


NATIONAL FUND FOR MUNICIPAL WORKERS

RULES


These revised rules are effective from 1 NOVEMBER 2008.

LH K


Certified that these are the rules of the NATIONAL FUND FOR MUNICIPAL WORKERS effective from 01 November 2008.


.....
Chairman of the Board of Trustees

13/11/08
.....
Date


.....
Trustee

13/11/2008
.....
Date


.....
Principal Officer

11 November 2008
.....
Date

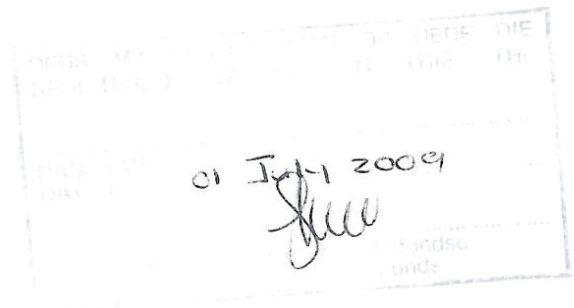




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PART 1.

ESTABLISHMENT and OBJECT of the FUND

- 1.1 A retirement fund known as “Voorsorgfonds vir Plaaslike Owerhede” was established on 01 July 1987.

With effect from 01 June 1997 the name of the fund was changed to IMATU Retirement Fund, and with effect from 01 November 2000 the name of the fund was changed again to the NATIONAL FUND FOR MUNICIPAL WORKERS (“the FUND”).

With effect from 01 November 2008 (“the EFFECTIVE DATE”) the RULES of the FUND were consolidated to incorporate all previous amendments, and to ensure compliance with the latest provisions of the Pension Funds Act, as amended up to and including that date.

It is hereby certified that these are the RULES of the FUND effective from the EFFECTIVE DATE. If the registration of these rules in terms of the ACT is effected later than 01 November 2008, the rules will nevertheless take effect from 01 November 2008.

- 1.2 The registered office of the FUND is:

Sanlam Hatfield

Cnr. Festival and Arcadia Streets

Hatfield

Pretoria.

- 1.3 The object of the FUND is to provide benefits for its MEMBERS on their retirement or withdrawal, and for their DEPENDANTS or NOMINEES in the event of the death of such MEMBERS.

1.4 The FUND is an independent corporate body with legal persona existing separately from its MEMBERS, beneficiaries and other persons, and is in its own name capable in law of suing and being sued and of acquiring, holding and alienating property, movable and immovable, and of acquiring rights and obligations.

PART 2.

DEFINITIONS

In these RULES words defined in the ACT and not in the RULES shall have the meanings assigned to them in the ACT and, unless inconsistent with the context, all words and expressions signifying the singular shall include the plural and vice versa, words and expressions implying the masculine gender shall include the feminine, and the following words and expressions shall have the following meanings:

ACT : The Pension Funds Act, 1956 (Act 24 of 1956), as amended, and the regulations made there under.

ACTUARY : An ACTUARY appointed by the BOARD OF TRUSTEES in terms of these RULES and the ACT.

ADJUDICATOR : The Pension Funds Adjudicator appointed in terms of the ACT.

ADMINISTRATOR : An organisation appointed by the BOARD OF TRUSTEES to administer the FUND and or its investments for the time being in terms of these RULES and the ACT.

APPROVED FUND : A Pension, Provident, Preservation or Retirement Annuity Fund, as appropriate, approved as such by the COMMISSIONER. Eligibility for membership of an approved Preservation Fund will be subject to the requirements of the COMMISSIONER.

APPROVED INVESTMENT PORTFOLIOS : The list of investment portfolios selected and approved by the BOARD OF TRUSTEES from time to time, in accordance with its declared investment policy, for the investment of the monies of the FUND in terms of these RULES.

AUDITOR : An AUDITOR appointed by the BOARD OF TRUSTEES in terms of these RULES and the ACT.

BOARD OF TRUSTEES : The BOARD OF TRUSTEES constituted to manage the FUND in terms of these RULES and the ACT.

CAPE METRO MEMBER : An OLD FUND MEMBER who immediately prior to 01 November 1998 was an employee of one of the following LOCAL AUTHORITIES -

- Cape Town Municipality
- Cape Metropolitan Council
- Tygerberg Municipality
- Blouberg Municipality
- South Peninsula Municipality

and, as such, was a member of the Cape Municipal Pension Fund, and elected to become a member of the National Pension Fund for Municipal Workers, and to transfer his interest that existed in that fund on 31 October 1998 to the National Pension Fund for Municipal Workers on 01 November 1998, but also to become a MEMBER of this FUND on 01 November 1998 and to make contributions to this FUND.

CATEGORY A-MEMBER : A MEMBER whose main pension interest is in another fund in the Local Government sector and who -

- (a) joined the FUND prior to 01 June 1997 for purposes of supplementing his retirement benefits and who elected to continue on that basis; or
- (b) became a MEMBER on or after 01 June 1997, also for the purposes of supplementing his retirement benefits and who therefore elected to contribute at least 2% of his REMUNERATION.

CATEGORY B-MEMBER : A MEMBER with dual membership of both Category A and Category C of the FUND.

CATEGORY C-MEMBER : A MEMBER who -

- (a) became a MEMBER on or after 01 June 1997 and who contributes to the FUND an amount equal to a percentage of his REMUNERATION as agreed between the particular LOCAL AUTHORITY and the MEMBER; and
- (b) who also elected to transfer his membership of the OLD FUND to this FUND and to divert the contributions that he used to make to the OLD FUND to this FUND.

COMMENCEMENT DATE : 1 July 1987

COMMISSIONER : The COMMISSIONER for Inland Revenue.

CONTRACT WORKER : An eligible employee who either on the date of entering service of the particular LOCAL AUTHORITY or through a change to the employee's / MEMBER'S current conditions of service is appointed on a contract basis in terms of section 57 of the Local Government Municipal Systems Act (Act 32 of 2000), as amended. Whose pensionable remuneration levels are not determined by agreement at the South African Local Government Bargaining Council, or whose contract of employment permits him to determine his own level of pensionable remuneration.

CONTRIBUTIONS FOR RETIREMENT BENEFITS : The contributions made to the FUND by and on behalf of a MEMBER, less the following expenses per MEMBER:

- (a) the cost of any risk benefits secured for the MEMBER in terms of the NATIONAL GROUP LIFE INSURANCE SCHEME FOR MUNICIPAL WORKERS, and
- (b) a pro-rata amount to cover the cost of administering the FUND, together with any other costs incurred by the FUND in respect of each MEMBER (inclusive of Value Added Tax).

DEPENDANT :

- (a) A person in respect of whom the MEMBER is legally liable for maintenance;
- (b) A person in respect of whom the MEMBER is not legally liable for maintenance, if such person,
 - (i) was in the opinion of the BOARD OF TRUSTEES, upon the death of the MEMBER in fact dependent on the MEMBER for maintenance,
 - (ii) is the SPOUSE of the MEMBER, or
 - (iii) is a child of the MEMBER, including a posthumous child, an adopted child and a child born out of wedlock;
- (c) A person in respect of whom the MEMBER would have become legally liable for maintenance, had the MEMBER not died.

DEFAULT INVESTMENT PORTFOLIO : Such one or more APPROVED INVESTMENT PORTFOLIOS selected by the BOARD OF TRUSTEES from time to time, in accordance with its declared investment policy, for the investment of contributions and other amounts in respect of which a MEMBER has failed to select a NOMINATED INVESTMENT PORTFOLIO.

EFFECTIVE DATE : 01 November 2008

ELIGIBLE EMPLOYEE : A person who is in a permanent capacity in the service of a participating LOCAL AUTHORITY or; who is employed in a part-time capacity in the service of a participating LOCAL AUTHORITY or who is appointed as a CONTRACT EMPLOYEE in the service of a participating LOCAL AUTHORITY.

A MEMBER who was an active MEMBER of the FUND immediately prior to 01 June 1997 will continue to qualify as an ELIGIBLE EMPLOYEE thereafter.

EMPLOYER : The LOCAL AUTHORITY, administrative unit or organisation that is currently recognised as the successor in business of a LOCAL AUTHORITY or department within a LOCAL AUTHORITY, by whom the MEMBER is or was last employed.

EMPLOYER'S ORGANISATION : The National Organisation as defined in the Organised Local Government Act, No. 52 of 1997.

FINANCIAL YEAR : Each 12 month period ending on 30 June.

FUND : The NATIONAL FUND FOR MUNICIPAL WORKERS.

FUND ADVISORY COMMITTEE : An advisory body to the BOARD OF TRUSTEES as outlined in these RULES.

FUND ANNIVERSARY : The first day of July in each year.

