



# Joint Municipal Pension Fund

Old Mutual, PO Box 784 531, SANDTON, 2196  
No. 1 Mutual Place, 107 Rivonia Road, SANDTON, 2146

**SECURIOR QUI PARATIOR**

MEDIA RELEASE

## **JOINT MUNICIPAL PENSION FUND ANNOUNCES FULL INFLATIONARY PENSION INCREASE AND BONUS**

*Fund's successful investment turnaround leads to generous benefits for current and future pensioners.*

*Johannesburg, South Africa:* The Joint Municipal Pension Fund (JMPF), a defined benefit pension fund established for municipal workers of the old Transvaal province, has achieved a remarkable turnaround 20 years after losing about 44% of its total value.

The fund announced a full inflationary pension increase at its 98th annual general meeting, despite the current high inflationary environment experienced globally. The fund is also in a financial position to pay its pensioners a once-off bonus payment at the end of April 2023. This is significant as other defined benefit pension funds have needed to be more conservative due to rising inflation.

In 2002 the fund faced significant losses in the high-risk agricultural derivatives market, which led to the High Court appointing trustees to place the fund under curatorship. However, the fund began rebuilding its investments by implementing a liability-driven investment (LDI) strategy, which, novel at the time, focussed on the long-term nature of future pension payments and constructed a portfolio of asset classes relative to these pension liabilities.

With an LDI strategy, the fund was able to rebuild its investments, according to Wessel Gouws, the chairperson. The fund partnered with RisCura, a leading innovator in LDI strategies, to design, implement, and monitor their new strategy. This partnership enabled the fund to not only exit curatorship but also improve the fund's soundness, resulting in above-inflation pension increases and generous bonuses for pensioners over the past five years.

Gouws acknowledged RisCura's pivotal role in the fund's revival, making it a beacon of hope for other pension funds facing similar challenges.

Last week, the fund also announced a special additional increase to compensate those pensioners that did not receive any increase during those troubled years, along with other smaller benefit improvements. The actuarial valuation presented by the fund's appointed valuator, Gerda Grobler from Alexforbes, shows that the fund remains in a very healthy funded position even after these increases.

The fund's investment consultant, Monika Kraushaar from RisCura, congratulated the fund on its performance and reaffirmed her belief in the long-term value of LDI strategies. She noted that the fund's investment turnaround demonstrates the world-first approach that the South African pension industry has taken with LDI strategies, enabling funds to weather the multiple financial storms in the past two decades.

In contrast to South Africa, the UK's approach to LDI focuses on matching assets to liabilities to minimise the impact of market volatility on the balance sheet. In the UK's low-risk, low-growth environment, many pension funds leveraged their low-risk assets to achieve higher returns. This approach, known as leveraged LDI, led to a major liquidity crisis for pension funds during the bond crisis of September 2022 when significant tax cuts were unexpectedly announced.

The chairperson of the fund noted that the fund's success has not only been due to the past and current trustees' hard work but also to these trustees partnering with some of the smartest investment and actuarial people in the industry. JMPF is a testament to the power of innovative investment strategies, dedicated leadership, and committed service providers. As South Africa navigates the challenges of an ever-changing economic landscape, the fund serves as an example of how pension funds can weather difficult times and provide much-needed financial security to their members.

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