Government Employees Pension Fund

ANNUAL REPORT 2008/09

contents

vision

To be a role model for pension funds worldwide

mission

The GEPF is entrusted as the custodian of a significant portion of the wealth of public servants.

Our mission is to:

- ensure the timely and efficient delivery of the benefits provided in the rules, and protect pensions against inflation to the maximum extent affordable, while maintaining the financial soundness of the Fund;
- invest responsibly by engaging with organisations in which we invest to encourage good governance, social equity and sound environmental practices;
- empower our members, pensioners and other stakeholders through adequate communication; and
- champion retirement industry initiatives.

Values

We value honesty, transparency, empathy, professionalism and innovation.

By honesty, we mean:

- being ethical and truthful, maintaining good governance practices, and not misrepresenting or withholding information to which our stakeholders are entitled.

By transparency, we mean:

- communicating openly and frequently with our stakeholders;
- setting out information in a format that is clear and understandable; and
- being open to scrutiny and oversight.

By empathy, we mean:

- working collectively and cooperatively with our stakeholders;
- caring; and
- customer focus.

By professionalism, we mean:

- acting with diligence, competence, confidentiality and reliability.

By innovation, we mean:

- championing research and development in the retirement fund industry worldwide.

profile

The Government Employees Pension Fund is amongst the leaders in socially responsible investment.

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund, with more than 1 197 million active members, 318 000 pensioners and beneficiaries, and net assets of R639,7 billion. The GEPF is amongst the leaders in socially responsible investment and was one of the first South African organisations to become a signatory to the United Nations Principles of Responsible Investment (UNPRI).

Established in May 1996 when various government pension funds were consolidated, the GEPF operates under its own law, the Government Employees Pension Law of 1996, as amended (GEP Law). This Law defines the GEPF as a defined benefit pension fund exclusively for government employees in South Africa. Currently, the GEPF has more than 320 participating employers, including all national and provincial government departments and the South African National Defence Force and Intelligence Community.

Overall accountability for the Fund's investment and administrative performance rests with the Board of Trustees, which consists of an equal number of employer and employee representatives. Of the eight employee representatives, one member represents pensioners and is elected by postal ballot.

In line with pension industry best practice, the fiduciary and operational functions of the GEPF are in the process of being separated, with a targeted implementation date of 1 April 2010:

- The fiduciary functions include governance, legal, compliance and investment matters such as financial reporting, the valuation of funds and assets, and the preparation and monitoring of investment mandates. These functions will be carried out by the office of the Principal Officer of the Fund going forward.
- The administration functions of the GEPF involve the processing and payment of pensions and other benefits, as well as client interaction and client data maintenance. These pension administration functions will be carried out by the Chief Executive Officer on behalf of the Board.

Geographically, the GEPF has its head office in Pretoria and a national footprint of regional offices in eight of the nine provinces of South Africa.

minister's note to parliament

The Fund aspires to be a role model for pension funds worldwide.

Speaker of Parliament

Annual report of the Government Employees Pension Fund (GEPF) for the year ended 31 March 2009.

I have the honour in terms of section 9(6) of the Government Employees Pension Law, 1996 (Proclamation 21 of 1996), as amended, to present the annual report of the Government Employees Pension Fund for the period 1 April 2008 to 31 March 2009.

PJ Gordhan
Minister of Finance

November 2009

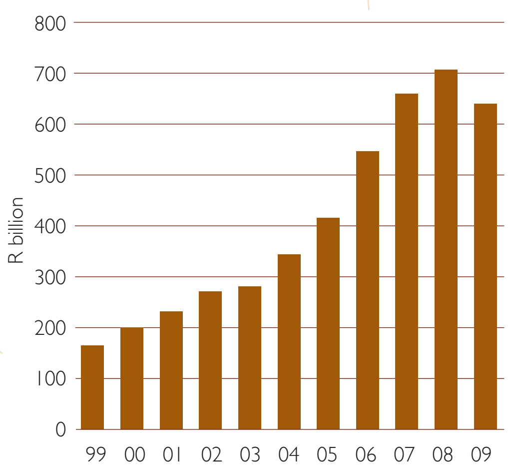
financial highlights

> The **accumulated reserves/net assets** of the GEPF amounted to **R639,747 billion** (2008: R707,042 billion) as at 31 March 2009.

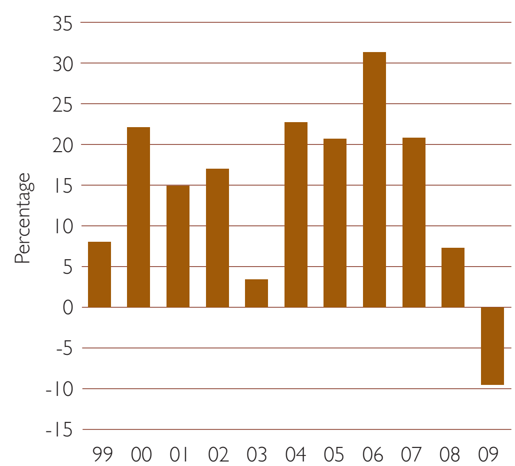
> **Contributions received and accrued** for the year ended 31 March 2009 amounted to **R30,430 billion** (2008: R25,919 billion) and **benefits awarded** inclusive of awards from reserve funds amounted to **R28,650 billion** (2008: R24,105 billion).

> The **Fund** posted a negative return on investment of **10,2%** for the period under review and a positive return of 6,7% in 2008. This is a respectable return, given that the all-share index returned (28,5%) for the same period mainly due to turbulence experienced as a result of the global financial crisis.

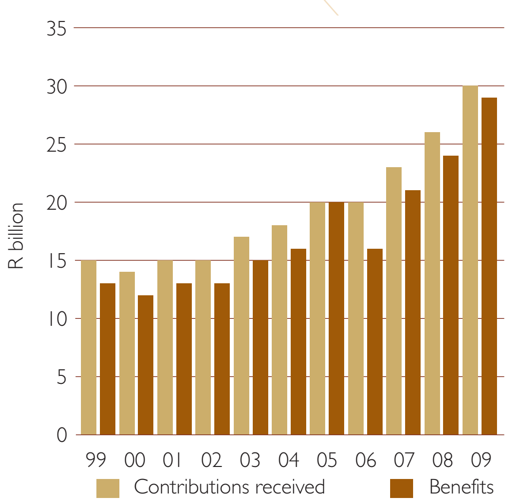
Accumulated funds and reserves
as at 31 March



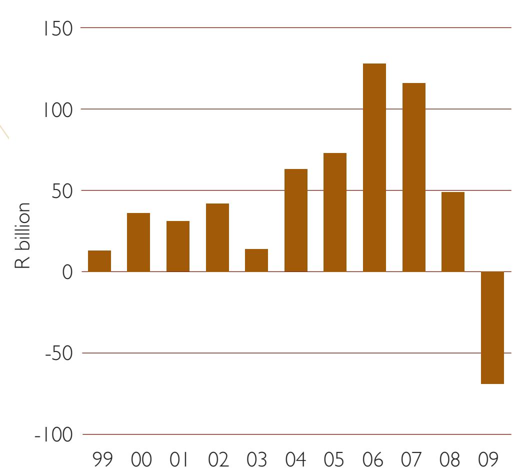
Growth of accumulated funds and reserves
for the year ended 31 March



Contributions received/benefits awarded
for the year ended 31 March



Investment income/(loss)
for the year ended 31 March



preamble to the chairperson's review

"The GEPF is financially sound and well managed, and has responsible investment policies."

On 19 June 2009, the four-year term of office of the first GEPF Board of Trustees came to an end and, on 22 September 2009, the Minister of Finance inaugurated the new Board, of which I have been elected Chairperson. On behalf of my fellow members of the Board, I extend sincere appreciation to our predecessors for their stewardship of the Fund and the strides taken in their four-year term to place the GEPF on a path towards becoming a role model in the international pension fund environment. In particular, we thank the former Chairperson, Mr Martin Kuscus, whose review of the 2008/09 financial year is presented on the following pages.

This report sets out the unqualified audited financial statements in respect of the GEPF for the 2008/09 financial year. It is the opinion of the Board of Trustees that these financial statements fairly reflect the net assets of the GEPF and the results of its activities as at the end of March 2009 in accordance with generally accepted accounting practice applicable to retirement funds in South Africa. In this regard we are grateful for the work of all parties involved in compiling and finalising the annual financial statements.

Mr Arthur Moloto
Chairperson of the GEPF Board of Trustees

chairperson's review

"The Board was able to maintain its record of awarding annual pension increases that largely compensate our pensioners for the effects of inflation."

In a highly challenging environment for financial institutions worldwide, the Government Employees Pension Fund (GEPF) not only stood its ground during 2008/09, but strengthened its footing in key areas. On behalf of the Board of Trustees, I am proud to report to our stakeholders on the performance of the Fund for the year ended 31 March 2009.

As reported in the GEPF's 2007/08 annual report, the Board of Trustees had the foresight to set aside substantial reserves for the market slowdown that would inevitably follow several successive years of buoyant growth. Specifically, we established a solvency reserve of R42 billion to counter market volatility between actuarial valuations, as well as a pension increase reserve of R57 billion. These reserves reflect the Board's philosophy of using the fruits produced in good times to make provision for the bad times.

This approach proved prudent during the year under review when the Board was able to maintain its record of awarding annual pension increases that largely compensate our pensioners for the effects of inflation. For the April 2009 adjustments, we approved a full inflation-compensating pension increase of 9% for pensioners who retired on or before 1 April 2008, while those who retired after 1 April 2008 received 0,75% for each month from the date of retirement to 31 March 2009. We also addressed the position of pensioners whose annuities had fallen below the amount paid at retirement by paying catch-up increases. These pensioners received increases of up to 10,5% to compensate for the impact of inflation since their retirement.