FUND INTEREST : Any income (received and accrued), less an allowance for any tax and part or all of any expenses (paid and accrued) incurred in the management of the FUND, and capital gains and losses (realized and unrealized), of the FUND. FUND INTEREST may be positive or negative and shall be allocated to all MEMBER'S SHARES in terms of these RULES, on such equitable basis as the BOARD OF TRUSTEES, in consultation with the ACTUARY, determine in their reasonable discretion from time to time having regard to the objective of maintaining administrative simplicity as far as possible, and at all times ensuring that the value of the total liabilities of the FUND does not exceed the value of the FUND'S total assets. Any variation in the basis of allocation may be with or without retrospective effect. The basis to be used in allocating FUND INTEREST and any changes in such basis from time to time shall be recorded by the BOARD OF TRUSTEES. Where contributions paid by or in respect of different MEMBERS are invested in different types of investment, the FUND INTEREST relating to each type of investment will be allocated equitably among the MEMBERS whose contributions are invested in that type of investment.

INSURER : An INSURER registered in terms of the Long Term Insurance Act, 1998.

INVESTMENT INSURANCE CONTRACT : An investment insurance policy issued to the FUND by an INSURER.

INVESTMENT MANAGEMENT CHARGE : Any fee charged by an individual or portfolio management company appointed in terms of the RULES to manage all or a portion of the assets of the FUND.

LIQUIDATOR : A person appointed by the BOARD OF TRUSTEES to liquidate the FUND or a part of the FUND in terms of Section 28 of the ACT.

LOCAL AUTHORITY : A local authority as defined in Section 1 of the Income Tax Act (Act No. 58 of 1962) as amended, in the Municipal Structures Act (Act No. 117 of 1998) and in the Municipal Systems Act (Act No. 32 of 2000), which participates in the FUND with the consent of the BOARD OF TRUSTEES, and agrees to be bound by the RULES.

Where appropriate, LOCAL AUTHORITY shall include an administrative unit or organisation that is recognised as the successor in business to a LOCAL AUTHORITY or department within a LOCAL AUTHORITY.

MEMBER : An ELIGIBLE EMPLOYEE whose membership of the FUND has been registered with the FUND by his EMPLOYER and who participates in the FUND.

MEMBER'S SHARE : The total amount held by the FUND on behalf of each MEMBER, as described in RULE 5, and payable to the MEMBER or his DEPENDANTS or NOMINEES in terms of the RULES of the FUND.

MEMBER'S TRANSFER CREDIT : The amount, if any, that was transferred from the OLD FUND to be applied to the MEMBER'S SHARE at the TRANSFER DATE.

NATIONAL GROUP LIFE INSURANCE SCHEME FOR MUNICIPAL WORKERS: The group life insurance scheme in terms of which the death benefits, family benefits, accident benefits (if applicable) and the full disability benefits are provided for the MEMBERS of this FUND, who automatically become members

of the National Group Life Insurance Scheme for Municipal Workers and the contributions payable by the MEMBERS and their EMPLOYERS to the NATIONAL GROUP LIFE INSURANCE SCHEME FOR MUNICIPAL WORKERS are directed to the Scheme via the FUND.

NOMINATED INVESTMENT PORTFOLIO : Such one or more APPROVED INVESTMENT PORTFOLIOS selected by a MEMBER for the investment of his own contributions and contributions made by the LOCAL AUTHORITY on his behalf, or selected by the BOARD OF TRUSTEES for the investment of unclaimed benefits, in terms of the RULES.

NOMINEE : A person, including a DEPENDANT, or an institution or a trust which is nominated by a MEMBER in terms of the RULES and the ACT to be considered to receive benefits on his death.

NORMAL RETIREMENT AGE : Age 65 years, provided that in the case of a CATEGORY A-MEMBER the NORMAL RETIREMENT AGE is the age on which the MEMBER would have retired in terms of the rules of the OLD FUND.

NORMAL RETIREMENT DATE : The last day of the month in which the MEMBER attains NORMAL RETIREMENT AGE.

OLD FUND : A retirement fund in which the MEMBER participated immediately prior to the TRANSFER DATE.

OLD FUND MEMBER : A MEMBER who was a member of the OLD FUND immediately prior to the TRANSFER DATE, and who remained a MEMBER of the FUND uninterruptedly thereafter.

PRINCIPAL OFFICER : The PRINCIPAL OFFICER of the FUND appointed by the BOARD OF TRUSTEES in terms of these RULES and the ACT.

REGISTRAR : The Registrar of Pension Funds.

REMUNERATION : The basic salary or wages a MEMBER receives from the LOCAL AUTHORITY, together with any amount on which the FUND and the LOCAL AUTHORITY agree which represents the value of other forms of remuneration which the MEMBER receives from the LOCAL AUTHORITY.

REPRESENTATIVE EMPLOYERS' ORGANISATION : One or more registered employers' organisations acting jointly, whose members employ at least 30% of the employees in a sector and area.

RULES : The rules of the FUND contained herein, as amended from time to time.

SERVICE CHARGE : A charge on contributions paid to the FUND as determined by the ADMINISTRATOR from time to time, and agreed with the BOARD OF TRUSTEES, in terms of the administration service agreement.

SPOUSE : A person who is the permanent life partner or spouse or civil union partner of a MEMBER, as defined in the ACT.

TRANSFER DATE : the actual date on which an OLD FUND MEMBER became a MEMBER of the FUND.

TRUSTEES: The representatives constituting the BOARD OF TRUSTEES established in terms of these RULES.

PART 3.

MEMBERSHIP

3.1 Eligibility

- 3.1.1 Any LOCAL AUTHORITY may participate in the FUND, subject to the approval of the BOARD OF TRUSTEES on receipt of a written application.
- 3.1.2 ELIGIBLE EMPLOYEES who are members of the FUND at the EFFECTIVE DATE shall automatically remain MEMBERS of the FUND on that date.
- 3.1.3 Thereafter, all ELIGIBLE EMPLOYEES may join the FUND from the date specified in RULE 3.2, provided they are under the NORMAL RETIREMENT AGE as at that date.

3.2 Participation

- 3.2.1 Membership as a CATEGORY A-MEMBER is compulsory for every ELIGIBLE EMPLOYEE of a participating LOCAL AUTHORITY.
- 3.2.2 An ELIGIBLE EMPLOYEE of a LOCAL AUTHORITY that participated in the FUND prior to 01 June 1997, who had entered the service of that LOCAL AUTHORITY prior to that date and who remained in the service of the LOCAL AUTHORITY uninterrupted thereafter, but who was not a MEMBER of the FUND at that date, was given a once-off option to become a MEMBER of the FUND within twelve months from 01 June 1997.
- 3.2.3 Every new employee who enters the service of a LOCAL AUTHORITY on or after 01 June 1997 must become a CATEGORY A-MEMBER and a CATEGORY C-MEMBER as from the date on which he first qualifies for membership, unless he becomes a member of one of the other

retirement arrangements in which the LOCAL AUTHORITY participates. The once-off choice must be exercised within three months from the date of his appointment with the LOCAL AUTHORITY.

3.2.4 A MEMBER shall not be permitted to withdraw from membership while he remains in service of a participating LOCAL AUTHORITY and is an ELIGIBLE EMPLOYEE, except where the MEMBER transfers to another retirement fund in which his EMPLOYER participates.

3.2.5 A MEMBER who has left the service of his EMPLOYER for any reason and has received all the benefits which may be due to him in terms of these RULES shall immediately cease to be a MEMBER.

PART 4.

CONTRIBUTIONS

4.1 MEMBER Contributions

4.1.1 MEMBERS, other than CATEGORY A-MEMBERS and CATEGORY B-MEMBERS shall make monthly contributions to the FUND equal to a percentage of their REMUNERATION as agreed between the LOCAL AUTHORITY and the MEMBER, less the amount of the MEMBER'S contributions that are payable to the NATIONAL GROUP LIFE INSURANCE SCHEME FOR MUNICIPAL WORKERS, administered together with this FUND.

Notwithstanding any provision to the contrary contained in the agreement, the monthly contributions must at least equal the monthly contributions made by the MEMBER to the OLD FUND immediately prior to the date on which he became a MEMBER of the FUND, subject to an absolute minimum contribution of 5% of his REMUNERATION per month.

4.1.2 CATEGORY A-MEMBERS shall make monthly contributions to the FUND equal to at least 2% of their REMUNERATION, less the amount of the MEMBER'S contributions that are payable to the NATIONAL GROUP LIFE INSURANCE SCHEME FOR MUNICIPAL WORKERS, administered together with this FUND.

4.1.3 CATEGORY B-MEMBERS shall make monthly contributions to the FUND equal to the contributions described in RULE 4.1.1 together with an additional amount equal to at least 2% of their REMUNERATION, less the amount of the MEMBER'S contributions that are payable to the NATIONAL GROUP LIFE SCHEME FOR MUNICIPAL WORKERS, administered together with this FUND.

- 4.1.4 If a MEMBER'S membership commences on or after the 15th of a month, no contributions will be payable for that month, and payment of contributions will commence the following month.

4.2 Contributions by the LOCAL AUTHORITY

- 4.2.1 The LOCAL AUTHORITY shall make a monthly contribution in respect of each MEMBER, other than a CATEGORY A-MEMBER and a CATEGORY B-MEMBER equal to the percentage as described in the agreement between the LOCAL AUTHORITY and the FUND.

