

Confidential**DE BEERS PENSION FUND****MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES HELD VIA MICROSOFT TEAMS ON THURSDAY, 29 SEPTEMBER 2022 AT 08H30****PRESENT:**

Craig Coltman	Chairperson
Alan Ashworth	Trustee
Colin Blanckenberg	Trustee
Rabia Hannie	Trustee
Jenilee Jaftha	Trustee
Daryl Kerspuy	Trustee
Roger Ketley	Trustee
Fred Ludick	Trustee
Carol Nefdt	Trustee
Abram Shushu	Trustee
Wayne Smerdon	Trustee
Joseph Soyizwaphi	Trustee
Martha Thembo	Trustee

APOLOGIES:

Ayatu Mbewe	Trustee
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IN ATTENDANCE:

Stanley Mathonzi	Principal Officer
Kobus Badenhorst	Chief Operating Officer
Hemah Moodaley	Fund Manager
David Datnow	Secretary
Charmaine Motto Ros	Assistant to the Secretary

BY INVITATION:

Janina Slawski	Alexander Forbes (for item 29.22.1)
Kim Strydom	Alexander Forbes (for item 29.22.1)
Andreas Michael	Keystone Actuarial Solutions (for item 29.22.2)

27.22 WELCOME, APOLOGIES AND QUORUM

The Chairperson welcomed all Trustees present and the representatives from Alexander Forbes, Keystone Actuarial Solutions and Fund Management to the meeting.

The Chairperson noted the apology received from Mr. Mbewe and confirmed that a quorum was present and that the meeting was therefore properly constituted.

28.22 DECLARATION OF INTEREST

The Trustees noted that completed declaration of interest forms for all Trustees and non-Trustee members of Board Committees were posted on the secure Trustee website.

The Chairperson requested all Trustees present to declare any new areas of personal conflict of interest, that had arisen since completing their latest declaration of interest forms or with regard to any particular agenda item that they were aware of and ensure that updated forms be submitted to the Secretary, if they had not already done so prior to the meeting.

The Trustees further noted that no new areas of conflict of interest since the last declarations or any other matter had been declared. No areas of conflict of interest regarding a particular agenda item were declared.

29.22 SERVICE PROVIDER REPORTS

29.22.1 Fund Asset Consultant

Ms. Slawski's presented an overview of the global and local economic outlook and other themes that prevailed during the third quarter of 2022, to the Trustees, focusing on:

- Geopolitics is a significant risk factor that needs to be monitored and managed, with political risk now being a major consideration for investments and new global geopolitical re-alignments being created;
- Inflation was at a multi-decade high and outside target, and would likely continue to be structurally higher in some countries;
- Central Bank were playing catch-up as they have misread the extent of inflation pressures being transitory;
- The bear market had progressed but had yet stabilised;
- South African was still lagging emerging and developing economies, deficiency being a binding constraint for growth, the employment market being more vulnerable and aggressive interest rate hikes being expected;
- Offshore exposure was not free and came with risks that needed to be managed; and
- Greylisting was expected to happen, with resultant market impacts and increased friction in implementation.

Ms. Slawski updated the Trustees on the performance of the Fund's investment portfolios for both the Defined Benefit (DB) and Defined Contribution (DC) sections of the Fund, various asset classes and key indices, as well as the returns earned across each of the Fund's various underlying building blocks as at 31 August 2022. Ms. Slawski further summarised the life stage portfolio returns earned and pointed out the outperformance of the market benchmarks over the period 1 March 2007 to 31 August 2022. She noted the following in terms of the pensioner portfolio:

- The LDI portfolio managed by OMIG had continued to provide slight outperformance;
- Currently the surplus in the surplus attribution is at R7.8 million; and
- The unhedged assets for the pensioner portfolio were invested in the life stage high equity portfolio and was outperforming its benchmark.

The Trustees noted the detailed report on the activities and decisions made by the Investment Board Committee for the period 27 May 22 to 1 September 2022 as submitted, and that the investment report for the second quarter of 2022 was available on the Trustee website under “Service Provider Reports – Investment Reports – 2022”. Ms Slawski provided the Trustees with an update on:

- The quarterly rebalancing;
- The Futuregrowth implementation;
- Manager research process;
- Annual review of the total investment cost (TIC);
- The agenda for the Fund’s Investment Review Days.

