

# Newsflash: 26/05/2006

## CIRCULAR 11/2006 DISTRIBUTED BY SALGA

The Fund is inundated with calls from concerned members regarding the contents of Circular 11/2006 dated 12/5/2006 distributed by SALGA. The purpose of this news flash is to put your mind at rest and to urge you again not to take any premature steps to your own detriment. The facts are as follows:

1. SALGA apparently established the Local Government Pension Fund (LGPF). We still wait for written proof in this regard.
2. SALGA appointed Akani as administrators of the LGPF.
3. Akani is a profit based private company, which for financial reasons is pursuing the matter vigorously to enlarge the membership of the LGPF. Various meetings have been arranged by Akani to promote transfers to the LGPF. At these meetings verbal presentations were made, but despite requests nothing could be obtained in writing. The first written communication is Circular 11/2006 of SALGA.
4. Circular 11/2006, although somewhat vague and open ended, directs as follows:
  - 4.1 That all **new employees** shall become members of the LGPF. The MGF and other defined contribution retirement funds cannot object to such arrangements, as it does not affect the existing members of the MGF. **This, as well as the proposed uniform employer contribution (possibly lower), is however a unilateral change of conditions of service which is a matter for the trade unions to address.**
  - 4.2 That all **existing employees** who are **not** members of a retirement fund become members of the LGPF. Again this does not affect members of the MGF. It may however be contrary to the principle of freedom of association as contained in the Constitution. **This is also a matter which should be negotiated in the South African Local Government Bargaining Council as it constitutes a unilateral change of conditions of service** affecting existing employees, namely those currently without retirement fund membership. Although such membership is to the advantage of such employees the directive that only the LGPF shall be the provider of choice is somewhat paternalistic.
  - 4.3 That **existing funds** are requested to contact Akani to facilitate transfers of members in terms of section 14 of the Pension Funds Act, 1956. The MGF will not adhere to such request unless it is the wish of our members, which to date is clearly not the case.
  - 4.4 That **existing funds** are requested to notify Akani of their intention to transfer members across to the LGPF in writing by not later than 1 June 2006 and that in the event that funds refuse to transfer, reasons be furnished to Akani. This directive is followed by the statement that all funds that provide notification to join by 1 June 2006 are assured that vested rights of members will be protected up to 31 May 2006 implicating that those funds which do not act timeously will lose the vested rights. This is a hollow threat and illustrates ignorance of the relevant legislation, case law and section 25 of the Bill of Rights.

Municipalities as participating employers to the MGF are not allowed to unilaterally withdraw from the MGF. They are obliged in terms of section 13A of the Pension Funds Act to pay the contributions promptly. The MGF will not hesitate to issue summons if municipalities contravene section 13A. It was successfully done during 2002 when the City of Johannesburg unlawfully held back the contributions. It is categorically stated that the MGF will not allow any unlawful actions such as withdrawal from the MGF or non-payment of contributions, by SALGA, Akani or municipalities. The Board of Trustees is obliged by section 7C of the Pension Funds Act, 1956 to take all reasonable steps to ensure that the interests of members are protected at all times.

*The MGF is a member of both the Local Government Retirement Fund Association (LGRFA) and the Pension Rights Protection Alliance (ALLIANCE) which organisations are actively engaged in protecting your retirement savings. The ALLIANCE will be meeting on Monday 29 May 2006 and efforts are made to have representative of IMATU and SAMWU attending such meeting in order to drive this matter with the engagement of the trade unions. **You are also requested to urge your trade union to protect your interests in the Bargaining Council** as the MGF and other retirement Funds do not have representation in the Bargaining Council. If a new retirement dispensation is agreed upon in the Bargaining Council the MGF will be compromised to follow suit because you are represented in the Bargaining Council through your trade union.*

Kind regards



CHIEF EXECUTIVE OFFICER