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PER REGISTERED POST

Dear Sir

DETERMINATION IN TERMS OF SECTION 30M OF THE PENSION FUNDS ACT, 24 OF 1956 (“The Act”): L R MOFOKENG (“the complainant”) v METROPOLITAN LIFE RETIREMENT ANNUITY FUND (“first respondent”) AND METROPOLITAN LIFE LIMITED (“second respondent”)

[1] INTRODUCTION

- 1.1 The complaint concerns the amount of the complainant’s early retirement value.
- 1.2 The complaint was received by this office from the Office of the Ombudsman for Long-term Insurance on 22 December 2010. A letter acknowledging receipt thereof was sent to the complainant on 24 January 2011. On the same date a letter was dispatched to the respondents requesting a response by no later than 7 March 2011. A response dated 4 March 2011 was received from the second respondent. No further submissions were received from the parties.

The Office of the Pension Funds Adjudicator was established in terms of Section 30B of the Pension Funds Act, 24 of 1956. The service offered by the Pension Funds Adjudicator is free to members of the public.

Centralised Complaints Helpline for All Financial Ombud Schemes 0860 OMBUDS (086 066 2837)

- 1.3 After considering the written submissions before this tribunal it is considered unnecessary to hold a hearing in this matter. The determination and reasons therefor appear below.

[2] FACTUAL BACKGROUND

- 2.1 The complainant applied for and was admitted to the membership of the first respondent, which is a registered retirement annuity fund in terms of the Act, on 27 May 2002. The second respondent is the underwriting insurer and administrator of the first respondent. The complainant's membership was to endure until his chosen retirement date of 31 August 2019. The policy status changed to paid-up with effect from 1 April 2008 when the complainant ceased contributions. On 24 August 2010 the complainant applied for early termination of his retirement annuity fund membership by submitting an early retirement claim.
- 2.2 On 6 September 2010 an early retirement benefit of R13 829.71 was paid to the complainant by the respondents.

[3] COMPLAINT

- 3.1 The complainant seeks information about the amount of his early retirement benefit paid to him by the respondents. He states that he was informed by the second respondent that there would be costs deductible from his fund value due to early termination.
- 3.2 Thus, the complainant seeks an order directing the respondents to provide him with a detailed breakdown of his early retirement benefit paid to him on 6 September 2010.

[4] RESPONSE

- 4.1 The second respondent filed a response and confirmed the facts as summarised above.
- 4.2 The second respondent confirmed that on 24 August 2010 the complainant applied for the early termination of his fund policy. The complainant's early retirement benefit, in the amount of R13 829.71, was paid to him on 6 September 2010. The complainant's early retirement claim was processed as follows:

“Date of Event:	1 September 2010
Duration of policy at time of event:	8 years 1 month
Policy paid- up Fund value:	R18 539.89
Early Retirement Fund value:	R13 829.71
Tax deductible (IRP3):	None
Amount paid to member on 06.09.2010:	R13 829.71”

- 4.3 On early retirement prior to the planned retirement date, the member qualifies for the investment fund and all vesting bonuses declared to the policy-guarantee fund. The member does not qualify for the claim fund or a portion thereof as these values are not guaranteed. On early retirement the member elects to withdraw his funds prior to the planned retirement date as selected and a causal event charge is imposed.
- 4.4 Each premium paid on the policy after the deduction of the policy fee and the cost of all supplementary benefits (if any), is paid into the investment fund. The main purpose of this fund is to provide the maturity benefit on the policy. All policy expenses are paid from this fund. Once a year the second respondent declares a bonus on the balance in the investment fund. Part of this bonus is a guarantee bonus. Once declared, this bonus forms part of the fund. The remainder of the bonus, the claim bonus, is set aside to be paid later at the discretion of the second respondent. The second respondent pays claim bonuses when a death, lump-sum disability or maturity claim is admitted. The retirement benefit value is payable on survival of the

insured to the planned retirement date. The amount available for the payment of benefits will be the total balance from the investment fund.

- 4.5 The second respondent submits that due to the fact that the complainant elected early retirement prior to the planned maturity date of 31 August 2019, he qualified for the reduced benefits. The second respondent provided a breakdown of both the paid-up value and the complainant's early retirement benefit as follows:

“Total Expected premiums:	R18 310.24
Less: Charges:	<u>- 1 920.62</u>
Total Premiums allocated:	R16 389.62
Less: Issuing cost:	- 2 340.00
Aim Cost:	- 471.32
Paid-up Fee:	- 300.00
Flip (additional investment)	<u>- 874.19</u>
	R12 404.11
Plus: Vesting interest	<u>+ 1 425.61</u>
Total Vesting fund	R13 829.72 (Guaranteed fund)
Plus: Non-vesting interest	+ 4 710.17 (Non-guaranteed fund)
Total Fund value	R18 539.89 (Paid-up Fund)”

- 4.6 The standard early retirement fund effective on 1 September 2010 amounted to R13 829.72. The complainant only qualified for the vesting fund at this stage. Non-vesting interest was not included with the proceeds as the duration of the policy from the date of commencement to date of payment did not qualify for the non-vesting interest. The standard early retirement value was compared to the value in the regulations, which stipulates that costs are to be capped at 30%. The standard early retirement value amounted to R13 829.72 (guaranteed vesting fund) and the SOI early retirement value amounted to R12 977.92 (70% x R18 538.89). Since the standard early retirement value was greater than the SOI value the complainant was paid the standard value.

4.8 The second respondent concludes by confirming that due to the fact that the complainant applied for early retirement benefits on his fund policy prior to the elected retirement date of 1 September 2019, in terms of the policy document and the fund rules, decreased values were payable to him. The early retirement value of R13 829.17 (no tax deducted) was electronically transferred to the complainant's banking account on 6 September 2010.

[5] DETERMINATION AND REASONS THEREFOR

5.1 The complaint concerns the quantum of the early retirement benefit paid to the complainant by the respondents. The complainant did not raise any objections to the value of his early retirement benefit paid to him by the respondents, but he wanted to know how his early retirement benefit was computed by the respondents subsequent to the second respondent's advice that there would be costs deductible from his fund value as a result of his early termination of his retirement policy.

5.2 The second respondent provided a detailed explanation of the computation of the complainant's early retirement of R13 829.71 in its response, which will not be repeated here. This tribunal finds that the second respondent has provided the complainant with an explanation of the computation of his early retirement benefit and it was correctly computed in terms of the actuarial rules of the second respondent.

[6] ORDER

1. The complaint cannot be upheld and is dismissed.

DATED AT JOHANNESBURG ON THIS 15TH DAY OF MARCH 2012

DR. E.M. DE LA REY
ACTING PENSION FUNDS ADJUDICATOR

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Section 30M Filing: High Court

Parties unrepresented