

KWAZULU NATAL CLOTHING INDUSTRY PROVIDENT FUND

Amendment No. 2

The Trustees of the KwaZulu Natal Clothing Industry Provident Fund resolved at
..... DURBAN on 11 JUNE 2018 that the Rules of the
KwaZulu Natal Clothing Industry Provident Fund shall be amended as follows:

A. With effect from 5 May 2008, for the reason set out below:

To correct a historical error relating to the breakdown of the Employer contributions, by replacing Rule 16 with the following:

16. EMPLOYERS' CONTRIBUTIONS

16.1 Each EMPLOYER shall contribute to the FUND in respect of each of his EMPLOYEES:

16.1.1 a retirement funding component of the EMPLOYER contribution rate per category of membership as per Table 2 which shall be the specified percentage of an EMPLOYEE'S BASIC WEEKLY WAGE, if applicable; provided that the EMPLOYEE worked nine (9) ordinary hours or more during any pay week or part thereof, which shall be allocated to the EMPLOYER ACCOUNT of the FUND CREDIT;

16.1.2 a risk and expense funding component of the EMPLOYER contribution rate per category of membership as per Table 2 which shall be the specified percentage of an EMPLOYEE'S BASIC WEEKLY WAGE, if applicable, irrespective of whether or not the EMPLOYEE actually worked during the week and irrespective of whether or not the

EMPLOYEE is on maternity leave, sick leave or short time, which contribution shall be allocated to the Risk Reserve Account and the Administration Expense Reserve Account in terms of Rule 25.1.2 (ii) and 25.3.3 (i) in such proportion as may be decided by the TRUSTEES, and applied in accordance with Rule 25.1.4 and 25.3.4.

Table 2

Membership Category	EMPLOYER Retirement Funding	Risk Funding component
Metro MEMBERS	5.25%	2.25%
Category B MEMBERS	2.75%	2.25%
RISK-ONLY MEMBERS	0%	2.25%
Non-Metro MEMBERS	4.00% less R1.21	0%

With effect from 1 October 2008, Table 2 is amended as follows:

Membership Category	EMPLOYER Retirement Funding	Risk Funding component
Metro MEMBERS	5.25%	2.25%
Category B MEMBERS	2.75%	2.25%
RISK-ONLY MEMBERS	0%	2.25%
Non-Metro MEMBERS (Contributory)	2.75% less R1.21	1.25%
Non-Metro MEMBERS (Non-Contributory)	4.00% less R1.21	0%

16.2 The TRUSTEES may allocate a portion of the contribution referred to in Rule 16.1.1 to the Administration Expense Reserve Account.

B. With effect from 1 September 2016, for the reasons set out below:

- (1) *To adjust the changes made in Amendment No. 1 pertaining to the Employer contribution rate and the annual increase thereof, following the negotiated settlement reached in 2017 in respect of Metro and Non-Metro Members;*
- (2) *To include a provision relating to the reduction in disability benefit cover during the 5 years immediately preceding Normal Retirement Age in respect of Non-Metro Members, which was inadvertently omitted in Amendment No. 1;*

by:

- (i) *replacing Rule 16 with the following:*

16. EMPLOYERS' CONTRIBUTIONS

16.1 Each EMPLOYER shall contribute to the FUND in respect of each of his EMPLOYEES:

16.1.1 a retirement funding component of the EMPLOYER contribution rate per category of membership as per Table 2 which shall be the specified percentage of an EMPLOYEE'S BASIC WEEKLY WAGE, if applicable; provided that the EMPLOYEE worked nine (9) ordinary hours or more during any pay week or part thereof, which shall be allocated to the EMPLOYER ACCOUNT of the FUND CREDIT;

16.1.2 a risk and expense funding component of the EMPLOYER contribution rate per category of membership as per Table 2 which shall be the specified percentage of an EMPLOYEE'S BASIC WEEKLY WAGE, if applicable, irrespective of whether or not the EMPLOYEE actually worked during the week and irrespective of whether or not the EMPLOYEE is on maternity leave, sick leave or short time, which contribution shall be allocated to the Risk Reserve Account and the Administration Expense Reserve Account in terms of Rule 25.1.2 (ii) and 25.3.3 (i) in such proportion as may be decided by the TRUSTEES, and applied in accordance with Rule 25.1.4 and 25.3.4.

