



03 JUNE 2024

Your No. 1 Pension Fund

# FREQUENTLY ASKED QUESTIONS ABOUT MUNICIPAL EMPLOYEES PENSION FUND (MEPF)

**Q1: THERE ARE RUMOURS THAT THE FUND HAS RUN OUT OF MONEY. HOW TRUE ARE THESE RUMOURS?**

A1: THIS IS FALSE, THE FUND IS WELL-FUNDED IN TERMS OF ITS ASSET BASE AND INVESTMENTS. CURRENTLY, THE FUND BOASTS R26 BILLION TOTAL ASSETS UNDER MANAGEMENT, MEANING THAT THE FUND CAN COVER ALL THE LIABILITIES OF ITS MEMBERS. THE FUND COMPLETES AND SUBMIT DECLARATIONS OF ASSETS TO THE FINANCIAL SECTOR CONDUCT AUTHORITY (FSCA) YEARLY AND QUARTERLY TO THE RESERVE BANK.

**Q2: WHAT IS THE CURRENT STATUS OF THE MUNICIPAL EMPLOYEES PENSION FUND (MEPF) IN LIGHT OF THE RECENT NEWS PUBLISHED IN THE MEDIA AND THE ADVERTORIAL IN THE SOWETAN NEWSPAPER SUGGESTING IT HAS BEEN PLACED UNDER ADMINISTRATION?**

A2: THE MUNICIPAL EMPLOYEES PENSION FUND (MEPF) IS NOT UNDER ADMINISTRATION. THE FINANCIAL SECTOR CONDUCT AUTHORITY (FSCA) HAS MADE AN ERRONEOUS AND UNLAWFUL DECISION REGARDING PROCEDURAL SHORTCOMINGS RELATED TO SOME MUNICIPALITIES (EMPLOYERS) INVOLVED WITH THE FUND REGARDING THE ELECTION PROCESS OF SELECTING MEMBER REPRESENTATIVES AND TRUSTEES. HOWEVER, IT'S ESSENTIAL TO CLARIFY THAT THIS DECISION DOES NOT ENTAIL PLACING MEPF UNDER ADMINISTRATION. THE BOARD OF TRUSTEES IS PERFORMING IT'S DUTIES AS PER NORMAL. THE RECENT ADVERTORIAL PLACED BY NDOU ATTORNEYS IN THE SOWETAN NEWSPAPER WHICH THEY HAVE SINCE RETRACTED, WAS A MISREPRESENTATION AND FALSE.

**Q3: CAN YOU ELABORATE ON THE FSCA'S DECISION AND ITS IMPLICATIONS FOR MEPF?**

A3: THE FSCA'S DECISION PRIMARILY CONCERNS PROCEDURAL MATTERS RELATED TO CERTAIN MUNICIPALITIES, NOT THE OVERALL ADMINISTRATION OF MEPF. IT'S CRUCIAL TO EMPHASISE THAT THE IMPLEMENTATION OF THE FSCA'S DECISION HAS BEEN SUSPENDED BY AGREEMENT, ALLOWING THE MEPF BOARD TO CONTINUE ITS FUNCTIONS AS DULY ELECTED FIDUCIARIES.

**Q4: HOW IS MEPF ADDRESSING THE ISSUES RAISED BY THE FSCA?**

A4: MEPF IS ACTIVELY ENGAGING WITH THE FINANCIAL SERVICES TRIBUNAL (FST) THROUGH A RECONSIDERATION APPLICATION REGARDING THE ALLEGED PROCEDURAL SHORTCOMINGS HIGHLIGHTED BY THE FSCA. OUR LEGAL REPRESENTATIVES ARE HANDLING THIS MATTER, AND WE ARE COMMITTED TO ADDRESSING ANY CONCERNS RAISED BY REGULATORY AUTHORITIES PROMPTLY AND TRANSPARENTLY.

**Q5: IS THE CURRENT MEPF BOARD OF TRUSTEES LEGITIMATE AND FUNCTIONING AS REQUIRED?**

A5: YES, THE CURRENT MEPF BOARD OF TRUSTEES IS LEGITIMATE AND CONTINUES TO DISCHARGE ITS DUTIES AS DULY ELECTED FIDUCIARIES. THE TRUSTEES WERE ELECTED BY MEMBER REPRESENTATIVES FROM ALL PARTICIPATING EMPLOYERS, REPRESENTING ALL MEMBERS IN 2021, AND AS A RESULT OPERATE WITHIN THEIR MANDATED RESPONSIBILITIES.