29.22.2 Fund Actuary

29.22.2.1 Defined Contribution (DC) Pension Conversion Rate

The Trustees noted that the Fund Actuary had conducted the bi-annual review of the DC pension conversion rate based on the changes in the methodology used for setting the Fund’s financial assumptions for valuation purposes in the actuarial valuation of the Fund as at 1 March 2022, which was approved at the Board meeting held on 14 July 2022 on recommendation from the Actuarial Board Committee, and market yields as at 31 August 2022.

The Fund Actuary’s proposal was submitted for consideration and following Mr. Michael’s presentation and recommendations, the Trustees **RESOLVED** to approve that:

- the DC pension conversion rate be increased from 3.25% to 3.75% per annum with effect from 1 October 2022, this would result in an increase in the pension that can be purchased for a given level of retirement capital.
- the post-retirement mortality assumptions used for pension purchases be aligned to the solvency reserving assumptions rather than the historical best estimate assumptions. This would result into a reduction in the pension that can be purchased for a given level of retirement capital.

The net effect of the above was an expected increase of at least 3.5% in the pension that could be purchased by a retiree at age 60.

29.22.2.2 Assumptions for the Calculation of the Defined Benefit (DB) Benefits

The Trustees noted that the Fund Actuary had completed the quarterly review of the assumptions for the calculation of the DB benefits based on the change in the methodology used for setting the Fund’s financial assumptions for valuation purposes in the actuarial valuation of the Fund as at 1 March 2022, which was approved at the Board meeting held on 14 July 2022 on recommendation from the Actuarial Board Committee, and market yields as at 31 August 2022.

A letter from the Fund Actuary was attached for consideration and following

Mr. Michael's presentation and recommendation, the Trustees **RESOLVED** that the net discount rate be increased from 4.8% to 5.2% per annum with effect from 1 October 2022 for the calculation of DB benefits.

29.22.2.3 Replacement Ratio Projection – Salary Investigation

The Trustees noted that they had previously agreed that a salary investigation would be conducted every 3-years, in order to determine whether the salary inflation assumptions in use remains reasonable and appropriate for the preparation of the annual replacement ratio projections for DC members, with the last investigation having been conducted in 2019.

The Fund Actuary's report for the investigation for the next 3-year cycle, namely 2022 to 2024 was submitted for consideration and following Mr. Michael's presentation the Trustees **RESOLVED** that the salary increase scale used for preparing the annual replacement ratio projections as at 31 July 2022 be retained.

30.22 MINUTES

The Trustees **RESOLVED** to confirm and approve the minutes of the meeting held on 14 July 2022 as being a true and accurate reflection of what transpired at the meeting.

31.22 MATTERS ARISING FROM THE PREVIOUS MINUTES

31.22.1 Board Agenda Electronic Platform (Minute 18.22.1)

The Trustees noted that Fund Management had completed its investigation of potential service providers and available options regarding a suitable electronic platform to host the Fund's Board and Board Committee agenda packs and was in the process of drafting a proposal in this regard that would be submitted to the Trustees for their consideration at the December 2022 Board Meeting.

31.22.2 Rule Amendment (Minute 18.22.2)

The Trustees noted that the Fund had received a letter from the Financial Sector Conduct Authority on 17 August 2022 approving Rule Amendment No. 5.

31.22.3 Appointment of Debt Collecting Agency (Minute 20.22.2.7)

The Trustees noted that Fund Management had concluded and signed an agreement with Snyman Debt Administrators on 30 August 2022, an agency based in Kimberley that would assist the Fund with the collection of write-offs in terms of the Fund's Signing Authorities and Approval Framework Policy. The agreement provided for "no success – no fee basis".

31.22.4 Annual Board and Board Committee Self-Appraisals (Minute 20.22.2.8)

The Trustees noted that Fund Management had, subsequent to the July 2022 Board meeting, conducted a detailed review of the self-appraisals and was in the process of enhancing these to ensure that the appraisal was better

aligned to the Fund's relevant governance documents and corporate governance best practices and principles in general.

Once the Governance and Compliance Instrument (GCI) online Board and Board Committee self-appraisal questionnaires had been updated, such would be made available for completion by the Trustees and the relevant Board Committees.

