



SALGA

South African Local Government Association

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KEY DEVELOPMENTS WITH MUNICIPAL COUNCILLORS PENSION FUND (MCPF)

16 SEPTEMBER 2010

SALGA has been inundated with queries with regard to alleged challenges being experienced with the Municipal Councillors Pension Fund (the Fund). These challenges date back to as far as 2007. A number of concerns and allegations have been raised pertaining to the management and governance of the affairs of the fund.

The SALGA National Executive Committee (NEC) received a report on the above allegations from its representatives on the Board of Trustees and has since been seized with the matter. In its deliberations SALGA has been cognisant of the fact that the Fund is a separate legal body over which SALGA has no control. Control over the fund is based on rules and prescripts of the Fund and vested in its trustees. SALGA, however, recognised and took cognisance of the fact that it has representatives in the structures of the Fund both provincially and nationally. SALGA therefore resolved to deal with the matter by:

- a. Reporting the matter to the then Minister of Provincial and Local Government (now Cooperative Governance and Traditional Affairs) as well as his counterpart, the Minister of Finance, as they play an important role in the employment terms of Councillors;
- b. Reporting the matter to the Financial Services Board (FSB) as that is the body entrusted with the overall management of issues related to pensions and what Administrators and Trustees need to comply with;
- c. Set up a Task Team which will seek to obtain all the necessary information and facts surrounding the current challenges and allegations levelled against the Fund; and
- d. Directly engage with the Board of Trustees of the Fund.

Following two separate engagements with the Board of Trustees, it became evident that the Board of Trustees could not deliver on the programme of action jointly agreed to in the said engagements. The NEC of SALGA on 10 December 2009, concluded that the only remedy to the challenges is to call for the removal and replacement of the Board of Trustees. Accordingly, as SALGA we resolved to withdraw our representatives to the Board of Trustees with immediate effect and encouraged provinces, including NEC members who are Trustees, to withdraw their representation to the Board of Trustees. Following this resolution and the failure on the part of the Fund Trustees to accede to our request to convene provincial Meetings of members of the Fund, SALGA facilitated provincial meetings of members. The express purpose of these meetings was to receive a report on key developments within the Fund, consider the Removal of Trustees and Related Process Issues and consider Proposed Amendments to the Rules of Pension Fund.

These concerted measures and pressures exerted by the SALGA NEC have now resulted in the resignation of all Trustees on the Board of Trustees. Giving rise to the Board no longer having a quorum and obliging the Registrar of Pension Funds to intervene in the affairs of the fund, in terms of section 26 (2) of the Pension Funds Act. The Registrar has similarly, upon request by SALGA, now concluded his inspection into the affairs of the fund.

Through SALGA's countless efforts the intervention of the Registrar gave effect to the appointment of a new Board of Trustees, with effect from 7 September 2010. The Board comprises of six (6) Trustees of which four (4) independent Trustees and two (2) Trustees nominated by SALGA are appointed by the Registrar. SALGA representation will ensure that the interests of members are protected. This new Board, which will hold office until the 2011 local government elections, will have a specific mandate to attend to the following:-

- 1) To consider and comment on the inspection findings in respect of the Fund with a view to addressing the governance failures highlighted in the Inspection Report;
- 2) Revise the Trustee Expense and Remuneration Policy, and consider the conduct of the Principal Officer as outlined in the Inspection Report;
- 3) Review the administration and backlog project undertaken by the Fund's new administrators;
- 4) Assess whether there should be litigation against any person in respect of any losses suffered by the Fund relating to the matters referred to in the Inspection Report;
- 5) To the extent that the governance failures outlined in the Inspection Report necessitate amendments to the rules of the Fund in order to regularise the affairs of the Fund, this must be done by the board as soon as possible.

SALGA welcomes the Registrar's intervention as it will go a long way in dealing with the challenges raised by members over the past two years.

ISSUED BY:

The South African Local Government Association (SALGA).For further queries, please contact Milisa Kentane on 083 643 1436 OR MKentane@salga.org.za