



THE NEWSLETTER OF THE MGF

NOVEMBER 2003

THE LANGUAGE ISSUE

The Fund fully recognises the fact that there are eleven official languages in this country, all of them equally important and equally loved by their users. It would have been the constitutionally correct thing to publish a newsletter at least in four of these but when the cost involved however is considered, such an action could never be in the best interest of all the members of the Fund. It was then decided that since most of the members of the Fund understand English, to publish the newsletter in English only. The objective with the newsletter is to transfer information to members as effectively and efficiently at as little cost as possible. If there are any matters not understood by any member, the Fund will try its utmost to assist such member.

In an effort to accommodate all the various language groups in the Fund, the brochure is available in four languages namely Afrikaans, English, Sotho and Zulu. The brochure contains the most important information pertaining to the benefits of the member.

If the newsletter and the brochure do not answer your questions you are still most welcome to contact Coris Capital at 012 4260570 or the front office of the Fund at 011 450 1224/5.



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MUNICIPAL GRATUITY FUND

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HOUSING LOANS AGAIN!

A member is allowed to take up a housing loan subject to the following conditions:

- The total loan amount shall not exceed 50% of fund credit
- Loans will not be granted to members under an administration order in terms of the Magistrates, Court Act, 1944 or members subject to garnishee orders excluding a garnishee in respect of school fees and maintenance.
- The maximum active loans per member at any given time are three loans unless otherwise authorized by the Chief Executive Officer in accordance with authority delegated to him by the Management Committee subject thereto that no additional loan (advance) is granted if installments are in arrears. The minimum loan amount is R5000, which escalates annually by 10% (ten percent) from 1 January 2004.
- The monthly installments on the loan/s must be affordable. The total installments in respect of all housing loans should not exceed 33% of monthly salary plus housing subsidy.
- Overtime and standby will be considered in exceptional cases when determining the affordability of a loan but are restricted by the Basic Conditions of Employment Act and only the legal number of hours will be taken into consideration if the employer confirms in writing that the overtime is of a permanent nature.
- A certified copy of the most recent pay-slip must be submitted. Other loans appearing on the pay-slip as a deduction should be specified in order to determine the remaining term of repayment and the balance for use in determining the affordability.
- The spouse's earnings will be taken into consideration in borderline cases only if it is of a permanent nature and the installment on the member's pay-slip is affordable.
- Members with a net earning of less than R800 per month shall not be considered for a loan, unless it can be motivated otherwise, with consideration to other deductions appearing on the pay-slip.
- The most recent municipal consumer's account must be attached to the application.
- A full description of the work to be done or a building plan must be submitted together with a quotation.
- Invoices, receipts or other documents must be retained as from 1 January 2000 to confirm that the loan has indeed been applied for housing purposes. These documents must be available on request.
- Proof of traditional ownership must be submitted where the property is not registered in the deeds office, for example property in the former homelands.
- The application form should preferably be attested by an official of the Council but shall be signed and stamped by an authorized official of the Council. A list of officials approved for signing application forms will be obtained from the Council.
- The repayment term of the loan shall not exceed 20 years or shall be up to the expected retirement age (65) of the member except members 50 years or older in which event the repayment term may be up to 20 years with effect from 10 September 2003.
- If the property is sold, the loan must forthwith be redeemed with the Fund.
- A loan administration fee of R13.50 per loan per month will be payable.

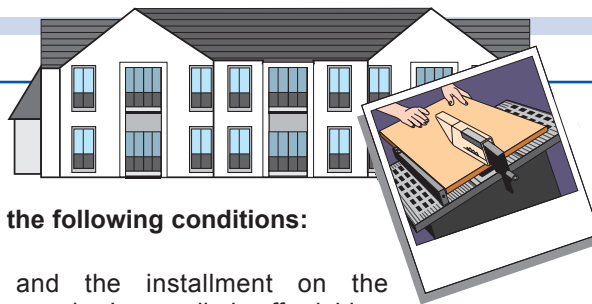
Revision date: 10 September 2003

The following documents must accompany a properly completed application form:

- A copy of your id-document
- A copy of the registration certificate indicating that the property is registered in your /your spouse's name
- A marriage certificate/ registration of marriage certificate
- A copy of the last municipal consumer's account
- A copy of your latest pay slip
- A copy of the building/extension plan
- A copy of the all the quotations

DON'T START THE BUILDING/ RENOVATION BEFORE YOU HAVE THE MONEY IN THE BANK!

