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MUNICIPAL GRATUITY FUND

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RESTRUCTURING OF MUNICIPAL RETIREMENT FUNDS

Dear colleagues

As you know, the saga about the Rationalization of Municipal Retirement Funds have been continuing for a number of years. Over the last two years, very little transpired, however over the last six months, the process has picked up momentum again.

The latest development regarding the initiatives of the South African Local Government Bargaining Council (the Bargaining Council) about the restructuring of municipal retirement funds, is for the trade unions to (once again) obtain a mandate from their members to accept the facilitator's proposal. This has been attempted on previous instances as well, however the process that was adopted is to sell the facilitator's proposal under cover of freedom of association and ignoring or playing down a host of other recommendations from the facilitator that can have serious, possible negative repercussions for members of retirement funds and the funds itself. Judging from a meeting held by IMATU on 20 April 2021 at the Boksburg Stadium, this same apparent strategy was adopted to sell the facilitator's proposal under cover of freedom of association. During this meeting it was unashamedly pretended that members have to vote for or against freedom of association, playing down the rest of the contents of the facilitator's proposal. Of course we all support freedom of association in order to give those poor souls captured in ill managed funds an opportunity to escape from their bondage. However to use the freedom of association as a carrot to canvass a yes vote for something much bigger and possibly more detrimental is misleading and unethical.

Did you know that by voting a yes for the facilitator's proposal in its current form you vote yes for amongst others the following:

1. The Bargaining Council to potentially reduce employer contribution rates unilaterally without the accredited funds having any say in it (consider whether it is in the best interest of fund members for their funds to participate in accreditation signing off on its position to enforce existing contribution rates in terms of their fund rules and the Pension Funds Act).
2. An opt-out provision for any municipality to withdraw from participating in and contributing to an accredited fund (think about the ambition of one municipal fund for the whole of South Africa dating back to 2020 and the creation of the chaotic Local Government Pension Fund, which had to be disbanded due to unlawful registration thereof after successful appeal by the MGF, some other funds as well as the trade unions). One should also raise the question as to why any specific municipality would want to apply for exemption, if the one retirement fund that they do support, is well run and are providing proper returns for its members. Then there should be no fear by such fund if other funds are competing for membership on an equal basis.

3. The Bargaining Council to unilaterally amend the accreditation criteria (moving the goal posts), which may result in an accredited fund not complying with the accreditation criteria any longer and members of such fund having to join another accredited fund.
4. An accreditation appeal process where the Bargaining Council will be judge, jury and executioner.
5. Funds to be co-managed by bodies for which the Pension Funds Act does not provide, giving these bodies the power to interfere with the working of fully functional and competent Boards of Funds.

Unlike some other pension funds, the MGF is not rushing headlong indiscriminately after the proposals of the Bargaining Council without weighing the potential impact thereof on members' future retirement provision. The MGF is not driven by the misplaced ambition to eventually become the one only pension fund for the municipal industry at all cost, even at the cost of the members. The MGF has been trying for about two years to get clarity from the Bargaining Council about certain problematic provisions included in the facilitator's proposal such as the aforementioned. To date the Bargaining Council disregards the MGF and did not even show the courtesy of acknowledging receipt of the letters of the MGF.

It is important that members be empowered to make an informed decision regarding the facilitator's proposal. The MGF offered its services to both IMATU and SAMWU to assist with informing their members of all the implications before the matter is put to the vote. **SUCH OFFER WAS NOT ACCEPTED AT ANY TIME.** This should make one wonder why, as members should have full information before committing themselves to giving a mandate. There are several good aspects included in the facilitator's proposal, but before the problematic aspects have not been resolved a blanket endorsement would not be in the best interest of members. The MGF fully supports freedom of association and is on record having the Fund Rules amended after the 1994-1998 freedom of association period to allow freedom of association periodically. However it was blocked for about 20 years by the so called moratorium imposed by the Bargaining Council. There is no good reason why freedom of association could not have been allowed long ago and irrespective of a facilitator's proposal, including other poisonous provisions most members of IMATU and SAMWU are not informed about. **Members are urged to demand a freedom of association opportunity from their trade unions without strings attached thereto such as currently linked to the facilitator's proposal.**

Members older than 55 years of age on 1 March 2021 is cautioned of the implications of freedom of association, as their vested right will transfer to the new fund as a vested right, but all contributions towards the new fund will build up in the non-vested right portion. Thus if a member retires and his/her non-vested right portion exceeds R247 500 only one-third will be allowed to be taken in cash, together with the vested right portion. The member will have to invest the two-thirds of his/her vested right portion in an annuity of his/her choice.

Kind regards


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ROJA RAMARE
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