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**Q6: HOW IS MEPF ADDRESSING THE PERCEPTION OF A MALICIOUS CAMPAIGN AIMED AT SOWING DIVISION AMONG IT'S MEMBERS?**

A6: MEPF IS COMMITTED TO FOSTERING UNITY AMONG ITS MEMBERS AND WILL NOT TOLERATE ANY ATTEMPTS TO INCITE DIVISION OR CONFUSION. WE HAVE OPEN CHANNELS OF COMMUNICATION FOR MEMBERS TO RAISE CONCERNS, AND THE BOARD HAS THE CAPACITY TO ADDRESS THESE ISSUES AS THEY ARISE. WE THEREFORE URGE MEMBERS TO APPROACH THE FUND AS AND WHEN THEY HAVE ISSUES THAT NEEDS TO BE ADDRESSED.

**Q7: WHAT MEASURES IS MEPF TAKING TO ENSURE TRANSPARENCY AND ACCOUNTABILITY AMIDST THESE MALICIOUS CAMPAIGNS?**

A7: MEPF REMAINS COMMITTED TO TRANSPARENCY AND ACCOUNTABILITY IN ITS OPERATIONS. THE FUND USES VARIOUS PLATFORMS TO ENGAGE AND SHARE INFORMATION WITH ITS MEMBERS. THESE INCLUDES AMONG OTHERS MEMBER MEETINGS HELD WITH ALL OUR STAKEHOLDERS TO ATTEND TO ALL QUERIES AND EDUCATING OUR MEMBERS ABOUT THE FUND. THERE'S ALSO MEPF WHATSAPP CHANNEL- WHICH IS CONSTANTLY UPDATED WITH INFORMATION RELEVANT TO OUR VALUABLE MEMBERS. THE FUND IS ALSO IN THE PROCESS OF FINALISING AN APP WHICH WILL BE AVAILABLE TO ALL MEMBERS FOR EASY ACCESS TO INFORMATION.

**Q8: HOW CAN MEPF MEMBERS SEEK CLARIFICATION OR RAISE CONCERNS ABOUT THESE DEVELOPMENTS?**

A8: MEPF MEMBERS ARE ENCOURAGED TO UTILISE OUR OPEN CHANNELS OF COMMUNICATION MENTIONED ABOVE TO SEEK CLARIFICATION OR RAISE CONCERNS ABOUT ANY DEVELOPMENTS RELATED TO THE FUND.

**Q9: WHAT ASSURANCES CAN MEPF PROVIDE TO IT'S MEMBERS REGARDING THE STABILITY AND SECURITY OF THEIR PENSION FUNDS?**

A9: THE FUND HAS A FUNCTIONING BOARD OF TRUSTEES WHICH OVERSEES THE IMPLEMENTATION OF STRATEGIES SURROUNDING THE INVESTMENTS OF MEMBERS FUND'S. HENCE THE CONTINUOUS AND CONSISTENT GROWTH OF THE FUND ASSETS OVER THE YEARS. MEPF CONTINUES TO OPERATE WITHIN REGULATORY GUIDELINES AND DILIGENTLY FULFIL ITS FIDUCIARY RESPONSIBILITIES TO ENSURE THE LONG-TERM SUSTAINABILITY OF PENSION BENEFITS FOR ITS MEMBERS. TRUSTEES ARE ALSO MEMBERS OF THE FUND AND DECISIONS THEY TAKE ARE ALWAYS IN THE BEST INTEREST OF MEMBERS.

**Q10: IS THE MUNICIPAL EMPLOYEES PENSION FUND A DEFINED CONTRIBUTION FUND OR A DEFINED BENEFIT FUND?**

A10: THE MEPF IS BOTH A DEFINED CONTRIBUTION (DC) AND A DEFINED BENEFIT (DB) FUND.



