Fifth Quadrant
Actuaries & Consultants

December 2007

Actuarial Valuation Report

Produced: December 2008
By: A Lester B.Sc. F.I.A. F.A.S.S.A. (Valuator)

Fifth Quadrant

Table of Contents

1. Introduction

1.1 Purpose of report

1.1.1 The report sets out the results of a statutory actuarial valuation of the **University of Cape Town Retirement Fund** as at 31 December 2007. The previous statutory valuation of the Fund was conducted as at 31 December 2004.

1.1.2 This valuation has been performed taking into account the Fund's surplus apportionment scheme as at the surplus apportionment date of 31 December 2001, which was approved by the Registrar on 11 September 2006, during the current inter-valuation period.

1.1.3 This report is addressed to the Trustees of the Fund, and has been prepared for use by the Trustees. It should not be used by any other party, or for purposes not specifically noted. It may be submitted to the relevant stakeholders of the Fund, subject to the consent of the Trustees.

1.2 Professional standards

1.2.1 This report has been prepared in my capacity as the appointed valuator to the Fund and as a Director of Fifth Quadrant Actuaries & Consultants.

1.2.2 The report has been prepared in accordance with the requirements of Regulation 15 of the Pension Funds Act and the current Professional Guidance Note 201 issued by the Actuarial Society of South Africa.

1.3 Disclaimer

1.3.1 Any party, other than the Trustees, who receives a copy of this report (or any part of it) and discusses it (or any part of it) or related matter with Fifth Quadrant or any third party does so on the basis that they acknowledge the full report and accept that they may not rely on it for any purpose.

1.3.2 Fifth Quadrant does not accept any liability to any person other than the Trustees in connection with this report or related enquiries. We accept no liability in respect of any matter outside the scope and limitation of this report and the purpose for which it has been prepared.

1.3.3 The information contained in this report and in all documents referred to in the report is confidential.

2. Purpose of valuation

The purpose of the valuation is threefold, namely:

- To assess whether the Fund's assets are at least equal to the Member Accumulated Credits, the Transitional Retirement Reserves and pensioner liabilities as defined in the rules.
- To review the Employer contribution rate to ensure that it that is sufficient to finance the costs and benefits as provided for in the Fund rules.
- To review the level of contingency reserves required by the Fund.

3. Valuation information

3.1 Data used in the valuation

3.1.1 The Fund's auditor performs extensive checks on the data and as such we have relied on the information supplied in the audited annual financial statements. We have done reasonability checks on the total of the member "Accumulated Credits", and the Reserve Accounts of the Fund. We are satisfied that the results reflected below are sufficiently correct for the purposes of this valuation.

3.1.2 A summary of the membership data upon which the valuation was based is given in Annexure I. The most notable features of the membership are:

(i) The number of in-service members has increased from 2 521 at the last statutory valuation to 2 739 members currently (including 51 deferred pensioners).

(ii) The number of active member deaths has averaged some 2,8 deaths per 1 000 active members during the three-year inter-valuation period. This represents a small deterioration on the number of deaths per 1 000 active members compared to previous periods (see below), but may be driven by randomness.

<u>Previous claims experience</u>

1 January 2001 to 31 December 2004 – 1,9 per 1 000 members

1 January 1999 to 31 December 2000 – 2,5 per 1 000 members

1 January 1995 to 31 December 1998 – 1,5 per 1 000 members

The current experience represents materially better mortality experience than the general population.

(iii) The number of pensioners who chose a living annuity from the Fund increased from 39 at the last statutory valuation to 71 at the current valuation.

3.2 Financially significant rule amendments during inter-valuation period

3.2.1 Rule Amendment 3 was registered on 23 October 2006 and gave effect to the Fund's surplus apportionment scheme as approved by the Registrar on 11 September 2006. The key provisions of this amendment dealt with the establishment of the new structure of reserve accounts for the Fund, which were then introduced in the 2006 audited financial statements with effect from 1 January 2006. The reserve accounts are discussed in section 5.3 below.

