National Fund for Municipal Workers
Benchmark of Excellence

NFMW *Fund of choice!*

NFMW ANNUAL REPORT

1 July 2020 to 30 June 2021

About us!

The National Fund for Municipal Workers (NFMW) has grown to be the largest fund within Local Government and with a membership base of more than 55 000 (employees and councillors) throughout South Africa, it is clear we are the fund of choice.

Our members are at the centre of what we do, our decisions, our behaviours and the strategies that we employ in the management of the fund.

We pride ourselves in providing excellent service and the administration cost is of the lowest in the industry; this translates to less of our members' contributions towards cost and more towards retirement savings.

Our excellent long-term investment performance track record puts us on par with the best global balanced managed portfolios in South Africa and ahead of our peers in Local Government.

The fund has won numerous Institute of Retirement Funds Africa Best Practices Industry Awards. **These awards are a testament to the fund's compliance with all regulatory and other statutory requirements and above all, recognition for setting the benchmark of excellence in Local Government.**

2018	Overall winner communication strategy
2019	Financial management and reporting, governance, investment practices, and a Gold Standard-award
2020	Best in class – Investment practices, Best in class – Governance, Best practices in transformation, Best practices in financial management and reporting and Best practices in stakeholder engagement and education.
2021	Best in class - Governance, Best practices in investments and Best practices in stakeholder engagement and education

Index

SECTIONS 01 02 03 04

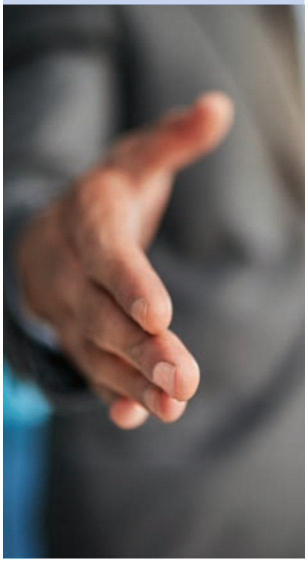
SECTION

ONE

Key Highlights

55 000 ACTIVE MEMBERS

The NFMW membership increased to more than 55 000 active members strengthening the NFMW's position as the largest fund in Local Government.



2021 BEST PRACTICES INDUSTRY AWARDS WINNER

- BEST IN CLASS - GOVERNANCE
- BEST PRACTICES IN INVESTMENTS
- BEST PRACTICES IN STAKEHOLDER ENGAGEMENT AND EDUCATION

R23,4 BILLION

total assets as at 30 June 2021. Increased with more than R4,6 billion from R18,8 billion as at 30 June 2020. **R3,2 BILLION** of the increase in assets is attributed to investment returns.

MORE THAN 95% OF THE FUND'S ASSETS

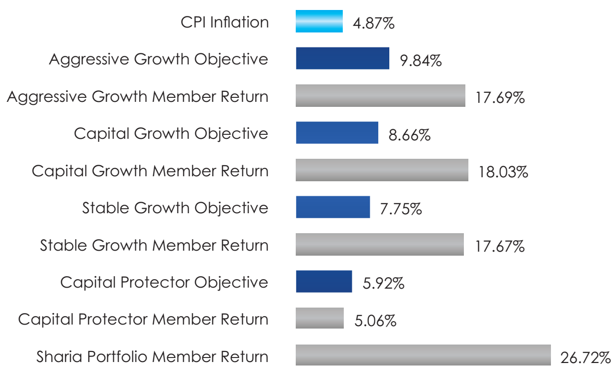
MANAGED BY ASSET MANAGERS WITH A B-BBEE RATING OF LEVEL 2 AND ABOVE.

ALL THE PORTFOLIOS ENDED WITH EXCELLENT RESULTS for the 12-months period ending 30 June 2021.

0% COST INCREASE AND NO RISK BENEFIT REDUCTION TO THE MEMBER

The NFMW absorbed the increase in risk premiums as a result of Covid-19, by funding the difference from its reserve account.

INVESTMENT PORTFOLIO RETURNS FOR THE PERIOD ENDING 30 JUNE 2021



ALMOST 40% OF ASSETS ARE MANAGED BY >51% BLACK-OWNED ASSET MANAGEMENT BUSINESSES.

A NEW COMPREHENSIVE ORGANISATIONAL STRATEGY

THAT CLARIFIES OUR PURPOSE OF EXISTENCE, OUR BROADER OBJECTIVES AND WHAT WE STAND FOR; THIS IS ENCAPSULATED IN OUR NEWLY ADOPTED VISION, MISSION, AND VALUES.

A joint statement

BY THE CHAIRPERSON AND THE PRINCIPAL EXECUTIVE OFFICER ON THE YEAR IN REVIEW

Mr Charles Antonio
Chairperson of the Board of Trustees

Mr Leslie Ndawana
Principal and Chief Executive Officer

The year under review has been challenging for the economy, society, the business sector, and the NFMW as a constituency of these sectors. The economy has witnessed a persistent low growth environment that cannot provide the much-needed jobs for our people. Unemployment was at a record high of 34.4% in the second quarter of 2021(with the extended definition including discouraged jobseekers not actively searching for a job measured at 44.4% for the same period). This was an increase of 1,8% from 32.6% in the first quarter. We also noticed disturbing first quarter crime statistics as released by the Police Minister (https://www.gov.za/speeches/minister-bheki-cele-quarter-one-crime-statistics-20212022-20-aug-2021-0000).

The recent civil unrest that took place, although shocking and devastating, was not surprising in a country characterised by inequality, poverty and unemployment. These socio-economic issues require the pension funds industry and institutional investors to re-think their role in resolving these matters. In the same vein, we appeal to the government to provide a conducive environment for investors to invest in our economy.

The good news for members is that the global (and local) investment environment for the 2020/2021 financial year improved significantly after the pandemic lows experienced in early 2020. The global macro-economic backdrop remains positive, but challenging as many indicators signal a faster economic recovery than initially thought. This positive sentiment filtered through to most asset prices and, of course, the performance of the NFMW investment portfolios. From an economic perspective, governments and central banks across the globe played a huge role in economic recovery. More specifically, they supported economic activities by maintaining historically low interest rates and providing direct financial assistance to businesses and workers. In addition, the election of Joe Biden as the new US president in November 2020 renewed some hope and confidence, politically as well as economically, even for emerging markets like South Africa.

As part of the global economic recovery, the strong increase in commodity prices (fuelled by demand from China), saved the day for South Africa's fiscal woes. Remarkably, albeit from a low base, our economy grew by an annualised 4.2% in the first quarter of 2021 and by 4.7% in the second quarter. However, while more South Africans have re-entered the job market with the resumption of economic activity after numerous lockdowns, the job losses experienced from the onset of the pandemic will remain a big challenge for our government going forward. Unfortunately, the July 2021 unrest and looting over and above the negative socio-economic impact of the pandemic, are likely to dampen investor confidence and job creation for some time.

Towards the latter part of our financial year, we saw one of the unintended consequences of the pandemic create the biggest risk to maintaining the global economic recovery: inflation. Short supplies of manufactured goods, increase in transport costs, extra demand by consumers, high oil prices and wage increases all combined to create a perfect inflation storm. The response from central banks going forward will be crucial. The usual response of increasing interest rates to curb inflation will put pressure on the government, business and consumer finances and may well have a negative impact on asset prices (i.e., investment values) in the foreseeable future. The appearance of new virus variants and many unknowns around the Coronavirus still create uncertainties in many of our economic sectors. In general, the above means that despite many positive factors, the investment environment will remain challenging.

For South Africa, collaboration between public and private enterprises is of utmost importance for our future. Fixed investment spending must be utilised to build infrastructure, create jobs and ultimately drive productivity. The excellent returns added to our members' fund credits during the last financial year, are testament to a well-diversified and robust long-term investment strategy. A strategy that is constantly improved to keep pace with new industry developments and an ever-changing investment environment.

REFOCUSING THE NFMW (STRATEGY)

Given the volatile and changing socio-economic environment, the Board saw it necessary to pause, reflect and look into the future of the NFMW and its members. We did this through having a difficult conversation with ourselves, as the Board, to establish appropriate responses to the long-term socio-economic needs of our members. Out of this exercise, a comprehensive organisational strategy was conceived in March 2021, which gives clear direction to the NFMW for the next five to ten years. We are pleased to report that the strategy has clarified our purpose of existence, our broader objectives, and what we stand for; this is encapsulated in our newly adopted vision, mission, and values:

OUR MISSION

"To positively impact the lives of our members, their families and their communities, today and tomorrow"

OUR VISION

"To be a trusted custodian who grows members' investments and keeps members informed along the way to their secure retirement."

OUR VALUES

Excellence, professionalism, integrity, benevolence and responsibility.

It is important that the fund embeds positive impact, trust, security, sustainability, integrity, governance and care as central values upon which the NFMW is grounded, especially now when society, business and labour expect responsible leadership from those in positions of authority. The NFMW will play its part in this regard! We are pleased to report that the Board of Trustees, our partners and our employees, led by the Principal Executive Officer, share and participate in the new NFMW.

Our newly adopted vision has transformed our approach to investing; we have now adopted an impact (but financially viable) investing approach. The fund's investment strategy will shift focus to the broader needs for sustainable development over the long term. As such, our investments will aim to contribute towards socio-economic prosperity in various meaningful ways. (See a full report on our impact investing approach in the investment section of this annual report).

INDUSTRY AWARDS

It was by no coincidence that the Institute of Retirement Funds Africa recognised the NFMW as the overall winner (best in class award) for governance across retirement funds in South Africa. We have embedded governance as a way of life at the NFMW, understanding governance even in times of change, i.e., sailing through uncharted waters, as seen through the lens of COVID-19. We were also recognised for best practices in investment and best practices in stakeholder engagement and education. *It* is evident that we have already started living our vision, mission and values. During the period under review, the NFMW has and will continue to demonstrate that our actions, decisions and overall management of the fund are informed by what we believe, as articulated in our vision, mission and values.

RETIREMENT FUNDS RATIONALISATION (FREEDOM OF ASSOCIATION)

The NFMW is in full support of members being given freedom of choice to belong to a retirement fund of their choice within Local Government.

Given our commitment to governance, impact-ful investing with financially sound investment returns, care for our members and responsible leadership, value to our members is guaranteed. With effect from 1 July 2022, the South African Local Government Bargaining Council (SALGBC) will be allowing employees of Local Government the freedom to belong to retirement funds of their choice. The NFMW is the Fund of Choice. Therefore, we urge all Local Government employees to join the NFMW to benefit from all we are doing for our current members, i.e., offering lower administration fees, more benefits, more towards retirement savings, keeping members informed, good governance, among other elements of our superior value proposition for our members and their beneficiaries. The NFMW will participate in the SALGBC accreditation process in order to extend its value proposition to new members.

THE EXECUTIVE (CONGRATULATIONS AND APPOINTMENT)

As the Chairperson of the Board, on my own behalf, on behalf of the Board of Trustees and staff, I would like to congratulate our Principal Executive Officer (PEO), Mr Leslie Ndawana, for completing his Master of Business Administration (MBA) degree with Henley Business School in 2021. Thank you PEO for choosing to keep honing your leadership skills, which are of great value to the NFMW. "The Henley Executive MBA programme gave me a strategic organisational leadership toolkit, with an academic rigour at master's level, which I can draw from to solve complex real-life and business challenges", said Mr Ndawana on completion of his master's degree. Also, congratulations to Mr Ndawana for his election to serve on the Board of Directors of the Batseta Council of Retirement Funds effective from June 2021. This gives him an opportunity to be part of national policy discussions and to participate in shaping the retirement funds landscape. We would want to welcome Ms Tebogo Kgosi to the NFMW-family. Ms Kgosi joined this vision on 1 May 2021 as Deputy Principal Executive Officer. An experienced, skilled and competent professional; her leadership is already showing, and we look forward to many more years of her leadership. The NFMW and the future of its members are in good hands!

VOTE OF THANKS

The period under review has been very difficult, with various waves of COVID-19, organising rotational working, and sometimes closing the fund's offices. To the NFMW's operational management team, led by the Deputy PEO, thank you for managing the operations in a fluid environment; your agility was unmatched. Thanks to fellow Board members for your strategic view of the landscape and for providing direction for the NFMW/organisation, culminating in the strategy that we have set. To our PEO, who has shown exceptional competency in the process of strategy formulation and execution, thank you, we appreciate you.

To the staff, you were amazing, your commitment and focus in such a difficult time were at another level, we salute you.

Our appreciation also goes to our municipalities that have consistently paid their contributions even amidst a reduction in rates collection; we say thank you for putting our members/your employees first. Last but not least, our partners who assist us with various services, you are awesome, you contributed much towards the awards we won! We urge our members, staff, and society at large to continue observing all the COVID-19 protocols.

We wish you all a merry festive season and a happy new year, even with the challenges of the COVID-19 situation. This too shall pass! "For our present troubles are small and won't last very long. Yet they produce for us a glory that vastly outweighs them and will last forever!" (2 Cor 4: 17, NLT).

Yours sincerely

L Ndawana **CCK Antonio**

SECTION

TWO

Fund Management

NFMW Board of Trustees

The fund is managed by an 11-member Board of Trustees, elected in terms of the Rules of the Fund to direct, control and oversee the operations of the fund as per the applicable legislation and the provisions of the Fund Rules. Ten trustees are elected from various provinces and/or regions of the country according to membership representation from these provinces/regions and one trustee is appointed by the South African Local Government Association (SALGA).

The Board of Trustees is charged with governance of the fund and the legislated fiduciary responsibility for the fund rests with the Board, which has constituted four permanent committees to give effect to its strategic direction, and to ensure that effective oversight and monitoring is achieved. The Board has delegated some of its functions and authority to the following committees: the Executive Committee, the Investment Committee, the Legal Committee, and the Communications & Stakeholder Management Committee. The Board of Trustees and the respective committees meet regularly to conduct the business of the fund and to give effect to each committee's specific responsibilities, respectively.

CHANGES TO THE BOARD OF TRUSTEES DURING THE YEAR UNDER REVIEW

I. The following Trustees' terms of office came to an end on 31 October 2020.

   1. Mr P S Mofokeng
   2. Ms C J Labuschagne
   3. Ms M E Jantjie
   4. Mr H S Rossouw

II. The fund conducted Board of Trustee elections during 2020 and the following newly/re-elected Trustees' term of office commenced on 1 November 2020.

   1. Ms M C Makgalemele
   2. Mr L Mphuthi
   3. Mr N C Cindi
   4. Mr E A Schutte
   5. Mr S J Mpembe
   6. Mr J M Dodo
   7. Mr L R Nani

III. Mr E A Schutte was a member of the Executive Committee up to 31 October 2020 and moved from the Legal Committee to the Investment Committee with effect from 1 November 2020.

IV. Mr J Nkuna became a member of the Executive Committee with effect from 1 November 2020.

V. Mr L Geldenhuys was elected as the Chairperson of the Investment Committee with effect from 1 November 2020.

VI. Mr P R Nolutshungu was co-opted to the Executive Committee with effect from 25 March 2021.

NFMW Commitees

THE NFMW EXECUTIVE COMMITTEE (EXCO)

Mr C C K Antonio
Chairperson of Board of Trustees

Mr L Geldenhuys
Chairperson of Investment Committee

Ms M C Makgalemele
Chairperson of Communications and Stakeholder Management Committee

Mr N J Nkuna
Chairperson of Legal Committee

Mr P R Nolutshungu
SALGA appointed Trustee Co-opted to EXCO

Mr L Ndawana
Principal Executive Officer

The primary responsibility of the Executive Committee is to assist the Board in complying with the relevant requirements contained in the Pension Funds Act,1956; by providing organisational strategic direction and fulfilling the Board's oversight responsibilities as they relate to the day-to-day management of the fund, the fund's accounting and financial reporting practices, as well as the Board's governance, compliance and risk management responsibilities.

The Executive Committee is also required to act for the Board on urgent matters arising in between regular Board meetings in cases where it is not practical to convene a meeting of the Board and perform other functions as delegated to it by the Board. The Executive Committee consists of the Chairperson of the Board, the Chairpersons of the respective committees, a co-opted member, and the Principal Executive Officer.

THE NFMW LEGAL COMMITTEE

From left to right:
Mr L R Nani, Mr L Ndawana, Mr S J Mpembe, Mr C C K Antonio, Mr N J Nkuna

The Legal Committee has been established by the Board of Management of the fund with the purpose of investigating and considering all aspects relating to the management of the fund that could have a legal effect on the fund and making such decisions and appropriate recommendations to the Board as set out in the term of reference. There is neither a limitation on the duties and responsibilities of the Legal Committee to address legal matters and issues that affect the fund and its members nor is there any limit on the Legal Committee's powers to resolve matters in the best interests of the fund and its members.

THE NFMW INVESTMENT COMMITTEE

From left to right:
Mr P R Nolutshungu; Mr E A Schutte; Mr L Ndawana, Mr L Mphuthi, Mr C C K Antonio, Mr L Geldenhuys

The purpose of the Investment Committee is to recommend an appropriate investment policy to the Board. The Investment Committee will also review and monitor the effectiveness of the investment policy and its implementation and approve the appointment and termination of asset managers and review their performance and fees on a regular basis.

THE NFMW COMMUNICATIONS AND STAKEHOLDER MANAGEMENT COMMITTEE

From left to right:
Mr J M Dodo, Mr L Ndawana, Ms M C Makgalemele, Mr C C K Antonio, Mr N C Cindi

The Communications and Stakeholder Management Committee assists the Board in fulfilling its statutory duties. The Committee promotes the fund to relevant stakeholders within the Local Government industry and assist to grow the fund. The Committee operates within the communication policy and the communication strategy as approved by the Board to meet the communication objectives of the fund. The CSM-committee further operates within the budget as approved by the Board and reports directly to the Board. It meets on a regular and timely basis to review the communication practices and needs of the fund and to create short and long-term strategies as well as action plans.

THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER

PRINCIPAL EXECUTIVE OFFICER: MR L NDAWANA

Most of the fund's compliance function rests with the Principal Executive Officer (PEO) and the PEO is charged with statutory functions regarding the management of the fund. He works with the Board to ensure compliance on the part of the fund. The Principal Executive Officer is also the Executive who is charged with the execution of Board decisions, working with the staff of the fund and appointed service providers.

As the Executive of the fund, the Principal Officer is central to the governance mechanism and structures of the fund, serving in all committees of the Board and in charge of execution of strategy and guiding the fund/organisation, in the capacity of the Chief Executive Officer.

THE DEPUTY PRINCIPAL EXECUTIVE OFFICER: MS GT KGOSI

Ms Tebogo Kgosi was appointed as the Deputy Principal Executive Officer, effective 1 May 2021. Tebogo brings a wealth of experience and knowledge in the retirement funds management field.

The Deputy Principal Executive Officer forms an integral part of the fund's functioning, attending and participating at all Board and Committee meetings, advising and guiding the Board and the Committees in relation to their mandates.

Ms Kgosi also functions as the executive responsible for operations, acting in the same capacity as the Chief Operations Officer.

MEETINGS AND MEETINGS ATTENDANCE FOR THE YEAR UNDER REVIEW

Overall attendance of Board and Committee meetings stood at approximately 95%. This demonstrates the commitment by the Board of Trustees and the Office of the Principal Officer to execute their fiduciary duties towards the members and the fund.

All the meetings held, had the required number of trustees in attendance to constitute a quorum, as per the Rules of the Fund and the terms of reference for the respective committees.

Meeting	Board of Trustees	Executive Committee	CSM-committee	Investment Committee	Legal Committee	Total number of meetings
Meetings held in 2020/2021	9 to 11 Sept. 2020 26 to 27 Nov. 2020 24 to 25 March 2021 19 May 2021 23 to 24 June 2021	5 Aug. 2020 13 to 14 Oct. 2020 28 Oct. 2020 2 Dec. 2020 20 to 21 Jan. 2021 10 to 11 March 2021 5 May 2021 25 May 2021 8 June 2021	29 July 2020 26 Aug. 2020 6 Oct. 2020 17 Oct. 2020 18 to 19 Feb.2021 17 March 2021 14 April 2021 27 May 2021	3 July 2020 12 to 13 Aug. 2020 7 July 2020 1 Dec. 2020 2 Feb. 2021 19 to 21 April 2021 16 March 2021 9 June 2021	15 July 2020 06 Aug. 2020 1 Oct. 2020 8 Aug. 2020 27 Jan. 2021 4 March 2021 15 April 2021 26 May 2021	
Number of meetings	**5**	**9**	**8**	**8**	**8**	**38**
Attendees						**Total meetings attended in 2020/2021**
C C K Antonio	5	9	8	8	8	38
N C Cindi	5		8			13
J M Dodo	4		4			8
L Geldenhuys	5	9		8		22
M E Jantjie	1		1			2
C J Labuschagne	1				3	4
S J Mpembe	4				5	9
L Mphuthi	4			5		9
L Nani	4				5	9
M C Makgalemele	5	9	8			22
P S Mofokeng	1			3		4
J Nkuna	5	6			8	19
P R Nolutshungu	3	3		8		14
H S Rossouw	1	2		3		6
E A Schutte	5	3		5	3	16
L Ndawana (Principal Executive Officer)	5	9	8	8	8	38
G T Kgosi (Deputy Principal Executive Officer)	1	3	1	1	1	7

Governance

The NFMW's governance practices were recognised as the "Best in class", at the 2021 Institute of Retirement Africa's (IRFA) Best Practices Industry Awards essentially making the NFMW's governance practices the industry's benchmark on governance.

The fund's governance structures are sound, having been recognised as such by the IRFA in 2020 and 2021. The Board of Trustees of the NFMW embraces good governance as a culture that is central to delivering the objects of the Board in terms of section 7C (1) of the Pension Funds Act. The Board, assisted by the Principal Executive Officer, is responsible for the governance of the fund. The NFMW incorporates good governance principles and practices contained in Circular PF130, OECD Guidelines for Pension and Fund Governance and the King IV report on Corporate Governance in South Africa as guidelines in the management of the fund. The fund applies a risk-based approach to its governance mechanisms.

The Office of the Principal Officer monitors and reports to the Board on all risk, governance and compliance-related matters. The Principal Officer and key personnel of the appointed service providers participate at various forums where industry standards are set and reviewed/ discussed and are professional members of the relevant industry bodies.

Our fund's governance mechanisms i.e., our systems, processes and procedures are effective such that:

- The Board approved the fund's annual financial statements for the year 1 July 2019 to 30 June 2020 on 26 November 2020 and same was submitted to the FSCA in December 2020 (within the prescribed time frame of six months after year-end).
- The Actuarial Valuation as at 30 June 2020 confirmed that the fund was financially sound at a funding ratio of 100.40%. The valuation was conducted, and the report was submitted to FSCA within the prescribed time frame. The law requires that retirement funds conducts actuarial valuations once

in three years, but the fund performs actuarial valuation every year to ensure strict monitoring of costs, annual review of benefits and to consider recommendations from the fund's valuator (actuary).

- Most of the Board committees ended the financial year within the budgets allocated to them at the beginning of the financial year. The Board and committee expenses were carefully monitored during the financial year.
- The Board and Committee meetings proceeded as scheduled unless rescheduled for other reasons other than operational issues relating to COVID-19. In fact, the Board had other governance matters that it was addressing and had more Board meetings in the calendar year 2020 than in 2019. Five Board meetings were held for the period under review.

NFMW SERVICE PROVIDERS

To assist the trustees with the management and control of the fund, the following appointments were in place for the year under review:

SANLAM ADMINISTRATOR:
Back office

EMPLOYEE BENEFITS STUDIO
COMPLIANCE, LEGAL ADVISOR, AND GOVERNANCE

ALEXANDER FORBES (GERDA GROBLER)
ACTUARIAL SERVICES

MOSAIC
ASSET CONSULTANTS AND INVESTMENT ADMINISTRATOR

OMT
IT-SUPPORT

DELOITTE AND TOUCHE:
AUDITORS

ASSET MANAGERS SEE ANNUAL INVESTMENT REPORT

NFMW B-BBEE scorecard

In terms of the Financial Sector Codes of good practice to the Broad-Based Black Economic Empowerment Act, retirements funds are expected to voluntarily measure themselves against the targets set in these codes and awarded points. It is not mandatory for retirement funds to undertake this measurement, however, the NFMW does so due to the fact that it considers itself as a critical role player in the country's economy and transformation of the sector. The NFMW believes in being exemplary to its counterparts and services providers. The retirement funds scorecard has the following elements upon which points are awarded:

Board and executive management participation

Exercisable voting rights of black board members as a percentage of all board members

Exercisable voting rights of black female board members as a percentage of all board members

Principal Officer, executive and senior management

Preferential procurement

B-BBEE procurement spend from all empowering suppliers

B-BBEE procurement spend from empowering suppliers who are QSEs or EMEs

B-BBEE procurement spend from empowering suppliers who are at least 51% black-owned

B-BBEE procurement spend from empowering suppliers who are at least 30% black woman-owned

The Board is pleased to report that the fund measured itself against all the above elements.

National Fund for Municipal Workers Scorecard

Management Control Scorecard	Points	Target by June 2021	Achieved	Points awarded
Board and executive management participation	20			
Exercisable voting rights of black board members as a percentage of all board members	8	50%	83%	8,00
Exercisable voting rights of black female board members as a percentage of all board members	4	25%	8%	1,33
Principal Officer, executive an senior management	8	50%	64%	8,00
Preferential Procurement Scorecards	**Points**	**Target by June 2021**	**Achieved**	**Points awarded**
B-BBEE Procurement spend from all empowering suppliers	35	75%	120%	35,00
B-BBEE Procurement spend from all empowering suppliers who are QSEs or EMEs	10	15%	33%	10,00
B-BBEE Procurement spend from all empowering suppliers who are at least 51% black owned	25	15%	64%	25,00
B-BBEE Procurement spend from all empowering suppliers who are at least 30% black woman owned	10	7,50%	10%	10,00
Score out of 100				**97,33%**

Overall, the fund scored 97.33 points, which translates to making the fund a B-BBEE level 1 contributor for the year under review.

This demonstrates to our members and stakeholders our commitment to transformation, inclusion, transparency and adherence to the codes of good practice.

SECTION THREE

Operations

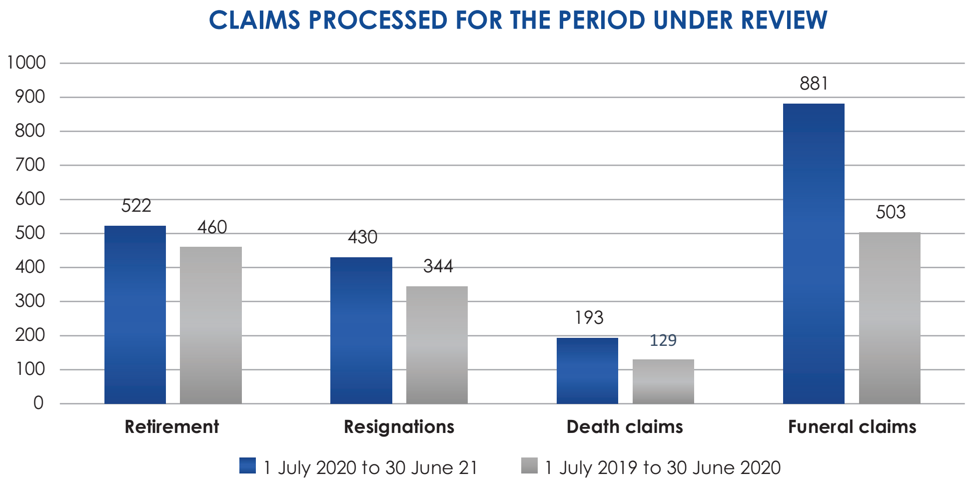
Operational overview

BY THE DEPUTY PRINCIPAL EXECUTIVE OFFICER

The period under review remained a challenging year for the NFMW due to the COVID-19 pandemic, resulting in the NFMW losing many of our members and beneficiaries.

The many lives that were lost, saw an unprecedented escalation in risk premiums, increasing by 55%. We are pleased that the NFMW absorbed the increase at no cost to the members and the Board approved that the difference be funded from its reserve account. The cost to the members, therefore, was unchanged although the cost of benefits increased.

The majority of our participating employers paid contributions in full and on time as legislatively required amid tough financial times; we are grateful and encourage our employers to continue paying contributions on behalf of their employees, our members to secure their retirement and ensure that they remain covered in the event of illness and/or death. During the period under review, in comparison to the previous period, the fund processed and finalised 522 retirements vs 460, 430 resignations vs 344, 193 death claims vs 129, 17 disability claims vs 26 and 881 funeral claims vs 503, as depicted in the graph below. There was a spike in the number of deaths and resignations, both attributed to the effect of the pandemic.



The fund converted to a fully unitised investment and administration platform in August 2020, a strategy that allows the fund to calculate members' returns daily and interest is integrated into the daily calculated unit price.

This enables members to view and access real-time values at any given time.

In addition the Board reviewed the fund's default life stage model and the process of switching a member's fund value to a lower risk portfolio as they get closer to retirement. A new "phasing-in" approach was introduced effective 1 March 2021, to protect against adverse market movements in the short term, which may result in the erosion of the member's accumulated benefits in the long-term.

The fund issued and dispatched the 2020 benefit statements to its members timeously during September 2021. The benefit statements are also available on the online platform and mobile application. The fund also sent out fund credit SMS-notifications on a quarterly basis over the period under review.

Unclaimed benefits remain a challenge; however, the fund is proactive in searching and encouraging former members to claim their benefits and employed a multifaceted approach. The fund published the unclaimed benefit list on its website and submitted the list to the FSCA to be loaded on the FSCA's database. The fund employed the services of tracing agents to assist in its tracing efforts.

Stakeholder engagement is one of the fund's imperatives coming from its organisational strategy and part of its mission to keep members informed. As such, its communication mandate was extended to include stakeholder engagement. Even under the constraints of COVID-19, the fund still managed to conduct member presentations, induction sessions, visits to municipalities, human resources visits, training and a communication campaign in respect of retirement reform. Even though face-to-face member engagement remains preferable, it was not always possible due to COVID-19. Therefore, it was augmented with virtual interaction and regular publication of pertinent content through the fund's different digital communication platforms. During the year under review, there was an increase in member communication driven by the Principal Executive Officer's focus on Freedom of Association which will allow employees to belong to a retirement fund of their choice, which will provide the fund with the opportunity to grow and in turn benefit our members by bringing about cost efficiencies, amongst many other benefits. We are continuously looking for ways to enhance our service delivery to our members and member experience. We have revamped our website with a new look and feel with rich content and made it more user-friendly, with a reverse billing facility. We also introduced a chatbot, WhatsApp and Telegram to enhance member engagement and a mobile application that members can download to access their fund information.

Our responsiveness to queries and complaints has enabled us to better grasp members' requirements and be more proactive in our complaints resolutions.

In an effort to safeguard our staff and members, we continued with remote and rotational working, which has proved to be effective and is being perfected over time. Office closure only impacted walk-in members, but service delivery remained uninterrupted and was never compromised.

G T Kgosi

Annual Financial Statements

FOR THE PERIOD 1 JULY 2020 TO 30 JUNE 2021

The annual financial statements of the National Fund for Municipal Workers (NFMW) are the responsibility of the Board of Trustees of the fund. The Board of the fund fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the fund and/or its benefit administrators, provide reasonable assurance that:

- The fund's assets are safeguarded
- Transactions are properly authorised and executed
- Financial records are reliable

The Annual Financial Statements have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the Pension Funds Act. The Board of Trustees is not aware of any instances of non-compliance during the financial year nor during the year up until the signature of these statements.

These financial statements have been reported on by the independent auditors, Deloitte and Touche, who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Trustees believes all representations to the independent auditors (in the management representation letter during the audit) to be valid and appropriate. The report of the independent auditors is presented on pages 21 to 22.

These financial statements:

- Were approved by the Board of Trustees of the fund on 25 November 2021.
- Are to the best of the Board members' knowledge and belief confirmed to be complete and correct.
- Fairly represent the net assets of the fund as at 30 June 2021, as well as the results of its activities for the period under review as reflected by the statement from the auditor and valuator.

STATEMENT OF RESPONSIBILITY BY THE BOARD AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the National Fund for Municipal Workers are the responsibility of the Board of Fund. The Board of Fund fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls.

The Board of Fund confirm to the best of their knowledge and belief that, during the year under review, in the execution of their duties they have complied with the duties imposed by Pension Funds Act legislation and the Rules of the Fund. The Board of Fund is not aware of any instances of non-compliance during the financial year nor during the year up until the signature of these financial statements.

These annual financial statements have been reported on by the independent auditor, Deloitte & Touche, who had unrestricted access to all the fund's records. The Board of Fund believes that all representations made to the independent auditor in the management representation letter during their audit were valid and appropriate. The report of the independent auditor is presented on pages 21 to 22.

In light of the above the Board was satisfied to sign the financial statements. The net assets of the fund extracted from the financial statements are set out on pages 24 to 25.

STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL EXECUTIVE OFFICER

I confirm that, for the period under review, the National Fund for Municipal Workers has timely submitted all regulatory and other returns, statements, documents, and any other information as required in terms of the Pension Funds Act and to the best of my knowledge all applicable legislations.

L Ndawana *Principal Executive Officer*
25 November 2021

REPORT OF THE INDEPENDENT AUDITOR
Report on the Audit of the Financial Statements

Opinion

We have audited the annual financial statements of National Fund for Municipal Workers ("the Fund") set out on pages 19 to 38, which comprise the statement of net assets and funds as at 30 June 2021 and the statement of changes in net assets and funds for the period then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared for the purpose of reporting to the Financial Sector Conduct Authority ("FSCA").

In our opinion, the financial statements of the Fund for the period ended 30 June 2021 are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial reporting framework and restriction on use

Without modifying our opinion, we draw attention to the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Authority. Consequently, the financial statements and related auditor's report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Board of Fund is responsible for the other information. The other information comprises the information included in the Annual Financial Statements in terms of section 15 of the Pension Funds Act of South Africa, of the Fund for the period 01 July 2020 to 30 June 2021, but does not include the financial statements (schedules F, G and HA) and our auditor's report thereon (schedule D)

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Fund for the Financial Statements

The Board of Fund is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement funds in South Africa and for such internal control as the Board of Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Fund is also responsible for compliance with the requirements of the Rules of the Fund and the Pension Funds Act of South Africa.

In preparing the financial statements, the Board of Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Conclude on the appropriateness of the Board of Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.

We communicate with the Board of Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Statement of Responsibility by the Board of Fund describes instances of non-compliance with laws and regulations, including those that determine the reported amounts and disclosures in the financial statements that have come to the attention of the Board of Fund and the corrective action taken by the Board of Fund. There are no additional instances of non-compliance with the Pension Funds Act that came to our attention during the course of our audit of the financial statements.

Deloitte & Touche
Registered Auditor

Per: Ronel van Graan
Partner 14 November 2021

REPORT OF THE CONSULTING ACTUARY

A statement as to whether the fund was in a sound financial condition for the purposes of the Pension Funds Act, 1956.

The assets of the fund as at 30 June 2020 are sufficient to cover 100.0% of the members' liabilities and various recommended reserve balances and the fund was hence financially sound.