32.22 BOARD COMMITTEE REPORTS

32.22.1 DEATH BENEFITS BOARD COMMITTEE

Mr. Mathonzi, the Chairperson of the Committee, provided the Trustees with feedback on the meetings of the Committee held on 12 August 2022 and 9 September 2022, regarding the following that had been dealt with by the Committee:

32.22.1.1 Terms of Reference and Risk Log

The Committee had considered both its:

- revised Terms of Reference, dealt with under Minute 34.22.1 below, and had agreed that it remained adequate for the Committee's purpose and objectives;
- updated Committee specific Risk Log,

as submitted by Fund Management, and had resolved to recommend that such, subject to some additional amendments/enhancements, be approved by the Trustees at their Board meetings to be held in September 2022 and December 2022 respectively.

32.22.1.2 Death Benefit Allocations

The Committee had dealt with the following:

- The allocation of 36 DB pensioner death benefits to the value of R559,322.07;
- The distribution of one (1) DC working member's residual death benefit to the value of R215,714.07, which was allocated in terms of Section 37C of the Pension Funds Act (the Act);
- Approval of a life partner in respect of 1 DC death in service member; and
- The approval of a life partner in respect of 1 DB pensioner death by round robin resolution.

The Trustees noted that comprehensive documentation regarding all cases that had been considered and decisions made by the Committee were available on the Trustee website.

32.22.2 COMMUNICATION AND EDUCATION BOARD COMMITTEE

The Trustees noted that no meetings of the Committee were held since the last Board meeting. The Trustees further noted the following:

32.22.2.1 Member Communication

Fund Management and the Committee continued to implement and monitor the communication interventions as approved in the Fund's Communication Policy and Strategy. Activities that took place since the last Board meeting included:

- Newsflash addressed to living annuitants and working members of the Fund regarding the investment market movements and volatility;
- Publication and distribution of the Fund's Annual Review in August 2022;
- Publication and distribution of the Pensioner Focus in August 2022;
- Publication of the monthly fact sheets for each of the life stage investment portfolios;
- Member information sessions conducted virtually via MS Teams to members from De Beers Marine during September 2022 (144 members attended);
- The reworking of additional Fund administration forms into interactive PDF forms; and
- Continuous maintenance and updating of the member and Trustee websites.

32.22.2.2 Trustee Education

Aligned to the requirements of the Fund's Trustee Education Policy and Strategy, formal intermediate investment training was conducted by various service providers on 22 September 2022. The following topics were covered:

- Investment Consulting and Trustees Services (ICTS) - Economic principles, investment concepts, asset classes for retirement fund investing, selecting asset managers, monitoring of performance and DC investment strategy;
- Alexander Forbes - Overview of DB investment strategies; and
- Alan Gray – Overview of Environmental, Social and Governance (ESG) considerations.

The Trustees further noted that formal education interventions as per the Fund's Trustee Education Policy and Strategy would take place in 2023, including specialised ESG training for the Investment Board Committee during the first quarter of 2023.

32.22.3 AUDIT AND RISK BOARD COMMITTEE

The Trustees noted that no meetings of this Committee were held since the last Board meeting.

32.22.4 INVESTMENT BOARD COMMITTEE

This Committee's report was dealt with under Minute 29.22.1 above.

32.22.5 REMUNERATION BOARD COMMITTEE

The Trustees noted that no Committee meetings had been held since the last Board meeting.

32.22.6 ACTUARIAL BOARD COMMITTEE

Mr. Coltman, the Chairperson of the Committee, and the Fund Actuary provided the Trustees with feedback on the meeting of the Committee held on 18 August 2022 and the Committee's recommendations regarding the following:

32.22.6.1 Draft Statutory Actuarial Valuation Report as at 1 March 2022

The Fund Valuator had completed the Fund's statutory actuarial valuation as at 1 March 2022 in accordance with Section 16 of the Act, which requires that each registered fund shall have its financial condition investigated and reported upon by a valuator at least once in every three years.

The 1 March 2022 draft statutory actuarial valuation report prepared by the Fund Valuator (Annexure 1a), which had been reviewed and endorsed by the Committee, was submitted to the Trustees for consideration and presented by Mr. Michael.

