KZN
MUNICIPAL PENSION FUND
Together We Grow Your Wealth

TRUSTEE REPORT 2025 - 2026

OVERVIEW

A summary of the Fund's performance, governance, and strategic direction.



2001-2026

25 YEARS

CHAIRPERSON'S MESSAGE



Cllr Barbara Fortein
CHAIRPERSON OF THE BOARD

Economic Overview

The past financial year was characterised by a changing economic environment, with financial markets continuing to respond to global and local economic developments, inflation, interest rates and broader economic uncertainty. These conditions have a direct bearing on investment markets and, consequently, on retirement savings.

Against this backdrop, the KZN Municipal Pension Fund (KZNMPF) remained focused on its long-term responsibility of safeguarding and growing members' retirement savings. The Fund continues to monitor economic and investment developments closely and to work with its investment partners and service providers to ensure that members' interests remain at the centre of its decisions.

Fund Performance

The Fund continued to focus on achieving sustainable long-term investment outcomes for its members while maintaining sound governance and responsible oversight of its investments. Investment performance remains an important area of focus, as it directly contributes to the Fund's ability to provide members with meaningful retirement benefits.

The Fund continues to provide members with access to investment performance information and education, enabling them to better understand how their retirement savings are invested. By leveraging outstanding ongoing communication and engagement, the Fund remains committed to promoting greater transparency and understanding among its membership.



24,000
Members

32
Billion Assets

Growth of Assets

With approximately 24,000 members, KZNMPF continues to manage a significant pool of retirement savings on behalf of its members. The sustainable growth and prudent management of the Fund's assets remain key priorities as we work to strengthen the Fund and support members throughout their retirement journey.

Challenges

The year under review presented a number of challenges, including economic uncertainty, changing market conditions, regulatory developments and the increasing need for members to understand their retirement benefits and make informed financial decisions.

The transition to Fairsure as the Fund's administrator also continued to require focused attention as the Fund progressed through its transition from outsourced administration towards a more integrated service environment. The Fund remained committed to addressing operational challenges while ensuring that members continue to receive the support and information they require.

Another important challenge remains ensuring that members are adequately prepared for retirement and understand developments affecting their retirement savings, including the Two-Pot Retirement System. The Fund therefore continued to place strong emphasis on member education through seminars, pre-retirement programmes, employer engagements, workplace visits, publications and digital communication.

Vision Forward

As the Fund looks to the future, its vision remains centred on protecting members' retirement interests, strengthening service delivery and building a sustainable Fund for generations to come.

The Fund will continue to strengthen member communication and education, improve access to information and enhance engagement with members, pensioners, employers and other stakeholders. Through initiatives such as member seminars, pre-retirement seminars, employer engagement programs and digital communication platforms, the Fund will continue working to ensure that members are better equipped to understand and manage their retirement journey.

The Fund's **25th anniversary and Silver Jubilee** also provide an opportunity to reflect on its achievements over the past 25 years while looking ahead with renewed commitment. The milestone serves as a reminder of the Fund's responsibility to build on its foundations and continue evolving in response to the changing needs of its members.

Appreciation

On behalf of the Board of Trustees, I extend our sincere appreciation to our members and pensioners for their continued trust and support. We also thank participating employers, management, staff, service providers and all stakeholders for their valuable contribution.

Together, we remain committed to ensuring that **KZNMPF** continues to serve its members with integrity, accountability and dedication, while working towards secure and sustainable retirement outcomes.

GOVERNANCE & TRUSTEE DEVELOPMENT

The Board remained committed to sound governance through continuous trustee education, compliance monitoring and strategic oversight to ensure members' retirement savings remain protected.

