

# Durban Pension Fund

## Investment Policy and Strategy Document

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## **1. INTRODUCTION**

- 1.1 This document is a formal statement of the main principles underlying the investment policy and strategy of the Trustees of the Durban Pension Fund (the Fund). It is intended to provide a framework for investment of the assets of the Fund and will be determined with due regard to the profile of the members of the Fund as well as the nature of the liabilities of the Fund.
- 1.2 The nature of the liabilities will be appropriately matched with assets corresponding in nature. The investment strategy will have as its primary aim, the meeting of the objectives of the Fund, in line with the philosophy of the Fund. The investment strategy will recognise the nature of the Fund's liabilities, the Fund's investment objectives and risk tolerance of the Fund, as well as the dynamic nature of assets over time. The investment strategy is reviewed on an annual basis or more frequently as may be required by legislation.

## **2. OBJECTIVES OF THE FUND**

The Trustees have a statutory and fiduciary duty to invest the Fund's assets for the benefit of its members in a responsible and prudent manner. The objectives of the Fund are to:

- 2.1 Provide retirement and other benefits for its members as and when these fall due, in terms of its Rules and within the confines of legislative requirements.
- 2.2 Seek to maximise the value of the retirement and other benefits of members within defined risk parameters over the long term.

## **3. NATURE AND BACKGROUND OF THE FUND**

- 3.1 The Fund is a closed defined benefit fund and a defined amount, expressed as a percentage of salary, is contributed to the Fund each month. The active members of the Fund and the Local Authority make monthly contributions to the Fund. On retirement, the pensioner member may take a maximum of 1/3 of his/her benefit, plus his/her gratuity, in cash. This means that more than 1/3 of the pensioner member's total benefit may be taken in the form of a cash lump sum, a portion of which, based on service prior to March 1998, is payable on a tax free basis.

- 3.2** The retirement benefit (i.e. the pension and the gratuity benefit) is paid in terms of a formula as set out in the Fund's Rules and is related to the active member's length of pensionable service and final average pensionable salary. This means that the benefits are predictable as they are determined by this formula. Currently, in terms of the Rules of the Fund, the benefits or level of contribution, may be adjusted depending on the Fund's financial position. This means that active members share investment and other risks with the Local Authority. The exception to this sharing of risk is in respect of the aging of the Fund's active membership due to the closing of the Fund to new members. The Local Authority has agreed to assume the full risk brought about through the Fund's closure to new members.
- 3.3** From 1 November 2001, the Durban Pension Fund was closed to new members to date and existing employees of the Fund have been given two options to become members of the KZN Municipal Pension Fund. All new employees of the Local Authority (other than those appointed in terms of Section 57 of the Municipal Systems Act) now have to join the KZN Municipal Pension Fund.

#### **4. PARTICIPANTS IN THE FUND**

For purposes of setting an investment strategy, the Trustees have recognised the following parties as "participants" in the Fund.

##### **4.1 Active Members**

Active members will receive benefits from the Fund in the future when they either withdraw from the Fund, or retire. Benefits are also payable on the death of an active member prior to retirement. These benefits are set out in the Rules of the Fund.

##### **4.2 Pensioner Members**

Pensioner members receive regular monthly pensions from the Fund for the balance of their lives and those of their dependants, where eligible. These pensions will be increased from time to time in recognition of the reduction in purchasing power caused by inflation. A pension increase policy which targets 100% of CPIX and which includes an employer guarantee of 60% of CPIX has been established for this purpose.

##### **4.3 Employer**

The employer's objective is to enable its workforce to have access to retirement funding arrangements, which are competitive in market terms and proactive in keeping pace with market developments, within the constraints of the employer contributions to the Fund.

## **5. RISKS TO BE RECOGNISED**

**5.1** In terms of their investment strategy, the Trustees view “risk” primarily as the likelihood that the chosen strategy will result in the objectives not being met. The strategy adopted is designed to maximise the likelihood of meeting these objectives, while controlling as far as possible those factors, which may result in the objectives not being met.

**5.2** In arriving at their investment strategy the Trustees have recognised that there are many risks that need to be considered. In general, greater expected long-term returns could only be achieved by accepting greater short-term risk. The management of one type of risk is often only achieved at the expense of another. The investment strategy endeavours to achieve the most appropriate balance between the various forms of risk, given the objectives and liability profile of the Fund. The Trustees have considered the following specific risks:

### **5.2.1 Negative Real Returns**

These can arise if the after-tax nominal returns fall below the rate of inflation and the real (adjusted for inflation) value of assets decline over time. This risk is minimised over the long term by investing in growth asset classes (equities). Relative to other traditional asset classes, equities are anticipated to produce the highest relative returns in the long term. Equities are normally more volatile, relative to the other assets classes, thus it might not be possible to eliminate this risk entirely over the short term.

