

1 February 2010

Member name

Dear Sir / Madam

Mala Mala Ranch (Pty) Ltd Pension Fund: Surplus Apportionment Scheme

Please find attached a document giving details of the proposed Surplus Apportionment Scheme. Please read it carefully. The purpose of this document is to explain the proposed Surplus Apportionment Scheme and, as required by the Pension Funds Act, to give all stakeholders an opportunity to comment on or to object to the proposed distribution. Any objections must be submitted in writing before 1 May 2010.

Please note the following:

- The figures quoted could change based on additional data becoming available, objections to the Surplus Apportionment Scheme or other significant factors;
- No amounts can be paid out until the Surplus Apportionment Scheme has been approved by the Registrar of Pension Funds;
- If your contact details, and especially your postal address, change, please notify Absa Consultants & Actuaries at the contact details provided.

In order to facilitate payment of your benefit, please complete the attached claim form and provide the information requested as soon as possible. No payments can be made without this information.

If you are aware of any former members who have not received such a letter, please ask them to contact Absa Consultants & Actuaries as soon as possible.

Yours faithfully,

The Trustees: Mala Mala Pension Fund

Introduction

The Pension Funds Second Amendment Act (“the Surplus Act”) was published on 7 December 2001. It was passed by Parliament with the intention of redressing perceived historical discrimination against members of retirement funds when they left the fund. The legislation requires all funds to undertake an exercise to establish whether that fund has a surplus and, if that is found to be the case, to apportion that surplus amongst stakeholders to the fund. This exercise must be undertaken at the fund’s statutory Surplus Apportionment Date. The Surplus Apportionment Date for the Mala Mala Pension Fund is 28 February 2003.

The Surplus Act dictates that first call on the surplus as at the Surplus Apportionment Date be used to ensure that all members who left the Fund between 1 January 1980 and 28 February 2003 received their Statutory Minimum Benefit. The Statutory Minimum Benefit is basically the member’s Actuarial Reserve if the member left the fund. The stakeholders of the Fund include the current members, former members (including pensioners) and the employer.

Description of active members

Active members for the purposes of the Fund’s Surplus Apportionment Scheme are those members who were members of the Fund as at 28 February 2003, the Surplus Apportionment Date.

Description of former members

Former members are those members who left the Fund during the period 1 January 1980 and the Surplus Apportionment Date, but exclude those who became pensioners.

Description of pensioners

Pensioners are those members who left the Fund during the period 1 January 1980 and the Surplus Apportionment Date and became a pensioner and are in receipt of a pension from the Fund.

Persons eligible to benefit from the Surplus Apportionment Scheme (“the Scheme”) would therefore be any member who during this period left the Fund for any reason and was alive at the Surplus Apportionment Date. This does not imply that a benefit will be due to a particular former member but that they are eligible to be considered.

Please note that former members who passed away prior to 28 February 2003 were not included in the description of former members implied in the Surplus Act and their surviving dependants are **not entitled** to lodge a claim for any additional benefits against the Fund. However, the benefit entitlement of any former member who was alive on 28 February 2003 and who subsequently died will be paid to surviving dependants in accordance with the provisions of Section 37C of the Pension Funds Act.

Former members’ representative

The Fund is required in terms of the Surplus Act to appoint a former members’ representative to assist the Trustees in:

- Identifying former members;
- Communicating the results of the Surplus Apportionment Scheme to former members;
- Collating any objections;
- Providing the Trustees with a written summary of the adequacy of the steps taken to trace former members;
- Identifying in writing whether any discretion exercised by the Trustees was fair and reasonable given the circumstances.

The Trustees were pleased to secure the services of Ms V Bachoo to undertake these tasks.

Past improper use of surplus

In terms of Section 15B (6) of the Surplus Act, the Trustees are required to investigate whether there were any past improper uses of surplus, as defined in Section 15B (6). The Trustees have investigated the Fund and found that the employer enjoyed a contribution holiday after 7 December 2001, the value of which has subsequently been refunded.

Factors taken into account in the apportionment

The Fund commenced on 1 July 1970. Only members who left the Fund after 1 January 1980 qualify as former members of the Fund.