Trustee Training

Governance

Compliance

Board Meetings

Risk Management

BOARD OF TRUSTEES

Executive Management



Mr T Mketelwa – Principal Executive Officer



Ms K Gama – Deputy Principal Executive Officer

Employee Trustees



Mrs S Dlamini



Ms K Gama



Ms C Ndlovu



Mr SM Ngubane



Mr S Ntuli



Mr S Mbatha

Employer Trustees



Cllr B Fortein
Chairperson



Cllr PC Ndlovu



Cllr T Nyawose



WORD FROM THE

PRINCIPAL EXECUTIVE OFFICER

MR THOMAS MKETELWA
Principal Executive Officer
KZN Municipal Pension Fund

Key Updates and Developments

A Year of Progress, Transformation and Growing Opportunities

The past year has been an eventful and significant period for the Fund, marked by continued progress in our journey towards self-administeration, the successful implementation of the Two-Pot Retirement System, and meaningful advancement across several strategic initiatives.

Throughout the year, the Fund has remained focused on strengthening our ability to serve members efficiently while creating opportunities that contribute to the long-term growth and financial wellbeing of our membership.

Advancing Our Self-Administration Journey

Our journey towards self-administeration continues to progress well, with the Front Office assuming an increasingly important role in the direct servicing of our members.

As part of this transition, the Fund has strengthened its capacity through the appointment and deployment of additional staff, enabling the Front Office to respond more effectively to the growing demands associated with the self-administeration model.

We anticipate a progressive transition over the coming years, with 2028 being an important milestone in our journey. By then, we expect the Front Office to have gained significantly greater exposure, experience and capability within the self-administration environment.

This journey is not simply about changing how we operate; it is about building a Fund that is increasingly responsive, efficient and accessible to our members.

Two-Pot Retirement System: Delivering for Our Members

The implementation of the Two-Pot Retirement System has been one of the most significant developments during the year. The Fund has successfully processed and paid more than R700 million to members since the implementation of the system, while more than R50 million has been paid to SARS in respect of the associated tax obligations.

Importantly, the Fund has been able to process these claims within the required turnaround periods while maintaining a strong focus on member service.

Feedback from members visiting the Front Office has generally been positive, with the analysis of complaints and member interactions indicating that the process is operating effectively. This achievement demonstrates the commitment of our employees to ensuring that members receive the support and service they deserve during an important period of financial decision-making.

Turning the Direct Property Investment Vision into Reality

In 2019, the Fund conducted a member survey which demonstrated significant interest in the possibility of providing members with an opportunity to participate in property ownership through a Direct Property Investment initiative.

While progress in this area has taken longer than initially anticipated, the Fund remains committed to the vision. We are encouraged by the progress made and believe that the objective of creating meaningful property investment opportunities for our members is becoming increasingly attainable.

This initiative represents an important part of our broader strategy to explore innovative ways of creating and preserving wealth for our members.

Introducing an In-House Pension-Backed Lending Facility



In line with our commitment to expanding opportunities available to members, the Fund is also in the final stages of engagement with the executive leadership of the Council regarding the introduction of payroll deductions for the proposed in-house Pension-Backed Lending Facility.

We believe that the introduction of this facility could provide members with an additional mechanism to access financing, particularly in support of property ownership and other approved financial needs.

The initiative complements our broader property investment objectives and demonstrates the Fund's commitment to exploring practical solutions that can support members in building and improving their financial futures.

Expanding Retirement Income Choices

Our In-Fund Living Annuity continues to grow and has now reached assets of more than 2.2 billion. This growth is a strong indication of the confidence and support that members have based in the Fund when making important retirement decisions. However, while the In-Fund Living Annuity has been well received, we recognised that a significant number of members were still choosing external life annuity providers upon retirement.

We therefore explored opportunities to broaden our range of in-house retirement solutions and strengthen our ability to compete with other providers in the retirement income market.

As part of this process, the Fund has partnered with **Momentum** to offer members a life annuity option providing a **5% annual escalation**, with an optional spousal benefit and a **10-year guarantee period**.

This provides refiring members with an additional choice within the Fund and allows them to consider different retirement income solutions based on their individual circumstances and needs.

Our Retirement Benefit Counsellors in the Front Office have already commenced educating and informing members about these retirement product options, ensuring that members are better equipped to make informed decisions about their retirement income.

Looking Ahead

As we reflect on the progress made during the year, we remain conscious that our journey is ongoing. The Fund is operating in an environment that continues to evolve, presenting both challenges and opportunities.