Table 2 (effective 1 September 2016)

Membership Category	EMPLOYER Retirement Funding	Risk and Expense Funding component
Metro MEMBERS	5.25%(*)	2.25%
Category B MEMBERS	2.75%	2.25%
RISK-ONLY MEMBERS	0%	2.25%
Non-Metro MEMBERS	2.75% less R1.21(**)	1.25%
EXEMPT MEMBERS	0%	0%

(*) The EMPLOYER Retirement Funding percentage reflected in Table 2 above in respect of Metro MEMBERS shall be increased by the rate as determined and agreed upon by the parties to the

National Bargaining Council for the Clothing and Manufacturing Industry..

(**) The EMPLOYER Retirement Funding percentage reflected in Table 2 above in respect of Non-Metro MEMBERS shall be increased by the rate as determined and agreed upon by the parties to the National Bargaining Council for the Clothing and Manufacturing Industry..

16.2 The TRUSTEES may allocate a portion of the contribution referred to in Rule 16.1.1 to the Administration Expense Reserve Account.

(ii) replacing Rule 38.2.4 with the following:

38.2.4 In the event of the disability of a Non-Metro MEMBER the benefits shall be determined in the following manner:

- (a) an amount of a certain multiple of weekly wages which shall be determined by the TRUSTEES from time to time and which may be funded in part or in full by the proceeds of any claim admitted by the underwriter under a disability reinsurance policy effected by the FUND and subject to any conditions which the underwriter may impose;
- (b) and where the benefit reduces by 20% per year for each year of age above age 55;

plus

- (c) an amount determined in terms of Rule 34 as if he had retired from employment the day before his disability.

C. With effect from 1 May 2018, for the reasons set out below:

- (1) *In general, to update the Rules to reflect legislative changes;*
- (2) *To revise the definitions 'Approved Pension Fund' and 'Approved Provident Fund', delete the definition 'Preservation Provident Fund', and add the definition 'Approved Preservation Fund' since funds recognised as preservation funds in terms of RF1/98 have been defined in the Income Tax Act, 1962 and transfer from a provident fund to a pension preservation fund is now permitted by the Income Tax Act;*
- (3) *To provide that due to changes in tax legislation, a Member who retires from employment may leave his benefit in the Fund until such time as he makes an election with regard to payment of the benefit and accordingly differentiate in the Rules between retirement from employment and retirement from the Fund;*
- (4) *To allow for reasonable expenses to be taken into account in determining the Fund Credit;*
- (5) *To reflect the provisions of legislation regarding deduction from benefits of any amount payable to the spouse of a Member in accordance with a court order in terms of the Divorce Act, 1979;*
- (6) *To promote preservation of retirement benefits by providing for in-fund preservation as the default on leaving Service before retirement but to allow a Member to elect to transfer the benefit to another arrangement for retirement funding or to receive payment of the benefit as a lump sum;*

- (7) *To reflect an amount transferred from an Approved Preservation Fund as a credit to the Member's Account;*
- (8) *To allow a Member who has retired from Service and has not yet elected to receive payment of his benefit, to transfer the benefit to an Approved Retirement Annuity Fund;*
- (9) *To clarify that as long as the composition of the board of Trustees complies with the requirements for a quorum at a meeting of the Trustees, a temporary vacancy among the Trustees does not invalidate the decisions taken by the board of Trustees during the period before the vacancy is filled;*
- (10) *To allow a Member to transfer a benefit to the Fund from another retirement fund, irrespective of when he became a member of such fund;*
- (11) *To allow the Fund to accept amounts awarded by another fund to a Member in terms of a court order contemplated in Section 7(8) of the Divorce Act, 1979;*

by:

- (i) *replacing the definitions 'APPROVED PENSION FUND', 'APPROVED PROVIDENT FUND', 'EARLY RETIREMENT', 'FUND CREDIT', 'LATE RETIREMENT' and 'PAID-UP MEMBER' in Rule 5 with the following:*

