



MGF

1 June 2006

The Municipal Manager

VERY URGENT NOTICE FOR IMMEDIATE ATTENTION

Dear Sir/Madam,

SALGA CIRCULAR 11/2006

The Municipal Gratuity Fund has received numerous phone calls from distressed members regarding the SALGA Circular 11/2006 dated 12 May 2006. Rumours are going around that contributions to the MGF will be discontinued from 1 June 2006 and instead be paid to the Local Government Pension Fund (LGPF).

Although such rumours are wrong, they still create anxiety with the members because of the uncertainty. In order to alleviate such concern, two newsflashes were distributed by the Fund.

Please find attached the newsflashes dated 26 and 31 May 2006 as well as a copy of a letter of the Pension Rights Protection Alliance addressed to SALGA. SALGA responded to it as follows on 31 May 2006:

"We acknowledge receipt of your letter dated 30 May 2006 addressed to the Chief Executive Officer of SALGA. The Chief Executive Officer and I are busy with the Office Bearers and the NEC meetings this week and will be off to Canada until the end of next week. We will respond to your letter in detail as soon as we are back. We acknowledge the urgency of the matter; however your letter requires a comprehensive answer."

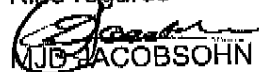
Please distribute the two newsflashes amongst our members at your municipality. You are also reminded to continue contributing for the members of the MGF as usual. This is a legal obligation in terms of section 13A of the Pension Funds Act, 1956, non-compliance of which constitutes an offence in terms of section 37 of the Act.

Please also note that the purported unilateral amendments to the conditions of service to the effect that all new employees may only join the Local Government Pension Fund (LGPF) is also incorrect and challenged by the trade unions. Furthermore as the LGPF is not registered, contributions to it may have serious consequences in view of the provisions of section 37(1)(e) of the Pension Funds Act, 1956 which provides *"that any person who induces or attempts to induce any person to become a member of, or to contribute to a fund not registered under this Act; shall be guilty of an offence"*.

You are kindly urged not to prevent or discourage new employees to join the MGF if they so wish until the confusion created by SALGA Circular 11/2006 has been clarified. It would be prudent to pend implementation of Circular 11/2006 in total until further response from SALGA as envisaged in their reply above.

Your co-operation to promote good labour relations and a stable working environment is appreciated.

Kind regards


MJD JACOBSON

CHIEF EXECUTIVE OFFICER