

KZN MUNICIPAL PENSION FUND

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The Trustees of the KZN Municipal Pension Fund resolved at Durban on 4 December 2019 that with effect from 1 December 2019 the Rules of the Fund shall be substituted by these revised Rules.


The reasons are as follows:

- (1) in general, to consolidate the Rules to include the provisions of previous amendments and to up-date the Rules to reflect legislative changes and wording most appropriate for the administration practice of the Fund;*
- (2) to remove reference to additional voluntary contributions being applied to extend past service for the purposes of the formula in the Income Tax Act as it applied previously since changes to tax legislation have made such wording unnecessary;*
- (3) to allow a Member who has retired from Service and has not yet elected to receive payment of his benefit, to transfer the benefit to an Approved Retirement Annuity Fund or an Approved Pension Preservation Fund;*
- (4) to enable the Fund to receive amounts transferred in terms of Section 14 of the Act from another retirement fund in which an Employer or a previous Employer participated;*
- (5) to provide for the Fund to accept transfer of a benefit from another Approved Provident Fund or Approved Pension Fund in respect of a Member who has been awarded an amount in terms of a court order contemplated in Section 7 (8) of the Divorce Act, 1979;*
- (6) to provide for Members affected by a transfer of business in terms of Section 197 of the Labour Relations Act to preserve their benefits and to set out the options available to such Members;*
- (7) to provide that unclaimed benefits remaining in the Fund on liquidation shall*

be transferred to an Approved Pension Preservation Fund established for the receipt of such benefits and not to the Guardian's Fund;

- (8) to provide that as long as there are enough Trustees to form a quorum among the board of Trustees, a temporary vacancy does not invalidate the decisions taken by the board of Trustees during the period before the vacancy is filled;*
- (9) to expand the grounds on which a Councillor Trustee may be dismissed from office and to ensure the Rules deal with the manner in which vacancies among the Councillor Trustees are dealt with;*
- (10) to provide that if, when an election has been called, the number of nominations received is equal to the number of vacancies on the board of Trustees, no ballot need be held and the candidates so nominated shall become the Member Trustees;*
- (11) to clarify the procedure to be followed where Trustees cannot agree on the appointment of a third party to assist with dispute resolution;*
- (12) to provide for the appointment of a Deputy Principal Officer and to set out the provisions in terms of which the Principal Officer may delegate his duties and functions to the Deputy Principal Officer;*
- (13) to provide in the Rules for the system of delegation in terms of which a function of the Trustees may be delegated to a person, or group of persons or sub-committee of the Trustees;*
- (14) to reflect that all benefits are subject to the provisions of the Income Tax Act and other applicable legislation.*

Certified that the Resolution in terms of which these Rules have been accepted has been adopted in accordance with the Rules of the Fund.


.....
Chairman of Trustees


.....
Trustee


.....
Principal Officer

Certified that the revised Rules of the Fund are financially sound in terms of the Act.

Gary Velcich
.....
Actuary to the Fund


.....
Signature

BBusSc FFA
.....
Qualifications

KZN MUNICIPAL PENSION FUND

1. GENERAL

- 1.1 The FUND known as the KZN Municipal Pension Fund was established with effect from 1 September 2001.
- 1.2 The registered office of the FUND is at Alexander Forbes, 115 West Street, Sandown.
- 1.3 The object of the Fund is, in terms of these Rules, to provide retirement and other benefits for employees and former employees of the FUND and of MUNICIPALITIES in the province of KwaZulu-Natal, and benefits in the event of their death.
- 1.4 The FUND, in its own name, shall be capable in law of suing and of being sued and of acquiring, holding and alienating property, movable and immovable.
- 1.5 These RULES include all amendments up to and including 1 December 2019. If the registration of these RULES in terms of the ACT is effected later than 1 December 2019, the RULES shall nevertheless take effect from 1 December 2019.

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” shall mean the Pension Funds Act, 1956, as amended, and the regulations made in terms of that Act.

“ACTUARY” shall mean the ACTUARY appointed in terms of these RULES.

“ADMINISTRATORS” shall mean the ADMINISTRATORS appointed in terms of these RULES.

“APPROVED PENSION FUND” shall mean a pension fund approved as such by the REVENUE AUTHORITIES.

“APPROVED PENSION PRESERVATION FUND” shall mean a pension preservation fund approved as such by the REVENUE AUTHORITIES.

“APPROVED PROVIDENT FUND” shall mean a provident fund approved as such by the REVENUE AUTHORITIES.

“APPROVED PROVIDENT PRESERVATION FUND” shall mean a provident preservation fund approved as such by the REVENUE AUTHORITIES.

“APPROVED RETIREMENT ANNUITY FUND” shall mean a retirement annuity fund approved as such by the REVENUE AUTHORITIES.

“AUDITOR” shall mean the AUDITOR appointed in terms of these RULES.

“AUTHORITY” shall mean the Financial Sector Conduct Authority established in terms of the Financial Sector Regulation Act, 2017, as amended.

“CALCULATION DATE” shall mean the date on which the ADMINISTRATORS, acting in terms of the agreed practice of the FUND, calculate the MEMBER'S benefit on the MEMBER'S retirement, death or his leaving SERVICE in terms of Rule 7 or in order to transfer or pay the MEMBER'S benefit from the FUND in any of the circumstances contemplated in these RULES.

“COUNCILLOR” shall mean:

- (a) a councillor as defined in the Municipal Systems Act, 2000; or
- (b) a municipal official who is an employee of the MUNICIPALITY and is appointed by the MUNICIPAL MANAGER as such.

“COUNCILLOR TRUSTEE” shall mean a TRUSTEE appointed by the MUNICIPALITY in terms of Rule 12.2.1.

“DEFERRED PENSIONER” shall mean a MEMBER who exercised an option in terms of the RULES as they applied prior to 1 March 2019 to preserve the whole or part of his benefit on leaving SERVICE in the FUND and whose benefit has not yet become payable in terms of the RULES.

“DEFERRED RETIREE” shall mean a MEMBER who has retired from SERVICE in terms of Rule 5.2 and whose retirement benefit has been retained in the FUND until RETIREMENT FROM THE FUND, subject to the provisions of Rule 5.1.3.

“DEPUTY PRINCIPAL OFFICER” shall mean the DEPUTY PRINCIPAL OFFICER of the FUND appointed in accordance with these RULES.

“DISABILITY ARRANGEMENT” shall mean the arrangement that provides the DISABLEMENT INCOME BENEFIT payable in terms of Rule 6.2.2.

“DISABLEMENT INCOME BENEFIT” shall mean the benefit payable to a MEMBER in terms of Rule 6.2.2 in the event of the temporary disablement of the MEMBER.

“ELIGIBLE EMPLOYEE” shall mean an employee who:

(a) is employed by:

(i) the FUND; or

(ii) a MUNICIPALITY whose association with the FUND has been agreed to by the TRUSTEES, in a category of employment approved by that MUNICIPALITY for the purposes of these RULES;

and

(b) has not reached NORMAL RETIREMENT DATE.

“EMPLOYER” shall mean the FUND with regard to employees of the FUND or the MUNICIPALITY with regard to employees of a MUNICIPALITY.

“FINANCIAL YEAR” shall mean the period commencing on 1 September 2001 and ending on 30 June 2002 and thereafter each twelve-month period ending on 30 June.

“FUND” shall mean the KZN Municipal Pension Fund.

“FUND CREDIT” shall mean for each MEMBER at any particular date, the accumulated value of:

- (a) the contributions by the MEMBER received by the FUND in terms of Rule 4.1.1 and any additional voluntary contributions in terms of Rule 4.1.2;
- (b) the contributions made by the EMPLOYER towards the MEMBER’S retirement benefit in terms of Rule 4.2.1 and any amounts required to be applied towards retirement funding in terms of Rule 4.2.3;
- (c) any amount transferred to the FUND in terms of Rule 9.1;

less:

- (i) such reasonable expenses as the TRUSTEES may determine; and
- (ii) any amount deducted in terms of Rule 11, including any costs incurred by the FUND in giving effect to the provisions of that Rule;

and increased or decreased by the INVESTMENT RETURN until the CALCULATION DATE.

“FUND SALARY” shall mean the MEMBER’S basic annual salary or wages, adjusted on a basis agreed from time to time between the EMPLOYER and the MEMBER; provided that:

- (a) for the purposes of the FUND, FUND SALARY shall be determined on the first day of each month of membership of the FUND;

- (b) if the remuneration which constitutes the MEMBER'S FUND SALARY is reduced at any time then, subject to the agreement of the MEMBER, the EMPLOYER may direct that, for the purposes of the FUND, the reduction shall either not be applied in the calculation of the MEMBER'S FUND SALARY or shall be applied only partially;
- (c) for the purpose of the FUND, FUND SALARY shall exclude overtime, fees, locomotion, boot, clothing allowance and any other class of payment or allowance of any nature whatsoever unless his EMPLOYER decides that such payment or allowance is pensionable;
- (d) while a MEMBER is in receipt of a DISABLEMENT INCOME BENEFIT his FUND SALARY shall be his FUND SALARY at the date on which his disablement commenced. Subject to the provisions of Rule 6.1.2.2, if the DISABLEMENT INCOME BENEFIT is increased, the MEMBER'S FUND SALARY shall be increased in the same proportion; and
- (e) if a MEMBER is temporarily absent from SERVICE in any of the circumstances contemplated in Rule 8, FUND SALARY for the purposes of contributions in terms of Rule 8.1 and Rule 8.3 (if any) and for the determination of risk benefits provided under the FUND during the period of absence shall be based on the MEMBER'S FUND SALARY immediately prior to the commencement of the period of absence, irrespective of whether the MEMBER is absent with full pay, with less than full pay or with no pay; provided that:
 - (i) if the MEMBER is absent with less than full pay, the MEMBER and the EMPLOYER may agree to adjust accordingly his FUND SALARY during the period of absence; and

- (ii) the EMPLOYER may agree by written notification to the TRUSTEES that FUND SALARY shall be adjusted by any annual increases granted by the EMPLOYER during the period of absence.

“FUNERAL ARRANGEMENT” shall mean the arrangement which provides the funeral benefits payable in terms of Rule 6.1.4, for MEMBERS and their immediate families in the event of the MEMBER’S death.

“INDEPENDENT EXTERNAL TRUSTEE” shall mean a TRUSTEE who is independent of the FUND and of the EMPLOYER and has the necessary experience in the field of retirement funding.

“IN-FUND ANNUITANT” shall mean either:

- (a) a retired MEMBER in receipt of a living annuity paid from the FUND; or
- (b) a beneficiary in receipt of a living annuity paid from the FUND due to an election in terms of Rule 6.1.1 (b) (ii) or the death of an IN-FUND ANNUITANT in terms of Rule 6.1.5.

“INSURED DEATH BENEFIT” shall mean the benefit payable in terms of Rule 6.1.1 (a) (i) in the event of the death of a MEMBER.

“INSURED DISABILITY BENEFIT” shall mean the benefit payable in terms of Rule 6.2.3 in the event of the permanent disability of a MEMBER.

“INSURED TERMINAL ILLNESS BENEFIT” shall mean the benefit payable in terms of Rule 6.3.1 (a) in the event of a MEMBER becoming TERMINALLY ILL.

“INVESTMENT RETURN” shall mean any income (received or accrued) and capital gains and losses (realised and unrealised) of the FUND, less an allowance for any tax and such expenses (paid or incurred) associated with the acquisition, holding or disposal of the assets of the FUND as may be determined by the TRUSTEES; provided that:

- (a) such INVESTMENT RETURN may be positive or negative;
- (b) the TRUSTEES may use a reasonable approximation, made in such manner as may be prescribed by the AUTHORITY, to allocate INVESTMENT RETURN if there are sound administrative reasons why an exact allocation cannot be effected;
- (c) where the assets of the FUND, or a portion thereof, are invested in a particular portfolio or portfolios, the calculation of INVESTMENT RETURN shall take into account the investment performance of such portfolio or portfolios.

“MEMBER” shall mean a person who, having been admitted to membership of the FUND in accordance with these RULES, has not ceased to be a MEMBER in terms of these RULES.

“MEMBER TRUSTEE” shall mean a TRUSTEE elected by the MEMBERS in term of Rule 12.3.1.

