

VRYSTAAT MUNISIPALE PENSIOENFONDS

REGISTRATION NUMBER: 12/8/412

(UNDER CURATORSHIP)

**REPORT OF THE CURATOR TO THE FINANCIAL SECTOR CONDUCT AUTHORITY
("THE FSCA")
PROGRESS REPORT FOURTEEN – 30 NOVEMBER 2018**

Introduction

1. This is a further progress report into the affairs of the Vrystaat Munisipale Pensioenfonds ("the Fund") as at 30 November 2018 dealing with the following:
 - 1.1. Management of the Fund;
 - 1.2. Financial status of the Fund;
 - 1.3. Criminal conduct and/or other misconduct identified; and
 - 1.4. Conclusion.

Management of the Fund

2. I continue overseeing the day-to-day operations of the Fund, i.e. reviewing and approving payments, including pension and benefit payments, which were due to qualifying members during November 2018 with cooperation from the staff at the Fund.
3. We continue to have regular contact with concerned members of the Fund via telephone, electronically and face-to-face where required regarding any queries and/or concerns raised by members.
4. The staff has requested leave from 17 December 2018 to 7 January 2019. The Curator has approved the leave requests and we have ensured that an out of office be prepared for the Fund's mailbox should any queries arise from members or pensioners during this time.
5. We conducted searches on SearchWorks during November 2018 and successfully traced 27 members who have unclaimed benefits. A total of R565,787.50 was paid to the 27 members during November 2018.
6. As at 30 November 2018, there are 68 members remaining who have unclaimed benefits. We have updated the Fund's data on the FSCA Retirement fund online system in respect of the unclaimed benefits in this regard. Our work into locating the remaining members remains ongoing.
7. As at 20 November 2018, arrear contributions for and up to October 2018 (which were due and payable by 7 November 2018) is as follows:

Municipality	October Arrear contribution amount (R)	Total Arrear contribution amount (R)
Matjhabeng Municipality	666,209.26	1,354,550.26
Kopanong Municipality	41,855.08	549,943.52
Mantsopa Municipality	39,171.98	73,422.43
Masilonyana Municipality	30,851.49	61,702.98
Nketoana Municipality	6,368.10	6,368.10
Mafube Municipality	4,813.04	236,495.41
Total	789,268.95	2,282,482.70

8. The Fund continues to focus on collecting member contributions on a timely basis as well as collecting the arrear contributions.
9. It has been reported during November 2018 that the Matjhabeng Local Municipality in Welkom, Free State, “*will face a probe into allegations of maladministration at the provincial Department of Cooperative Governance and Traditional Affairs*”. There have been various protests against the mayor, Nkosenjani Speelman and it was reported that the protests were a reaction to the municipality's failure to pay over monies intended for their third-party beneficiaries and other matters. It should be noted that Matjhabeng Local Municipality have failed to pay over the contributions for September 2018 as well as October 2018.
10. Kopanong Municipality has arrear contributions dating back to June 2017. As previously reported, the Fund received a request for a payment arrangement from Kopanong Municipality to make payment after receiving its July 2018 equitable share; however, to date no such payment was made. We have followed up with the contact person at the Municipality; however, we have not received any response to date.
11. The Fund has taken legal action against Mafube Municipality in order to collect the arrear contributions and have instructed Du Randt & Louw to take action against Matjhabeng Municipality and Kopanong Municipality on behalf of the Fund.
12. We will continue to follow up with the respective Municipalities as well as communicating with the affected members in order to expedite the collection of the arrears in order to remedy this situation.
13. During September 2018, we instituted proceedings in the High Court of South Africa (Free State Division, Bloemfontein) under case number 4501/2018 (“the Motion Proceedings”). In the Motion Proceedings, we sought an order to deal with certain onerous agreements and policies affecting the Fund. Such relief is within the powers of the Curator.
14. As at 30 November 2018, the Respondents, with the exception of the four retrenched employees, have failed to file their opposing papers. Werksmans confirmed that they have put the remaining

Respondents to terms to file their opposing papers by close of business on 5 December 2018 failing which Werksmans will deliver the Curator's Replying Affidavit.

15. The four retrenched employees were paid their severance benefits (calculated in line with the Basic Conditions of Employment Act) less any monies due to the Fund during November 2018. Two of the employees did not receive any payment as the money owed to the Fund exceeds their severance package.
16. A draft pre-arbitration minute was prepared and provided to Day & Schilling Attorneys who represents the four retrenched employees. We are awaiting feedback from Day & Schilling Attorneys regarding their amendments, if any, to the pre-arbitration minute.
17. The CCMA has confirmed that the retrenched employees failed to file their request for arbitration at the CCMA. Notwithstanding the ninety-day period to refer a matter to arbitration, the CCMA has archived the matter. The matter is thus dormant pending the Retrenched Employees filing such referral with the CCMA.
18. Three of the four retrenched employees were paid their adjusted member shares as pension benefit as the top up in accordance with Rule 38A of the Rules of the Fund and the Retrenchment Agreement is subject to a High Court Application. The Fund responded to the Adjudicator on 26 November 2018.
19. As previously reported, the Clerk Grade II Financial Administration Division tendered her resignation on 18 October 2018. She has agreed to assist the Fund as a contractor for a period of three months. A contract concluded between the Fund and the staff member on 30 November 2018. The necessity to extend the contract will be revisited during February 2019.
20. As at 30 November 2018, there are two vacancies on the executive committee of the Fund. In this regard, the Curator has been in regular contact with the current board and the FSCA regarding the filling of these vacancies. Further feedback will be provided in the next Progress Report.

Financial status of the Fund

21. BDO South Africa Incorporated provided us with a report on 26 November 2018, which sets out material items that came to their attention during the course of their audit work. We are in the process of responding to BDO South Africa Incorporated's letter in order to sign off the financial statements for the year ended 30 June 2018.
22. BDO South Africa Incorporated have indicated that they will issue a qualified audit opinion due to the issues identified relating to the member individual credits and accumulated funds.
23. The Curator agreed with the board that the AGM will be held during February 2019 during which feedback will be provided on the financial statements as well as the investment strategy of the Fund.
24. Based on the statutory valuation and advice from the Fund's Actuary, the pensioners received an increase on their normal monthly pensions as well as their annual 13th cheque during November 2018 on the increased amount.

25. In addition, the Fund will make the necessary back payments for CPI catch up during December 2018. A letter setting out the increase as well as back payment has been prepared and will be mailed to members during the first week of December 2018.
26. The Actuary has recommended an annual pension increase in January 2019 of 3.7%. The increase will be communicated to members in the same letter as mentioned before.

Criminal conduct and/or other misconduct identified

27. Our investigation into the alleged irregularities involving the former Principal Officer and other individuals, as well as assessing some of the board of trustees' decisions that resulted in the irregularities at the Fund, is still ongoing.
28. We continue with conducting interviews with relevant parties identified based on our investigation.

Conclusion

29. I maintain regular contact with the FSCA and my investigation into the abovementioned financial affairs and conduct of the Fund is still ongoing.



MN/Campbell

Curator

30 November 2018