"APPROVED PENSION FUND" shall mean a pension fund approved as such by the REVENUE AUTHORITIES;

"APPROVED PROVIDENT FUND" shall mean a provident fund approved as such by the REVENUE AUTHORITIES;

"EARLY RETIREMENT" means retirement from employment within 5 (five) years of NORMAL RETIREMENT AGE;

"FUND CREDIT" means, for each MEMBER, the sum of his EMPLOYER ACCOUNT and his MEMBER ACCOUNT, as well as any other amounts as may be authorised by the BOARD and credited to the FUND CREDIT, less such reasonable expenses as the BOARD may determine and any amount deducted in terms of Rule 50.4, including any costs incurred by the FUND in giving effect to the provisions of that Rule, and accumulated with FUND RETURN;

"LATE RETIREMENT" means retirement from employment after the NORMAL RETIREMENT AGE;

"PAID-UP MEMBER" means a MEMBER, other than an EXEMPT MEMBER, a PRESERVED MEMBER and a DEFERRED RETIREE, in respect of whom contributions have been discontinued and who has not received a benefit to which he may become entitled;

(ii) *replacing paragraph c) of the definition 'MEMBER'S ACCOUNT' in Rule 5 with the following:*

c) Any amount transferred into the FUND from another APPROVED PENSION FUND, APPROVED PROVIDENT FUND or APPROVED PRESERVATION FUND on behalf of the MEMBER; and

(iii) *deleting the definitions 'PRESERVATION PROVIDENT FUND' and 'REGISTRAR' in Rule 5;*

(iv) *adding the following definitions to Rule 5:*

"APPROVED PRESERVATION FUND" shall mean a pension preservation fund or a provident preservation fund approved as such by the REVENUE AUTHORITIES;

"AUTHORITY" shall mean the Financial Sector Conduct Authority established in terms of Section 56 of the Financial Sector Regulation Act, 2017;

"ELECTION DATE" shall mean the date on which a MEMBER retiring in terms of Rule 34, 35 or 36 elects to receive payment of his benefit in terms of paragraph 4 of the Second Schedule to the Income Tax Act, 1962 or if later, the date on which the FUND receives notification of such election;

"DEFERRED RETIREE" shall mean a MEMBER who has retired from employment in terms of Rule 34, 35 or 36 and elected that his retirement benefit shall, subject to the provisions of Rule 34.1(b), 35.1(b) or 36(b), be retained in the FUND until the ELECTION DATE; provided that a MEMBER shall be regarded as a DEFERRED RETIREE if he does not claim his retirement benefit within three months of the date of his retirement from employment;

"PRESERVED MEMBER" shall mean a MEMBER whose WITHDRAWAL BENEFIT in terms of Rule 32 or retrenchment benefit in terms of Rule 33 has been preserved in the FUND and whose benefit has not yet become payable in terms of the RULES;

(v) *replacing each reference to 'PRESERVATION PROVIDENT FUND' in the Rules with a reference to 'APPROVED PRESERVATION FUND';*

(vi) *replacing each reference to 'REGISTRAR' in the Rules with a reference to 'AUTHORITY';*

(vii) *adding the following Rule 6.11 to Rule 6:*

6.11 Notwithstanding any other provisions of the RULES, the TRUSTEES shall be competent to act despite a temporary vacancy in their number; provided that the composition of the board of TRUSTEES complies with the quorum requirements set out in Rule 8.2.

(viii) *replacing Rule 10.3 with the following:*

10.3 If the Principal Officer is absent from South Africa for more than thirty days or is otherwise unable to perform his duties, the TRUSTEES shall within ninety days or such other period as the AUTHORITY may from time to time prescribe, after the commencement of a continuing absence or inability of the Principal Officer to discharge any duty, appoint another person to be its Principal Officer and shall advise the AUTHORITY within thirty days of such person's name.

(ix) *replacing Rule 15.2 with the following:*

15.2 No deduction shall be made from the wages of an EMPLOYEE after NORMAL RETIREMENT AGE, unless he has elected to defer his retirement from employment.