“MINISTER” shall mean a minister as defined in the Municipal Systems Act, 2000, as amended.

“MUNICIPALITY” shall mean a municipality as defined in the Municipal Systems Act, 2000, as amended. In relation to any particular ELIGIBLE EMPLOYEE or MEMBER, “MUNICIPALITY” shall mean the MUNICIPALITY by whom that person is, or was last, employed.

“MUNICIPAL MANAGER” shall mean a municipal manager or acting municipal manager appointed in terms of Section 54A of the Municipal Systems Act, 1998 as amended.

“NOMINATED TRUSTEE” shall mean a TRUSTEE who is appointed due to having been nominated by the COUNCILLOR TRUSTEES and the MEMBER TRUSTEES in terms of Rule 12.1.4 and who may or may not be an INDEPENDENT EXTERNAL TRUSTEE.

“NORMAL RETIREMENT DATE” shall mean the last day of the month in which a MEMBER reaches age sixty-three years, or such later age as is collectively negotiated between the MEMBER and his EMPLOYER and set out in his conditions of employment.

“PARTICIPATION DATE” shall mean:

- (a) in relation to the FUND as an EMPLOYER, 1 November 2009;
- (b) in relation to a MUNICIPALITY, the date on which a MUNICIPALITY previously commenced or commences participation in the FUND, subject to the requirement that by not later than thirty days prior to the date on which the MUNICIPALITY decides to participate in the FUND, certification by the relevant MUNICIPALITY is provided to the satisfaction of the TRUSTEES that municipal ordinances, legislation and any other applicable conditions allow for such participation.

“PENSION” shall mean, as applicable, either:

- (a) the living annuity payable in terms of these RULES to an IN-FUND ANNUITANT; or
- (b) the annuity or, subject to the requirements of the REVENUE AUTHORITIES, annuities purchased from a REGISTERED INSURER in terms of the provisions of these RULES.

“PENSION ACCOUNT” shall mean the separate account maintained under the FUND in terms of Rule 13.7 in relation to a particular IN-FUND ANNUITANT.

“PRESERVED MEMBER” shall mean a MEMBER, including a DEFERRED PENSIONER, whose benefit or in the case of a DEFERRED PENSIONER part thereof, if applicable, has been preserved in the FUND on leaving SERVICE in terms of Rule 7 and whose benefit has not yet become payable in terms of the RULES.

“PREVIOUS FUND” shall mean either:

- (a) as applicable:
 - (i) the Durban Pension Fund; or
 - (ii) the Natal Joint Municipal Pension Fund (Retirement); or
 - (iii) the Natal Joint Municipal Pension Fund (Superannuation); or
 - (iv) the Kwa-Zulu Natal Joint Municipal Provident Fund.

or

- (b) an APPROVED PENSION FUND or an APPROVED PROVIDENT FUND in which the EMPLOYER participates or participated, or in which a previous employer participated, and from which a MEMBER or a group of MEMBERS transferred to the FUND in accordance with the provisions of Section 14 of the ACT.

“PRINCIPAL OFFICER” shall mean the PRINCIPAL OFFICER of the FUND appointed in accordance with these RULES.

“REGISTERED INSURER” shall mean an insurer registered in terms of the Long-term Insurance Act, 1998.

“RETIREMENT FROM THE FUND” shall mean in the case of a MEMBER who has retired from SERVICE in terms of Rule 5.2:

- (a) prior to 1 March 2015, the date on which a benefit became due and payable from the FUND to such MEMBER; or
- (b) on or after 1 March 2015, the date on which such MEMBER elects to receive payment of his benefit in terms of paragraph 4 of the Second Schedule to the Income Tax Act, 1962 or, if later, the date on which the FUND receives notification of such election.

“REVENUE AUTHORITIES” shall mean the South African Revenue Service.

“RISK RESERVE ACCOUNT” shall mean the separate account maintained under the FUND in terms of Rule 13.8 for the purpose of enabling the TRUSTEES to effectively manage any risk benefits which are self-insured by the FUND.

“RULES” shall mean these RULES and such alterations as may at any time be applicable.

“SERVICE” shall mean employment with any of the EMPLOYERS and shall include any period during which the MEMBER is deemed to remain in SERVICE in terms of Rule 8.2.

“TERMINAL ILLNESS” shall mean a condition which satisfies the provisions governing terminal illness which are set out in the policy issued, if applicable, by the REGISTERED INSURER or as approved by the TRUSTEES. “TERMINALLY ILL” has a corresponding meaning.

“TRUSTEES” shall mean the TRUSTEES appointed or elected in terms of these RULES.

3. MEMBERSHIP

- 3.1 Each person who was a MEMBER of the FUND immediately prior to 1 December 2019 shall, subject to the provisions of the RULES, remain a MEMBER of the FUND.
- 3.2 Each ELIGIBLE EMPLOYEE in the SERVICE of an EMPLOYER on the PARTICIPATION DATE of that EMPLOYER may elect to become a MEMBER of the FUND. His membership of the FUND shall commence from the PARTICIPATION DATE.
- 3.3 Each ELIGIBLE EMPLOYEE who enters the SERVICE of the FUND after the PARTICIPATION DATE must become a MEMBER of the FUND as a condition of employment on the day on which he becomes an ELIGIBLE EMPLOYEE.
- 3.4 ELIGIBLE EMPLOYEES who enter the SERVICE of a MUNICIPALITY after the PARTICIPATION DATE may elect to join the FUND provided that the MUNICIPALITY and the TRUSTEES of the FUND agree to his MUNICIPALITY associating with the FUND and relevant municipal ordinances and any other applicable legislation allow for such association. If he elects to join the FUND, his participation in the FUND shall commence on the date on which he becomes an ELIGIBLE EMPLOYEE.
- 3.5 On joining the FUND, or within thirty days thereafter, each MEMBER must produce evidence of age acceptable to the TRUSTEES for himself and for each of his beneficiaries and must also give such other information as the TRUSTEES may reasonably require for the purposes of the FUND. In the case of a MEMBER who was a member of a PREVIOUS FUND, the TRUSTEES may accept the MEMBER'S age as stated in the records of that FUND.

- 3.6 If a MEMBER transfers to another APPROVED PENSION FUND, an APPROVED PROVIDENT FUND, an APPROVED RETIREMENT ANNUITY FUND or an APPROVED PENSION PRESERVATION FUND in any of the circumstances envisaged in these RULES and such transfer is subject to the provisions of Section 14 of the ACT, then it is specifically provided that with effect from the date on which he becomes a member of such fund, contributions in terms of Rule 4 shall cease and in the event of his death, disability or TERMINAL ILLNESS prior to transfer of his benefit in terms of these RULES from the FUND to such other fund, the DISABLEMENT INCOME BENEFIT, INSURED DEATH BENEFIT, INSURED DISABILITY BENEFIT and INSURED TERMINAL ILLNESS BENEFIT specified in Rule 6 shall not be payable.
- 3.7 The TRUSTEES may require that each person who is to be admitted to the FUND, be examined by a medical practitioner appointed by the TRUSTEES. In such case:
- (a) the costs of such medical examination shall be met by the FUND;
 - (b) the TRUSTEES may accept for the purposes of the FUND any medical evidence submitted to a PREVIOUS FUND;
 - (c) if, acting on the results of this examination, evidence or such written declaration by such MEMBER as to his state of health as may be acceptable to them, the TRUSTEES, in consultation with the REGISTERED INSURER, if applicable, with whom all or part of the benefit may be insured, find that such MEMBER'S state

of health is unsatisfactory they shall notify the MEMBER in writing that if he dies in SERVICE, becomes disabled or TERMINALLY ILL as a result of the conditions which caused the TRUSTEES and if applicable, the REGISTERED INSURER, to find his state of health to be unsatisfactory, the INSURED DEATH BENEFIT, the INSURED DISABILITY BENEFIT, the DISABLEMENT INCOME BENEFIT and the INSURED TERMINAL ILLNESS BENEFIT shall be restricted in such manner as shall be decided by the TRUSTEES in consultation with the REGISTERED INSURER, if applicable, and the ACTUARY.

- 3.8 Unless otherwise provided for in the RULES, a MEMBER shall not be permitted to withdraw from membership while he remains in SERVICE.
- 3.9 A MEMBER who has left SERVICE for any reason and has received all the benefits which may be due to him in terms of these RULES shall cease to be a MEMBER.

4. CONTRIBUTIONS

4.1 Contributions by the MEMBER

4.1.1 Each MEMBER shall elect to contribute to the FUND throughout his SERVICE at one of the following rates:

- (a) one twelfth of five per cent of his FUND SALARY per month; or
- (b) one twelfth of seven and a half per cent of his FUND SALARY per month; or
- (c) one twelfth of nine per cent of his FUND SALARY per month;
- (d) one twelfth of twelve per cent of his FUND SALARY per month;
- (e) one twelfth of fifteen per cent of his FUND SALARY per month;
- (f) one twelfth of eighteen per cent of his FUND SALARY per month;

provided that:

- (i) the MEMBER may elect to change his rate of contribution at any time, subject to the EMPLOYER providing notice in writing to the FUND of any change in the MEMBER'S rate of contribution and to any other conditions specified by the TRUSTEES from time to time; and

- (ii) where the MEMBER on entering the FUND, does not elect to contribute at one of the rates set out above, he shall contribute at a rate of one twelfth of seven and a half per cent of his FUND SALARY per month.

4.1.2 A MEMBER may make additional contributions to the FUND, in order to secure greater benefits in accordance with such conditions and procedures as the TRUSTEES may prescribe from time to time. The payment of additional contributions to the FUND shall be subject to the limitations and requirements of the Income Tax Act, 1962. Such additional contributions shall be allocated to the MEMBER'S FUND CREDIT.

4.1.3 Each MEMBER'S contributions shall be deducted by the EMPLOYER from his salary or wages and paid to the FUND; provided that while a MEMBER is in receipt of a benefit from the DISABILITY ARRANGEMENT, his contributions to the FUND shall be paid in terms of Rule 6.2.2.3.

4.1.4 Contributions must be paid to the FUND within seven days after the end of the month to which they relate. If contributions are not paid to the FUND as required in terms of the ACT, the EMPLOYER shall be required to pay late payment interest at the rate prescribed by legislation. Any such interest shall constitute investment income for the FUND.

4.2 Contributions by the EMPLOYER

4.2.1 The EMPLOYER shall make contributions towards the retirement benefit of each MEMBER in its SERVICE at the rate of one twelfth of nine per cent of the MEMBER'S FUND SALARY per month.

4.2.2 In addition to the amount contributed in terms of Rule 4.2.1, the EMPLOYER shall contribute at the rate of one twelfth of nine per cent of the MEMBER'S FUND SALARY per month. This amount shall be applied to meet the cost for the month concerned of:

- (a) the INSURED DEATH BENEFIT, the INSURED DISABILITY BENEFIT and the INSURED TERMINAL ILLNESS BENEFIT;
- (b) the DISABILITY ARRANGEMENT and the benefits for MEMBERS and their families under the FUNERAL ARRANGEMENT; and
- (c) such reasonable expenses of the FUND as may be determined by the TRUSTEES;

provided that such portion of the EMPLOYER'S contributions in terms of (a) and (b) above as may be decided by the ACTUARY and agreed to by the TRUSTEES shall be allocated to the RISK RESERVE ACCOUNT.

4.2.3 Should the amount referred to in Rule 4.2.2 be at any time in excess of the amount required to meet the cost of the INSURED DEATH BENEFIT, the INSURED DISABILITY BENEFIT, the INSURED TERMINAL ILLNESS BENEFIT, the DISABILITY ARRANGEMENT, the FUNERAL ARRANGEMENT and the FUND'S expenses, such portion of the excess as may be decided by the ACTUARY and agreed to by the TRUSTEES shall be allocated to the RISK RESERVE

ACCOUNT and the balance shall be allocated towards retirement funding under the FUND CREDIT of each relevant MEMBER. Should such amount be at any time insufficient, after taking into account any amount allocated from the RISK RESERVE ACCOUNT, to meet the cost of the INSURED DEATH BENEFIT, the INSURED DISABILITY BENEFIT, the INSURED TERMINAL ILLNESS BENEFIT, the DISABILITY ARRANGEMENT, the FUNERAL ARRANGEMENT and the FUND'S expenses, such benefits shall be reduced to the proportion for which the cost has been paid.