The employer had contacted former members from their records to obtain contact details and information from former members. The company also provided a hard copy from their payroll system and these have been cross-checked against electronic records held by the fund's administrators. They have reconciled the data to produce a final list of former members. The Trustees, former members' representative and consultants are satisfied that reasonable steps have been taken to identify all potential former members. Members who passed away prior to 28 February 2003 were excluded from consideration in the Scheme. All former members for whom reasonably complete data was available have been included in the Scheme.

ABSA Consultants and Actuaries as well as the former members' representative, has obtained contact details for former members of the Fund through the use of public databases where these were available. This process may be ongoing.

Former members of the Fund who were not paid their full share of Fund or actuarial reserve at exit and pensioners who have not received statutory minimum increases, have first rights to the surplus, and should be topped up to their Statutory Minimum Benefit, as defined in the Surplus Act.

Surplus Apportionment Scheme

At a meeting with the Tribunal appointed by the Registrar to oversee the Surplus Apportionment Scheme, the Scheme was approved for communication to the current and former members of the Fund, as well as to the employer. The former members' representative also approved the Scheme. The tribunal and former members' representative believe that the Scheme is fair and reasonable to all stakeholders.

The full actuarial valuation is available for inspection at the offices of the Valuator, ABSA Consultants and Actuaries in Fourways, Johannesburg.

A summary of the Surplus Apportionment Scheme as at 28 February 2003 is as follows:

Number of eligible former members:	532	
Number of active members:	51	
Pensioners	7	
Market value of assets:	9 168 000	9 168 000
Less outstanding benefits:	(0)	
Actuarial value of assets:		9 168 000
Accrued liabilities (Active Members and Pensioners):	(4 646 000)	
Data reserve	(90 000)	
Reserve for the expected cost of surplus apportionment:	(705 000)	
Solvency Reserve	(901 000)	
Total liabilities:		6 342 000
Actuarial surplus available for distribution:		2 826 000
Plus surplus utilised improperly		412 000
Total surplus available for distribution		3 238 000

The actuarial surplus was apportioned as follows:

Class of beneficiary	Manner in which the apportionment will be applied	Amount of actuarial surplus utilised in this manner for this class of beneficiary	
		Amount apportioned to members and former members	Amount apportioned to the employer
Former members top-up to Statutory Minimum Benefit	Cash enhancement to benefits previously paid (bank deposit)	R 1 329 000	Nil
Pensioners share of residual surplus	Cash enhancement to benefits previously paid (bank deposit)	R 57 000	Nil
Former members' share of residual surplus	Cash enhancement to benefits previously paid (bank deposit)	R 699 000	Nil
Active members' share of residual surplus	Enhancement to pensionable service	R 313 000	Nil
Employer's share of residual surplus	Employer surplus account within the Fund	Nil	R 840 000
Total		R 2 398 000	R 840 000

Note: These stakeholders will receive their entitlement at 28 February 2003 which will be increased with interest to date of payment and may include any balance remaining in the reserve for the expected costs of the surplus apportionment.

Please note that the values quoted above may be subject to change based on any subsequent improvements in the available data, any objections received from stakeholders that are accepted by the Tribunal or in terms of any requirements of the Financial Services Board. The Trustees will not issue a revised communication unless the principles of the surplus application change significantly or there is a significant change in individual member values.

Active members

Members will be entitled to a portion of the residual surplus and will have their benefit entitlement in terms of the Rules increased by their share of surplus.

Former members and Pensioners

All surplus benefits are payable free of tax.

The benefit will be paid in cash by means of a deposit into your bank account unless otherwise specified. Should you wish the Fund to transfer your benefit to another approved fund or to an annuity in your name, it is most important that you provide full details in writing to ABSA Consultants and Actuaries

In terms of the current guidelines issued by SARS, you may transfer your allocated share to a preservation fund only if you transferred your previous benefit in full to a preservation fund.

Benefits will only be paid or allocated once the Scheme has been approved by the Registrar. All benefits will be adjusted to take into account the return earned on the surplus assets of the Fund to date of payment or allocation, as applicable.

It is recommended that members take financial advice with regard to their benefit. You may contact your financial adviser in this regard.

Statement by the Valuator to the Fund

The Valuator has made the following statement with regard to the Surplus Apportionment Scheme:

I have reconciled the data provided to me by the board and am satisfied that all the potential stakeholders have been included in the exercise.

