

PROVIDENT FUND FOR THE FURNITURE MANUFACTURING INDUSTRY OF THE WESTERN CAPE

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17/08

NOTICE

TO: ALL PROVIDENT FUND MEMBERS & EMPLOYERS

PROVIDENT FUND – SURPLUS APPORTIONMENT

The Trustees of the Furniture Industry Provident Fund wish to keep members informed of what they are doing to address the matter of “surplus” and to ensure that the Provident Fund complies with all the legal requirements of the Pension Fund Act and the Surplus Act.

1. **BACKGROUND**

The Bargaining Council Furniture Industry Provident Fund was established in July 1963 by a Collective Agreement negotiated between the Trade Union, NUFAWSA, and the Employers Association, CFMA.

The Provident Fund Collective Agreement, being a negotiated agreement between the parties to the Bargaining Council fell under the jurisdiction of the Department of Labour and NOT the Pension Fund Act.

In 2007 the Pension Fund Act was amended to include under the jurisdiction of the Pension Fund Act all Bargaining Council negotiated Provident Funds and Pension Funds previously falling under the jurisdiction of the Department of Labour.

This amendment to the Pension Fund Act stipulates that as from the 5 May 2008 all Bargaining Council Fund’s must register with the Financial Services Board (FSB).

The Trustees must ensure that the rules of the Industry’s Provident Fund are amended/changed to meet the legal requirements of the Pension Fund Act.

This rule amendments may affect the structure of the Fund and some of its benefits.

The Trustees will also be investigating the possibility of introducing a death benefit.

2. “SURPLUS” APPORTIONMENT

As the Industry’s Provident Fund now falls under the Pension Fund Act this automatically includes the Surplus Act.

In terms of the relevant Act, the Furniture Industry Provident Fund Surplus Apportionment date is the 31st October 2008.

The surplus apportionment date means that the financial position of the Fund must be calculated as at the 31 October 2008 and Fund surplus determined as at such date.

Process – The Way Forward

All good and well but what happens now that the 31st October 2008 has come and gone?

The Fund must receive all payments from employers and employees alike and capture all such contributions.

So those employers who have not paid up to date must please do so soonest. (In terms of the Pension Fund’s Act late payment of contributions will be a reportable offence to the statutory prosecuting authorities.)

The Fund’s Auditors must then audit the Fund records, investment returns, member contributions and housing loans etc.

Whereafter the audited annual financial statements and member data will be forwarded to an Actuary appointed by the Fund, being Old Mutual Actuarial Services.

The Actuaries will require the Provident Fund’s annual audited financial statements as at the surplus apportionment date, being 31 October 2008 and all current member data AND past member data back to 1980 in order to determine whether the Fund has a surplus and if so to determine the amount of surplus.

Old Mutual has informed the Trustees that in their experience a surplus apportionment exercise is a very long process and can take two years or longer to finalise.

The Trustees hope that in this Fund’s case that using the experience that Old Mutual have obtained over the years that the surplus apportionment exercise does not take more than two years.

3. CURRENT POSITION

The Auditors of the Fund are currently busy with the Fund’s audit and have given a preliminary indication that they hope to have completed their audit by end of March 2009.



T.O. MILES
PRINCIPAL OFFICER