3.2.2 Rule Amendment 5 was registered on 26 January 2006. With effect from 1 February 2006 the rules were thereby amended to:

- Include an enabling clause allowing life pensions to be paid from the Fund – this enabling clause has yet to be used, and the Trustees are not actively pursuing this option at the present time;

- State that the Fund will not provide pension increases in respect of any pension received in the form of a living annuity.

3.2.3 Rule Amendment 6 was registered on 17 November 2006 and allows a member, with effect from 1 July 2006, to take a deemed pensionable salary of between 50% and 100% (previously 85%) of the member's total remuneration package.

3.2.4 (Rule Amendment 7 was registered on 18 September 2008 and allows the Trustees to set a default investment option, as they deem fit from time to time, for members who do not make their own investment choice after joining the Fund. This amendment was not in force during the inter-valuation period.)

3.2.5 The Trustees subsequently resolved to change the Fund's financial year end to 30 June each year, commencing on 30 June 2008. Rule Amendment 9 giving effect to this was registered on 9 October 2008. The effect of this is that the next statutory valuation of the Fund will cover the two-and-a-half year period ending 30 June 2010.

3.2.6 A summary of the present benefit structure is provided in Annexure II.

3.3 Retirement Fund Tax

3.3.1 The rate of Retirement Fund Tax (RFT) was reduced from 18% to 9% with effect from 1 March 2006, and RFT was abolished with effect from 1 March 2007. RFT was previously levied on interest income and net property rental income, on assets of the Fund excluding assets backing the pensioner liability.

Fifth Quadrant

4. Fund assets

4.1 Overview of investment strategy

4.1.1 The assets of the fund backing member liabilities are invested in a cash portfolio, an insurer's smoothed-bonus portfolio and a market-linked portfolio, according to the member's choice. The investment portfolios, which are known as Portfolio A, B and C respectively, offer members different levels of investment risk/reward. These portfolios are also available to pensioner members receiving living annuities from the Fund.

4.1.2 The Fund offers a default life stage model using a combination of the market-linked and cash portfolios for members who do not exercise their own choice.

4.1.3 The fund's Contingency Reserves and unallocated assets (General Reserve) are currently invested in Portfolio A (the cash portfolio).

4.1.4 I am satisfied that the current asset allocation within the investment portfolios represents a broadly reasonable long-term allocation, given the nature of the Fund's liabilities and the investment objectives for the portfolios.

4.2 Market value of assets

4.2.1 The assets of the Fund as at 31 December 2004 and 31 December 2007 are set out below. (Numbers may not add up exactly, owing to roundings.)

Portfolio and Asset Class	Investment Manager	31.12.2004 (R'000)	31.12.2007 (R'000)
Portfolio A (Cash):	*Prescient Investment Management*	*47 012*	*96 224*[1]
	SANLAM structured product	*41 112*	-
	Total Portfolio A	**88 124**	**96 224**
Portfolio B:	*Metropolitan Life Multi-Manager Smooth Growth Fund*	**313 569**	**573 958**
Portfolio C (Market):			
SA Equities	*Foord Asset Management*	*127 964*	-
	Investec Asset Management	*136 520*	*268 946*
	Allan Gray	-	*280 177*[2]
SA Bonds	*Prescient Investment Management*	*90 676*	*217 215*[3]
International	*Orbis via Allan Gray*	*34 842*	*119 910*
	Total Portfolio C	**390 002**	**886 248**
Total Investments		**791 695**	**1 556 431**
Net current assets		-8 690	+279[4]
Total funds and reserves		**783 005**	**1 556 710**

Notes on 31 December 2007 market values as reflected above:

Note 1: Prescient money market portfolio value shown excludes accrued income (net of fees) of R1,440m.
Note 2: Allan Gray equity portfolio value shown excludes accrued income of R0,341m on cash holdings.
Note 3: Prescient bond portfolio value shown excludes accrued income (net of fees) of R3,196m.
Note 4: Current liabilities as reflected in the financial statements should be increased by R0,442m, in respect of an insured death benefit payable for one deceased member, which has not been included in the benefits payable amount. Net current assets would therefore reduce to –R0,163m.

