

Actuarial Valuation Report of the

IF Umbrella Provident Fund

(PF No 12/8/37452)

as at

31 May 2010

EXECUTIVE SUMMARY

Summarised below are the main findings of the actuarial valuation as at 31 May 2010 of the IF Umbrella Provident Fund:

1. Introduction

This valuation presents the Fund's financial position as at 31 May 2010 and considers the Fund's experience since the Fund's inception on 1 January 2004. This is the Fund's first statutory valuation.

The Trustees ordered a comprehensive re-build of administrative records. The results of this re-build exercise formed the basis for this valuation.

The purpose of the valuation is mainly to review the re-build and to determine the corresponding financial position of the Fund as at the valuation date.

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. Membership of the Fund

	Number of participants	Member liabilities	Annual Salary
Active members	3978	211 736 036	454 482 737
Unclaimed benefits	2424	48 890 908	
	6402	260 626 944	
Participating Employers	88		

3. Financial position of the Fund

Given the administrative history, we were not in a position to determine the Fund's exact financial position as at the valuation date. For the purpose of this valuation we placed estimated values on the assets and liabilities of the Fund, based on our interpretation of the information at our disposal.

For the purpose of this valuation, the funding level is calculated for the Fund as a whole and it is assumed that all Participating Employers are equally funded.

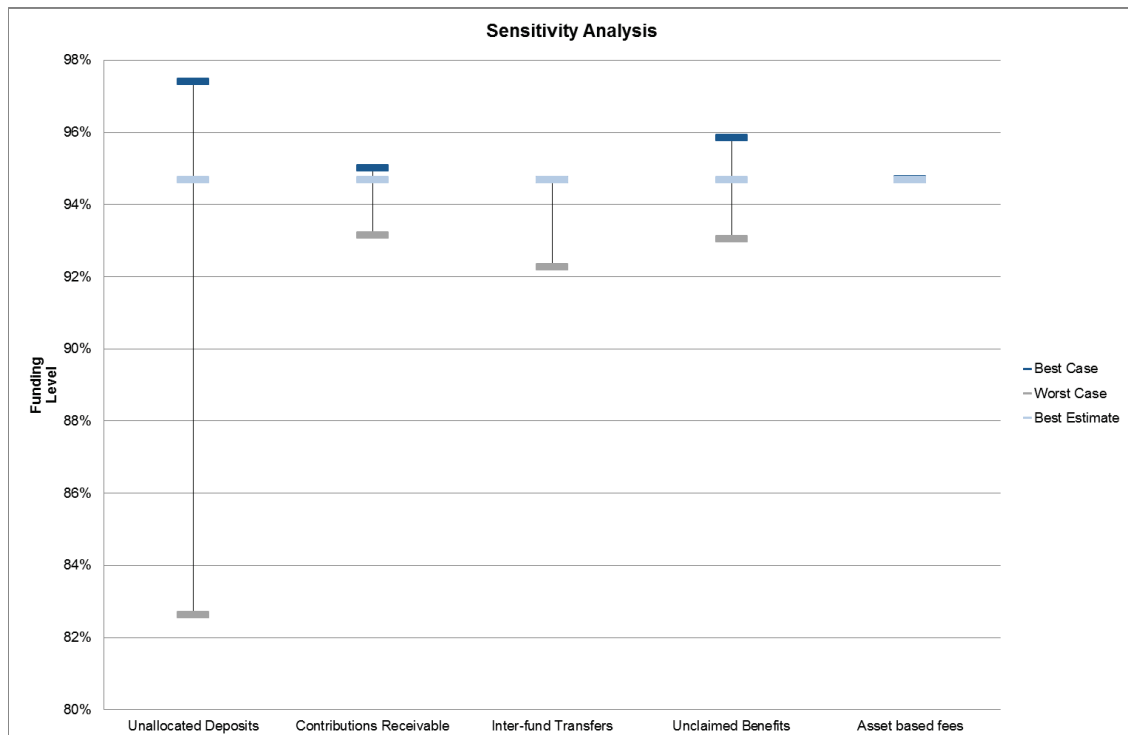
The valuation results, based on a best estimate set of assumptions, are as follows:

31 May 2010	
Value placed on assets	240 228 635
Market value of assets	236 435 855
Net current assets and liabilities	3 792 780
Value placed on liabilities	254 061 545
Member liabilities	211 736 036
Unclaimed benefits	48 890 908
Re-build expenses	(6 310 182)
Asset based fees	(255 217)
Surplus/(deficit)	(13 832 910)
Funding level	94.6%

The methods and assumptions used, as well as the potential sensitivity of these results to different assumptions, should be carefully considered when any decisions are based on the results of this valuation.

We were not in position to perform an analysis of the Fund's experience that led to the current financial position. We do, however, believe that investment profits and losses arising from the misalignment between assets and liabilities could have been material.

Potential variations to the funding level under different potential outcomes in respect of the respective assumed provisions can be illustrated as follows:



4. Recommendations

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

- We recommend that the Rules of the Fund be amended to allow for the allocation of any surplus or shortfall arising in the Fund to members' Shares of Fund;
- We recommend that a Data and Processing Reserve Account be established in the Rules of the Fund and that any assets in excess of the Fund's liabilities as a result of positive data or processing variations be allocated to this account;
- We recommend the on-going investigation into data items that could impact on the Fund's financial position as reported in the valuation, especially unclaimed benefits, unknown deposits and inter-fund transfers;
- We recommend that the underlying investment portfolios be realigned with members' individual investment choices;
- We recommend that the Fund's experience after the valuation date be closely monitored and that the financial position and recommendations as set out in this report be reassessed in the event of any material new developments;
- We recommend that the provision for operational expenses after the valuation date be actively managed through the Expense Reserve Account; and
- We recommend that benefit pay-outs only re-commence once the Rules have been amended as suggested above and when more information is available to remove some of the uncertainties surrounding the funding level to be applied to exits.

5. Conclusions

We are in general satisfied with the methods and assumptions used in the re-build of individual member records. Besides any potential individual data discrepancies, we are satisfied that the sum of all Shares of Fund used for the purpose of this valuation is a true reflection of the Fund's liabilities. We are therefore of the opinion that the re-build exercise successfully achieved its main objective.

Discrepancies were identified between the re-built Shares of Fund and the original system records. We recommend that the cases in question be individually reviewed to confirm that the correct data was used in the re-build.

The Fund's financial position is subject to significant deviation from the funding level as reported in this valuation. This is mainly due to the limited reliance that could be placed on the fair value of assets as reported in the highly qualified financial statements.

The data and processing variations that could have a material impact on the Fund's financial position on and after the valuation date include the following:

- The value placed on net current assets and liabilities for the purpose of this valuation were based on assumptions in respect of provision for unclaimed benefits, unknown deposits, contributions receivable and inter-fund transfers. The financial position of the Fund will change to the extent that further information that may come to light after the valuation date differs from the assumptions used for the purpose of this valuation.
- A positive outcome of litigation against the Fund's current and previous administrators may result in additional assets that are not provided for in this valuation.
- The mismatch between underlying investments and members' Shares of Fund in the corresponding investment portfolios may result in on-going investment profits and losses until such time that assets and liabilities are realigned.

We should be able to determine the Fund's financial position with more certainty as the quality of the Fund's data is improved over time following further investigations by the current administrator. However, the on-going financial soundness of the Fund can only be certified once the key unknown data items have been confirmed (or corrected) and assets and liabilities are aligned.

We therefore recommend that the necessary corrective action be implemented as set out in this report and that the Fund's financial position be reassessed at regular intervals.

6. Statement by the Valuator

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

- The results show a funding level of 94.6% based on the valuation methods and best estimate assumptions used in this valuation. The Fund was therefore not financially sound as at the valuation date.
- We are 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 appropriately matched.
- We 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

Fellow of the Actuarial Society of South Africa, in my capacity as Valuator of the Fund and an employee of Genesis Actuarial Solutions.



T Doubell

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

March 2013