The Board of Trustees was also quick to reassure members and pensioners about the continued stability of the GEPF. This followed media reports on the impact of the economic turbulence on the Fund's investments. Like the rest of the investment community, the GEPF's investment portfolio was affected by the economic downturn, with the value of net assets under management amounting to R639,747 billion at 31 March 2009 compared to R707,042 billion in the prior year. At no time was the Fund's stability or sustainability in question, nor was there any prospect of benefits being adversely affected. Hence, we ensured that our stakeholders received the clear message that the Fund remains solid and safe. Furthermore, we highlighted the GEPF's status as a defined benefit pension fund, making the point that GEPF benefits are guaranteed and that any risk vests not in the member but in the sponsoring employer.

Best practice in governance

An important task undertaken by the Board during the year was to initiate the change in the governance structure of the GEPF, as reported in the 2007/08 annual report. To quote from that report: "The Board also approved a change in the governance structure of the Fund that will result in a split between the fiduciary and operational functions in line with private sector retirement fund structures. The new financial year will see the development of a fiduciary structure separate from the administration functions, including the appointment of an independent Principal Officer, Head: Investments and Actuarial, and Head: Legal and Compliance, with an executive secretarial function for the Board and Board committees".

As promised, the Board of Trustees appointed the Principal Officer, Head: Investments and Actuarial, Head: Legal and Compliance, and Executive Secretary to the Board with effect from 1 June 2008. Led by the Principal Officer, Ms Maemili Ramataboe, this team is assisting the Board to fulfil its fiduciary functions by ensuring that all laws and regulations are fully complied with, investment mandates monitored and met, and governance and oversight improved.

Going forward, an important function of the Principal Officer's team will be to monitor the implementation of the Service Level Agreement (SLA) that will apply to the activities of the pensions administration component once established. The SLA, which will be finalised in 2009/10, will contain service delivery targets for the administration, including turnaround times for processing and paying benefits.

The Board notes the progress made during 2008/09 to improve the GEPF's service delivery levels. Some of the operational achievements of the year include expanding the GEPF's physical footprint and holding joint service delivery forums with organised labour to address service delivery challenges together. These and other operational improvements are covered in more detail in the report by the Chief Executive Officer.

Paving the way for the next Board

In another important development, the Board began preparing for the end of its four-year term of office, making way for the establishment of a new Board during 2009/10. This would entail the employer appointing eight employer representatives on the Board, the Public Service Coordinating Bargaining Council appointing six employee representatives, and elections being held for the pensioner member Trustee and the Trustee representing the South African National Defence Force (SANDF) and Intelligence Community.

The incumbent Board assisted by appointing the Electoral Institute of Southern Africa and the Independent Electoral Commission (IEC) to ensure a free and independent election process. The process commenced in December 2008, when the Board gave notice of the elections and invited pensioners and members of the SANDF and Intelligence Community to nominate their candidates. The actual voting process was due to commence after financial year-end, on 1 April 2009, and close during May 2009.

Whatever the outcome of the Trustee election and appointment process, I can say with confidence that the incoming Board will inherit a Fund that is financially sound and well managed, and has responsible investment policies.

I thank the members of the Board of Trustees and its various committees for their commitment to GEPF, the Principal Officer and her management team, and the CEO, his management team and the staff as a whole, for their conscientious and largely successful efforts to provide the best possible service to the GEPF's members and pensioners.

Mr Martin Kuscus
Chairperson

report by the principal officer

report by the principal officer

"In the spirit of promoting the principles of responsible investing, the GEPF led the launch of the local PRI network in South Africa."

The Board of Trustees of the GEPF has made an unequivocal commitment to establish the Fund as a world leader in the pension fund industry. To this end, the Board set a number of strategic objectives for the investment and administrative performance of the GEPF in 2008/09. In the case of investments, the emphasis was on maximising investment returns through effective oversight and implementing the United Nations Principles of Responsible Investment (UNPRI). In terms of administrative performance, the focus was on building administrative service excellence, with a major focus on improving communication, accessibility and stakeholder management.

Responsible investment

The Board's overriding objective is to position the GEPF as a responsible corporate citizen that delivers good investment returns while integrating environmental, social and governance (ESG) issues into its investment activities. Responsible investment was formally entrenched in the GEPF's investment activities in February 2009, when the Board adopted the Responsible Investment Policy. This is in line with international best practice and allows the Board to implement its mandate in keeping with its commitment to the UNPRI.

The Fund also seeks appropriate disclosure on ESG issues by the entities in which it invests as well as to work together with other players in the investment industry to promote acceptance and implementation of the UNPRI. Through the GEPF's asset manager, the Public Investment Corporation (PIC), we have been successfully engaging with listed companies whose corporate governance and transformation of boards, for example, were unsatisfactory.

During the year the GEPF took its commitment to responsible investment a step further by assisting the JSE with the review of its Socially Responsible Investment (SRI) index. The revised SRI index was used to assess the ESG practices of South Africa's top 100 listed companies. It was launched at the end of November 2008 and incorporated key issues relevant to South Africa, such as transformation, employee occupational health and safety, HIV/Aids and broad-based black economic empowerment.

In the spirit of promoting the principles of responsible investing within the pension fund industry and within the wider investment community, in early 2009 the GEPF led the launch of the local PRI network in South Africa. In the year under review, the number of South African signatories to the UNPRI stood at 28, of which the

GEPF was the only assets owner. This poses a challenge to the GEPF in playing a significant role in attracting local asset owners to subscribe to the principles of responsible investing, thus ensuring the sustainability of retirement funding and social security in South Africa.

The Fund plans to produce its first integrated sustainability report in line with King III provisions in the financial year 2010/11.

Investment exposure in other African markets

The Pan African Infrastructure Development Fund (PAIDF) was established in September 2007, with a mandate to invest in infrastructure projects throughout the continent.

We believe this Fund will play a major role in unlocking Africa's potential to reposition itself for sustainable growth in the 21st century. As the largest investor in the Fund, we strengthened our representation on the Investment Committee during the year by appointing two representatives.

Good governance

In pursuit of sound governance and oversight, the Board made good progress in initiating the separation of the Fund and its administrative functions. The first step towards this was to establish the office of the Principal Officer of the GEPF at Brooklyn in Pretoria in order to enhance oversight of the Board.

The Principal Officer was appointed with effect from 1 June 2008, as were the three other members of the Principal Officer's management team. They are the Head: Investments and Actuarial, the Head: Legal and Compliance and the Head: Executive Secretariat to the Board of Trustees. Together, this team supports the Board of Trustees in ensuring that the Fund acts in the best interests of its members, pensioners and beneficiaries by exercising due care, skill and integrity in safeguarding their retirement wealth and complying with all legal and regulatory requirements.

Compliance with the GEP Law and all other relevant legislation is a prerequisite for the Board of Trustees. During 2008/09 the Board resolved to investigate a possible mechanism to introduce the Clean Break Principle in respect of divorced GEPF members, in line with changes in the private sector.

In addition, the various Board committees finalised a number of important policies, including the broad-based black economic empowerment policy, employment equity policy, communication policy, gratuity distribution policy, the replacement protocol policy and the code of conduct.

Building administrative service excellence

The Board is committed to improving communication and accessibility of the Fund for its members and pensioners, and to ensuring that GEPF service delivery is efficient and responsive, especially in terms of benefit payments.

The drive to build administrative service excellence will be embedded in the Service Level Agreement (SLA) that will apply to the processing and payment of Fund benefits, among other administrative activities. Once developed and finalised in the new financial year, the SLA will be monitored by the Principal Officer.

Post-year-end activities

The term of office of the first Board of Trustees expired on 19 June 2009. Before leaving office, the Board made extensive preparations for a smooth transition to the new Board. These preparations included a comprehensive handover report which captures all the achievements of the Board, together with the challenges that a new Board would have to address. The new Board was inaugurated by the Minister of Finance, Mr Pravin Gordhan, on 22 September 2009. Mr A Moloto was appointed as the Chairperson and Mr P Badal as Vice-Chairperson.

To further embed and strengthen sound governance, the Board resolved that the bank accounts and assets of the GEPF be registered in the name of the Fund. This is a requirement of the rules of the Government Employees Pension Law and gives substance to the GEPF's status as a signatory to the UNPRI. I am pleased to report that the transfer of assets from PIC to the GEPF was finalised in October 2009, except for unlisted investments. This development has greatly enhanced the Board's ability to assert itself in the area of shareholder activism.

On 5 October 2009 the process of separating the Fund's fiduciary and administrative functions moved forward when the Minister of Finance presented the business case for the separation to the Minister of Public Service and Administration for approval. It is expected that the administration will operate as a government component under the Public Service Act as from 1 April 2010.

The focus on sound governance and oversight will continue into the future, ensuring that the GEPF acts in the interests of its pensioners, members and beneficiaries at all times.

Ms Maemili Ramataboe
Principal Officer

report by the chief executive officer

"Improved service delivery was the dominant theme during 2008/09 and was the golden thread that ran through our operations."

Our ultimate goal is to achieve greater client satisfaction through improved service delivery. To work towards realising this goal, we started the implementation of the Service Delivery Improvement Programme (SDIP), a five-year programme aimed at delivering the best service to members and pensioners. As a result, improved service delivery was the dominant theme at GEPF during 2008/09 and was the golden thread that ran through our operations, from the collection of contributions to the payment of benefits, client interaction and increasing accessibility to our clients and partners. I believe that we will benefit immensely from this programme.

Overview of activities in 2008/09

Pension contributions received from active members and employers in 2008/09 amounted to R30,430 billion, which was 17% more than the R25,919 billion in the previous financial year. Of the total amount collected, active members contributed R10,719 billion while government paid R19,503 billion on behalf of its employees.

