Important reading for all members

4 TIPS TO BOOST YOUR RETIREMENT SAVINGS

So you want to live the good life? And you want to see the world one day? The only way to make this happen is to SAVE as much as you can, all the time. For tips on building your future wealth, refer to Page 9.

HAVE YOU UPDATED YOUR BENEFICIARIES?

Our lives are constantly changing: ensure your Nomination of Beneficiary form is up to date. Read more on page 9.

BENEFIT PAYMENTS

When you leave the Fund, ensure that your information is completed; otherwise your payment might be delayed. Read more on page 12.

YOUR LATEST FUND INVESTMENT RETURNS

See the latest Fund investment returns on page page 23.
Dear Member

It is my privilege to present you with our annual report for the financial year ended 31 December 2013.

I am pleased to report that the Funds have had yet another successful year of operation and that as ever, you can rest assured that we are looking after your investments and striving to deliver the best service possible.

The Financial Markets performed well in 2013, with the All Share Index reaching an all-time high on 31 December 2013 that pushed its 12-month return to 21.4%. **Remember that your Retirement Fund planning is a long-term initiative**, and although one should be aware of what is happening in the markets, you should not base your investment switches on short-term historical performance. Trying to time the market is almost always a risk that is not worth taking.

Much has been written in the press about reforms which are taking place in the retirement funds industry. Some of these reforms will have a significant impact in the benefits we eventually receive when we retire. Importantly, the reforms being implemented are designed to ensure a better outcome for all of us in retirement, as there is a great focus to reduce costs of retirement provision as well as creating a more inclusive retirement system for our country.

This year’s report has adopted a more Fund explanatory approach as the Trustees believe it is vitally important that participants and especially members fully understand and appreciate what their retirement plan is all about. In doing so the Trustees have also ensured that all the required and essential financial and statistical information has not been lost and is still included in this very important annual report. Consequently, you will find all the most important information you will need to remain an informed member of the Funds. We want you to be aware of the workings of the Funds, since knowledge will lead to financial peace of mind. Should you have any queries on the information contained in this report, please do not hesitate to contact the Funds. The contact details are available under the **Contact Us** section in this report.

The management and daily running of the Funds are significant responsibilities as many of the weighty decisions that need to be made are complex and involved. For this reason amongst others, I wish to thank the members who serve on the Board of Trustees for their time and their conscientious input, both of which make the Funds function optimally, and make my job that much easier. I would also like to thank each member of the various sub-committees: these people never tire in their efforts to make these Funds ones that will serve all our members’ interests to the greatest extent possible.

I sincerely hope that you enjoy reading our new style report and that it will meet your needs.

Until next time.

**Mike Garbutt**

**Chairperson**
The Retirement Fund Industry is entering a period of significant change. Government is taking on the challenge of the lack of growth in retirement savings and the serious under-provision for retirement funding across the South African population. Major developments in Retirement Fund Reform include:

- The proposal of compulsory retirement savings
- Improving preservation of retirement funds
- Improving fund disclosure and communication with members
- Simplifying retirement savings products.

At Liberty Corporate we believe this is extremely positive news for South Africans. Along with other regulations, like Treating Customers Fairly, these changes will improve the products and services provided by the industry.

Liberty Corporate strives to fulfil the needs of its customers by providing superior products and services. We continuously strive to improve what we have to offer and we have made significant investments in technology and product advancements. This has resulted in a successful year for the business, and the highlight was certainly the Best Employee Benefit Product Supplier Award from the Financial Intermediaries Association of South Africa. Industry reports have also named Liberty as the largest umbrella fund provider, measured by number of total employers and participating members.

The customer is at the centre of what we do. Hence, our business will always be committed to improving our administration and customer service capabilities. We have embarked on our Treating Customers Fairly programme in order to further prioritise our customers’ needs in our business approach.

Looking forward, Liberty Corporate is gearing up for the regulatory changes introduced through Retirement Fund Reform. There are a number of tax changes effective from 1 March 2015 and we will communicate with employers, intermediaries and members throughout the year to ensure our stakeholders understand the impacts of these changes.

Our passion as Liberty Corporate is to make a difference in the lives of our customers by making financial freedom possible. In living up to our purpose and passion I would like to close by reaffirming our commitment to providing our customers with the best retirement solutions possible.

I wish to thank the Board of Trustees for their ongoing commitment to the Fund and its members. Liberty Corporate continues to value this relationship.
WHO MANAGES THE FUNDS?

MEET YOUR TRUSTEES

The Funds are managed by a Board of Trustees. The Trustees appoint a Principal Officer who, together with his support staff, is responsible for the day-to-day running of the Funds. The Trustees are responsible for all the decisions made in the Funds and have to ensure that members’ and beneficiaries’ interests are protected at all times. They are all suitably qualified individuals, and they have access to retirement industry experts and specialists where necessary.

The Board of Trustees consist of eight Trustees. Four of them are fully independent of the Funds’ sponsor, Liberty Group, while the other four are sponsor appointed from senior management.

They meet regularly to discuss investments, benefits and administrative matters regarding the Fund. The Board met eight times during 2013.

The Board Members (Trustees) of the Funds are:

**Mike Garbutt** – Chairman and Independent Trustee
Appointed September 2006
43 years’ experience in the life insurance and employee benefits industries

**Kieran Godden** – Sponsor Trustee
Appointed March 2011
16 years’ experience in the retirement fund industry Fellow of the Actuarial Society of South Africa

**Maemili Ramataboe** – Independent Trustee
Appointed April 2012
9 years’ experience as a Principal Officer
Independent Trustee of a number of retirement funds

**Graham Thomas** – Sponsor Trustee
Appointed May 2014
22 years’ experience in the employee benefits industry, and currently Head of Risk Product Solutions for Liberty Corporate.
Who manages the Funds

**Malusi Ndlovu** – Sponsor Trustee
Appointed April 2014
8 years’ experience in the insurance industry, and currently Head of Risk Product Development of Liberty Corporate.