Prepared by:

G GROBLER
VALUATOR
Fellow of the Actuarial Society of South Africa
Fellow of the Faculty of Actuaries

In my capacity as the valuator of the fund and as an employee of Alexander Forbes Financial Services

22 October 2021

NET ASSETS AND FUNDS AS AT 30 JUNE 2021

	30-Jun-21	30-Jun-20
	R	R
ASSETS		
Non-current assets	**22 990 562 327**	**18 336 862 121**
Property and equipment	15 960 590	18 517 447
Investments	22 973 746 605	18 317 014 296
Housing loans	855 132	1 330 378
Current assets	**426 307 165**	**501 090 803**
Accounts receivable	85 387 262	186 907 948
Contributions receivable	191 345 491	142 987 234
Cash at bank	149 574 412	171 195 621
Total assets	**23 416 869 492**	**18 837 952 924**
FUNDS AND LIABILITIES		
Members' funds and surplus account	**22 388 521 333**	**18 166 257 924**
Members' individual accounts	21 949 395 184	18 053 503 095
Amounts to be allocated	439 126 149	112 754 829
Reserves		
Reserve accounts	321 516 056	288 445 931
Total funds and reserves	**22 710 037 389**	**18 454 703 855**
Non-current liabilities		
Unclaimed benefits	33 452 340	21 317 654
Current liabilities	**673 379 763**	**361 931 415**
Transfers payable	5 830 468	2 939 478
Benefits payable	611 491 829	320 671 427
Accounts payable	56 057 466	38 320 510
Total funds and liabilities	**23 416 869 492**	**18 837 952 924**

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS AS AT 30 JUNE 2021

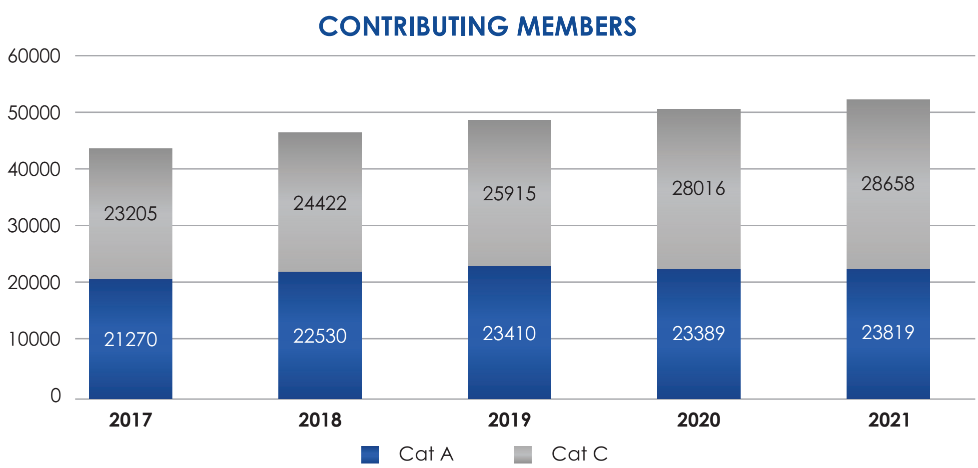
	Note	Members' individual accounts & Amounts to be allocated	Reserve accounts	Current year 2021	Previous year 2020
		R	R	R	R
Contributions received and accrued		2 428 649 312	72 639 634	2 501 288 946	2 235 068 838
Reinsurance proceeds		397 494 786	-	397 494 786	205 718 032
Net investment income		3 200 533 507	35 183 309	3 235 716 816	155 368 784
Allocated to unclaimed benefits		-159 943	-	-159 943	-856 342
Other income		-	2 324 098	2 324 098	126 460 895
Less:		-340 118 329	-81 792 514	-421 910 843	-383 916 826
Re-insurance premiums		-340 118 329	-	-340 118 329	-307 932 157
Administration expenses		-	-81 792 514	-81 792 514	-75 984 669
Net income before transfers and benefits		**5 686 399 333**	**28 354 527**	**5 714 753 860**	**2 337 843 381**
Transfers and benefits		-1 458 414 964	-	-1 458 414 964	-995 849 075
Transfer from other funds		7 753 247	-	7 753 247	97 919 726
Transfer to other funds		-14 306 055	-	-14 306 055	-8 461 921
Benefits		-1 451 862 156	-	-1 451 862 156	-1 085 306 880
Net income after transfers and benefits		**4 227 984 369**	**28 354 527**	**4 256 338 896**	**1 341 994 306**
Funds and reserves					
Balance at the beginning of the year		18 166 257 924	288 445 931	18 454 703 855	17 111 704 187
Prior period adjustment		-5 720 960	5 720 960	-	-
Revaluation surplus : Property			-1 005 362	-1 005 362	1 005 362
Balance at the end of the year		**22 388 521 333**	**321 516 056**	**22 710 037 389**	**18 454 703 855**

Please refer to the notes to the financial statements under schedule HA for a detailed explanation of the financial statements. The audited financial statements are available on the fund's website www.nationalfund.co.za.

Administrative feedback

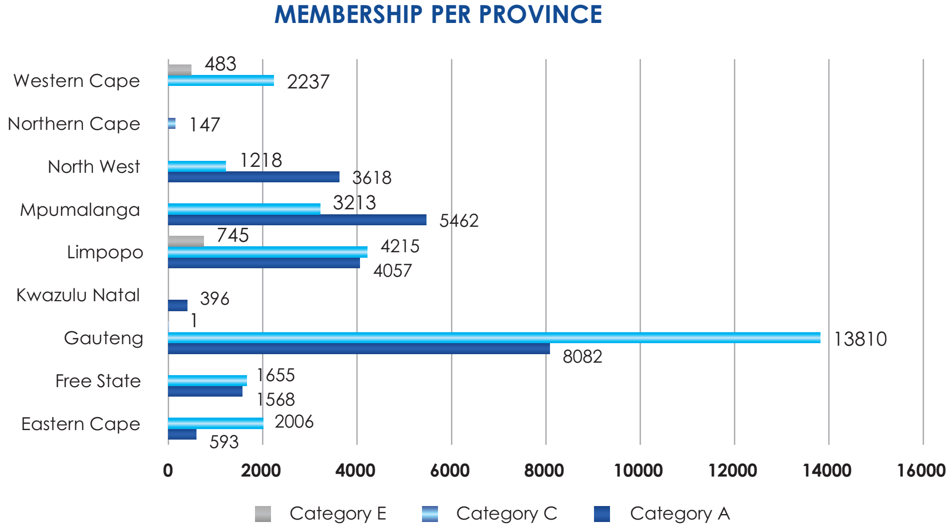
During the 2020/2021 financial year, the membership in Category A has increased to 23 819. The membership in Category C has increased to 28 659. The total number of contributing members has increased from 44 475 to 52 477, since the 2017 financial year; this represents an 17.2% increase. This growth is pleasing to the fund, given the current unemployment rate in the country.

MEMBERSHIP INFORMATION

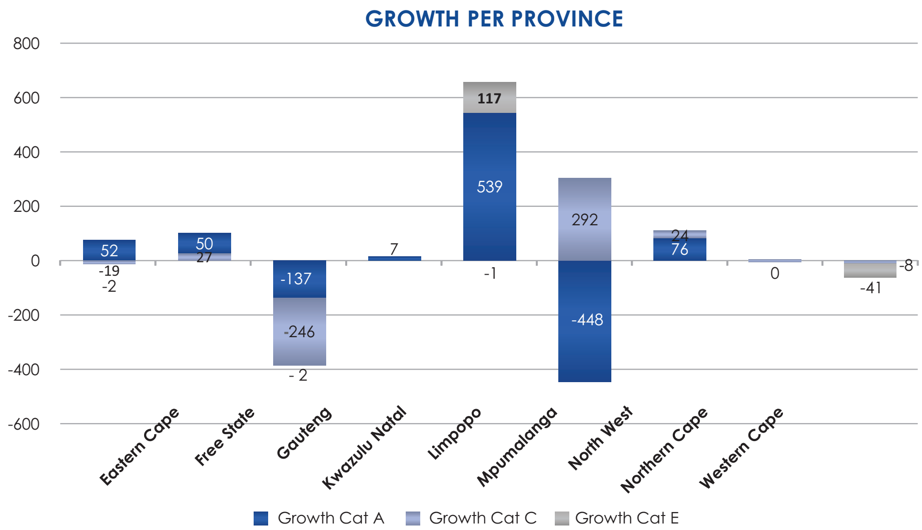


MEMBERSHIP PER PROVINCE

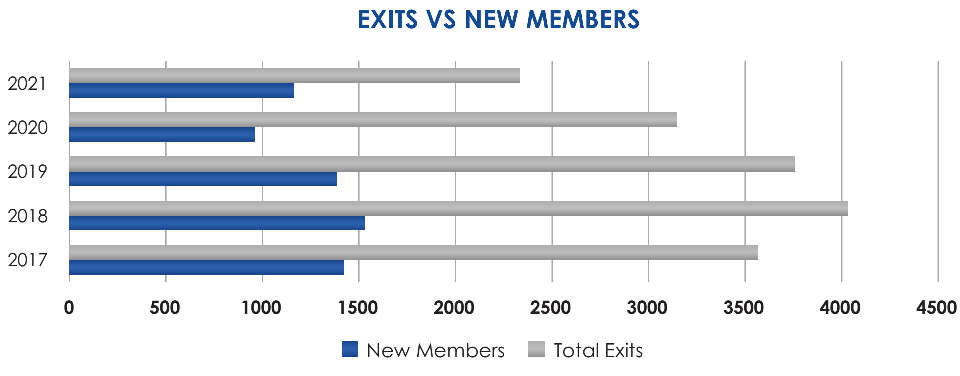
The province with the highest membership is Gauteng with a total combined number of members of 21 892.



The province with the highest combined net growth in number of members is Limpopo with 655 members. **The graph below illustrates the growth per province, in number of members:**

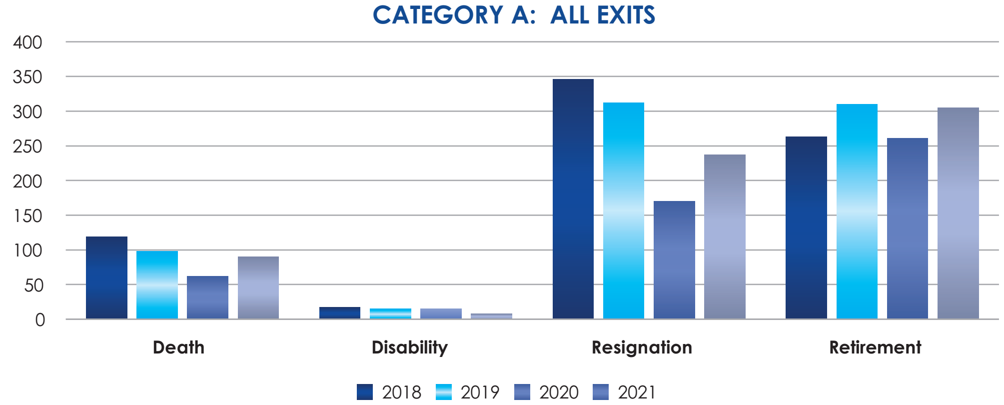


The following graph illustrates the number of exits vs the number of new members gained per annum for the period 2017 to 2021: the number of exits per 100 new members during 2021, was 50.

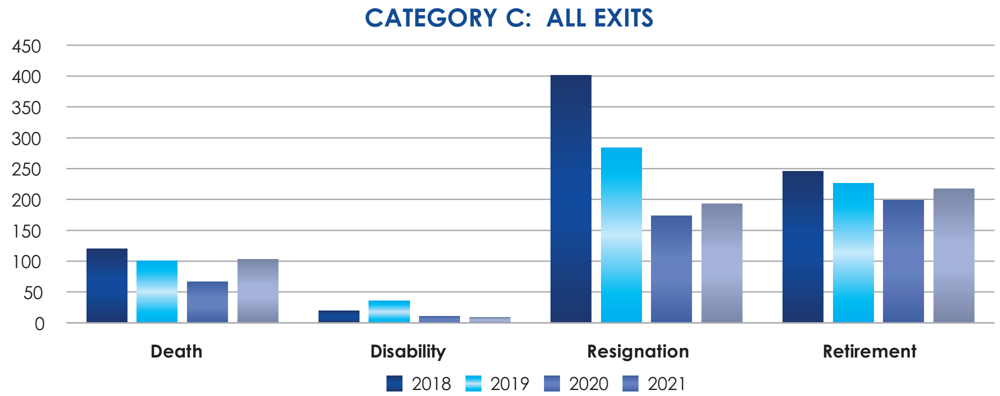


FUND EXITS

The following two graphs contain a comparison between the total number of paid exits per category, for the period 2018 to 2021 for Category A and Category C, respectively:



When compared with the 2020 financial year, the total number of exits in Category A has increased with 26% during the 2021 financial year.



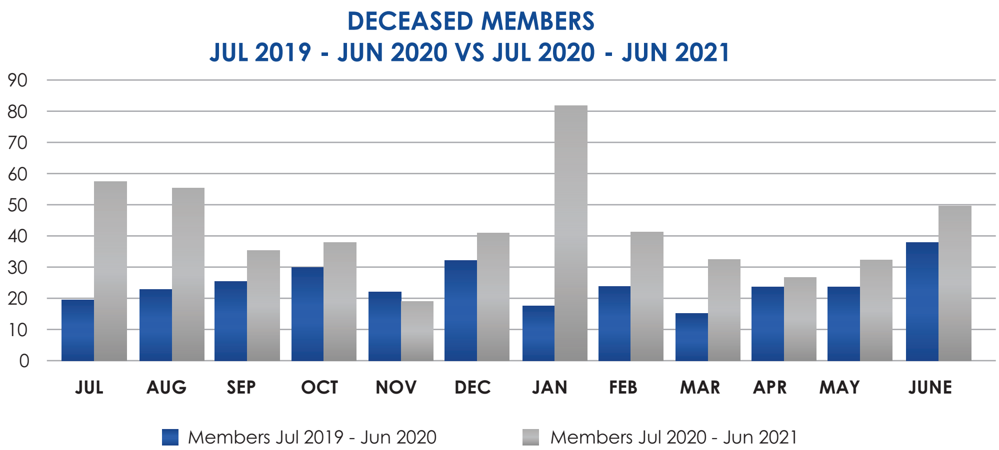
When compared with the 2020 financial year, the total number of exits in Category C has increased with 16% during the 2021 financial year.

When comparing the combined number of paid exits during the 2021 financial year with the combined number of paid exits during the 2020 financial year, death exits have shown an increase of 50%, retirements have shown an increase of 13%, disabilities have shown a decrease of 35% and resignations have shown an increase of 25%, some of which may be attributed to the impact of the pandemic. The average turnaround time for benefit payments processed was six working days, calculated from the date of receipt of all required documents until payment date.

THE IMPACT OF COVID-19

The average turnaround time for the monthly reconcilation and allocation of contribution payments received from employers, is three working days, provided that all minimum requirements as prescribed in terms of Section 13A of the Pension Funds Act have been complied with. We are pleased to report that there was no increase in the number of employers with outstanding contributions as a result of COVID-19. However, the total number of death claims in respect of deceased members for the period ending 30 June 2021 was 515 compared to 295 for the previous financial year, this translates to a 75 % increase.

The following graph illustrates the impact of COVID-19 in terms of deceased members:



Despite the increase in the number of death claims, the turnaround time for the Section 37C disbursement of death benefits improved with an average of six days, when compared with the pre-COVID-19 period. The turnaround time for the payment of death benefits after the disbursement of the death benefits improved with three days. This was due to a decision-making enhancement process adopted by the Legal Committee to expedite the payment of the death claims.

Benefits and costs

ANNUAL REVIEW OF THE RISK COVER BENEFITS AND COSTS

The fund understands the impact that high cost can have on a member's retirement savings and therefore always endeavours to keep costs to a minimum.

The COVID-19 pandemic had a direct impact on the overall claims experience of the fund, with an increase of 155% in death, disability and funeral claims paid by the insurer from January 2020 to January 2021. This resulted in the insurer increasing premiums by 55%.

After performing the annual review of the death, disability and funeral benefits, and having considered different scenarios, it was decided by the Board of Trustees that the underwriting loss due to the increased claims experience as a result of the effects of the COVID-19 pandemic, would be subsidised from the fund's risk scheme profit share from the previous insurance period. This way ensuring that there is no increase in the risk cover costs paid by the member or a reduction in the overall risk cover (death, disability and funeral benefits).

The fund was also able to maintain the administration cost which remains at only 0.5% of pensionable salary, translating to less of our members' contributions towards costs and more going towards their retirement savings.

Daily unitisation and life stage phasing-in approach

DAILY UNITISATION

The fund converted to a fully unitised investment and administration platform in August 2020, to ensure that the NFMW continues to provide the highest level of member experience.

This strategy allows the fund to calculate members' returns daily and interest is integrated into the daily calculated unit price. This enables members to view and access real-time values at any given time.

Improving the member experience

Investment choice switches can now be processed within 5 to 7 days from the day a correctly completed Investment switch instruction-form has been received by Sanlam.

This strategy allows the fund to calculate members' returns on a daily basis

NFMW DEFAULT LIFE STAGE MODEL:

NEW APPROACH TO PORTFOLIO SWITCHING

The fund implemented a "phasing-in" approach for default portfolio switches effective from 1 March 2021. The NFMW applies a life stage model which automatically takes members through different investment portfolios i.e., aggressive to more conservative portfolios as they approach retirement age. The Board of Trustees assessed and reviewed the fund's default life stage model and the process of switching a member's fund value to a lower risk portfolio as they get closer to retirement. The default life stage investment portfolio varies with age according to the following schedule:

- Aged younger than 55: Aggressive Growth portfolio
- Aged between 55 and 62: Capital Growth portfolio
- Aged 62 and older: Stable Growth portfolio

The Board of Trustees decided to implement a "phasing-in" approach when switching a member's fund value to a lower risk portfolio. It means that not 100% of a member's fund value will immediately be switched to a lower risk portfolio when reaching the stated age as indicated above. The reason for this decision is to protect members' fund values against volatile or adverse market movements which sometimes occur over short periods of time. Switching 100% of a member's fund value at a specific point in time to a different portfolio, may in some instances be to the detriment of that member.