### **5.2.2 Capital Loss**

This risk is minimised by investing in a range of asset classes in an attempt to diversify the Fund’s total investment. The risk may also be minimised by investing in asset classes such as cash and short-dated fixed interest securities, where the future capital values are certain with assets being invested with reputable financial institutions.

### **5.2.3 Volatility**

The asset classes investment managers invest in are all different and therefore experience different volatility of returns. This risk can be reduced by investing in a combination of asset classes that are negatively correlated in an attempt to reduce the volatility of the total portfolio. This risk can also be minimised by investing in asset classes such as cash and short-dated fixed interest securities that normally display much lower volatility of returns compared to some of the other traditional asset classes.

#### **5.2.4 Liquidity**

Liquidity risk involves not having liquid assets to meet current liabilities or being unable to realise assets on a reasonable basis when cash is required. This risk is avoided by investing in liquid assets (highly tradable assets) and by investing a portion of the assets in cash and short-dated fixed interest securities to provide the necessary liquidity.

#### **5.2.5 Asset Failure**

The risk of asset failure has been reduced by diversifying the Fund's investments across:

**5.2.5.1** Different companies in the case of equity investments;

**5.2.5.2** Different properties in the case of property investments; and

**5.2.5.3** Different financial institutions in the case of cash deposits.

Investing in well-researched companies and only placing deposits with highly rated financial institutions further reduces this risk. Government bonds are underwritten by the Government and can therefore be considered to have an extremely low risk of failure.

#### **5.2.6 Market Timing**

Market timing is an investment technique whereby the investment manager seeks to forecast the future returns of the different asset classes in an attempt to identify the assets with the highest potential to outperform relative to the other asset classes. The investment manager is required to improve long-term returns by moving between the different asset classes in an attempt to increase the exposure to the asset classes, which they believe are going to outperform. Similarly, the investment manager will reduce the exposure to the asset classes, which they believe are going to underperform. Improving long-term returns using this technique is extremely difficult and the risk exists that the opposite of what the investment manager is trying to achieve could materialise thereby destroying value.

#### **5.2.7 Tracking Error**

Tracking error risk only applies to assets that are passively managed in an attempt to track a specific index. (For example the FTSE/JSE Top 40 Companies index). Tracking error refers to the mismatch between the return of the index and the return of the portfolio tracking the index. This risk could be minimised by implementing the necessary risk management techniques (controls and procedures) and systems to manage, measure and monitor the tracking error risk.

### **5.2.8 Manager Risk**

Manager risk includes the following:

- The risk of the investment manager ceasing to exist;
- The risk of the investment manager under-performing the chosen benchmark; and
- The risk of the investment manager failing to comply with the mandate.

#### **5.2.8.1 Manager ceasing to exist:**

The risk exists that the investment manager, who has been appointed, might cease to exist. This risk has been reduced by performing the necessary research on the various investment managers prior to the Fund placing assets with them. The managers are monitored on an ongoing basis to ensure that the business risk is reduced. This risk has been reduced by split funding between four investment managers in an attempt to diversify the risk.

#### **5.2.8.2 Manager under-performing**

The risk exists that the investment manager, who has been appointed, could under-perform the chosen benchmark. Research has shown that it is very difficult for investment managers to always out-perform during the various market cycles. This risk has been reduced by split funding between four investment managers in an attempt to diversify the risk.

#### **5.2.8.3 Manager failing to comply with the mandate**

The risk exists that the investment manager, who has been appointed, might fail to comply with mandatory requirements. Appointing a Compliance Officer to monitor mandate compliance could reduce this risk. However, whilst the Pension Fund Administrator fulfils this role a performance monitor has been appointed and reports on mandate compliance issues each quarter.

### **5.2.9 Benchmark Risk**

The risk exists that the Fund's benchmark is not appropriate given the Fund's circumstances. Selecting a benchmark is critical and will assist to determine whether investment managers are adding value and performing their management function adequately. The Trustees of the Fund are responsible for selecting an appropriate benchmark. This risk has been reduced by developing a formal investment strategy and by making use of the services of professional investment advisors.

### **5.2.10 Foreign Investments**

Although foreign investments do provide diversification benefits they expose the Fund to currency risk because the Fund's liabilities are denominated in Rand terms.