The growth in contributions tallies with an increase in benefits paid. In the 12 months to 31 March 2009, benefits to the value of R28,650 billion were paid out, compared to R24,1 billion in the prior period. Monthly pension payments accounted for the bulk of benefits paid, 59,5%, followed by withdrawal benefits, death benefits and gratuities.

As important as the amounts collected and disbursed were the speed, accuracy and quality with which these processes were carried out in 2008/09.

Benefit payment backlog

One of our biggest challenges is timeous payment of benefit claims. Although significant progress has been made in reducing the backlog, we need to work hard in the coming financial year to ensure that we pay benefit claims within the prescribed period to avoid paying interest and to ensure that our members are not socially and economically inconvenienced.

We have forged partnerships with employer departments to ensure that in future we will be able to cooperate on timeous and accurate submission of exit documents in a bid to shorten benefits turnaround times.

Client-centred service

Client-centred service delivery is a priority for the GEPF. This goes beyond paying out pensions and benefits accurately and on time; it also means interacting with our clients in a way that is approachable, responsive, consistent and accessible.

In 2008/09 we made a concerted effort to improve accessibility by taking our service nearer to our clients. By the end of March 2009 the GEPF's footprint had increased from four to eight provinces in order to realise our strategy of providing a client-centred service.

We also made good progress in improving response times at the call centre, which received 1 183 512 calls during the year, 11% more than in the previous period.

In a bid to maximise member interaction, non-conventional outreach programmes were introduced, such as community roadshows. The first community roadshow was held in Soshanguve near Pretoria in March 2009. The GEPF also took part in major exhibitions such as the Pretoria Show, and teamed up with community radio stations for a series of live broadcasts targeting GEPF members and pensioners. For the benefit of employers, we assigned dedicated client service advisors to departments where demand for pension administration services is high, and appointed client liaison officers to make regular visits to other government departments.

In harnessing the use of technology, the GEPF launched an SMS service to remind pensioners to confirm their existence by returning their life certificates. In September 2008 we also began implementing an enterprise-wide programme to improve the quality of client data. This 18-month programme will run until February 2010 and is expected to correct many of the problems currently experienced with poor quality or outdated information, which can cause delays or errors in processing claims and making payments.

People and processes

Staff stabilisation has been a challenge to the GEPF. We addressed this during 2008/09 by absorbing 157 contract workers and filling up to 70% of senior management positions.

Another challenge during 2008/09 was to raise employees' competence in order to meet the ever-increasing service delivery demands from our clients. To this end, numerous targeted interventions were undertaken to upskill our staff members. Training for junior and middle management was provided on a large scale to equip our managers with the skills to motivate and inspire their teams to provide excellent service. At the same time, employees at various levels underwent training in 'soft skills' focusing on the provision of a client-centred service. We also undertook job evaluations of the new positions approved in the new organisational structure to ensure that such positions are at the appropriate levels.

Risk management, internal audit and fraud prevention management were undertaken to improve internal controls and promote a culture of honesty and transparency. We also introduced monitoring and evaluation to promote a performance-driven culture.

All in all, the GEPF ended the year on a sound footing, ready and eager to achieve its aim of becoming a best-in-class pension fund, offering exceptional service and value.

Mr Phenias Tjie
Chief Executive Officer

the Board of Trustees in 2008/09

According to the GEPF's enabling legislation, the Government Employees Pension Law, fiduciary responsibility for the Fund rests with the Board of Trustees, which has an equal number of employer and employee representatives. The employee representatives include a pensioner member and a member of the SANDF and Intelligence Community.

It is a requirement of the GEP Law that the Board of Trustees be appointed for a four-year term, after which it must make way for a new Board. The four-year term of the Board that was incumbent during 2008/09 ended post-year-end, on 19 June 2009. It comprised the following members:

Mr Martin Kuscus
Chairperson

Mr Dave Balt
Vice-Chairperson

Mr Jeremy Andrew

Mr Prabir Badal

Vice Admiral Bert Bekker

Mr Dalindyebo Bout

Brigadier General Dries de Wit

Mr Mash Diphofa

Mr Andrew Donaldson

Mr Leon Ely

Mr Kenny Govender

Mr Johan Griesel

Prof Hennie Kock

Mr Hennie Koekemoer

Mr Thobile Maqhubela

Mr Bukuta Mashawana

The Fund is managed by the Board of Trustees, which is accountable for the GEPF's administrative and investment performance.


Mr Patrick Mngconkola


Mr Gavin Moultrie


Mr Hans Murray


Adv Koot Myburgh


Mr Freeman Nomvalo


Mr Paddy Padayachee


Mr Paul Sello


Mr Sello Tshabalala


Mr Logan Wort


Ms Fagmeedah Petersen


Ms Nolwazi Boqwana


Mr Elias Masilela

the Board of Trustees post-year-end

the Board of Trustees post-year-end

On 22 September 2009 the Minister of Finance inaugurated the new GEPF Board of Trustees, whose four-year term of office will run until September 2013. In line with the GEP Law, the Board consists of 16 Trustees, led by an elected Chairperson and Vice-Chairperson. Each Trustee has an elected/appointed substitute, ensuring that their constituencies are fully and properly represented at all times.

The new Board of Trustees was officially inaugurated by Mr Pravin Gordhan, Minister of Finance (seated fifth from left), accompanied by Mr Nhlanhla Nene, Deputy Minister of Finance (front, fourth from left). At the inaugural meeting, Mr Arthur Moloto (seated, third from left) was elected as Chairperson of the Board and Mr Prabir Badal (middle row, sixth from right) as Vice-Chairperson.

corporate governance

The GEPF operates under its own enabling legislation, namely the Government Employees Pension Law of 1996, as amended. The Fund complies with the requirements of the GEP Law and is committed to transparency, integrity and accountability according to accepted corporate governance practices.

The Fund is managed by the Board of Trustees, which is accountable for the GEPF's administrative and investment performance. The Board is also responsible for compiling and approving the annual financial statements, which are submitted to Parliament through the Minister of Finance.

The Board of Trustees has embarked on a process of strengthening Fund governance and oversight. For this purpose, in the previous financial year, the Board approved a change in the governance structure of the Fund that will result in separate fiduciary and administrative structures, in line with retirement fund best practice.

This process began during the year under review when the Board initiated the development of a fiduciary structure separate from the administrative functions. On 1 June 2008 the Board duly appointed the Principal Officer of the GEPF, together with the Head: Legal and Compliance, the Head: Investments and Actuarial and the Head: Board Secretariat (providing an executive secretarial function to the Board and its committees). The process will continue in the 2009/10 financial year, when the Board of Trustees will develop the appropriate legislative framework, governance structures and compliance framework for the administrative component of the GEPF.

The Board is confident that the development of separate fiduciary and operational structures is in the best interests of its members, pensioners and other stakeholders since this will strengthen governance and oversight while assuring clients of the best possible pension administration service.

Composition of the Board of Trustees

Trustees are appointed in accordance with section 6 of the GEP Law, as amended. Fund members and employers are equally represented on the Board to protect the interests of all stakeholders of the Fund. Member representatives include a pensioner and an SANDF and Intelligence Community representative elected through a postal ballot.

The GEPF Board of Trustees was constituted as follows as at 31 March 2009:

Employer Nominee Trustees		Employer Nominee Trustee substitutes	
Department	**Name**	**Department**	**Name**
National Treasury	Mr Freeman Nomvalo	National Treasury	Vacant
National Treasury	Mr Andrew Donaldson	National Treasury	Mr Logan Wort
DPSA	Mr Kenny Govender	DPSA	Ms Fagmeedah Petersen (appointed August 2008)
PSC	Mr Mash Diphofa		Ms Nolwazi Boqwana (appointed August 2008)
Education	Mr Leon Ely	Education	Mr Paddy Padayachee
SAPS	Vacant	Correctional Services	Mr Johan Griesel
Independent Specialist	Mr Martin Kuscus	Independent Specialist	Vacant
Independent Specialist	Mr Jeremy Andrew	Independent Specialist	Mr E Masilela (appointed August 2008)

Employee Nominee Trustees		Employee Nominee Trustee substitutes	
Nominated by	**Name**	**Nominated by**	**Name**
PSA	Adv Koot Myburgh (resigned 22 October 2008)	PSA	Mr Paul Sello
HOSPERSA	Mr Gavin Moultrie (resigned June 2008)	HOSPERSA	Mr Hans Murray
SADTU	Mr Sello Tshabalala	SADTU	Vacant
NAPTOSA	Mr Dave Balt	NAPTOSA	Prof Hennie Kock
POPCRU	Mr Pat Mngconkola	POPCRU	Mr Dalindyebo Bout
NEHAWU	Mr Prabir Badal	NEHAWU	Mr Bukutu Mashawana
Pensioners	Vice Admiral Bert Bekker	Pensioners	Mr Hennie Koekemoer
SANDF and Intelligence Community	Brigadier General Dries de Wit	SANDF and Intelligence Community	Mr Thobile Maqhubela

Board committees

Five permanent Board committees ensure the fiduciary effectiveness of the GEPF through the active involvement of Board members in the Fund's strategic agenda.

The committees respectively deal with benefits and administration, finance and audit, governance and legal, human resources, and investment matters.

An administrative arrangements task team was constituted by the Board and mandated to oversee the separation of the Fund and administration.

All remuneration matters were referred to the Governance and Legal Committee and the Board concluded that the level of Trustee remuneration should remain the same for the 2008/09 financial year. An increase of 7,5% was granted to independent Trustees.