4.2.2 Note on Metropolitan Multi-Manager Smooth Growth Fund

The Metropolitan Multi-manager Smooth Growth Fund holdings include non-vested bonuses of R68,2 million (11,9% of the total investment value). In adverse market conditions the Insurer has the right to withdraw these non-vested bonuses in part or in full, or to reduce the balance in members' non-vested accounts on member switches or policy termination, subject to the insurer applying this action equitably to other investors in the Smooth Growth Fund.

The proportion of non-vested bonuses differs from member to member invested in the portfolio, depending on the pattern of cashflows invested in the portfolio in respect of the member concerned.

Furthermore, the value of the Smooth Growth policy is stated in the above table on the premise that the Fund continues with this investment. At times when the Insurer has declared more in bonuses than it has earned on the underlying assets, a "market value adjustment" (reduction) would apply on early termination.

If members choose to switch out of the portfolio in defined circumstances (usually before the member has completed 5 years as an investor in the portfolio), a a "market value adjustment" (reduction) may also apply to the member's own investment in the portfolio when switching. The extent of any such adjustment will again depend on the pattern of cashflows invested in the portfolio in respect of the member concerned.

The above circumstances do not increase the financial risk of the Fund, as in terms of the Rules such adverse circumstances would be passed onto members via a negative investment return. Of course the above situation represents risk for the members. (As of late October 2008, losses on the underlying investments held by Metropolitan Life backing the Multi-manager Smooth Growth Fund had the effect that significant market value adjustments were applying to many members switching out of the portfolio, although the insurer had not taken any steps to reduce or remove non-vested bonuses.)

5. Valuation results

5.1 Accrued position

5.1.1 The following table shows the valuation balance sheet as at 31 December 2007 and 31 December 2004 (the last statutory valuation date). The table also shows the balance sheet as at 1 January 2006, after the establishment of the new reserve account structure, and 31 December 2006.

At this stage the 31 December 2007 results have been presented to be consistent with the Fund's financial statements, and do not yet reflect the various contingency reserve adjustments proposed below, since these are still to be considered and approved by the Trustees.

	31.12.2004 R '000	01.01.2006 R '000	31.12.2006 R '000	31.12.2007 R '000
Liabilities consisting of: (1)	**757 701**	**1 015 572**	**1 303 078**	**1 534 592** (c)
Member Accumulated Credits	703 317	922 882	1 210 213	1 412 873
Member Transitional Retirement Reserve (a)	32 647	34 846	54 938	41 924
Pensioner account (Living Annuitants)	21 737	41 438	37 927	79 795
Former member reserve (b)	-	16 406	-	-
Contingency Reserves (2)	**25 304**	**14 735**	**17 415**	**22 118**
Risk Reserve	19 739	-	-	-
General Reserve	5 565	643	2 326	4 969 (d)
Data Reserve	-	5 152	5 518	6 766
Processing Error Reserve	-	7 727	8 276	9 101
Surplus Apportionment Cost Reserve	-	1 213	1 295	1 282
Total Liabilities and Reserves (1) + (2)	**783 005**	**1 030 307**	**1 320 493**	**1 556 710**
Total Funds and Reserves (net assets)	**783 005**	**1 030 307**	**1 320 493**	**1 556 710**

(a) This represents the full value of the Transitional Retirement Reserve (TRR) accounts at the dates shown. To the extent that members exited the Fund and were not paid their full TRR in terms of the Fund rules, there has been a reversion of this amount to the Employer as provided for in the Fund rules. However, as at 31 December 2007 all remaining members entitled to a TRR would be entitled to receive their full TRR balances on exit under any circumstances. The Trustees have accordingly resolved to amend the Rules to consolidate the TRR balances with members' Accumulated Credits.

(b) The "former member reserve" represents the surplus allocation to former members approved by the Registrar of Pension Funds in 2006 and transferred to "Benefits payable" in that financial year. The current liabilities of the Fund as at 31.12.2007 included an amount of R5,485m still to be paid to former members, as part of "Benefits payable" at that date.