- 4.2.4 In the case of a MEMBER who is in receipt of a benefit from the DISABILITY ARRANGEMENT, the EMPLOYER'S contributions whilst the MEMBER is in receipt of a benefit from the DISABILITY ARRANGEMENT shall be the amount, if any, received for this purpose from the DISABILITY ARRANGEMENT.
- 4.2.5 Contributions by the EMPLOYER must be paid to the FUND within seven days after the end of the month to which they relate. If contributions are not paid to the FUND as required in terms of the ACT, the EMPLOYER shall be required to pay late payment interest at the rate prescribed by legislation. Any such interest shall constitute investment income for the FUND.

5. RETIREMENT BENEFITS

5.1 Amount of PENSION

- 5.1.1 On RETIREMENT FROM THE FUND, a MEMBER who has retired from SERVICE in terms of Rule 5.2, shall become entitled to a PENSION of such amount as can be purchased by his FUND CREDIT, or if applicable, the benefit referred to in Rule 6.3.1, after the exercise of any option in terms of Rule 5.4.
- 5.1.2 If a MEMBER dies after retiring in terms of Rule 5.2, but before his benefit has been transferred to a REGISTERED INSURER in terms of Rule 5.5 or to the PENSION ACCOUNT in terms of Rule 5.6.1, the benefit shall become payable in terms of Section 37C of the ACT.
- 5.1.3 Notwithstanding the provisions of Rule 5.1.1, a MEMBER who has retired from SERVICE in terms of Rule 5.2 may at any time prior to RETIREMENT FROM THE FUND, elect to transfer his FUND CREDIT to an APPROVED RETIREMENT ANNUITY FUND or an APPROVED PENSION PRESERVATION FUND.

5.2 Retirement from SERVICE

- 5.2.1 A MEMBER who has reached age fifty-five years may elect to retire from SERVICE on the last day of any month occurring before he reaches his NORMAL RETIREMENT DATE.
- 5.2.2 A MEMBER who has not retired from SERVICE in terms of Rule 5.2.1 must retire from SERVICE on

reaching his NORMAL RETIREMENT DATE unless the EMPLOYER and the MEMBER agree to his remaining in SERVICE after that date.

5.2.3 A MEMBER who either:

- (a) does not qualify for a DISABLEMENT INCOME BENEFIT; or
- (b) remains DISABLED at the end of the two year period during which such benefit is payable;

shall be retired from SERVICE at any time before he reaches NORMAL RETIREMENT DATE if the EMPLOYER determines that the MEMBER has become totally and permanently and/or partially incapable of efficiently carrying out his duties and the MEMBER'S SERVICE is terminated as a result.

5.2.4 A MEMBER who agrees to remain in SERVICE after his NORMAL RETIREMENT DATE shall retire from SERVICE on such later date as he agrees with his EMPLOYER.

5.3 Payment of PENSION

On RETIREMENT FROM THE FUND each MEMBER may elect either:

- (a) that his PENSION be purchased as an annuity or annuities from a REGISTERED INSURER in terms of Rule 5.5; or

- (b) that his PENSION be paid from the FUND in terms of Rule 5.6.

5.4 Commutation

On RETIREMENT FROM THE FUND, prior to the purchase of his PENSION in terms of Rule 5.5 or the commencement of payment of his PENSION in terms of Rule 5.6, a MEMBER may elect to commute for a lump sum:

- (a) if the amount available to secure such PENSION does not exceed the limit set by the relevant legislation from time to time, the whole of the available amount; or
- (b) if the whole of such amount exceeds the limit referred to in (a) above, not more than one third of such amount.

5.5 Conditions relating to PENSIONS purchased from a REGISTERED INSURER

If a retiring MEMBER elects the option provided for in Rule 5.3(a), the amount available in terms of Rule 5.1.1, after the exercise of any option in terms of Rule 5.4, shall be transferred to a REGISTERED INSURER to purchase an annuity or annuities in the MEMBER'S name. The MEMBER shall himself choose the REGISTERED INSURER from whom the annuity or annuities are to be purchased and shall specify the terms and conditions which are to apply. Such terms and conditions shall be set out in writing by the REGISTERED INSURER; provided that:

- (a) the annuity or annuities so purchased shall be subject to the provisions of any relevant legislation and any requirements specified by the REVENUE AUTHORITIES from time to time; and

- (b) on purchase of an annuity or annuities in terms of this Rule, the FUND shall have no further liability in respect of the MEMBER, such liability resting with the REGISTERED INSURER from whom the annuity or annuities are purchased.

5.6 Conditions relating to PENSIONS payable from the FUND

- 5.6.1 If a retiring MEMBER elects the option provided for in Rule 5.3 (b), he shall become an IN-FUND ANNUITANT and the amount available in terms of Rule 5.1.1, after the exercise of any option in terms of Rule 5.4, shall be transferred to the PENSION ACCOUNT to secure a PENSION from the FUND for him.
- 5.6.2 Each PENSION payable from the FUND to an IN-FUND ANNUITANT shall be payable by equal monthly instalments by no later than the last day of each month, unless otherwise agreed.
- 5.6.3 Subject to such modification as may have been agreed in terms of Rule 5.6.2, the first monthly instalment of a PENSION payable from the FUND to an IN-FUND ANNUITANT shall be payable by no later than the last day of the month following the month in which his RETIREMENT FROM THE FUND takes place.
- 5.6.4 The amount of any PENSION payable to an IN-FUND ANNUITANT shall, subject to any requirements and restrictions imposed by the REVENUE AUTHORITIES from time to time, be determined by the IN-FUND ANNUITANT at the commencement date of the payment

thereof and thereafter annually as at the anniversary of the commencement date and shall be payable exclusively out of the PENSION ACCOUNT.

- 5.6.5 The IN-FUND ANNUITANT shall be required to nominate in which investment portfolio or portfolios in terms of Rule 13.1.8 his PENSION ACCOUNT shall be invested.
- 5.6.6 In order to assist the IN-FUND ANNUITANT in making a decision in terms of Rule 5.6.4 and Rule 5.6.5, the IN-FUND ANNUITANT may elect to receive advice on his investment strategy and the amount of his PENSION from an advisor approved by the FUND; provided that the cost of such advice shall be met in terms of Rule 13.7.1 (b) (iv).
- 5.6.7 If the value of the assets in the PENSION ACCOUNT at any time becomes less than an amount prescribed by legislation, the full remaining value of the assets in the PENSION ACCOUNT may be paid to the IN-FUND ANNUITANT as a lump sum benefit.
- 5.6.8 Each IN-FUND ANNUITANT shall provide such evidence of his survival as the TRUSTEES and the ADMINISTRATORS may require. If such evidence is not produced, the TRUSTEES may direct that payment of the PENSION be suspended until such evidence is produced.
- 5.6.9 An IN-FUND ANNUITANT may, with the consent of the TRUSTEES, elect that the balance in his PENSION ACCOUNT be transferred to a REGISTERED INSURER

of his choice, to purchase an annuity or annuities in his name. The provisions of Rule 5.5 shall, *mutatis mutandis*, apply to an annuity purchased from a REGISTERED INSURER in terms of this Rule.

5.7 Provisions Applicable to a DEFERRED RETIREE

The following special provisions shall apply to a MEMBER who has retired from SERVICE in terms of Rule 5.2 and has elected to become a DEFERRED RETIREE:

- (a) after the date on which the DEFERRED RETIREE retires from SERVICE with the EMPLOYER in terms of Rule 5.2:
 - (i) contributions by and in respect of the DEFERRED RETIREE in terms of Rule 4 shall cease; and
 - (ii) the INSURED DEATH BENEFIT shall not become payable if the DEFERRED RETIREE dies before RETIREMENT FROM THE FUND;
 - (iii) except in the case of a MEMBER who retires from SERVICE in terms of Rule 5.2.3 on subsequently becoming permanently DISABLED as defined in Rule 6.2.1, the INSURED DISABILITY BENEFIT shall not become payable if the DEFERRED RETIREE becomes permanently disabled before RETIREMENT FROM THE FUND;
 - (iv) except in the case of a MEMBER who retires from SERVICE in terms of Rule 5.2.3 on subsequently becoming TERMINALLY ILL, the benefit payable on TERMINAL ILLNESS referred to in Rule 6.3.1 (a)

shall not become payable if the DEFERRED RETIREE becomes TERMINALLY ILL before RETIREMENT FROM THE FUND;

(b) the DEFERRED RETIREE'S:

- (i) FUND CREDIT plus the INSURED DISABILITY BENEFIT, in the case of a MEMBER who has retired from SERVICE in terms of Rule 5.2.3 on becoming permanently DISABLED; or
- (ii) FUND CREDIT plus the INSURED TERMINAL ILLNESS BENEFIT, in the case of a MEMBER who has retired from SERVICE in terms of Rule 5.2.3 on becoming TERMINALLY ILL; or
- (iii) FUND CREDIT in the case of any other DEFERRED RETIREE;

shall be retained in the FUND and shall be debited with such reasonable expenses as the TRUSTEES may determine and increased or decreased by the INVESTMENT RETURN until the CALCULATION DATE;

(c) the benefit referred to in (b) above shall become payable in the following circumstances:

- (i) in terms of Rule 5.1.1 to the DEFERRED RETIREE on RETIREMENT FROM THE FUND; or
- (ii) in terms of Section 37C of the ACT if the DEFERRED RETIREE dies before RETIREMENT FROM THE FUND;

- (iii) if the DEFERRED RETIREE elects that the benefit be transferred to an APPROVED RETIREMENT ANNUITY FUND or an APPROVED PENSION PRESERVATION FUND in terms of Rule 5.1.3.

6. DEATH, DISABILITY AND TERMINAL ILLNESS BENEFITS

6.1 Death Benefit

6.1.1 Death in SERVICE

(a) If a MEMBER dies while in SERVICE there shall be payable an annuity or annuities of such amount as can be purchased by that part of the amount in (i) and (ii) which is in excess of any amount referred to in Rule 17.9:

(i) subject to the provisions of Rule 4.2.3 and Rule 6.1.2, a multiple of the MEMBER'S FUND SALARY at the date of death, determined in accordance with the following:

(aa) in the case of a MEMBER with less than 3 years' SERVICE, one and a half times his FUND SALARY at the date of death; or

(bb) in the case of a MEMBER with more than three years' SERVICE, a multiple of FUND SALARY determined by reference to his age at the date of death in accordance with the table below:

Age at

Date of Death Multiple of FUND SALARY

18 – 19	6 times FUND SALARY at the date of death
20– 24	5.5 times FUND SALARY at the date of death
25 – 29	5 times FUND SALARY at the date of death
30 - 34	4.5 times FUND SALARY at the date of death

35 – 39	4 times FUND SALARY at the date of death
40 – 44	3.5 times FUND SALARY at the date of death
45 – 49	3 times FUND SALARY at the date of death
50 – 54	2.5 times FUND SALARY at the date of death
55– 59	2 times FUND SALARY at the date of death
60 – 65	1.5 times FUND SALARY at the date of death

plus

(ii) his FUND CREDIT;

provided that:

(aa) the person or persons entitled to the benefit (or the person recognised in law or appointed by a Court as the person responsible for managing the affairs of the person entitled to the benefit) may elect to commute part or the whole of such benefit for a lump sum; and

(bb) if a MEMBER dies in SERVICE after reaching age sixty-five years, or such other maximum age as determined by the TRUSTEES, the benefit referred to in (i) shall not be payable.

