

# CURATOR PROGRESS REPORT TO THE FINANCIAL SERVICES CONDUCT AUTHORITY

## Vrystaat Munisipale Pensioenfonds

Registration Number: 12/8/412

*Under Curatorship*

Curator Progress Report #: 34

Date of Report:  
30 September 2020

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### 1. INTRODUCTION

- 1.1. This is the Thirty Fourth Progress Report addressed to the Financial Services Conduct Authority ("the FSCA") in respect of the Vrystaat Munisipale Pensioenfonds ("the Fund") which details the actions and progress made to date. This report should be read in conjunction with previous progress reports submitted to the FSCA.
- 1.2. Since the commencement of the curatorship, I have continued to execute the operations and management of the Fund with the assistance of the Principal Officer and staff members of the Fund in order to meet the needs of the members.
- 1.3. It should be noted that the Fund's Board meeting was held on 4 September 2020. The next Board Meeting is scheduled for 19 November 2020 which will be a virtual meeting whereas the Annual General Meeting scheduled for 27 November 2020 will be held in person in Kroonstad.

### 2. ADMINISTRATION AND OPERATIONS

#### Relocation of the Fund's Front Office

- 2.1. The Fund's Front Office is currently open three days a week (Monday, Wednesday, and Friday) between 8am and 12pm. In consultation with the Board Members, the Fund's Front Office will be relocated to the ground floor of the Kroonstad building.
- 2.2. We are currently in the process of relocating the Front Office and ensuring that the requisite security and safety measures are in place. We will provide an update regarding the relocation and office hours of the Front Office in the next progress report.

#### Office building in Kroonstad

- 2.3. The sole mandate entered with Just Property was extended to 5 September 2020 as previously reported. However, at the expiry date of this mandate, there have been no potential buyers or offers made to purchase the office building in Kroonstad.

2.4. The Principal Officer is currently identifying alternative property agents to assist with selling the office building.

2.5. Tidy Files completed the removal of all relevant information and documentation which were stored at the Fund's office building. Subsequently, these documents have been transferred to Tidy Files offices in Johannesburg where they have commenced the archiving process to enable remote electronic access and retrieval of hard copy documents.

#### **2020 Roadshow and quarterly newsletter**

2.6. On 17 March 2020, the municipalities were informed of the postponement of the Roadshows due to the national lockdown in South Africa because of the COVID 19 pandemic.

2.7. We are considering organising the Roadshow to take place during 2021, however, this decision will be discussed in more detail at the next Board meeting held in November 2020. In the interim we intend to communicate relevant information to Members via the newsletter which will be sent to Members during November 2020.

#### **Fidelity cover of Trustees**

2.8. Regulation 30(2)(u) of the Pension Funds Act 1956 stipulates that a fund must have a policy of insurance to indemnify the fund against losses due to dishonesty or fraud by any of its officials.

2.9. Subsequent to meeting with Marsh Insurance Brokers on 1 July 2020, they contacted insurers and received feedback that there is a "general lack of appetite" to provide cover for trustee liabilities in respect of Municipal Pension Funds.

#### **Payment of pending benefits**

2.10. Sanlam furnished us with an updated status of claim's report as of 14 September 2020, which summarised the following:

- a. 12 claims were paid between 1 August 2020 and 14 September 2020; and
- b. 23 claims are still pending.

#### **Minimum benefits payable and unclaimed benefits**

2.11. There are 129 members with total benefits amounting to R14,642,958 that need to be traced. We are in the process of determining alternative methods and service providers to assist us in tracing these members. This remains an ongoing focus of the Fund.

#### **Arrear contributions**

2.12. We remain focused on ensuring that employer contributions are received by the seventh of the month, as is required. The Fund's Front Office assisted Sanlam with the ongoing challenge of receiving the employer contributions on a timely basis.

2.13. Moreover, we retained the services of Du Randt and Louw Attorneys to assist us in pursuing legal avenues to recover long outstanding contributions.

