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Please quote our ref: PFA/EC/3556/05/SG (CN)

RE: DETERMINATION IN TERMS OF SECTION 30M OF THE PENSION FUNDS ACT 24 OF 1956 (“the Act”): GN NGORO v FEDCRAW PROVIDENT FUND

Introduction

[1] This complaint concerns the calculation of a member’s retirement benefit.

[2] The complaint was received by this office on 18 May 2005, and a letter acknowledging receipt thereof sent to you on 9 June 2005. On the same date a letter was dispatched to the respondent requesting it to file a response by 30 June 2005. The response, dated 28 February 2006 was received on 2 March 2006. A copy of the response was sent to you on 4 July 2006, and you were invited to file a response thereto by no later than 18 July 2006. No reply has been received from you. After considering the written submissions before me, I consider it unnecessary to hold a hearing in this matter.

Factual background

[3] You became a member of the Fedcrow Provident Fund (“the fund”) on 1 October 1998, having transferred your membership from the Morevest Retirement Fund. The value that was transferred from the latter fund on your behalf was R4 708.30. Your membership of the fund endured until 31 December 2003, when you went on retirement. At that stage you were just over 60 years old.

V Ngalwana (Adjudicator), N Jeram (Deputy Adjudicator), C Nkuhlu (Snr Assistant Adjudicator), L Shrosbree (Snr Assistant Adjudicator), Z Camroodien (Snr Assistant Adjudicator), F Mtayi (Snr Assistant Adjudicator), K MacKenzie (Snr Assistant Adjudicator), R Maharaj (Snr Assistant Adjudicator), N van Coller (Assistant Adjudicator), L Mbalo (Assistant Adjudicator), J Mabuza (Assistant Adjudicator), V Abrahams (Assistant Adjudicator), S Gcelu (Assistant Adjudicator), T Thabethe (Assistant Adjudicator), M Ramabulana (Assistant Adjudicator)

Office Manager: L Manuel

[4] A cash retirement benefit of R18 355.86 was paid into your bank account in two amounts during January 2004 and March 2005.

The complaint

[5] You are not satisfied with the amount of the benefit and are alleging that, if regard is had to the length of your period of membership of the fund, the amount cannot be a true reflection of your entitlement.

The response

[6] In response, the fund states that although your contribution was 7.5% of one-twelfth of your salary and the employer's was 8.1% of one-twelfth of your salary, a portion of the employer's contribution was allocated to administration costs and the cost of risk benefits. It further states that, in addition to your transfer value of R4 708.30, you made contributions of R8 936.25, while the employer contributed R548.36.

[7] The fund concludes that you received your correct entitlement in terms of the rules, which was an amount of R18 355.86, representing your equitable share.

Determination and reasons therefor

[8] The fund is a defined contribution fund in the sense that the member's and employer's contribution rates are set out in the rules, while the amount of the benefit payable at retirement is not defined in the rules. The calculation of the retirement benefit in such funds takes into account, among other things, the total contributions made and the investment return earned by the fund over the period of membership.

[9] Special Rule 4 provides that the member's benefit at normal retirement date shall be the member's equitable share. The normal retirement date is defined as the first day of the month coincident with, or next following the member's 63rd birthday. The equitable share is calculated by taking account of the member's transfer credit, the member's equitable share at the last revision date and the last interim bonus declared at the last revision date, as well as the nett deemed retirement contribution and the last interim bonus.

[10] It is important to note that you retired from the fund after your 60th birthday instead of on the normal retirement date. This means that contributions that would have been made over a period in excess of two years were not made, and you also lost out on bonuses that were declared over that period. In the circumstances, it follows that the amount of your retirement benefit would be far lower than what was illustrated in your benefit statement as at 1 October 1999.

[11] I am satisfied that the retirement benefit that was paid to you was calculated correctly in accordance with the applicable rules.

[12] In the result, the complaint cannot succeed.

SIGNED IN CAPE TOWN ON THIS DAY OF 2006

Yours faithfully

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VUYANI NGALWANA
PENSION FUNDS ADJUDICATOR