(b) An annuity which becomes payable in terms of Rule 6.1.1 shall either, as elected by the beneficiary (or the person recognised in law or appointed by a Court as the person responsible for managing the affairs of the person entitled to the benefit):

- (i) be purchased by the FUND in the name of the person entitled to the benefit from a REGISTERED INSURER approved by the TRUSTEES; or
 - (ii) be paid from the FUND.
- (c) If the beneficiary (or the person recognised in law or appointed by a Court as the person responsible for managing the affairs of the person entitled to the benefit) elects option (i) in Rule 6.1.1 (b), the following shall apply:
 - (i) the amount available to purchase an annuity or annuities for the beneficiary shall be transferred to a REGISTERED INSURER;
 - (ii) the annuity or annuities so purchased shall be subject to the provisions of the relevant legislation and requirements specified by the REVENUE AUTHORITIES from time to time;
 - (iii) thereafter the FUND shall have no further liability in respect of the benefit payable to such person, such liability resting with the REGISTERED INSURER from whom such annuity or annuities are purchased.
- (d) If the beneficiary (or the person recognised in law or appointed by a Court as the person responsible for managing the affairs of the person entitled to the benefit) elects option (ii) in Rule 6.1.1 (b), the following shall apply:

- (i) the amount available to purchase an annuity or annuities for the beneficiary shall be transferred to the PENSION ACCOUNT to secure a PENSION from the FUND;
- (ii) the beneficiary shall become an IN-FUND ANNUITANT and the remaining provisions of Rule 5.6 shall apply *mutatis mutandis*;
- (iii) on the death of such IN-FUND ANNUITANT, the provisions of Rule 6.1.5 shall apply.

6.1.2 Restrictions

- 6.1.2.1 The benefit payable in terms of Rule 6.1.1(a) (i) may be insured in whole or in part with a REGISTERED INSURER. In such case, that part of the benefit that is so insured shall be subject to any restrictions imposed by the REGISTERED INSURER in addition to any restrictions imposed by the TRUSTEES in terms of Rule 3.7 (c) and shall not become payable unless the claim for the benefit has been admitted by the REGISTERED INSURER, or shall be limited to the amount paid by the REGISTERED INSURER; provided that the TRUSTEES, in consultation with the ACTUARY, may agree to pay all or part of the benefit from the FUND.
- 6.1.2.2 If applicable, no increase in FUND SALARY during a period in which the MEMBER is in receipt of a DISABLEMENT INCOME BENEFIT shall apply for the purposes of the INSURED DEATH BENEFIT, the INSURED DISABILITY BENEFIT or the INSURED TERMINAL ILLNESS BENEFIT, without the prior agreement of the REGISTERED INSURER.

6.1.3 Payment of Benefit

Payment of the death benefit will be made in terms of Section 37C of the ACT.

6.1.4 Funeral Benefit

A benefit shall be payable from the FUNERAL ARRANGEMENT on the death in SERVICE of the MEMBER or of his spouse and/or children. The benefit payable shall be the amount set out in the policy issued for the FUNERAL ARRANGEMENT by the REGISTERED INSURER and notified to the MEMBERS by the TRUSTEES from time to time. Such benefit shall be subject to any restrictions set out in the policy and shall only be payable if the claim is accepted by the REGISTERED INSURER.

6.1.5 Death of an IN-FUND ANNUITANT

6.1.5.1 On the death of an IN-FUND ANNUITANT, the balance of his PENSION ACCOUNT shall be paid as a PENSION to his nominated beneficiary or nominated beneficiaries in such proportions as determined by the IN-FUND ANNUITANT, unless required to be paid in any other proportion or manner according to law. The PENSION payable to each nominated beneficiary shall be payable in accordance with the terms and conditions set out in Rule 5.6; provided that a nominated beneficiary may, subject to the consent of the TRUSTEES, elect that the balance of the PENSION ACCOUNT or, if more than one nominated beneficiary, his proportionate share of the balance of the PENSION ACCOUNT, be

- (a) transferred to a REGISTERED INSURER of his choice to purchase an annuity or annuities in his name in accordance with Rule 5.5;

or

- (b) paid to him as a lump sum.

If there are no nominated beneficiaries on the death of an IN-FUND ANNUITANT, the benefit shall be paid as a lump sum to his estate, unless required to be paid to any other person or in any other manner by any law.

- 6.1.5.2 It is specifically provided that any benefit payable in terms of this Rule shall be calculated as that part of such benefit that is in excess of any amount referred to in Rule 17.9.

6.2 Disability Benefit

6.2.1 Definition

A MEMBER will be classified as DISABLED in terms of this Rule if his condition is such as to satisfy, as applicable:

- (a) such conditions as may be determined by the TRUSTEES on the advice of a medical practitioner and in accordance with the FUND'S disability policy; and/or

- (b) the provisions governing disablement which are set out in the policy issued by the REGISTERED INSURER.

“DISABLEMENT” has a corresponding meaning.

6.2.2 Temporary DISABLEMENT INCOME BENEFIT

- 6.2.2.1 A MEMBER who has been DISABLED for an uninterrupted period of three months shall become entitled to a DISABLEMENT INCOME BENEFIT equal to 75 per cent of his FUND SALARY at the date of DISABLEMENT, subject to any restrictions and conditions imposed by the TRUSTEES and (if applicable) any REGISTERED INSURER with which the benefit has been insured and to the claim being admitted by the TRUSTEES and if applicable, the REGISTERED INSURER.
- 6.2.2.2 The DISABLEMENT INCOME BENEFIT shall be payable from the FUND on the last day of each month.
- 6.2.2.3 The MEMBER’S contributions while in receipt of a DISABLEMENT INCOME BENEFIT shall be deducted from the benefit and paid to the FUND and any EMPLOYER contributions that may be payable shall be payable in accordance with the provisions of the DISABILITY ARRANGEMENT.

6.2.2.4 Payment of the DISABLEMENT INCOME BENEFIT shall cease at the first of the following:

- (a) the date of the MEMBER'S recovery in terms of Rule 6.2.2.5;
- (b) if applicable, on his reaching age sixty-three years, or such other maximum age as determined by the TRUSTEES, or on his death prior to such age;
- (c) the cessation of payment of the DISABLEMENT INCOME BENEFIT by the FUND or if applicable, by the REGISTERED INSURER after a maximum period of two years, or during the course of such two year period as envisaged in Rule 6.2.2.5.

6.2.2.5 The following shall apply while the MEMBER is in receipt of a DISABLEMENT INCOME BENEFIT:

- (a) the TRUSTEES shall have the right to require a MEMBER in receipt of a DISABLEMENT INCOME BENEFIT to be medically examined at any time, at the expense of the REGISTERED INSURER, with whom the DISABLEMENT

INCOME BENEFIT is reassured if applicable, and/or at the expense of the FUND by a medical practitioner recommended by medical consultants approved by the TRUSTEES;

- (b) if in the opinion of the TRUSTEES acting in consultation with the REGISTERED INSURER, if applicable, and/or the medical consultants referred to in (a), on the basis of a medical examination in terms of (a) above, a MEMBER in receipt of a DISABLEMENT INCOME BENEFIT has recovered to the extent that he is capable of returning to the occupation in which he was employed by the EMPLOYER immediately before he became DISABLED, then the TRUSTEES may direct that his DISABLEMENT INCOME BENEFIT shall cease forthwith;
- (c) if in the opinion of the TRUSTEES acting in consultation with the REGISTERED INSURER, if applicable, and/or the medical consultants referred to in (a), on the basis of a medical examination in terms of (a) above, a MEMBER who has been in receipt of a

DISABLEMENT INCOME BENEFIT for an uninterrupted period as defined in the policy issued by the REGISTERED INSURER, if applicable, or in the FUND'S disability policy, is capable of engaging for remuneration or profit in his own occupation or any other occupation for which he may become reasonably fitted by his knowledge, education, training or experience, the TRUSTEES or the REGISTERED INSURER, if applicable, may direct that his DISABLEMENT INCOME BENEFIT shall be reduced by such amount as they shall decide;

(d) if at any time during payment of the DISABLEMENT INCOME BENEFIT the MEMBER engages for remuneration or profit in any occupation, then the TRUSTEES or the REGISTERED INSURER, if applicable, may direct that his DISABLEMENT INCOME BENEFIT shall cease forthwith or that a reduced DISABLEMENT INCOME BENEFIT shall become payable.

(e) in exercising their discretion in terms of this Rule, the TRUSTEES

shall act in a reasonable and consistent manner and shall exercise their discretion in consultation with the medical consultants referred to in (a) and with the REGISTERED INSURER with whom such benefit is insured, if applicable.

6.2.3 Benefit Payable on Permanent Disablement

6.2.3.1 If, at the end of a two year period while in receipt of a DISABLEMENT INCOME BENEFIT, a MEMBER remains classified as DISABLED, he shall retire from SERVICE in terms of Rule 5.2.3 and shall, in addition to the benefit to which he is entitled in terms of Rule 5.1.1, be entitled to a benefit calculated in terms of Rule 6.1.1 (a) (i), subject to a maximum benefit of such amount as may be specified from time to time by the TRUSTEES in consultation with the REGISTERED INSURER, if applicable, with whom such benefit may be insured; provided that:

- (a) if the MEMBER'S DISABLEMENT occurs after he has reached such age as may be set out in the policy issued by the REGISTERED INSURER, if applicable, the benefit will be reduced in accordance with the provisions of that policy; and

- (b) the benefit determined in accordance with Rule 6.1.1 (a) (i) may be proportionately reduced depending on the degree of DISABLEMENT as determined by the TRUSTEES on the advice of a medical practitioner and after consultation with the ACTUARY and if applicable, the REGISTERED INSURER.

6.2.3.2 The benefit payable in terms of Rule 6.2.3.1 may be insured in whole or in part with a REGISTERED INSURER and in such case, that part of the benefit that is so insured shall not become payable unless the claim for the benefit has been admitted by the REGISTERED INSURER, or shall be limited to the amount paid by the REGISTERED INSURER; provided that the TRUSTEES, in consultation with the ACTUARY, may agree to pay all or part of the benefit from the FUND.

6.2.3.3 Any part of the benefit payable in terms of Rule 6.3.1(a) that has been insured with a REGISTERED INSURER will be subject to any restrictions which may have been imposed in terms of Rule 3.7 (c) and Rule 6.1.2 on the benefit applicable in terms of Rule 6.1.1(a) (i) and to such exclusions and further restrictions (if any) as may apply in terms of the policy issued by the REGISTERED INSURER.

6.2.3.4 The benefit payable in terms of Rule 6.2.3.1 shall be paid to the MEMBER as a PENSION, in accordance with the provisions of Rule 5.3 and after allowing for any commutation in terms of Rule 5.4; provided that if a disabled MEMBER is employed in an alternative capacity, suited to the nature of his disablement, resulting in a change in his conditions of employment, that part of the benefit payable in terms of Rule 6.2.3.1 which is admitted by the REGISTERED INSURER shall be paid to such MEMBER as a lump sum. In such case the provisions of Rule 5.2.3 shall not apply.

6.3 TERMINAL ILLNESS Benefit

6.3.1 Benefit

A MEMBER who has become TERMINALLY ILL may be retired in terms of Rule 5.2.3 and in such case, shall be entitled to a benefit equal in amount to:

(a) the benefit that would have been payable in terms of Rule 6.1.1(a)(i) if he had died on the day the TRUSTEES and, if applicable, the REGISTERED INSURER were notified of his claim for a TERMINAL ILLNESS benefit;

plus

(b) his FUND CREDIT.

6.3.2 Restrictions and Exclusions

6.3.2.1 The benefit payable in terms of Rule 6.3.1(a) may be insured in whole or in part with a REGISTERED INSURER and in such case, that part of the benefit that is so insured shall not become payable unless the claim for the benefit has been admitted by the REGISTERED INSURER, or shall be limited to the amount paid by the REGISTERED INSURER; provided that the TRUSTEES, in consultation with the ACTUARY, may agree to pay all or part of the benefit from the FUND.

6.3.2.2 Any part of the benefit payable in terms of Rule 6.2.3.1 that has been insured with a REGISTERED INSURER will be subject to any restrictions which may have been imposed in terms of Rule 6.1.2 on the benefit applicable in terms of Rule 6.1.1(a) (i) and to such exclusions and further restrictions (if any) as may apply in terms of the policy issued by the REGISTERED INSURER.

6.3.3 Payment of Benefit

Payment of the benefit referred to in Rule 6.3.1 shall be made in terms of Rule 5.1.1.