Mr. Michael outlined:

- The purpose of a statutory actuarial valuation;
- That no areas of concern had been identified; and
- That the Fund was financially sound and the assets of the Fund were sufficient to cover the liabilities and the recommended contingency reserve accounts as at 1 March 2022.

Following Mr. Michael's presentation and on the recommendation of the Committee, the Trustees **RESOLVED** to:

- adopt the 1 March 2022 Statutory Actuarial Valuation Report as submitted, in particular the Fund Valuator's certification and recommendations detailed on pages 6 to 8 of the report; and
- authorise the Chairperson, the Principal Officer, an employer-appointed Trustee and a member-elected Trustee to sign the certificates in terms of Section 16(1) (Annexures 1b) and Section 16(8) (Annexure 1c) of the Act, as submitted on behalf of the Fund;
- that the above be submitted to the FSCA for approval; and
- That the 1 March 2022 Statutory Actuarial Valuation Report be distributed to the Employer in terms of Section 16 of the Act.

32.22.6.2 Ad-hoc Pension Payment

In terms of the Fund Pension Increase Policy the next discretionary pension increase for life annuitants was due as at 1 January 2023.

Given the current funding level of the pensioner pool as at 1 March 2022, dealt with under Minute 33.22.6.1 above, the performance of the pensioner pool thereafter and the high level of hedging within the pensioner pool, the Committee requested the Fund Actuary to consider the affordability of an interim ad-hoc pension payment during 2022.

In terms of Rule A4.14.3, the Board of Trustees has the discretion to grant an ad-hoc pension payment, subject to the Principal Employer's approval and provided that the Fund Actuary has determined that it is affordable.

The Fund Actuary had confirmed the affordability of an interim ad-hoc pension payment of 15% of life annuitants' current annual pensions in payment and the Fund had engaged with the Principal Employer who had confirmed that it was supportive of an interim ad-hoc pension payment in 2022, provided that the 2023 funding level on the solvency funding basis be maintained at a minimum of 110%.

Following the Fund Actuary's presentation and discussion, on the recommendation of the Committee, the Trustees **RESOLVED** to approve that an interim ad-hoc pension payment of 15% of life annuitants' current annual pensions be paid in October 2022.

32.22.6.3 Fund Policy Documents

In terms of the Fund's Signing Authorities and Approval Framework Policy the Committee reviewed the Fund's updated Contingency Reserve Account Management Policy and Pension Increase Policy, as submitted to the Trustees for consideration, and had resolved to recommend such to the Trustees for approval.

The Trustees further noted that the amendments to the policies had been proposed by Fund Management in consultation with the Fund Actuary.

On the recommendation of the Committee and subject to some additional amendments/enhancements, the Trustees **RESOLVED** to approve the Fund's updated Contingency Reserve Account Management Policy (Annexures 2) and Pension Increase Policy (Annexure 3) as submitted.

32.22.6.4 Due Diligence Questionnaire

The Trustees were apprised by Fund Management that the due diligence questionnaire (focusing on matters such as people, processes, policies and procedures, systems, governance and compliance) had been submitted to and completed by Keystone Actuarial Solutions. No concerns were raised by Fund Management on the feedback received and in general regarding the service levels of Keystone Actuarial Solutions.

The Trustees further noted that the completed due diligence questionnaire was available on the Trustee website under "Board Committees – Actuarial Board Committee – Due Diligence").

32.22.7 DISCIPLINARY BOARD COMMITTEE

The Trustees noted that no meetings had been held since the last Board meeting.

32.22.8 ILL-HEALTH BOARD COMMITTEE

The Trustees noted that no Committee meetings had been held since the last Board meeting.

33.22 FUND ADMINISTRATION AND OPERATIONAL REPORT

33.22.1 PENSION FUND ADJUDICATOR (PFA)

33.22.1.1 New cases lodged with the PFA since the last meeting

The Trustees noted that no new cases had been lodged since the last Board meeting.

33.22.1.2 Cases finalised by the PFA since the last meeting

The Trustees noted that there were currently no outstanding cases with the PFA.

33.22.2 POLICY AND GOVERNANCE DOCUMENTS

33.22.2.1 Board Governance Documents

The updated Terms of Reference of the Fund's various Board Committees were submitted for review and approval by the Trustees.