Our commitment remains clear: **to provide members with efficient, accessible and high-quality service while creating opportunities to grow and protect their wealth for the future.**



We recognise that none of these achievements would be possible without the continued support of our members, our participating employers, the Board of Trustees and our dedicated employees.

Our members remain at the heart of everything we do. Their trust and confidence in the Fund are the foundation of our continued resilience and our determination to build an even stronger Fund for generations to come.

As we move forward, we remain committed to innovation, service excellence and responsible stewardship of members' retirement savings.

Together, we will continue to grow the Fund, strengthen our service offering and create opportunities for a better financial future for our members.

INVESTMENT REVIEW

Another year of headlines and another year of great growth for the Fund

The Fund grew by R3.612 billion over the last financial year even as the Fund paid out more benefits than members and the Employer contributed for the year. Net cashflows were negative R242 million while investment returns were a solid R3.854 billion. All of the portfolios delivered double digit returns for the financial year, except Money Market which delivered 8%.

The 2025/ 2026 financial year has been another very eventful year, full of dramatic headlines that were dominated by escalating global geopolitical tensions and the rise of Artificial Intelligence.

The conflict in the Middle East has dominated headlines for most of 2026 and abruptly brought to an end the “Goldilocks scenario” the World was in economically at the end of 2025 (where everything was just right: inflation and interest rates were coming down and markets around the world were delivering good positive returns). Fears around the impact of the resultant higher oil price on inflation globally, created concerns of higher interest rates which led to a market shock in March 2026. The Fund’s portfolios clawed back performance in the 3 months following this shock and ended the year with strong positive returns.

Subsequent to the year-end, we have seen the European Central Bank and the US Fed increasing rates by 0.25%, in the face of a higher oil price and the inflationary impact of global tariffs and supply chain disruptions created by the closure of the Straight of Hormuz.

Artificial Intelligence has captured the attention of global investors over the last year in terms of both the staggering multi-trillion dollar investments by the hyper-scalers (such as Amazon, Microsoft, Google etc.) in their roll out of AI investment and infrastructure and the rapidly increasing adoption of AI by companies and individuals. The market is frantically trying to identify the AI winners (to buy) and losers (to avoid) meanwhile the companies and countries that are the suppliers of the “nuts and bolts” to the AI industry (semi-conductors, microchips) have been the big winners this last year. The semiconductor index was up 156% for the year ending 30 June 2026, resulting in countries like South Korea (with Samsung Electronics and SK Hynix) and Taiwan (TSMC) now having a similar weight in the MSCI Emerging Market Index, despite China having 8 times the GDP of South Korea and Taiwan combined! There are concerns that our World equity indices are very concentrated towards technology stocks and AI themes.

Locally, we had more good news to report as SA enjoyed 2 credit upgrades by Fitch Ratings and Standard and Poor’s; we were removed from the FATF grey list and we benefitted greatly from a strong rally in the resource sector, more specifically within precious metals (gold and platinum) during 2025.

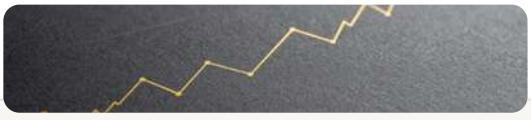
The announcement that the SARB would be targeting a lower inflation rate of 3% in future was also supportive. Lower inflation and the improved and increased tax collection by SARS meant that the SA fiscal position strengthened.

These positive developments led to lower bond yields which was good for both the local equity and bond markets but also led to 4 (much needed) interest rate cuts by SARB in 2025. These cuts were brought to an end by the War in Iran, due to concerns over rising inflation due to escalating oil prices and restricted supply chains as a result of the closure of the Straight of Hormuz. This at a time when the SARB and Treasury had confirmed their intention to target lower inflation of 3% (with a 1% band around that) rather than the broader previous 3% to 6% band. This resulted in the SARB pre-emptively increasing rates by 0.25% in May 2026 in anticipation of rate increases globally and to maintain credibility around the new lower inflation target.

A further 0.25% increase was announced in September 2026. SA will head to the polls in local government elections in just over a month and it will be interesting to see how the relatively successful GNU (which has been well received by local and global investors) holds up through this process and how the outcome impacts the local markets. The impact is expected not to be significant unless there is unrest, significant surprises or the continued existence of the GNU is impacted.