(x) *replacing Rule 31.3 with the following:*

31.3 In the case of retirement from employment at NORMAL RETIREMENT AGE, EARLY RETIREMENT or LATE RETIREMENT, FUND benefits shall be payable within thirty days of the ELECTION DATE (but no sooner than the necessary tax clearance has been obtained).

(xi) *replacing Rule 31.4 with the following:*

31.4 In the case of retrenchment, a MEMBER who has elected option (a) in Rule 33.2 shall be entitled to interest on the amount due as at the date of retrenchment, calculated from the date of retrenchment to the date of payment following the expiry of the three month waiting period referred to in proviso (ii) to Rule 33.2, equal to the FUND RETURN earned on the benefit over this period.

(xii) *replacing Rule 31.7 with the following:*

31.7 In the case of withdrawal, a MEMBER who has elected option (a) in Rule 32.3 shall be entitled to interest on the amount due as at the date of withdrawal, calculated from the date of termination of employment to the date of payment following the expiry of the six month waiting period referred to in proviso (ii) to Rule 32.3, equal to the FUND RETURN earned on the benefit over this period.

(xiii) *replacing Rule 31.10 with the following:*

31.10 In the event of a MEMBER continuing his employment after his NORMAL RETIREMENT AGE, he shall not qualify for a DEATH BENEFIT or DISABILITY BENEFIT and the allocation to the Risk Reserve Account in terms of Rule 16.1.2 shall not be made from the EMPLOYER contribution. Instead, that component of the contributions shall be allocated to the EMPLOYER ACCOUNT of the FUND CREDIT.

(xiv) *replacing Rule 32.1 with the following:*

32.1 A MEMBER whose employment ceases, other than in terms of Rules 33, 34, 35, 36, 37 and 38 shall become entitled to his FUND CREDIT as a WITHDRAWAL BENEFIT.

(xv) *replacing Rule 32.3 with the following:*

32.3 The benefit in terms of Rule 32.1 shall be preserved in the FUND in accordance with the provisions of Rule 53, unless the MEMBER elects in writing to the TRUSTEES prior to the date of his leaving employment that the benefit be:

- (a) paid to him as a lump sum; or
- (b) transferred to another APPROVED PROVIDENT FUND, an APPROVED PENSION FUND, an APPROVED RETIREMENT ANNUITY FUND or an APPROVED PRESERVATION FUND;

provided that:

- (i) transfer to an APPROVED PRESERVATION FUND is subject to the requirements of the REVENUE AUTHORITIES as specified from time to time;
- (ii) if a MEMBER elects option (a) above, then subject to Rule 50.2, the benefit shall be payable at the expiry of a six month waiting period.

(xvi) *replacing Rule 32.4 with the following:*

32.4 A MEMBER may request that the TRUSTEES waive the provision contained in proviso (ii) to Rule 32.3 that his WITHDRAWAL BENEFIT is only payable at the end of a six month waiting period; provided that the request must be in writing, motivated by exceptional circumstances that form the basis of the request and must be lodged by the MEMBER prior to the date of his leaving employment and provided further that the decision to waive the six month waiting period is at the absolute discretion of the TRUSTEES and will only be granted in exceptional circumstances.

(xvii) *adding the following Rule 32.5 to Rule 32:*

32.5 A MEMBER whose employment ceases in terms of this Rule and who does not elect either option (a) or (b) in Rule 32.3, shall become a PRESERVED MEMBER and the provisions of Rule 53 shall apply to such MEMBER.

(xviii) *replacing Rule 33 with the following:*

33. RETRENCHMENT

33.1 Upon retrenchment a MEMBER shall become entitled to his FUND CREDIT.

33.2 The benefit in terms of Rule 33.1 shall be preserved in the FUND in accordance with the provisions of Rule 53, unless the MEMBER elects in writing to the TRUSTEES prior to the date of his retrenchment that the benefit be:

(a) paid to him as a lump sum; or

- (b) transferred to another APPROVED PROVIDENT FUND, an APPROVED PENSION FUND, an APPROVED RETIREMENT ANNUITY FUND or an APPROVED PRESERVATION FUND;

provided that:

- (i) transfer to an APPROVED PRESERVATION FUND is subject to the requirements of the REVENUE AUTHORITIES as specified from time to time;
- (ii) if a MEMBER elects option (a) above, then subject to Rule 50.2, the benefit shall be payable at the end of a three month waiting period.