In the past some members enquired over the phone whether they qualify for a loan and for what amount they qualify or whether the loan was approved. In an effort to render quick response this information was given over the telephone. Due to misinterpretation of the information given, only written enquiries signed by the member and accompanied by a copy of the identity document of the member will be responded to. Only written responses will be valid. Members should note that although they may qualify for a certain amount in respect of Fund Credit, they must still qualify in respect of the other requirements, including affordability of the installment.

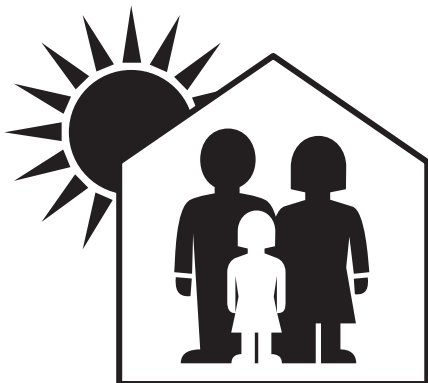


Interpretation of the Term Administration

It seems that there are some misinterpretations amongst the members about the term administration pertaining to the business of the Fund. Some interpret it to have reference to an administration order whereby a person's financial matters are handled in terms of the Magistrates Court Act.

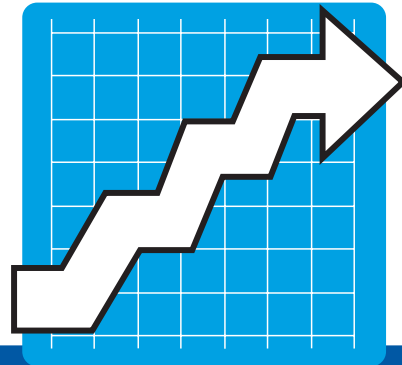
It is common practice for a pension fund to subcontract some of its functions to specialised service providers. In this manner the assets of the Fund are subcontracted to asset managers such as Alan Gray, Old Mutual, Sanlam, Real Africa etc., actuarial functions to Alexander Forbes Financial Services and the property management to Broll Properties. In the same way the administrative functions pertaining to the employee benefits such as billing and receipting of contributions, payment of housing loans and benefits, updating of member records may be subcontracted to a specialist enterprise in this regard. Such a specialist is referred to in the pension funds industry as a fund administrator. It has nothing to do with an administration order as referred to by the Magistrates Court Act. A fund administrator also has to be approved by the Registrar of Pension Funds to render such administrative services.

Thus, Coris Capital was contracted as the ADMINISTRATOR of the Fund with effect from 1 October 2002 to render administrative services to the Fund.



Annual Meeting

The annual meeting of the General Committee will be held on 14 November 2003 at the Council Chambers, Centurion. The elected member-and employer representatives from all participating municipalities attend this meeting.



Benefit Statements

Benefit statements will be distributed during October 2003. This year those members with correct personal postal addresses will receive their statements per post whilst the rest will still have to be distributed by the various employers.

If you have not received your statement by 10 November 2003, please contact Coris Capital at (012) 486-0570.

TERMINATION OF SERVICE

A member terminates his/her membership of the Fund for one of the following reasons, which must be indicated on the exit form (D-8):

- Resignation from the service with current employer
- Dismissal by the employer
- Medical disability
- Retirement
- Death
- Redundancy

According to the Rules of the Fund a member who enters into a contract with his/her current employer **only changes his/her conditions of service and not his/her employer or employment.** They are therefore not entitled to payment of any benefit

Please read the item on contract appointments on page 4 very carefully.

CONTRACT APPOINTMENTS

It seems that many members are wrongly led to believe that if they enter into a contract with their employer, they become entitled to their resignation benefits. This is indeed not the case.

The Rules of the Fund indicate six reasons for termination of membership:

Death
Medical disability
Redundancy
Resignation
Dismissal
Retrenchment

Members who elect to change the conditions of service between themselves and the employer, may certainly do so. That however does not change their status as an employee because they effectively remain in the service of the employer and cannot terminate their membership of the Fund. The Fund is also an independent institution governed by a very specific legal framework and Rules approved by the Registrar of Pension Funds. No

employer has the right to promise members of the Fund that they will receive their pension fund benefit if they resign and enter into a contract with the same employer.

