



SOUTH AFRICAN LOCAL GOVERNMENT BARGAINING COUNCIL

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17 December 2021

**To: Municipal Managers
HR Directors
Employees**

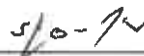
**And To: All Principal Officers
Retirement Funds (List per annexure A)**

Sir / Madam,

CIRCULAR NUMBER: 10/2021 RETIREMENT FUND COLLECTIVE AGREEMENT

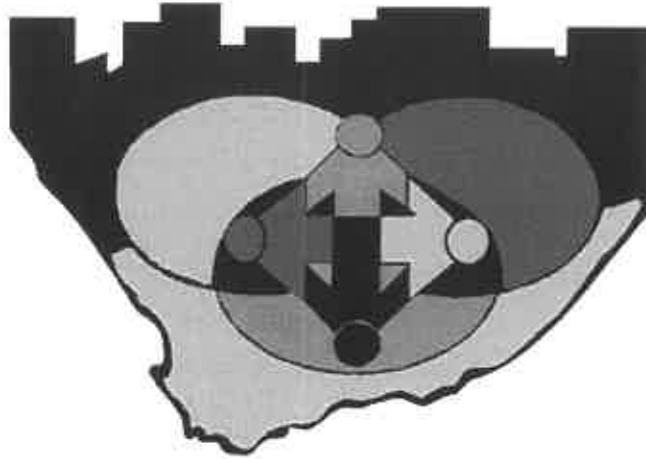
1. We refer to the Retirement Fund Collective Agreement concluded by the parties (SALGA, SAMWU and IMATU) on 15 September 2021.
2. In terms of the Collective Agreement, existing funds operating in the local government sector are required to apply for accreditation to be recognized as an SALGBC accredited fund.
3. Attached hereto are, firstly the accreditation application form that needs to be completed and submitted by an applicant fund; and secondly the Template of Rules that the applicant fund will require to effect to the funds existing rules. The accreditation application form and rules are available on the SALGBC website.
4. The parties (SALGA, SAMWU and IMATU) to the Council, request that:
 - a) Municipalities (as employers) who participate and/or contribute, to an existing fund on behalf of its employees, must encourage the municipality nominated trustees on Fund Boards to apply for accreditation and comply with the collective agreement.
 - b) Municipalities submit this circular to any fund, not listed in Annexure A.
 - c) Employees (who are members of various retirement funds) to encourage their respective fund to apply for accreditation so that employees can exercise their rights, such as moving from one SALGBC accredited fund to another SALGBC accredited fund, when the transfer period opens on 1 July 2022.

Yours faithfully



**MR. S GOVENDER
GENERAL SECRETARY**

SOUTH AFRICAN LOCAL GOVERNMENT BARGAINING COUNCIL



APPLICATION FOR ACCREDITATION AS A RETIREMENT FUND IN THE LOCAL GOVERNMENT SECTOR

APPLICATION FORM

**A copy of this application form is available
in electronic format on request.**

The parties to the South African Local Government Bargaining Council have concluded a Retirement Fund Collective Agreement setting out the agreed criteria for the accreditation and recognition of retirement funds. A fund "the Applicant" must submit an initial application by using this form to qualify for accreditation for the period, 1 July 2022 to 30 June 2023.

				For Office Use Only
Name of Fund Name of Municipality or Employer, SALGA, IMATU or SAMWU , if any one of them is applying on behalf of a fund.				
Registration number (with FSCA)				
Principal Officer (initials and surname)				
Contact details of Principal Officer	Telephone No.			
	Cellphone No.			
	Email address:			
	Physical address:			
	Postal address			
Nature of Fund (Answer Y where any category of members satisfies the description)	Active members	Defined contribution (no underpin) Defined contribution (with defined benefit underpin) Defined benefit	Y/N Y/N Y/N	
	Pensioners	In-fund with-profit annuities: In-fund living annuities: Pensions purchased from an insurer on retirement	Y/N Y/N Y/N	
Regions or local authorities where the Fund has membership now				
Regions or local authorities where the Fund will seek new members if accredited				