### **5.2.11 Derivative Instruments**

Derivative instruments serve a useful purpose in investment management especially if it is being used to:

- Facilitate cash flows;
- Hedge specific assets or asset classes; and
- Alter asset allocations.

The risks associated with derivative instruments can be managed by including derivative investment guidelines in the investment managers' mandates. Speculation and gearing is explicitly excluded in terms of the Pension Funds Act.

## **6. INVESTMENT PHILOSOPHY**

- 6.1** The investment philosophy set by the Trustees recognises the purpose of the Fund and this is further reflected in the combination of investments held by the Fund.
- 6.2** The Trustees recognise that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objectives will only be met if they are consistently achieved over shorter periods. Failure to meet objectives over the shorter periods will ultimately lead to a failure to achieve the long-term goals.
- 6.3** Market-related investments are expected to generate returns in excess of inflation over time. However, returns arising from market-related investments, by their nature, may be volatile in the short-term. Real returns (i.e. returns in excess of inflation) are required across the range of portfolios to compensate adequately for the levels of risk inherent in the portfolio.
- 6.4** The Trustees select the investment managers according to pre-defined objective criteria and also have sought the assistance of independent specialist advisors. Investment managers have been appointed to manage different mandates in line with the Fund's requirements, including investing in investments that have socially desirable objectives. The Trustees assess these managers according to appropriate objective and defined criteria mindful of the key objectives of the Fund, as set out in this policy statement.
- 6.5** Fees charged by the investment managers, and agreed to by the Trustees are both on a fixed basis and also according to specific performance criteria set by the Trustees and agreed by the managers.

## **7. INVESTMENT OBJECTIVES**

The Trustees have a statutory and fiduciary duty to invest the Fund's assets in a responsible and prudent manner. Success in fulfilling these primarily financial objectives will provide active members with high value retirement benefits appropriate to the contributions paid and service with their employer. The Trustees have agreed that the primary financial objectives of the members are:

### **7.1 Active Members**

- To protect the capital value of active members' share of the total assets of the Fund;
- To provide creditable returns over the medium to long term; and
- To provide competitive long-term real rates of returns to the active members' share of total assets in the Fund in comparison to appropriate benchmarks, which have been agreed in consultation with the Fund's Actuary.

### **7.2 Pensioner Members**

- To protect the capital value of pensioner members' share of the total assets of the Fund;
- To provide at least the pension guaranteed in terms of the Fund Rules;
- To provide a secure pension for life; and
- To grant pensioner members annual increases in line with inflation.

## **8. INVESTMENT STRATEGY**

**8.1** The Trustees employ investment managers to perform this function for the Fund. The portfolios are managed on an active management basis. The Trustees retain responsibility for the appointment of the investment managers and seek input from their investment advisors and their Actuary in selecting investment managers and the underlying portfolios offered. Each of the investment managers is expected to pursue its own strategies within the broad framework of the guidelines as set out in the investment mandate.

**8.2** The Fund will only retain investment managers who consistently outperform appropriate benchmarks within an appropriate level of risk. The Trustees will consider replacing a manager who under-performs the predetermined benchmarks over rolling periods of either three or five years.

**8.3** Fund's cash inflows will be directed towards those investment managers that are performing better on a relative basis. Similarly, cash outflows

from the Fund will inevitably be drawn from the poorest performing manager.

#### **8.4 Active Member Investment Strategy**

The Trustees of the Fund have agreed to an absolute return type investment strategy for the active members of the Fund to enable the Trustees to most closely match the Fund's assets to the corresponding active member liabilities and the objectives of the investment manager are directly aligned with those of the Trustees and the Fund.

An absolute return strategy involves targeting a return objective that is neither related to the market nor to a peer group, but rather fixed in absolute terms. The objective of this strategy is to ensure that the growth in the assets is at least equal to the growth in the liabilities of active members. As the growth in liabilities is linked to inflation it is appropriate to target real returns (growth in excess of inflation) as a starting point for such an absolute return strategy. As future inflation is unknown the target for the mandate is for the Fund to earn an after expenses return in excess of inflation plus 6% per annum. Such a mandate ensures that as inflation changes so the return objective also changes and therefore the growth in assets keeps pace with or even exceeds that of the liabilities. In accordance with clause 9.7, 20% of the assets are invested offshore. The benchmarks selected are those most appropriate to meeting the Fund's long term investment objectives.

