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STATEMENT ON ENHANCED BENEFITS FOR TRANSNET PENSIONERS

Transnet SOC Ltd and two of its pension funds today tabled proposals on the enhancement of benefits for the state-owned Company's pensioners to Parliament's Portfolio Committee on Public Enterprises, ending uncertainty over the enhancement of benefits to the funds' 78 000 members.

The proposals, a joint effort between Transnet, on the one hand, and the trustees of the Transnet Second Defined Benefit Fund (TSDBF) and the Transnet sub-fund of the Transport Pension Fund (TTPF), on the other, are subject to approval by the TSDBF's Board of Trustees when it sits next week. The TTPF Board of Trustees has already approved the proposals.

Encouragingly, the ground-breaking solution was approved by the Transnet Board of Directors following a request by the Public Enterprises Minister, Mr Malusi Gigaba – the shareholder representative – to Transnet to find a sustainable solution.

In summary, the proposals, presented by Mr Peter Moyo, Chairman of the Transnet Second Defined Benefit Fund's Board of Trustees, provided the following:

- The TSDBF will have paid five (5) months' pension to its pensioners via bonuses after implementing the solutions. The Fund has already paid two (2) bonuses since the Portfolio Committee's recommendation.
- The TTPF will pay 5 months' pension to its pensioners, pro-rated appropriately, in addition to annual pensions (The TTPF has never paid bonuses)
- The TSDBF and TTPF will target CPI linked increases, targeting 75% of CPI in the medium to long term, subject to affordability
- While the TSDBF is targeting 75%, the most likely increase will be between 63% and 68%

"The proposals provide enhanced benefits which we believe will bring some relief to pensioners" says Mr Moyo.

Transnet, working with the boards of trustees of the two funds, has considered various options to address the plight of its pensioners, taking into account the Portfolio

Committee's recommendations, the company's commitment to recognising the role played by previous generations of employees and the wishes of the pensioners.

The bonuses payable are, in the case of the TSDBF, in addition to bonuses paid by the TSDBF to its pensioners since 2007.

The funds will embark on an intensive communication and engagement campaign on the changes over the next couple of weeks.

"Encouragingly, the enhancement of benefits does not have a negative impact on Transnet's ability to deliver on its mandate, nor does it have a negative impact on the financial position of either of the funds," Mr Moyo concludes.

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NOTES TO EDITORS

The Portfolio Committee's recommendations:

- *Ex gratia* payment of five (5) months' pension
- Future pension increases at 75% of CPI, subject to affordability
- A once off 3.2% base uplift in pension

History of the pension funds

- The Transnet Pension Fund ("TPF") was established in 1990 on corporatisation of Transnet out of Government, with a deficit of R17.2 billion; only 22% of its liabilities were funded.
- In November 2000 the TPF was restructured to create three funds, one of which was the TSDBF.
- All pensioners at that date (101 635) were transferred to the TSDBF with a related pension liability of R17.8 billion.

- The TSDBF was allocated 56.9% of the assets, or R19.9 billion.
- The TSDBF is therefore a closed fund; no new members are able to join, other than qualifying pensioner dependants. Closed funds have no income streams from future contributions.