I certify that:

- *the process of apportionment complied with the Act;*
- *where it has been necessary for the board of the Fund to apply its discretion in relation to the proposed apportionment of the actuarial surplus, the exercise of that discretion was, in my opinion, not unreasonable taking into account the demands of equity within the bounds of practicality and the circumstances of the Fund.*

I have personal knowledge of all facts stated in this declaration. I declare that the above is true and correct.

Statement by the former members' representative to the Fund

The former members' representative, Ms V Bachoo, has made the following statement with regard to the Surplus Apportionment Scheme:

I am satisfied that

- *the steps taken by the board to include former members in terms of Subsection 15B(4), as described above, were reasonable and*
- *where the board applied its discretion with regard to the inclusion of former members and the apportionment of actuarial surplus to such former members, the exercise of such discretion was reasonable taking into account the demands of equity within the bounds of practicality and the circumstances of this particular fund.*

I have personal knowledge of all facts stated in this declaration. I declare that the above is true and correct.

Process going forward

The full actuarial valuation will be made available for inspection by members and former members for a period of twelve weeks from the date of this letter. The Surplus Act allows members the opportunity to lodge an objection to the Surplus Apportionment Scheme within this period, which expires on 1 May 2010. Objections must be lodged in writing to the Trustees at the address below. All objections will be responded to in writing.

A complete and reasonable motivation of any objection must be provided. It is obvious that all stakeholder groups would like a greater allocation of surplus, but any change to the proposed allocation will reduce the surplus allocated to the other stakeholders and the Trustees will require compelling arguments before making such a change.

All objections must be submitted in writing to the:

**Principal Officer
Mala Mala Pension Fund,
c/o Absa Consultants & Actuaries
PO Box 5170
Nollsworth Park
4019**

Once all objections have been addressed or if no objections are received, the Surplus Apportionment Scheme will be finalised and signed off by the Tribunal and submitted to the Registrar for approval. Only once this approval has been received will payments be made. Should your objections not be answered to your satisfaction, you have the right to lodge an appeal with the Trustees and the Registrar. This appeal will then be dealt by the specialist tribunal set up by Registrar.

Information required for payment to former members (exited before 28 February 2003)

If you have not already done so, please provide the following information and documentation to ABSA Consultants & Actuaries:

- Copy of ID document
- Proof of banking details
- Written instructions for payment of benefit
- Completed claim form (attached)

Information can be e-mailed to David Cooke at davidco@absa.co.za or faxed for his attention to 031 566 5866.

Signed

The Trustees: Mala Mala Pension Fund

SITE ONLY TAXPAYERS: The member's net annualized remuneration for tax purposes.

R _____

3. SURPLUS BENEFITS

Is all or part of the benefit to be transferred to another approved Retirement/Preservation (if applicable)/Annuity Scheme? Yes No

Name of Scheme: _____ Amount: R _____

Insurance Co: _____ Contract Number: _____

Contact Person: _____ Contact Number : _____

4. MEMBER'S AUTHORISATION

Members who retired from the Fund prior to the surplus apportionment date of 28 February 2003, cannot by law, take the benefit in cash.

I instruct ABSA Consultants & Actuaries to pay the amount owing by direct deposit into the following account:

Name of Bank/Building Society: _____ Branch: _____

Account Number: _____ Branch Number: _____ Type of Account: _____

Please provide a cancelled cheque or copy of account statement for verification purposes as well as a copy of your I.D. document. Should you have already provided this detail, please ignore this request.

If the benefit is payable to the estate of the deceased former member, pensioner or member, as the case may be, please contact the Surplus Team to make alternative arrangements.

I hereby confirm that;

- Payment of my benefits as specified herein represents the full and final discharge of the Fund's liability to me;
- The details provided herein, are true and correct in every way;
- I understand the options available to me with regard to the payment of my benefits, including the tax implications and that I am making an informed choice;
- In the event of any loss suffered as a result of any of my details provided herein being incorrect, neither the Fund, W A Davidson Financial Services (Pty) Ltd, nor the administrator can be held liable for such losses.

NOTE: For reasons of security, the administrator will only make payment by direct deposit. Upon payment in terms of the above instructions, the Scheme shall have no further liabilities in respect of the member.

Member's Signature _____ Date: ____ / ____ / ____

Mala Mala Pension Fund