#### **8.5 Pensioner Member Investment Strategy**

The Trustees of the Fund have agreed to an investment strategy that aims to reduce the risk of the Fund going into a deficit position as a result of poor investment performance of the pensioner member portion of the assets. This has been achieved by entering into contracts with merchant banks whereby future cash flows (current level pensions and subsequent increases) are matched. The longevity risk (i.e. a pensioner member living too long) will be controlled by the Fund in terms of the level of pension increases granted. In the event of pensioner member longevity exceeding actuarial assumptions then their future pension increases will be lower and in the event of pensioner member longevity not exceeding actuarial assumptions then the remaining pensioner members may receive higher pension increases.

The Fund will continue to enter into contracts with the banks for a period of between 10 and 15 years depending on Government bond durations in a matched level pension strategy. The banks guarantee payment of the current level pensions based on the mortality assumptions made by the actuary for the agreed period. Although the Trustees objective is to ultimately match the level pensions for the life of the pensioner members and not just for the first 10 or 15 years this will be done as and when terms and conditions are more favourable and depends on Government bond duration matches. The timing in the annual investment in the matched level pension strategy will be dependent upon the level of long term interest rates. The Investment Sub-committee will take a view on the

long term rates and time the matched level pension product to take advantage of higher interest rates.

The balance of the domestic assets are invested in a 70% equity and 30% bond absolute return portfolio provided these parameters may be varied by 15% on either side. In addition to the above the offshore portion, as permitted by current legislation, is invested in international portfolios with benchmarks which are most appropriate to meeting the Fund's long term investment objectives.

The Actuary to the Fund, on an annual basis, performs a valuation and based on his calculations recommends a pension increase in accordance with the Fund's increase policy. As necessary, a portion of the assets of the absolute return portfolios will be liquidated, from the poorest performing manager, to match the revised level of pensions.

The aim of the above mentioned pensioner member investment strategy is to avoid the Fund from finding itself in a deficit position and unable to afford reasonable pension increases into the future.

## **9. CONSTRAINTS**

### **9.1 Time Horizon**

The Fund has a long-term time horizon, in common with all retirement funds. The time horizons of the asset managers are likely to be shorter given the need for them to demonstrate good performance on a quarterly and annual basis. Short-term performance considerations must not outweigh the need for investment managers to provide for the long-term in their selection of assets, but it is recognised that sound long-term performance is dependent upon an accumulation of sound short-term performances.

### **9.2 Liquidity**

The Fund is not normally constrained by liquidity considerations but significant short-term cash requirements may arise from time to time. The Pension Fund Administrator of the Fund is required to bring these cash requirements to the attention of the Trustees in good time to allow them to notify the investment managers in writing if any extraordinary action needs to be taken. The Trustees require cash flow forecasts, to be performed on a monthly basis by the Administrator, to support decisions taken in this regard.

Cognisance is taken of the liquidity of the Fund's investments as a matter of prudence. The size of any holding in a particular investment or class of investments should not create liquidity problems for the Fund. The Fund's activities should furthermore not affect the market price of any investment significantly.

### 9.3 Legal Constraints

The Fund will be administered subject to the provisions of the Rules of the Fund and Regulation 28 of the Pension Funds Act 1956, as amended from time to time. Regulation 28 defines the permitted levels of exposure to various asset classes and stipulates that trustees follow a defined process with regard to the investments of their fund. There are no other legal constraints at present.

### 9.4 Strategic Holdings

The Fund should avoid any strategic investment holdings in principle. A strategic investment is an investment based on reasons other than investment merits. Such holdings can, however, be considered by the Trustees provided they fall within the investment philosophy and objectives of the Fund as embodied in this document. The constraints set out under Section 9.7 below should be taken into account with all strategic investments.

### 9.5 Unlisted Investments

The Fund should only have exposure of up to 5% to unlisted securities and only with the specific prior approval of the Trustees. If an investment manager invests in any unlisted securities without the necessary prior authorisation their portfolio and appointment should be reviewed immediately.

### 9.6 Utilisation of Derivatives

The asset managers may use derivatives for the following purposes:

- **Asset Allocation** - derivatives may be used to allocate funds effectively across different asset classes.
- **Hedging** - derivatives may be used to hedge the portfolio without having to dispose of the underlying assets.
- **Insurance** - derivatives may be bought to insure the Fund against specific events.
- **Yield Enhancement** - an asset manager may take advantage of anomalies in derivative market pricing to enhance the portfolio's investment return.