Board committee membership and responsibilities

Board committee	Committee members	Responsibilities
Benefits and Administration Committee	Brig Gen Dries de Wit (Chairperson) Mr Jeremy Andrew Vice Admiral Bert Bekker Mr Andrew Donaldson Mr Johan Griesel Mr Patrick Mngconkola Mr Gavin Moultrie* Mr Hans Murray	• Reviews all aspects of the GEPF's administrative activities. • Advises and makes recommendations about the GEPF's benefits, administration of its affairs, administration policies, strategy, procedures and management.
Finance and Audit Committee	Mr Prabir Badal (Chairperson) Mr Hennie Koekemoer Mr Freeman Nomvalo Mr Paddy Padayachee Mr Paul Sello Ms Fagmeedah Petersen	• Gives effect to the GEPF's audit and financial policies and audit strategies. • Reviews all aspects of the GEPF's audit and financial activities. • Advises and makes recommendations about the financial reporting, appointment of auditors, internal auditing, risk policies and procedures and annual financial statements.

Board committee	Committee members	Responsibilities
Governance and Legal Committee	Mr Dave Balt (Chairperson) Mr Mash Diphofa Mr Logan Wort Adv Koot Myburgh* Ms Nolwazi Boqwana Mr Paul Sello	• Gives effect to the GEPF's governance and legal policies and strategies. • Reviews all aspects of the GEPF's governance, risk and legal activities. • Advises and makes recommendations about the GEPF's Code of Conduct, Board committees and terms of reference, induction, remuneration, evaluation, corporate governance matters, risk management, legal function, dispute resolution, legislation and amendments to the Government Employees Pension Law and Rules.
Human Resources Committee	Mr Kenny Govender (Chairperson) Vice Admiral Bert Bekker Prof Hennie Kock Mr Thobile Maqhubela Mr Bukuta Mashawana Adv Koot Myburgh*	• Reviews all aspects of the GEPF's human resources matters. • Advises and makes recommendations about the Fund's human resources policy, strategy, procedures and administrative structure, including its organisational structure, change management and communication.
Investment Committee	Mr Leon Ely (Chairperson) Mr Jeremy Andrew Mr Dave Balt Mr Dalindyebo Bout Mr Sello Tshabalala Mr Logan Wort* Ms Fagmeedah Petersen Ms Nolwazi Boqwana	• Gives effect to the investment policies and strategies. • Reviews all aspects of the GEPF's investment activities. • Implements and gives oversight to the Fund's policy and commitment to the United Nations Principles of Responsible Investment. • Monitors investment mandate. • Advises and makes recommendations about asset management, investment policies and strategy.
Task Team on Administrative Arrangements	Mr Dave Balt (Chairperson) Mr Mash Diphofa Mr Logan Wort Mr Andrew Donaldson Brig Gen Dries de Wit Mr Jeremy Andrew Mr Kenny Govender Vice Admiral Bert Bekker	• Oversees the separation of the Fund and Administration.

* *Resignations*
Mr Gavin Moultrie resigned June 2008
Adv Koot Myburgh resigned 22 October 2008
Mr L Wort resigned from Investment Committee March 2009

corporate governance continued

During the reporting period, Board committees realised a number of achievements in giving effect to their responsibilities. Some of these key achievements are reflected in the following table:

Board committee highlights during 2008/09

Board committee	Highlights
Finance and Audit	• Facilitated the achievement of an unqualified audit opinion
Benefits and Administration	• Implemented phase two of the project to simplify the GEPF Rules • Launched a project to replace the use of life certificates with an improved process/confirmation from the Department of Home Affairs • Launched an investigation regarding the establishment of a functionality within the Administration for the orphans' pensions • Launched an investigation regarding the payment of pensions on a six-day payment system • Implemented measures in terms of departmental debts • Finalised the gratuity distribution policy • Implemented inflation-linked pension increases
Human Resources	• Finalised the employment equity policy • Finalised the placement protocol policy
Investment	• Revised the investment mandate with the PIC • Pioneered the policies of responsible investment pursuant to our signing of the United Nations Principles of Responsible Investment (UNPRI) • Finalised the investment policy in consultation with the Minister of Finance • Formalised the responsible investment policy
Government and Legal	• Successfully concluded the annual Trustee assessment • Organised various formal training sessions for the Board • Updated the terms of reference of committees • Finalised the broad-based black economic empowerment policy • Finalised the communication policy • Finalised guidelines for individual Trustee training

Governance charter and code of conduct

The Trustees are required to comply with a comprehensive governance charter and a formal code of conduct. The charter includes the terms of reference for all Board committees and provides for the declaration of interests and financial disclosure by Board members and annual Board performance assessments. The following tables reflect the attendance of Trustees at Board and Board committee meetings and Board training sessions and the remuneration paid to Trustees and substitutes for the reporting period.

Meetings attended during 2008/09

Board of Trustees	Board meetings	Benefits and Administration Committee	Finance and Audit Committee	Governance and Legal Committee	Human Resources Committee	Investment Committee	Board training
Meetings/training sessions held	6	6	6	6	7	10	2
Mr M Kuscus (Chairperson)	6						1
Mr D Balt (Vice-Chairperson)	6		1	6		10	2
Mr J Andrew	6	6				8	1
Mr P Badal	6		6				1
Vice Admiral B Bekker	6	6			6		–
Ms NP Boqwana[1]	1#			2		1	1
Mr D Bout						10	2
Brigadier General AL de Wit	6	6					2
Mr M Diphofa				3			–
Mr A Donaldson	5	6					–
Mr L Ely	4					7	–
Mr K Govender	4				5		–
Mr J Griesel	3	2					–
Prof H Kock					3		2
Mr H Koekemoer	1#		5				–
Mr T Maqhubela					5		2
Mr B Mashawana					5		2
Mr E Masilela[2]		3				3	–
Mr P Mngconkola	6	5					1
Mr G Moultrie[3]	1	1					–
Adv K Myburgh[4]	4			1	3		1
Mr H Murray	4	3					1
Mr F Nomvalo	1		2				–
Mr P Padayachee	1#		3				1
Ms F Petersen[5]	1#		3			5	–
Mr P Sello[6]	1		1	4			2
Mr S Tshabalala	5					9	2
Mr L Wort[6]	1#			4		1	–

1. Appointed August 2008
2. Appointed August 2008
3. Resigned June 2008
4. Resigned October 2008
5. Appointed August 2008
6. Resigned from Investment Committee March 2009
 # Substitute Trustee – attendance only in the absence of the Trustee

corporate governance continued

Remuneration paid to Trustees and substitutes as at 31 March 2009

Name	Remuneration	Paid to
Mr J Andrew	R568 841,30	Individual
Mr P Badal	None	
Mr D Balt	R329 942,50	NAPTOSA
Vice Admiral B Bekker	R152 320,00	Individual
Ms NP Boqwana	R157 947,00	Thipa Incorporated
Mr D Bout	R65 600,00	Individual
Brigadier General AL de Wit	R250 805,00	Individual
Mr M Diphofa	None	
Mr A Donaldson	None	
Mr L Ely	None	
Mr K Govender	R115 840,00	Individual
Mr J Griesel	None	
Prof H Kock	R28 800,00	Individual
Mr H Koekemoer	R100 800,00	Individual
Mr M Kuscus	R99 157,50	Individual
Mr T Maqhubela	R51 200,00	Individual
Mr B Mashawana	R56 000,00	Individual
Mr E Masilela	R28 800,00	Individual
Mr P Mngconkola	R78 400,00	Individual
Mr G Moultrie	R12 800,00	HOSPERSA
Mr H Murray	R51 200,00	HOSPERSA
Adv K Myburgh	R70 400,00	Individual
Mr F Nomvalo	None	
Mr P Padayachee	None	
Ms F Petersen	R469 625,00	Individual
Mr P Sello	R54 400,00	Individual
Mr S Tshabalala	R97 600,00	Individual
Mr L Wort	R46 400,00	Individual
Total paid 2008/09	R2 893 000,00	

Note: *Specialist Trustees are remunerated according to an agreed hourly rate*

Financial control

Business plans and budgets are prepared annually and submitted to the Board for approval. Operational capital requirements, working capital levels and cash flow projections are reviewed and monitored regularly. Procurement takes place within the approved procurement policies and framework.

Ethics

The values of the GEPF are the cornerstone of its interaction with staff, clients and stakeholders. Employees are expected to maintain the highest ethical standards to ensure that business practices are conducted in a manner that is beyond reproach. The GEPF executive team is responsible for monitoring and taking corrective action on transgressions of ethical practices.

Internal audit

Internal audit has been established to improve the internal control environment and assist management to perform effectively. An effective Internal Audit Unit will contribute to reduced external audit costs because external auditors will be able to place reliance on some aspects addressed by internal audit, thereby reducing the scope of external work performed.

Capacity for internal audit will be built in the year ahead so that internal audit will be able to carry out important audit assignments to assist management to perform more efficiently and effectively.

Risk

Risk management is an integral part of the Fund's governance framework and is approached from an enterprise-wide risk framework perspective. The GEPF has a formal risk management policy, which the Board of Trustees' Governance and Legal Subcommittee adopted during the year under review. Other important risk management milestones of the year were the appointment in January 2009 of the Risk Manager and the development of risk registers for all business units. The consolidated GEPF risk register will be finalised in the coming financial year, as will the appointment of the Chief Risk Officer.

Fraud prevention

The GEPF has a dedicated Forensic and Fraud Prevention Management Unit that investigates and reports incidents of alleged fraud and corruption, as well as actual or potential breaches in systems, controls and processes. During 2008/09 this unit drafted the fraud prevention plan for consideration by the Board of Trustees and the Subcommittee on Finance and Audit. In another important fraud prevention development, the GEPF's whistle-blowing policy was ratified by the National Treasury and the Public Service Coordinating Bargaining Council. Fraud prevention and awareness programmes were presented to employees.

