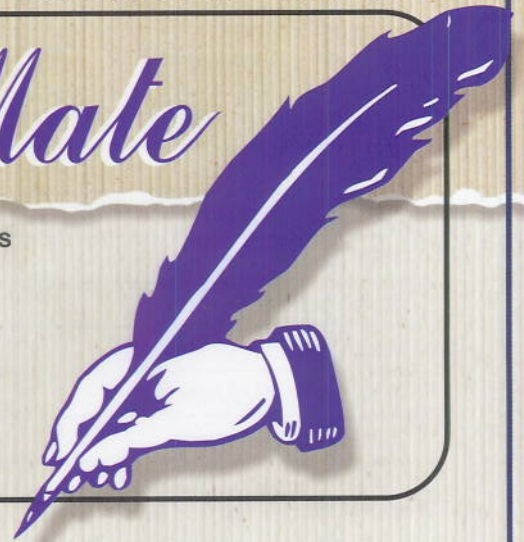


# Penmaat Pen Mate

Amptelike nuusbrief van die Nasionale Fonds vir Munisipale Werknemers  
 Official newsletter of the National Fund for Municipal Workers

P.O. Box 2832 Montana Park 0159. Website/Webtuiste: [www.nfmw.co.za](http://www.nfmw.co.za)  
 Tel: (012) 523 5000 • Faks/Fax: (012) 523 5010  
 e-mail/e-pos: [nfmw@rfsolutions.co.za](mailto:nfmw@rfsolutions.co.za)  
 Share Call number: 086000 nfmw (6369)



## NFMW Investments April 2010

### 1. The Economic Environment

If every year had a theme, then 2008 would have been the year of the financial crisis and 2009 (and so far in 2010) the year of healing through monetary and fiscal stimulus packages. Government intervention has so far been successful in restoring much needed business and consumer confidence, together with trust in the financial system.

Global economic activity rebounded strongly as most developed economies emerged from recession. The extent of investor risk appetite during the last quarter of the year reflected increasing improvement in global economic fundamentals. Indeed, most developed economies emerged from recession by the third quarter of 2009, albeit at different speeds - the rate of the recovery depending on the level and aggressiveness of government stimulus and the degree to which currencies could depreciate.

However, there are constant reminders that the economic recovery remains fragile. The Dubai debt debacle sparked off another wave of concern when the government proposed a delay in all debt repayment – an indication that the US is not alone in dealing with an over-leveraged economy. Greece had its debt rating downgraded by the credit rating agencies and "PIIGS" emerged as a well used acronym, referring collectively to the European countries (Portugal, Ireland, Italy, Greece and Spain) that face economic troubles.

Governments around the world face two major headwinds: lack of income/revenue resulting in budget deficits and ballooning debt. These problems are more prevalent in the developed world than in emerging markets and might result in emerging market debt being deemed safer than developed market debt. Developed governments will have to introduce higher taxes and reduce their spending to curb large fiscal deficits. This will act as a drag on economic growth. In contrast, the emerging world will grow faster as government finances are stronger and their domestic economies less leveraged. This has the potential to create a new world order where the emerging world becomes the new leader.

Locally the South African Reserve Bank is forecasting conservative growth of 2% for the local economy during 2010. The employment outlook is a key determinant of the recovery in domestic demand but one of the biggest risks remains higher inflation which could stem from Eskom's proposed electricity tariff increases.

### 2. NFMW Investment Position

2009/2010 also saw the development of revised investment strategies for the individual portfolio options of the Fund i.e. the member choice portfolios. Together with the revision of the long term strategies and objectives of the various portfolios, came some changes to the asset managers managing the assets of the Fund.

A short description of the various individual member portfolios, their strategies and objectives are listed in the table on page 2:

continue on page 2

Individual Portfolio	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth
Investment Objective	CPI + 1% p.a.	CPI + 2.5% p.a.	CPI + 3.5% p.a.	CPI + 4.5% p.a.
RSA Active Equity	0%	15%	32.5%	60%
RSA Index Equity	0%	15%	15%	0%
RSA Bonds	0%	30%	17.5%	7.5%
RSA Property	0%	5%	5%	10%
RSA Cash	100%	25%	5%	2.5%
RSA Alternative Assets	0%	10%	10%	10%
International Assets	0%	0%	15%	10%

Furthermore, the Fund will make use of specialist managers to manage the assets of the Fund. Where the individual portfolios have exposure to a specific asset class, the same managers will be utilised to manage the assets pertaining to the specific individual portfolios, albeit in different proportions as indicated in the above table. Indicated in the table below is a list of the Fund's current, mandated specialist managers:

<b>SA Active Equity</b>
Allan Gray Equity
Coronation Domestic Equity
Investec Contrarian
<b>SA Passive Equity</b>
SIM Index Tracker
<b>SA Bonds</b>
Investec Bonds
Coronation Bonds
<b>SA Property</b>
Catalyst Property

<b>SA Cash</b>
Atlantic Cash Plus
SIM Cash
Securitised Debt
<b>SA Alternatives</b>
To be decided
<b>International</b>
Allan Gray Best Foreign View
Morgan Stanley Global Brands
Templeton Global Bonds
Barclays PLC
The Millennium Wave Funds
All Seasons Absolute

We trust that the specialist managers will provide the Fund and its members with excellent performance over the longer term as retirement savings accrue over many years during a member's working life.

#### Indemnity statement

The National Fund for Municipal Workers does not accept liability for any loss, or damage that may be incurred as a result or consequence of reliance upon the information in this document. In the event of any conflict between the information in this document and the Rules and Insurance Policy of the fund, the Rules and / or Policy will apply.

## Normal Retirement Age

The fund has recently received numerous queries with regard to the normal retirement age of the members of the National Fund for Municipal Workers (NFMW). This was mainly due to some funds operating within local government reducing their normal retirement age.

It is of utmost importance to explain that an employee's retirement age is usually determined by certain factors. First of all, an employee's employment contract or conditions of employment may stipulate the age applicable or the employment contract would refer to the Rules of the retirement fund the employee is a member of. The normal retirement age of the National Fund for Municipal Workers is 65. Only members from the City of Cape Town who became employees of the council after 1 July 2007 have a normal retirement age of 63. As mentioned above, the Rules of the Fund are not the only determining factor. As an example, employees working within certain departments like the Fire Brigade may have a lower retirement age, if specifically stipulated in their employment conditions.

The normal retirement age specified in the Rules of a fund have two specific goals, firstly to determine the maximum age at which members have to retire and to determine the age when risk benefits cease. Therefore, because this fund's rules refer to a normal retirement age of 65, it means that NFMW's member risk benefits cease at age 65. In terms of the Rules of the fund, members may, however, still retire earlier from age 50, but will at this stage only receive retirement tax rebates from age 55. The fund has lodged an approval request to the South African Revenue Service to allow for retirement tax rebates from age 50.

Government's social old age pension is payable from age 60, but it must be understood that an individual's assets and other income will be utilised to calculate whether a person will be eligible for such a grant from government.

The latest statistics show that less than 4% of employees who retire in South Africa, retire financially sound. It is therefore clear that it is beneficial for a fund to have an as high as possible normal retirement age, as retirement can then be postponed and risk benefits remain intact. Retirement should be determined by the date when an individual can afford to retire.

For further queries, please contact the fund at 086 000 6369.



## Risk Choices

Every year at 1 July and 1 January, every member has the choice to reduce his/her risk benefits.

Members in **Category A** do not have a choice and have a default benefit of 1 x annual salary at death and disability.

Members in **Category C** have a choice between:

- |                                |                     |
|--------------------------------|---------------------|
| a) Death                       | - 1 x annual salary |
| Disability                     | - 1 x annual salary |
| b) Death                       | - 3 x annual salary |
| Disability                     | - 3 x annual salary |
| c) <b>Default option</b> Death | - 5 x annual salary |
| Disability                     | - 3 x annual salary |



Please note:

1. By reducing your risk cover, you enhance your retirement and withdrawal benefit.
2. Members may only reduce their risk benefits. Should you wish to increase your risk cover, it will be subject to the following:

The member must be younger than 55 years of age and the application for the increase to the next level must be made within two months of either:

- Marriage
- Birth of child.

## Financial Advisors

Old Mutual Private Wealth (OMPW) has been approved by the Board of Trustees to assist members with financial advice, especially where decisions in respect of retirement, individual investment choices or termination of membership have to be made by members to ensure the suitable investment of their benefits. The fact that OMPW is a Board of Trustee preferred service provider, does not make this service compulsory in any way. Members are therefore at liberty to utilise any financial service provider that they believe is fit and proper. However, please ensure that you only utilise approved and registered retirement planning financial advisors. Old Mutual Private Wealth can be contacted as follows:

Independent Financial Advisors:

OLD MUTUAL PRIVATE WEALTH

Johan van Staden: (012) 366 1100 / 084 702 5036

## HIV/AIDS Awareness

**"There are two types of people in South Africa :  
those infected with AIDS and those affected by AIDS"**

Clem Sunter

The fund is committed to promote AIDS awareness and would like to encourage the members of the fund to have themselves tested. Know your status and save lives! Ultimately it would be in your own interest and beneficial to the members of the fund by possibly curbing risk claims.