Derivatives may not be used to:

- **Speculate** - under no circumstances may an asset manager speculate in the derivative market. This includes the taking of uncovered derivative positions.
- **Gear** - the use of derivatives may not cause the fund's aggregate economic exposure to exceed its market value i.e. there must be no leverage or gearing of any nature within the Fund.

Investment managers must at all times comply with the requirements of Regulation 28 of the Pension Funds Act 1956, as amended. The total of any derivative premiums and margins, expressed as a percentage of the overall

fund portfolio, must therefore not exceed the 2,5% limit imposed on the “other assets” category by Regulation 28.

**9.7 Investments outside the Republic of South Africa**

The Trustees hold a portion of the Fund's assets offshore as a sound investment strategy for the purposes of minimising risk (created by the concentration of assets within a single country) and portfolio diversification. At present, Regulation 28 of the Pension Funds Act is generally interpreted as being the primary restriction on retirement funds in holding offshore assets. The overall offshore exposure is limited to the maximum exposure as allowed in the legislation and the current policy is that 20% of the Fund's assets are invested offshore.

**9.8 Investment in assets or products associated with investment advisor**

Investment advisors assisting the Trustees must disclose whenever an investment or potential investment in any asset or product is associated with the advisor or the advisor's employer.

**9.9 Socially Responsible Investments**

Socially Responsible Investments (SRI) are investments where social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments and the responsible use of voting rights attached to investments. The Fund realises the importance of SRI and has allocated up to 5% of the assets to these types of investments from time to time.

**9.10 Products with termination conditions, which may inhibit the realisation of proceeds**

Certain investment products such as structured products and insurance company smoothed bonus policies include termination conditions in their contracts, which might result in lower than market values being paid if these investment are realised. Before any such portfolios are invested in, the Trustees should be fully aware of the contractual conditions applying to such investments.

**9.11 General Constraints**

The following general constraints on the assets of the Fund must be complied with unless otherwise approved by the Trustees:

**9.11.1** No more than 7,5% of the Fund's assets may be invested in a single holding with the exception of Government bonds provided that where specifically motivated by an investment manager the Investment Sub-Committee has been delegated authority to permit investment up to 15%.

**9.11.2** An equity holding in any particular company (or companies in a related pyramid structure) may not exceed 2,5% of the total market capitalisation of that company (or the base company in a pyramid

structure) if the company or base company's market capitalisation is less than R3 billion.

- 9.11.3** An equity holding in any particular company (or companies in a related pyramid structure) may not exceed 5% of the total market capitalisation of that company (or the base company in a pyramid structure) if the company or base company's market capitalisation exceeds R3 billion.

## **10. IMPLEMENTATION OF INVESTMENT STRATEGY**

The Trustees of the Fund will implement the investment strategy by:

- 10.1** Appointing an Investment Sub-Committee consisting of Trustees who have the appropriate financial background and the Pension Fund Administrator;
- 10.2** Ensuring that the investment performance of the Fund is regularly reported to them by the Investment Sub-Committee and is consistent with the philosophy and objectives of the Fund;
- 10.3** Considering recommendations from the Investment Sub-Committee with regard to investments and disinvestments;
- 10.4** Supporting the Investment Sub-Committee with the required professional assistance to compile, analyse and comment upon the matters for which the sub-committee is responsible, both on an ongoing and an ad-hoc basis; and
- 10.5** Approving the use of external consultants by the Investment Sub-Committee as and when the need arises.

## **11. INVESTMENT MONITORING**

In the monitoring of investment performance, the Investment Sub-Committee must take cognisance of the following:

- 11.1** The returns achieved by each investment manager in each asset class relative to the benchmarks negotiated over a range of periods. Where a portfolio underperforms the benchmark the Trustees should seek to understand the reason for this under-performance and determine whether they are satisfied whether the portfolio continues to meet the Fund's investment objectives. Where the Trustees are not satisfied that the portfolio continues to meet the Fund's investment objectives, the Trustees must seek to replace the portfolio with an alternative portfolio that can be expected to achieve these objectives;
- 11.2** Fees paid to the investment managers;
- 11.3** Visits by certain of the members of the Investment Sub-Committee to the various investment managers to evaluate their in-house capability of consistently outperforming their investment mandates. The Investment Sub-

Committee will also rely heavily on the recommendations of the Sub-Committee's advisors in this regard;

- 11.4 Taxes payable by the Fund;
- 11.5 The transactional costs, including bank charges, associated with the investment activities of the asset managers;
- 11.6 The performance of the Fund relative to the investment philosophy and performance objectives set out in Section 7 above;
- 11.7 The cash flow needs of the Fund;
- 11.8 The derivative and scrip lending activities of the Fund;
- 11.9 Compliance of the Fund with the investment strategy set out in Section 8 above;
- 11.10 Compliance of the investment managers with the restrictions contained in the negotiated portfolio management agreements and investment mandates; and
- 11.11 Full disclosure of the Fund's investments and returns earned thereon with the accounting policies of the Fund and generally accepted accounting practice.