**Erika Nieuwoudt** – Independent Trustee
Appointed September 2013
25 years’ experience in the retirement funds industry, independent trustee of various retirement funds, and a legal and labour background.

**Chris Roelofse** – Sponsor Trustee
Appointed June 2013
More than 9 years’ experience in the financial services industry, having fulfilled roles as investment analyst and consultant as well as strategy design and implementation. Currently working on balance sheet optimisation within the Liberty Group.

**Leslie Maasdorp** – Independent Trustee
Appointed May 2014
More than 22 years’ experience in economic policy making, corporate strategy and investment banking, and has held senior leadership positions in both the public and private sectors.

**Patrick Mayne** – Principal Officer
Appointed September 2007
40 years’ experience in the retirement funds industry, 30 of which were in the UK. Fellow of the Actuarial Society of South Africa.

**APPOINTMENTS AND RESIGNATIONS**

**Resignations:** Mr Martin Oakes (Independent Trustee) resigned from the Board at the end of December 2013, and Ms Fagmeedah Lurie (Sponsor Trustee) resigned on 14 March 2014.

**Appointments:** Mr Chris Roelofse (Sponsor Trustee) joined the board with effect from 13 June 2013. Ms Erika Nieuwoudt (Independent Trustee) was appointed to the Board with effect from 1 September 2013. Mr Malusi Ndlovu (Sponsor Trustee) was appointed with effect from 1 April 2014. Mr Leslie Maasdorp (Independent Trustee) was appointed to the Board with effect from 1 May 2014, as was Mr Graham Thomas (Sponsor Trustee).
BOARD SUB-COMMITTEES

The Boards have set up six sub-committees as shown below to provide advice and guidance to the full Boards. The work of these sub-committees provides direct input to the quarterly board meetings.

Investment sub-committee

- The Board of Trustees appointed an Investment sub-committee to direct and oversee the investments of the Funds. The Investment sub-committee makes recommendations to the Board of Trustees regarding the appointment of the Funds’ investment consultant and managers, as well as any strategy changes.

Administration sub-committee

- Efficient administration is key to the successful operation of the Funds. This sub-committee is tasked with reviewing the Administration Agreement with Liberty Corporate annually and reporting back to the Board on all issues relating to the administration of the Funds.

Audit and Risk sub-committee

- This sub-committee advises the Board on the Funds’ finances as well as the risk policy of the Funds. The Funds’ auditors, PricewaterhouseCoopers, attend all Audit and Risk sub-committee meetings.

Communication sub-committee

- This sub-committee reviews all communications between the Funds, Members and Employers.

Legal sub-committee

- The Legal sub-committee acts as an advisory body to the Board on legal matters affecting the Fund and regularly reviews the documents and policies of the Funds.

Death Claims sub-committee

- This sub-committee considers all death claims, and provides advice to the Board on the distribution of death benefits (based on Section 37(C) of the Pension Funds Act).

Full details of the duties and membership of the sub-committees may be found on the Members’ website (refer to the Contact Us section).
EXPERT ADVISORS AND SERVICE SUPPLIERS

The Board of Trustees receives assistance on Fund matters from the following industry experts and specialists:

<table>
<thead>
<tr>
<th>Role</th>
<th>Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor</td>
<td>PricewaterhouseCoopers Inc.</td>
</tr>
<tr>
<td>Valuator</td>
<td>Michael de Villiers</td>
</tr>
<tr>
<td>Administrator</td>
<td>Liberty Corporate</td>
</tr>
<tr>
<td>Investment Advisor</td>
<td>Liberty Corporate Consultants and Actuaries</td>
</tr>
<tr>
<td>Asset Managers</td>
<td>Liberty, STANLIB and others. The complete list is reflected in the Investments section.</td>
</tr>
<tr>
<td>Risk Benefit Underwriter</td>
<td>Liberty Corporate</td>
</tr>
<tr>
<td>Housing Loan Provider</td>
<td>Standard Bank</td>
</tr>
<tr>
<td>Death Benefits for minors</td>
<td>The Standard Umbrella Beneficiary Fund</td>
</tr>
<tr>
<td>Unclaimed Benefits</td>
<td>Liberty Corporate Unclaimed Benefit Fund</td>
</tr>
<tr>
<td>Professional Indemnity insurance</td>
<td>Alexander Forbes Risk Services</td>
</tr>
<tr>
<td>Principal Officer</td>
<td>Patrick Mayne</td>
</tr>
</tbody>
</table>

BOARDS’ GOVERNANCE

Each year, the Board completes a formal Trustees’ appraisal in line with the process outlined in the Financial Services Board’s Circular PF130. The performance of individual Trustees is also assessed by the Board and appropriate action taken if required.

Large funds such as these benefit from professional independent trustees. They are professional trustees with a vast amount of experience and knowledge of retirement funds. They also serve on the boards of other retirement funds and add value through the experience they have gained when dealing with similar issues faced by other boards.

The Principal Officer requests that Trustees provide a detailed list of all their appointments each year. Based on these statements, the Principal Officer is satisfied that the Independent Trustees are in fact independent.

The Boards’ Code of Conduct supports their ethical operation.
4 TIPS TO BOOST YOUR RETIREMENT SAVINGS

There are countless ways to save more money each month and most of these ways are just common sense. And easier than you think!

1. **Stop trying to keep up with the Joneses.** Make sure that you think before spending on products that will not improve your life in a meaningful way. Every cent you save will help you in the future.