Where the rules permit transfer between funds,			
Transfer arrangements have been agreed with the following funds:	(list the funds where there are existing transfer arrangements; i.e. where members can elect to move to, or from, this fund to one of the listed funds)		
How often is such an election permitted?	(Where the election is infrequent, give the date when the last such election was permitted, otherwise give the frequency [e.g. once every three years])		
RULES (including amendments)	Copy to be attached to the application Where amendments to the rules are required to satisfy the accreditation criteria and the amendment has been adopted by the board of the fund but the amendment has not yet been registered by the Authority, please attach a copy of the rule amendment as lodged with the Authority.		
Transfers			
1.	Does the fund permit transfer of members to another accredited fund in which an employer participates at such times as are a condition of accreditation, in which case the members' interests in this fund may be transferred to that other fund or be made paid-up in this fund?	Y/N	
2.	Does the fund permit the transfer into the fund of members who are employed by a participating employer and who have elected or been required to transfer into the fund?	Y/N	
3.	Do the rules provide that, when a member changes employment from one participating employer to another participating employer within the fund, the member does not become entitled to a benefit but his interest in the fund is moved from the sub-fund corresponding to his old employer to the sub-fund corresponding to his new employer?	Y/N	
Termination of participation by an employer			
4.	Do the rules provide that a participating employer, after giving due notice, may terminate participation in the fund in which case normal contributions by members and the participating employer will cease and the affected members may become "paid up" in the fund or transfer their members' interests to another accredited fund?	Y/N	
5.	If an employer terminates participation, do the rules define how any shortfall will be determined in relation to that employer and what responsibility the employer will have for financing that shortfall?	Y/N	
Paid-up status			
6.	Do the rules define "paid-up" status and permit a former member to leave their interest in the fund on transferring to another fund?	Y/N	
Board and management committees			
7.	Does the party that is able to nominate or appoint a board member have the right to terminate that appointment at any time?	Y/N	
8.	Does the number of board members exceed 10?	Y/N	
9.	If the number currently exceeds 10, what steps is the board contemplating to reduce the number to 10 or fewer? _____ _____		

10.	Do the members elect at least half the board members?	Y/N	
11.	If members do not elect at least half of the board members and an employer has more than 20 employees who are members of the fund, can a management committee be established for each such participating employer and their employees who are members of the fund?	Y/N	
12.	Does any such management committee comprise an even number of members, half of whom are appointed by the employer and half of whom are elected by the members who are employed by that employer.	Y/N	
New entrants			
13.	If the fund operates on a defined benefit basis, do the rules prevent the admission of new members unless such members are transferring from another defined benefit fund in which the employer participates?	Y/N	
Financing			
14.	If the fund operates on a defined contribution basis, is the employer contribution rate fixed at 18% of pensionable salary provided that the employer must continue to pay a higher contribution rate for members for whom the employer was paying a higher contribution rate prior to 1 October 2021?	Y/N	
15.	In respect of any categories of member that operate on a defined contribution basis, are all benefits funded out of the member and employer contributions as defined in the rules? If not, please explain what benefits are not funded out of defined contributions and how these benefits are funded: _____ _____ _____ _____	Y/N	
16.	In respect of any category of member that operates on a defined benefit basis (or where there is a defined benefit underpin), does the board have a viable funding plan (Please supply a copy of the latest actuarial valuation of the fund, together with any plan submitted to the Authority in terms of section 18 of the Pension Funds Act)	Y/N	
17.	If the fund or sub-fund ¹ experiences a shortfall and the fund or sub-fund does not implement a viable funding plan, may benefits in respect of future service be reduced or may the fund or sub-fund be liquidated?	Y/N	

¹ A sub-fund is the assets and liabilities that correspond to employees of a particular participating employer in a fund.

