

NOTICE

TO ALL MEMBERS OF THE
NATIONAL PROVIDENT LUMP SUM NATIONAL SCHEME
FROM THE BOARD OF THE NATIONAL PROVIDENT FUND, TRUSTEE OF THE SCHEME

MINIMUM ACCOUNT BALANCES

Trust deed amendments proposed under the National Provident Fund Restructuring Amendment Act 1997 (the Act)

This notice is to advise you of the introduction of a minimum account balance (total credit) requirement for your scheme. The change is designed to benefit the contributors of the scheme as a whole, through reduced administration costs and the resulting potential for increased returns.

The Board intends applying this change only to contributors of the scheme who have an account balance less than the minimum (to be set initially at \$5,000) and who are not making regular contributions to the scheme. If, after a certain period of notice, such contributors do not increase their balances to at least the minimum level, their balances will be refunded and their accounts closed.

A summary of the proposed trust deed amendments to implement this change is shown on the back page.

WHY IS THIS CHANGE BEING INTRODUCED?

The introduction of a minimum account balance is made possible through October 1997 amendments to the NPF Restructuring Act. The purpose of the amendments was to enable the Board to make various improvements to NPF schemes to streamline administration and reduce costs, while ensuring fairness to members of each scheme as a whole.

Your scheme has a large number of small account balances and pays fees to administer each account regardless of the balance. Some account balances are at a level where investment earnings on individual balances typically do not actually cover the fees, even where those earnings exceed the minimum earnings rate of 4% per annum. This has an adverse impact on the scheme's overall investment returns and on the earnings credited to all contributors' accounts.

HOW WILL THE CHANGE AFFECT ME?

The initial proposed minimum account balance is \$5,000 but this may be changed by the Board from time to time.

- **If your account balance is \$5,000** or more this change will have no immediate direct impact on you. However, this Board reserves the right to increase the minimum account balance at any time in future.
- **If your account balance is less than \$5,000** (or the minimum current from time to time) and you are not making regular contributions to the scheme, you will be given a set time (initially six months) to increase your balance.
- We will write to you asking whether you wish to hold your account open by making further contributions through your employer to bring your balance up to the minimum level. If you choose to increase your balance to at least this level within the required time period, your account will stay open.
- If however, after the time allowed, your account balance is still less than the minimum amount your account will be closed and your benefit credit will be paid to you. Your membership of the scheme will cease from that time.
- **Right to rejoin certain NPF schemes.** Subject to the relevant eligibility requirements, you will still have the right to rejoin certain NPF schemes. [Please contact Datacom Employer Services (contact details below) if you want to find out whether this would be a possibility for you.]

A small account balance is unlikely to generate a worthwhile retirement income. If you have a small account balance and wish to save for your retirement through this scheme, it is important that you build up your account balance.

SUMMARY OF THE PROPOSED TRUST DEED AMENDMENTS TO INTRODUCE MINIMUM ACCOUNT BALANCE PROVISIONS

The scheme trust deed will be amended, under sections 9 and 14 of the National Provident Fund Restructuring Amendment Act 1997, as follows:

1. A new definition of "Minimum Amount" (meaning an amount specified by the Board from time to time) will be introduced.
2. A new clause will provide that:
 - (a) If the Total Credit of a Contributor is less than the Minimum Amount then the Board may pay the Contributor's Benefit Credit to him or her and the Contributor shall, on receiving such payment, cease to be a member of the scheme;
 - (b) Before paying the Benefit Credit to the Contributor the Board must give the Contributor not less than six months' written notice of the Minimum Amount and of the Board's intention to make such payment; and
 - (c) The Board must not make the payment if the Contributor increases his or her Total Credit to at least the Minimum Amount within the notice period (or such longer period as the Board may determine in any one or more cases).
3. The clause under which the Board may accept a person as a Contributor to the scheme on the basis of a transfer value payable from another National Provident Fund scheme will be amended so that a person may not be so accepted if the transfer value would be less than the Minimum Amount.

WHAT SHOULD I DO NOW?

You need not do anything now. However, if your account balance is less than \$5,000 and you are not making regular contributions to the scheme, then in due course you will receive a letter inviting you to increase that balance to at least the minimum amount. That letter will also tell you what to do if you don't wish to increase your balance and prefer us instead to close your account.

MORE INFORMATION

If you have any questions about this change please call Datacom Employer Services on 0800 628 776 between 8.00am and 5.15pm Monday to Friday.