2. **If you receive a salary increase,** why not increase your retirement contribution as well? Every little bit helps in the long run, and you probably won’t even notice the difference when you do your monthly budget and expenditure. You can do the same thing when you receive a bonus, or a tax rebate.

3. **Don’t touch your retirement savings:** If you withdraw your retirement savings when you leave the Fund, you’ll lose out on interest and tax benefits and you will probably spend all of your savings and then have to start from scratch. If you change jobs, transfer your savings to your new employer’s fund, a retirement annuity or a preservation fund.

4. **Get rid of debt as quickly as possible:** By doing this you will save a LOT of interest. It is important never to spend more than you earn, but most of us will have to take on some debt at some point, usually to study further, or to buy a house or a car. The important thing to remember is not to incur any debt for normal monthly expenses such as clothes and groceries. The high interest rates on these accounts will chew away at your monthly income far more than you realise.

**BENEFICIARY NOMINATIONS**

Once again, we urge you to ensure that your Identification of Dependents and Nomination of Beneficiaries forms are reviewed regularly, so that they always reflect the correct information, should you pass away. The Nomination of Beneficiaries form should be submitted to your employer as soon as you join the Fund, and should be regularly reviewed - especially if there is any change in your circumstances, such as:
Who are my beneficiaries?
Your beneficiaries can be divided into two groups:

<table>
<thead>
<tr>
<th>DEPANDANTS</th>
<th>NOMINEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your partner, your child, or a person whose maintenance you are legally</td>
<td>Any person, other than a dependant, that you nominate to receive benefits.</td>
</tr>
<tr>
<td>liable for OR a person whose maintenance you were not legally liable for,</td>
<td></td>
</tr>
<tr>
<td>but whom you were supporting OR a person whose maintenance you would have</td>
<td></td>
</tr>
<tr>
<td>become legally liable for, had you not died.</td>
<td></td>
</tr>
</tbody>
</table>

In terms of the Pension Funds Act, the Trustees are required to act fairly in making decisions about the payment of death benefits or other approved benefits to dependants or nominated beneficiaries. The reason for this is to ensure that your dependants are provided for before any non-dependants can be considered for benefits. Although the final decision rests with the Trustees, an up-to-date, correctly completed nomination form can provide them with vital information to help speed up the distribution of benefits.

**PRESERVATION OF RETIREMENT BENEFITS**

**It is extremely important for you to preserve the wealth you have accumulated in the Fund.** Do not be tempted to use the money for debts or expenses that you have right now. If you change jobs, the savings you have worked so hard to create must be preserved.

Far too many Members choose to receive their benefits as an immediate cash payment from their Fund when they change jobs. If you do this, you pay large amounts of tax AND you reduce the amount you will receive at retirement, which can have disastrous consequences! When you take your savings in cash, it is most unlikely that you will be able to replace those retirement savings.

*Members are strongly advised to consult a financial advisor before making any such decision.*
WHAT ARE YOUR EMPLOYER’S RESPONSIBILITIES?

Your employer will have an employer representative, who is responsible for the following (as set out in Section 13A and Regulation 33 of the Pension Funds Act):

- To ensure that Fund contributions are paid on time,
- To ensure that the employer’s records correspond with the administrator’s,
- To provide the Retirement Funds Administrator with a breakdown of contributions from individual Members,
- To act as a channel for all communication from the Board of Trustees and the Administrator to Members,
- To distribute and ensure receipt of annual Member benefit statements to Members, and
- To inform Members if the employer is late in paying contributions to the Fund.

*Did you know?*

Every director of a participating employer who is regularly involved in the management of the company’s overall financial affairs will be personally liable for the timeous payment of fund contributions.

A detailed explanation of your employer representative’s duties is available online on the Members’ website, or from your employer’s customer service advisor (refer to the Contact Us section).

BENEFIT STATEMENTS

Benefits statements are issued to all members and provided to your employer for distribution. This is an annual statement that shows you a summary of all your benefits in the Fund.

On your benefit statement you will see:

- Your Personal Information
- Your Contributions
- Your Total Fund Values
- Your Investment Portfolios
- Your Death Benefits
- Your Disability Benefits

What you need to do

- Please check that all of the personal information on the statement is correct. If not, kindly contact your Human Resources office.
- Discuss your benefits with your close family to ensure they know what benefits you are covered for should you pass away or become disabled.
You are reminded that this statement is an illustration of the values/benefits provided by the Funds; nothing contained within it can override the prevailing legislation or the Rules of the Funds of which you are a member. Please note that this document is not a statement of your pension interest for the purposes of Section 7(8) of the Divorce Act, 1979.

Please remember that Liberty Corporate reviews all calculation assumptions every 6 months, to maintain a realistic presentation of the illustrative retirement benefit shown. This will affect the value shown on your benefit statement.

What if I have not received my benefit statement?
The Funds provide annual statements to employers, and the Board of Trustees relies on the employer to distribute them to Members. If you have not received your benefit statement, please contact your Human Resources office.

PAYMENT OF BENEFITS
How to ensure your benefit is paid promptly

The Corporate Selection Retirement Funds pay the vast majority of benefits within **10 days of receipt of the necessary documentation.**

Please note: In order for the Administrator to make payment, you must provide certain minimum information such as tax reference numbers and banking details. If the Funds do not have this information, your payment will be delayed.

Where can I get the claim form?
Please visit the website for the latest claim forms, to ensure that correct and complete information has been provided. Kindly see the web address under the Contact Us section.

Who can I contact with regards to my benefit payment?
Please contact the call centre during office hours. Kindly see the information under the Contact Us section.
What you need to know
You will remember that the Minister of Finance announced proposals in the 2013 Budget Speech aimed at reforming the Retirement Industry. Some of these proposals were accepted, and the Taxation Laws Amendment Act, 2013 was signed into legislation on 12 December 2013.