Notwithstanding any provision to the contrary contained in the agreement, the monthly contributions must be at least equal to the monthly contributions made by the LOCAL AUTHORITY to the OLD FUND in respect of such an employee immediately prior to the date on which he became a MEMBER of the FUND, subject to an absolute minimum contribution of 5% of his REMUNERATION per month, less the amount of the LOCAL AUTHORITY'S contributions that are payable to the NATIONAL GROUP LIFE INSURANCE SCHEME FOR MUNICIPAL WORKERS, administered together with this FUND.

- 4.2.2 In the case of a CATEGORY A-MEMBER the LOCAL AUTHORITY shall make a monthly contribution to the FUND equal to at least 2% of the MEMBER'S REMUNERATION, less the amount of the LOCAL AUTHORITY'S contributions that are payable to the NATIONAL GROUP LIFE INSURANCE SCHEME FOR MUNICIPAL WORKERS, administered together with this FUND.
- 4.2.3 In the case of a CATEGORY B-MEMBER the LOCAL AUTHORITY shall make a monthly contribution equal to the contributions described in RULE 4.2.1, together with an additional monthly contribution equal to at least 2% of the MEMBER'S REMUNERATION, less the amount of the LOCAL AUTHORITY'S contributions that are payable to the NATIONAL

GROUP LIFE INSURANCE SCHEME FOR MUNICIPAL WORKERS, administered together with this FUND.

4.2.4 If a MEMBER'S membership commences on or after the 15th of a month, no contributions will be payable for that month, and payment of contributions will commence the following month.

4.2.5 Contributions by the LOCAL AUTHORITY in terms of this RULE shall be applied in the following manner:

(i) A pro-rata amount to cover the SERVICE CHARGE and any other costs incurred by the FUND in respect of each MEMBER (inclusive of value-added tax), will be deducted.

(ii) The balance remaining after any deduction in terms of Rule 4.2.5.(i) will be the LOCAL AUTHORITY'S net retirement funding contributions and will be applied towards providing the MEMBER'S retirement benefits.

4.3 Payment of Contributions

MEMBER contributions will be deducted by the LOCAL AUTHORITY from the MEMBER'S pay at the end of each month. The first deduction will be made from the MEMBER'S pay at the end of the first month during which the MEMBER commenced contributing. These contributions, together with the LOCAL AUTHORITY contributions in terms of RULE 4.2. will be paid by the LOCAL AUTHORITY into the FUND'S bank account within a period of seven days from the end of the calendar month to which such contributions relate. The BOARD OF TRUSTEES and/or the ADMINISTRATOR will immediately notify the REGISTRAR should payment not be made within a period of two months following the expiry of the seven-day period.

4.4 Late payment of Contributions

If the LOCAL AUTHORITY does not make payment of the contributions within the period specified in RULE 4.3, the LOCAL AUTHORITY shall pay interest on such contributions at a rate equal to the rate prescribed in the ACT from time to time.

Interest paid to the FUND by the LOCAL AUTHORITY in these circumstances shall be credited to and form part of the MEMBER'S SHARE of the relevant MEMBERS concerned.

4.5 Changes in Contribution Rates

Any change in the contribution rates of the LOCAL AUTHORITY and the MEMBERS may only occur by means of collective bargaining.

4.6 Additional Voluntary Contributions

MEMBERS may make additional voluntary contributions and the LOCAL AUTHORITY may also make additional contributions in respect of any period before commencement of the MEMBER'S membership. The past period which is allocated for a specific contribution is determined as if contributions for past periods are payable at the same rate at which current contributions are payable.

PART 5.

MEMBER'S SHARE

- 5.1 Each MEMBER'S SHARE shall consist of:
- 5.1.1 The MEMBER'S TRANSFER CREDIT at the TRANSFER DATE (if any); **plus**
 - 5.1.2 the net retirement funding contributions made by the MEMBER to the FUND in terms of RULE 4.1; **plus**
 - 5.1.3 the net retirement funding contributions made by the EMPLOYER to the FUND on behalf of that MEMBER thereafter, in terms of RULE 4.2.5.(ii); **plus**
 - 5.1.4 additional voluntary contributions in terms of RULE 4.6; **plus**
 - 5.1.5 FUND INTEREST thereon as determined by the BOARD OF TRUSTEES; **less**
 - 5.1.6 any amount determined in terms of RULE 7.4; **less**
 - 5.1.7 any amount assigned from the MEMBER'S FUND ACCOUNT to the MEMBER'S SPOUSE, or any other person, in terms of RULE 9.5, if applicable; **less**
 - 5.1.8 any amount deductible from the MEMBER'S FUND ACCOUNT as allowed in terms of the ACT; **less**
 - 5.1.9 any administrative costs not provided for elsewhere in these RULES, as decided by the BOARD OF TRUSTEES.
- 5.2 Notwithstanding the provisions of RULE 5.1 no investments or assets belonging to the FUND shall vest in the name of an individual MEMBER or body of

MEMBERS, and all the assets belonging to the FUND shall be registered in the name of the FUND or nominee company approved by the BOARD OF TRUSTEES.

PART 6.

RETIREMENT BENEFITS

6.1 Retirement Date

A pension shall become payable to a MEMBER on:

- 6.1.1 Retirement at the NORMAL RETIREMENT DATE;
- 6.1.2 Retirement before the NORMAL RETIREMENT DATE (early retirement);

The MEMBER may retire at any date within the ten year period preceding his NORMAL RETIREMENT DATE except in the case of ill-health when retirement can take place at any time, provided the LOCAL AUTHORITY is satisfied that the MEMBER has become incapable of efficiently continuing his duties;

- 6.1.3 Retirement after NORMAL RETIREMENT DATE (late retirement);

If the MEMBER so wishes and the LOCAL AUTHORITY is agreeable, the MEMBER may retire on the last day of any month after his NORMAL RETIREMENT DATE. Contributions shall continue to be payable in respect of the MEMBER during continuous service beyond the NORMAL RETIREMENT DATE.

6.2 Amount of Retirement Benefit

The amount of retirement benefit payable in respect of any MEMBER who retires shall be equal to the pension that can be purchased by the balance of the MEMBER'S SHARE, determined at the date of retirement.

6.3 Commutation Option

On retirement a MEMBER may elect to commute for a cash sum the whole or part of the pension in terms of RULE 6.2, or such lesser amount as may be permitted by the relevant legislation from time to time.

6.4 Purchase of Pensions

Any pension which becomes due in terms of these RULES shall, after any commutation thereof as provided for in these RULES, be purchased from one or more INSURERS approved by the BOARD OF TRUSTEES. In this event an annuity or annuities shall be purchased in the MEMBER'S name and shall be in full and final settlement of the benefits payable in terms of these RULES.

Any annuity so purchased shall be a compulsory, non-commutable, non-assignable annuity underwritten by the INSURER and payable for the lifetime of the MEMBER. The amount of the annuity will be determined by the rates available from the selected INSURER at the time and the type of annuity selected by the MEMBER or other beneficiary, as the case may be. The annuity shall make allowance for increases and for the MEMBER'S SPOUSE and/or other dependants in the manner determined by the MEMBER, in accordance with the practice adopted by the BOARD OF TRUSTEES from time to time.

The purchase of any annuity and the transfer of liability in respect thereof, is subject to such conditions and requirements as the REGISTRAR and the COMMISSIONER shall require from time to time. Once liability for the payment of the pension has been transferred to the INSURER, the provisions of these RULES and the ACT shall cease to apply.

In the event of the death of the MEMBER thereafter, any benefits payable shall be in terms of the annuity policy or policies issued to the MEMBER by the INSURER.

PART 7.

DEATH BENEFITS

7.1 Amount of Benefit

If a MEMBER dies whilst in the service of the LOCAL AUTHORITY either before or after the NORMAL RETIREMENT DATE, the MEMBER'S SHARE at the date of death, or at the date on which the amount of the benefit is calculated, if later, will become payable in cash.

7.2 Payment of Death Benefits

7.2.1 Each MEMBER is required to provide the BOARD OF TRUSTEES with details of all of his DEPENDANTS as defined in these RULES, and any other persons in respect of whom the MEMBER is liable for maintenance. A MEMBER may also nominate in writing to the BOARD OF TRUSTEES one or more NOMINEES to receive the benefits payable from the FUND in the event of his death, or such portion thereof as he may specify in writing to the BOARD OF TRUSTEES. A nomination hereunder shall not vest any right in the NOMINEE during the lifetime of the MEMBER, who may change the nomination at any time in writing to the BOARD OF TRUSTEES, and any nomination shall automatically lapse in the event that the NOMINEE predeceases the member, or a new nomination is lodged by the MEMBER with the BOARD OF TRUSTEES.