33.3 A MEMBER may request that the TRUSTEES waive the provision contained in proviso (ii) to Rule 33.2 that his FUND CREDIT is only payable at the end of a three month waiting period; provided that the request must be in writing, motivated by exceptional circumstances that form the basis of the request and must be lodged by the MEMBER prior to the effective date of his retrenchment and provided further that the decision to waive the three month waiting period is at the absolute discretion of the TRUSTEES and will only be granted in exceptional circumstances.

33.4 A MEMBER whose employment ceases in terms of this Rule and who does not elect either option (a) or (b) in Rule 33.2, shall become a PRESERVED MEMBER and the provisions of Rule 53 shall apply to such MEMBER.

(xix) replacing Rule 34 with the following:

34. RETIREMENT BENEFITS

34.1 Upon retirement from employment on reaching NORMAL RETIREMENT AGE a MEMBER shall be entitled to his FUND CREDIT; provided that the MEMBER may:

(a) elect to become a DEFERRED RETIREE, in which case the provisions of Rule 54 shall apply to him; or

(b) at any time prior to the ELECTION DATE, elect to transfer his FUND CREDIT to an APPROVED RETIREMENT ANNUITY FUND.

34.2 If the MEMBER remains in employment after RETIREMENT AGE, the provisions of Rule 36 shall apply to him.

(xx) replacing Rule 35.1 with the following:

35.1 Where a MEMBER is within five years of the NORMAL RETIREMENT AGE and his EMPLOYER agrees in writing, the MEMBER may elect to retire from employment early, in which event he shall be entitled to his FUND CREDIT; provided that the MEMBER may:

- (a) elect to become a DEFERRED RETIREE, in which case the provisions of Rule 54 shall apply to him; or
- (b) at any time prior to the ELECTION DATE, elect to transfer his FUND CREDIT to an APPROVED RETIREMENT ANNUITY FUND.

(xxi) *replacing Rule 36 with the following:*

36. LATE RETIREMENT

Where a MEMBER reaches the NORMAL RETIREMENT AGE but remains in employment, the MEMBER shall retire from employment on such later date as he agrees with his EMPLOYER, when he will be entitled to his FUND CREDIT; provided that the MEMBER may:

- (a) elect to become a DEFERRED RETIREE, in which case the provisions of Rule 54 shall apply to him; or
- (b) at any time prior to the ELECTION DATE, elect to transfer his FUND CREDIT to an APPROVED RETIREMENT ANNUITY FUND.

(xxii) *replacing Rule 37.1.1(b) with the following:*

- (b) an amount determined in terms of Rule 34 as if he had retired from employment the day before his death; plus

(xxiii) *replacing Rule 37.1.2(b) with the following:*

- (b) an amount determined in terms of Rule 34 as if he had retired from employment the day before his death.

(xxiv) replacing Rule 38.2.1(c) with the following:

- (c) an amount determined in terms of Rule 34 as if he had retired from employment the day before his disability.

(xxv) replacing Rule 49.1.1 with the following:

49.1.1 If a MEMBER who is a member of an APPROVED PENSION FUND, any other APPROVED PROVIDENT FUND or an APPROVED PRESERVATION FUND chooses to transfer the benefit to which he is entitled on leaving that fund into the FUND, the amount so transferred shall be applied under the MEMBER'S FUND CREDIT.

(xxvi) adding the following Rule 49.1.6 to Rule 49.1:

49.1.6 The FUND may accept transfer from another APPROVED PENSION FUND, an APPROVED PROVIDENT FUND or an APPROVED PRESERVATION FUND of an amount in respect of a MEMBER who has elected to transfer to the FUND an amount awarded to such person in terms of a court order contemplated in Section 7(8) of the Divorce Act, 1979.