These changes will impact all members from 1 March 2015. Let’s take a closer look at each of these:

TAX DEDUCTIBILITY OF CONTRIBUTIONS

<table>
<thead>
<tr>
<th>WHAT WILL CHANGE FROM 1 MARCH 2015?</th>
<th>WHAT IS THE SITUATION CURRENTLY?</th>
</tr>
</thead>
</table>
| • Employer contributions to retirement funds will now be taxed as fringe benefits in the hands of employees. This means that employer contributions will be added to your taxable income every month.  
  • Not to worry, employees will be able to deduct contributions up to 27.5% of the greater of their remuneration, or taxable income, from tax.  
  • This 27.5% includes both contributions made to the Liberty Funds and any contributions you make to Retirement Annuity Funds. Your Liberty Fund employer contributions will therefore be deducted from your taxable income every month (i.e. you will not be taxed on the contribution) provided that it is within the 27.5% limit and provided it does not exceed the annual maximum of R350 000 in contributions to retirement funding.  
  • If your total contributions exceed the R350 000 in one year, you will be able to deduct the balance, which you could not claim, in following years. | • Members can currently deduct from tax only up to 7.5% of their retirement funding income in respect of Pension Fund contributions.  
  • The employer contributions are only tax deductible for the employer, and these are not taxed in the member’s |
PROVIDENT FUND MEMBERS CAN NO LONGER TAKE THE FULL AMOUNT IN CASH AT RETIREMENT

With effect from 1 March 2015, Provident Fund members will only be able to take one third of their retirement benefit in cash at retirement, the balance has to be used to purchase a pension. But note…

- This rule does not apply to your balance (including growth thereon) in a Provident Fund on the first day of March 2015. The Fund will therefore have to keep separate member accounts: one for pre-March 2015 contributions and growth, and an account for post-March 2015 contributions and growth. You will be able to take the full amount from the first account as cash at retirement, and one-third of the second amount.
- However, Provident Fund members who are **55 years old or older** on 1 March 2015 will be able to take their full retirement benefit in cash, including contributions made after 1 March 2015 and growth thereon.
- If your retirement benefit in the Fund available to purchase a pension (excluding the pre-March 2015 contributions and growth) is R150 000 or less, you will also be able to take the full amount in cash.

DISABILITY PREMIUMS WILL BE TAXED AS FRINGE BENEFITS, BUT WILL NOT BE TAX DEDUCTIBLE, ALTHOUGH THE BENEFIT WILL BE PAID TAX FREE

<table>
<thead>
<tr>
<th>WHAT WILL CHANGE FROM 1 MARCH 2015?</th>
<th>WHAT IS THE SITUATION CURRENTLY?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability premiums will now be taxed as fringe benefits in the hands of employees and will not be tax deductible. This will reduce your take-home pay.</td>
<td>Disability premiums are currently taxed as fringe benefits and are tax deductible, but the monthly disability income benefits are taxed.</td>
</tr>
<tr>
<td>The good news is that should you become disabled, this monthly income benefit will now be paid to you tax free. This will also apply to existing claimants receiving these income benefits.</td>
<td></td>
</tr>
</tbody>
</table>

**Please note:** Where necessary, your employer will restructure your payslip from 1 March 2015 to incorporate the aforementioned changes. You will receive communication on all these changes and how they will affect you closer to the time.
RETIREMENT FUND LUMP SUMS

One of the most significant changes in the 2014 budget speech is the increase in the tax-free retirement lump sum portion from **R315 000** to **R500 000** with effect from 1 March 2014.

**Retirement and retrenchment benefits**
The first **R500 000** payable at retirement or retrenchment from a pension, provident or retirement annuity fund is tax free.

The balance is taxed according to the following fixed scale:

<table>
<thead>
<tr>
<th>Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R0 – R500 000</td>
<td>0%</td>
</tr>
<tr>
<td>R500 001 – R700 000</td>
<td>18% of the amount exceeding R500 000</td>
</tr>
<tr>
<td>R700 001 – R1 050 000</td>
<td>R36 000 plus 27% of the amount exceeding R700 000</td>
</tr>
<tr>
<td>R1 050 001 and above</td>
<td>R130 500 plus 36% of the amount exceeding R1 050 000</td>
</tr>
</tbody>
</table>

These amounts and scales apply to the aggregate of all retirement lump sums received over the retiree’s lifetime. This means that you cannot get **R500 000** from one fund and **R500 000** from a retirement annuity. The fund values in both funds will be added together, and the first **R500 000** will then be tax free. The balance will be taxed according to the scale above.

Any withdrawal benefit previously received as well as amounts paid out in respect of divorces or maintenance orders after 1 March 2009, will also be taken into account when the tax-free amount is calculated.

**Death benefits**
Death benefits are taxed exactly the same as retirement benefits above.

**Benefits on withdrawal**
The first **R25 000** of a cash withdrawal will be tax free, with the balance taxed as follows:

<table>
<thead>
<tr>
<th>Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R0 – R25 000</td>
<td>0%</td>
</tr>
<tr>
<td>R25 001 – R660 000</td>
<td>18% of the amount exceeding R25 000</td>
</tr>
<tr>
<td>R660 001 – R990 000</td>
<td>R114 300 plus 27% of the amount exceeding R660 000</td>
</tr>
<tr>
<td>R990 001 and above</td>
<td>R203 400 plus 36% of the amount exceeding R990 000</td>
</tr>
</tbody>
</table>

These amounts and scales apply to the aggregate of all withdrawal lump sums received over the member’s lifetime after 1 March 2009.
YOUR FUND FINANCES

Every year all Funds have to submit financial information to the Registrar of Pension Funds. This is to ensure that each Fund is in a healthy financial position. It is the pleasure of the Trustees to present to members the latest financial information of the four Corporate Selection Funds.