18.	If the fund offers living annuities ² payable from within the fund, are the corresponding assets ring-fenced from all other assets of the fund, and are the corresponding liabilities limited to the value of those ring-fenced assets?	Y/N	
Remuneration of investment or other professional advisors			
19.	Do the rules provide that no amount may be paid to an investment or other professional advisor except for services rendered by it to the fund in the ordinary course of the governance, management, investment or administration of the fund, with the exception of the following: If the fund offers members (either active members or pensioners in receipt of in-fund living annuities) individual investment choice, each member may appoint an investment advisor to advise him or her on that choice, remunerated by a charge against that member's individual account authorized by the member in writing.	Y/N Y/N	
Governance (A copy of the Code of Conduct must be attached.)			
20.	May the board disqualify from eligibility for appointment or election any person who has been previously removed from a position of trust or who has demonstrated that he is not a "fit and proper" person to occupy a position of trust?	Y/N	
21.	May the board expel from the board any person who has, by his words or conduct, demonstrated that he is not a "fit and proper" person to occupy a position of trust, in which case the body or constituency which appointed or elected him may not re-appoint or re-elect him?	Y/N	
22.	Does the board meet at least quarterly?	Y/N	
23.	Is the board's performance assessed at least once in each 12 month period, are training needs identified in this assessment, and is the training arranged for the year following the assessment?	Y/N	
24.	Has the board established the policies required by the Authority in terms of Circular PF130 or any other directive or board notice?	Y/N	
25.	Does the Code of Conduct or the Rules prohibit payment of commission to any service provider?	Y/N	
26.	Does the Code of Conduct or the Rules set limits on board member expenses and overseas travel for board members and the principal officer? If so, can the board resolve to override those limits?	Y/N Y/N	
Exemption			
27.	If the fund has a single participating employer, or participating employers that are all associated with a single local authority, has that local authority sought exemption from any of the provisions of the collective agreement? If possible, please attach a copy of the employer's motivation for that exemption application.	Y/N	
Rule amendment			
28.	Where the rules do not provide for any of the above conditions, has a rule amendment to introduce the missing conditions been approved by the board and submitted to the FSCA? (If so, please provide a copy of the rule amendment as approved by the board.)	Y/N	

² A living annuity is an account to which the retirement capital and any investment returns are credited and to which any pension payments and expenses are debited.



Supporting material supplied with the application:

- Audited financial statements for each of the three most recent financial years for which such statements are available. Please note the financial year ends:

Y/N

.....
If any of these financial statements were qualified, an explanation of the steps the fund is taking to address the qualification must be included.

Y/N

Y/N

- (If not exempt) actuarial valuation for the period ending

.....
(If exempt) a copy of the certificate of exemption from the Authority.

- A schedule showing the number of members employed by each participating employer, split between active members, pensioners and deferred pensioners (including paid-up members).
- Rules and any amendments to those rules
- Administration agreement (including any service level agreement negotiated with the administrator)
- Any investment consulting agreement (Note that this does not relate to mandates negotiated with asset managers but rather to any consultant that advises the fund on its strategic asset allocation, portfolio structure, and / or selection of asset managers)

In the case of a defined benefit fund (including any fund that pays pensioners from the fund):

- If pensioners are paid from the fund, the pension increase policy and any pending or anticipated change to this policy.
- The current rates of contribution being paid and those required to fund the benefits
- Any pending or anticipated reduction in benefits
- Any pending or anticipated increase in contribution rates payable by members and / or the employer
- Any funding plan submitted to the Authority, if the fund is in deficit
- Any pending or anticipated transfer to an umbrella fund with full details as to the anticipated timing of this.

Where "No" has been answered to any of the above questions, please supply a motivation as to why the fund should be accredited despite not meeting those criteria. This motivation is to be attached to the application.

I confirm that the information supplied above is, to the best of my knowledge, correct and complete.