7.2.2 The death benefits will be payable in terms of section 37C of the ACT to such one or more of the MEMBER'S DEPENDANTS or to a guardian or trustee for the benefit of such DEPENDANTS and in such proportions as the BOARD OF TRUSTEES deems equitable, taking any nomination made by the MEMBER in accordance with RULE 7.2.1 into account.

- 7.2.3 If, however, within a period of twelve months following after the date of the MEMBER'S death, the BOARD OF TRUSTEES does not become aware of or cannot trace any DEPENDANT, and the MEMBER has nominated in writing to the BOARD OF TRUSTEES one or more NOMINEES who are not DEPENDANTS, the benefit, or such portion thereof as the MEMBER specified in writing to the BOARD OF TRUSTEES, shall be paid to one or more of such NOMINEES, provided that if the aggregate amount of debts in the MEMBER'S estate exceeds the aggregate amount of assets in his estate, so much of such death benefit as is equal to the difference between such amount of debts and such amount of assets shall be paid into the MEMBER'S estate and the balance (if any) to one or more of the NOMINEES as the BOARD OF TRUSTEES deems equitable, taking account of the MEMBER'S nomination.
- 7.2.4 If the MEMBER has a DEPENDANT and the MEMBER has also designated in writing a NOMINEE to receive the benefit or such portion of the benefit as is specified by the MEMBER in writing to the BOARD OF TRUSTEES, the benefit or such portion thereof shall, within twelve months of the death of the MEMBER, be paid to such DEPENDANT or NOMINEE in such proportions as the BOARD OF TRUSTEES may deem equitable, taking account of the MEMBER'S nomination.
- 7.2.5 If the BOARD OF TRUSTEES does not become aware of or cannot trace any DEPENDANT of the MEMBER within twelve months of the death of the MEMBER and if the MEMBER has not designated a NOMINEE, or if the MEMBER'S designation of a NOMINEE, for whatever reason, is no longer in force, or if the MEMBER has designated in writing a NOMINEE to receive a portion of the benefit, the benefit or the remaining portion of the benefit after payment to the designated NOMINEE, shall be paid into the MEMBER'S estate, or if no inventory in respect of the MEMBER has been received by the Master of the Supreme Court, into the Guardian's Fund.

- 7.2.6 Where felt appropriate by the BOARD OF TRUSTEES, in accordance with the provisions of the ACT, any payment made to a beneficiary in terms of RULE 7 may be made for the benefit of such beneficiary to a guardian or a curator or a trustee contemplated in the Trust Property Control Act, 1988, other than an official of the FUND, and such payment shall relieve the FUND of any further liability regarding such beneficiary.
- 7.2.7 The BOARD OF TRUSTEES may at any time, on good cause shown, alter its decision to make a payment to any particular person, and
- 7.2.8 if a person to whom the BOARD OF TRUSTEES has decided a benefit should be paid dies before payment of such benefit has been completed, the BOARD OF TRUSTEES, at its discretion, may pay the benefit into the estate of such beneficiary or to another beneficiary.
- 7.2.9 The BOARD OF TRUSTEES reserves the right to direct that the whole or part of the benefit payable in terms of RULE 7.2 payable to a DEPENDANT or NOMINEE be paid in instalments in which event the provisions of RULE 7.3 shall apply.

7.3 Payment of Death Benefits in Instalments

- 7.3.1 The BOARD OF TRUSTEES may direct that a death benefit payable to a minor DEPENDANT or minor NOMINEE be paid in more than one instalment in such amounts as the BOARD OF TRUSTEES may from time to time consider appropriate and in the best interests of such DEPENDANT or NOMINEE, provided that:
- (i) interest at a reasonable rate having regard to the fund return earned by the FUND is added to the outstanding balance at such times as the BOARD OF TRUSTEES may determine, and
 - (ii) any balance owing to such DEPENDANT or NOMINEE at the date on which he attains majority or dies, whichever occurs first, shall be paid in full.

7.3.2 A death benefit payable to a major DEPENDANT or major NOMINEE may be paid in more than one instalment if the DEPENDANT or NOMINEE has consented thereto in writing, provided that:

- (i) the amount of each payment, intervals between payments, interest to be added and other terms and conditions are set out in the written agreement, and
- (ii) the agreement may be cancelled by either party by giving written notice. In which event the balance due to the DEPENDANT or NOMINEE shall be paid in full within 90 days of such cancellation.

7.4 Costs incurred by the FUND

If any costs are incurred by the BOARD OF TRUSTEES on behalf of the FUND as a consequence of tracing any potential beneficiaries in order to give effect to the provisions of Section 37C of the ACT, or in giving effect to the payment of a benefit in instalments in terms of RULE 7.3, such reasonable costs may, at the discretion of the BOARD OF TRUSTEES, be recovered from the MEMBER'S SHARE, in terms of RULE 5.1, before the amount of the death benefit payable in terms of RULE 7.1 is determined.

PART 8.

WITHDRAWAL BENEFITS

8.1 Termination of Service

If a MEMBER'S service with the LOCAL AUTHORITY is terminated before the NORMAL RETIREMENT DATE (whether voluntarily by the Member or as a result of dismissal or any other reason), and he is not entitled to retirement benefits from the FUND, he may exercise one of the following options, subject to Rule 8.2:

Cash Lump Sum benefit:

The MEMBER may choose that a cash lump sum benefit equal to the balance in his MEMBER'S SHARE at the date of leaving service, or at the date on which the amount of the benefit is calculated, if later, be paid to him.

Transfer to another fund:

The MEMBER may choose that an amount be transferred for him to an APPROVED FUND. The amount of this transfer benefit is equal to the cash lump sum benefit.

Preservation of withdrawal benefit

The member may choose that the withdrawal benefit be preserved for him / her in the Fund until the Retirement Age or death of the member.

8.2 Special limitations on the options

Any option which is chosen in terms of this Part is irrevocable.

If the MEMBER does not choose an option in terms of this Part within three months of his termination of service, he is deemed to have chosen the cash lump sum benefit.

8.3 MEMBER Joining another Participating LOCAL AUTHORITY

If a MEMBER who resigns and immediately enters the service of another LOCAL AUTHORITY that participates in the FUND, the MEMBER may elect to retain his benefit in the FUND, in which event no benefit will be paid in cash.

8.4 Termination of Service due to Retrenchment or Redundancy

If the service of a MEMBER, other than a CONTRACT WORKER is terminated before NORMAL RETIREMENT DATE due to retrenchment or redundancy, and he is not entitled to retirement benefits from the FUND, the same provisions as described in RULE 8.1 apply, except that in addition to those benefits, the smaller of the following is also payable:

(a) an amount calculated by multiplying the MEMBER'S SHARE with 8 % and then multiplying the product with the difference in full years between the MEMBER'S NORMAL RETIREMENT AGE and his age on his next birthday; and

(b) the MEMBER'S SHARE,

provided that this additional amount must be paid to the FUND by the LOCAL AUTHORITY concerned before payment can be made to the MEMBER.

The provisions of this RULE shall not apply to employees appointed after 1 July 2006 by the City of Cape Town, who become MEMBERS of the FUND.

PART 9.

GENERAL PROVISIONS

9.1 Temporary Absence

If a MEMBER is absent from service and such absence is authorised by the LOCAL AUTHORITY, the payment of contributions by the MEMBER and the LOCAL AUTHORITY in respect of the MEMBER may continue during the period of absence, based upon the REMUNERATION received by the MEMBER immediately prior to the period of absence, unless the BOARD OF TRUSTEES and the LOCAL AUTHORITY agree to use some other amount.

Alternatively, the MEMBER may, with the consent of the LOCAL AUTHORITY, suspend his contributions to the FUND, in which case the LOCAL AUTHORITY'S contributions to the FUND in respect of the MEMBER shall also be suspended.

9.2 Proof of Age/Identity

Proof of age or identity to the satisfaction of the BOARD OF TRUSTEES is required in respect of the MEMBER and of any other person to whom a benefit may be payable in terms hereof, before the payment of any benefit is to be made, unless the BOARD OF TRUSTEES specifies otherwise.

9.3 Complaints

A Complainant, as defined in the ACT, who has a complaint relating to the administration of the FUND or the investment of the monies of the FUND or the interpretation and application of the RULES is entitled to lodge a written complaint with the PRINCIPAL OFFICER or the BOARD OF TRUSTEES in terms of Section 30A of the ACT.

A complaint so lodged shall be properly considered and replied to in writing by the PRINCIPAL OFFICER or the BOARD OF TRUSTEES within 30 days of receipt of such complaint.

If the Complainant is not satisfied with the reply received, or if the PRINCIPAL OFFICER or the BOARD OF TRUSTEES fails to reply within 30 days of receipt of the complaint, the Complainant will be entitled to lodge the complaint with the ADJUDICATOR.

