



IF Umbrella Pension and  
Provident Fund



Dynam-ique SA Umbrella  
Pension and Provident Fund

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28 May 2015

**Dynam-ique SA Umbrella Pension Fund**  
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**IF Umbrella Pension Fund**  
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(“the Fund” or “the Funds” as appropriate)

## **Communication from the Trustees to members, employers and brokers re Winding up of the Funds**

### **1. Introduction**

**The intention of this communication is to inform all interested parties of the intended process for winding up these funds.**

When AON gave the Trustees notice of their resignation as administrators of the Funds and a suitable new administrator could not be appointed, the Trustees were forced to consider the most appropriate approach towards the winding up of the Funds. The Trustees’ objectives, before terminating the funds, were to oversee the completion of the re-build; to bring all outstanding statutory affairs up to date and, finally, to ensure that all Funds are 100% funded.

Following the recent approval of Rule amendments 1 and 2 and progress made with regard to the Funds’ statutory affairs, the Trustees are now in a position to bring the Funds back to financial soundness and then start with the termination process. **The Trustees decided to wind up the Funds by way of a voluntary liquidation in terms of Section 28 of the Pension Funds Act.**

This process, as summarised under Appendix 1, is a thoroughly regulated process to ensure the equitable distribution to all stakeholders, while protecting everybody’s interests in a fund.

Francois Rosslee of ARGEN Actuarial Solutions has been nominated as the proposed liquidator for the Funds as and when they are placed into liquidation.

(It should be noted that the “liquidation” process is merely the term used for this form of normal winding up of a fund. It should not be mistaken for a fund that is in financial difficulties, as would normally be the case where a company is placed in liquidation.)

## 2. Bulk transfers (S14) vs liquidation (S28)

The Trustees considered the advantages and disadvantages of winding up the Funds through a series of bulk (S14) transfers or by way of liquidation. After extensive consultation it was decided that liquidation would be the most appropriate course of action for the following main reasons:

- A liquidation includes a regulated process specifically designed for all claims against a fund to be formally logged, considered and addressed in a fair and equitable manner as at a specific date;
- Bulk transfers would have presented a series of consecutive transactions. If any valid claims should arise during this period, they would need to be recouped from remaining employers and/or their members **only**, which would pose a disproportionate risk to those who happen to be last in the queue to transfer; and
- The previous administrator is an uninsured empty shell (according to CIPC records currently in “annual return deregistration process”) and liability for any data variations that may come to light at a later stage may be unlikely; the Funds’ current Professional Indemnity insurance does not cover the potential impact of such variations in all circumstances. Liquidation is the only way to protect the Funds.

The following concerns were considered, which will be actively managed:

- There is a general perception that liquidation is an extremely lengthy, cumbersome process. However, we have been assured that it does not necessarily need to be the case if a fund’s affairs are in order before the fund is placed in liquidation. The anticipated timelines for this process, in this instance, are not expected to be substantially different from the expected timelines to conclude a series of transfers.
- There will be a period during which all normal exit benefits will be pending. Partial advance payments may be paid in instances of severe financial hardship under specific circumstances with the necessary proof. It is critical that no payments are unnecessarily caught up in the liquidation due to administrative delays and that the liquidation period is kept as short as possible.

## 3. Distribution of assets

### Active members

No cash option will be available to active members. Broadly speaking, the distribution of assets to active members on termination is prescribed as follows in the Rules.

- The employer may nominate a specific fund in which he currently participates for the bulk transfer of all remaining active employees’ assets by way of a Recognition of Transfer between the respective funds;
- Where the employer fails to nominate an alternative fund (e.g. where members are not currently contributing to a new fund), then members have the option to transfer to a preservation fund of their choice;
- Failing either of the above, the liquidator will nominate a preservation fund to which these benefits will be transferred.

**The Trustees are of the opinion that a bulk transfer to the employer's current retirement fund would generally be in active members' best interests and that should be the Employer's default nomination.** The merits of any alternative advice, e.g. to transfer to a Preservation Fund or Retirement Annuity, should be carefully considered.

#### **Partial exits/Outstanding benefits**

**All members who received partial exit benefits or have outstanding benefits due will receive the retained portion of their benefits plus/minus a proportionate share of the surplus/deficit on liquidation.**

These members will be contacted at their last known contact details as provided on their exit forms. If not successful and they did not contact the liquidator to provide updated details, their benefits will be deemed unclaimed.