THE AUDITOR

The auditors of the Fund, PricewaterhouseCooper, certified that they have audited the annual financial statements of the Funds as at 31 December 2013. They certified that the financial statements of the Funds for the year ended 31 December 2013 have been prepared, in all material respects, in accordance with the basis of preparation applicable to Retirement Funds in South Africa as set out in the notes to the financial statements.

The Audit and Risk sub-committee is satisfied that the external auditor is independent of the Funds.

FINANCIAL STATEMENTS

Below are the key extracts from the audited financial statements of the four Corporate Selection Funds for the year ending 31 December 2013.

<table>
<thead>
<tr>
<th></th>
<th>Pension Fund</th>
<th>Pension Fund No. 2</th>
<th>Retirement Fund</th>
<th>Retirement Fund No. 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of participating employers</td>
<td>1,237</td>
<td>3</td>
<td>2,832</td>
<td>3,875</td>
</tr>
<tr>
<td>Number of active members</td>
<td>42,904</td>
<td>117</td>
<td>96,952</td>
<td>120,497</td>
</tr>
<tr>
<td>Total contribution income received and accrued</td>
<td>867,440,230</td>
<td>6,309,321</td>
<td>1,646,539,719</td>
<td>1,788,678,988</td>
</tr>
<tr>
<td>Death claims paid (including approved insured benefits)</td>
<td>77,618,988</td>
<td>-</td>
<td>202,236,377</td>
<td>196,432,033</td>
</tr>
<tr>
<td>Lump-sum disability claims paid (including approved insured benefits)</td>
<td>9,250,882</td>
<td>-</td>
<td>42,203,615</td>
<td>24,841,299</td>
</tr>
<tr>
<td>Retirement benefits paid</td>
<td>153,153,474</td>
<td>2,055,975</td>
<td>343,313,802</td>
<td>190,988,014</td>
</tr>
<tr>
<td>Withdrawals paid</td>
<td>516,791,386</td>
<td>1,073,946</td>
<td>1,046,976,778</td>
<td>943,788,673</td>
</tr>
<tr>
<td>Surplus apportionment benefit</td>
<td>594,390</td>
<td>-</td>
<td>519,853</td>
<td>71,077</td>
</tr>
<tr>
<td>Benefits paid (total)</td>
<td>757,409,120</td>
<td>3,129,921</td>
<td>1,635,250,425</td>
<td>1,356,121,096</td>
</tr>
<tr>
<td>Administration costs</td>
<td>23,339,693</td>
<td>99,905</td>
<td>48,522,575</td>
<td>58,491,566</td>
</tr>
<tr>
<td>Total assets</td>
<td>5,533,405,396</td>
<td>44,528,257</td>
<td>12,362,195,308</td>
<td>9,391,314,212</td>
</tr>
<tr>
<td>Financial Services Board registration number</td>
<td>12/8/36006</td>
<td>12/8/36440</td>
<td>12/8/27024</td>
<td>12/8/36438</td>
</tr>
<tr>
<td>South African Revenue Services approval number</td>
<td>18/20/4/40547</td>
<td>18/20/4/40725</td>
<td>18/20/4/9320</td>
<td>18/20/4/40726</td>
</tr>
</tbody>
</table>
The table below shows the 2014 budget.

<table>
<thead>
<tr>
<th>Category</th>
<th>2013 Actual</th>
<th>2013 Budget</th>
<th>2014 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent trustee fees</strong></td>
<td>1 774 303</td>
<td>1 658 910</td>
<td>1 758 444</td>
</tr>
<tr>
<td><strong>Legal fees</strong></td>
<td>1 166</td>
<td>25 130</td>
<td></td>
</tr>
<tr>
<td>Principal officer plus support staff including office and computer equipment</td>
<td>1 913 459</td>
<td>1 700 000</td>
<td>1 802 000</td>
</tr>
<tr>
<td>Production of financial statements</td>
<td>1 812 600</td>
<td>1 829 700</td>
<td>1 939 482</td>
</tr>
<tr>
<td>Investment consultants</td>
<td>745 886</td>
<td>521 399</td>
<td>695 522</td>
</tr>
<tr>
<td>Audit fees</td>
<td>2 096 822</td>
<td>2 000 000</td>
<td>2 120 000</td>
</tr>
<tr>
<td>Fidelity insurance cover</td>
<td>171 100</td>
<td>171 100</td>
<td>181 366</td>
</tr>
<tr>
<td>Communication for Regulation 28 Real Estate Project</td>
<td>282 720</td>
<td>370 000</td>
<td>277 020</td>
</tr>
<tr>
<td>Batseta membership fees</td>
<td></td>
<td></td>
<td>102 600</td>
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<tr>
<td>Communication</td>
<td>5 746</td>
<td>130 000</td>
<td>27 400</td>
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<td>30 000</td>
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<td>8 821 854</td>
<td>8 436 239</td>
<td>8 933 834</td>
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</table>

**EXPENSE BUDGET 2014**

- Batseta, R102,600.00
- Communication for Reg. 28 Real Estate Project, R277 020.00
- Communication (general), R27 400.00
- Independent Trustee fees, R1,758,444.00
- Principal officer plus support staff including office rental and computer equipment, R1,802,000.00
- Production of financial statements, R1,939,482.00
- Investment consultants, R 695 522.00
- Misc, R30, 000.00
- Fidelity insurance cover, R181,366.00
- Audit fees, R2 120 000.00
The main purpose of joining a retirement fund is to make sure that you have a proper income at retirement. How well your Fund is able to support you after you stop working will depend on:

Therefore, the Board of Trustees is careful to choose the most appropriate investment portfolios to meet your needs. However, we are still affected by economic conditions. This is why the Trustees believe you should have some understanding of today's economic and investment environment – not only in South Africa, but globally as well, since the rest of the world affects us.