9.4 Deductions from Benefits

Any benefit payable in respect of a MEMBER or a DEPENDANT in terms of these RULES on a MEMBER'S retirement or termination of membership for any reason is subject to a deduction of any amount due in respect of:

- 9.4.1 (a) a housing loan granted by the FUND or a financial institution to the MEMBER, or
- (b) an amount for which the FUND is liable under a guarantee furnished in respect of a loan granted by a financial institution to the MEMBER;
- 9.4.2 as compensation (including legal costs recoverable from the MEMBER) in respect of any loss suffered by the LOCAL AUTHORITY as a result of any theft, misconduct, fraud or dishonesty on the MEMBER'S part for which the MEMBER has admitted liability in writing or in respect of which the LOCAL AUTHORITY has obtained a Court Order.

Notwithstanding any other provisions of these RULES, the BOARD OF TRUSTEES may, where the LOCAL AUTHORITY has instituted legal proceedings in a court of law and/or laid a criminal charge against the MEMBER concerned for compensation in respect of damage caused to the LOCAL AUTHORITY as contemplated in Section 37D of the ACT, withhold payment of the benefit until such time as the matter has

been finally determined by a competent court of law or has been settled or formally withdrawn, provided that:

- (i) the amount withheld shall not exceed the amount that may be deducted in terms of Section 37D(b)(ii) of the ACT;
- (ii) the BOARD OF TRUSTEES in their reasonable discretion are satisfied that the LOCAL AUTHORITY has made out a prima facie case against the MEMBER concerned and there is reason to believe that the LOCAL AUTHORITY has reasonable chance of success in the proceedings that have been instituted;
- (iii) the BOARD OF TRUSTEES are satisfied that the LOCAL AUTHORITY is not at any stage of the proceedings responsible for any undue delay in the prosecution of the proceedings;
- (iv) once the proceedings have been determined, settled or withdrawn, any benefit to which the MEMBER is entitled is paid forthwith; and
- (v) the BOARD OF TRUSTEES, at the express written request of a MEMBER whose benefit is withheld, may, if applicable and practical, permit the value of the MEMBER'S benefit at the time of such request to be isolated, in whatever manner the BOARD OF TRUSTEES believe appropriate, from the possibility of a decrease therein as a result of poor investment performance.

9.4.3 by arrangement with, and on behalf of, a MEMBER or beneficiary the FUND may pay -

- (i) the MEMBER'S or beneficiary's subscription to a registered medical scheme; and / or

- (ii) any insurance premium payable by such a MEMBER or beneficiary to an INSURER; and / or
- (iii) an amount for any purpose approved by the REGISTRAR OF PENSION FUNDS, on the conditions laid down by him.

The FUND'S right to recover amounts from benefits, is limited to the amount that, in terms of the RULES, may be taken by the MEMBER or beneficiary as a lump sum benefit. In order to make deductions from benefits payable to a MEMBER, the BOARD OF TRUSTEES may commute for a lump sum an amount of any pension becoming payable to the MEMBER, up to the maximum amount which may be commuted in terms of the RULES.

A claim for the amount due in terms of this RULE must be lodged in writing with the BOARD OF TRUSTEES within such reasonable time of the event giving rise to the benefit as the BOARD OF TRUSTEES may from time to time determine for lodging such claims.

9.5 Disposition of Benefits Upon Divorce and/or in Terms of a Court Order

In the event of the FUND being furnished with a valid order made by a competent court, requiring the FUND to assign any amount from the pension interest of a MEMBER to an ex-SPOUSE or any other person, the FUND shall deduct the assigned amount from the MEMBER'S SHARE on the date of the court order, in terms of section 37D(1)(d) of the ACT.

Such deduction shall be effected by the FUND on the date the order is received and shall have the effect of immediately reducing the amount of the MEMBER'S SHARE or minimum individual reserve in terms of these RULES and the ACT.

The FUND shall pay the assigned amount in accordance with the election of the ex-SPOUSE or other person designated in the court order, either directly to the designated person, or to an APPROVED FUND on their behalf, within 60

days of receiving notification of their election. If, for any reason, the FUND is unable to pay the assigned amount within the 60 day period, interest at the rate of fund return for the period in excess of the 60 days will be added to the assigned amount when it is paid. An ex-SPOUSE or other designated person shall not acquire the rights of a MEMBER or beneficiary in relation to the FUND, and no other interest or FUND INTEREST will be paid to them.

9.6 Currency

Contributions and benefits are payable in South African currency.

9.7 Monies not to revert to Employer

Except as otherwise provided for in these RULES, no monies of the FUND shall revert to or become the property of the LOCAL AUTHORITY.

9.8 Alienation of Benefits

No benefit or right under the FUND shall be capable of being ceded, pledged or assigned nor shall any such benefit be subject to any form of attachment or execution, save as provided for in the ACT.

9.9 Payment of Benefits

Whenever a benefit becomes payable to any beneficiary, the benefit will be paid by means of an electronic fund transfer to the beneficiary's account with a bank as defined in the Banks Act, No. 94 of 1990, or a mutual bank as defined in the Mutual Banks Act, No. 124 of 1993, the details of which have been furnished by the LOCAL AUTHORITY or the beneficiary to the ADMINISTRATOR.

For the purpose of this RULE "beneficiary" shall mean any person (including the MEMBER if applicable) who is or becomes entitled to the payment of a benefit in terms of these RULES.

Where the payment of any benefit to a MEMBER or beneficiary takes place in terms of the RULES, call rate of interest will be added to the benefit payable, between the date that the benefit becomes due to the MEMBER or beneficiary and the actual date of payment.

9.10 Administration Costs

Except where otherwise specifically provided for, all expenses incurred in connection with the management and administration of the FUND and the investment of monies thereof, including but not limited to the SERVICE CHARGE and the INVESTMENT MANAGEMENT CHARGE, will be borne by the FUND, and will be met by a charge against LOCAL AUTHORITY contributions in terms of Rule 4.2.5(i), or will be taken into account by the TRUSTEES in determining FUND INTEREST, as appropriate.

9.11 LOCAL AUTHORITY must advise the FUND

The LOCAL AUTHORITY must inform the BOARD OF TRUSTEES and the ADMINISTRATOR in writing as soon as an EMPLOYEE becomes entitled to FUND membership or a MEMBER retires, dies or withdraws from his service.

For the purpose of establishing the benefit to which the MEMBER or beneficiary is entitled in terms of the RULES, the FUND may act upon the information provided by the LOCAL AUTHORITY without further enquiry and the FUND is not responsible to anybody for any mis-statements, errors or omissions that may be contained in the information provided. The LOCAL AUTHORITY indemnifies the FUND against any claims instituted against the FUND as a result of the FUND so acting.

9.12 Housing Loans

For the period 1 November 1997 to 31 May 2007 the FUND shall have the power to grant a loan to a Member for a purpose referred to in Section 19(5) of the ACT. Such loan shall be subject to the provisions set out in the ACT.

With effect from 1 June 2007 no new housing loans will be granted to MEMBERS from the assets of the FUND.

9.13 Guarantees by the Fund for Housing Loans

The FUND shall have the power to bind itself to guarantee and/or to stand surety in favour of one or more recognised financial institutions in respect of housing loans granted by any such recognised financial institution to MEMBERS. The FUND shall not make monies available for housing loans but shall guarantee such loans granted to MEMBERS subject to the following conditions:

- 9.13.1 The loans must be for the purpose of obtaining housing in accordance with the requirements stipulated in the ACT.
- 9.13.2 The amount in respect of which the guarantee is furnished shall not exceed the sum of the following percentages of the MEMBER'S cash benefit in terms of RULE 8.1 which would have been paid had he withdrawn from the FUND voluntarily on the date on which application for the said loan was made, less, if applicable, any tax payable thereon, and any amount due to an ex-SPOUSE or other designated person in terms of RULE 9.5, but not yet paid:
 - (a) 60% of the first R200 000 of the benefit, plus
 - (b) 55% of the next R100 000 of the benefit, plus
 - (c) 50% of the next R100 000 of the benefit, plus
 - (d) 45% of the next R100 000 of the benefit, plus
 - (e) 40% of the next R100 000 of the benefit, plus
 - (f) 35% of any amount of benefit above R600 000.

- 9.13.3 On the MEMBER'S withdrawal, death or retirement from the FUND, the FUND shall be entitled to deduct from the MEMBER'S benefit the amount due to the said recognised financial institution in respect of the said loan, together with interest as advised in writing to the FUND by the said institution, but not exceeding the total amount of the guarantee given by the FUND. If the MEMBER should default on repayment conditions attached to a housing loan obtained from the recognised financial institution, the FUND shall be entitled to make payment to the said recognised financial institution of the amount due, as described in the first part of this section, from its funds, recovering the amount so paid from the MEMBER on his death, withdrawal or retirement.
- 9.13.4 With effect from the date on which a guarantee is furnished by the FUND on behalf of a MEMBER and thereafter until the guarantee is no longer required, an amount equal to the amount of the guarantee furnished may, at the discretion of the BOARD OF TRUSTEES, be isolated, in whatever manner the BOARD OF TRUSTEES believe appropriate, from the possibility of a decrease in value as a result of poor investment performance.