Over and above the fact that this practice is against the Rules of the Fund, the Receiver of Revenue warns against it as follows:

“It has come to my attention that some members resigned and was re-employed on a permanent – or contract basis by the Council. These members will be subjected to tax on two-thirds of the benefits in accordance with the revised paragraph (eA) of the definition of ‘gross income’ in Section 1 of the Act.”

This means that a member loses his/her vested rights up until 1 March 1998. This can mean that a substantial amount of the benefit will have to be paid over to the Receiver of Revenue. The exit form of the Fund specifically refers to this situation and the member in fact has to indicate clearly whether he/she

will be employed again on contract or permanently. In the event where members indicated that they will again be employed on contract basis or permanently or where the Administrator learned of such a situation, the benefits of these members were not paid out.

There are some members who completed the exit form, indicating that they will not be re-employed only to start the very next day after “termination of service” either on contract or permanently. The Administrator, not aware of the real situation, paid out the resignation benefit based on the incorrect information given on the D-8 exit form. Later they became aware of the fact that many of these members who were paid out in fact are still in the employment of their previous employer/s. A new tax directive for these members will have to be obtained and they will have to pay the Receiver of Revenue whatever they owe. **Over and above that they will have to re-enter the Fund as members**

WEB REGISTRATION – www.mymgf.co.za

There have been quite a number of MGF members who have registered on the website to have access to their benefit statements. We trust that they are enjoying their journey, exploring the website. A number of members have complained that they do not have access to their benefit statements as an error occurs. In most cases it was found that these members had not registered before attempting to access their benefit statements.

Let's take it step- by- step:

- When accessing the website, double click on the blue **MGF icon**. On the left-hand side of the screen, the second button from the bottom is MGF.
- Click on the **plus** and it will have a drop-down screen underneath with all MGF's information.
- Once again, the second button from the bottom is the benefit statement.
- Click on the **plus** again and it will give you two options, **register** and **member**. Click on **register** and physically register yourself on the website. You also have to choose your own unique password.
- You then have to submit your registration. The call centre will contact you by the preferred method of communication you chose upon registration to confirm that you have been activated on the web.
- Once you had feedback from the call centre, you can click on the second icon under benefit statement, which is **member**.
- You have to use your pension number, which starts with a C or CG, as your user ID and then enter your unique password. If you have any difficulty in registering, please do not hesitate to contact the call centre on (012) 426-0570 or send an e-mail to pension.info@coriscapital.com

News from the Administrator (Coris Capital)

Coris Capital is committed to delivering the best possible service to the members of the MGF. This update serves to inform members about the administrative issues and processes that affect members.

Call Centre update

Coris Capital aims to render the most professional telephone service possible to its customers. This means that qualified, well-trained staff strives to answer calls within three rings to provide members with a one-stop service. At natural peak times, daily from 9:00 to 11:00 and again from 12:00 to 14:00, Mondays to Wednesdays however, this service was not up to the standard they have set for themselves and many members complained that they could not get through to the call center.

The MGF is the biggest fund they administer in terms of membership and also results in the most phone calls and walk-in visitors. Currently, they receive between 10 000 and 12 000 phone calls per month of which 7 000 are from the MGF-members and employers. These calls are usually much longer than the calls from other fund members and lasts on average up to 4 minutes. For the last two months the response rate (time it takes to answer the next call) has averaged at 1 minute 18 seconds. Most calls concerns the following topics:

- Housing loans. Members want to know if they are eligible for a housing loan, the amount they may borrow and enquiries about arrear repayment installments. (56%)
- Fund credit and benefit statements. (9%)
- Progress on loans and exit payments. (23%)

Coris Capital is actively searching for ways and means to address the problems they encounter in the call center. Members can assist them by having all the details concerning their query as well as their membership number at hand when they phone. Members can also phone the following toll-free number: **0800-118-334.**

Service levels

It seems that members have some misconceptions regarding the service levels of Coris Capital, specifically regarding the payment of benefits on termination of membership.

According to the Rules of the Fund, municipalities have until the 7th of the month to pay over the members, pension fund contributions to Coris Capital. Coris Capital then has until the 20th of the month to process these contributions and to issue a compliance certificate to the MGF.