Legal compliance

The GEPF legal team ensures effective compliance with the relevant statutory, regulatory and supervisory requirements. In June 2008 the Board oversaw the appointment of the Head: Legal and Compliance, in the office of the Principal Officer of the Fund.

Employment equity

The GEPF's Human Resources strategy focuses on human capital development, while its employment equity policy guides the way in which equity is embraced. An Employment Equity Forum monitors progress and ensures that legislative provisions are upheld.

Communication and stakeholder relationships

The GEPF's internal and external communication is aimed at providing meaningful, transparent, timely and accurate information to its stakeholders. Newsletters are distributed to staff, active members, pensioners and stakeholders, and benefits and related information is updated regularly on the GEPF's website. Communication will continue to play a key role in promoting the corporate image of the GEPF and in improving stakeholder relations.

Occupational health and safety

The GEPF strives to conform to occupational health and safety (OHS) laws and standards that add value to the quality of life of its employees. Health and safety committees exist to monitor compliance with regulations, and health and safety representatives receive regular training to remain effective in the execution of their duties.

Financial statements

The financial statements are compiled in accordance with the stated accounting policies, the GEP Law and Rules of the Fund.

The Board is responsible for preparing the financial statements in a manner that fairly reflects the state of affairs of the Fund's operations. The transactions of the GEPF are performed in accordance with the provisions of the GEP Law and Rules of the Fund. In all material respects the GEPF adheres to the mandatory functions of the entity, as determined by law or otherwise.

Independent auditors are responsible for examining the financial statements in accordance with International Standards on Auditing (ISA) as issued by the International Auditing and Assurance Board of the International Federation of Accountants (IFAC) and adopted by the Audit and Assurance Board of the Independent Regulatory Board of Auditors.

Promotion of access to information

The GEPF is committed to keeping its member and pensioners informed and responding to requests for information in line with the spirit and objectives of the Promotion of Access to Information Act 2 of 2000.

the principal officer's management team

1 June 2008 marked the appointment of the Principal Officer of the Fund, together with the Head: Investments and Actuarial, the Head: Legal and Compliance, and the Head: Executive Secretariat to the Board of Trustees. This team is responsible for assisting the Board in meeting its fiduciary and oversight obligations, in line with the Government Employees Pension Law and other applicable laws and regulations.

Ms Maemili Ramataboe
Principal Officer
Represents the GEPF Board of Trustees on a policy level and has an overall responsibility for financial reporting and disclosure, consolidating and amending the Fund Rules and valuating funds and assets. She is also responsible for implementing all Board decisions and giving effect to Board strategy, including managing relationships with all stakeholders.

Mr John Oliphant
Head: Investments and Actuarial
Responsible for monitoring and managing the GEPF's assets and liabilities by conducting actuarial valuations, executing the Board's investment strategy and practising responsible investment.

Ms Joelene Moodley
Head: Legal and Compliance
Acts as legal counsel to the Board and ensures that the Fund is compliant with all relevant legislation and governance.

Ms Adri van Niekerk
Head: Board Secretariat
Responsible for ensuring the Board of Trustees practises sound governance.

the chief executive officer's management team

The CEO's management team oversees the core pension administration functions, namely member admission and updates, data maintenance, pension contribution collection, employee benefits payment and client support.

Mr Phenias Tjie
Chief Executive Officer

Ms Mantiti Kola
Chief Operating Officer

Ms Hannah Ntshingila
Acting Chief Financial Officer

Mr Effort Kgosiemang
Acting Head: Risk Management and Audit

Mr Lazarus Mafolo
Acting Chief Information Officer

Mr Morontshi Matsobane
Acting Head: Corporate Services

Ms Esti de Witt
Head: Legal Services

business review

From a pension administration perspective, the GEPF's performance is judged mainly by the speed, efficiency and accuracy with which it delivers services to clients, especially in processing claims and paying benefits. To improve service delivery, which will in turn lead to greater client satisfaction, the administration is implementing a five-year service improvement strategy. This strategy was approved by the Board in the previous financial year, for implementation from 2008/09. It consists of five service delivery enablers, namely improved governance, operational excellence, human capital management, stakeholder management and business support systems. This section of the annual report covers the progress made by the GEPF in implementing 2008/09 strategic objectives in respect of the five service delivery enablers.

Governance

In the context of pensions administration, as opposed to Fund management, governance refers mainly to risk management and the internal control systems that are in place. Sound and reliable controls are essential in preventing waste, extravagance and fraud, safeguarding the confidentiality of clients' personal information and ensuring the integrity of business processes, procedures and systems. The business units responsible for contributing to an effective control environment include the Office of the Chief Executive Officer, Internal Audit, Enterprise Wide Risk Management, Forensic and Fraud Prevention Management, Legal Services, Finance Management, Information Security and Security Services. Improvements are becoming noticeable with regard to governance. The risk management policy and strategy were in draft as at 31 March 2009 and will be adopted for implementation in the coming financial year. Similarly, the internal audit coverage plan has been developed and will be adopted by the new Board of Trustees.

Operational excellence

This can be defined as how effective the administration is in meeting its obligations with speed and ease. The main obligations are claim settlement within the legislated turnaround times, timeous collection of contributions, the efficiency and accuracy of changes in membership, responsiveness of member support services and the provision of clear information. The responsibility for ensuring that operational excellence objectives are achieved is an enterprise-wide imperative. The extent to which the GEPF is achieving operational excellence will be covered in the performance section by the various discussions.

Stakeholder management

A priority for the GEPF is to build mutually beneficial relations with its key stakeholders. These stakeholders include but are not limited to the National Treasury, the Department of Public Service and Administration (DPSA), the Public Investment Corporation (PIC), the Public Protector and the recognised trade unions. The GEPF provides these stakeholders with service delivery information, such as on pension benefits payments, and ensures that pension-related issues raised by stakeholders are promptly addressed.

Human capital management

Competent, motivated and principled employees drive the organisational strategy. Historically, the GEPF was faced with an unstable workforce. The implementation of the organisational structure of 2007 has stabilised the workforce. During 2008/09 more than 150 contract workers were employed in permanent positions. The GEPF continued to build a knowledge-based organisation that empowers employees to deliver value-adding pension services. Staff underwent targeted training interventions that were aimed at increasing their contribution to operational excellence.

Business support systems

High-quality information, well-documented processes and enabling technologies and systems underpin fast, efficient and accurate pensions administration. New business units have been established to provide business support not previously available within the organisation, such as corporate monitoring and evaluation, and quality control. Other support units playing a key role in strengthening business support are Management Information Services, Business Support Services, Information and Communications Technologies (ICT) and Supply Chain Management.

Performance against business objectives as at 31 March 2009

Business objective	Performance 2008/09	Future action
Governance		
• Improve governance to ensure compliance with legislation and the mandate.	• Internal audit re-established as an in-house function. • Risk management policy approved. • Risk registers developed for all business units as a precursor to the consolidated register. • Inventory register of assets compiled. • Whistle-blowing policy developed. • Fraud register implemented and continually monitored. • Supply chain management unit established in line with international best practice principles. • Supply chain management policy approved. • Asset Disposal Committee established. • Investment accounting unit established. • Improved adherence to Regulatory Reporting Requirements for Retirement Funds in South Africa as issued by the Financial Services Board.	• Appoint the Chief Risk Officer. • Internal audit to be fully operational by December 2009. • Appoint a service provider for the fraud hotline. • Greater adherence to Regulatory Reporting Requirements for Retirement Funds in South Africa. • Feasibility and impact study on doing investment accounting in-house as opposed to the current outsourcing arrangement.
Operational excellence		
• Improve service delivery to meet administrative obligations with speed, ease and accuracy. • Be approachable, responsive, consistent and accessible in all interaction with clients.	• The payment backlog increased from 20 591 cases to 22 398 cases. • 60% of withdrawal benefit claims were paid within 60 days. (The management information platform was changed from Brio to Oracle in June 2008. The old Brio system reported on the process up to the administration finalised status. The new Oracle platform depicts all the process detail and statuses of the benefit payment value chain. The switching of these reporting systems in June resulted in the identification of an additional 5 000 exit cases that were not accounted for in the old Brio reports.) • 96% of member contributions reconciled at member level, against the target of 40%. • Enterprise-wide programme launched to improve the quality and integrity of client information (September 2008 – February 2010). • Footprint increased from four to eight provinces. • Client liaison officers and client service advisors deployed at employer sites. • Joint service delivery forums held with organised labour. • Non-conventional member outreach programmes initiated to educate members about GEPF service offerings.	• Entrench the performance enhancement approach that has been adopted. This approach prescribes minimum performance standards to ensure accurate and timely benefits to members and beneficiaries. • Reduce the time taken for exit cases to reach GEPF from employers. • Expand the GEPF's footprint in the Northern Cape. • Enhance the capacity of regional offices to provide one-stop service to the employers and members in the provinces. • Improve call centre capability to meet service demand. • Maximise member education campaigns. • Continue rolling out the data quality improvement programme. • Continue implementing the service delivery improvement plan, such as business process mapping and the system modernisation project.