6.4 Suspension or Cancellation of Death, Disability and TERMINAL ILLNESS cover

Notwithstanding any other provision in this Rule 6, if any part of the death, disability and TERMINAL ILLNESS benefit in Rule 6 is

insured with a REGISTERED INSURER and the cover provided in terms of the policy issued by the REGISTERED INSURER is suspended or cancelled for reasons beyond the control of the TRUSTEES, then that part of the death, disability and TERMINAL ILLNESS benefit in Rule 6 which was so insured shall not be payable by the FUND.

7. TERMINATION OF SERVICE

7.1 Benefit

If a MEMBER who has not reached NORMAL RETIREMENT DATE leaves SERVICE in circumstances not provided for elsewhere in these RULES, he shall become entitled to a benefit equal to his FUND CREDIT.

7.2 Preservation and Payment of Benefit

7.2.1 The benefit in terms of this Rule shall be preserved in the FUND in accordance with the provisions of Rule 7.3, unless upon leaving SERVICE the MEMBER elects:

- (a) that the benefit be paid to him as a lump sum;
or
- (b) that the benefit be transferred to another APPROVED PENSION FUND, an APPROVED PROVIDENT FUND (less any tax payable thereon), an APPROVED RETIREMENT ANNUITY FUND or an APPROVED PENSION PRESERVATION FUND; or
- (c) that part of the benefit be paid to him as a lump sum and the balance be transferred to another APPROVED PENSION FUND, an APPROVED PROVIDENT FUND (less any tax payable thereon), an APPROVED RETIREMENT ANNUITY FUND or an APPROVED PENSION PRESERVATION FUND;

provided that transfer to an APPROVED PENSION PRESERVATION FUND is subject to the requirements of the REVENUE AUTHORITIES as specified from time to time.

7.2.2 If a MEMBER elects option (a), (b) or (c) in Rule 7.2.1, then subject to the provisions of Rule 11.2, the applicable benefit shall be paid or transferred as soon as possible after the date of his leaving SERVICE.

7.2.3 A MEMBER who leaves SERVICE in terms of this Rule and who does not elect option (a), (b) or (c) in Rule 7.2.1, shall become a PRESERVED MEMBER and the provisions of Rule 7.3 shall apply to such MEMBER.

7.2.4 If a MEMBER who leaves SERVICE in terms of this Rule dies after electing to receive payment of his benefit but before payment of his benefit has been made, the benefit shall be paid to his estate as a lump sum.

7.3 Provisions Applicable to a PRESERVED MEMBER

The following provisions shall apply to a PRESERVED MEMBER:

- (a) after the date of leaving SERVICE no further contributions in terms of Rule 4 shall be made by or in respect of the PRESERVED MEMBER and no deductions in respect of any risk benefits shall be made from the benefit referred to in (c) below;
- (b) the value of such MEMBER'S entitlement at the date of leaving SERVICE, less in the case of a DEFERRED

PENSIONER any amount thereof that was paid to him as a lump sum or transferred to another fund, shall form the opening balance of his FUND CREDIT at the date of leaving SERVICE;

- (c) the benefit referred to in (b) above, including any amount transferred to the FUND in terms of Rule 9.1 after becoming a PRESERVED MEMBER, shall be retained in the FUND and shall be debited with such reasonable expenses as the TRUSTEES may determine and increased or decreased by the INVESTMENT RETURN until the CALCULATION DATE;
- (d) the PRESERVED MEMBER shall not be entitled to any benefits from the FUND other than the benefit referred to in (c) above;
- (e) the benefit referred to in (c) above shall become payable as contemplated in paragraph 4 of the Second Schedule to the Income Tax Act, 1962:
 - (i) as a retirement benefit in accordance with the provisions of Rule 5.1.1 on or after the PRESERVED MEMBER has attained normal retirement age as defined in Section 1 of the Income Tax Act, 1962; or
 - (ii) on the death of the PRESERVED MEMBER to his beneficiaries in terms of Section 37C of the ACT; or
 - (iii) on the PRESERVED MEMBER electing prior to attaining NORMAL RETIREMENT DATE:

- (aa) that the benefit be paid to him as a lump sum; or
- (bb) that the benefit be transferred to another fund in accordance with the provisions of Rule 7.2.1 (b); or
- (cc) that part of the benefit be paid to him as a lump sum and the balance be transferred to another fund in accordance with the provisions of Rule 7.2.1 (c); or
- (iv) on the PRESERVED MEMBER electing on or after attaining NORMAL RETIREMENT DATE but before RETIREMENT FROM THE FUND that the benefit be transferred to another APPROVED RETIREMENT ANNUITY FUND or an APPROVED PENSION PRESERVATION FUND;

whichever event in (i), (ii), (iii) or (iv) above occurs first;

- (f) each PRESERVED MEMBER shall have access to retirement benefits counselling before the benefit referred to in (c) above is paid to such MEMBER in terms of (e) (i) above, or paid and/or transferred in terms of (e) (iii) or (e)(iv) above.

8. ABSENCE

- 8.1 When a MEMBER is on leave with full pay or with pay less than full pay, he shall contribute to the FUND in accordance with Rule 4.1.1, the EMPLOYER shall continue to contribute in respect of him in accordance with Rule 4.2 and all benefits under the FUND in respect of him shall be maintained.
- 8.2 A MEMBER qualifying for a disablement benefit in terms of the provisions of the DISABILITY ARRANGEMENT shall be deemed to remain in SERVICE for the purposes of the FUND.
- 8.3 If a MEMBER is on leave without pay, he may elect:
- (a) to cease to contribute in terms of Rule 4.1.1; or
 - (b) subject to the agreement of the TRUSTEES and the EMPLOYER, to continue to contribute in terms of Rule 4.1.1.
- 8.4 Irrespective of the election made in terms of Rule 8.3 by a MEMBER who is on leave without pay, the following shall apply:
- (a) all contributions made by the EMPLOYER in respect of such MEMBER shall cease for the period when the MEMBER is on unpaid leave;
- and
- (b) notwithstanding the cessation of contributions by the EMPLOYER, such MEMBER shall continue to be covered for the INSURED DEATH BENEFIT, the INSURED DISABILITY BENEFIT, the INSURED

TERMINAL ILLNESS BENEFIT, the DISABILITY ARRANGEMENT and the FUNERAL ARRANGEMENT for such period as is specified in the policy issued by the REGISTERED INSURER, if applicable, or such period as may be decided by the TRUSTEES.

9. TRANSFERS

9.1 Transfers into the FUND

- 9.1.1 The FUND received an amount payable to the FUND by one of the funds referred to in clause (a) of the definition “PREVIOUS FUND” in Rule 2 in respect of MEMBERS who were previously members of a PREVIOUS FUND, as the result of the transfer of members of the applicable fund to the FUND. The amount transferred from the applicable fund was applied under the MEMBER’S FUND CREDIT in terms of the provisions of the RULES as they applied at the date of transfer.
- 9.1.2 If a MEMBER or a group of MEMBERS transfers to the FUND from a PREVIOUS FUND referred to in clause (b) of the definition “PREVIOUS FUND” in Rule 2, the FUND shall receive from such fund the amount payable to the FUND in respect of each such MEMBER. Such amount shall be applied under the MEMBER’S FUND CREDIT.
- 9.1.3 If a MEMBER who is a member of an APPROVED PROVIDENT FUND, any other APPROVED PENSION FUND, an APPROVED PROVIDENT PRESERVATION FUND or an APPROVED PENSION PRESERVATION FUND chooses to transfer the benefit to which he is entitled on leaving that fund into the FUND, the amount so transferred shall be applied under the MEMBER’S FUND CREDIT.
- 9.1.4 The FUND may also accept transfer from another APPROVED PENSION FUND, an APPROVED

PROVIDENT FUND, an APPROVED PROVIDENT PRESERVATION FUND or an APPROVED PENSION PRESERVATION FUND of an amount in respect of a MEMBER who has elected to transfer to the FUND an amount awarded to such person in terms of a court order contemplated in Section 7 (8) of the Divorce Act 1979.

9.2 Transfers out of the FUND

9.2.1 If a MEMBER is transferred to the service of:

- (i) a company or other organisation associated or subsidiary to the MUNICIPALITY; or
- (ii) another MUNICIPALITY;

which does not participate in the FUND, then

- (a) if the transferred MEMBER becomes a member of an APPROVED PENSION FUND or an APPROVED PROVIDENT FUND established for the benefit of the employees of the organisation to which he is transferred, the TRUSTEES shall pay the MEMBER'S FUND CREDIT (less, in the case of transfer to an APPROVED PROVIDENT FUND, any tax payable thereon) to that fund; or
- (b) if the circumstances provided for in (a) do not exist, the TRUSTEES, in consultation with the MUNICIPALITY and the ACTUARY, shall decide on the manner of dealing with the MEMBER'S FUND CREDIT.

- 9.2.2 If retirement benefit arrangements for employees of an EMPLOYER are restructured and in consequence MEMBERS become members of another APPROVED PENSION FUND or an APPROVED PROVIDENT FUND, then the FUND CREDIT, less such costs incurred by the ADMINISTRATORS in arranging such transfer as may be determined by the TRUSTEES, of each MEMBER who is eligible for membership of such fund on a date determined by the TRUSTEES shall be transferred to such APPROVED PENSION FUND or APPROVED PROVIDENT FUND.

On finalisation of the transfer of his benefit in terms of the above, the MEMBER shall cease to be a MEMBER of the FUND.

- 9.2.3 Notwithstanding any other provisions of these RULES, in the event of a transfer of the EMPLOYER'S business contemplated in Section 197 of the Labour Relations Act, no MEMBER affected by such transfer shall become entitled to a benefit in terms of Rule 7.1. The TRUSTEES shall arrange for the FUND CREDIT of such MEMBER to be transferred to an APPROVED PENSION FUND or an APPROVED PROVIDENT FUND in which his new employer participates; provided that, depending on the provisions of the agreement governing the transfer of business contemplated in Section 197 of the Labour Relations Act (Act No. 66 of 1995) and, if applicable, the terms and conditions of the MEMBER'S contract of employment with his new EMPLOYER and if the MEMBER so elects, the TRUSTEES may arrange for the transfer of the MEMBER'S FUND CREDIT to:

- (a) an APPROVED RETIREMENT ANNUITY FUND; or
- (b) subject to any requirements of the REVENUE AUTHORITIES, to an APPROVED PENSION PRESERVATION FUND.

On finalisation of the transfer of his benefit in terms of the above, the MEMBER shall cease to be a MEMBER of the FUND.

10. TERMINATION AND PARTIAL TERMINATION OF THE FUND

10.1 Termination of the FUND

10.1.1 The TRUSTEES may terminate the FUND at any time by giving six months' written notice to all the MUNICIPALITIES; provided that if the majority of the MUNICIPALITIES and MEMBERS agree, the FUND may be continued on such terms and conditions as they may determine.

10.1.2 If the FUND is to be terminated, then the following provisions shall apply:

- (a) all contributions by and in respect of the MEMBER payable in terms of these RULES shall cease;
- (b) the TRUSTEES shall, subject to the approval of the AUTHORITY, appoint a liquidator who must liquidate the FUND with effect from the date of the AUTHORITY'S approval of his appointment;
- (c) in accordance with the instructions of the liquidator, the total moneys available under the FUND after payment of all expenses incurred in the liquidation shall be applied to provide benefits for all MEMBERS or other beneficiaries on an equitable basis recommended by the ACTUARY and approved by the liquidator;

- (d) the amount available under (c) above for a MEMBER who is in receipt of a PENSION paid from the FUND shall be applied to purchase an annuity or annuities for him in his own name from a REGISTERED INSURER and the provisions of Rule 5.5 shall apply, *mutatis mutandis*;
- (e) the amount available for any other MEMBER under (c) above shall, as directed by the liquidator, either
 - (i) be transferred for his benefit to another APPROVED PENSION FUND, an APPROVED PROVIDENT FUND, an APPROVED PENSION PRESERVATION FUND or an APPROVED RETIREMENT ANNUITY FUND; or
 - (ii) if the MEMBER so requests, be paid to the MEMBER as a lump sum benefit;

provided that:

- (aa) in the case of transfer to an APPROVED PROVIDENT FUND, the amount so transferred shall be less any tax payable thereon; and
- (bb) transfer to an APPROVED PENSION PRESERVATION FUND

is subject to the requirements of the
REVENUE AUTHORITIES as
specified from time to time;

and

- (f) if a person to whom an amount is payable cannot be traced, the amount referred to in (c) shall be transferred to an APPROVED PENSION PRESERVATION FUND established for the receipt of unclaimed benefits.