Signed:
Principal Officer

Date:

An applicant fund must submit an application for accreditation which must be submitted to the offices of the South African Local Government Bargaining Council at 461 King Dinuzulu Road South, Durban, 4001 and must arrive there by not later than **Monday 31 January 2022, by 16:00**. Applications may be hand delivered or electronically submitted, provided they arrive prior to the aforesaid date.

ANY APPLICANT APPLYING FOR ACCREDITATION AS SET OUT ABOVE AGREES, THAT SHOULD IT BE ACCREDITED, IT WILL COMPLY WITH THE CRITERIA SET OUT ABOVE.

SIGNATURE

DESIGNATION

*Should you require any further information please contact
Mr. S S Govender on telephone no. (031) 201-8210.*



ANNEXURE TO THE RULES TO ACCOMMODATE THE CHANGES REQUIRED FOR ACCREDITATION

PREAMBLE

Notwithstanding anything to the contrary elsewhere in the Rules, in order to achieve accreditation to receive contributions in respect of future service from employees in the local authority sector, the Rules will be amended as follows from 1 July 2022.

DEFINITIONS:

ACCREDITED Means the status of being permitted to accept new members in terms of the collective agreement reached in the South African Local Government Bargaining Council; Accreditation shall refer to the process whereby this status is achieved;

BOARD Means the board of management of the fund as defined in the Rules;

INCOME AND EXPENSE POLICY Means the policy established by a Management Committee for a particular sub-fund in terms of Rule 5.4 of this annexure

MANAGEMENT COMMITTEE Means the body established in terms of Rule 5 of this annexure.

MEMBER'S INTEREST Means,

- In relation to a member other than a pensioner paid from the fund,
- In the case of a defined contribution fund, the members' minimum individual reserve, and,
- In the case of a defined benefit fund, the greater of the present value of the fund's obligations towards the member in respect of service prior to the effective date and the



member's minimum individual reserve as defined in the Pension Funds Act; and

- In relation to a pensioner paid from the fund, the purchase price of an annuity policy from an insurer that will provide an equivalent pension to that paid from the fund;

In either case multiplied by the ratio of

- The fair value of the assets of the fund (less the balances in any employer surplus account and such contingency reserve accounts as are necessary for the ongoing viability of the fund or are held to mitigate the risks to which the pensioners are exposed) to the total value of the members' interests in the fund plus the liabilities in respect of pensioners paid from the fund, in both cases as determined before any share of contingency reserve accounts is included;

SHORTFALL

Means a shortfall in the sense contemplated in section 30(3) of the Pension Funds Act;

SUB-FUND

Means the liabilities held in respect of the members employed by a particular participating employer, any contingency reserve accounts, member surplus account or employer surplus account held in respect of those members or that participating employer, and, where relevant, the corresponding assets;

TRANSFER PERIOD

Means the period 1 July 2022 to 31 December 2022, 1 July 2025 to 31 December 2025, and every five (5) years thereafter.

2. TRANSFERS

2.1 With effect from the end of each transfer period, members may elect to join



another accredited defined contribution fund in which their employer participates, in which case the members (and their employers on behalf of those members) will cease to contribute to the fund from this date in respect of any future service benefits and the members may elect either to keep their members' interests in the fund on a paid-up basis or may elect to transfer their members' interests in the fund at this date to that other fund in terms of section 14 of the pension funds act subject to the approval of the authority. if there is a shortfall at this date, the employer may be required to make special contributions to address that shortfall over such period and of such amount as are agreed between the employer and the board.

- 2.2 Where an accredited fund includes both defined contribution and defined benefit categories of membership, the transfer of a member from a defined contribution category to a defined benefit category is not permitted. a member of a defined benefit category of membership may transfer to a defined contribution category of membership in the same fund. the provisions of section 2.1 then apply as if the two categories were separate funds.
- 2.3 On employment, or with effect from the end of any transfer period, if the fund is accredited, any person employed by an employer who participates in the fund and who has elected or been required to join the fund, may join a defined contribution category in the fund. such persons (and their employer on their behalf) will commence contributions to the fund from that date and, if applicable and the members have so elected, the members' interests in a fund from which the members are transferring will be transferred to the fund in terms of section 14 of the pension funds act subject to the approval of the authority.
- 2.4 If a member changes employment from one participating employer to another participating employer in the fund, no benefit will accrue to the member, and the higher of the member's accrued liability in the fund and the member's minimum individual reserve will be transferred to the sub-fund of the new participating employer.