**Global economic outlook**

Most recent economic information for the world’s developed markets confirms that we are slowly but surely coming out of recession. After the global financial crisis and recession of 2008/09 and the Eurozone crisis of 2012, the major risks which threatened the global financial systems are lessening.

Nevertheless, many governments and central banks have remained cautious as they try out and adjust economic policies to ensure that future disasters are avoided. At the same time, they also want to encourage growth. However, interest rates are likely to stay at very low levels until at least the middle of 2015.

Due to its size, the US economy is key to the overall health of the global economy. As America’s economy grows stronger, the Federal Reserve Bank gradually reduces the amount of money it has been pumping into US financial markets to stimulate this growth.

The recovery underway in the world’s developed markets is both good and bad for emerging markets such as South Africa. Growing global economic activity leads to increased demand for raw materials. Raw material production underlies many emerging economies. However, short-term investment capital has recently been flowing out of emerging markets, as prospects improve in the developed markets. This makes emerging market currencies more unpredictable, and can lead to instability.

Of key importance to many emerging economies is China, the world’s second largest economy. As a leading global manufacturing centre, China has a high demand for minerals and other raw materials.
The global market hopes to see sustained annual growth in the Chinese economy of around 7.5% in the years to come.

The outlook for emerging markets and economies is less certain than for the developed world, although those that can adapt to the demands of a recovering world economy should do well.

**Africa and South Africa**

Sub-Saharan Africa has continued to deliver impressive performances, achieving regional economic growth of around 5% in 2013, and an average of 5.6% per annum over the past decade. The region is also expected to expand by around 6% in 2014.

By contrast, for political and financial reasons, South Africa’s economic growth rate for 2013 was a disappointing 1.8%. Clearly, levels of fixed investment, employment, productivity and export competitiveness all need to increase. 2013 also saw major labour disputes and disruptions in the local mining and manufacturing sectors. Although there have been some reassuring increases in manufacturing production, retail sales and consumer spending, these improvements are not yet consistent or reliable.

Finance Minister Pravin Gordhan’s bold pre-election budget speech focused on plans to put the South African economy on a new growth path, with the long-term aim of raising real economic growth to an annual rate of between 5% and 6%. In the meantime, the predicted growth of South Africa’s economy has been revised downwards to 2.7% for 2014, and 3.5% for 2015.

When we look at the background of the South African economy, the continuing performance of the JSE continues to seem a bit of a mystery and a miracle. After an unexpected advance of 17.9% (excluding dividends) in 2013 and almost 23% in 2012, the local All-Share Index went on to set new record levels in the early part of this year. The ALSI was however little changed at the end of March 2014 compared to the year-end, despite a remarkable 55% three-month rally by the local Gold Mining sector. An analysts’ consensus in late March indicated that the JSE would do well to achieve a 5% improvement overall this year.

In common with most emerging markets, South Africa is likely to face slower foreign investment, as the US Federal Reserve Bank continues to reduce its financial support. This will remain a major risk to local financial markets, given South Africa’s large current account deficit.

In the short term, the health of the South African economy will also depend on how well it is able to catch the current global wave and participate in the growth delivered by a recovering world economy. The longer term may be determined by government legislation. After two decades of relatively conservative and well-regarded macro-management of the South African economy, international ratings agencies will be watching carefully for any changes.

In the meantime, let’s look at the investment strategy and recent performance of the Funds.
THE INVESTMENT STRATEGY

All Funds are required to have an investment strategy. This is a document that lays out all the issues surrounding selecting, monitoring and managing the Funds’ investments. It lists all the portfolios, as well as the objectives of each and how they will be measured.

When compiling the investment strategy, the Board of Trustees, in consultation with the Investment Sub-Committee and the Investment Consultant, needs to take factors such as inflation over the long term, the age profile of members, salary profile, targeted replacement ratio and the Pension Funds Act into account (the Board of Trustees has the ultimate responsibility for the Funds’ investment strategy).

The Trustees are always going out of their way to ensure they cater for the needs and requirements of the bulk of the members. One of the ways in which they do this, is to provide members with a range of investment portfolios to suit their different needs.

WHICH PORTFOLIOS ARE AVAILABLE TO CHOOSE FROM?

The Board of Trustees is aware that most members are not investment experts. They understand that a number of members may lack sufficient knowledge about investments and therefore are not comfortable when choosing a portfolio. The Life Stage Model will save members this difficult decision by ensuring that their Fund values are invested according to their years to retirement (investment horizon).

“For those who would rather take a step back and leave it to the experts, the Funds offer the LIFE STAGE MODEL”

The principle is that the closer you are to retirement, the safer your investment should be. If you choose the Life Stage Model, your investments will automatically be transferred in phases into the next more conservative (safer) portfolio as and when you reach the next age category in the Life Stage Model. If you select the Life Stage Model Option, 100% of your accumulated retirement savings and your future contributions will be invested in this portfolio, according to your current age in completed years.

But if you’re keen to get involved, you need to know what is available to you. The following portfolios are available to you (should you prefer not to stay in the default Life Stage Model):

Single manager risk profiles
- Corporate Preferred Assets
- Corporate Choice Assets
- Corporate Absolute Returns
Fund Investments

- Corporate Real Estate
- Corporate Standard Bank Money Market
- Corporate Standard Bank Money Market

Multi manager risk profiles
- STANLIB Multi-Manager Aggressive Balanced
- STANLIB Multi-Manager Moderate Balanced
- STANLIB Multi-Manager Conservative Balanced

External house view portfolios
- Allan Gray House View with Global
- Coronation House View with Global
- Investec House View with Global
- Oasis House View with Global
- Prudential House View with Global

Single manager life stage
- Single Manager Growth
- Single Manager Consolidation
- Single Manager Preservation

Shari’ah portfolio
- STANLIB Shari’ah Balanced Fund

Please refer to the member website for more information on each of these portfolios (see the Contact Us section).