The process mostly stayed the same i.e., for members who do not feel confident in selecting the portfolio that would best suit their risk profile and circumstances, fund values are still automatically invested in the same default life stage strategy, with the same age bands as indicated.

However, once a member has reached the recommended age limit for a portfolio, 25% of the member's assets (fund credit) and 25% of subsequent contributions will immediately be switched to the lower risk portfolio. A further 25% of assets and subsequent contributions will be switched after every four months until 100% of the fund credit and subsequent contributions have been switched to the lower risk portfolio i.e., after a 12-month period.

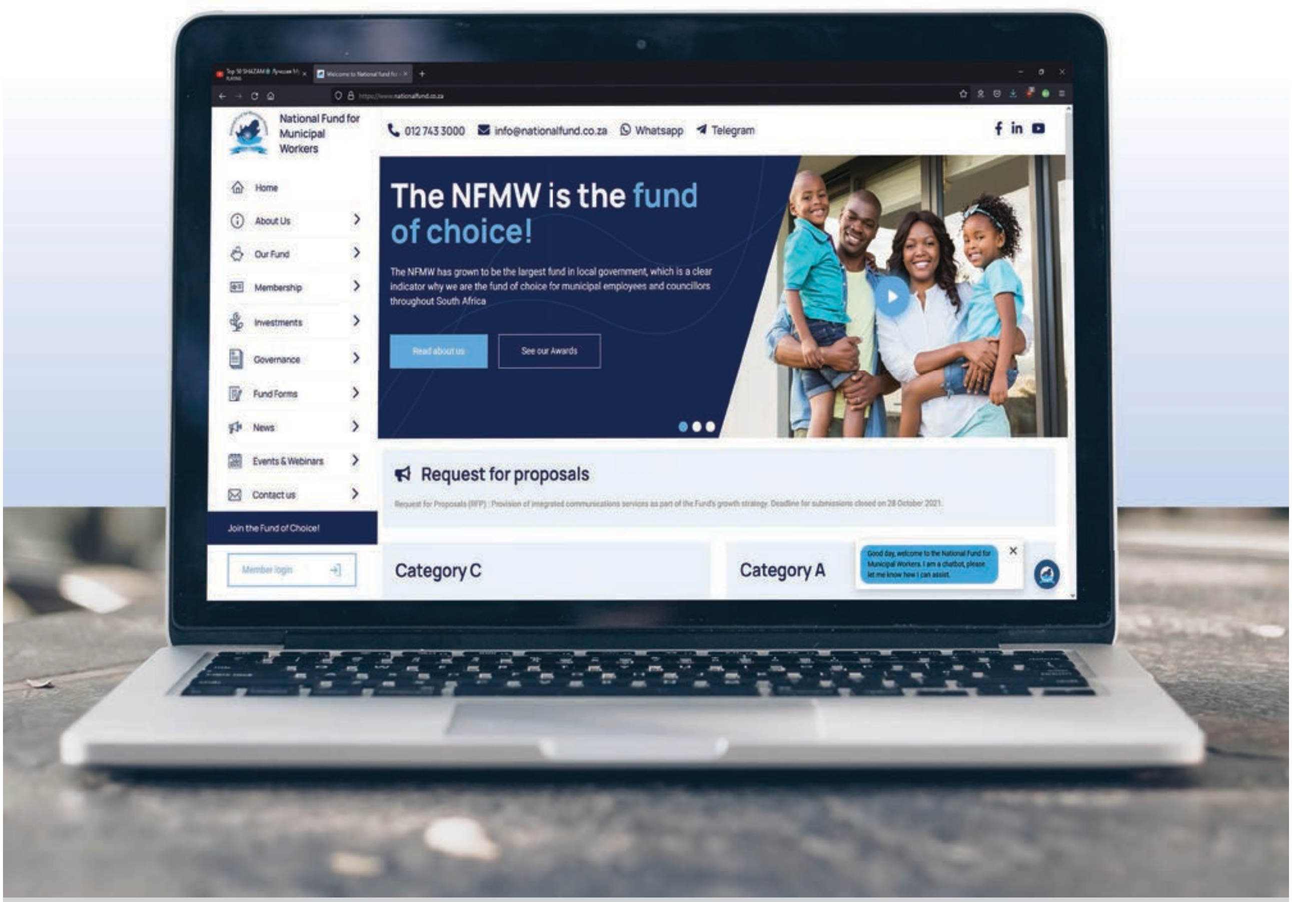
The first 25% switch to the new recommended portfolio will commence at the end of a member's birthday month. As a result, it will take 12 months for a total portfolio switch to be completed. After the 12-month phase-in period, all future member contributions will automatically accrue to the new default life stage portfolio.

See an illustration of a default switch from the Aggressive Growth portfolio to the Capital Growth portfolio below.

Age55	Age55 4 months	Age55 8 months	Age56
25% of fund credit and 25% of contributions are switched to Capital Growth Portfolio	A further 25% of fund Credit and 25% of contributions are switched to Capital Growth Portfolio	A further 25% of fund Credit and 25% of contributions are switched to Capital Growth Portfolio	A further 25% of fund Credit and 25% of contributions are switched to Capital Growth Portfolio
25%	50%	75%	100%

4 months → 4 months → 4 months

For more information on the NFMW's benefits visit the fund's website



WWW.NATIONALFUND.CO.ZA

Industry developments

REFORM CHANGES CAME INTO EFFECT 1 MARCH 2021

Retirement reform changes came into effect on the 1st of March 2021 and provident funds are now treated in the same way as pension funds. This means that when members retire, they will have to purchase an income (living or life annuity) from a registered insurer with at least two-thirds of their retirement benefit unless the total benefit is R247 500 or less. We communicated in detail on how these reform changes may affect the benefit payment options available to members on retirement.

FIVE FACTS TO REMEMBER REGARDING THESE REFORM CHANGES:

1. **MEMBERS NOW HAVE TWO RECORDS IN THE FUND**, and this is indicated as such on the member benefit statements.
    - Old money: All the contributions made towards the fund before 1 March 2021, including the interest/growth accumulated.
    - New money: All the contributions made towards the fund after 1 March 2021, including the interest/growth accumulated.
2. **MEMBERS CAN STILL ACCESS THEIR BENEFITS AS A LUMP SUM WHEN THEY RESIGN (END SERVICE BEFORE AGE 55):** The reform changes have no impact on the payment of a resignation benefit. The resignation benefit is still payable as a cash lump sum if a member ends service before the age of 55. This includes the old and new money.
3. **MEMBERS WHO WERE 55 YEARS AND OLDER ON 1 MARCH 2021 ARE NOT AFFECTED BY THE REFORM CHANGES:** Category C and/or A members who were 55 years and older on 1 March 2021 are not affected by the reform changes. They will have the option to have the full retirement benefit (old and new money) paid to them as a lump sum (if they remain members of the NFMW until they retire).
4. **MEMBERS IN CATEGORY C AND/OR A WHO WERE YOUNGER THAN 55 YEARS ON 1 MARCH 2021, can still choose to have their benefits accumulated before 1 March 2021, plus interest on that benefit (old money), paid as a cash lump sum,** when they retire. However, only one-third of the benefit accumulated after 1 March 2021 (new money) can be paid as a cash lump sum and two-thirds must be used to purchase an income. If the benefit accumulated after 1 March 2021 is less than R247 500, members can choose to be paid the total/full benefit as cash lump sum.
5. **CATEGORY E MEMBERS.** Nothing changed. Members must use at least two-thirds of their benefit to purchase an income at retirement unless the total benefit is less than R247 500.

THE PROTECTION OF PERSONAL INFORMATION ACT (POPIA)

POPIA came into effect on 1 July 2021. Measures were put in place to ensure that the fund and all its service providers comply with the provision of the Act. The fund is pleased that the review of all fund contracts has been concluded.

You can rest assured that the NFMW prioritises the safety and confidentiality of your personal details.

Promoton of Access to Information Act, No2 of 2000

PROMOTION OF ACCESS TO INFORMATION ACT (PAIA)

Updated regulations to the Promotion of Access to Information Act ("PAIA") became law on 27 August 2021. The changes are to bring PAIA in line with the Protection of Personal Information Act ("POPIA") and the requirement for private bodies (which included retirement funds) to have a PAIA manual which sets out how information they hold is accessed and what categories of information are held with that private body. The Information Regulator has been responsible for regulating both PAIA and POPIA since 1 July 2021, whereas previously the South African Human Rights Commission regulated PAIA.

CONDUCT OF FINANCIAL INSTITUTIONS (COFI) BILL

The COFI Bill is primary legislation that will be used by National Treasury to repeal the conduct-related sectoral laws currently contained in various pieces of legislation. "National Treasury says there is a need to streamline the legislative framework and have one piece of overarching conduct legislation to give effect to the FSCA's mandate."

COFI will be informed by the regulator's market conduct policy approach, and it is intended to strengthen customer protections through consistent application across all types of financial institutions. It will also facilitate competition, financial inclusion, and transformation across the insurance sector in line with the requirements contained in the Financial Sector Regulation (FSR) Act. The COFI Bill is being redrafted based on industry comments received in October 2020.

REGULATION 28 AMENDMENT BILL

In February 2021, National Treasury published the draft amendments to Regulation 28 of the Pension Funds Act for public comment. This follows the 2021 Budget and 2020 Mid-Term Budget Policy Statement (MTBPS) announcements that government is in the process of reviewing Regulation 28 to make it easier for retirement funds to invest in infrastructure. National Treasury is currently considering comments received from the industry in March 2021.

The NFMW keeps track of all regulatory changes, as they impact the fund and its members. Necessary adjustments are made to ensure compliance and members are kept abreast of all changes as they develop.

RATIONALISATION OF RETIREMENT FUNDS AND FREEDOM OF ASSOCIATION

The fund previously communicated on the rationalisation/restructuring of Local Government retirement funds. **The Collective Agreement between the labour unions IMATU and SAMWU and the South African Local Government Association (SALGA) was signed by the above parties as part of the salary increase agreements in the SALGBC. In terms of the agreement, all municipal employees will be given the opportunity to move between accredited participating funds with effect from 1 July 2022.**

Retirement funds will now be required to undergo an accreditation exercise to ensure that they meet the criteria as set out by the South African Local Government Bargaining Council (SALGBC). The Local Government retirement funds sector restructuring/rationalisation is meant to ensure that members receive value for their contributions and save as much as possible towards their retirement. This process is also meant to ensure that all retirement funds are properly governed and that retirement funds put the interests of members first.

The NFMW has always been in support of the retirement funds restructuring exercise as we believe that members who are locked into funds due to the current restrictions, should be given the freedom to choose retirement funds that are cost-effectively managed and whose management practise good governance and responsible investing in order to provide members with desirable retirement outcomes. The fund will also partake in the accreditation process as the criteria pose no threat to well-managed and cost-effective funds, like the NFMW. Rather, this provides funds like the NFMW with an opportunity to grow in membership and assets resulting in a further reduction in costs, improved benefits and even better returns for our members.

A detailed fund comparison on costs, benefits and investment performance will be made available so that members and potential members can compare accredited funds before deciding on which fund to participate in or transferring between funds.

EARLY ACCESS TO RETIREMENT SAVINGS AND COMPULSORY PRESERVATION

Currently members are only allowed to access their retirement savings on ending service and use their funds as surety when applying for pension-backed home loans.

The previous Finance Minister noted in the 2020 Medium Term Budget Policy Statement (MTBPS) and 2021 Budget that consideration is being given to allow limited pre-retirement withdrawals from retirement funds under certain conditions if this is accompanied by mandatory preservation. A media statement was released by National Treasury on the 11th of August, confirming that government has been engaging with trade unions, retirement funds, regulators, and other stakeholders to discuss how to increase savings and improve preservation and allow limited withdrawals, without creating liquidity and investment risks.

Government has been working on a more structured two-bucket system that will enable the restructuring of future contributions. One bucket is to be preserved until retirement, and the second bucket will allow for pre-retirement access during emergencies or extra-ordinary circumstances. Any consideration for early access will require legislative and fund rule amendments because the current law and policy prohibit any pre-retirement access to retirement savings unless an employee resigns or is retrenched. It is expected that the earliest that any changes would become effective for a new withdrawal mechanism is 2022. Implementing any new system allowing limited withdrawals with preservation will take time because in addition to prior consultation, legislative and fund rule amendments have to be done and fund administrators will also have to change their systems.

THE NFMW IS MONITORING DEVELOPMENTS IN THIS REGARD AND WILL INFORM OUR MEMBERS WHEN OR IF THE LAW IS CHANGED TO MAKE SUCH PROVISION.

We look forward to continuing to serve our members beyond the rationalisation of retirement funds exercise.

Legal matters

FUND RULES AND AMENDMENTS

A copy of the Rules of the Fund and the full amendment documents are available on the fund's website www.nationalfund.co.za and can be provided upon request from the fund's offices.

The following is a summary of the amendments made to the Rules of the Fund during the period under review:

Description	Date of Board resolution	Effective date	Date registered by FSCA
5. Rule 12.15 Replaced: Accidental Insurance Cover	10 September 2020	1 November 2020	28 October 2020
6. Rule 6.3 replaced: Commutation Option	25 March 2021	1 March 2021	13 May 2021
7. The following amendments were made: - Make provision for the changes to the cost deductible and payable for securing risk benefits from the insurer provided to members - Make provision for the funding of the risk benefits to be paid into the risk reserve account - Make provision for the cost of the risk benefits to be paid from the risk reserve account to the insurer - Renumber the rules of the Fund for coherence - Make provision for the period appointed in terms of Rule 12.6.3 of the Rules to be a Trustee of the Fund.	24 June 2021	1 July 2021	8 September 2021

SECTION 13A NON-COMPLIANCE

There is a legal duty on participating employers in terms of section 13A of the Pension Funds Act to pay monthly contributions for and on behalf of members of the fund.

WE ARE PLEASED TO REPORT THAT THERE WAS NO INCREASE IN THE NUMBER OF EMPLOYERS WITH OUTSTANDING CONTRIBUTIONS AS A RESULT OF COVID-19.

The following steps are taken by the fund in those cases where a participating employer does not pay contributions for and on behalf of the members.

- The fund will send SMS-communication to those members who are affected, informing them of the non-receipt of the contributions.
- The fund will communicate on a monthly basis with the participating employer, informing them of their non-compliance as well as the consequences to the benefits of the members.
- If no payment is received for a period of three months, the fund will inform the FSCA of the non-payment.
- The fund will also lodge a complaint against the participating employer with the Pension Funds Adjudicator

COMPLAINTS PROCEDURE

Who may lodge a complaint?

- Any member or member beneficiary may lodge a complaint about any aspect of the fund's service delivery.

How to lodge a complaint:

- Submit an online complaint by making use of the "Contact us" link on our website.
- Contact the Manager Fund Administration at the branch where the incident occurred.
- Fax us or write to us.

Please provide us with the following details:

- Full details of complainant (name, surname, postal address, telephone number, fax, e-mail address).
- A brief description of the nature of the incident.
- The branch name where the incident occurred.
- The complainant's expected outcome.

Once a complaint has been lodged:

- The time frame to resolve the complaint in terms of the fund's service level standards, is 30 days from the date of receipt.
- In the event where the complaint cannot be resolved within the prescribed time frame, the customer will be informed of the planned action within 5 working days, from the date of receipt. If the complainant is not satisfied with the outcome, he/she may lodge a complaint with the Pension Funds Adjudicator at:

Pension Funds Adjudicator:	Ms M A Lukhaimane
Address:	4th Floor Riverwalk Office Park Block A, 41 Matroosberg Road, Ashlea Gardens Pretoria, South Africa 0181
Telephone:	012 346 1738
Fax:	086 693 7472
e-mail:	enquiries@pfa.org.za

There were no adverse decisions made against the fund by the Pension Funds Adjudicator for the period under review.

Communication feedback

The COVID-19 pandemic continued to pose its challenges, specifically in limiting the amount of member sessions and interaction with our members and employers. It was important for the fund to enhance our digital communication infrastructure to ensure that all fund information is still easily accessible. This was achieved by redesigning the fund's website into a modern, interactive and user-friendly platform that allows for quick and easy access to all fund information. We also took into consideration that members do not always have an internet connection or data to access the website and therefore enabled a reverse billing facility, which enables visitors to access the website without incurring any data costs.

We do, however, understand that not all our members are tech-savvy and that face-to-face interaction with our members is still an integral part of stakeholder communication and education. Our Communication Consultants therefore continued engaging with our members and the employers through on-site visits, whilst strictly adhering to all COVID-19 protocols. During the year conducted more than 195 information sessions, attended by more than 5560 members.

Thank you Messrs. Andile Bango, Jabulani Mpembe, Strauss Ntuli and Themba Sabela for your hard work and perseverance in ensuring that our members and employers are kept informed even in a pandemic.

We are honoured to have received a Best Practices Industry award in recognition for best practices in stakeholder education and engagement for the communication campaign around the Retirement Reform changes that came into effect 1 March 2021. This is evidence of the fund's commitment to ensuring that members are kept informed and are educated on any developments that may affect their retirement savings. There were further developments within the industry around the rationalisation of retirement funds and the much-anticipated window period as well as National Treasury's intentions regarding early access to retirement savings. The fund will as always guarantee that we communicate on these and other important issues.

It is, however, important that we have the correct contact information on record to ensure that we can communicate effectively. Members are therefore encouraged to ensure that they inform the fund of any change not just in their contact and personal information, but also any changes to beneficiary information. This can be done by completing the relevant form on the fund's website or by registering for WEB access at https://cp.sanlam.co.za

SECTION

FOUR

Investments

Investment overview

EXECUTIVE SUMMARY

Who could have imagined that we would see such an extraordinary global economic recovery after the COVID-19 pandemic wreaked havoc in early 2020?