3. TERMINATION OF PARTICIPATION BY AN EMPLOYER

3.1 Any participating employer, after giving due notice, may terminate participation in the fund, in which case

3.1.1 Contributions by members and the participating employer to the fund for benefits in respect of service after the end of the notice period will cease from the end of the notice period;

3.1.2 The members employed by that participating employer must elect either to become "paid up" members of the fund with effect from the end of the notice period or to transfer their members' interests in the fund at the end of the notice period to another accredited defined contribution fund in which their employer participates in terms of rule 2.1 above with the end of the notice period replacing the end of the transfer period where the latter appears in that rule;

3.2 The participating employer who is terminating participation, or all participating employers in the fund as the case may be, will assume responsibility for funding any shortfall. If so, the employer may be required to make special contributions to address that shortfall over such period and of such amount as are agreed between the employer and the board.

GOVERNANCE

4. Appointment of Board Members

4.1 In the case where an employer, salga, or a trade union has the right to nominate or appoint a board member, that party has the right to terminate that appointment at any time.



- 4.2 The board may disqualify from eligibility for appointment or election to the board a person who has been previously removed from a position of trust or who has, by his or her words or conduct, demonstrated that he or she is not a 'fit and proper' person to occupy a position of trust.
- 4.3 The board may expel from the board any person who has, by his or her words or conduct, demonstrated that he or she is not a 'fit and proper' person to occupy a position of trust, in which case the body or constituency which appointed or elected him or her may not re-appoint or re-elect him or her.

5. MANAGEMENT COMMITTEE

5.1 Where the board of a fund does not have at least half of the members of the board elected by members and a participating employer has 20 or more employees who are members of the fund, each such participating employer and their employees who are members of the fund may appoint a management committee to oversee the affairs of their sub-fund and facilitate communication between the board and the members of their sub-fund.

5.2 A management committee established in compliance with clause 5.1

5.2.1 Must comprise an even number of members, half of whom shall be appointed by the employer and half of whom shall be elected by employees who participate in the sub-fund together with any pensioners who are paid from the sub-fund.

5.2.2 Must meet at least twice a year. A quorum for such a meeting must include at least one employer-appointed member and one member-elected member.

5.3 A management committee established in compliance with clause 5.1 will have such duties and powers as are delegated by the board and documented in a mandate

issued by the board to the management committee. such mandate must set out the process by which the management committee is appointed or elected, specify their term of office, and give the management committee the right to

- 5.3.1 Make representations to the board on any matter affecting the sub-fund,
- 5.3.2 Communicate with the members of the sub-fund, including calling a meeting of such members,
- 5.3.3 Receive copies of the annual financial statements, any actuarial valuation report, any summary reports prepared at SUB-FUND level, any amendments to the rules, and any complaints referred by their members to the Pension Funds Adjudicator or the Board,

And provided further that the management committee, and any meeting of members called by that management committee, shall have no decision-making powers, nor may they pass any resolution that binds the participating employer, the fund, or the board. the existence of a management committee does not detract from the authority in law of the board to direct, control and oversee the operations of the sub-fund in terms of the Rules and the Act.

- 5.4 Each management committee established in compliance with clause 5.1 must establish and maintain an income and expense policy at sub-fund level, in concurrence with the board, which will set out how the management committee will meet any expenses associated with the fulfilment of their duties in terms of the mandate, and must implement such policy.

Meetings of the Board

- 5.5 The Board must meet at least quarterly.