As we anticipate greater market volatility due to current global geopolitical tensions, the rise of AI and uncertainty around local government elections in SA and midterms in the US, members are reminded that the Fund’s portfolios are well diversified and positioned to weather this volatility as they have historically.







FUND RETURNS

The Fund has once again delivered returns well ahead of inflation for the financial year ended 30 June 2026. As can be seen from the performance table below, most of the performance was generated in the first half of the financial year - the second half was impacted by the War in Iran.

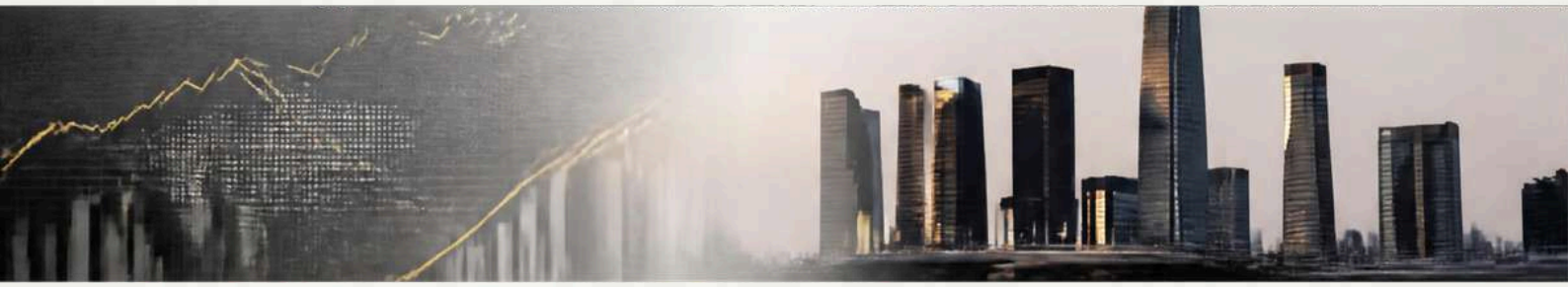
The Fund's main Managed Fund, in which most members are invested, delivered a gross return of 14.16% for the year, despite the year-to-date return being only 1.54% due to the shock experienced in March 2026 after the US commenced the War in Iran.

The Money Market Fund delivered 8.15% for the year whilst the Islamic Fund was the best performing portfolio with a return of 21.02% as the portfolio benefitted from its overweight exposure to resources.

The in-Fund living annuitants also enjoyed a return of over 14%, meaning that most annuitants will have seen a growth in their savings even after drawing a pension for the year.

Longer term, performance has also been strong with double digit returns across all of the portfolios (other than Money Market) over the last 3 and 5 years. For context, the Managed Fund's 12.77% per annum return over the last 5 years equated to an actual gross return of 82.38%!

The Trustees spend a lot of time and resources ensuring that the Fund's investments are diversified and managed by the some of the best local and global asset managers so that the Fund's investment objectives can be achieved in the long run.



PRODUCT		1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	3 YEAR	5 YEAR	YTD
KZNAGF	KZN Aggressive Fund	-1.31%	1.99%	2.08%	15.75%	14.79%	13.01%	2.08%
KZNDFF	KZN Defensive Fund	0.37%	3.13%	3.48%	15.15%	13.65%	11.29%	3.48%
KZNGBP	KZN Global Balanced Portfolio	-0.84%	2.80%	-0.34%	11.61%	14.45%	12.96%	-0.34%
KZNISF	KZN Islamic Fund	-1.44%	4.02%	7.66%	21.02%	13.26%	11.53%	7.66%
KZNMDF	KZN Moderate Fund	-0.27%	2.68%	2.51%	14.67%	13.94%	12.01%	2.51%
KZNMGF	KZN Managed Fund	-0.86%	2.26%	1.54%	14.16%	14.26%	12.77%	1.54%
KZNMMF	KZN Money Market Fund	0.60%	1.81%	3.77%	8.15%	9.13%	8.00%	3.77%



Member Education & Outreach

During the year, the Fund continued its commitment to improving financial literacy by hosting member education seminars. These sessions provided members with practical information on retirement planning, investment choices, death benefits, the Two-Pot Retirement System and beneficiary nominations.