**Q11: WHY WAS THE MERGENCE MANDATE ENDED?**

A11: MERGENCE'S MANDATE WAS TERMINATED IN OCTOBER 2023 PURSUANT TO A RECOMMENDATION BY THE MEPF'S INDEPENDENT ACTUARIES. AS A MATTER OF LAW, MANDATES CAN BE WITHDRAWN ON NOTICE, AND CONTRACTUALLY THE AGREEMENT WITH MERGENCE PROVIDED FOR NO-FAULT TERMINATION. IN ANY EVENT, THERE WAS AMPLE CAUSE TO TERMINATE, INCLUDING MERGENCE EXPOSING THE MEPF TO UNACCEPTABLE RISK IN RESPECT OF INVESTMENTS, MATERIALLY UNDERPERFORMING, OVERCHARGING THE FUND, LACKING TRANSPARENCY IN ITS ACCOUNTING, AND FAILING TO PROPERLY CARRY OUT THE INSTRUCTIONS OF THE MEPF.

**Q12: CAN YOU PROVIDE US WITH WHAT MERGENCE WAS DOING WRONG WHEN IT COMES TO INVESTING FOR THE FUND IN MORE DETAIL?**

A12:

- MERGENCE CREATED FINANCIAL PRODUCTS WITH THE FUND'S MONEY FOR THEIR OWN FINANCIAL GAIN AS THE PRODUCTS WERE OFFERED TO THEIR CLIENTS.
- THEY CONDUCTED THEMSELVES UNPROFESSIONAL BY CLAIMING EXORBITANT FEES WHILE NOT MEETING THEIR TARGETS. THEY FURTHER APPOINTED 3 MORE ASSET MANAGERS FOR THE FUND WITHOUT APPROVAL WHO ALSO CLAIMED THEIR MANAGEMENT FEES, WHICH LED TO THE FUND PAYING MULTIPLE HIGH FEES.
- THE ABOVE DISADVANTAGED THE FUND'S ASSETS NOT TO GROW TO IT'S FULL POTENTIAL BUT INSTEAD SUFFERED LOSSES.

**Q13: IS THE MEPF HAPPY WITH AKANI RETIREMENT FUND ADMINISTRATORS AS THEIR SERVICE PROVIDER?**

A13: AS THE MEPF BOARD, WE ARE PLEASED WITH THE PERFORMANCE OF AKANI RETIREMENT FUND ADMINISTRATORS AS THE ADMINISTRATOR OF OUR FUND. WHEN THEY TOOK OVER THE ADMINISTRATION MORE THAN 20 YEARS AGO, THE FUND'S ASSETS UNDER MANAGEMENT WERE AROUND R1.2 BILLION. HOWEVER, THROUGH THEIR GUIDANCE IN THE DEVELOPMENT OF THE FUND'S INVESTMENT STRATEGY, THEY HAVE CONTRIBUTED TO THE FUND'S ASSETS GROWING TO THE CURRENT R26 BILLION ASSETS UNDER ADMINISTRATION.

**Q14: THE FSCA RAIDED AKANI OFFICES IN 2022 AND IN 2023 ISSUED A SECTION 26 NOTICE TO THE BOARD OF THE FUND. IT IS SAID THAT AKANI THEN APPROACHED THE COURTS AND HAD THE NOTICE SET ASIDE. WHAT IS THE STATUS OF THIS MATTER?**

A14: THE FSCA SEARCH AND SEIZURE OPERATION WAS UNLAWFUL AND UNFORTUNATE AS AKANI HAD BEEN COOPERATING WITH THE FSCA INVESTIGATION SINCE 2013 – ANSWERING ALL QUESTIONS AND PROVIDING ALL REQUESTED DOCUMENTATION AS AND WHEN REQUIRED. AS PART OF AKANI'S APPLICATION TO THE HIGH COURT TO SET ASIDE THE FSCA'S SEARCH AND SEIZURE ORDER, AKANI APPROACHED THE COURTS WITH THE REQUEST THAT THEY FURNISH AKANI WITH THE REASONS OR RECORD OF DECISION THAT LED TO THEIR UNLAWFUL OPERATION AT AKANI PREMISES. THE HIGH COURT RULED IN AKANI'S FAVOUR – INSTRUCTING THE FSCA TO RELEASE THE RECORD OF DECISION OR REASONS WITHIN 10 DAYS AFTER THE COURT ORDER. INSTEAD OF THE FSCA COMPLYING WITH THE ORDER, AS PROVIDED FOR BY THE PAJA ACT, THE FSCA APPEALED THE RULING TO THE SAME COURT, AND IT WAS DISMISSED WITH COSTS. THE FSCA IS APPEALING THE HIGH COURT DECISION AT THE SCA.

**FOR QUERIES:**



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