Business objective	Performance 2008/09	Future action
Stakeholder management		
• Build and maintain effective relationships with members, pensioners and participating employers.	• Relations between the GEPF and National Treasury (NT), the Department of Public Service and Administration (DPSA) and the Department of Cooperative Governance and Traditional Affairs (DCGTA) were strengthened on pension-related matters. • Through the cooperation with DCGTA and other retirement funds, the GEPF successfully transferred 3 366 municipality benefits in respect of R293 transfers from the GEPF to other municipal funds. • The GEPF streamlined the relationship with the Public Protector by providing a dedicated Client Liaison Officer (CLO). • The GEPF institutionalised recommendations of the Public Protector Report No 11 of 2008 to 2009, outlining the remedial actions the GEPF undertook to improve benefit payment turnaround. • Stakeholder forums held with trade unions representing public servants.	• Conclude Service Level Agreements with key clients. • Continue with stakeholder consultative forums.
Business support		
• Provide efficient and effective technologies, business systems and business processes to drive the core pension administration functions.	• New ICT infrastructure and networks implemented to replace outdated systems and technologies. • Disaster recovery plan and processes strengthened. • Corporate monitoring and evaluation function established. • 80% of projects completed within budget and in compliance with project management methodology.	• Implement appropriate technology and systems in support of the Service Delivery Improvement Plan initiatives (eg regional offices roll-out, data improvement, business process mapping and acquisition of new pension administration system). • Conduct an ICT capability maturity assessment. • Develop and implement the Business Continuity Plan.
Human capital		
• Attract, retain and develop competent, principled employees.	• Vacancies reduced by 47% through targeted recruitment. • Staff turnover reduced to 8,69% against the targeted 20% reduction. • Job evaluation exercise launched to ensure that positions are at an appropriate level. • Management training provided to 89 junior managers and 49 middle managers; soft skills training for 125 employees. • Tender finalised for the provision of integrated employee health and wellness services.	• Continue implementing the new structure and filling vacancies. • Review the recruitment and retention policies. • Complete the job evaluation project. • Evaluate the impact of training to determine future training investments. • Appoint a service provider for integrated health and wellness services. • Conduct a comprehensive skills audit to ascertain existing skills and identify skills gaps.

Business unit performance

Employee benefits

The Employee Benefits Unit manages member admission, contribution collection, member maintenance and exit payments.

Key processes

- To ensure accurate and timely benefits to members and beneficiaries
- To provide high-quality, responsive client services
- To improve internal operations support services

Contribution management

Contributions received and accrued for the 2008/09 financial year amounted to R30,430 billion. The contributions were from approximately 320 participating employers collectively employing 1 172 327 active members, 2,7% more than in 2007/08.

As at 31 March 2009 contributions owing to the GEPF amounted to R525 million, accounting for 1,72% of total contributions received and accrued.

Benefit payments

Timely payment of benefits is an integral part of benefit administration. During the reporting period the Fund paid 54 386 withdrawal benefits. The total pension and other benefits paid during the period amounted to R28 billion. It is important to note that the speed and accuracy of benefit payments depend on the accuracy of member details received from employers as well as information held by the Fund.

Reducing benefit payment backlogs remains a focus area. The GEPF has commenced with a number of initiatives to assist in working down benefit payment backlogs, both those within the GEPF and with employer departments. These initiatives included but were not limited to improved performance management, improved client and employer interfaces, improved client data quality, streamlined operational processes, improved business intelligence capabilities and staff training.

Employer interface

In 2008/09 considerable effort was directed at creating strategic partnerships with employer departments. The undue delays in benefit payments could be attributed in part to the failure by employer departments to submit the pension exit documents to the GEPF for members who had exited the Fund, or to submit correctly completed documentation in accordance with the manual, or to submit the documents within the legislated 60-day period.

The GEPF increased its regional presence from four to eight provincial offices as at 31 March 2009 in a bid to improve the employer interface.

The deployment of client liaison officers and client service agents at employer departments has contributed greatly to ensuring that officials responsible for pension affairs are well versed with the GEP Law. Departments receive timely feedback on cases and are coached on avoiding potential administrative pitfalls that lead to delays in paying benefits. These pitfalls include, among others, incorrectly completed forms, errors, candidate members (new members with outstanding mandatory membership details) and S cases (members whose contributions have stopped but whose exit documents have not been submitted to the Fund).

During the year 813 employer training sessions were presented at national and provincial departments. These training sessions focused on educating employers about the correct completion of exit documents. An employer manual was provided to these departments to promote accurate and complete documentation.

A draft employer Service Level Agreement (SLA) has been completed and will be negotiated with the applicable stakeholders in due course. The SLA will ensure that the employers make pension affairs a priority and provide the requisite resources to strengthen their administrative capability.

Client interface

Service channels

Service to members, beneficiaries and stakeholders is enhanced through varied and dedicated points of contact. During 2008/09 there were indications of an increase in the utilisation of the various service channels. Increasing GEPF's accessibility was identified as an enabler for an improved employer interface and for maximising member interaction. The operations of existing regional offices in Polokwane, Pretoria, Mmabatho and Bisho were enhanced as per the client relationship management operating model, enabling them to cater for the full spectrum of clients' needs.

Four new offices (Cape Town, Bloemfontein, Nelspruit and Pietermaritzburg) were opened in November and December 2008. The roll-out of regional offices gave impetus to the fostering of closer ties with members and communities.

The client relationship barometer indicates an improvement in the GEPF's responsiveness to client queries, requests and complaints.

- Call centre
  – Total incoming calls increased by 11%
  – A service level average of 87% was attained against a target of 90%
  – Provision of outbound services
- Outgoing SMS
  – Pensioner life certificates were effected from July 2008
- Email
  – An increase of 43% was recorded compared to the previous year
- The client satisfaction score card in all walk-in centres indicated a positive trend

Member communication

The membership profile of the GEPF spurred the Communication division to explore new member outreach programmes. Non-conventional member interactions were introduced during the period under review, such as community roadshows in townships, tribal meetings in rural areas, community radio campaigns and participation in major regional consumer shows and exhibitions.

The GEPF's new-generation outreach programmes commenced with the Soshanguve community roadshow near Pretoria. The event attracted hundreds of GEPF members, pensioners and beneficiaries, and was an opportunity to educate the community about the GEPF benefits portfolio and to resolve member and pensioner queries onsite. The success of this roadshow marked the start of a series of provincial roadshows scheduled for the year ahead. In addition, the GEPF participated in the Pretoria Show, the Joburg Easter Festival and the Royal Show in Durban.

We continued to keep our active members and pensioners abreast of the affairs of the Fund through quarterly newsletters. Our newsletter was named "Best-Performing Member Newsletter" of the year by the Institute of Retirement Funds (IRF) in its 2008 Communication Challenge.

Quality client information

Incorrect and out-of-date data on members and pensioners impacts negatively on case management turnaround times and may lead to inaccurate payments. In the period under review the GEPF launched a client information quality improvement project to record and reflect accurate member and pensioner data. The project assisted in developing a client information model, member consolidation plan (in the form of one client, one system number) and member record cleansing initiatives. The project has cultivated a culture that will sustain information quality, which bodes well for improved business reporting, benefit processing management and governance.

Stakeholder interaction

One of the GEPF's strategic objectives is to build mutually beneficial relationships with stakeholders. In the year under review the cooperation between the GEPF and National Treasury (NT), the Department of Public Service and Administration (DPSA) and the Department of Cooperative Governance and Traditional Affairs was strengthened on pension-related matters. Through the cooperation with the latter department and other retirement funds, the GEPF successfully transferred 3 366 municipality benefits in respect of R293 transfers from the GEPF to other municipal funds. These transfers will ensure that the full pensionable service of municipal employees is recognised at exit.

The GEPF streamlined relationships with the Public Protector by providing a dedicated Client Liaison Officer, whose role is to ensure that pension-related matters escalated to the Public Protector are resolved promptly. The GEPF institutionalised recommendations of the Public Protector Report No 11 of 2008/09. A formal report endorsed by the Board of Trustees was tabled to the Public Protector on 17 March 2009, outlining the remedial actions the GEPF undertook to improve benefit payment turnaround times.

Business support services

During the year under review the GEPF improved its systems access controls with respect to its production system CIVPEN. This improvement entailed improved and controlled user access to the production system, and restricting users to their own PC/laptop.

These improved controls will allow the GEPF to proactively manage unauthorised access to systems and reduce elements of fraud.

Service delivery improvement plan

Considerable effort has been made to address the current operational priorities on an ongoing basis. Reducing the benefit payment backlog remains a focus area.

The service delivery improvement plan (SDIP) that commenced in 2008 seeks to address the root cause/problems that affect the GEPF's administrative efficiency. It is envisaged that the initiatives will extend over five years and will require considerable resources.

The SDIP milestones attained in 2008/09 were:

- an adoption of the component business model (CBM) and capacitating of the 2007 organisational structure;

- regional offices roll-out to increase GEPF accessibility and responsiveness: four new regional offices;
- improved employer education and support services through the deployment of client liaison officers;
- member education campaigns;
- client information and data quality improvement;
- stakeholder liaison forums;
- junior and middle management training programmes; and
- job evaluations.

The Board of Trustees has commissioned the National Treasury Support to investigate the possibility of a public-private partnership (PPP) in a bid to modernise the GEPF pension administration. This intervention will take care of the business process mapping and the acquisition of pension administration components of the SDIP.

Finance management

Key processes

- Financial management and budgeting
- Supply chain management
- Payroll

Principal accounting policies

The GEPF is in the process of converting from the current basis of preparation of financial statements to the Regulatory Reporting Requirements (RRRs) for Retirement Funds in South Africa, published by the Financial Services Board (FSB) on 4 February 2009.

Key issues of consideration

- Historically, the financial statements of retirement funds were prepared on the basis of SA GAAP except for certain agreed departures. This is not an acceptable framework for reporting in terms of International Standards of Auditing (ISAs).
- Internationally, it is accepted that International Financial Reporting Standards (IFRs) are not wholly appropriate for the retirement funds industry, due to the many different regulatory requirements across the globe.
- The RRRs have been developed as a basis for financial reporting by retirement funds in South Africa.
- The RRRs address the recognition and measurement principles to be used in preparing the financial statements of retirement funds in South Africa and also provide some guidance for disclosure and presentation in the prescribed format.
- The RRRs have been developed based on the applicable principles contained within the relevant International Financial Reporting Standards, taking into consideration practicality of implementation and the legal framework in which retirement funds operate, and will be updated from time to time for changes in international accounting standards that are appropriate for retirement fund reporting.

