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Please quote our ref: PFA/WE/7107/06/CN

**RE: DETERMINATION IN TERMS OF SECTION 30M OF THE PENSION FUNDS ACT, 24 OF 1956 (“the Act”): S BOBE (“the complainant”) v ORION MONEY PURCHASE PROVIDENT FUND (PARTICIPATING EMPLOYER: LATCON TRANSPORT CC) (“the respondent”)**

Introduction

- [1] This complaint relates to the calculation of the amount of the withdrawal benefit payable to the member of a provident fund.
- [2] The complaint was received by this office on 30 January 2006 and a letter acknowledging receipt thereof sent to the complainant on 3 February 2006. On the same date a letter was dispatched to the respondent requesting it to submit its response by no later than 24 February 2006. The response, dated 24 February 2006, was received on the due date and was subsequently forwarded to the complainant for a reply. The complainant’s reply was received on 31 July 2006.
- [3] After considering all the written submissions, it is considered unnecessary to hold a hearing in this matter. The determination and the reasons therefor are set out below.

The complaint

- [4] The complainant is aggrieved by the withdrawal benefit, in the amount of

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M Mohlala (Adjudicator), C Nkuhlu (Snr Assistant Adjudicator), F Mtayi (Snr Assistant Adjudicator), K MacKenzie (Snr Assistant Adjudicator), R Maharaj (Snr Assistant Adjudicator), M Ndaba (Snr Assistant Adjudicator), M Daki (Snr Assistant Adjudicator), E de la Rey (Snr Assistant Adjudicator), N van Coller (Assistant Adjudicator), L Mbalo (Assistant Adjudicator), S Gcelu (Assistant Adjudicator), M Ramabulana (Assistant Adjudicator), N Sihlali (Assistant Adjudicator), S Mothupi (Assistant Adjudicator), P Mphephu (Assistant Adjudicator), C Seabela (Assistant Adjudicator), P Myokwana (Assistant Adjudicator), L Nevondwe (Assistant Adjudicator)

Office Manager: L Manuel, Financial Manager: F Mantsho, Accountant: R Soldaat

R503.44, that was paid to him by the respondent when his membership thereof ceased on 30 September 2005. The complainant is contending that the amount in question is too small and is not commensurate with the four years' service with Latcon Transport CC ("the participating employer"). According to the complainant, during his term of membership, he contributed an amount of R34.79 per month towards the respondent.

### The response

- [5] The respondent states that the complainant's membership thereof only commenced on 1 June 2005 and was terminated on 30 September 2005. It submits that the complainant was a Category 1 member and that the rate of his contribution was 5% of his pensionable emoluments while the employer's was 10.39%. According to the respondent, the cost of risk and administration charges is included in the employer's contribution.
- [6] The respondent further states that the withdrawal benefit amount was calculated as follows:

"Member contributions =	R287.03
Company contributions =	R574.32
Growth =	R 29.94
Costs to be deducted for risk (i.e. GLA, PHI, Accident Death Benefit and Disability Benefit) and admin =	R387.85
Benefit paid =	R503.44"

### Determination and reasons therefor

- [7] The complainant appears to be disputing the computation of his benefit simply on the grounds that the amount bears no relation to his period of service with the participating employer. The complainant's contention seems to overlook the fact that he only joined the respondent with effect from 1 June 2005, and was a member thereof for a period of just four months. The respondent being a defined contribution fund, it is the amount of contributions made by and on the complainant's behalf, rather than his period of service with the employer that is relevant to the calculation of his withdrawal benefit.
- [8] The complainant's rate of contribution, 5% of his pensionable emoluments, was quite low. Although the employer contributed just over 10% of his pensionable emoluments to the respondent, only the balance of that contribution, after the deduction of administration and risk benefit costs, was allocated towards retirement funding.
- [9] When regard is had to the short period over which the complainant made contributions to the respondent, the small amount of contributions that were made to the respondent by the complainant and on his behalf, and

the investment growth that was achieved by the respondent over that period, the amount of R503.44 could reasonably represent the withdrawal benefit due to him in terms of the rules.

- [10] The rules of the respondent determine the nature and amount of the benefit that is due to a member. In this case the applicable rule, Master Rule A6, entitles a withdrawing member to an amount representing his “accumulated guaranteed credits”, which are defined as follows:

“ACCUMULATED GUARANTEED CREDITS: The sum of

- 1.1.1. the MEMBER’S CURRENT GUARANTEED CREDITS, and
- 1.1.2. the MEMBER’S PAST PERIOD GUARANTEED CREDITS, and
- 1.1.3. the PARTICIPATING EMPLOYER’S CURRENT GUARANTEED CREDITS, and
- 1.1.4. the PARTICIPATING EMPLOYER’S SUPPLEMENTARY GUARANTEED CREDITS, and
- 1.1.5. FUND INTEREST on the above amounts and any further adjustment that may have arisen under Rule 5.4.”

- [11] The amount of the complainant’s withdrawal benefit comprised his own contributions, the employer’s contributions, less the cost of risk benefits and administration costs, plus fund growth. From the breakdown furnished by the respondent, the said amount appears to have been computed according to the applicable rule.

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

**SIGNED IN CAPE TOWN ON THIS                      DAY OF                      2008.**

Yours faithfully

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**MAMODUPI MOHLALA**  
**PENSION FUNDS ADJUDICATOR**