**Unclaimed benefits will be transferred to an unclaimed benefit fund.**

#### **Distribution of surplus/deficits**

Any deficits in the Fund will be proportionately funded from members' Shares of Fund prior to liquidation such that the Fund is 100% funded on liquidation.

In the case of the IF Pension Fund, the surplus in the Fund will be similarly distributed through the liquidation process, provided that no valid claims should arise against the Fund.

The proportionate share of surplus/deficit in respect of exited members will be based on their gross benefit due, increased with interest up to payment date.

## **4. Communication**

#### **Direct communication channels**

Once in liquidation, the liquidator will be responsible for all aspects of the Fund that were previously handled by the Trustees, administrator and brokers respectively.

**Direct correspondence with employers and members is therefore required** since there will be no intermediary formally appointed to liaise with members or employers.

#### **Benefit statements**

**Benefit statements as at the financial year-end before liquidation, including further correspondence in respect of the process and timelines with regard to the liquidation and any pending exit benefits, will be issued prior to liquidation date.**

Both active members and exited members who will share in the surplus/deficit will receive benefit statements. We urge all members to carefully consider the information disclosed in those benefit statements, as it will be the data provided to the liquidator for distribution purposes.

#### **Call Centre**

The prospective liquidator will have a Call Centre in place for the Funds during June. The Call Centre number will be communicated to members as soon as it is operational. This will become the single point of contact for all four Funds once this facility is up and running, including those that may not be in liquidation yet.

Administrative queries received at that Call Centre will be channelled to AON as and when required.

In the interim, please do not call AON's existing call centre regarding liquidation queries or in response to this communication. Please forward all queries to [IF-Dynam-Liq@argen.solutions](mailto:IF-Dynam-Liq@argen.solutions) for the necessary assistance from the office of the proposed liquidator.

## 5. Investment strategy

Once a Fund goes into liquidation, the liquidator will assume responsibility for all assets of the Fund. **The Fund's assets will then be consolidated into an investment with the necessary liquidity and short term capital protection during the liquidation.** This will replace all prior investment arrangements and/or fee structures between the Fund and its Brokers.

Switches between the current portfolios will be allowed until the month prior to liquidation. You will be advised in advance of the closing date for further switches as it applies to each Fund.

## 6. False resignations

It has been known to happen that employees claim to resign only to be immediately rehired by the same employer to gain access to their fund benefits. We expect that some may consider this option to avoid the liquidation process, due to the negative misperception that exists in respect of liquidations. **However, access to withdrawal benefits where there is no actual intention to terminate service, is strictly prohibited.**

We will require employers to confirm that all withdrawal claims represent a legitimate termination of service, noting that the employer will be held liable for any consequences that may be suffered by the Fund if this malpractice should take place. Brokers supporting this malpractice will also be reported to the relevant authorities and will be held liable for any consequences.

## 7. IF Pension Fund

While very similar principles will apply to all four Funds, this section deals specifically with the **IF Pension Fund**, which will be the first of the funds to be placed in liquidation.

### Current fund status

**All this Fund's administrative and statutory affairs are currently up to date.**

- Rule amendments 1 and 2 have been registered.
- Historic data issues, insofar as was practically possible, have been addressed and resolved by the administrator in consultation with the Fund's Actuary and the Trustees.
- 2014 Annual Financial Statements, with no significant qualifications, have been completed and submitted to the Registrar.

- The latest statutory actuarial valuation as at 31 May 2013 has been approved by the Registrar.

Financial statements as at 28 February 2015 have been prepared and the audit thereof is currently underway. The Fund's Actuary is currently performing an interim actuarial review in respect of the period from 31 May 2013 to 28 February 2015 to determine the current surplus in the Fund.

#### Financial position

**It has subsequently transpired that the IF Pension Fund actually had a funding level of 109.2% at the previous valuation date**, as opposed to the 100.7% funding level reported in the statutory valuation. According to the valuator, the material change from the previous valuation results was mainly due to a specific data error where an entire participating employer's liabilities were duplicated in the financial statements. This error was identified during the final checking stages of the re-build exercise. The Fund's Valuator determined that the surplus appears to have accrued steadily over time as a result of general processing variations since inception, i.e. not as a result of any single identifiable event. He further confirmed that no evidence could be found of any prejudice to members that would have caused such surplus.