The Trustees noted, with the exception of the Disciplinary and Ill-Health Board Committees, that the Terms of Reference of the Board Committees that had met in 2022 had been reviewed by these respective Board Committees and that they had resolved to recommend such to the Trustees for approval.

Following discussion and on recommendation of the respective Board Committees (where relevant) the Trustees **RESOLVED**, subject to some minor amendments, to approve the updated Terms of Reference of the following Board Committees as submitted:

- Actuarial Board Committee (Annexure 4a);
- Audit and Risk Board Committee (Annexure 4b);
- Communication and Education Board Committee (Annexure 4c);
- Death Benefits Board Committee (Annexure 4d);
- Disciplinary Board Committee (Annexure 4e);
- Ill-Health Board Committee (Annexure 4f);
- Investment Board Committee (Annexure 4g); and
- Remuneration Board Committee (Annexure 4h).

33.22.2.2 Policy Documents

The Trustees noted, in line with the approved review cycles of the Fund's policy and governance documents, that the following documents had been reviewed since the last Board meeting and approved in terms of the Fund's Signing Authorities and Approval Framework Policy:

Document	Action taken	Approved by
Annuity Strategy Practice Note	Annual review and updated with the approved Rule Amendment No 5.	Principal Officer

Document	Action taken	Approved by
Contingency Reserve Account Management Policy	Dealt with under Minute 32.22.6.3 above.	Board of Trustees on recommendation of the Actuarial Board Committee, as per Minute 33.22.6.3 above.
Pension Increase Policy	Dealt with under Minute 32.22.6.3 above.	Board of Trustees on recommendation of the Actuarial Board Committee, as per Minute 33.22.6.3 above.

33.22.3 AGREEMENT REVIEW

The Trustees noted that Fund Management had reviewed the following agreements since the last Board meeting in terms of the Fund's Agreement Review Policy and expressed no concerns:

Agreement	Findings / Actions taken
M&G Investment Managers – IMA	Reviewed, no further action required.
Global Platform for Intellectual Property – Subscription Agreement	Annual renewal license paid for 2022/23.
Old Mutual – IMA	New addendum being drafted to make provision for the allocation of assets to the newly appointed credit manager (Futuregrowth).
Rand Mutual Assurance Company	New declarations submitted.
DBGS	Review in progress.

33.22.4 PAYMENT OF PENSION CONTRIBUTIONS

The Trustees noted that all contributions payable by the Participating Employers for the period June 2022 to August 2022 had been received timeously.

33.22.5 MANAGEMENT ACCOUNTS

The Trustees noted the management accounts for the period ended 30 June 2022 as submitted.

Mr. Badenhorst provided the Trustees with an executive summary regarding the Fund's financial results and position, highlighting the following:

- Based on the forecast it was expected that the operating cost would be managed within budget for the year, with a saving of approximately R900 000; and
- The balances of various contingency reserve accounts were within the target bands provided for in terms of the Fund's Contingency Reserve Account Management Policy.

33.22.6 MEMBERSHIP STATISTICS

The Trustees noted the Fund's membership statistics for the period ended 31 July 2022 as submitted.

33.22.7 MANAGEMENT AUTHORISATION OF WRITE-OFFS

The Trustees noted the following write-offs authorised by the Principal Officer in terms of Ruling 31 for 2021 and 2022 year-to-date:

	2021 Jan – Dec	2022 Jan – Sept
Rolling 12-month average total monthly pension	R66,328,837.44	R 77,973,398.57
Rolling 12-month average number of pensioners	7 727	7 423
Rolling average monthly pension in payment	R8,584	R10,504
Total number of write offs:	36	5
- Home Affairs process	34	2
- Life certificate process	2	3
Total debt written off:	R97,696.30	R5,129.53
– Home Affairs process	R90,453.30	R2,290.72
– Life certificate process	R7,243.00	R2,838.81
Average debt per person	R2,713.79	R1,025.91
Average period of overpayment	1 month	1 month

Mr. Blanckenberg commented that he noted that there was a very pleasing reduction in the total debt written off and enquired as to what the reason was.