(c) The member liabilities as advised by the administrator (and on which the asset/liability reconciliation carried out as part of the preparation of the financial statements was based) reflect a total of R1534,6m. This must be increased by R1,7m reflecting the under-allocation of Portfolio C investment returns by some 0,2% for December 2007 (which was corrected in January 2008), incorrectly noted in the financial statements as an under-allocation of R0,413m. Our assessment therefore is that the total member liability as at 31.12.2007 was some R1536,3m. From the financial statements, it appears that the R1,7m (needing to be transferred from the reserve accounts to the member credits) was held in the data reserve and the general reserve at 31.12.2007.

(d) As noted earlier under paragraph 4.2.1, the benefits payable total excludes an amount of R0,442m, representing an insured death benefit payable for one deceased member. The General Reserve as shown in the financial statements is therefore over-stated by this amount.

5.2 Pensioners

5.2.1 The only pensions payable from the Fund are those where members choose to take a Living Annuity from the Fund. The Fund has no obligations for pension increases in respect of such pensioners, and the pensioner also takes on the full investment and mortality risk.

5.3 Basis for contingency reserves

5.3.1 The basis for maintaining contingency reserve accounts was set out in the 2004 statutory valuation report. The reserve account structure set out below is the new structure adopted with effect from the 2006 financial year, as specified in Rule Amendment 3 registered on 23 October 2006.

5.3.2 The contingency reserve accounts envisaged in the Rules are as follows:

- The Risk reserve will reflect a zero balance, as this account is simply used to record the portion of contributions that is allocated to cover the premiums required for insured risk benefits, and the matching premium payment amounts. No balance is accumulated in this account.

- Data reserve: In the previous statutory valuation, it was proposed that this should be set at 0,50% of the net market value of assets (consistent with the auditor's materiality limit). The amount of R6,766m reflected in the 31.12.2007 financial statements represents the balance of R5,152m first allocated to this account as at 01.01.2006 (being 0,50% of the market value of assets as at that date), accumulated with net investment returns earned on the relevant assets (Portfolio A) over the two years to 31.12.2007, plus additional inflows of R0,286m described as a "Data Reserve allocation" and R0,413m, stated to be the (incorrect) amount by which Portfolio C liabilities were understated as at 31.12.2007. (As noted earlier, the correct figure for the understatement was some R1,7m).

  This amount should be adjusted to R7,784m (0,50% of the market value of assets) as at 31.12.2007 – this requires a reallocation of R1,018m from the General Reserve.

- Processing error reserve: This is a provision for mismatching and for timing differences in the actual investment or disinvestment of moneys from the times when they are deemed to have occurred in the calculation of benefits or the accrual of investment returns. In the previous statutory valuation, it was proposed that this should be set at 0,75% of the net market value of assets. The amount of R9,101m reflected in the 31.12.2007 financial statements represents the balance of R7,727m first allocated to this account as at 01.01.2006 (being 0,75% of the market value of assets as at that date), accumulated with net investment returns earned on the relevant assets (Portfolio A) over the two years to 31.12.2007.

Based on the Fund's experience over the inter-valuation period, I consider that a reserve of 0,75% for this purpose is unnecessarily high, and I recommend that the reserve should be reduced to **0.50%** of the market value of assets, or an amount of R7,784m as at 31.12.2007 – this requires a reallocation of R1,317m to the General Reserve. The appropriate level of both this and the Data Reserve should be reconsidered after the migration of the administration system to the Coris Capital platform has been completed.

- **Surplus apportionment expense reserve**: The Trustees established a reserve of R881 000 as at 31 December 2001 for the costs of the surplus apportionment exercise costs. This amount has been updated with net Portfolio A investment returns to 31 December 2007, minus surplus apportionment expenses incurred, resulting in the balance shown at this date.

- **General reserve**: This reserve operates as the account into which (a) the contributions in excess of the specified allocation for retirement funding and the amount needed to fund the risk benefit premiums are paid, and out of which (b) the additional discretionary contribution allocation for retirement funding (as set by the Trustees from time to time) and (c) the costs of Fund administration are paid.