Pre-Retirement Seminars

Pre-retirement seminars assist members approaching retirement to better understand the retirement process, their available options and the benefits available to them. The sessions are designed to support informed decision-making and help members prepare financially and practically for retirement.

Municipal Visits

The Fund conducts visits to municipalities and workplaces to strengthen engagement with members and employers. These visits provide an opportunity to share important Fund information, address member queries and improve awareness of the services and benefits available to members.

Employer Inductions

Employer induction sessions introduce new employees to the Fund and provide an overview of their membership, benefits, contributions and available services. These sessions help ensure that employees understand their pension benefits from the beginning of their employment.

Education Sessions

Education sessions provide members with ongoing information on key pension-related matters, including Fund benefits, retirement planning, investment performance and legislative developments. These sessions promote financial awareness and empower members to make informed decisions about their retirement.

Member Seminars

The Fund conducts member seminars to provide members with important information about their pension benefits, Fund developments, retirement planning and other relevant matters. These sessions also provide an opportunity for members to engage directly with Fund representatives and have their questions addressed.



Member Seminar at Greenwood Park Hall (12 May 2026)



Pre-Retirement Seminar at Umkhumbaan Community Hall (31 July 2026)



Ethekwini Municipality Wellness Day (11 June 2026)



Member Seminar at Toti Civic Centre (14 May 2026)

KZNMPF at a Glance

Our commitment to financial security, service excellence and member wellbeing.

• Total Assets	R32 100 Billion
• Total Members	24 510
• New Members	872
• Pensioners	1142
• Death Benefits Paid	163
• Member Seminars Held	11
• Two-Pot Claims Paid	15 779
• Permanent Disability Claims Paid	29
• Withdrawal Claims Paid	657



KNOW YOUR BENEFITS

KZNMPF provides death benefits to eligible members and their beneficiaries, helping provide financial protection and support to families during difficult times. Members are encouraged to keep their beneficiary nominations up to date.

• Death Benefits

KZNMPF provides death benefits to eligible members and their beneficiaries, helping provide financial protection and support to families during difficult times. Members are encouraged to keep their beneficiary nominations up to date.

• Disability Benefits

The Fund provides disability benefits to eligible members who become unable to work due to a qualifying temporary or permanent disability, subject to the applicable Fund rules and assessment requirements.

• Funeral Cover

Funeral cover provides financial assistance to help ease the costs associated with the loss of a member or eligible dependants. Members are encouraged to understand their available cover and ensure their details are up to date.

• Retirement Benefits

KZNMPF helps members prepare for retirement by providing retirement benefits in accordance with the Fund rules. Members are encouraged to plan early and understand their options to support a financially secure retirement.

• Housing Loans

Eligible members can access housing-related financial assistance through the Fund's housing loan facility, subject to the applicable requirements and conditions. This benefit can assist members with their homeownership needs.

• Two-Pot Retirement System

The Two-Pot Retirement System gives members greater flexibility by allowing access to a portion of their retirement savings while preserving the remainder for retirement. Members are encouraged to understand the tax implications and long-term impact before making the withdrawal.

• Retirement Benefit Counselling

KZNMPF provides retirement counselling to help members make informed decisions about their retirement. Counselling covers retirement options, benefits and important considerations to support members in preparing for life after employment.



MEMBER
COMMUNICATION CAMPAIGNS

- Trustee Report
- Member Publications
- Investment Updates
- Posters
- Brochures
- Educational videos
- Risk Benefits Guide
- Funeral Cover Brochure









KEY HIGHLIGHTS

2026 Annual Strategic Day

The KZN Municipal Pension Fund (KZNMPF) held its 2026 Annual Strategic Days in April 2026 as an important platform for reflection, alignment and forward planning. The strategic session brought together the Fund's leadership and key stakeholders to review progress against its strategic objectives, assess the operating environment and identify priorities for the year ahead.