9.14 Unclaimed Benefits

If a benefit due under the FUND, other than a death benefit, is not claimed within six months from the date on which it became due for payment, the benefit shall be termed an unclaimed benefit and the FUND shall apply to the South African Revenue Service for a tax directive in respect of the benefit. The amount of any tax due and payable on the benefit will then be deducted from the MEMBER'S SHARE and the balance therein will be re-invested in a NOMINATED INVESTMENT PORTFOLIO or INVESTMENT INSURANCE CONTRACT which guarantees the capital value of the investment against loss, as selected by the BOARD OF TRUSTEES.

If a potential beneficiary, including the MEMBER, approaches the FUND at any stage thereafter, the BOARD OF TRUSTEES shall consider his claim and if the circumstances so warrant, shall pay the benefit to the beneficiary, together with such proportionate share of the growth earned by the FUND over the period on the amount of the unclaimed benefit as they may allow.

Notwithstanding the above, the FUND may at any time direct that any unclaimed monies remaining in a MEMBER'S SHARE shall be paid into an Unclaimed Benefit Fund established by law or in terms of the ACT to receive such unclaimed monies.

9.15 Conditions of Service

Nothing in these RULES shall curtail the LOCAL AUTHORITY'S right to dismiss an employee.

9.16 Transfers from or to other funds

The FUND, in consultation with the LOCAL AUTHORITY and other funds, may receive benefits from or transfer benefits to those funds on the conditions laid down by the Fund. The transfer of benefits to another fund will be subject to compliance with collective agreements concluded at a local, divisional or national bargaining council.

PART 10.

METHOD OF INVESTMENT

10.1 Bank Account

The BOARD OF TRUSTEES shall cause accounts to be opened in the name of the FUND at any registered banking institution and may from time to time authorise cheques, bills or other documents relating to such accounts and pertaining to the FUND to be signed by such persons or representative of such organisation as the BOARD OF TRUSTEES may, by way of resolution, appoint.

All monies received by or on behalf of the FUND shall be paid into one of these accounts, and all payments by the FUND shall be made from these accounts.

10.2 Investment Procedures

10.2.1 The BOARD OF TRUSTEES will have power (subject to the provisions of section 19 of the ACT) to invest in immovable property and/or otherwise invest, lend, put at interest, place on deposit, make advances of, or otherwise deal with all the monies of the FUND upon such securities and in such manner as they from time to time determine, and to dispose of immovable property, realise, vary, reinvest, or otherwise deal with such securities and other investments as they from time to time determine, provided that the BOARD OF TRUSTEES may invest the whole or a part of the monies of the FUND for such period and on such terms as they decide in an INVESTMENT INSURANCE CONTRACT issued by an INSURER.

In addition, the BOARD OF TRUSTEES may delegate, on such terms and conditions as they will specify, their powers to make investments of any type to a financial institution as defined in the Financial Institutions (Protection of Funds) Act, No. 28 of 2001 or to a person approved in terms of section 4(1)(d), of the Stock Exchanges Control

Act, 1985 (Act No. 1 of 1985) and may defray expenses incurred as a result of such delegation out of the monies of the FUND.

- 10.2.2 Any amount advanced on mortgage of immovable property will not, together with any other amount that has been or can be advanced on security of a prior or pari passu mortgage of that property, exceed seventy-five per cent of the value of the property on the date of the advance.
- 10.2.3 Investment in immovable property will be subject to the conditions laid down by the REGISTRAR.
- 10.2.4 The BOARD OF TRUSTEES may obtain an overdraft from a bank, or borrow from any other party, on such terms as they think fit, such sum as they approve for the purpose of completing any investment or meeting any temporary unforeseen cash shortage, and for this purpose may give such security as they decide.
- 10.2.5 Every document of title to an investment, other than those investments underlying an INVESTMENT INSURANCE CONTRACT, will be registered in the name of the FUND or of a nominee company approved by the REGISTRAR. Every title deed and other document of title belonging to or held by the FUND will be kept in a banking institution, financial institution or strong rooms at the Registered Office of the FUND, as decided by the BOARD OF TRUSTEES.
- 10.2.6 Every cheque, contract or other document pertaining to the FUND will be signed by such persons as the BOARD OF TRUSTEES by resolution appoint, and executed in such manner as the BOARD OF TRUSTEES may determine, subject to the provisions of RULE 10.1.

10.3 MEMBERS' Investment Options

- 10.3.1 The BOARD OF TRUSTEES may from time to time decide which investment portfolios shall be made available as APPROVED

INVESTMENT PORTFOLIO(S), for the investment of contributions made in terms of RULE 4.1, RULE 4.2 and RULE 4.6.

10.3.2 Each MEMBER may elect the NOMINATED INVESTMENT PORTFOLIO(S) in which his MEMBER'S SHARE shall be invested. Such election or elections shall be subject to such conditions as shall be laid down by the BOARD OF TRUSTEES from time to time and shall be subject to the terms and conditions contained in any Investment Agreement or INVESTMENT INSURANCE CONTRACT entered into by the BOARD OF TRUSTEES.

10.3.3 Subject to the terms and conditions contained in any Investment Agreement or INVESTMENT INSURANCE CONTRACT entered into by the BOARD OF TRUSTEES, a MEMBER may direct,

(a) into which NOMINATED INVESTMENT PORTFOLIO(S) future contributions in terms of RULE 4.1, RULE 4.2 and RULE 4.6 must be invested.

(b) Any such investment, realisation or re-allocation shall be on such terms and subject to such additional conditions as decided by the BOARD OF TRUSTEES, and

(c) each MEMBER shall be allowed one free switch between portfolios per annum. The cost of any additional switches will be borne by the MEMBER at the rate or fee determined by the BOARD OF TRUSTEES from time to time.

10.3.4 Where a MEMBER does not exercise the option available in terms of this RULE, all contributions and other monies pertaining to such MEMBER shall be invested in the DEFAULT INVESTMENT PORTFOLIOS on the MEMBER'S behalf.

PART 11.

DISSOLUTION OR PARTIAL DISSOLUTION OF THE FUND

11.1 Dissolution of the Fund

11.1.1 The FUND may be dissolved:

- (i) by order of the court, in terms of Section 29 of the ACT; or
- (ii) by the BOARD OF TRUSTEES, if at least two thirds of all the employees of all the participating LOCAL AUTHORITIES who are MEMBERS decide that the FUND should be discontinued, and written notice to this effect is given to the BOARD OF TRUSTEES within two months prior to a FUND ANNIVERSARY, in which event contributions to the FUND will cease at the end of that FINANCIAL YEAR; or

11.1.2 If the FUND is to be dissolved, the BOARD OF TRUSTEES will, subject to the approval of the REGISTRAR, appoint a LIQUIDATOR who will dissolve/ liquidate the FUND in terms of the RULES and the ACT. The date of liquidation shall be deemed to commence from the date on which the REGISTRAR approves the LIQUIDATOR'S appointment.

As at such date of liquidation, the LIQUIDATOR shall determine the value of the assets of the FUND and shall determine each MEMBER'S equitable share of the value of the assets. Such equitable shares shall be paid to an APPROVED FUND for the benefit of MEMBERS then participating hereunder. Provided that if a person to whom an amount is payable cannot be traced by the LIQUIDATOR the amount payable in respect of that person will be transferred to the Guardian's Fund.

Alternatively, subject to the approval of the REGISTRAR, the LIQUIDATOR may decide on some other basis of dealing with such balances.

11.1.3 For the purposes of this RULE, the term ‘MEMBER’ shall include a MEMBER who has ceased to be a MEMBER during the twelve month period preceding the date of termination for any reason other than death. Any benefit already paid to such MEMBER will be taken into account in determining the amount allocated to him in terms of this RULE.

11.1.4 During the period between the date of liquidation and the payment or transfer of any MEMBER’S share of the assets in terms of this RULE, the assets of the FUND held in respect of that MEMBER shall remain invested as previously, provided that, at the request of a LOCAL AUTHORITY, the BOARD OF TRUSTEES may arrange for the assets held in respect of the employees of that LOCAL AUTHORITY to be disinvested and re-invested in a money market account or such other suitable investment vehicle which guarantees the capital value of the assets against loss.

11.2 Partial dissolution of the FUND

11.2.1 Any LOCAL AUTHORITY participating in the FUND may, subject to prior negotiations with and approval of the BOARD OF TRUSTEES, cease to participate in the Fund. The participation by a LOCAL AUTHORITY also terminates if

- (a) it is provisionally liquidated;
- (b) it ceases to carry on business.

11.2.2 If participation by one of a number of LOCAL AUTHORITIES is terminated, the interests in the Fund of -

(a) the MEMBERS in the service of that LOCAL AUTHORITY; and

(b) those to whom payments are then being made in terms of the RULES on account of their or someone else's retirement or death while they were in the service of that LOCAL AUTHORITY, must be transferred to an APPROVED FUND or the MEMBER may elect to preserve his interest in the FUND until the NORMAL RETIREMENT AGE or be used to purchase retirement benefits or regular income benefits for them from a INSURER. But if the amount relating to a particular MEMBER is too small to be applied economically in such a manner, it may be paid in a lump sum. And the part representing the benefit that would have been payable in cash in the case of voluntary resignation from service may in any event be paid in a lump sum.