During the past 18 months, market volatility has been quite extreme and unprecedented, which made investment decisions difficult even for the most experienced investment teams across the globe. After the initial crash in March 2020, we have seen a remarkable recovery in the months following the initial lockdowns. Markets are forward looking and price in a recovery beyond the prevailing economic reality. The tailwinds continuing to fuel this market and economic recovery include:

- The successful vaccine rollouts globally
- Accommodative monetary and fiscal policy – freeing up liquidity
- Higher than expected global growth, and
- Strong demand for consumer goods and services

Seen in isolation, the investment markets (especially equities) were kind to investors measured over the last twelve months (or since the COVID-19 crash). Most global equity markets recovered losses in record time and added more on the back of bullishness and positive sentiment that followed the re-opening of many economies. The election of Joe Biden as the new US president in November 2020 was perceived to be positive (especially for emerging markets), and further fuelled the momentum of the markets.

However, the economic reality always has some influence on the markets and we would like to caution members to lower their return expectations. Many risks remain, which can easily derail the good economic recovery. Inflation is seen as the biggest of many other risks at the moment:

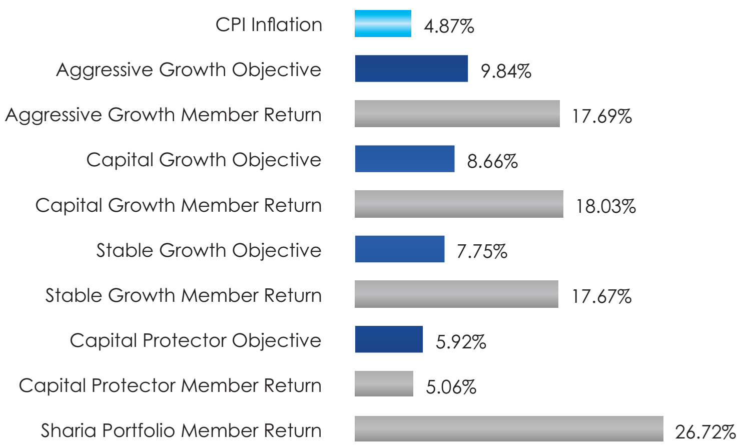
- Higher inflation and interest rates
- Very high global debt levels
- Pockets of high valuation levels

Time will tell whether global inflation will become more permanent in nature, which may well result in various market adjustments and economic policy changes. Such a scenario will create uncertainty and volatility which means members will need to stay anchored and true to their long-term investment strategy.

The fund's assets followed the markets higher and ended the financial year at an all-time high! The fund increased its total assets over the financial year by R4.2 billion (* from R18.3bn to R22.5bn) at the end of June 2021. The financial year saw net inflows of roughly R1.02bn, whereas investment returns added R3.2bn as all the investment portfolios ended with excellent results for the financial year.

The good recovery in the 2020/2021 financial year ensured that members' fund credits increased significantly and more than made up for the subdued returns experienced during the previous financial year. The fund's excellent long-term track record speaks for itself as it maintains its good performance alongside the best global balanced managed portfolios in South Africa. It also remains on par with its Local Government peers. It still remains the fund's objective to add real returns (i.e., returns in excess of inflation) to its portfolios over time, ensuring a sound retirement for its members. The graph below shows the various portfolio returns over the last 12 months compared to their respective investment objectives and inflation – the portfolio returns for the period are indicated in red bars. For example, the NFMW Aggressive Growth portfolio returned 17.69% for the 2020/2021 financial year.

**Excluding the fund's back account balances*



As always, the fund remains well balanced and diversified across many asset classes and managers, and arguably, improved its diversification and robustness during the year. Diversification remains of utmost importance to protect members during times of turmoil and volatility, which comes around quite often in these modern times.

In the latter part of 2020, the fund reviewed its investment strategy, investment objectives and risk parameters for both its pre-and post-retirement membership. This resulted in an increased return objective for the pre-retirement (active member) Capital Growth portfolio (i.e., from CPI + 3.5% p.a. to CPI + 3.75% p.a.) on the back of higher-than-expected yields from local bonds as an asset class. The investment strategies for the post-retirement portfolios were adjusted to reflect a better "income based" strategy, with slightly higher exposures to income generating assets (like bonds). As a result, the post-retirement Aggressive Growth portfolio's return objective is now set at CPI + 4.50% p.a. All portfolios remain Regulation 28 compliant, which governs the allocations to various types of assets, and are optimised to achieve their various investment objectives over the long term.

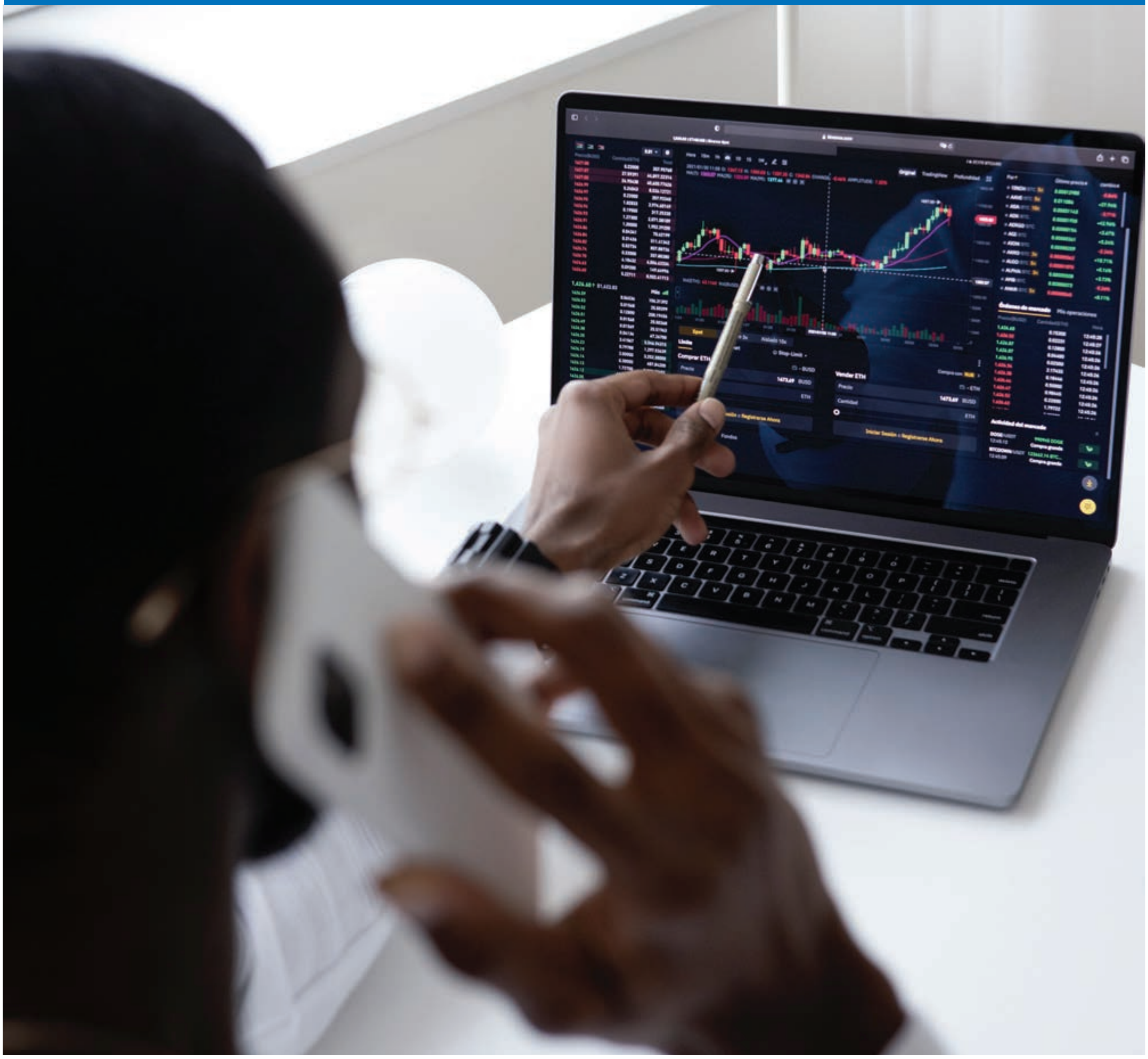
From a return perspective, the asset classes adding the most value during the year were local equities (most equity managers performed well), international equites and the fund's appointed tactical asset allocation manager. The alternative assets managed mainly through the OMAI IDEAs fund (which invests mainly in infrastructure and renewable energy projects) as well as the Futuregrowth DEF fund were more subdued due to the impact of COVID on the real economy.

The fund continued its focus towards transformation and added two new empowered passive equity mandates to its investment structure, namely the Prescient Portable Alpha and Vunani Passive equity mandates. These mandates will improve the fund's cost structure whilst creating more exposure to certain sectors of our equity market.

More than 95% of the fund's assets are now managed by asset managers with a B-BBEE level 2 and above, and almost 40% of assets are managed by >51% black-owned asset management businesses.

In future the fund's investment strategy will focus on the broader needs of its members, which aligns with the fund's overall operational and business strategy. The priority will be to align the fund's investments with the need for sustainability and sustainable development over the long term, whilst being responsible custodians of members' well-being after retirement. Investments will aim to contribute and promote economic inclusivity, creating jobs, preserving the environment, and promoting good health amongst others. As such, the fund already makes meaningful contributions towards some of South Africa's critical development areas such as job creation, infrastructure, education, technology (ICT), and healthcare.

The Board and management of the fund look forward to contributing meaningfully to these areas for years to come.



The year in review

More than a year after stringent lockdowns and various other regulations ravaged the global economy, COVID-19 along with its subsequent variants continue to create some uncertainty in world markets.

The extraordinary global response (after March 2020) to the pandemic has set the stage for a strong economic recovery in most parts of the globe during most of 2020 and 2021. The accommodative monetary policies (low interest rates) coupled with unprecedented fiscal support (government spending including enhanced unemployment benefits delivered directly to lower-income earners) helped world trade, economic activity and consumer spending return to pre-pandemic levels.

Furthermore, as the vaccine rollout gathered pace, positive sentiment returned to the markets, which resulted in increased asset prices. Most countries have contained the virus successfully, whilst others have struggled, but in general those countries that managed the process better through vaccinations and/or lockdowns have recovered faster. As economies opened, demand for goods and services recovered and many business sectors contributed meaningfully to a more normalised business (and earnings) environment. In fact, a large number of companies, especially in the technology sector, reported record earnings during the past year. As a result, many global economies recorded V-shaped recoveries in economic activity and have passed the peaks reached in 2019 i.e., pre-pandemic levels. Understandably, confidence levels remain subdued due to many new COVID-19 variants and ever-changing lockdown regulations.

During the past year, however, the economic focus has shifted towards higher inflation expectations along with possible interest rate increases (inflation concerns increased globally, especially in the United States). The stronger-than-expected rebound in global growth, low interest rates and much fiscal stimulus created a stronger demand for goods (and to a lesser extent) services as economies reopened. Supply chains across the globe were stretched, as many manufacturers were still coming online after the initial lockdowns and drastic measures taken by them to save their businesses. Consequently, the inflation rate in the US jumped to above 5% (year on year) from a previous average of 2% going back many years.

Closer to home, the South African Reserve Bank's Monetary Policy Committee decided to keep interest rates at 3.5% (lowered to these levels when the pandemic was in full swing to assist the economy). This was widely expected, even as inflation jumped to 4.9% recently.

Although we experienced stronger growth for most of last year and significantly improved economic data figures, South Africa is not out of the woods yet. While some parts of the economy are performing well, households generally remain under pressure. This can largely be attributed to the dire unemployment situation as the official unemployment rate increased to 34% in the second quarter of 2021.

In South Africa the mining industry saved the day on the back of high commodity prices. Global fiscal stimulus and infrastructure spending resulted in extraordinary earnings for SA's mining industry, which contributed handsomely to the fiscus (through income tax) and improved the country's debt-to-GDP ratio forecasts. This came at a good time, as SA's finances were stretched to the limit as a result of the pandemic.

Unfortunately, some of the "mining" tax windfall had to be allocated for relief and recovery efforts after the recent looting in KZN and Gauteng.

Meanwhile, the South African equity market followed the same path as the global equity markets and recently reached all-time highs. Equity market returns are not always correlated with the real economy, as company fortunes are not necessarily reflective of the economic fundamentals. During the year the rand continued on its volatile path and strengthened significantly after the March 2020 blow-out on the back of high commodity prices and the election of Joe Biden as the new US president.

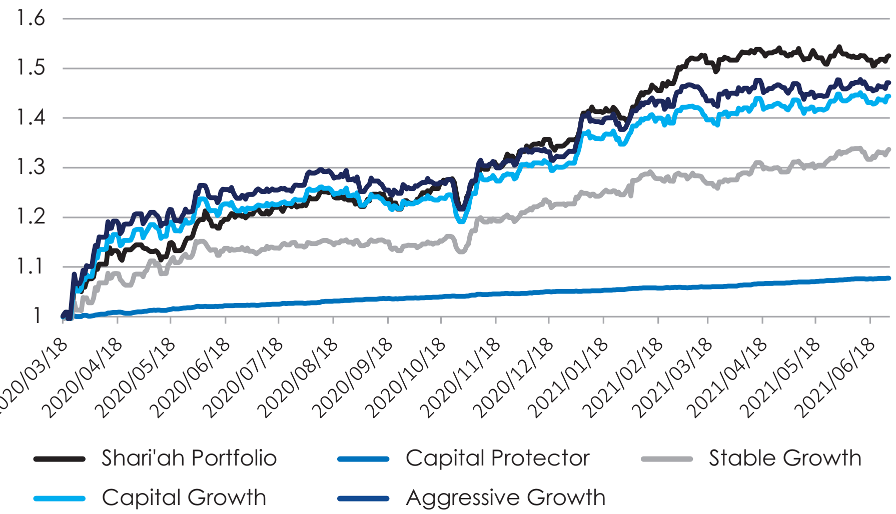
From a return perspective, 2020 – 2021 was an excellent year, and members benefited handsomely from the equity market rally as the All-Share Index more than doubled in value between 19 March 2020 and 30 June 2021!

The post-pandemic recovery of the fund's assets i.e., member portfolio values

The graph below shows the recovery of the various member portfolios since March 2020 after reaching their lowest point around the middle of March 2020 as a result of the COVID crash.

There was a big recovery in the valuations and all the portfolios have since recovered all of the losses suffered as a result of the lockdown restrictions, and added excellent value in 2020/2021.

PORTFOLIO PERFORMANCES SINCE MARCH 2020



Economic outlook

Much of the global economic outlook still remains dependent on vaccine rollouts, the re-opening and recovery of many affected sectors (especially hospitality, travel and other service industries) post COVID. The path to a full recovery is expected to be uneven as many uncertainties remain. These uncertainties include the impact of new virus variants and their impact on lockdown restrictions and unemployment figures.

In spite of the pandemic, the macro-economic backdrop remains positive and many indicators signal a faster economic recovery than what was originally thought. It is expected that at least 75% of the world's population will have received at least one vaccination dose by the end of 2021.

However, together with the economic recovery comes inflation worries and (possibly) more stringent monetary policies i.e., higher interest rates. In general, this does not bode well for equities and bonds over the short to medium term. So far global markets largely brushed off these concerns as investors maintained the view that the record-high inflation figures would be transitory/temporary. There is also a case to be made for higher inflation on a more permanent basis as some commentators fear that excessive price movements in the US housing market combined with higher wages will drive inflation beyond what is considered transitory. This may put pressure on central banks to increase interest rates over time (to curb inflation), which is bad news for those governments, companies and individuals with high debt levels.

Currently, this remains one of the biggest risks for global markets, and members must expect some volatility as the global inflation story unfolds with resultant tighter monetary policy (higher interest rates). Future market returns always remain a function of valuations and many other factors. A summary of the most prominent risks in the markets today are arguably:

- Tighter monetary policy (higher interest rates)
- Higher inflation combined with lower economic growth (stagflation)
- High debt levels
- Chinese regulations
- Geopolitical and other risks

The Chinese risk mentioned above warrants a more detailed explanation. Recently, and over the past few months, President Xi from China announced various regulations pertaining to a "common prosperity" policy (this policy stems partly from the fear of social inequality and imbalances, which often result in various other social problems). For example, the Chinese state announced that private education companies in China (worth tens of billions of dollars) would no longer be allowed to make any profits from their operations and must in effect be classified as non-profit organisations - as education must be equal and accessible to all. The value of these companies collapsed almost immediately as a result of the announcement. Other sectors targeted include the gaming industry (limiting gaming time for children) and the online music industry (breaking up monopolies). Such actions place additional risks on the investment landscape in and around China, especially their equity market and investors should remain cautious when taking on exposure to certain "targeted industries" in China.

Moving to South Africa, inflation has also risen above its pre-pandemic rate and all eyes will be on our Monetary Policy Committee to see if inflation levels remain elevated above 5%. It is, however, expected that inflation will remain well within the set 3% - 6% target range and that interest rates will stay low and possibly only increase in 2022. Recent rate hikes in Brazil, Russia and Turkey (South Africa's emerging market peers) are paving the way for higher rates in South Africa, but the lack of higher economic growth in our country will make this decision very difficult. Either way, it is expected that the SA consumer will struggle regardless, whether it is through higher inflation or higher interest rates.

The economic outlook for the rest of 2021 remains positive for South Africa with the growth in GDP expected to be around 5%. That said, South Africa's finances remain under pressure. Meanwhile, the future and well-being of all South Africans are in the balance and urgent economic policy action is required to take the country forward. Rating agencies again warned that despite the improved fiscal outlook, much pressure remains to stabilise debt by 2025/2026. Moving forward, the continuation of the basic income grant and funding requirements for SOEs will still remain a challenge for the government.