Discussions focused on strengthening the Fund's sustainability, enhancing member service and engagement, improving operational effectiveness, and ensuring that the Fund remains responsive to the evolving needs of its members and stakeholders.

The Strategic Days also provided an opportunity to reinforce a shared commitment to the Fund's vision and strategic direction, while identifying key initiatives and actions to support continued growth and value creation for members.


















KEY HIGHLIGHTS

2026 Member Engagements

Member Seminars and Education

The KZN Municipal Pension Fund continued to prioritise member education and engagement through a programme of member seminars held across various municipal regions. The seminars provided members with accessible information on their pension benefits, retirement planning, investment options, risk benefits and other important Fund-related matters. These sessions also created an opportunity for members to engage directly with Fund representatives, raise questions and receive guidance on matters affecting their financial wellbeing. The initiative supports the Fund's commitment to keeping members informed, empowered and better prepared for their financial futures.


















FREQUENTLY ASKED QUESTIONS

Who decides who receives my death benefit?

DISTRIBUTION OF DEATH BENEFITS (SECTION 37C OF THE PENSION FUND ACT)

The Trustees are responsible for distributing death benefits fairly and according to Section 37C of the Pension Fund Act.

Their duties include:

- Identifying all dependants and nominated beneficiaries.
- Deciding who qualifies to receive a benefit based on the level of dependency.

There are three types of dependants.

- **Legal Dependants** – These are people whom the deceased had a legal duty to support e.g spouse, children and ex-spouse with maintenance order against the deceased.
- **Factual Dependants** – These are individuals who were actually financially dependent on the deceased, even if there was no legal obligation e.g. Adult children, elderly parents.
- **Future Dependants** – These are individuals whom the deceased would likely have supported in the future e.g. Unborn child, a fiance.

The aim is to ensure that no true dependants is left financially vulnerable.

The Fund must take reasonable steps to trace and contact all dependants and beneficiaries.
The process can take up to 12 months to complete, depending on the complexity of the case.

Keep Your Nomination of Beneficiaries Updated

- Always update your Nomination of Beneficiaries Form yearly or whenever your personal circumstances change (e.g. marriage, divorce, death or birth of a child).

Trustees must consider this form when allocating death benefits, but the form is not binding. Trustees must still follow Section 37C and distribute benefits equitably, not necessarily according to the member's wishes.

How many times can I withdraw on my Savings Pot?

You can only withdraw once in a financial year.

How do I update beneficiaries?

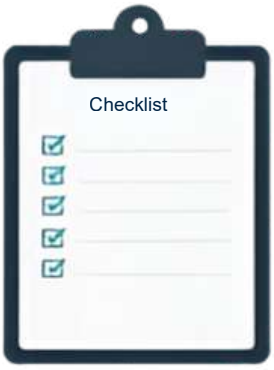
By visiting your Human Capital office, request for the KZNMPF Beneficiary Form. Make sure it is filled in correct, you can update your beneficiaries anytime there is a change in your life. You can also visit the KZNMPF Front Office.

When can I retire?

KZNMPF normal retirement age is age 63; you qualify to take early retirement as at age 55.

How do I book Retirement Benefit Counselling?

You must call the KZNMPF Front Office and book an appointment on 031 322 9001 or you can email info@kznmpf.org



RETIREMENT CHECKLIST

- Update beneficiaries
- Meet Retirement Benefit Counsellor
- Review your retirement benefit
- Gather relevant documentation
- Understand tax implications

Age 55+

HERE ARE THE SMALL FACTS



Did you know?

Updating your beneficiary nomination can help speed up the death claims process.



Did you know?