  The balance that accumulates in this account therefore represents the small margin of contributions left over, after deducting retirement savings, risk benefit costs, administration and other Fund expenses (other than Retirement Fund Tax and investment management and unitisation fees). It is also the account in which any timing error mismatches would accumulate. The amount in this reserve at this stage is therefore a balancing item after allowing for the preceding reserves.

  In our opinion, a reasonable ceiling for this reserve is 6 months' operational expenses – this would result in a figure of **R1,3m** based on the 2008 operating budget. (Alternatively, we have suggested a ceiling of 10% of the Fund's combined annual risk premiums and administration expenses, giving a figure of R0,9m based on the 2007 financial statements.) We have previously stated that, once the reserve exceeds this level, the Trustees should give consideration to declaring a once-off bonus.

  The net effect of the adjustments proposed for the Data and Processing Error Reserves is an increase of R0,299m in the General Reserve balance. However, R1,7m needs to be earmarked from the General Reserve to provide for the increase in the Portfolio C liabilities in January 2008 after the incorrect return calculation for December 2007 was rectified. These adjustments would leave a balance of R3,568m in the General Reserve. This should be further reduced by R0,442m to allow for the insured death benefit in respect of one deceased member (M Findeis) that was omitted from the schedule of pending benefits,as noted above - this would leave **R3,126m** available for the General Reserve.

  This exceeds the level of R1,3m identified above as a reasonable ceiling for the General Reserve. Accordingly this report reflects a **surplus in the Fund of**

R1,826m as at the valuation date. We would be comfortable if the Trustees allocate this surplus to members' Fund Credits, although this would only result in an increase of some 0,12% as at 1 January 2008.

5.4 Breakdown of contingency reserves

5.4.1 The table below shows the breakdown of the Fund's contingency reserves as reflected in the 31 December 2007 financial statements and as discussed in paragraphs 5.3.2 above.

Allocation of Contingency Reserves	*31/12/2007 (financial statements)* *R'000*	31/12/2007 (proposed) R'000
(A) Total available for contingency reserves:	***22 118***	**22 118**
Required to increase Portfolio C credits (correction of Dec.2007 calculation error):	-	(1 700)
Required to fund insured death benefit for deceased member M Findeis:	-	(442)
(B) Adjusted total for contingency reserves:	***22 118***	**19 976**
(C) Recommended contingency reserves:	***22 118***	**18 150**
Data Reserve	*6 766*	7 784
Processing Error Reserve	*9 101*	7 784
Surplus apportionment cost reserve	*1 282*	1 282
General Reserve	*4 969*	1 300
(D) Surplus (= B minus C) :	-	**1 826**

The Trustees have accepted the recommended contingency reserves as reflected in the third column of the above table.

5.5 Employer contribution rate

5.5.1 The total employer contribution rate to the Fund and related schemes (i.e. the disability income benefit and the separate Group Life Assurance arrangement) differs for Permanent Staff (22,5% of salary bill) and Fixed Term Contract members (20,912% of salary bill). As at 31 December 2007 the employer contribution was allocated as follows:

	Permanent Staff	Fixed Term Contract Staff
Retirement saving (as specified in Fund rules)	16.000%	16.000%
Additional retirement savings contribution	3.650%	3.240%
Death-in-service (based on 6 x annual pensionable salary)	1.460%	-
Disability income benefits*	0.410%	-

Separate Group Life Assurance scheme*	0.348%	1.044%
Administration fee	0.182%	0.182%
Other expenses (Audit, Actuarial, Consulting, Secretarial)	0.450%	0.446%
Total	**22.500%**	**20.912%**

* These arrangements are outside the Fund.

5.5.2 The additional retirement savings contribution shown in the above table continue for the period up to 1 March 2008, after which it was revised in the light of changes in the administration costs of the Fund and the premium rate for the disability income benefits. Accordingly the additional retirement savings contribution has been 3,500% since 1 April 2008 for permanent staff (3,567% for the month of March 2008 only), and has continued at the rate of 3,240% for fixed-term contract staff (3,243% for the month of March 2008 only).