10.1.3 In making an apportionment in terms of Rule 10.1.2(c) the liquidator shall take into consideration every former MEMBER who left SERVICE during the period of at least twelve months ending on the date of commencement of liquidation. The former MEMBER'S apportionment shall be reduced by the amount of the benefit which he received on leaving SERVICE.

10.1.4 When all payments have been made by the FUND in terms of Rule 10.1.2, the FUND shall have no further liability to any person and the FUND'S registration in terms of the ACT shall be cancelled.

10.1.5 It is specifically provided that the provisions of the ACT, shall over-ride any conflicting provisions in this Rule 10.1, in particular with regard to payment of minimum benefits and the rights of the stakeholders.

10.2 Termination by a MUNICIPALITY

10.2.1 The participation of a MUNICIPALITY in the FUND shall cease once it ceases to exist and there is no successor in title.

- 10.2.2 If a MUNICIPALITY ceases its participation in accordance with the provisions of Rule 10.2.1, the provisions of Rule 10.1.2 shall apply; provided that, that part of the FUND which is to be liquidated in terms of the ACT shall be limited to the total assets and liabilities attributable to the MEMBERS related to the withdrawing MUNICIPALITY, as determined by the liquidator in consultation with the ACTUARY.
- 10.2.3 In making an apportionment in terms of Rule 10.1.2(c) the liquidator shall take into consideration every former MEMBER of the withdrawing MUNICIPALITY who left SERVICE during the period of at least twelve months ending on the date of commencement of partial liquidation. The former MEMBER'S apportionment shall be reduced by the amount of the benefit which he received on leaving SERVICE.
- 10.2.4 When all payments have been made by the FUND in terms of Rule 10.1.2 in respect of the withdrawing MUNICIPALITY, the FUND shall have no further liability to any person related to that MUNICIPALITY in respect of whom the FUND held assets and liabilities at the date of partial liquidation.

11. DEDUCTIONS FROM BENEFITS

- 11.1 The TRUSTEES shall have the right to make such deductions from the benefit to which a MEMBER or other beneficiary is entitled in terms of the RULES as are permitted in terms of Section 37D (1) (a), (b) and (c) of the ACT and in respect of which a claim has been lodged in writing within such reasonable time of the event giving rise to the benefit as the TRUSTEES may from time to time fix for making such claims; provided that where an EMPLOYER has instituted criminal proceedings against the MEMBER concerned in respect of damage caused to the EMPLOYER as contemplated in Section 37D (1) (b) of the ACT and following prosecution in a criminal court, the MEMBER has been convicted, the TRUSTEES shall only effect a deduction from the MEMBER'S benefit if the EMPLOYER has obtained a compensation order from such court in terms of Section 300 of the Criminal Procedure Act, 1977.
- 11.2 Notwithstanding any other provisions of these RULES, the TRUSTEES may, where an EMPLOYER has instituted legal proceedings in a court of law against the MEMBER concerned in respect of damage caused to the EMPLOYER as contemplated in Section 37D(1)(b) 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:
- (a) the amount withheld shall not exceed the amount that may be deducted in terms of Section 37D(1)(b)(ii) of the ACT;
 - (b) the TRUSTEES in their reasonable discretion are satisfied that the EMPLOYER has made out a *prima facie* case against the MEMBER concerned and there

is reason to believe that the EMPLOYER has a reasonable chance of success in the proceedings that have been instituted;

- (c) the TRUSTEES are satisfied that the EMPLOYER is not at any stage of the proceedings responsible for any undue delay in the prosecution of the proceedings;
- (d) once the proceedings have been determined, settled or withdrawn, any benefit to which the MEMBER is entitled is paid forthwith; and
- (e) the 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 as at the time of such request to be isolated, in whatever manner the TRUSTEES believe appropriate, from the possibility of a decrease therein as a result of poor investment performance.

11.3 If a MEMBER is retiring in terms of Rule 5 or dies, the TRUSTEES shall have the right, prior to the purchase of an annuity or annuities from a REGISTERED INSURER in terms of Rule 5.5 or Rule 6.1.1 (c), or payment of a PENSION from the FUND in terms of Rule 5.6, as applicable, to commute for a lump sum the amount required to enable the TRUSTEES to deduct from the MEMBER'S benefit any amount permissible in terms of this Rule.

11.4 Subject to the provisions of the ACT, the TRUSTEES shall have the right to make such deductions from the FUND CREDIT of a MEMBER as are permitted in terms of Section 37D(1)(d) of the ACT.

12. MANAGEMENT OF THE FUND

12.1 TRUSTEES

12.1.1 Subject to the provisions of the ACT and of these RULES, the sole responsibility for the management of the FUND shall be vested in the TRUSTEES, at least 50 per cent of whom the MEMBERS shall at all times have the right to elect.

12.1.2 The TRUSTEES, appointed or elected in terms of these RULES, shall not normally be entitled to any remuneration for their services as such; provided that:

(a) the TRUSTEES shall be entitled to such reasonable remuneration as may be determined by the TRUSTEES from time to time if they are required to attend meetings held:

(i) after hours during week days; or

(ii) on public holidays or week-ends;

(b) reimbursable subsistence and travelling expenses incurred in the performance of their duties in a manner which is individually most cost effective and approved by the TRUSTEES shall be paid from the FUND.

12.1.3 The TRUSTEES shall have the power in the name of the FUND to enter into and sign any contracts or documents and to institute, conduct, defend, compound

or abandon any legal proceedings by or against the FUND and to make bye-laws prescribing the form and the manner in which claims are to be lodged and dealt with by the FUND.

12.1.4 The COUNCILLOR TRUSTEES and the MEMBER TRUSTEES may appoint up to three NOMINATED TRUSTEES who may or may not be INDEPENDENT EXTERNAL TRUSTEES. The following provisions shall apply:

- (a) a NOMINATED TRUSTEE may be entitled to reasonable remuneration for his services to the FUND if the TRUSTEES so decide;
- (b) a NOMINATED TRUSTEE'S term of office shall be one year and at the end of that period, his appointment shall be reviewed by the TRUSTEES and he may be re-appointed to office, or a new NOMINATED TRUSTEE may be appointed by the TRUSTEES;
- (c) a NOMINATED TRUSTEE shall cease to hold office at any time:
 - (i) if he fails to attend two consecutive TRUSTEES' meetings without leave from the other members of the board of TRUSTEES; or
 - (ii) if he acts in contravention of the responsibilities and fiduciary duties imposed on him in terms of the ACT

and of these RULES and the other members of the board of TRUSTEES, after giving the NOMINATED TRUSTEE a chance to state his case, resolve that he be dismissed from office;

- (iii) if he gives notice of his resignation in writing to the PRINCIPAL OFFICER and the other TRUSTEES.

- 12.1.5 Notwithstanding any other provisions of the RULES, the TRUSTEES shall be competent to act despite a temporary vacancy in their number, provided that the composition of the board of TRUSTEES complies with the quorum requirements set out Rule 12.6.2.

12.2 COUNCILLOR TRUSTEES

- 12.2.1 There shall be three TRUSTEES appointed by the MUNICIPALITY that employs the majority of MEMBERS, who shall be referred to as COUNCILLOR TRUSTEES.
- 12.2.2 The term of office of the COUNCILLOR TRUSTEES shall be five years and at the end of this period, they shall cease to hold office but shall be eligible for re-appointment. The MUNICIPALITY shall review the appointments and may either re-appoint the existing COUNCILLOR TRUSTEES or appoint new COUNCILLOR TRUSTEES to office.

12.2.3 A COUNCILLOR TRUSTEE shall also cease to hold office:

- (a) if he is at any time removed by the MUNICIPALITY;
- (b) if he at any time gives written notice of his resignation to the MUNICIPALITY and other TRUSTEES;
- (c) if he has failed to attend two consecutive TRUSTEES' meetings without leave from the other COUNCILLOR TRUSTEES; or
- (d) if he acts in contravention of the responsibilities and fiduciary duties imposed on him in terms of the ACT and of these RULES and the other members of the board of TRUSTEES, after giving the COUNCILLOR TRUSTEE a chance to state his case, resolve that he be dismissed from office.

12.2.4 If a vacancy among the COUNCILLOR TRUSTEES on the board of TRUSTEES arises due to the operation of Rule 12.2.3 or Rule 12.5, the MUNICIPALITY shall appoint another COUNCILLOR TRUSTEE.

12.3 MEMBER TRUSTEES

12.3.1 There shall be six TRUSTEES elected by the MEMBERS who shall be referred to as MEMBER TRUSTEES. All elections of MEMBER TRUSTEES shall take place in accordance with the provisions of Rue 12.4.

12.3.2 The term of office of the MEMBER TRUSTEES in office as at 30 June 2019 shall cease on that date. Thereafter the term of office of the MEMBER TRUSTEES shall be five years and at the end of this period they shall cease to hold office but shall be eligible for re-election.

12.3.3 Subject to Rule 12.5, a MEMBER TRUSTEE shall cease to hold office:

- (a) if MEMBERS resolve that he is to be removed from office;
- (b) if he at any time gives written notice of his resignation to the other TRUSTEES;
- (c) if he has failed to attend two consecutive TRUSTEES' meetings without leave from the other MEMBER TRUSTEES; or
- (d) if he acts in contravention of the responsibilities and fiduciary duties imposed on him in terms of the ACT and of these RULES and the other members of the board of TRUSTEES, after giving the MEMBER TRUSTEE a chance to state his case, resolve that he be dismissed from office.

12.3.4 If a vacancy among the MEMBER TRUSTEES on the board of TRUSTEES arises due to the operation of Rule 12.3.3 or Rule 12.5, the vacancy shall be filled by the first eligible candidate who obtained the next highest number of votes at the last election held in accordance

with Rule 12.4. A person who fills a vacancy in terms of this Rule shall hold office for the remainder of the term of office of the MEMBER TRUSTEE he is replacing.

12.4 Elections of MEMBER TRUSTEES

The following procedure shall apply at all elections for MEMBER TRUSTEES:

- (a) the MEMBERS shall be asked to nominate MEMBERS for election to the board of TRUSTEES as MEMBER TRUSTEES;
- (b) each nominee must accept his nomination in writing;
- (c) if the number of nominations equals the number of vacancies, no voting shall take place and the candidates so nominated shall be the MEMBER TRUSTEES;
- (d) if the number of nominations exceeds the number of vacancies, the MEMBERS will then elect the MEMBER TRUSTEES from among the nominees who have accepted the nomination in accordance with the provisions of (e) below:
- (e) voting shall take place by ballot; provided that:
 - (i) each MEMBER may vote for not more than the stipulated number of persons who have been duly nominated;
 - (ii) any ballot paper containing more than the stipulated number of names shall be a spoilt paper and shall not be taken into account in determining the results of the poll;

- (iii) in the event of an equality of votes, the result shall be determined by lot;
- (f) the nominees who receive the highest number of votes will become the MEMBER TRUSTEES.

12.5 Disqualification from holding office as TRUSTEE

12.5.1 No person in any of the following categories shall be eligible for appointment or election as a TRUSTEE and if a TRUSTEE at any time falls into any such category he shall cease to hold office:

- (a) a minor or any person who is insane or otherwise incapable of acting;
- (b) any person who is disqualified from being a director in terms of an order under the Companies Act, Act No 71 of 2008;
- (c) an unrehabilitated insolvent;
- (d) any person removed from an office of trust on account of misconduct;
- (e) any person who has been convicted of any offence and sentenced to imprisonment without the option of a fine;
- (f) any person who has been convicted of theft, fraud, forgery or uttering a forged document or perjury.

12.5.2 In addition, a TRUSTEE shall cease to hold office:

(a) in respect of a COUNCILLOR TRUSTEE, if he ceases to be a COUNCILLOR;

(b) other than in respect of a NOMINATED TRUSTEE, if he ceases to be a MEMBER of the FUND;

or

(c) if he dies.

12.6 Ordinary Meetings of TRUSTEES

12.6.1 The TRUSTEES shall meet from time to time but at least four times in every twelve months to conduct the business of the FUND.