Collaboration between public and private enterprise is of utmost importance for our future as fixed investment spending must be utilised to build infrastructure, create jobs and ultimately drive productivity. The identified list of five fundamental building blocks needed to raise long term growth in South Africa remains more important than ever:

a. Modernising network industries to promote competitiveness and inclusive growth;
b. Lowering barriers to entry and increasing competition;
c. Prioritising labour-intensive growth;
d. Implementing flexible industrial and trade policies to improve competitiveness; and
e. Using regional growth to promote export competitiveness

In summary, time will tell whether global inflation will become more permanent in nature. This may well result in various market adjustments and economic policy changes. Such a scenario will create uncertainty and members must expect some market volatility over the short to medium term. Return expectations always change as a result of changing economic and market conditions. These changes have different effects on the expected returns from various asset classes, like equities, bonds, property, offshore investments etc. It is more often than not those investors who have the best chance of investment success by staying the course and following their longer-term investment strategy.

The NFMW portfolios remain well diversified across many asset classes, market sectors and regions, and are governed by specific investment objectives and risk tolerances which will be achieved over the longer term.

Asset class returns: 30 June 2021

The table on page 47 indicates the returns of the different asset classes over various periods ending June 2021. As mentioned above, the 2020-2021 financial year was an excellent period for members as the global economic recovery and vaccine roll-out gained momentum. Although there were still pockets of volatility, most asset classes delivered good returns over the period. The rand strengthened significantly as dollar weakness against all major currencies became more prominent during the year.

All local asset classes delivered good returns which have also filtered through to the longer term i.e., three and five-year annual return numbers. Local cash returned 4.0% which is reflective of the low interest rates prevailing in South Africa to help the economy and consumers cope with the pandemic. Global Bonds struggled as yields in general came off their ultra-low levels during the year and only managed to return 2.6% in dollar terms. Global equities i.e., the MSCI AC World Index, delivered a return of 12.7% in rand terms (and 37% in dollar terms) which is indicative of the strong global equity recovery.

Listed property recovered slightly from its longer-term troubles and added some value from a very low base. South African equities returned 25% during the fund's last financial year, a big portion of the returns generated by resource/mining companies on the back of very high commodity prices. As noted, the rand strengthened handsomely over a 12-month period (17.7%) and ended the year on R14.27 to the dollar, unfortunately detracting from offshore investment returns.

Investors have not yet been rewarded for taking on additional risk through equity exposure during the last three years (and even over the last five years). Hopefully this will change going forward, but we will have to see if central banks approach possible interest rate hikes with caution, given the current (and a likely higher future) inflation rate scenario. The uncertainty surrounding the South African government debt position and the implementation of structural economic reforms, remain crucial for the economic well-being of all South Africans. Globally, China will play a significant role in many economic outcomes throughout the world, as they increase their military and economic power on a grand scale.

We recommend that investors lower their return expectations for the next five to ten years. High double digit returns from domestic asset classes over the medium to longer term period remain unlikely and rand volatility may have a big impact on the returns of global assets.

The table below shows just how difficult the investment environment has been over the last five years, indicating the returns achieved by the main asset classes over various periods:

Date: 30 June 2021	1 Year	3 years	5 years	10 years
Equities	25.1%	8.1%	8.1%	10.9%
Bonds	13.7%	9.2%	9.2%	8.5%
Property	25.2%	-8.9%	-6.9%	5.1%
Cash	4.0%	6.0%	6.6%	6.3%
Global Bonds (R)	-15.6%	5.6%	1.7%	10.0%
Global Equity (R)	12.7%	14.5%	12.1%	16.9%
Inflation	5.2%	3.9%	4.3%	5.0%
Rand Dollar Exchange Rate	-17.7%	1.3%	-0.6%	7.8%

THE FUND EMPLOYED ASSET MANAGERS

During the last financial year, the fund streamlined and optimised its local equity manager line-up. Three out of nine active equity manager mandates were terminated, and two passive equity mandates were added to manage the fund's local equity exposure. These changes capture the fund's continued drive towards improving financial outcomes for its members, whether it be through cost saving, improved performance or both. The fund also replaced one of its bond managers in April to be more aligned with its transformation vision.

The fund's equity-centric international managers performed well compared to their peers during the last financial year and together with its tactical asset allocation manager ensured that the fund's performance kept pace with other similar risk profiled funds throughout the industry. The fund's exposure to alternative assets like infrastructure, renewable energy, healthcare and other SMME-projects are housed within an array of managers, which going forward, creates the opportunity to deliver good uncorrelated returns (compared to traditional asset classes) for members.

As mentioned, investors in general have not been rewarded for taking on additional risk (through equity exposure) during the last few years. However, over longer periods we still expect the historic risk-reward relationship to remain intact making use of a slight tilt towards alternative assets. Over time, we do expect that alternative assets will provide investors with an improved risk-versus-return profile and will offer good real returns during times when more traditional asset classes struggle.

A list of the fund's appointed asset managers is provided in the table below:

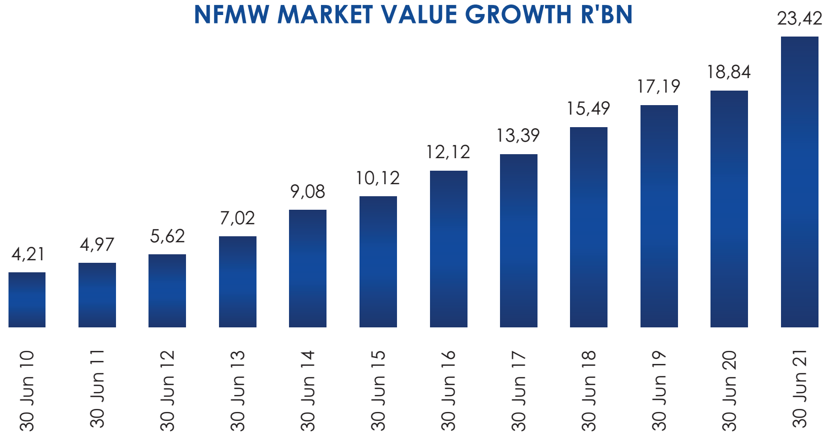
Type	Asset Manager
RSA Balanced	Kagiso Islamic Balanced Fund
Tactical Asset Allocation	Prescient Investment Management
RSA Active Equity	Allan Gray Domestic Equity
RSA Active Equity	Argon Equity
RSA Active Equity	Benguela Equity
RSA Active Equity	Coronation House View Equity
RSA Active Equity	Legacy Africa Equity
RSA Passive Equity	Prescient Portable Alpha
RSA Active Equity	Vunani Equity
RSA Passive Equity	Vunani Passive Equity
RSA Bonds	Balondolozi Bonds
RSA Bonds	Futuregrowth IDBF
RSA Listed Property	Catalyst Property
RSA Listed Property	Metope Property
RSA Alternative Assets	OMAI Ideas
RSA Alternative Assets	Futuregrowth Development Equity Fund
RSA Alternative Assets	Razorite Private Equity Fund II
RSA Alternative Assets	Summit Private Equity Fund
RSA Cash	Ashburton Cash Plus
RSA Cash	SIM Active Income
RSA Cash	Securitised Debt
RSA Cash	Terebinth Flexible Income
RSA Cash	Ninety One Credit Income
International Assets	Allan Gray Orbis Equity
International Assets	Catalyst Global Real Estate
International Assets	Coronation Global Emerging Markets
International Assets	Morgan Stanley Global Brands
International Assets	Nedgroup Global Equity (Veritas)
International Assets	Ninety One Global Franchise
International Assets	Rubrics Global Credit
International Assets	Vulcan Value Equity
African Assets	Novare Africa Property Fund II

A review of the fund's performance and positioning

TOTAL FUND GROWTH

The graph below shows the fund's total market growth over time (in R'bn terms). The annual growth is consistent over time and the chart highlights the fund's excellent performance (especially over the last financial year) and consistent track record.

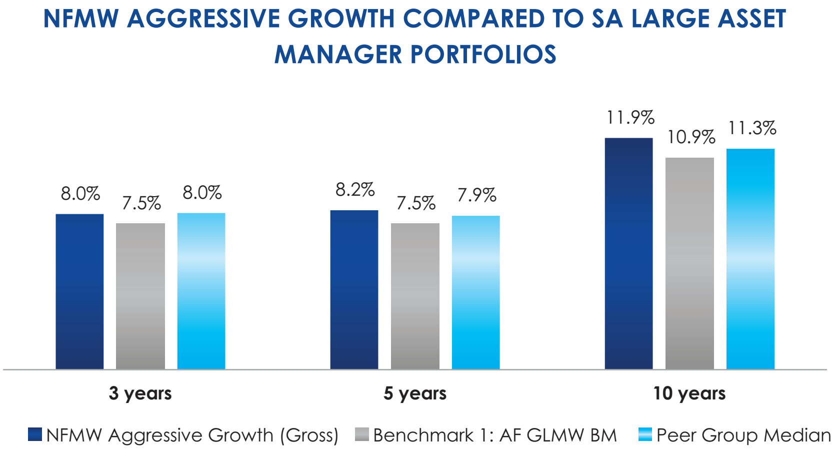
NFMW MARKET VALUE GROWTH R'BN



Performance compared to industry players

The fund prides itself on its good performance and as such, we should also compare the performance of the NFMW Aggressive Growth portfolio to that of South African large asset managers' balanced portfolios with similar long-term investment strategies. However, we need to caution members that comparing these performances (and especially when looking at other Local Government funds) one is not comparing apples with apples, as the underlying investment strategies and objectives for each fund are not the same.

However, the comparison does give a ballpark indication of industry performance and shows whether returns are in line with expectations. On this basis, the NFMW Aggressive Portfolio ranks at an impressive fifth place over a ten-year period, and only 0.9% behind Coronation's Balanced fund over a five-year period. This means that, over the past five to ten years, members were better off in the NFMW Aggressive Growth portfolio than in a typical Regulation 28 compliant unit trust portfolio with a similar risk profile. The following graph shows a comparison of the performance of the NFMW Aggressive Growth portfolio with the benchmark of such risk-profiled funds, as well as the average performance of the funds managed by large South African asset management companies.



INDIVIDUAL PORTFOLIO PERFORMANCES AND COMMENTARY

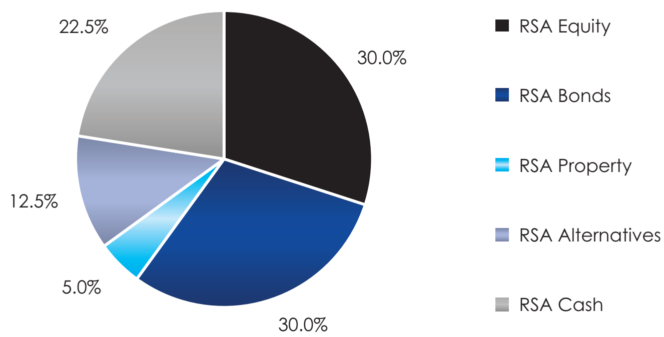
Capital Protector

The objective of the Capital Protector portfolio is to achieve a return of 1% p.a. above inflation (CPI +1%) over time while protecting members' value over all reasonable time periods. The portfolio's assets are primarily invested in a Flexible Income mandate managed by Terebinth Capital together with a combination of other cash managers. As such, the portfolio also has exposure to a small portfolio of securitised debt and two conservatively managed enhanced cash portfolios.

The portfolio returned 5.06% for the one year ending June 2021. It should be noted that cash returns have come down as interest rates in South Africa were reduced by 3.0% - 3.5% to counter the effect of the pandemic and fuel economic growth.

Stable Growth

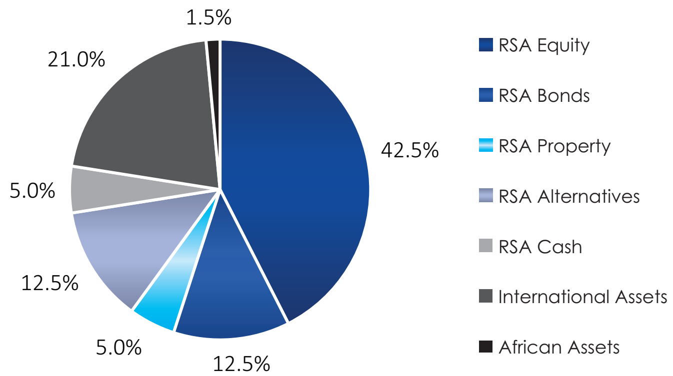
The Stable Growth portfolio aims to achieve a return of 2.75% p.a. above inflation (CPI + 2.75%) over time. Currently the portfolio's assets are managed by a range of specialist asset managers with the aim to maximise returns with the minimum amount of risk measured over longer periods of time.



The Stable Growth portfolio returned 17.67% for the one year to June 2021 and made an excellent recovery after last year's relatively poor performance. The portfolio's exposure to high-yielding cash and credit funds together with bonds and property recovered and added significant value since June 2020. The portfolio also has no exposure to offshore assets which reduced volatility throughout the year as the rand strengthened significantly. Due to its capital protection focus, this portfolio has a lower exposure to the equity market and will protect the fund credits of those members close to retirement from volatility and sudden downturns in the equity market.

Capital Growth

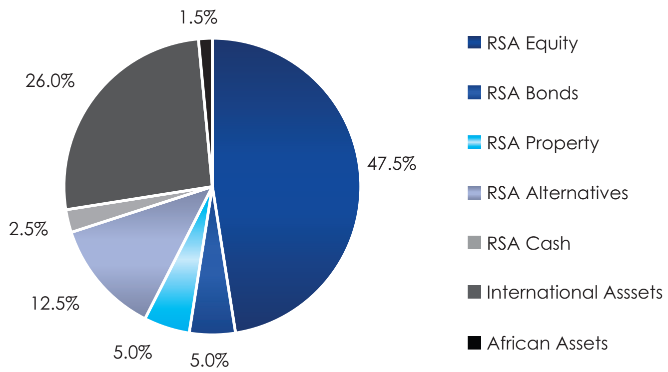
This portfolio has a higher equity allocation than the Stable Growth and Protector portfolios and includes investments in foreign assets. The Capital Growth portfolio aims to achieve a return of 3.75% p.a. above inflation (CPI + 3.75%) over time. This portfolio's assets are managed by a range of specialist asset managers with the aim to maximise returns with the minimum amount of risk measured over longer periods of time.



The Capital Growth portfolio was the second-best performing NFMW portfolio for the 2020/2021 financial year with a return of 18.03% ending June 2021. The main contributors to performance were local and offshore equity as well as through tactical asset allocation positioning. Alternative assets lagged the traditional asset classes due to their direct link with the real economy, which is still under pressure as a result of the COVID pandemic. The portfolio remains well positioned to benefit from a continued pandemic recovery and offers excellent diversification which should protect members against severe market volatility.

Aggressive Growth

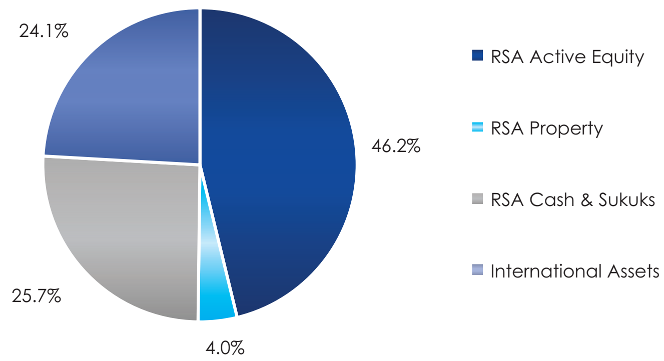
The Aggressive Growth portfolio's assets are managed by a range of specialist asset managers with the aim to maximise returns with the minimum amount of risk measured over longer periods of time. This portfolio was the best performing over the long term due to having the largest exposure to international assets. This portfolio is structured with an investment objective of CPI + 4.75% p.a.



The Aggressive Growth portfolio returned 17.69% for the one year ending June 2021. The main contributors to performance were local and offshore equity as well as tactical asset allocation positioning. Alternative assets lagged the traditional asset classes due to their direct link with the real economy. The portfolio has a higher exposure to more risky asset classes (equity and offshore) compared to the other portfolios and will continue to do well in the current economic recovery phase. In recent times, investors were generally not rewarded for taking on additional risk through a higher equity or offshore exposure. However, this scenario may change as the lower interest rate environment in South Africa helps to create an economic environment more conducive to longer term growth.

Shari'ah Portfolio

The Shari'ah portfolio is suitable for investors requiring a Shari'ah-compliant portfolio appropriate for retirement schemes and members' retirement savings over the long-term. The portfolio is invested in a wide variety of domestic and international asset classes such as equity, sukuks and listed property, within the constraints of the statutory investment restrictions for retirement funds. The underlying investments will comply with Shari'ah requirements as prescribed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).



The Shari'ah portfolio was the best performing NFMW portfolio last year and returned 26.72% for the one year to June 2021. The good performance is reflective of the relatively higher resources exposure maintained in the portfolio over the past couple of years.

POST-RETIREMENT LIVING ANNUITY PORTFOLIOS

Already established some time ago, the NFMW offers various post-retirement annuity options for members under its default annuity strategy. Members do not have to make use of an externally provided product but, under certain circumstances (and within the Rules of the Fund), may select either an in-fund living annuity or an out-of-fund life annuity underwritten by MMI. Members that do want to make use of an external provided product may also consider an established ex-NFMW member living annuity offered via the MMI investment platform.

For in-fund living annuity members the fund has created four investment portfolios to provide for their different financial needs. The investment portfolio choice will depend on the member's personal financial circumstances and requirements as well as the required drawdown rate (i.e., monthly pension amount). Living annuity members may invest their available fund credits in any one, or any combination, of the available portfolios, and will be subject to continuous sustainability monitoring by the appointed Actuary of the fund. During the last financial year, the fund restructured the post-retirement investment portfolios to be more income focused, and less volatile.