11.2.3 In the preceding sub-Rule the interests in the Fund in respect of the MEMBER mean the MEMBER'S SHARE in the FUND.

PART 12.

MANAGEMENT OF THE FUND

12.1 BOARD OF TRUSTEES

The FUND shall be managed by a BOARD OF TRUSTEES appointed or elected in terms of these RULES to direct, control and oversee the operations of the FUND in accordance with the applicable laws and the provisions of the RULES.

12.2 Composition of the BOARD OF TRUSTEES

The BOARD OF TRUSTEES shall comprise of not more than eighteen persons, and shall be made up as follows, -

12.2.1 Fourteen MEMBER elected TRUSTEES

The BOARD OF TRUSTEES may where necessary or in the event that no nomination is received from a particular Province, combine Provinces before nominations are called for should the number of MEMBERS in a Province not justify the allocation of a seat.

These TRUSTEES shall be elected by the MEMBERS in the nine Provinces on a proportional basis. One seat shall be allocated to each Province or combined Provinces where the FUND has active MEMBERS, and the remainder of the fourteen seats will be allocated among the Provinces on a proportional basis as determined by the BOARD OF TRUSTEES at a meeting held at least ninety days prior to the date of the election of a new BOARD OF TRUSTEES, in accordance with the formula -

$$\frac{\text{Total number of potential votes}}{14} = \text{number of MEMBERS per representative seat}$$

Any MEMBER of the FUND shall be eligible for nomination and election as a TRUSTEE provided that contributions to the FUND on his behalf exceeds any contributions made on his behalf to any other fund providing retirement benefits for employees in Local Government.

12.2.2 Category A members whose membership to the Fund is for the sole purpose of providing for retirement benefits additional to their retirement benefits in a principal retirement fund approved for the Local Government Sector other than this Fund, shall each have a vote proportional to the percentage of the combined contribution by themselves and the employer on their behalf to this Fund. This category of membership contributes approximately one-eighth of that of Category B and C members and will such a member thus be entitled to one-eighth of a vote in any matter that is put to the vote until such time as the Board of Trustees has determined otherwise. The ratio needed will be determined when the Board of Trustees determines the numbers of seats / members in terms of 12.2.2.

12.2.3 A TRUSTEE who is within 2½ years of NORMAL RETIREMENT AGE when vacating their seat on the BOARD or of whom it is confirmed that they will leave the employment of the EMPLOYER within 2½ years of them vacating their seat as a TRUSTEE, will not be eligible for re-election to the BOARD.

12.2.4 Three TRUSTEES may be appointed by the BOARD OF TRUSTEES

The BOARD OF TRUSTEES may appoint three MEMBERS as TRUSTEES, on the basis of their expertise.

12.2.5 One TRUSTEE appointed by the EMPLOYERS ORGANISATION

The EMPLOYERS ORGANISATION representing the majority of employers in the Local Government Sector in South Africa may appoint one representative TRUSTEE.

- 12.2.6 Vacancies that might occur within a term of office may, at the discretion of THE BOARD OF TRUSTEES, be filled by means of a by-election in the area where the vacancy occurred. The new TRUSTEE elected in such a case shall serve for the remainder of the normal term of the BOARD OF TRUSTEES.
- 12.2.7 Elections for the appointment of the BOARD OF TRUSTEES may be advanced or postponed, as the case may be, for a maximum of two years, if the TRUSTEES are of the opinion that such advancement or postponement would be to the benefit of, and in the best interests of, the MEMBERS of the FUND.

12.3 Terms of Office of TRUSTEES

- 12.3.1 Subject to the provisions of RULE 12.4, TRUSTEES shall hold office for a period of five years. TRUSTEES may, however, on the expiry of their term make themselves available for reappointment.
- 12.3.2 In order to ensure future continuity among TRUSTEES, with effect from September 2009 50% of the elected TRUSTEE seats will be vacated and filled by an election every 2 ½ years.
- 12.3.3 Notwithstanding the provisions of RULE 12.3.1, a MEMBER elected TRUSTEE elected in the 2008 by-election will remain on the BOARD OF TRUSTEES for the first extended term of office and may only stand for re-election 2½ years after the commencements of the next term of office in September 2009.
- 12.3.4 The determination of who will remain on the BOARD OF TRUSTEES for the first extended period of 2½ years after September 2009 will be done per Province by the TRUSTEES involved themselves and the BOARD will ratify the recommendation by the said TRUSTEES before the elections take place. Should no agreement be reached between the TRUSTEE members within a Province, all the TRUSTEES for that Province will stand for election.

12.4 Termination of Office

12.4.1 A TRUSTEE may resign from office at any time on giving one month's written notice to the BOARD OF TRUSTEES.

12.4.2 A TRUSTEE shall cease to hold office if

- (i) his term of office expires, or he ceases to be a MEMBER, or he resigns from office in accordance with Rule 12.4.1;
- (ii) he becomes insane or otherwise incapable of acting as a trustee;
- (iii) his estate is sequestrated or surrendered or assigned for the benefit of his creditors;
- (iv) he is removed by the court on account of misconduct from any office of trust;
- (v) he is convicted of any offence and sentenced to imprisonment without the option of a fine;
- (vi) he is convicted of theft, fraud, forgery or uttering of a forged document or perjury;
- (vii) he is found guilty of misconduct or neglecting his duties and removed from office as a TRUSTEE by resolution of the BOARD OF TRUSTEES, taken with a two-thirds majority vote after he has had an opportunity to state his case;

12.5 Duties of the BOARD OF TRUSTEES

In pursuing the objects of the FUND, the BOARD OF TRUSTEES shall:

12.5.1 take all reasonable steps to ensure that the interests of MEMBERS in terms of the RULES and the provisions of the ACT are protected at all times;

- 12.5.2 act with due care, diligence and good faith;
- 12.5.3 avoid conflicts of interest;
- 12.5.4 act with impartiality in respect of all MEMBERS and beneficiaries;
- 12.5.5 have and be entitled to exercise all powers, rights and privileges vested upon it in accordance with the provisions of these RULES. Such powers, rights and privileges shall be exercised in conformity with the ACT, the Income Tax Act, 1962 (as amended) and any other relevant legislation and with any ruling laid down by such authorities as the REGISTRAR and the COMMISSIONER;
- 12.5.6 ensure that proper control systems are employed by or on behalf of the BOARD OF TRUSTEES;
- 12.5.7 ensure that adequate and appropriate information is communicated to MEMBERS informing them of their rights, benefits and duties in terms of the RULES;
- 12.5.8 ensure that contributions are paid timeously to the FUND in accordance with the provisions of the ACT;
- 12.5.9 obtain expert advice on matters where the TRUSTEES may lack sufficient expertise;
- 12.5.10 ensure that the RULES and the operation and administration of the FUND comply with the provisions of the Acts and any other relevant legislation and with any ruling laid down by the REGISTRAR and the COMMISSIONER;
- 12.5.11 approve prior claims, where appropriate;
- 12.5.12 review all divorce orders in terms of RULE 9.5 and ensure that they are acted on appropriately according to the provisions of the ACT;

12.5.13 reach agreement in advance on arbitrators to be used, should the need arise; and

12.5.14 ensure that proper books and records of the operations of the FUND are kept and shall maintain (in accordance with Regulation 31 of the ACT) at the FUND'S registered office, a register or registers containing the following information:

- (i) each TRUSTEE'S full names and surname, identity number, date of birth, nationality, occupation, residential address, business address, postal address and the date of his appointment to the BOARD OF TRUSTEES;
- (ii) any changes occurring from time to time in respect of the above details;
- (iii) a minute book recording all resolutions adopted at meetings of the BOARD OF TRUSTEES. (The minute book is to be bound in such a way as to render the withdrawal or insertion of a page impossible and the pages shall be numbered consecutively);
- (iv) the names of the MEMBERS of the FUND;
- (v) particulars regarding the postal address and registered office of the FUND;
- (vi) particulars regarding the administrator of benefits; and
- (vii) particulars regarding the administrator of investments.

12.6 Powers of the BOARD OF TRUSTEES

12.6.1 Legal Actions

The BOARD OF TRUSTEES has the power to institute, conduct, defend, compound, settle or abandon any legal proceedings by or against the FUND, in the name of the FUND;

12.6.2 Appointment of Committees

- (i) The composition of the Committees and the election of office bearers shall be determined by the BOARD OF TRUSTEES.
- (ii) The BOARD OF TRUSTEES may decide that any power of decision on any matter that is vested in them, shall be delegated, on such terms and conditions as they may specify to a Committee of such of their number as they may nominate.
- (iii) The decision of a Committee to which a power is delegated shall, unless the BOARD OF TRUSTEES stipulate that it must be referred to them for ratification, be regarded as a decision made by the BOARD OF TRUSTEES.
- (iv) Minutes shall be kept of all committee meetings and these shall be presented to the BOARD OF TRUSTEES for noting or ratification, as the case may be, at their next meeting.
- (v) A simple majority (50% plus one) of the number of the TRUSTEES shall constitute a quorum.