If a person resigns at the end of February, for instance, his contributions for February will only be received by Coris Capital on 7 March. These contributions will be receipted by 20 March. The benefits are calculated and referred to the Receiver of Revenue for a tax directive. If there are no delays at the Receiver the directive is received within 48 hours and the member will receive payment of his benefit by 5 April that is within 14 days. The service level agreement states that Coris Capital has 14 days to effect payment after they have received all the necessary documentation excluding the waiting period for the tax directive. Contributions are included in the definition of "documentation"

Issues that slows down the process are:

- Arrear contributions especially those from the employer.
- D-8 forms sent in late or incorrectly completed
- Members not registered with SARS
- Incomplete applications for death benefits or outstanding id.'s. birth and marriage certificates and family disputes regarding beneficiaries.

Loans update

Coris Capital currently administers in excess of 20 000 home loans on behalf of the MGF. On average up to 180 new loan applications are received per week. Many of these applicants do not qualify for home loans due to the following reasons:

- The salary check shows that the member cannot afford a loan (if the loan repayments are more than one third of the member's salary);

- If the member is under administration he does not qualify;
- Members apply for a fourth loan (limited to three loans);
- Members have arrears on previous loans;
- The amount that members want to borrow is less than R5 000;
- A member has garnishee orders other than for school fees and maintenance;
- The amount that a member wants to borrow does not correspond with the quotation.

Members should make sure that they complete the housing loan application form correctly and that they attach all the relevant documentation. If the application form is correct and complete and the member qualifies, the loan can be processed within 14 days.

New exit forms (D8 Forms)

When members terminate their membership the applicable exit form (D-8) must be completed and signed by the member as well as the employer stating the reason for termination of service in terms of the Rules of the Fund. The exit form was recently changed to include a question to indicate whether the member will enter into contract or permanent employment of the current employer. In terms of the Rules of the Fund, members who are employed on contract basis by their current employers remain members of the Fund because such members effectively remain in the service of such municipalities.

D8 forms that do not include the question about contract work are not acceptable and the process of paying out the benefits will take much longer as a new D8 will have to be obtained from the relevant municipality.

Please visit our website at www.coriscapital.com to obtain copies of the new D8 form. Alternatively you can phone our Call Centre on (012) 426-0570 or toll-free on 0800-118-334.

If you have any problems in getting through to the Call Centre directly, please dial the number of the switchboard, i.e. (012) 426-0500.

RULE AMENDMENTS

The Registrar of Pension Funds has registered the following amendments to the Rules of the Fund during the 2002/3 financial year:

NO.	REGISTRATION	SECTION	AMENDMENT
11	30/09/2002	1(1) 35 33(1) 24(13)(d)	Insert the definition of "medical disability" and amend the definition of "member". Termination of service due to medical disability. Death benefits – natural causes within first five years: Benefit 3x salary and not 5x salary. Omit the date of payment of transfer value.
12	30/09/2002	1(1) 34(1)(a) 24(14) & (15)	Amend definition of "emoluments" to limit chosen emoluments increase in respect of risk benefits and delete paragraph (iii) of the definition of "employee". To facilitate transfer of resignation benefit to retirement annuity fund or preservation fund over age 50. Transfer between reciprocating funds.
13	15/11/2002	2(3)	Registered office of Fund.
14(A)	15/11/2002	33(1) & 35	Change the effective date of 1 July 2002 for implementation of section 33(1) distinction between death benefit due to natural causes within first five years of membership (3x annual salary) and unnatural causes (5x annual salary) and section 35 (rephrasing of medical disability) to 1 January 2003.
14(B)	15/11/2002	35(5) & (7) & 44A(4)	Cosmetic changes
14(C)	15/11/2002	24(14)(a) & 15 (a)	To provide for an election form for transfers between reciprocating funds.
15	25/03/2003	24(14) & (15)	That the dates of 1 March 2003 and 30 June 2003 in sections 24(14) and (15) of the Rules of the Fund be deleted and that the Management Committee of the Fund determine the dates and conditions of transfer.
16	25/06/03	1(1) and 5(3)	Amendment of definition of "member" and insertion of definition of "UAC" to provide for membership of employees of municipal utilities, agencies or corporatised units and representation of such members of the General Committee.

INVESTMENT RETURNS FOR 2002/3

Yet another financial year of the Fund passed on 30 June 2003 and when you read this, the 2003 calendar year will almost be history as well.