#### Project plan

Provisional target dates and milestones for the **IF Pension Fund** liquidation are as follows:

Milestone	Target date
Employer/broker communication, followed by bulk member communication	Last week of May
Financial statements at 28 February 2015 and actuarial review of experience from 2013 valuation date to 2015 year-end	End June
Benefit statements as at 28 February 2015 to members	During July
Portfolios closed for switching	31 July
<b>Liquidator appointment (exit benefit payments cease)</b>	<b>31 August</b>
FSB approval of preliminary liquidation accounts	End October
Advertising, complaints resolutions, accounts approved	During November/December
<b>Payments</b>	<b>1<sup>st</sup> quarter of 2016</b>

#### 8. Provisional timeframes

The other three funds will follow a similar process to the IF Pension Fund as and when each Fund's 2015 financial statements are finalised over the course of this year. Provided that there are no unforeseen delays, it is expected that each Fund should be in liquidation for a period of 3 to 6 months depending on circumstances.

The respective liquidation dates and payment of liquidation benefits are expected to be staggered as follows:

	Expected liquidation date	Payment of benefits
IF Pension Fund	31 August	1 <sup>st</sup> quarter of 2016
Dynam-ique Pension Fund	4 <sup>th</sup> quarter of 2015	1 <sup>st</sup> quarter of 2016
IF Provident Fund	1 <sup>st</sup> quarter of 2016	2 <sup>nd</sup> quarter of 2016
Dynam-ique Provident Fund	2 <sup>nd</sup> quarter of 2016	3 <sup>rd</sup> quarter of 2016

One of the key objectives is to keep the liquidation process as short as possible. This proposed roadmap to termination may therefore be subject to change following any valid feedback received from the FSB or other interested party which may put this objective in jeopardy.

**In the interest of finalising the process as effectively as possible, we urge all interested parties to please lodge any formal objections to the process or potential claims against the Funds as soon as possible, (i.e. before the official period for objections as per the Act) to [IF-Dynam-Liq@argen.solutions](mailto:IF-Dynam-Liq@argen.solutions) . This will help us to pro-actively address any issues that could delay the process, even before the liquidator is appointed.**

**John Rollason**  
**Chairman**  
[www.funds-info.co.za](http://www.funds-info.co.za)

**Lindy Wingrove-Gibson**  
**Principal Officer**

## Appendix 1: LIQUIDATION PROCESS

- i) Trustees resolve to place the Fund in voluntary liquidation and nominate a propose liquidator.
- ii) Request approval of the appointment of the liquidator from the Registrar of Pension Funds.
- iii) Administrator provides membership and financial data since the last annual revision was performed on the Fund.
- iv) On receipt of approval by the FSB of the liquidator of the Fund the assets should be moved to cash or equivalent portfolios.
- v) Based on the data provided, preliminary liquidation accounts are drafted.
- vi) Submission of the preliminary accounts to the Registrar.
- vii) The Registrar examines the accounts and might request an independent valuation.
- viii) After instruction by the Registrar, the liquidator places a notification of dissolution of the Fund in the Government Gazette in both English and Afrikaans.

*In terms of the Pension Funds Act and applicable regulations, members need to be offered an opportunity to comment on or object to the accuracy of the proposed liquidation accounts. To this end the liquidation needs to be advertised in the Government Gazette and in local newspapers while the Preliminary Liquidation Accounts are lodged for inspection at the Fund's registered office and at the local Magistrate's Court for a period of 30 days.*

- ix) For the next 30 days the preliminary accounts are available for inspection by former members at the following places:
  - The registered address of the Fund
  - The Registrar of Pension Funds and
  - The magistrate court
- x) Following the 30 days inspection period, members have a period of 14 days to object to the accounts.

*The final liquidation accounts may be presented to the Registrar for approval if no valid objections are raised, or once all objections have been adequately addressed. If valid objections are lodged regarding the accuracy of the accounts, the accounts may have to be redrafted and the distribution schedules may need to be revisited.*

xi) Payment of liquidation benefits can commence

*Once all objections have been satisfactorily addressed, the Registrar is requested to approve the preliminary liquidation accounts. After such approval is granted, the liquidator will update the liquidation benefits to payment date and payments can commence.*