## **12. COMPLIANCE OFFICER**

- 12.1 The Compliance Officer is expected to submit a report setting out the strategy and performance of the Fund against the specified objectives thereof to the Financial Services Board (FSB) annually. The Pension Fund Administrator is required to fulfill this function ;
- 12.2 The Compliance Officer will also be responsible to ensure that the investment managers comply with the mandates and that the Fund's assets are invested within the constraints as detailed in section 9 of this document; and
- 12.3 In addition the Fund has appointed a performance monitor who monitors performance of the investment managers who is required to report quarterly. In addition a monthly report on Fund performance is submitted.

## **13. BENCHMARKS**

The Trustees have developed and implemented appropriate benchmarks against which the performance of the Fund, investment managers and

portfolios is measured. The benchmarks have been constructed with due regard to the objectives of the Fund.

#### **14. MANDATES**

Appropriate investment mandates have been developed and implemented with each investment manager. The Compliance Officer and the Performance Monitor monitors the managers relative to these mandates to ensure that any contravention is detected and dealt with timeously.

#### **15. INVESTMENT MANAGERS**

The Fund recognizes that it does not have the internal expertise to undertake the investment function and has appointed investment managers for this purpose. Investment managers have been appointed on an initial three year contract and are subject to annual review thereafter.

15.1 Ranking criteria for the selection of investment managers:

- past track record
- reputation
- current investment performance
- investment philosophy
- financial stability
- management team/staff turnovers
- fees
- range of investments
- size of organization
- consultants recommendation

15.2 Review of investment managers

- undertake annually using quarterly information from investment monitor
- comparison to peer group using large manager watch
- adherence to mandate and achievement of benchmark
- viable alternatives where underperformance or dissatisfaction with contrarian views taken, or excessive fee structure

## **16. MISCELLANEOUS ISSUES**

The Trustees have considered it appropriate to record their philosophy with regard to a number of issues, which relate to the investment of the Fund.

### **16.1 Voting rights**

Any voting rights accruing to the Fund in its capacity as a shareholder will be delegated to the investment manager responsible for managing the investments. The investment mandate shall stipulate with regards to voting rights and the investment managers should manage the investments according to these guidelines. Investment managers are required to report at their quarterly report back meetings as to their use of this proxy vote. Trustees do not support company resolutions which:

- place control of share issuance under the company directors unless special circumstances apply
- grant excessive remuneration to directors

### **16.2 Conflicts of interest**

The Trustees and all investment advisors assisting the Fund will be required to disclose all conflicts of interests or potential conflicts of interests that may arise from the placement or potential placement of the Fund's assets.

### **16.3 Costs**

The Trustees require disclosure of costs deducted from investment portfolios.

### **16.4 Securities Lending**

The Trustees may consider the lending of the securities of the Fund. In each case, specific guidelines and mandates will be implemented. Such guidelines and mandates will stipulate the types of counterparties to be utilised as well as the limits relating to the lending of securities. The present policy is to not permit scrip lending.

## **17. REVIEW OF INVESTMENT POLICY**

The investment policy is not a static document. It is appropriate as it relates to the Fund's membership and liabilities at a point in time and should be reviewed by the Fund's Trustees annually. A fundamental change in the Fund's liabilities and/or long-term investment strategy will necessitate an immediate review of this policy document. Any change to this policy

document will be approved by the Trustees and communicated to all affected parties.

## **18. COMMUNICATION**

The Trustees annually communicate the Fund's investment philosophy and strategy to the members.

## **19. SIGNATORIES**

This document represents the investment policy and strategy of the **Durban Pension Fund** as approved at its meeting held on 2008-10-07 and records the issues considered by the Trustees of the Fund in establishing an appropriate investment strategy for the management of the Fund.

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**CHAIRPERSON**

Durban Pension Fund

I hereby confirm that I am satisfied that the investment policy and strategy above is consistent with the objectives of the **Durban Pension Fund** and the management of the risks to which the Fund is exposed, and that this strategy will result in an appropriate relationship between the assets and the liabilities of the Fund.

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**ACTUARY**

Durban Pension Fund