CHOOSING YOUR OWN PORTFOLIO: PITFALLS

It is VERY DANGEROUS risky to choose your own portfolio if you do not have a suitable financial qualification. If you choose a too low risk portfolio when you are young, you might not beat inflation over the long term. On the other hand, if you are invested with a portfolio with too much risk close to retirement and the markets drop, you might lose a large portion of your savings!

We strongly suggest that you consult an accredited financial advisor to assist you with this process.
HOW DO I CHOOSE A PORTFOLIO?

Beware reckless investing

INVESTING should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas.

- Paul Samuelson

You know when you're in a hurry to get somewhere and it seems like your lane on the highway is the slowest lane there is? So you squeeze in to the next lane, only to find that now it's also slowing down and the lane you left has miraculously started speeding up…

Trying to time the stock market by switching your investments is just as ineffective, and even more dangerous! Changing how your pension is invested should be done according to your own personal needs, not what's happening in the market. Just like lanes on the highway, markets are constantly rising and falling, which means the value of your investment fluctuates all the time. So don't panic. In fact, take all emotions off the table.

It's important that you understand the consequences of switching into and out of portfolios. If you sell at a loss, you'll be moving less money than you originally had. And when the price of that particular portfolio goes back up and you want to get back into it, you'll have to pay a higher price to do so. Basically, it's a no-win situation.

Finally, if you remove your investment during a down market, you won't benefit when the market rebounds.

So to sum it all up, if you are thinking of playing the switching game, you not only have to make one correct call, but two: exit at the right time and get back in at the right time. What’s more, you’ve got to do it over and over and over in the hope of coming out ahead. Not even the most experienced investors can get it right every time, and as the famous investor Warren Buffet said, risk comes from not knowing what you’re doing.

Depending on your age, and your planned retirement date, invest in a portfolio that matches your risk profile and stay there until your risk profile changes. This means that if you’re young (more than 7 years from retirement), consider taking on more risk by investing in a portfolio with a higher exposure to shares. If you’re near retirement, go for a more stable investment option. Either way, sticking to your strategy is by far the best idea in the long term. Save yourself the stress, and keep your savings safe!
**Fund Investments**

**HOW DID THEY PERFORM?**

**Investment performance to 31 December 2013**

The table below shows the annualised time-weighted returns of the various portfolios, net of all costs.

<table>
<thead>
<tr>
<th>PORTFOLIOS AVAILABLE TO NEW PARTICIPATIONS</th>
<th>1 year</th>
<th>3 years p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Return</td>
<td>Benchmark</td>
</tr>
<tr>
<td><strong>Liberty Life Stage</strong></td>
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<td></td>
</tr>
<tr>
<td>Liberty Stable Growth*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberty Corporate Advanced Bonus</td>
<td>5.57%</td>
<td>5.31%</td>
</tr>
<tr>
<td><strong>Single manager risk profiles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Preferred Assets</td>
<td>19.14%</td>
<td>21.99%</td>
</tr>
<tr>
<td>Corporate Choice Assets</td>
<td>16.41%</td>
<td>17.27%</td>
</tr>
<tr>
<td>Corporate Absolute Returns</td>
<td>12.04%</td>
<td>10.31%</td>
</tr>
<tr>
<td>Corporate Real Estate</td>
<td>10.45%</td>
<td>5.31%</td>
</tr>
<tr>
<td>Corporate Standard Bank Money Market</td>
<td>5.35%</td>
<td>5.18%</td>
</tr>
<tr>
<td><strong>Multi-manager risk profiles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMM Aggressive Balanced</td>
<td>18.26%</td>
<td>19.74%</td>
</tr>
<tr>
<td>SMM Moderate Balanced</td>
<td>20.00%</td>
<td>19.57%</td>
</tr>
<tr>
<td>SMM Conservative Balanced</td>
<td>13.55%</td>
<td>13.42%</td>
</tr>
<tr>
<td><strong>External house view portfolios</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allan Gray House View with Global</td>
<td>23.84%</td>
<td>22.41%</td>
</tr>
<tr>
<td>Coronation House View with Global</td>
<td>25.78%</td>
<td>22.41%</td>
</tr>
<tr>
<td>Investec House View with Global</td>
<td>22.17%</td>
<td>22.41%</td>
</tr>
<tr>
<td>Oasis House View with Global</td>
<td>22.36%</td>
<td>22.41%</td>
</tr>
<tr>
<td>Prudential House View with Global</td>
<td>23.20%</td>
<td>22.41%</td>
</tr>
<tr>
<td><strong>Single manager life stage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Manager Growth</td>
<td>15.07%</td>
<td>10.31%</td>
</tr>
<tr>
<td>Single Manager Consolidation</td>
<td>15.93%</td>
<td>8.31%</td>
</tr>
<tr>
<td>Single Manager Preservation</td>
<td>5.35%</td>
<td>5.18%</td>
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<tr>
<td><strong>Shari’ah portfolios</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STANLIB Shari’ah Balanced Fund</td>
<td>18.17%</td>
<td>17.69%</td>
</tr>
<tr>
<td>Oasis Crescent Balanced High Equity FOF</td>
<td>21.10%</td>
<td>8.35%</td>
</tr>
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</table>

*The Liberty Stable Growth Fund was introduced into the Life Stage solution of the Corporate Selection Umbrella Funds in March 2013. As such, members invested in the Liberty Life Stage have been invested in the Stable Growth Fund for a period less than 12 months as at December 2013.*
FUNDS’ GOVERNANCE

Retirement funds are governed by different Acts and sections of other legislation to ensure the rights of members are protected at all times.

