

# ISITHEBE UMBRELLA PENSION FUND

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**ISITHEBE UMBRELLA PENSION FUND**  
(FSB Registration No. 12/8/38075)

## **Communication and update in respect of the Section 14 transfer of Isithebe Umbrella Pension Fund member credits to the GTC Group Pension Fund – Rosond (Pty) Ltd**

In 2019, Rosond (Pty) Ltd (the Company), along with the Management Committee representing the Rosond employees on the Isithebe Umbrella Pension Fund (a defined contribution fund) decided to move from the Isithebe Umbrella Pension Fund (the Isithebe Fund) to the GTC Group Pension Fund (the GTC Fund). The effective date of this transfer was 31 July 2019. The decision to move to the GTC Fund was based on what the Company and the Management Committee considered was in the best interests of the members. They were concerned in particular by a number of risks recently identified with the Isithebe Fund, which was administered by LSRC Employee Consultants & Benefit Administrators (Pty) Ltd (LSRC).

As you know, with effect from 01 August 2019, all company and employee contributions have been made into the GTC Fund. What is also required in the move to the GTC Fund is for all members' values held in the Isithebe Fund to be transferred to the GTC Fund. This requires an application in terms of section 14 of the Pension Funds Act (the Act) to the Financial Sector Conduct Authority (FSCA), which is the regulator of pension funds. The FSCA requires to be satisfied that members' interests are protected in the transfer, in particular that the correct amounts are transferred for the members. This means that all the records in the Isithebe Fund had to be up to date, with all the contributions and investment return correctly reflected in the member values.

Unfortunately, from August 2019 LSRC, the administrators of the Isithebe Fund, which had to arrange the transfer, did not act on the repeated instructions of the Company to give effect to the transfer. Eventually the Company complained to the FSCA about LSRC, requesting their help in compelling LSRC to do carry out the Company's instruction. This matter was unfortunately, further compounded in May 2020, when Mr. Lace, the managing director of LSRC and a trustee of the Isithebe Fund, regrettably passed away. LSRC was very dependent on Mr. Lace (one of the risks identified that led to the decision to move the GTC Fund) and as such, on his passing, nothing could happen to finalise the transfer: no one could transact on the Isithebe Fund bank account as this was frozen upon his death, and its board was also no longer able to be properly constituted as a result no decisions could be taken.

Consequently, the Company approached the FSCA for further assistance and the board of the Isithebe Fund was then established by the FSCA in terms of the Act on 28<sup>th</sup> of September 2020. This new board consists of Douglas Mclean, Raschindra Naidoo, Precious Nhlapo and William Teffo, being two company appointed trustees and two member appointed trustees. The principal officer is Simon Kokkinn, who was previously in that office; his appointment was not affected by the changes in the board.

### **What has happened since then?**

- The trustees of the new board are appointed for a period of 12 months or until a board can be appointed in terms of the Isithebe Fund rules.
- The new board was given specific responsibilities by the FSCA mandate and one of the first responsibilities was to appoint new administrators, as LSRC were no longer able to fulfil that role. This process of appointing new administrators involved scanning the retirement funds industry to identify potential administrators who were properly licensed and able to finalise the affairs of the Isithebe Fund. Only two were identified, and through a thorough and transparent adjudication process, RFS Administrators were appointed in December 2020 and formally approved by the FSCA in January 2021.
- Following the appointment of RFS Administrators, the handover of Fund records and data to it has taken place. However, the handover was incomplete as several historical documentation could not be accessed due to the liquidation of LSRC after the death of Mr. Lace. The trustees, Principal Officer and RFS Administrators are exploring all avenues to reinstate the records of the Fund as accurately as possible, given the lack of documentation. This work continues. This is essential so that members' values are correctly calculated.

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- Another important responsibility of the new board was to take control of the Isithebe Fund bank account and investment; this was eventually achieved in December 2020.
- The new board discovered that in July 2020, all the Fund's assets had been disinvested from the market and held in the Fund's current account earning no return. As soon as the new board took control of the Fund's bank account it transferred the balance in the current account to a money market so that members could at least earn interest on their retirement savings.
- The new board then sought advice about how best to invest this amount in the money market account. Following several meetings, it was decided to invest these funds in a GTC moderate portfolio, in June 2021, this being an investment portfolio more consistent with the objective of saving towards retirement. Once the updating of the accounts of the Fund has been finalised, these funds can be invested into the applicable life stage portfolio per member.

## What happens next?

- RFS Administrator is working through the historic transactions of the Fund from 2019 up until 31 July 2020, to update the records of the Fund to establish the correct values in the Isithebe Fund for each member.
- Currently the main focus is to ensure the payment of benefits due (arising from death, retirement, or termination of employment) is done as soon as possible. A target date was set for 30 April 2021 for this to take place, which was subsequently amended to 30 June 2021, and again to 31 July 2021 due to SARS issues moving the Fund as taxpayer to the domain of RFS Administrators. This is a necessary step for the benefits to be processed. To date the issue has not yet been resolved but current indications are that it will be resolved by the first week in July 2021. As soon as this happens, outstanding benefit claims will be processed for payment as quickly as possible.
- After this, RFS Administrator will prepare the Section 14 transfer application documentation, send it to GTC for completion and it will then be submitted to the FSCA for approval.
- Once approved, the RFS Administrator has 60 days to transfer the assets to the GTC Fund. The new board will ensure that this transfer will take place well within the 60-day period. However, the new board has no control over how long the FSCA will take to approve the application, which can take some months because of the current backlog at the FSCA.
- Once the transfer application is approved and the assets transferred to the GTC Fund they will be allocated to each member's record in that fund. You will receive a benefit statement containing both the value transferred in from the Isithebe Fund as well as the accumulation of contributions that have been made each month under the GTC Fund.
- The aim is for the Section 14 transfer to be finalised by December 2021. However, as stated above, this is dependent on how quickly the FSCA approves the transfer application.

## Other Issues

- The final step is to de-register the Isithebe Fund (in terms of the Act) after the Section 14 transfer is finalised.
- Please be assured that the new board is doing everything that it should to protect your interests, and that there are no unnecessary delays in both the payment of benefits due and the transfer to the GTC Fund.
- It is understood that the decision to move to the GTC Fund was a good one and that the communication to members, the management of their benefits and the general level of governance and administration is significantly better.

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Should you have any queries or concerns, please feel free to contact RFS Administrators:

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Sincerely,  
The Trustees, Principal Officer & RFS Administrators

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