12.6.3 Appointment of PRINCIPAL OFFICER

The BOARD OF TRUSTEES must appoint a PRINCIPAL OFFICER in terms of the ACT and may from time to time, at its discretion, appoint somebody else as principal officer. The BOARD OF TRUSTEES must notify the REGISTRAR of the name of each person appointed as principal officer.

If the PRINCIPAL OFFICER is absent from the Republic of South Africa for a period of more than thirty days or is unable to perform the duties imposed on him by the ACT, the BOARD OF TRUSTEES must appoint another person to act as principal officer during his absence or disability and must notify the REGISTRAR of such person's name.

The duties and responsibilities of the PRINCIPAL OFFICER will be regulated by the ACT and a service level agreement concluded between the FUND and the PRINCIPAL OFFICER

12.6.4 Appointment of AUDITOR

The BOARD OF TRUSTEES appoints an auditor for the FUND for such period as it may be decided and has the right to dismiss him at any time. The AUDITOR must be registered under the Public Accountants and Auditors Act, No. 80 of 1991, and may not be an officer of the FUND.

The AUDITOR must have access to all books, papers, vouchers, accounts and documents connected with the FUND and must certify the results of each audit in writing.

12.6.5 Appointment of ADMINISTRATOR

The BOARD OF TRUSTEES must appoint one or more organisation to administer the FUND and its investments. The BOARD OF TRUSTEES may only appoint an organisation that has been approved by the REGISTRAR as an ADMINISTRATOR. The BOARD OF TRUSTEES may withdraw the appointment of the ADMINISTRATOR and appoint a new ADMINISTRATOR.

12.6.6 Appointment of ACTUARY and actuarial valuations

The BOARD OF TRUSTEES must appoint an ACTUARY to act as valuator to the FUND in terms of the ACT, subject to the approval of the REGISTRAR.

12.6.7 Appointment of other persons

The BOARD OF TRUSTEES or Committees may appoint such other persons as they may seem necessary for the proper execution of the FUND'S activities and at such remuneration and on such conditions as the BOARD OF TRUSTEES may decide.

The BOARD OF TRUSTEES or Committees may by resolution terminate the services of any person appointed in terms of the RULES.

12.6.8 The FUND ADVISORY COMMITTEE

The BOARD OF TRUSTEES shall appoint a FUND ADVISORY COMMITTEE which shall consist of at least two persons, the majority of whom shall be MEMBERS, to advise and make recommendations to the BOARD OF TRUSTEES regarding matters concerning the FUND and its MEMBERS, with specific reference to the disposal of death benefits. The FUND ADVISORY COMMITTEE shall operate in accordance with terms of reference established by the BOARD OF TRUSTEES from time to time by resolution.

12.7 Board Meetings

12.7.1 Number and Frequency

The BOARD OF TRUSTEES shall meet from time to time to conduct the business of the FUND.

Meetings of the BOARD OF TRUSTEES shall take place as often as shall be agreed by the TRUSTEES, but at least three meetings shall be held in each FINANCIAL YEAR of the FUND. If at least two-thirds of the TRUSTEES make a reasonable request to the Chairman to convene a meeting of the BOARD OF TRUSTEES he shall do so within fifteen days.

12.7.2 Notice of Meetings

The Chairman shall cause notice of a meeting of the BOARD OF TRUSTEES to be given to all TRUSTEES and the PRINCIPAL OFFICER of the FUND and 10 days' prior written notice of such meeting shall be so given, unless this period is waived by the TRUSTEES.

12.7.3 Chairman

The BOARD OF TRUSTEES shall elect one of their number who is a MEMBER of the FUND, from time to time to act as Chairman to preside over and maintain order at meetings, so as to ensure that meetings are conducted in a proper manner. If the elected Chairman is absent from any meeting

of the BOARD OF TRUSTEES, the TRUSTEES who are present at the meeting shall elect a chairman for that meeting from their number.

The role and function of the Chairman will be determined by the BOARD OF TRUSTEES as set out in a policy document.

12.7.4 Voting Rights

- (i) The PRINCIPAL OFFICER of the FUND shall attend all meetings of the BOARD OF TRUSTEES and Committee meetings, but shall only have a vote for deciding deadlock as set out below.
- (ii) A quorum consisting of 50% plus one of the serving TRUSTEES is required for concluding the business of the FUND.
- (iii) At a meeting of the BOARD OF TRUSTEES each TRUSTEE shall have one vote.
- (iv) At all meetings of the TRUSTEES the decision of the majority shall be binding. If no majority decision can be reached on any matter, the PRINCIPAL OFFICER will have a casting vote.

12.7.5 Adoption of Resolutions

- (i) At a meeting of the BOARD OF TRUSTEES motions shall be proposed and voted upon in accordance with the RULES. In the event of a majority, such decision will constitute a resolution of the FUND.
- (ii) A resolution in writing signed by the TRUSTEES, if sufficient to form a quorum, shall be of the same force and effect as a resolution adopted at a meeting of the BOARD OF TRUSTEES. Any resolution adopted in terms of this Rule shall be noted at the first meeting of the BOARD OF TRUSTEES held after the resolution was adopted.

12.7.6 Appointment of Secretary

A Secretary shall be appointed from time to time by the BOARD OF TRUSTEES. The Secretary's functions shall include the arrangement of meetings, the taking of minutes, the counting of votes and the recording of resolutions at meetings.

12.7.7 Minutes

Minutes of all meetings of the BOARD OF TRUSTEES shall be taken and recorded in writing. These minutes shall be kept in accordance with the ACT.

The minutes of each meeting shall be distributed to all TRUSTEES and the PRINCIPAL OFFICER of the FUND.

12.8 Amendment to the RULES

The BOARD OF TRUSTEES shall be entitled to amend the RULES of the FUND at any time.

No amendment to the RULES of the FUND will be valid unless the amendment has been registered by the REGISTRAR and approved by the COMMISSIONER.

If the RULES are amended with regard to the benefits that are provided by the FUND, the amendment will, unless specifically stated otherwise, not apply to benefit claims which arise before the amendment date.

12.9 Member's Right to Documents

MEMBERS shall only be entitled, subject to a charge, to copies of those documents of the FUND, as determined by the ACT.

Any MEMBER shall be entitled to inspect, without charge, at the registered office of the FUND, any or all of the following:

- (i) a copy of the RULES of the FUND;

- (ii) the most recent Revenue Account and Balance Sheet prepared in terms of Subsection (1) of Section 15 of the ACT (if any).

12.10 Discretion of the BOARD OF TRUSTEES

The BOARD OF TRUSTEES shall be entitled to make any arrangements and regulations for the administration of the FUND and to do anything not inconsistent with these RULES or applicable legislation, which in its opinion, is for the benefit and protection of the MEMBERS and beneficiaries.

All documents or contracts effected by the FUND shall be binding upon the FUND provided that they have been signed in terms of the BOARD OF TRUSTEES' signing policy;

- (i) at a duly constituted meeting, or
- (ii) after such a meeting, provided that authorisation for the signing of these documents or contracts was granted at such meeting.

Where, however, the ACT prescribes specific formalities for the signature of documents, such documents shall only be binding upon the FUND subject to compliance with these requirements.

12.11 Expenses

All expenses incurred by the BOARD OF TRUSTEES in directing, controlling and overseeing the operations of the FUND, including BOARD OF TRUSTEES expenses and allowances or other expenses as deemed fit and approved by the BOARD OF TRUSTEES, must be borne by the FUND.

12.12 Indemnification

The TRUSTEES, PRINCIPAL OFFICER, Secretary and the members of the FUND ADVISORY COMMITTEE and other FUND Committees are not personally liable for any loss which the LOCAL AUTHORITY, MEMBERS or DEPENDANTS may suffer as a result of their actions, provided the actions

are in accordance with the RULES and the loss does not arise from their gross negligence, dishonesty or fraud.

The BOARD OF TRUSTEES, PRINCIPAL OFFICER and Secretary of the FUND shall be indemnified by the FUND against all proceedings, costs and expenses incurred by reason of any claim in connection with the FUND not arising from their gross negligence, dishonesty or fraud.

12.13 Fidelity Guarantee

The BOARD OF TRUSTEES shall ensure such fidelity guarantee and negligence insurance cover is in place as it deems sufficient in respect of the BOARD OF TRUSTEES, PRINCIPAL OFFICER and Secretary who handle the money and assets of the FUND.

12.14 Accounts

The TRUSTEES will cause the FUND to be audited by the AUDITOR annually within six months of the end of the FINANCIAL YEAR. The AUDITOR will provide the Fund with audited financial statements within six months of the end of the FUND'S FINANCIAL YEAR.