The Board of Trustees is committed to and fully endorses the principles of the Pension Fund Circular 130 on Governance within the prescriptions as provided for in the Pension Funds Act and the Rules of the Fund.

The Trustees believe that the Fund complies with and has implemented the main principles of the Pension Fund Circular 130 in all significant respects. Please visit the Fund’s website for more information.

A governance levy covers the governance costs incurred by the Funds. The major governance elements are: audit fees, staff costs (Principal Officer and support staff), fidelity guarantee and professional indemnity insurance cover, and the Independent Trustees’ fees. These expenses are necessary to maintain the very high standards of governance that the Pension Funds Act requires.

The governance levy is based on the Fund’s overall asset value, and funded by a small monthly deduction from individual Members’ Fund Credits. In order to accurately manage any difference between recoveries and costs, the governance levy is paid into an expense contingency reserve account. Any excess Funds are held in the reserve account for the benefit of Fund Members. The Trustees review the levy regularly.

REGULATION 28 (OF THE PENSION FUNDS ACT)

The Trustees confirm that the Funds continue to work towards full Regulation 28 compliance. The Funds have been communicating regularly with employers and financial advisors regarding this. Regulation 28 aims to reduce investment risk in the management of retirement funds, by imposing prudent asset diversification principles and limitations. Compliance with Regulation 28 requires administrators to be able to report to individual Member level that the Funds’ investments are sufficiently diverse.

The Administrator to the Funds, Liberty Corporate, is working diligently to report on the compliance of the Funds to the Financial Services Board as required.

CRISA

The Code for Responsible Investing in South Africa (CRISA) was introduced in July 2011. CRISA aims to provide the investor community with the guidance needed to give effect to the King Report on Corporate Governance in South Africa (King III), as well as the United Nations-backed...
Principles for the Responsible Investment (PRI) initiative. Both require investment institutions to take environmental, social and governance issues very seriously.

The Trustees recognise the importance of CRISA, and ensure that all investment managers adhere to the Code.

**TREATING CUSTOMERS FAIRLY**

The Financial Services Board (FSB) is implementing a programme to be known as Treating Customers Fairly (TCF) to regulate the market conduct of financial services providers. The TCF approach seeks to ensure that fair treatment of customers is part of the culture of all financial firms. TCF will be a combination of market conduct general principles and defined rules. It will drive the delivery of clear and measurable fairness outcomes. The FSB will enforce these outcomes using a variety of visible and credible measures to prevent unfair treatment of customers.

The Principal Officer oversees and ensures implementation of all TCF principles applicable to the Funds.

**REGULATORY PENALTIES**

No regulatory penalties, fines or sanctions were imposed on any of the Funds during the year.

**COMPLAINTS**

Should you have a complaint relating to the Fund, its management, administration, communication or any other matter; you can contact your Board of Trustees in writing. Should they not respond within 30 days of submitting your complaint or their response is unsatisfactory, you may contact the Pension Funds Adjudicator.

Please submit all complaints to the Principal Officer (Refer to the Contact Us section).

**PENSION FUNDS ADJUDICATOR CASES**

The Trustees have investigated all complaints addressed to the Adjudicator’s office regarding the Funds. As in the past, the most common examples of complaints from Members are:

**Members not being aware of their right to receive annual benefit statements.**

The Funds provide annual statements to employers, and the Board of Trustees relies on the employer to distribute them to Members. Should you require a Member benefit statement at any time, please contact your employer or financial advisor.
Members querying a delay in the payment of benefits.
The Corporate Selection Funds pay the vast majority of benefits within 10 days of receipt of the necessary documentation. However, in many cases a claim form is was submitted by the employer, but not fully completed in respect of all the requirements requested. If you need to follow up on claims, please contact the call centre during office hours. Please see the number under the Contact Us section.

NOTES

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Disclaimer
While care has been taken in the compilation of this publication, the editors and publishers do not accept responsibility for any loss or damage that may be sustained as a result of reliance by any person on the information contained herein. No information contained herein constitutes an offer for sale of any service or product and also is not financial or investment advice. No warranty is provided that the information is appropriate or suitable for any particular purpose, or that it is complete or accurate. In the case of any discrepancies the rules of the Funds shall prevail.
### GENERAL QUERIES

Direct any general queries regarding the day-to-day administration of the Funds to:

- Your employer: this is the first person you need to contact!
- The appointed financial advisor; or
- In writing to Liberty Corporate.

### MEMBERS’ WEB PAGE

[http://www.libertycorporate.co.za/retirement-governance/Pages/retirement-governance.aspx](http://www.libertycorporate.co.za/retirement-governance/Pages/retirement-governance.aspx)

### LIBERTY CORPORATE - CONTACT DETAILS

Call centre: **011 408 2999**

Fax: 011 408 2264

Website: [www.libertycorporate.co.za](http://www.libertycorporate.co.za)

**Principal Officer**

Should you wish to bring any matter to the attention of the Trustees, or if you have problems getting a response from the Administrator, you can contact the Principal Officer:

Patrick Mayne

Fax: 011 408 2615

Email: patrick.mayne@liberty.co.za

### THE PENSION FUNDS ADJUDICATOR - CONTACT DETAILS

**Johannesburg office**

Tel: 011 884 8454

Fax: 011 884 1144

Physical address: 2nd floor, Sandown House, Sandton Close, Sandton 2196

Email: enquiries-jhb@pfa.org.za

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<td>12/8/36438</td>
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<td><strong>South African Revenue Services approval number</strong></td>
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