The financial statements for 2002/3 were compiled and audited. A summary of the financial results appears in this edition of MGF Voice.

The period 1 July 2002 to 30 June 2003 was very disappointing in the investment arena. The global equity markets (shares) came under tremendous pressure by events like the Iraqi War, cooling off of the overheated American stock market, the Asian Flu (SARS) and the increasing debt of the United States Government. This resulted in poor returns on the off shore investments which was even worsened by the strengthening of the Rand (or weakening of the US Dollar). The Rand strengthened during this financial year by 27% meaning that the value of the off shore investments decreased by this percentage due to exchange rate fluctuation only. Measured in Rand terms the equity only MSCI World Index for the 12 months until 30 June 2003 delivered a dismal minus 27.32%. Although negative the international

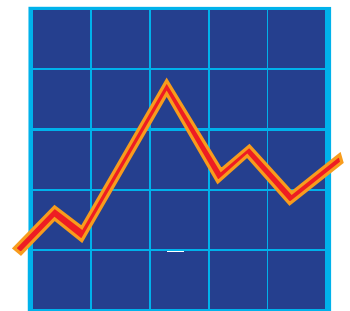
bonds did better with a return of minus 15.9%. The off shore investments of the Fund represent approximately 13% of total assets.

On the local scene the markets were somewhat more favourable than overseas, although not positive in absolute returns. The median return for domestic balanced investment portfolios as measured by the Alexander Forbes S.A. Large Manager Watch was minus 1%. Unfortunately the negative off shore returns decreased this to minus 5,2% for a typical balanced South African portfolio with 15% off shore participation. Due to its more conservative approach the Fund did a bit better by closing the financial year with a total bonus limited to minus 3,5% for the market linked Standard Portfolio. This conservative approach will however cause the Fund to lag when the equity markets rally.

The positive return of the Guaranteed Portfolio of 8% however was excellent. It out performed similar products of the bigger players in the market such as Old Mutual, Sanlam, Metropolitan and Liberty.

The bonuses allocated to the two portfolio's are as follows:

MONTH	SP	GP
July 2002	-2.00%	0.643%
August 2002	0.00%	0.643%
September 2002	0.00%	0.643%
October 2002	0.00%	0.643%
November 2002	2.00%	0.643%
December 2002	0.00%	0.643%
January 2003	-2.00%	0.643%
February 2003	0.00%	0.643%
March 2003	-2.00%	0.643%
April 2003	-2.00%	0.643%
May 2003	5.00%	0.643%
June 2003	-2.50%	0.643%
Accumulative Total	-3.50%	8.000%



So far the returns for the Standard Portfolio in the new financial year were as follows:

July 2003	2%
August 2003	2%
September 2003	0%

Summary of Financial Statement for 2002/3 Financial Year

Revenue Account

	30/06/2003	30/06/2002
INCOME:		
Contributions: Members	120006070	107734779
Contributions: Councils	325104016	291483009
Section 14: Transfers	0	1496780
Net Income from Investments	167748252	162311373
TOTAL INCOME	612858338	563025941
LESS: EXPENDITURE		
Administration expenses	12696642	13042912
Other expenditure (Funeral Insurance premium, etc)	5399418	3345086
	18096060	16387998
NETT INCOME	594762278	546637943
REVALUATION OF INVESTMENTS		
Realised	-105549153	53481305
Unrealised	-113556593	133228192
	-219105746	186709497
ACCUMULATED FUNDS		
At beginning of the year	3606292256	3235541192
Previous year adjustment	0	241159
ACCUMULATED FUNDS - BEFORE BENEFITS PAID	3981948788	3969129791
LESS: BENEFITS PAID		
Retirement	-107332388	-126124429
Death	-52148423	-90387852
Resignation	-115650424	-122137058
Medical Disability	-18949845	-18506326
Retrenchment	-4069703	-4870808
Transfers out	0	-709672
TRANSFER TO -		
Operational reserve	-201688	-101390
	-298352471	-362837535
ACCUMULATED FUNDS		
Year end	3683596317	3606292256
Operational reserve	2055481	1744793
TOTAL	3685651798	3608037049

STATEMENT OF INDEMNITY

The MGF does not accept liability for any loss, damage or expense that may be incurred as a direct result or consequence of reliance upon the information in this document. If there is any conflict between the information in this document and the actual Rules of the Fund, the Rules of the Fund will prevail.