doubell FASSA

Fellow of the Actuarial Society of South Africa, in my capacity as an employee of ARGEN Actuarial Solutions.

April 2015