5.5.3 I recommend that the contribution allocation should again be reviewed with effect from 1 March 2009 in the light of changes to the risk benefit premium rates and/or the cost of Fund administration.

6. Summary and conclusion

6.1 Key results

6.1.1 The Fund is in a sound financial position as at 31 December 2007, with sufficient contingency reserves to buffer the Fund against adverse experience.

6.1.2 In respect of the future service contributions I recommend that permanent members should continue to be credited with an additional 3,500% of pensionable salary retirement savings bonus up to 1 March 2009 (i.e. the next risk benefit premium review date). These members have already been credited with additional contributions of 3,650% for January and February 2008 and 3,537% for March 2008.

Similarly, fixed-term contract members should continue to be credited with an additional 3,240% of pensionable salary retirement savings bonus up to 1 March 2009 (i.e. the next risk benefit premium review date). These members have already been credited with additional contributions of 3,240% for January and February 2008 and 3,243% for March 2008.

This reflects the fact that the cost of the risk benefits and expenses is well below the threshold of 6,5% of pensionable salary for permanent members defined in the Fund Rules (4,912% for fixed-term contract members).

6.1.3 I have recommended in paragraph 5.3.2 above that the Data Reserve and Processing Error Reserve should each be set at the level of 0,5% of the net market value of Fund assets. (In the case of the Processing Error Reserve, this is lower than the level of 0,75% set at the date of the 2004 Valuation.) I have also recommended that a balance of R1,300m be retained in the General Reserve account. The Trustees have accepted these recommendations.

6.1.4 The effect of these recommendations is that an apportionable surplus of R1,826m existed in the Fund as at the valuation date.

6.1.5 The Trustees have resolved to allocate this surplus by increasing by 0,12% the Fund Credits of all members who are members of the Fund as at 31 December 2008.

6.2 Certification

Based on the current benefit and membership structures, I certify that the Fund should remain financially sound until the next statutory valuation (due as at 30 June 2010).

I am satisfied that the current asset allocation of the various investment portfolios offered to members represents a broadly reasonable long-term allocation, given the nature of the Fund liabilities and the investment objectives for the portfolios.

A. Lester, B.Sc.,
Fellow of the Institute of Actuaries, Fellow of the Actuarial Society of South Africa

In my capacity as a Director of
Fifth Quadrant Actuaries & Consultants

7. Annexure I – Membership Statistics

7.1 Number of members

7.1.1 Active members (including deferred pensioners)

	2005	2006	2007
Opening membership	2 521	2 592	2 620
Adjustments	-	2	4
New entrants	241	208	347
Section 14 transfers	-	-	-11
Withdrawals	-118	-147	-181
Retirements	-40	-31	-35
Deaths	-12	-4	-5
Closing membership	2 592	2 620	2 739

7.1.2 Fund Pensioners (living annuitants of the Fund)

	2005	2006	2007
Opening membership	39	53	57
Adjustments	-	-	3
New Retirements	16	5	9
New death-in-service beneficiary pensions	-	-	2
Living annuitants who purchased life annuity	-2	-1	-
Deaths	-	-	-
Closing membership	53	57	71

7.1.3 Total pensionable salaries per annum as advised by Fund Administrator

	Total (R'000)
31.12.2004	385 222
31.12.2005	427 503
31.12.2006	468 304
31.12.2007	535 414

8. Annexure II – Benefit Structure

The following is only a summary of the key provisions in the Fund Rules.

ELIGIBILITY CONDITIONS

All persons who are in service of the Employer and who receive Pensionable Emoluments are required to be members of the Fund. Pension Emoluments are the deemed pensionable salary as defined in the employee's conditions of service, and are subject to a minmum of 50% of the employee's total remuneration package.

NORMAL RETIREMENT AGE

60, or 65 if so specified in the member's conditions of service.

PENSIONABLE SERVICE

Membership of the Fund plus service granted in respect of additional employer contributions, plus service under the AIPF.