12.6.2 Six TRUSTEES shall constitute a quorum; provided that at least three of the TRUSTEES present are MEMBER TRUSTEES.

12.6.3 Minutes of all meetings must be kept and at least 15 days' notice of each ordinary meeting shall be given to each TRUSTEE; provided that at the discretion of the TRUSTEES this notice period may be waived or reduced.

12.6.4 The TRUSTEES shall elect one of their number as chairperson of the TRUSTEES and shall also elect one of their number to act as vice-chairperson in the absence of the chairperson; provided that:

- (a) if the chairperson is a COUNCILLOR TRUSTEE, then the vice-chairperson shall be a MEMBER TRUSTEE and vice-versa;
- (b) if the chairperson or vice-chairperson ceases to hold office in terms of Rule 12.2.3, Rule 12.3.3 or Rule 12.5 as applicable, a successor shall at the discretion of the TRUSTEES immediately be elected by the TRUSTEES in terms of this paragraph. The chairperson and vice-chairperson shall hold office until the next election of a chairperson and vice-chairperson as contemplated in this Rule;
- (c) if more than two members of the TRUSTEES are nominated for the offices of chairperson and vice-chairperson respectively a system of ballots shall take place in terms of which the nominee receiving the lowest number of votes is eliminated until a final ballot between two nominees is held;
- (d) the nominees receiving the highest number of votes in the final ballot shall be duly elected chairperson or vice-chairperson as the case may be. In the event of an equality of votes in any ballot the result shall be determined by lot; and
- (e) if both the chairperson and the vice-chairperson of the TRUSTEES are absent from any meeting, the TRUSTEES shall elect a chairperson for that meeting from their number.

- 12.6.5 At all meetings of the TRUSTEES the decision of the majority shall be binding and if the votes are equal the matter shall be referred to the next meeting of the TRUSTEES. If the votes remain equal at that meeting, the matter shall be referred to a person qualified in the matter under dispute for a recommendation. If the matter cannot be settled based on this recommendation, the matter shall be referred to an arbitrator agreed by the TRUSTEES and the arbitrator's decision on the matter shall be final. It is specifically provided that if the TRUSTEES cannot agree on a suitably qualified person to provide a recommendation on the matter under dispute, or on who should act as arbitrator, the professional association under whose jurisdiction the matter would be best suited would be requested to assist with the appointment of such person. Any costs incurred in resolving disputes shall be met by the FUND.
- 12.6.6 A resolution in writing signed by all the TRUSTEES shall be of the same force and effect as a resolution passed at a meeting of TRUSTEES and must be recorded in the FUND'S minute book.
- 12.6.7 A resolution by electronic means agreed to by all the TRUSTEES shall be regarded as a resolution taken by the TRUSTEES. The PRINCIPAL OFFICER must ensure that a record is kept of all electronic communication and agreement. The resolution must be signed by a quorum at the next ordinary meeting of the TRUSTEES, recorded in the FUND'S minute book and must comply with any other requirements specified in the ACT.

12.7 PRINCIPAL OFFICER

12.7.1 The TRUSTEES shall appoint a PRINCIPAL OFFICER in terms of the ACT and may also appoint a DEPUTY PRINCIPAL OFFICER. The TRUSTEES may withdraw any such appointment and make another appointment in its place at any time.

12.7.2 The PRINCIPAL OFFICER shall:

- (a) ensure full and true accounts of the FUND are kept in terms of Rule 13.4;
- (b) as at 30 June each year, prepare a statement showing the number of contributing MEMBERS on the FUND and the number of MEMBERS who have joined the FUND, withdrawn from the FUND or died, together with such further particulars as the TRUSTEES may direct; and
- (c) furnish the TRUSTEES with such further statements as they may require from time to time.

12.7.3 If the PRINCIPAL OFFICER is absent from the Republic of South Africa or is otherwise unable to perform his duties as determined by the TRUSTEES, the TRUSTEES shall within ninety days, or such other period as the AUTHORITY may from time to time prescribe, of the commencement of a continuing absence or inability of the PRINCIPAL OFFICER to

discharge any duty, appoint another person as PRINCIPAL OFFICER; provided that if a DEPUTY PRINCIPAL OFFICER is appointed:

- (a) the DEPUTY PRINCIPAL OFFICER shall act as PRINCIPAL OFFICER for the period of the absence or inability of the PRINCIPAL OFFICER;
- (b) the PRINCIPAL OFFICER may in writing, on such terms and conditions as he may specify, delegate any of his functions and duties in terms of the ACT to the DEPUTY PRINCIPAL OFFICER, in which case:
 - (i) acting in terms of his instruction from the PRINCIPAL OFFICER, the DEPUTY PRINCIPAL OFFICER must perform such duties and functions in accordance with the provisions of the RULES, the ACT and other applicable legislation;
 - (ii) any decision of the DEPUTY PRINCIPAL OFFICER shall be regarded as a decision of the PRINCIPAL OFFICER unless the PRINCIPAL OFFICER has stipulated that such decision must be referred to him for ratification;

- (iii) it is specifically provided that the PRINCIPAL OFFICER shall retain full responsibility for any function or duty delegated to the DEPUTY PRINCIPAL OFFICER in terms of this Rule;
- (iv) the PRINCIPAL OFFICER may revoke the delegation at any time.

12.7.4 The PRINCIPAL OFFICER, the DEPUTY PRINCIPAL OFFICER, if one has been appointed, and any other full or part time employee of the FUND shall be entitled to such remuneration and fringe benefits for his services as may be decided by the TRUSTEES from time to time.

12.8 Other Appointments

12.8.1 The TRUSTEES shall appoint an ACTUARY and an AUDITOR and may withdraw any such appointment and make another appointment in its place at any time.

12.8.2 The TRUSTEES may appoint consultants on such terms as they may determine and may withdraw any such appointment at any time.

12.9 Indemnification of Officers of the FUND

12.9.1 The TRUSTEES and all other officers 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 negligence, dishonesty or fraud.

12.9.2 The TRUSTEES must ensure that the FUND is insured as a minimum, against any loss resulting from the dishonesty or fraud of any of its officers.

12.10 Delegation of TRUSTEE functions

In accordance with the provisions of the ACT, the TRUSTEES may in writing, subject to the provisions of (a) to (e) below, delegate any function to a person or to a group of persons or a sub-committee of the TRUSTEES nominated by them. In such case, the following shall apply:

- (a) any terms and conditions applicable to the performance of the function that has been delegated shall be specified in writing by the TRUSTEES;
- (b) acting in terms of their instruction from the TRUSTEES, the person or group of persons or sub-committee to whom such function has been delegated must perform such function in accordance with the provisions of the RULES, the ACT and other applicable legislation;
- (c) the person or group of persons or sub-committee to whom such function has been delegated shall have the power to take decisions in connection with the performance of such function and in such case, any such decision shall be regarded as a decision of the FUND, unless the TRUSTEES stipulate that it must be referred to them for ratification;
- (d) the full board of TRUSTEES shall retain full responsibility for the delegation of any function performed by any person, group of persons or sub-committee;
- (e) the TRUSTEES may revoke the delegation at any time.

13. FINANCIAL PROVISIONS

13.1 Investments

- 13.1.1 All moneys received on account of the FUND must be paid into a banking account opened in the name of the FUND.
- 13.1.2 The TRUSTEES shall have full power, subject to the provisions of the ACT and the requirements of the AUTHORITY, to receive, administer and apply the moneys of the FUND and in their absolute discretion to invest, put out at interest, place on deposit, make advances, or otherwise deal with the moneys of the FUND upon such security and in such manner as they may from time to time determine and to realise, vary, reinvest or otherwise deal with such securities and other investments as they from time to time determine.
- 13.1.3 The TRUSTEES shall have power to effect policies of insurance with one or more REGISTERED INSURERS for the purpose of investing the FUND'S moneys in order to meet the cost of providing benefits in terms of these RULES and to insure, in whole or in part, the death, disability, TERMINAL ILLNESS and funeral benefits payable in terms of these RULES.
- 13.1.4 The TRUSTEES may, subject to the requirements of the AUTHORITY, obtain an overdraft from a bank or borrow from a MUNICIPALITY or any other party, on such terms as they think fit, such sums as they approve for the purpose of completing any investment or meeting any temporary cash shortage and for this purpose may give such security as they decide.

13.1.5 All title deeds and securities must be registered in the name of the FUND or in the name of such nominee company acceptable to the AUTHORITY as the TRUSTEES may appoint. The documents of title registered in the name of the FUND in connection with any investment or asset of the FUND must be kept in safe custody at the registered office of the FUND or in a banking institution, as decided by the TRUSTEES. Any documents of title registered in the name of a nominee company in connection with any investment or asset of the FUND must be kept in safe custody at the registered office of that company or in a banking institution, as decided by that company.

13.1.6 The power of the TRUSTEES to make investments and to realise, vary, reinvest or otherwise deal with the securities concerned, may be delegated by the TRUSTEES, on such terms and conditions as they may specify, to

- (a) a sub-committee of such of their number as they nominate; or
- (b) an institution or a person referred to in Section 5(2) of the ACT.

The TRUSTEES shall not be liable for the negligence, dishonesty or fraud of an institution or person referred to in (b); provided that the TRUSTEES have received written confirmation that the institution or person referred to in (b) has arranged insurance cover of an amount satisfactory to the TRUSTEES in respect of any liability which may be incurred by such person or institution in respect of the FUND'S investments.

13.1.7 The TRUSTEES shall have the power to transfer the assets and liabilities of the FUND or a portion thereof to another APPROVED PENSION FUND or to an APPROVED PROVIDENT FUND or to take transfer of the assets and liabilities or a portion thereof of another APPROVED PENSION FUND or an APPROVED PROVIDENT FUND.

13.1.8 (a) Notwithstanding the provisions of Rule 13.1.2, the investment powers of the TRUSTEES may be delegated by the TRUSTEES to each MEMBER and IN-FUND ANNUITANT in respect of that MEMBER'S FUND CREDIT or IN-FUND ANNUITANT'S PENSION ACCOUNT on such terms and conditions and in accordance with such procedures as the TRUSTEES may prescribe from time to time. These terms, conditions and procedures include but are not limited to:

(i) the right of the TRUSTEES to determine, and change from time to time, the number, range and composition of any investment portfolios from which:

(aa) a MEMBER may elect to invest all or part of his FUND CREDIT and/or contributions paid by and in respect of him;
or

- (bb) an IN-FUND ANNUITANT may elect to invest his PENSION ACCOUNT;
- (ii) the right of the TRUSTEES to accept any costs associated with the investment portfolios referred to in (i) above and any costs associated with any change of investment portfolio;
- (iii) the right of the TRUSTEES, in their sole discretion, to take into account any charges incurred in connection with any investment choice made by a MEMBER or IN-FUND ANNUITANT when determining the INVESTMENT RETURN in respect of that MEMBER or IN-FUND ANNUITANT;
- (iv) in the case of a MEMBER who does not elect within such timeframe specified by the TRUSTEES, an investment portfolio in respect of all or part of his FUND CREDIT and/or contributions paid by and in respect of him, the right of the TRUSTEES to select and/or change the investment portfolio to one best suited to such a MEMBER taking into account the period remaining to a notional target retirement age as determined by the TRUSTEES.

- (b) The TRUSTEES shall take reasonable steps to ensure that MEMBERS and IN-FUND ANNUITANTS are adequately informed of their investment choices available to them and the consequences of their decisions. The TRUSTEES shall in no way advise, influence or assist MEMBERS or IN-FUND ANNUITANTS in making their choices, such advice to be obtained by the MEMBERS and IN-FUND ANNUITANTS from their personal financial planners or such other financial advisors as the TRUSTEES may from time to time arrange for the benefit of MEMBERS and IN-FUND ANNUITANTS.
- (c) Whilst the TRUSTEES shall take reasonable steps to ensure that the interests of all MEMBERS and IN-FUND ANNUITANTS are protected, the TRUSTEES and the FUND shall not be liable for any loss, damage or prejudice suffered, or alleged to be suffered, by any MEMBER, IN-FUND ANNUITANT or other person claiming to be entitled to a benefit or any other amount under the FUND, as a result of or in connection with any investment choice made by a MEMBER or IN-FUND ANNUITANT.