Annual Assessment of Performance

- 5.6 The Board must assess its performance at least once in each 12 month period, and identify where board members need training. The Principal Officer must organise this training for the year following the date of the assessment.

Reporting of statistics to the Council

6. The Fund will supply such statistics to the Council as are a condition of accreditation.

7. FINANCING

If the Fund is a defined contribution fund:

- 7.1 The contribution rate payable by the employer may not exceed 18% of pensionable remuneration, provided that, where the employer is paying a higher rate of contribution on 30 June 2022, it may continue to contribute at the higher rate.
- 7.2 all benefits provided by the fund must be funded out of the prescribed employer contribution and employee contribution determined by the rules.

If the Fund is a defined benefit fund

- 7.3 If employees are paid on a cost to employer basis, pensionable salary means the amount agreed with the employee to a maximum of 60% of the cost to employer.
- 7.4 If an actuarial valuation reveals that the fund or the sub-fund has a shortfall and the fund or sub-fund does not implement a funding plan that will eliminate the shortfall within a period acceptable to the board and the authority, if relevant, the benefits in respect of future service must be reduced in order to fund the shortfall, or the fund or the sub-fund must be liquidated. if the fund or the sub-fund is liquidated, the relevant participating employers must fund the shortfall in terms of



section 30(3) of the pension funds act.

8. REMUNERATION OF INVESTMENT AND OTHER PROFESSIONAL ADVISORS

No amount may be paid to an investment or other professional advisor except for services rendered by it to the fund in the ordinary course of the governance, management, investment or administration of the fund, with the following exception: where the fund offers individual investment choice (either before retirement or after retirement where the member has elected to receive a living annuity paid from the fund) a fee payable to an investment advisor for advice given to the member which the member has authorised in writing and which will be paid from that member's account in the fund.



LIST OF PENSION FUNDS

NO.	FSCA NO.	FUND
1	35064	National Fund for Municipal Workers
2	318	Joint Municipal Pension Fund
3	19727	SALA Pension Fund
4	382	Germiston Municipal Retirement Fund
5	3722	City of Johannesburg Pension Fund
6	36983	KZN Municipal Pension Fund
7	6676	Natal Joint Municipal Pension Fund (Retirement)
8	5532	Natal Joint Municipal Pension Fund (Superannuation)
9	32588	KwaZulu Natal Joint Municipal Provident Fund
10	390	Johannesburg Municipal Pension Fund
11	32435	Durban Pension Fund
12	31488	Free State Municipal Provident Fund
13	32689	Consolidated Retirement Fund for Local Government
14	1535	Tshwane Municipal Provident Fund
15	327	Tshwane Municipal Pension Fund
16	34353 31796	SAMWU National Provident Fund Municipal Workers' Retirement Fund
17	1278	Cape Joint Pension Fund
18	36961	Ejoburg Retirement Fund
19	9092	Cape Municipal Pension Fund
20	20184	South African Local Authorities Provident Fund
21	31880	Durbanville Munisipaliteit Voorsorgfonds
22	31219	George Munisipaliteit Voorsorgfonds
23	6087	Pietermaritzburg Corporation Provident Fund
24	29614	Welkom Munisipaliteit (1992) Voorsorgfonds
25	29256	Municipal Gratuity Fund
26	30718	Local Authority Multi Provident Fund
27	37086 33636 36761	Eastern Cape Group Municipal Gratuity Fund Eastern Cape Group Municipal Pension Fund Umtata Municipality Provident Fund
28	30761	Eastern Cape Local Authorities Provident Fund
29	31167	Umhlatuze Municipality Provident Fund
30	31741 30362	Phuthaditjhaba Municipality Provident Fund Phutaditjhaba Municipality Pension Fund
31	21131	The Soweto City Council Pension Fund
32	17687	Oudtshoorn Munisipale Pensioenfonds
33	33929	Mafikeng City Council Pension Fund
34	21824	Alexandra City Council Pension Fund