Living annuitants now have four dedicated investment choice portfolios, which are managed separately from the pre-retirement investment portfolios (up to January 2021 the pre- and post-retirement investment portfolio were essentially the same managed portfolios). As a result, the strategic asset allocations were adjusted to reflect the best view for post-retirement portfolios accessed for income purposes. In short, the following changes were made:

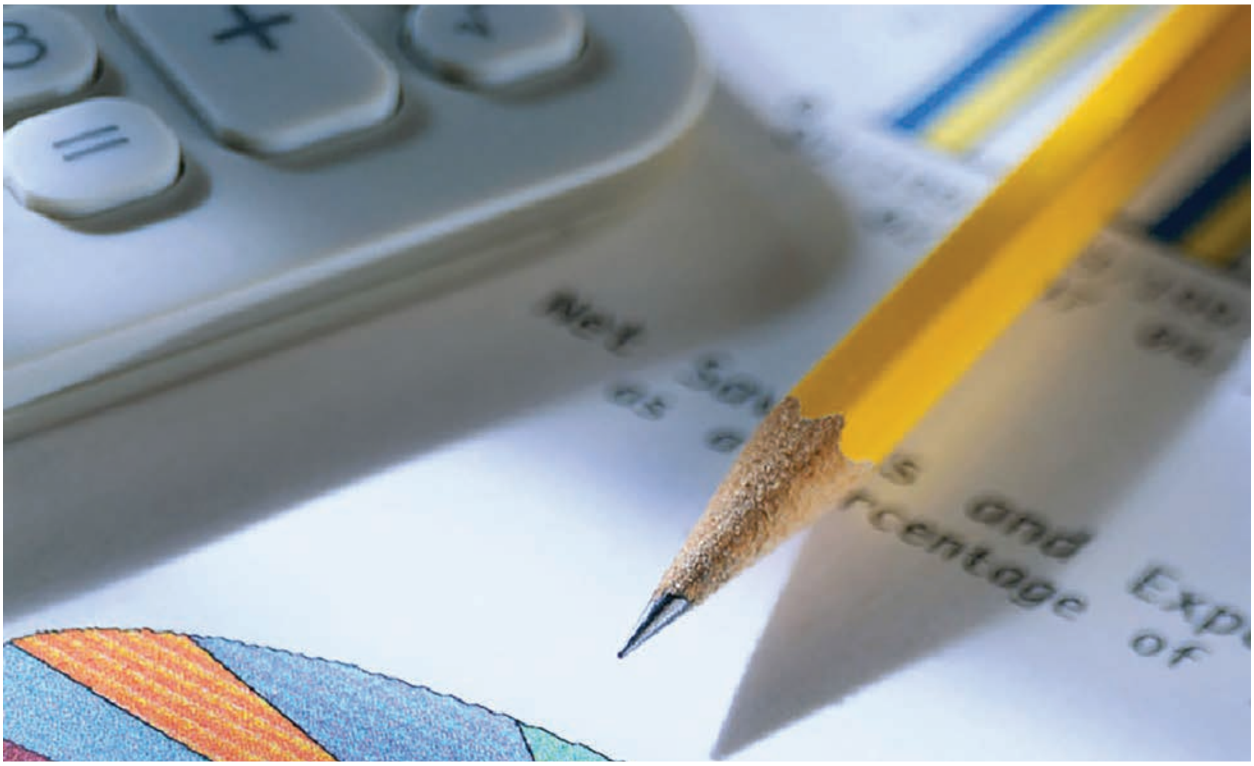
- Strategically, the exposure to African assets has been removed in favour of SA bonds and all physical African assets will be removed from the portfolios over time.
- International asset exposures for the Aggressive Growth and the Capital Growth portfolio have been set at 25% and 20% respectively

- Exposure to alternative assets reduced by 2.5% on the Aggressive Growth, Capital Growth and Stable Growth portfolios and added to SA Cash for the Stable Growth portfolio and SA Bonds for the other portfolios.
- The SA equity exposure was reduced for Aggressive Growth (by 2.5%) and Capital Growth (by 5.0%) and added to SA Bonds.
- The Capital Growth investment objective was set to CPI + 3.75% p.a. (net of fees) over rolling three-year periods.
- Aggressive Growth investment objective set to CPI + 4.50% p.a. (net of fees) over rolling three-year periods.

The post-retirement living annuity portfolio strategic asset allocations and investment objectives are summarised in the table below:

	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth
SA Equity		30.0%	37.5%	45.0%
SA Bonds		32.5%	20.0%	12.5%
SA Property		5.0%	5.0%	5.0%
SA Alternative		10.0%	10.0%	10.0%
SA Cash	100.0%	22.5%	7.5%	2.5%
International			20.0%	25.0%
	100%	**100%**	**100%**	**100%**
Return Objective	**CPI + 1.0% p.a. over rolling 1 year periods**	**CPI + 2.75% over rolling 3 year periods**	**CPI + 3.75% over rolling 3 year periods**	**CPI + 4.50% over rolling 3 year periods**

Please note that going forward, the returns on these portfolios will be slightly different from those of the pre-retirement portfolios.



NET MEMBER RETURNS

The net returns added to active members' fund credits over the past twelve months and per financial year are as follows:

	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth	Shari'ah Portfolio
Jul-20	0.46%	0.68%	1.48%	1.68%	1.51%
Aug-20	0.57%	0.34%	0.87%	1.08%	1.02%
Sep-20	0.35%	-0.34%	-1.55%	-1.65%	-0.16%
Oct-20	0.34%	-1.05%	-2.85%	-3.19%	-0.98%
Nov-20	0.47%	5.26%	7.13%	7.15%	7.81%
Dec-20	0.40%	2.93%	2.48%	2.11%	2.87%
Jan-21	0.34%	2.04%	2.93%	3.26%	3.47%
Feb-21	0.34%	2.22%	3.16%	3.37%	4.91%
Mar-21	0.28%	0.38%	0.86%	1.20%	3.49%
Apr-21	0.51%	1.45%	1.56%	1.46%	0.78%
May-21	0.52%	2.73%	0.90%	0.17%	0.10%
Jun-21	0.38%	-0.08%	0.06%	0.13%	-0.55%
Total return	**5.06%**	**17.67%**	**18.03%**	**17.69%**	**26.72%**

Financial Year	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth	Shari'ah Portfolio
2010/2011	5.36%	11.82%	11.30%	14.35%	n/a
2011/2012	5.67%	8.81%	8.84%	7.73%	n/a
2012/2013	4.97%	10.40%	18.56%	19.02%	n/a
2013/2014	4.23%	9.65%	18.12%	24.44%	20.29%
2014/2015	5.99%	7.25%	7.49%	6.44%	-2.10%
2015/2016	7.44%	8.47%	11.45%	10.58%	4.21%
2016/2017	8.54%	6.60%	5.35%	4.83%	5.68%
2017/2018	8.06%	8.02%	9.06%	8.88%	8.73%
2018/2019	8.36%	6.54%	4.61%	3.76%	4.66%
2019/2020	6.42%	-3.32%	-0.87%	0.77%	-0.34%
2020/2021	5.06%	17.67%	18.03%	17.69%	26.72%

The net returns added to living annuity members' capital amounts over the past twelve months and per financial year are as follows:

	Living Annuity Capital Protector	Living Annuity Stable Growth	Living Annuity Capital Growth	Living Annuity Aggressive Growth
Jul-20	0.46%	0.68%	1.48%	1.68%
Aug-20	0.57%	0.34%	0.87%	1.08%
Sep-20	0.35%	-0.34%	-1.55%	-1.65%
Oct-20	0.34%	-1.05%	-2.85%	-3.19%
Nov-20	0.47%	5.26%	7.13%	7.15%
Dec-20	0.40%	2.93%	2.48%	2.11%
Jan-21	0.35%	2.05%	2.99%	3.28%
Feb-21	0.35%	2.14%	3.00%	3.28%
Mar-21	0.31%	-0.03%	0.86%	1.09%
Apr-21	0.56%	1.48%	1.55%	1.47%
May-21	0.55%	2.83%	0.82%	0.14%
Jun-21	0.39%	-0.09%	0.17%	0.20%
Total return	**5.21%**	**17.24%**	**17.94%**	**17.55%**

Financial Year	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth
2016/2017	8.54%	6.60%	5.35%	4.83%
2017/2018	8.06%	8.02%	9.06%	8.88%
2018/2019	8.36%	6.54%	4.61%	3.76%
2019/2020	6.42%	-3.32%	-0.87%	0.77%
2020/2021	5.21%	17.24%	17.94%	17.55%

FUND STRATEGY

The fund follows a well-diversified investment strategy that lowers expected risk but strives to maintain positive above-benchmark returns. It employs active and passive management strategies and focuses on investments which provide the fund with risk reducing diversification benefits. The Board, with the assistance of its investment consultant, Mosaic Investment Consulting, is continuously managing the investment strategy of the fund to the optimal benefit of members.

Conclusion

The Board of Trustees is confident that the fund's investment strategy will continually add value to members' retirement savings, contribute to sustainable development and adapt to industry developments. The portfolios are managed to provide members with peace of mind and prudent growth to secure a prosperous retirement.

The fund's participation

IN IMPACT INVESTING AND TRANSFORMATION PROGRAMME

1. Impact investing

During 2021, the fund's investment strategy focus transitioned towards meeting the broader socio-economic needs of its members, in line with the fund's overall operational and business strategy. This essentially means that the fund will be prioritising investments that achieve a triple bottom-line, where in addition to financial performance, they achieve a positive social and environmental impact. Long-term sustainability and sustainable development are thus at the helm of the fund's investment strategy.

Investments with long-term sustainability at heart should be economically inclusive, creating jobs, alleviating poverty, preserving the environment, and promoting good health (amongst others). As such, the fund already makes meaningful contributions towards some of South Africa's critical development areas such as job creation, infrastructure, education, technology (ICT), and healthcare.

2. Current socio-economic impact of NFMW's investments

The fund currently makes use of 26 underlying asset managers, of which 23 have Environmental, Social and Governance (ESG) policies in place. The Board regularly engages with the asset managers to understand and encourage the thinking they apply to ESG-factors when investing on behalf of the fund.

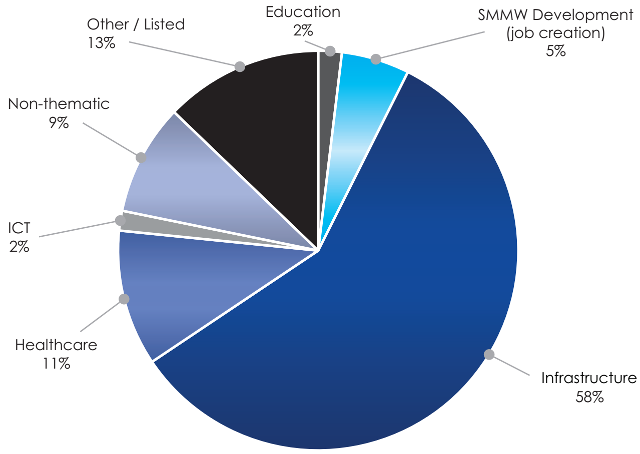
Asset managers focusing on traditional, listed companies often make their impact by incorporating ESG in the investment process. engaging with the management of investee companies to effect a positive change, and proxy voting (on behalf of the fund) in favour of positive ESG-factors. With traditional asset classes (mostly equities), priority is on assessing potential investments based on their financial merit and how ESG-factors are expected to impact a business's profitability.

On the other hand, the alternative asset class is best suited to make a difference in the lives of ordinary South Africans, as investments are made in projects that positively impact the broader society. For example, investments in projects like infrastructure and SMME (Small, Medium and Micro Enterprise) development ultimately create sustainable permanent jobs, while investing in healthcare in rural or peri-urban areas improves access to healthcare services for people living in otherwise remote areas. Therefore, through dedicated and direct alternative investments, the fund can achieve a measurable social impact. It currently makes an impact in the form of job creation and infrastructure development amongst others through its alternative investments, as listed below:

a. Old Mutual Alternative Investments (OMAI) IDEAs (an infrastructure fund);
b. Futuregrowth Development Equity Fund (DEF) (a developmental and infrastructure fund);
c. Futuregrowth Infrastructure and Development Bond Fund (IDBF);
d. Razorite Health and Rehabilitation Private Equity Fund II; and
e. Summit Private Equity Fund (a traditional private equity fund investing in education, healthcare, financial services and ICT businesses).

The total value of alternative investments in the fund is R2.9bn (13% of total assets), and more than half of which is invested in infrastructure to the value of more than R1.7bn. The table below shows the fund's current exposure to impact themes through its investments in the alternative funds:

EXPOSURE % OF NFMW'S ALTERNATIVE ASSETS TO EACH IMPACT THEME



Impact theme	Exposure in rands	Exposure (% of the fund)
Education	R 56 641 384	0.3%
SMME development (job creation)	R 160 228 572	0.7%
Infrastructure	R 1 700 931 042	7.6%
Healthcare	R 320 051 497	1.4%
ICT	R 46 915 706	0.2%
Non-thematic	R 262 828 103	1.2%
Other/Listed	R 374 641 483	1.7%
Total	**R 2 922 237 788**	**13.0%**

The following asset managers and products contributed to the exposure as indicated on page 57.

OMAI IDEAs (Infrastructure, Development and Environmental Assets) Fund

OMAI has four key impact areas as an investment firm, namely climate action, decent job creation, gender equality and reducing income inequality through transformation. The OMAI IDEAs fund is one of South Africa's largest domestic infrastructure private equity funds predominantly investing in renewable energy projects. Specifically, the renewable assets owned by the IDEAs Fund contributed almost a third of the renewable power produced in South Africa in 2020. Some of the social impact of the OMAI IDEAs fund since its inception is indicated in the table below:

Key impact area	Unit of measurement	Impact
Energy infrastructure	Number of renewable energy facilities	28 facilities
Road infrastructure	Total kilometres	1 370km
Total employees	Total number of employees in 2020	4 052
Gender equality	Percentage of employees that are female	28%
Inequality reduction	Previously disadvantaged percentage of employees	84%

The fund has R17.4bn in assets under management (AUM), of which the NFMW accounts for R1.4bn (6.2% of total assets), making the NFMW one of the largest investors with a significant contribution towards power generation facilities, transport (roads, rail, airports) and social infrastructure (housing) in the country.

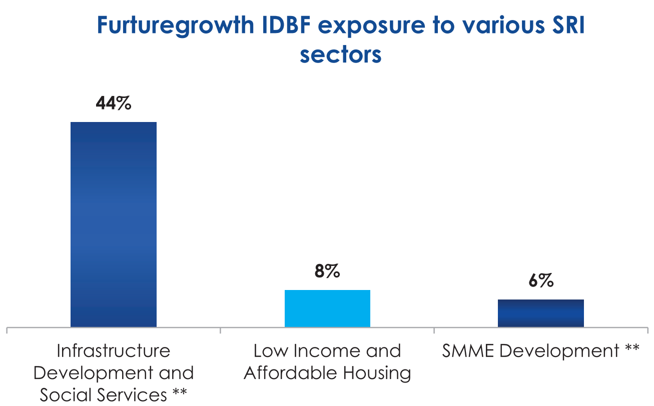
Futuregrowth Development Equity Fund (DEF)

The Futuregrowth DEF has R2.6bn assets under management, of which the NFMW has invested R223m (~1% of the fund's total assets). The Futuregrowth DEF invests in socially responsible assets in Southern Africa with a focus on five core social impact themes namely job creation, transformation, SMME support, gender equality and B-BBEE.

It is well diversified across 27 economic sectors and 9 provinces with more than half of the assets having a national footprint including in rural and peri-urban areas. In addition, nearly half of the fund's assets are invested in infrastructure and social services sectors including transport and energy. Meanwhile, other developmental sectors such as SMME financing and affordable housing make up more than a third of the portfolio's assets.

Futuregrowth Infrastructure and Development Bond Fund (IDBF)

The Futuregrowth IDBF invests in both listed and unlisted bonds across diversified sectors and issuers. It is an excellent example of investments being able to deliver outstanding performance while making a meaningful social (and governance) impact. The fund is invested across 35 economic sectors and ten socially responsible investing (SRI) sectors which are all aligned with the fund's strategic objectives, with exposures to various SRIs as follows:



*** Infrastructure Development and Social Services (mostly through investments in energy, transport, development finance and water and sanitation) and SMME Development (including B-BBEE, and consumer and business access to finance).*

Razorite Health and Rehabilitation Private Equity Fund II

The Razorite Health and Rehabilitation Fund II is fairly new, having been established in August 2018. They are aiming to transform the healthcare sector in South Africa by investing in healthcare infrastructure, thereby making healthcare more accessible and affordable to South Africans across the country.

The NFMW's total committed capital to Razorite is R250 million. Apart from the NFMW's objective to contribute towards healthcare infrastructure development (with a rural and peri-urban focus), job creation is another area where this private equity fund makes a significant impact. This is clear from Razorite's underlying operational hospitals, which employ more than 1 100 people across 11 healthcare facilities.

In addition, each individual investee hospital is expected to serve over 7 500 patients per year with an expectation to treat more than 300 000 patients annually when combining all their facilities.

Summit Private Equity Fund

The Summit Private Equity Fund was established with the social impact objectives of creating jobs, promoting diversity and inclusion as well as transformation by investing in diversified target sectors namely, education, healthcare, financial services and ICT (information and communications technology).

Summit has R1.3bn in committed capital from a diversified range of investors, of which R150m was committed by the NFMW. So far, Summit concluded three investments – two in the healthcare sector and one in the financial services sector. It is still early days for Summit's capital deployment, but through their investments, 560 jobs have been sustained and 40 new additional permanent jobs were created.

