

June 2016

**Although this communiqué was distributed to all Participating Employers of the Umbrella Funds in April 2012 it has become apparent that the conditions of compulsory membership as explained below have not been adhered to by a number of the Participating Employers. Therefore, we are resending this communiqué, that also now incorporates the terms and conditions (in regard to possible anti-selection) that are applied by the risk providers where voluntary membership has been allowed.**

**Compulsory Membership –Approved Funds - Section 1 of the Income Tax Act, 1962-as amended.**

Your Fund is approved under Section 1 of the Income Tax Act. Failure from the Employer's part to comply with the requirements of Section 1 may lead to the Fund losing its' approval status and the Employer subjected to a tax audit by S.A.R.S.

Section 1 of the Income Tax Act confirms how the Fund and the Employer must comply to both obtain and retain its tax approval status. The stipulation of Section 1 of the Income Tax Act that we wish to highlight in this communiqué is:-

**“Membership shall be a condition of employment for all eligible categories of Employees”**

Therefore, where it is evident that Employees are not members of the Fund and are, however, eligible to be members of the Fund, this will need to be rectified, and the Employees brought onto the Fund from the 1<sup>st</sup> day of the next month.

**Compulsory Membership – terms and conditions of the risk policy.**

The risk policy under which the group risk benefits on your Fund have been provided, define INSURED as follows:

Every Employee qualifies to become an INSURED in terms of the risk policy, provided that:

- He /she is on the permanent staff of the Employer;
- He/she has already reached the age of 15 years;
- He/she has not reached the normal retirement age;



10 BRADFORD ROAD | BEDFORDVIEW | 2007  
PO BOX 2305 | BEDFORDVIEW | 2008  
(T) +27 11 677 7500 | (F) +27 11 388 3286  
WWW.MCUBEDGROUP.CO.ZA

- He/she satisfies any additional qualification criteria as may be set out by the insurer from time to time.

If an Employee does not join the scheme upon becoming eligible as per the above, and applies to do so at a future date, he/she may become an INSURED with the approval of the insurer, and only upon submitting medical evidence for the full entitled group risk benefits. The member will not enjoy any cover amounts up to the free cover limits.

Failure to disclose the reasons as to why the member did not join the risk scheme upon becoming eligible, could lead to the insurer repudiating a claim based on non-disclosure.

**Should there be Employees that are not members of the Fund, please provide a list of these Employees to your Client Relationship Manager confirming the reason why he/she is not a member of the Fund as soon as possible.**

This is a directive from m Cubed Employee Benefits (Pty) Ltd and the Board of Trustees of the Umbrella Funds who will no longer be subjected to any possible liability exposure, which may arise from any Employer incorrectly allowing a **voluntary option** to join the Fund to its Employees.

We trust the above to be self explanatory and supported by you with a positive nature.

Kind Regards,

**m Cubed Legal, Technical and Compliance**