During the year under review the Board of Trustees approved the first phase of implementation of RRRs relating to investments. The changes listed below were implemented to ensure compliance.

- Financial assets carried at fair value through the statement of changes in net assets and funds were initially recognised at fair value, and transaction costs were expensed in the statement of changes in net assets and funds.
- Money market instruments with original maturities of three months or less were classified as cash and cash equivalents.
- Listed equities were valued at closing prices.
- Dividend income forms part of the fair value adjustment for financial instruments carried at fair value through statement of changes in net assets and funds.
- An accounting policy in respect of changes in accounting policies, estimates and errors is still being developed.

Independent valuation of unlisted equities

To ensure that the valuations of investments are in line with international best practice, the GEPF engaged KPMG and Ernst & Young to perform an independent valuation, as of financial year ended 31 March 2009, of unlisted equities. International valuation guidelines were followed for this exercise.

These assets fall under the following categories:

- Direct equity, participation rights and debt investments
- Funds of funds, which are investments in third-party managed private equity funds
- Infrastructure investments

It is important to note that this engagement did not comprise a due diligence review or constitute an audit or review or other assurance engagement performed in accordance with International Standards on Auditing (ISAs), International Standards on Review Engagements (ISAEs) or International Standards on Related services (ISRs). Consequently, an audit opinion or assurance conclusion was not expressed.

It is also important to note that the valuation of assets is not a precise science and the conclusion arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is therefore no indisputable single value and normally value is expressed as falling within a likely range.

A single value suggested, therefore, was based on a reasonable set of assumptions.

During the last quarter of the 2008/09 financial period an Investment Accounting Unit was established. Its main objective is to improve accounting and reporting of investments and to move away from managing consultants, ie to perform our core function in-house.

Supply chain management

In order to enhance the control environment and promote good governance, the GEPF established a fully fledged Supply Chain Management Unit. The establishment of this function promotes prudent financial management that seeks to introduce international best practice principles, while at the same time addressing the socio-economic objectives of the government. The supply chain management policy was revised to take account of the new administrative environment and will be approved in the first quarter of the new financial year.

Amongst others, the establishment of the supply chain management function has resulted in uniformity in bid and contract documentation, as well as bid and procedure standards.

An Asset Disposal Committee was established during the current year in line with the GEPF supply chain policy and in terms of section 44 of the Public Finance Management Act (PFMA). Its purpose is to review and make recommendations on assets earmarked for disposal.

A project to implement user subasset registers has been approved to link responsibility for management, safeguarding and maintenance of assets with each GEPF official allocated assets in line with section 45(e) of the PFMA.

Payroll

After the approval of the organisational structure in November 2007 the GEPF focused on recruiting the right people with the right skills to ensure delivery of superior service. Consequently labour costs of R127,836 (2008: R101,430) million were incurred, an increase of 26% on the previous year. The establishment of the Principal Officer's office, with 11 new staff members at a cost of R3,996 million, was included in these costs.

Corporate monitoring and evaluation

Key processes

- Track the extent of progress against business objectives
- Assess the relevance, efficiency, effectiveness, impact and sustainability of service delivery initiatives

Monitoring and evaluation is a new function that was established in the second half of 2008/09 to embed a culture of goal-setting, measurement, monitoring and performance assessment across the organisation. This is vital in tracking the administration's progress in meeting its business objectives and measuring the impact and effectiveness of service delivery initiatives.

The initial focus of the new Corporate Monitoring and Evaluation Unit was on putting the necessary monitoring and evaluation resources in place. By 31 March 2009 the unit had appointed 10 monitoring and evaluation specialists and planners led by a senior manager.

Another focal point was to incorporate monitoring and evaluation goals into the organisation's business strategy with the aim of institutionalising the monitoring and evaluation function.

In addition, the business unit established a quality control subunit to design, implement and maintain a quality control system for the implementation of control plans.

In the 2009/10 financial year corporate monitoring and evaluation will concentrate on establishing performance monitoring systems and an evaluation framework for outcomes and impacts. It will also document lessons learnt and create a feedback loop to channel lessons learnt into strategic planning.

Enterprise-wide risk management

Key processes

- Identify and map enterprise-wide risks
- Compile business unit risk registers and the consolidated risk register
- Develop and implement risk management policies, processes and procedures

Risk management is an integral part of management's responsibilities.

During the year under review organisational risks were identified and risk registers for each area of operation compiled.

Management concentrated on the management of high risk with the potential to prevent the realisation of objectives.

A draft enterprise-wide risk policy was ready for consideration by the Board at the end of the financial year.

Going forward our focus will be on building risk management capacity by filling critical vacant positions, including that of the Chief Risk Officer, and develop awareness programmes to sensitise employees about the importance of risk management.

Forensic and fraud prevention management

Key processes

- Investigate and report incidents of alleged fraud and corruption
- Investigate and report on actual or potential breaches in systems, controls and processes
- Prevention of incidents on fraud and corruption

The anti-fraud successes of 2008/09 included restoring R3 million to the rightful beneficiaries and assisting in the conviction and sentencing of perpetrators in three cases of fraud.

As at 31 March 2009 the accumulated loss due to fraud and corruption amounted to R40 million, which is R1,3 million more than the 2007/08 accumulated loss of R39 million. The R1,3 million actual loss is 6,4% less than the 2007/08 figure of R2,5 million.

During the year under review 115 cases of alleged fraud and corruption were reported, of which 55 were registered with the South African Police Service.

The monetary value of the registered cases is estimated at R19,1 million.

The GEPF revised its fraud prevention plan, which will be implemented in the new financial year.

Information and Communications Technologies (ICT)

Key processes

- Infrastructure and network services
- Application services
- Information security

ICT remains a key driver of service delivery improvement, greater organisational efficiency and a better internal control environment. During 2008/09 the ICT Business Unit completed the infrastructure and network consolidation project that commenced in the previous year. This included establishing a modern, consolidated IT infrastructure and integrated convergent network with data, voice and video capabilities.

Information security plays a crucial role in promoting good governance by protecting the confidentiality, integrity and availability of information and ensuring that only legitimate users have access to the GEPF's systems. In 2008/09 the focus was on establishing processes and procedures in line with the Protection of Information Act, the Electronic Communications and Transactions Act and other applicable legislation.

An important milestone was reached when the new call centre solution based on state-of-the-art technologies was completed and commissioned. The next step, which will be completed in 2009/10, is to enhance this solution by implementing a contact centre solution.

Another milestone was the adoption of a governance model to align ICT and Information Security to business imperatives. A Security Committee was established to develop, monitor, review and recommend policies, best practices, standards and guidelines. Furthermore, an ICT strategy was developed, threat and risk assessment conducted and control measures implemented.

In the year ahead the emphasis will be on applications consolidation and integration, which will be the basis for the development and implementation of a Business Continuity Management (BCM) strategy. To complement this strategy, there will be ongoing enhancement of ICT infrastructure and networks.

Internal audit

Key processes

- Review and evaluate internal control systems
- Assess governance and risk management

The strong emphasis on effective controls and good governance at the GEPF has resulted in the re-establishment of an in-house Internal Audit Unit. Owing to capacity constraints, the function was outsourced to external service providers in the past and reintroduced with the approved organisational structure in November 2007.

The process of bringing internal audit back into the organisation as a stand-alone business unit took off in September 2008 with the appointment of the new Head: Internal Audit.

The re-established Internal Audit Unit has been assigned a broader mandate. Where previously the focus was relatively narrow, mainly involving the review of internal controls, it has been widened to include assessing governance and risk management, which are key business drivers. This was necessitated by the revision of the King Report and the International Standards for the Professional Practice of Internal Auditing (ISPPIA), along with other best practices in the internal auditing environment.

Setting up a fully fledged Internal Audit Unit with suitably qualified personnel was an important priority for the remainder of the 2008/09 financial year. This entailed finalising recruitment and reviewing the internal audit framework, including the charter, methodology and standard working papers. The new unit also assisted in preparing a draft risk management policy and risk registers which, when approved, will be used to develop the audit coverage plan.

In addition, Internal Audit completed the following five audit reviews: Follow-up on prior year external auditors report (including information and communications technology (ICT) reviews), purchase of service, human resources recruitment verification, the debtors disallowance and employment equity.

It is envisaged that the unit will be fully functional by December 2009 focusing mainly on the implementation of the internal coverage plan.

Legal services

Key processes

- Legal administration
- Legal interpretation, research and analysis
- Management of litigation
- Preparation of contracts, policies and legal documentation

Providing timely, accurate and relevant legal advice to management and the business units is the main role of Legal Services, which in 2008/09 provided more than 100 legal opinions, dealt with approximately 7 000 divorce matters and 400 maintenance matters and attended to 19 contracts. Many of these matters had a direct bearing on the service delivery drive, an example being the lease agreements that the unit facilitated to extend the Administration's footprint across provinces not covered.

In addition, Legal Services dealt with 32 litigation matters, 12 of which were finalised. The unit achieved a success rate of 91% in concluding these matters.

Over and above the legal services that it rendered daily, the unit undertook a number of business-critical projects during 2008/09. These projects, which were still under way at the end of the financial year, included simplifying the rules of the GEPF, revising the process flow for deducting debt from pension benefits and streamlining the process for dealing with divorce endorsements against the GEPF.

At the same time, the business unit was involved in formalising the appropriate legal form for the Administration. This is ongoing and, once this is finalised in the coming financial year, Legal Services will develop the appropriate legislative framework, governance structures and compliance framework for the Administration.