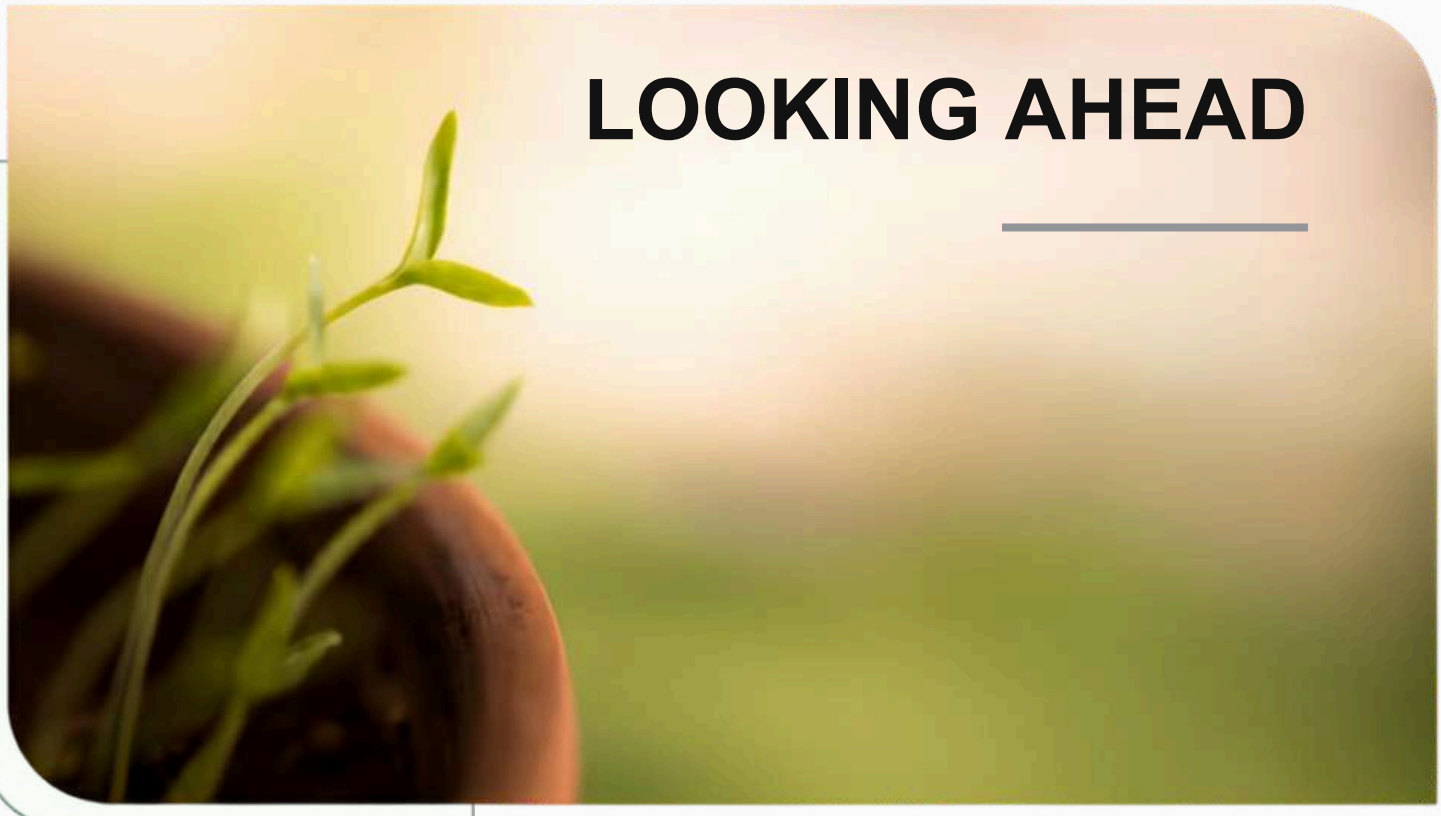
Retirement Benefit Counselling is available at no cost.



Did you know?

Your retirement savings continue to grow through investment returns.

LOOKING AHEAD



During 2026–2027 the Fund will continue focusing on:

- Enhancing member experience
- Expanding digital services
- Strengthening retirement education
- Growing member engagement
- Delivering sustainable investment performance
- Continuous governance improvement

Thank you for entrusting KZN Municipal Pension Fund with your retirement savings. Together, we remain committed to protecting your financial future through sound governance, responsible investment management and meaningful member engagement.

CONTACT US

We’re here to help. Get in touch with us using the details below.

031 322 9001

www.kznmpf.org

info@kznmpf.org

The Marine Building, 22 Dorothy Nyembe Street, 16 Floor, Durban, 4001