TRANSITIONAL RETIREMENT RESERVE

An amount calculated at the inception date of the Fund (1 January 1995) for members transferring from the AIPF. This reserve accumulates with investment returns and is payable in accordance with the rules as described below.

RETIREMENT BENEFITS

(i) Normal and early retirement

On retirement after the attainment of age 55, a pension secured by the Member's Accumulated Credit and the full Transitional Retirement Reserve. A member may elect to commute part of, or the entire amount of, his/her retirement benefit and receive a lump sum benefit.

(ii) Ill health retirement

A member may retire early at any age if early retirement is the result of ill health. The benefit is calculated as per early retirement.

FORM OF PENSION BENEFIT

All life pensions must be purchased from an Insurer in terms of the provisions of GN18 (i.e. the policy will be issued in the name of the retiree). The member may elect to receive a "living annuity" from the Fund.

The rules provide for a life annuity option from the Fund where the Fund allows this. However, the Trustees have yet to implement this enabling provision.

Fifth

DEATH BEFORE RETIREMENT

(i) Members with less than 10 years' service

A pension secured by a benefit equal to:

1) 6 times annual pensionable salary; plus
2) The member's Accumulated Credit and Transitional Retirement Reserve

(ii) Member's with 10 years' service or more

The member may choose the level of death-in-service benefits payable within the following limits:

Minimum cover at time of election

A pension secured by a benefit equal to 4 times annual salary taking into account the member's Accumulated Credit and Transitional Retirement Reserve.

Maximum cover

A pension secured by a benefit equal to:

1) 6 times annual pensionable salary; plus
2) The member's Accumulated Credit and Transitional Retirement Reserve

Members may, on an annual basis, choose the level of cover they require within these limits. Once a member has elected to reduce his/her cover, he/she may only increase it again with the consent of the Trustees and subject to providing evidence of good health.

Should the member choose to be covered for less than the maximum cover, an additional contribution as determined by the Trustees in consultation with the Actuary will be credited to the member's Accumulated Credit.

The member's beneficiaries may choose any of the pension options from an insurer or the Fund, or may choose (subject to taking financial advice) to receive the death benefit (or part thereof) in the form of a lump sum.

WITHDRAWAL BENEFIT

a) Voluntary withdrawal

A refund of the member's Accumulated Credit

PLUS

If the member is aged 50 years or older at the date of withdrawal, the Transitional Retirement Reserve. (All the remaining members of the fund who qualify for a Transitional Retirement Reserve are now aged 50 or older.)

b) Retrenchment / Redundancy

The member's Accumulated Credit and Transitional Retirement Reserve will be payable.

EMPLOYER CONTRIBUTION

The Employer contributes at a rate of 16,0% of annual pensionable salary in respect of retirement benefits, plus a further amount of 6,5% (4,912% for fixed term contract employees) of annual pensionable salary payable in respect of death-in-service benefits and expenses and the separate disability income benefit and Group Life Assurance arrangements.

9. Annexure III - Valuation Method and Basis

9.1 Assets

9.1.1 The investment in the Metropolitan Multi-Manager Smooth Growth Fund has been taken at face value, including declared vested and non-vested bonuses. The remaining assets have been taken into account at full market value, as the members are credited with the full investment return (net of Retirement Fund Tax and investment management and unitisation fees) earned on the underlying assets.

9.2 Liabilities

9.2.1 The liabilities are taken as the total of the member's accumulated credits (including pensioners) as at 31 December 2007.

9.2.2 The Transitional Retirement Reserve (TRR) has also been valued as the full balance in the members' transitional retirement reserve accounts as at 31 December 2007. All members of the Fund in respect of whom there was a TRR as at the valuation date were entitled to the full TRR balance on exit from the Fund for any reason (i.e. the TRR balances are fully vested).

9.2.3 The data, surplus apportionment costs and processing error reserves as at the surplus apportionment date have been established in accordance with the principles set out in the Registrar Circular PF117 and are fully described in paragraph 5.3 of the main report.