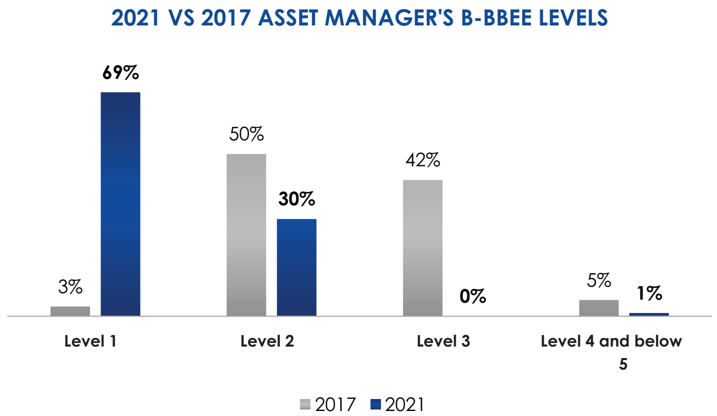
3. Transformation programme

The continuous management, improvement and transformation of the fund's B-BBEE status remain a priority for the Board. Since the start of the fund's transformation programme in 2017, the fund has vastly improved its B-BBEE status. This was achieved mainly through:

a. The appointment of new and more transformed service providers.
b. The improvement of B-BBEE credentials by a large number of the fund's appointed asset managers.
c. Increasing allocations to existing asset managers with higher B-BBEE ratings

4. The progress of the fund's transformation

The graph below shows how the fund's underlying asset managers' B-BBEE levels have significantly improved between 2017 and 2021 (the 2021 position indicated in blue, and 2017 in grey):



It is clear from the graph that more than two thirds (70%) of the fund's asset managers boast a Level 1 rating and nearly a third is rated Level 2. In fact, nearly all (99%) of NFMW's rated asset managers are now B-BBEE Level 2 and above. In contrast, Level 2 and above rated managers only made up over half (53%) of NFMW's investment structure in 2017, showing a significant improvement by 2021. This was largely underpinned by the continuous appointments of various transformed asset managers across different asset classes including three equity, two passive equity, one bond, one flexible income and two private equity managers.

5. The NFMW transformation policy

The fund's Investment Policy Statement also describes its transformation policy and criteria which has not changed since it was first established. As such, the fund actively supports broad-based black economic empowerment through the selection of its asset managers.

It should be noted that selecting and appointing B-BBEE managers remains subject to a thorough due diligence process and specific selection criteria. All considerations which are taken into account are further described in the fund's Investment Policy Statement. The specific selection criteria identified for B-BBEE managers by the Board include, but are not limited to the following:

- Minimum 51% black ownership
- Majority of the investment team must be black
- Medium-sized firms (in terms of assets under management) are preferred
- A 5-year track record is preferred but shorter track records will be considered
- Firms must have transformation and skills development plans in place

The constant improvement and management of the Fund's transformation programme and B-BBEE status remains a priority.

6. The future of NFMW's impact investing and transformation strategy

In future, the fund aims to contribute substantially and meaningfully towards the long-term socio-economic needs of the country while allowing members to benefit financially from the investment opportunities relating to these developmental areas.

The Board, together with the fund's investment consultant, will actively pursue the best impact investment opportunities taking account of the various risks and rewards. In this process it will also take the fund's transformation programme into account.

Furthermore, focus is being placed on responsible investing which encompasses the sustainability of the fund's investments by adhering to positive environmental, social and governance principles. As such the Board and management of the fund remain committed to various initiatives that will constantly improve these sustainability elements embedded in the fund's underlying investments.

Rest assured that the Board will deliver on the fund's vision to positively impact the lives of its members, their families and their communities, today and tomorrow.

Post-retirement products

There are many factors to consider as you are nearing retirement and are faced with the very important decision on which product(s) to invest your hard-earned retirement savings in. It can be quite overwhelming and daunting as making the wrong decision can have dire consequences.

The Board of Trustees of the National Fund for Municipal Workers established voluntary post-retirement default options, the NFMW Golden Income With-Profits Life Annuity underwritten by MMI and the NFMW Living Annuity, for members who want to manage their own pension benefits after retirement.

In short, it means that members do not have to make use of an external product provider, but may instead select an 'in-fund'default living or life annuity.

The major advantage for members is a cost benefit, as the management and investment fees on the fund's default options are significantly lower when compared to the products available from external providers (life insurance companies or investment platforms). There will be a low charge for benefit administration services and the investment management fees will be similar to the existing pre-retirement portfolios.

Members can choose a guaranteed income stream after their working life, in the form of a pension payable for life i.e., a guaranteed or life annuity. Alternatively, their income level post retirement can be self-determined by way of a living annuity. For those members who cannot or do not want to manage their own pension benefits by making use of the in-fund NFMW living annuity, an out-of-fund living annuity designed exclusively for ex-NFMW members is also available

DID YOU KNOW?

THE NFMW POST-RETIREMENT PRODUCTS ARE ALSO AVAILABLE TO RETIRING MEMBERS OF ANY OTHER LOCAL GOVERNMENT FUND.

NFMW LIVING ANNUITY

The default living annuity offered by the NFMW is managed by the Board of Trustees. Certain guidelines and rules will apply to the fund's default living annuity option which need to be carefully considered before choosing this default option:

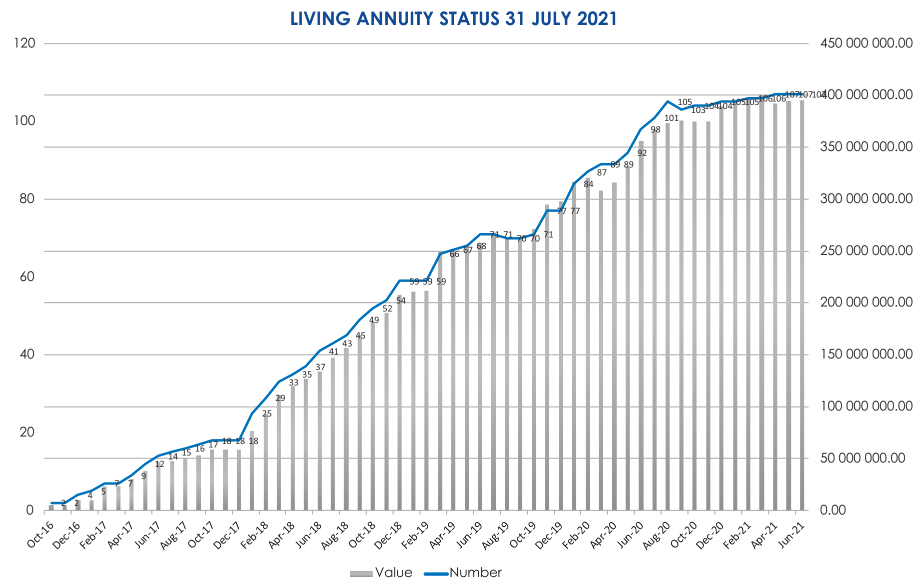
- There is no pension guarantee i.e., your pension/income is based on the NFMW prescribed drawdown rates expressed as a percentage of assets.
- The minimum investment amount is R1.5 million. This provides for some longevity risk mitigation.
- The assets of the default living annuity may be invested in any of the following NFMW individual investment portfolios: NFMW Living Annuity Capital Protector, NFMW Living Annuity Stable Growth, NFMW Living Annuity Capital Growth and NFMW Living Annuity Aggressive Growth. This may depend on your financial position, financial needs, health and required drawdown rate.

The following maximum drawdown/income rates apply to the NFMW living annuity:

Age	Maximum drawdown rate
If aged < 70 on invested amounts below R5m	6% per annum
If aged < 70 on invested amounts above R5m	8% per annum
Older than 70 and younger than 75	10% per annum
Older than 75 and younger than 80	12% per annum
Older than 80 and younger than 85	15% per annum
Older than 85	17.5% per annum
The minimum income drawdown rate is 2.5% per annum.	

- The balance retirement capital in your living annuity account will remain part of the fund's assets. Any remaining assets after your death will be disposed of in terms of your nomination form and in accordance with your beneficiary's wishes.
- **A flat administration fee of R82.90 per annuitant per month** will be levied and actual investment management fees will apply as per the NFMW investment portfolios. On average, the total fee will be approximately one-third of industry norms. This beneficial fee structure may result in a fee saving of between 1% and 2% per year compared to externally provided living annuities.
- **No commissions are payable** (advice fee where agreed, may be applicable).
- You will pay income tax at your personal income tax rate on the amount of income received.

The following graph illustrates the increase of the net value of the In-fund NFMW Living annuity as at 30 June 2021



NFMW GOLDEN LIVING ANNUITY (Out-of-Fund Living Annuity)

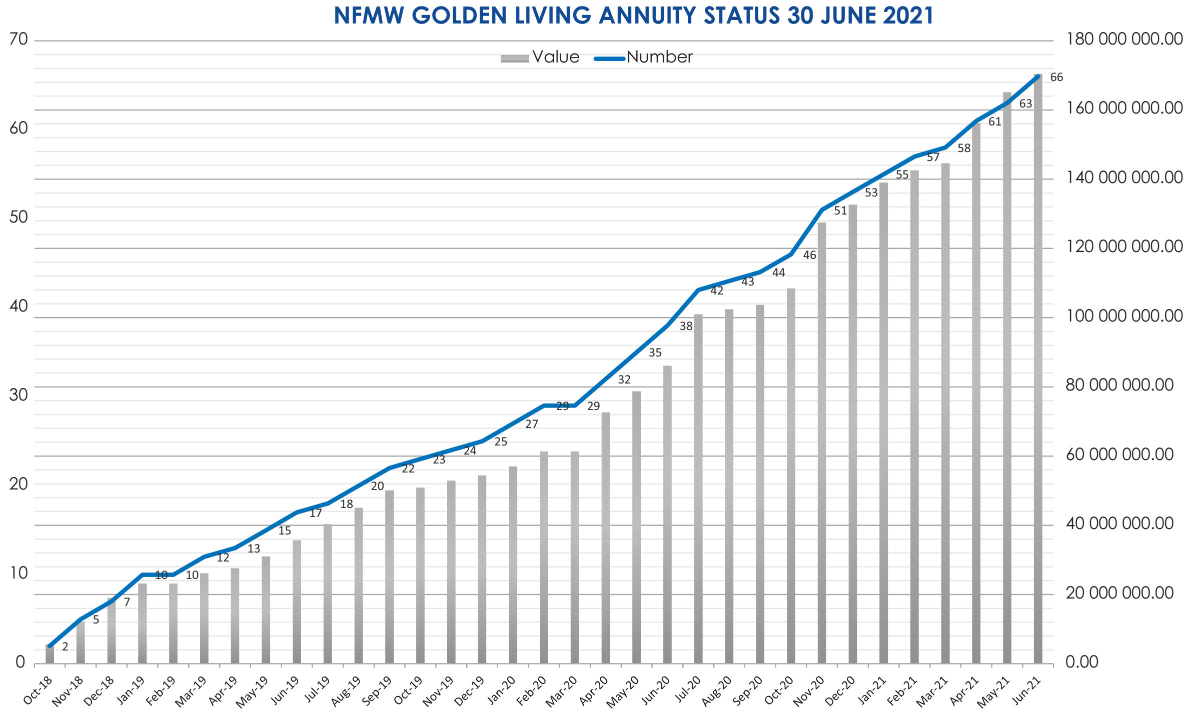
The Board of Trustees approved the NFMW Golden Living Annuity for those members who are unable or do not want to access the in-fund NFMW living annuity. Certain guidelines will apply to the Golden living annuity option which need to be carefully considered:

- Available to active and former members of the National Fund for Municipal Workers.
- Qualifying members may combine amounts from other retirement funds (pension, provident, preservation and retirement annuity funds) and existing Living Annuities in this product at the same pricing levels.
- Minimum investment amount R100 000.
- This living annuity has low investment fees when compared to average available and comparable retail living annuity in South Africa. Lower fees translate into enhanced investment returns, which could lead to higher income or your pension lasting longer.
- At retirement your money is invested in an established risk profiled portfolio which will be credited with the investment returns (positive or negative) you earn on your Living Annuity fund value.
- Importantly, you must decide how to invest your fund credit. Please consult with your own financial advisor or one of our approved financial advisors accredited to promote the NFMW Golden Living Annuity.
- It is a flexible pension, where you can decide how much money to draw each year as income. The law allows you to draw between 2.5% and 17.5% of your fund value each year. However, it is important to draw your income responsibly to provide you with a sustainable income throughout your retirement. A financial advisor helps you decide on the right level of income to ensure that you do not run out of money.
- Upon your death, the balance of your fund value will be paid to your estate or your nominated beneficiaries. Section 37C of the Pension Funds Act does not apply.
- Your spouse will have the option to continue with the Living Annuity at the same pricing levels that you enjoyed while belonging to the Living Annuity.
- A Living Annuity provides you with an income and you may only access your capital once your remaining fund reduces to below the value set by regulation, which is currently R50 000, or R75 000 if the retiring member invested his/her full member share and did not access cash benefits.
- Advisor fees are capped at 50% of industry standards.
- Discounted administration fees compared to retail Living Annuities.
- Fee comparison based on R2 million invested in the NFMW GLA Low Income portfolio:

	Retail Living Annuity	NFMW Golden Living Annuity
Asset Management Fees	1.68%*	1.22%
Administrative Fees	0.58%	0.26%
Advisor Fees (maximum)	1.15%	0.58%
Total Annual Fees	3.41%	2.06%
	Total Saving	**R2 250**

*Retail Asset Management Fee is based on the average fee payable in the ASISA Multi-Asset High Equity Sector Average

The following graph illustrates the increase of the net value of the out-of-fund NFMW Golden Living annuity as at 30 June 2021.



NFMW GOLDEN INCOME WITH-PROFITS LIFE ANNUITY

The default life annuity offered by the NFMW is underwritten by MMI. The following standard features will apply:

- It provides a guaranteed monthly pension for life.
- It will target pension increases equal to 75% of inflation every year i.e., your pension will increase annually by a targeted 75% of inflation but is dependent on the actual investment return.
- The guarantee period is ten years/120 months i.e., if you pass away within ten years after retirement, the full pension will still be paid (to a beneficiary) for the remainder of the ten-year period. If you pass away more than ten years after your retirement date, pension payments will cease unless your spouse is still alive, subject to a joint life annuity purchase.
- If you are married, the life annuity will be a compulsory joint life annuity that will pay the spouse 75% of the pension should you pass away.
- If you are unmarried and you pass away during the guarantee period (within ten years of retirement) the balance of the pension will be paid to your beneficiaries/nominees.
- The amount of pension will only be determined once you have reached retirement age. The pricing should be favourable compared to what external life annuity product providers will offer.
- If you and your spouse pass away after the ten-year guarantee period, no further payments will be due or payable to your beneficiaries.
- Provision is made for a 13th cheque which is payable in November every year i.e., in effect two months' worth of pension is paid every year in November.
- You will pay income tax at your personal income tax rate on the amount of pension received.

THE FOLLOWING ARE EXAMPLES OF THE EXPECTED INCOME BASED ON R1.5 MILLION INVESTED AT AGE 65 IN THE DIFFERENT POST-RETIREMENT PRODUCTS.

LIFE ANNUITY

The information below reflects an income quote on a life annuity in the NFMW Golden Income with profits Life Annuity age of 65.

SINGLE LIFE ANNUITY	
Amount	R 1 500 000.00
Guarantee term	10 years
Income payment	R 7 920.00 per month
Yearly income increase	Minimum 3.5%

NFMW LIVING ANNUITY (In-Fund product)

The below reflects an income quote on a living annuity in the NFMW Living Annuity age of 65

LIVING ANNUITY: DRAWDOWN 2.50% PER ANNUM (MIN ALLOWED)	
Amount	R 1 500 000.00 (minimum allowed)
Term	Life (until capital reduces to below R125 000)
Income payment	R 3 125.00 per month
LIVING ANNUITY: DRAWDOWN 6% PER ANNUM (MAX ALLOWED)	
Amount	R 1 500 000.00 (minimum allowed)
Term	Life (until capital reduces to below R125 000)
Income payment	R 7 500.00 per month

NFMW GOLDEN LIVING ANNUITY (Outside of fund product)

The below are income quotes on a living annuity in the NFMW Golden Living Annuity age of 65

LIVING ANNUITY: DRAWDOWN 2.50% PER ANNUM (MIN ALLOWED)	
Amount	R 1 500 000.00 (R350 000.00 minimum)
Term	Life (until capital reduces to below R125 000)
Income payment	R 3 125.00 per month
LIVING ANNUITY: DRAWDOWN 17.5% PER ANNUM (MAX ALLOWED)	
Amount	R 1 500 000.00 (R 350 000.00 minimum)
Term	Life (until capital reduces to below R125 000)
Income payment	R 21 875.00 per month

INTERESTED? FIVE EASY STEPS TO FOLLOW

- Please contact the fund's appointed in-fund counsellors on (012) 743 3000. They will guide you through the process to make a post-retirement investment choice.
- A brief needs analysis will be completed to assess your financial position.
- The in-fund counsellor will provide you with relevant information pertaining to your specific situation and discuss the various post-retirement fund options. Please note that this is not financial advice as contemplated by the FAIS Act.
- If you select one of the fund's default options, the applicable post-retirement option-form and disclaimer will be provided to you confirming your annuity choice in writing.
- On completion, the forms will be sent to the fund for processing. The process and final arrangements in respect of your pension payments will be communicated to you in writing.

Our Members

OUR PRIDE AND OUR BIGGEST AMBASSADORS!


GTM
NFMW
CCT
CCT
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NFMW-MEMBERS CAN REGISTER FOR ONLINE ACCESS!

The Sanlam online platform allows members to access their benefit information, update personal and beneficiary details, view their benefit statements and much more.

Register now on https://cp.sanlam.co.za/ or download the free Sanlam My Retirement App.

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www.nationalfund.co.za
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Nationl Fund for
Municipal Workers (NFMW)

Not yet an NFMW-member?

Scan the QR code to complete and submit your information online and we will do the rest to assist you in becoming an NFMW-member!

OUR MISSION

To positively impact
the lives of our members,
their families and their
communities, today and
tomorrow.

OUR VISION

To be a trusted custodian
who grows members'
investments and keeps
members informed along
the way to their secure
retirement.

OUR VALUES

Excellence
Professionalism
Integrity
Benevolence
Responsibility

Pretoria (012) 743 3000
Cape Town (021) 816 9500

Fax: 086 668 0750
info@nationalfund.co.za

Visit our website

Registration number: 12/8/35064