(xxvii) adding the following Rule 50.4 to Rule 50:

50.4 Subject to the provisions of the ACT, the TRUSTEES shall have the right to make such deductions from the FUND CREDIT of a MEMBER as are permitted in terms of Sections 37D(1)(a)(ii)(cc) and (d) of the ACT.

(xxviii) *adding the following Rule 53 to the Rules:*

53. PROVISIONS APPLICABLE TO A PRESERVED MEMBER

The following provisions shall apply to a PRESERVED MEMBER:

- (a) after the date of leaving employment no further contributions in terms of Rule 15 or 16 shall be made by or in respect of the PRESERVED MEMBER;
- (b) the FUND CREDIT of the PRESERVED MEMBER, including any amount transferred to the FUND in terms of Rule 49.1 after becoming a PRESERVED MEMBER, shall be retained in the FUND and shall be debited with such reasonable expenses as the TRUSTEES may determine and accumulated with FUND RETURN until it becomes payable in terms of (d) below;
- (c) the PRESERVED MEMBER shall not be entitled to any benefits from the FUND other than the benefit referred to in (b) above;
- (d) the benefit referred to in (b) above shall become payable as contemplated in paragraph 4 of the Second Schedule to the Income Tax Act, 1962:
 - (i) as a retirement benefit on or after the PRESERVED MEMBER has attained normal retirement age as defined in Section 1 of the Income Tax Act, 1962; or

- (ii) on the death of the PRESERVED MEMBER to his BENEFICIARIES in terms of Section 37C of the ACT; or
- (iii) earlier, if the PRESERVED MEMBER elects that the benefit be:
 - (aa) paid to him as a lump sum; or
 - (bb) transferred to another APPROVED PROVIDENT FUND, an APPROVED PENSION FUND, an APPROVED RETIREMENT ANNUITY FUND or, subject to the requirements of the REVENUE AUTHORITIES, to an APPROVED PRESERVATION FUND;
- (e) each PRESERVED MEMBER shall have access to retirement benefits counselling before the benefit referred to in (b) above is paid to such MEMBER in terms of (d)(i) or (d)(iii)(aa) above or transferred to another fund in terms of (d)(iii)(bb) above.

(xxix) adding the following Rule 54 to the Rules:

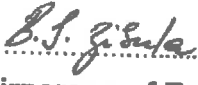
54. PROVISIONS APPLICABLE TO A DEFERRED RETIREE

The following provisions shall apply to a DEFERRED RETIREE:

- (a) after the date on which the DEFERRED RETIREE retires from employment with the EMPLOYER in terms of Rule 34, 35 or 36:
 - (i) no further contributions in terms of Rule 15 or 16 shall be made by or in respect of the PRESERVED MEMBER; and
 - (ii) the DEFERRED RETIREE shall not be entitled to any benefits from the FUND other than the benefit referred to in (b) below;
- (b) the DEFERRED RETIREE'S FUND CREDIT shall be retained in the FUND and shall be debited with such reasonable expenses as the TRUSTEES may determine and accumulated with FUND RETURN until it becomes payable in terms of (c) below;
- (c) the benefit referred to in (b) above shall become payable in the following circumstances:
 - (i) to the DEFERRED RETIREE on the ELECTION DATE; or
 - (ii) to the DEFERRED RETIREE'S BENEFICIARIES in terms of Section 37C of the ACT if the DEFERRED RETIREE dies before the ELECTION DATE; or

- (iii) earlier, if the DEFERRED RETIREE elects that the benefit be transferred to an APPROVED RETIREMENT ANNUITY FUND.

Certified that the above resolution has been adopted in accordance with the provisions of the Rules of the Fund.


.....
Chairperson of Trustees


.....
Trustee


.....
Principal Officer

REGISTERED in terms of
Pension Funds Act No. 24 of 1956
25 APR 2019
.....
FOR THE FINANCIAL SECTOR CONDUCT AUTHORITY



Certified that the above amendments are financially sound.

David Little

.....
Actuary to the Fund



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Signature

B.Sc; FASSA

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Qualifications