2.14. Table 3 below set out the status of arrear contributions for the seven municipalities up to 31 August 2020 (which were due and payable by 7 September 2020) as follows:

**Table 3: Arrear contributions**

| <b>Municipality</b>            | <b>Arrear contribution amount in respect of August 2020 (R)</b> | <b>Total arrear contribution amount excluding penalty interest (R)</b> | <b>Total number of months in arrears</b> |
|--------------------------------|---|--|--|
| Kopanong Local Municipality    | 33,606  | 768,150  | 25                                       |
| Mafube Local Municipality      | 4,813   | 259,902  | 54                                       |
| Mantsopa Municipality          | 40,583  | 81,166   | 2  |
| Masilonyana Local Municipality | 30,863  | 277,767  | 9  |
| Nala Municipality              | 22,195  | 66,585   | 3  |
| Nketoana Municipality          | 6,782   | 40,692   | 6  |
| Thabo Mofutsanyane             | 32,886  | 65,772   | 2  |
| <b>Total</b>                   |   | <b>1,560,034</b>   |  |

2.15. We have summarised in table 4 below, the approach and status of each of the municipalities regarding their arrear contributions:

**Table 4: Approach and status per municipality regarding arrear contributions**

| <b>Municipality</b>                    | <b>Approach and status</b>   |
|--|--|
| Kopanong Local Municipality (R768,150) | <ul style="list-style-type: none"> <li>▪ Du Randt &amp; Louw issued a letter of demand on behalf of the Fund in respect of R763,225.75 to Kopanong Municipality on 25 August 2020 (which excluded the contribution due for August 2020).</li> <li>▪ The amount due was not received by 14 September 2020 and we have instructed to pursue further legal action.</li> </ul>   |
| Mafube Local Municipality (R259,902)   | <ul style="list-style-type: none"> <li>▪ A notice of intention to defend, together with a plea was delivered to the offices of Du Randt &amp; Louw Attorneys' correspondent attorneys in respect of the summons served on Mafube Local Municipality under case number 434/2016 and case number 296/2018 for the arrear contributions of the municipality.</li> <li>▪ Despite Du Randt &amp; Louw issuing a letter of demand on behalf of the Fund to Mafube Municipality on 25 August 2020, no payment was received by 14 September 2020.</li> <li>▪ Currently, further legal action is being pursued and will provide further information in the next progress report.</li> </ul> |
| Mantsopa Local Municipality (R81,166)  | At the date of this report, Mantsopa Local Municipality paid their June 2020 contributions during September 2020. However, it is still in arrears for two months (i.e. July 2020 and August 2020) and have been informed by Sanlam accordingly.  |

| Municipality                              | Approach and status  |
|---|--|
| Masilonyana Local Municipality (R277,767) | <ul style="list-style-type: none"> <li>▪ This Municipality has been in arrears since December 2019 (i.e. for nine months).</li> <li>▪ The Fund’s Front Office has not received any additional contribution schedules in respect of Masilonyana Municipality during September 2020.</li> <li>▪ Despite Du Randt &amp; Louw issuing a letter of demand on behalf of the Fund in respect of R263,343.19 to Masilonyana Municipality on 25 August 2020, no payment has been received to date.</li> </ul> |
| Nala Municipality (R66,585)               | This Municipality is in arrears for three months (i.e. in respect of June 2020, July 2020, and August 2020) and Sanlam has informed them accordingly. We will be pursuing legal action during October 2020.  |
| Nketoana Municipality (R40,692)           | <ul style="list-style-type: none"> <li>▪ This Municipality has been in arrears since April 2020.</li> <li>▪ We, will proceed with legal action during together with the Principal Officer and Du Randt &amp; Louw Attorneys to recover these funds.</li> </ul>   |
| Thabo Mofutsanyane Municipality (R65,772) | This Municipality is in arrears for one month (i.e. in respect of July 2020 and August 2020) and Sanlam has informed them accordingly. We will be pursuing legal action during October 2020.   |

**3. FUND’S INVESTMENTS**

3.1. As at 31 August 2020, the Market Value of the Fund was R2,516,390,730. The Fund’s investments remain the responsibility of the Board of Trustees, who are supported by the Principal Officer and the Fund’s investment consultants from Alexander Forbes.

**4. CRIMINAL, CIVIL AND OTHER PROCEEDINGS**

**Criminal proceedings**

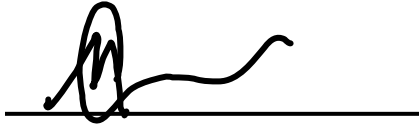
4.1. We remain in contact with the Advocate and Investigating Officer assigned to the criminal matter and will provide the necessary support as required by them.

**Civil proceedings**

4.2. In addition to the legal proceedings initiated against the municipalities, the Fund is or has been involved ten civil proceedings since my appointment as Curator which are being dealt with the legal team of the Fund.

## 5. CONCLUSION

- 5.1. Throughout the curatorship, I have maintained regular contact with the FSCA and remain focused on resolving the ongoing matters pertaining to the Fund.

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a horizontal line and a wavy tail.

**Malcolm Campbell: Curator**