13.2 Housing Loans

The TRUSTEES shall have the power to furnish a guarantee in respect of a loan by some other person to a MEMBER for a

purpose referred to in Section 19 (5) (a) of the ACT. Such guarantee shall be subject to the provisions of the ACT and the requirements of the AUTHORITY.

13.3 Expenses

Unless specifically provided elsewhere in these RULES, the whole of the expenses in connection with or incidental to the management or administration of the FUND shall be paid by the FUND.

13.4 Accounts

The TRUSTEES shall cause full and true accounts of the FUND to be kept, such accounts to be made up as at the end of each FINANCIAL YEAR. If applicable, the accounts of the FUND shall be audited by the AUDITOR and submitted to the AUTHORITY.

13.5 Late Payment Interest on Benefits

Late payment interest may be payable on any benefit due to a MEMBER or beneficiary on such MEMBER'S retirement, leaving SERVICE in terms of Rule 7 or death, or, subject to the provisions of the ACT, on any amount transferred for his benefit to another APPROVED PENSION FUND, an APPROVED PROVIDENT FUND (less any tax payable thereon), an APPROVED RETIREMENT ANNUITY FUND or, subject to the requirements of the REVENUE AUTHORITIES, to an APPROVED PENSION PRESERVATION FUND. Any such interest shall be paid in accordance with the practice of the FUND. It is specifically provided that if a MEMBER elects to transfer all or part of his benefit in terms of Rule 7.2.1 (b), Rule 7.2.1 (c), Rule 7.3 (e) (iii)

(bb), Rule 7.3 (e) (iii) (cc) or Rule 7.3 (e) (iv) and the applicable benefit is not transferred to the fund concerned before the expiration of the period prescribed by legislation, interest shall be payable on such benefit at a rate that is not less than the rate prescribed by legislation.

13.6 Actuarial Valuations

If the FUND is not exempted from valuations in terms of the ACT, the financial condition of the FUND shall be investigated and reported on by the ACTUARY at intervals not exceeding three years. The TRUSTEES shall forward a copy of such report to the AUTHORITY and shall cause a copy of such report or a summary thereof to be sent to every EMPLOYER participating in the FUND.

13.7 PENSION ACCOUNT

13.7.1 The PENSION ACCOUNT in relation to a particular IN-FUND ANNUITANT shall be:

- (a) credited with the amounts transferred in terms of Rule 5.6.1 and Rule 6.1.1 (d) (i);
- (b) debited with:
 - (i) PENSION payments;
 - (ii) any lump sum payments in terms of Rule 5.6.7 or Rule 6.1.5.1;
 - (iii) any amounts transferred to a REGISTERED INSURER in terms of Rule 5.6.9 or Rule 6.1.5.1 (a);

- (iv) any expenses of any nature including but not limited to the cost of administration and any advice provided in terms of Rule 5.6.6, the insurance premiums, taxes or other charges determined by the TRUSTEES and charged by the FUND in respect of the PENSION provided from this account;
- (c) increased or decreased by the INVESTMENT RETURN earned on the portfolio or portfolios in which the assets in this account are invested.

13.7.2 It is specifically provided that the FUND'S liability in respect of a PENSION payable in relation to an IN-FUND ANNUITANT is limited at any time to the balance in the PENSION ACCOUNT.

13.8 RISK RESERVE ACCOUNT

13.8.1 A RISK RESERVE ACCOUNT shall be maintained by the FUND since the FUND itself carries part of the risk related to the payment of the DISABLEMENT INCOME BENEFIT, the INSURED DEATH BENEFIT, the INSURED DISABILITY BENEFIT and the INSURED TERMINAL ILLNESS BENEFIT provided for in Rule 6.

13.8.2 The RISK RESERVE ACCOUNT shall be credited with:

- (a) an opening balance of such amount as may be decided by the ACTUARY in consultation with the TRUSTEES, having regard to the provisions of Rule 13.8.1;

- (b) a portion of the contributions by the EMPLOYER referred to in Rule 4.2.2 (a) and Rule 4.2.2 (b) and any amount allocated in terms of Rule 4.2.3;
- (c) any reinsurance payments made to the FUND by a REGISTERED INSURER;
- (d) such amounts as may be decided by the ACTUARY from time to time.

13.8.3 The RISK RESERVE ACCOUNT shall be increased or decreased by the INVESTMENT RETURN earned on the assets within this account.

13.8.4 The RISK RESERVE ACCOUNT shall be debited with:

- (a) payments made on the death, DISABLEMENT or TERMINAL ILLNESS of a MEMBER in terms of the provisions of Rule 6;
- (b) premiums payable to a REGISTERED INSURER to maintain the risk benefits payable on death, DISABLEMENT and TERMINAL ILLNESS, if applicable;
- (c) any amount required to meet a shortfall in terms of Rule 4.2.3;
- (d) expenses incurred in the management of the risk benefits payable on death, DISABLEMENT and TERMINAL ILLNESS; and
- (e) such amounts as may be decided by the ACTUARY from time to time.

14. ADMINISTRATION OF THE FUND

- 14.1 The FUND shall be administered by ADMINISTRATORS appointed by, and acting on the instructions of, the TRUSTEES.
- 14.2 The EMPLOYERS shall from time to time furnish to the TRUSTEES in respect of those employees who are MEMBERS all necessary particulars affecting their benefits or their entitlement to benefits under the FUND and the TRUSTEES shall ensure that such particulars are furnished to the ADMINISTRATORS. The TRUSTEES and the ADMINISTRATORS shall be entitled to act upon such particulars without further enquiry and shall not be responsible to any MEMBER or to the EMPLOYER or to any other person or body whatsoever for any mis-statements or errors or omissions which may be contained in such particulars.
- 14.3 The ADMINISTRATORS shall keep a complete record of all necessary particulars of the MEMBERS of the FUND and of all persons entitled to benefits and of all other matters essential to the operation of the FUND.
- 14.4 The ADMINISTRATORS shall keep full and true accounts of the FUND as required in terms of Rule 13.4.
- 14.5 All cheques, contracts and other documents pertaining to the FUND shall be signed by such persons as the TRUSTEES by resolution may appoint; provided that documents to be deposited with the AUTHORITY must be signed in the manner set out in the ACT.
- 14.6 The ADMINISTRATORS shall maintain fidelity cover to indemnify the FUND against any loss resulting from the dishonesty or fraud of any person employed by them.

15. ALTERATIONS

- 15.1 The TRUSTEES shall alter these RULES at any time if such alteration is required in order to ensure that the RULES comply with the law.
- 15.2 Any alteration to the RULES which affects the terms on which the EMPLOYERS' contributions are based or which would affect the FUND'S solvency or any other matter affecting the EMPLOYERS must be approved by two-thirds of the EMPLOYERS.
- 15.3 Any alteration to the RULES which affects MEMBERS' contributions or benefits or any other matter affecting the MEMBERS must be approved by two-thirds of the MEMBERS, in accordance with such procedure approved by the TRUSTEES.
- 15.4 All alterations to the RULES shall be submitted to the AUTHORITY, and any other statutory authority, if so required.
- 15.5 If the registration of any alteration to these RULES in terms of the ACT is effected on a date after the effective date of the alteration, the alteration shall nevertheless take effect from the effective date as stated in the alteration.

16. INTERPRETATION OF RULES AND DISPUTES

- 16.1 The decision of the TRUSTEES as to the meaning of or interpretation of these RULES or of any particular Rule or part of a Rule shall be final and binding on the EMPLOYERS, MEMBERS and every person claiming to be entitled to a benefit under these RULES, subject to the provisions of Section 30A of the ACT.
- 16.2 Any question which may arise with regard to a claim by any person under these RULES shall be decided by the TRUSTEES, subject to the provisions of Section 30A of the ACT.
- 16.3 If any person affected by a decision of the TRUSTEES in terms of Rules 16.1 or 16.2 is dissatisfied with the decision, he shall have the right to lodge a written complaint as envisaged in Section 30A of the ACT. If such person remains dissatisfied he may lodge his complaint with the Pension Funds Adjudicator appointed in terms of the ACT which shall be dealt with in accordance with Sections 30D to 30P of the ACT.
- 16.4 The EMPLOYER, the TRUSTEES (or one or more of their number), or any other person having a complaint or dispute of fact or law shall, notwithstanding anything to the contrary in these RULES, have the right to invoke the complaint procedures in accordance with the ACT.

17. MISCELLANEOUS PROVISIONS

- 17.1 (a) Subject to payment of such fee as the TRUSTEES may require, a MEMBER shall be entitled on application to a copy of any of the documents referred to in Section 35(1) of the ACT.
- (b) A MEMBER shall be entitled on application to inspect without charge a copy of any of the documents referred to in Section 35(2) of the ACT and to make extracts therefrom.
- 17.2 (a) Payment of each benefit in terms of these RULES shall be made to the person entitled thereto by means of electronic transfer into the bank account of such person to a bank registered in terms of the Banks Act, 1990, as amended.
- (b) At the request of the beneficiary, payment may be made in some other manner agreed upon by the beneficiary and the TRUSTEES, including:
- (i) payment at the registered office of the FUND;
or
 - (ii) postage by registered mail or by such other means as agreed to by the TRUSTEES; or
 - (iii) payment into the account of another person if the beneficiary provides sufficient proof to the TRUSTEES that he is unable to open a bank account.

- (c) Payment in terms of (a) or (b) shall constitute full and final settlement of all claims to the benefit against the FUND and neither the FUND, the TRUSTEES nor the ADMINISTRATORS shall have any further liability for the benefit to any person.

17.3 All benefits and rights to benefits in terms of these RULES shall be subject to the prohibitions as to reduction, cession, etc. contained in Sections 37A and 37B of the ACT.

17.4 The ADMINISTRATORS shall maintain a separate record in respect of benefits due under the FUND which have not been claimed. Subject to the provisions of the ACT any such benefit shall be dealt with in the manner set out below:

- (a) if a potential beneficiary approaches the FUND at any stage the TRUSTEES shall consider his claim and if the circumstances so warrant, shall pay to the beneficiary that part of the benefit, increased or decreased by the INVESTMENT RETURN, that as at the date of payment to the beneficiary is in excess of any costs incurred by the FUND in the administration of such benefit and any amount referred to in Rule 17.9;

or

- (b) if so decided by the TRUSTEES, that part of the benefit, increased or decreased by the INVESTMENT RETURN, that as at the date of transfer in terms of this Rule is in excess of any costs incurred by the FUND in the administration of such benefit and any amount referred to in Rule 17.9 may be transferred to an APPROVED PENSION PRESERVATION FUND established for the receipt of unclaimed benefits.

- 17.5 Nothing in these RULES shall in any way restrict the right of the EMPLOYER to terminate the employment of any MEMBER or affect any agreement between the EMPLOYER and an employee in regard to conditions of SERVICE.
- 17.6 No person shall have any claim concerning the FUND either upon the FUND or against the EMPLOYERS, except in accordance with these RULES.
- 17.7 Admission to membership of the FUND shall be regarded as an acknowledgement by the MEMBER that he agrees that these RULES, including any alteration to these RULES, shall be binding upon him and upon any person claiming to derive a benefit under the FUND by virtue of his membership.
- 17.8 Subject to the requirements of the REVENUE AUTHORITIES as specified from time to time and to the payment by the EMPLOYER of such additional contribution, or contributions, as the TRUSTEES after consulting the ACTUARY may decide to be necessary, the TRUSTEES, with the agreement of the EMPLOYER, may direct that any benefit payable to or in respect of any MEMBER be increased on such basis as shall be determined in consultation with the ACTUARY.
- 17.9 If any costs are incurred as a consequence of the TRUSTEES tracing any potential beneficiaries whose benefits due under the FUND are unclaimed or in order to give effect to the provisions of Section 37C of the ACT, such reasonable costs may be taken into account in the calculation of the benefits payable to such beneficiaries.
- 17.10 All benefit payments are subject to the provisions of the Income Tax Act 1962, as amended from time to time, and subject to any

other applicable legislation prevailing from time to time. It is specifically provided that the FUND'S liability with regard to payment of any amount to any person is limited to the total value of the amounts payable in respect of the MEMBER in terms of these RULES.