Mrs. Moodaley indicated that the debt that was written off in 2021 was due to Covid-19 and that at the time, the Fund was unable to validate pensioners status with the Department of Home Affairs. During 2022, the Fund was able to validate the pensioners status again with the Department of Home Affairs and the Fund had also obtained the services of a tracing agent (Digital Data Bank) and another service provider to assist with the tracing of pensioners.

The Trustees further noted that there had been no write-offs for the period July 2022 to September 2022.

34.22 CORRESPONDENCE FROM REGULATORS

34.22.1 Financial Sector Conduct Authority (FSCA)

The Trustees noted that the FSCA had issued the final Conduct Standard 1 of 2022 (RF) on 19 August 2022, which dealt with the requirements related to the payment of pension fund contributions, and that the standard was to be implemented 6 months after publication but did refer to a later date as determined by the FSCA.

The Trustees further noted that all circulars, notices and information requests could be accessed on the FSCA website (www.fsc.co.za).

34.22.2 South African Reserve Bank (SARB)

The Trustees noted that the Trustees had been notified at their July 2022 Board meeting that the SARB informed the Fund of its intention to conduct an off-site inspection on 15 June 2022, the Fund received the formal notification letter on 15 July 2022 and the off-site inspections had been conducted on 22 July 2022.

The inspection focused on the following:

- Sample of transactions (17 in total);
- The process to compile and reconcile quarterly asset allocation reports and
- The control measurements in place to ensure that the quarterly asset allocation reports and audit reports were submitted timeously.

The Trustees further noted that:

- SARB issued their inspection report on 16 August 2022 and the Fund had until 30 September 2022 to respond. No control shortcomings or non-compliance matters had been identified; and
- The inspection notification letter, the Fund's initial response and the inspection report were available on the Trustee website.

35.22 ADMINISTRATIVE MATTERS

35.22.1 Meeting Attendance

The Trustees noted a breakdown of Trustees' and non-Trustee Board Committee members' cumulative attendance at Fund meetings and other Fund events for the period 1 January 2022 to 9 September 2022 as submitted and expressed no concerns.

35.22.2 Travel and Other Claims

Trustees were requested to complete a travel reimbursement form, if travel or other related travel expenses had been incurred, to ensure that a standardised audit trail was kept of all travel and associated re-imbursement in terms of the Fund Travel Policy.

36.22 MEETING DATES

36.22.1 Proposed 2023 Annual Diary

The proposed 2023 annual diary (Annexure 5), which took account of external service providers' calendar, statutory reporting requirements and the De Beers Benefit Society meetings was submitted to the Trustees for review and approval.

Following discussion, the Trustees **RESOLVED** to approve the diary for 2023 annual diary as submitted.

36.22.2 2022 Annual Diary

The Trustees noted the following remaining meetings for the 2022 year:

2022	Meeting	Location
11-13 Oct (Tue – Thu)	DBPF/DBBS Trustee Investment Review Days	Kimberley
3 Nov (Thu)	DBPF/DBBS Investment Board Committee	Johannesburg
30 Nov (Wed)	Audit and Risk Board Committees: DBBS (11H00 – 13H00) DBPF (14H00 – 16H30)	MS Teams
8 Dec (Thu)	Board of Trustees: DBBS (08H00 – 10H30) DBPF (11H00 – 15H30)	Johannesburg

37.22 NEXT MEETING

The Trustees noted that the next scheduled meeting of the Trustees would be held in Johannesburg, Campbell House on Thursday the 8 December 2022.

38.22 GENERAL

Annexures:

1(a)	1 March 2022 Statutory Actuarial Valuation Report
1(b)	Certificate in terms of Section 16(1)
1(c)	Certificate in terms of Section 16(8)
2	Contingency Reserve Account Management Policy
3	Pension Increase Policy
4(a)	Terms of Reference - Actuarial Board Committee
4(b)	Terms of Reference - Audit & Risk Board Committee
4(c)	Terms of Reference - Communication & Education Board Committee
4(d)	Terms of Reference - Death Benefit Board Committee
4(e)	Terms of Reference – Disciplinary Board Committee
4(f)	Terms of Reference - Ill-Health Board Committee
4(g)	Terms of Reference - Investment Board Committee
4(h)	Terms of Reference - Remuneration Board Committee
5	2023 Annual Diary

Confirmed: 8 December 2022 _____

Chairperson: _____

Secretary: _____