In the coming financial year, apart from developing the legislative and compliance framework, Legal Services will focus on increasing its own capacity and continuing to provide value-added services to the organisation.

Security

Key processes

- Manage security vetting
- Monitor and enforce physical security compliance
- Conduct risk analyses and security surveys
- Investigate security breaches and take corrective action

Security vetting and physical security compliance have been identified as key capabilities within the organisation. This is in keeping with the GEPF's commitment to employ only principled employees and suppliers, ensure the safety of employees and visitors, and safeguard all property and assets. To further address these imperatives during 2008/09, Security Services appointed a vetting manager and physical security operational manager, and prepared to advertise the position of physical security compliance manager.

During the year under review all newly appointed employees were screened while those appointed in sensitive positions were screened and vetted.

An ongoing theme for the business unit is the creation of strategic partnerships with security agencies. As reported in the previous annual report, the GEPF intends entering into a service level agreement with the National Intelligence Agency (NIA) to conduct in-house security vetting and expedite employee security processes. With this in mind, work started on the drafting of a memorandum of understanding to be signed with the NIA.

Appropriate security measures and systems have been put in place to ensure that our employees work in a secure environment.

To ensure that our security measures are effective, we have partnered with security agencies who advise us on modern techniques of security management.

In the coming year Security Services will undertake a number of value-adding projects to improve physical security and fraud prevention at GEPF premises countrywide. These projects include conducting security risk assessments at head office and the regional offices, outsourcing the security services at regional offices, establishing a vetting database and pursuing the proposed memorandum of understanding with the NIA.

We undertook security appraisals in some of the newly established regional offices to ensure compliance with national security standards. Further appraisals will be undertaken in offices not yet covered, namely the Free State and Northern Cape.

Human resources review

Key processes

- Recruitment
- Basic conditions of employment
- Performance management
- Job evaluation and organisational design
- Training and skills development
- Employee relations
- Employee health and wellness

Excellent progress was made during 2008/09 in ensuring that the GEPF has the right people with the right skills in the right positions to deliver superior service. Where the administration component entered the year with a 50% vacancy rate, this had been reduced to 26% by 31 March 2009. Similarly, where the staff turnover rate in the previous financial year was 13%, this had decreased to 8,69% by year-end, significantly lower than the 20% target and the industry norm, ie 10%.

The table below provides a breakdown of the reasons for staff exits during the year under review.

Table 1: Annual staff turnover as at 31 March 2009

Reason for termination of service	Number of employees	% of total workforce
Death	–	–
Resignation	29	3,96
Expiry of contract	5	0,68
Dismissal – operational changes	–	–
Dismissal – misconduct	3	0,41
Dismissal – inefficient	–	–
Discharged due to ill health	–	–
Retirement	2	0,27
Transfers to other public service departments	6	0,82
Other	–	–
Total	45	6,14

One of the main reasons for the improvement in staff turnover was the absorption of contract workers into permanent positions, which provided greater job security. Another contributing factor was the preference given to internal candidates in promoting career advancement as part of the retention strategy. During 2008/09, 145 existing employees were promoted through the recruitment process, as shown in the table below.

Table 2: Promotions per salary band for the year ended 31 March 2009

Occupational bands	Employees as at 1 April 2008	Number of employees promoted	% of employees promoted by salary level
Lower skilled (levels 1 – 2)	32	–	–
Skilled (levels 3 – 5)	223	8	4
Highly skilled production (levels 6 – 8)	209	75	36
Highly skilled supervision (levels 9 – 12)	32	62	194
Senior management (levels 13 – 16)	22	–	–
Total	518	145	28

In tackling the vacancy rate, which was a stumbling block to the service improvement strategy, Human Resources facilitated the appointment of external agencies to assist with recruitment. Through a tender process, five agencies were appointed. In all, 339 positions were advertised, for which 30 185 applications were received and 1 063 candidates interviewed. By 31 March 2009, 260 new appointments had been made, resulting in vacancies declining by 47%.

Human resources review continued

The table below provides a breakdown of recruitment by level, race and gender in 2008/09:

Table 3: Recruitment during the year ended 31 March 2009

	Male				Female				
Occupational band	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	3	–	–	–	1	–	–	–	4
Senior management	3	–	–	2	1	–	–	–	6
Professionally qualified and experienced specialists and mid-management	24	3	2	3	21	–	1	3	57
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	49	3	2	5	76	10	–	11	156
Semi-skilled and discretionary decision-making	12	1	–	1	13	5	–	5	37
Unskilled and defined decision-making	–	–	–	–	–	–	–	–	–
Total	91	7	4	11	112	15	1	19	260
Employees with disabilities									

The job evaluation process was initiated to align the salary bands of the new organisational structure with the public service salary dispensation. The first steps were to appoint a job evaluation service provider and establish an internal job evaluation panel to moderate the evaluations and make recommendations to executive management. As the appointment of the service provider was approved late in the financial year, in September 2008, only 62% of the 50 positions targeted for the first phase of the project were evaluated.

Training and development

In the area of skills development, Human Resources concentrated on training for junior and middle managers, along with soft skills training for employees at other levels. Tenders were issued and two service providers were appointed. By 31 March 2009, 89 employees had received junior management training, representing 74% of the target group. In the case of middle managers, 49 underwent training, nine more than the target. In soft skills, 125 employees were trained, also a higher number than the target 120. The next step is to assess the impact of the training; the results will be used to inform training for the coming financial year.

In addition, bursaries to the value of R225 962 were awarded to 46 employees in the fields of management, administration and finance.

Preparations commenced to launch the internship programme, for which the GEPF will be adopting the National Treasury's internship policy as it meets all the step-by-step guidelines of the Department of Public Service and Administration. The finance, risk and audit and forensic sections were identified to pilot the programme, in which 32 interns and 32 mentors will participate.

Employee engagement

The quality of service that clients experience is ultimately in the hands of the pensions administration employees. The GEPF ensures that employees are motivated and productive through a range of employee engagement programmes. This comprises employee communication and health and wellness initiative.

Internal communication was afforded priority to promote employee engagement and morale. A special employee annual report and quarterly employee magazine were introduced and well received by the staff. In addition, special events were held to contribute to social investments such as the Cell C Take-a-Girl-Child-to-Work initiative, Casual Day in support of people with disabilities and the annual Cansa Shavathon for cancer awareness.

Health and wellness highlights of 2008/09 were:

- the finalisation of the tender for integrated employee health and wellness services, after which a service provider was recommended;
- the establishment of a task team to look into the merits and mechanics of conducting an employee satisfaction survey;
- voluntary counselling and testing (VCT), in which 280 employees participated; this will be extended to regional office staff in 2009/10;
- an increase in employee membership of the Government Employees Medical Scheme (GEMS), from 28% in April 2008 to 51% in March 2009;
- a decrease in the average number of sick leave days per employee, from 9,0 days in the previous year to 6,02 days in the 2008/09 period; and
- the implementation of the Policy and Procedure on Incapacity Leave and Ill-health Retirement (PPILIR), which has encouraged employees to manage their sick leave more responsibly.

The table below provides a breakdown of sick leave taken by employees in the year ending 31 March 2009:

Table 5: Sick leave taken in 2008/09

Occupational band	Total days	% with medical certification	Number of employees using sick leave*	% of total employees using sick leave	Average days per employee	Estimated cost R/c
Lower skilled (levels 1 – 2)	184	95,65	22	2,90	8,36	36 330,46
Skilled (levels 3 – 5)	1 148	88,24	217	28,63	5,29	314 097,61
Highly skilled production (levels 6 – 8)	2 704	87,17	423	55,80	6,39	1 124 834,89
Highly skilled supervision (levels 9 – 12)	487	86,04	82	10,82	5,94	422 310,44
Senior management service (levels 13 – 16)	42	83,33	14	1,85	3,00	61 043,95
Total	4 565		758	100	6,02	1 958 617,35

* *Please note that one employee can take sick leave more than once.*

Employment equity

The GEPF continued to make encouraging progress in transforming its demographic profile, ending the year with an improved employment equity profile. Overall, black employees (African, Coloured and Indian) accounted for 79% of the workforce and women for 65%, compared to 77% and 66% respectively in the previous year. At senior and executive management level, 78% of positions were held by blacks and 32% by women.

Human resources review continued

The following table shows the employment equity profile in the various occupational bands during the year ended 31 March 2009:

Table 5: Employment equity profile per occupational category

	Male				Female				
Occupational band	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	4	–	1	–	3	–	–	–	8
Senior management	10	–	–	4	4	–	–	2	20
Professionally qualified and experienced specialists and mid-management	49	2	6	11	37	5	3	14	127
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	94	11	4	19	202	27	10	86	453
Semi-skilled and discretionary decision-making	36	1	–	1	44	9	–	14	105
Unskilled and defined decision-making	4	–	–	–	16	–	–	–	20
Total	197	14	11	35	306	41	13	116	733

overview of Fund benefits

In the year ending 31 March 2009 the GEPF paid out R28,650 billion in pension and other benefits. Benefits are paid on retirement, resignation, ill health, death, discharge and for funerals.

Retirement benefits

The GEPF provides for normal, early and late retirement, as well as retirement for medical reasons. Members whose jobs have been affected by restructuring or reorganisation receive severance benefits.

Normal retirement: 60 is the normal retirement age for members. The benefits paid depend on whether a member has less than 10 years' pensionable service, or 10 or more years of pensionable service. Members with less than 10 years' service receive a gratuity (lump sum cash payment) equal to their actuarial interest in the Fund. Members with 10 or more years' service receive a gratuity and a monthly pension (annuity).

Early retirement: Under certain circumstances, members may retire early, meaning before reaching the normal retirement age of 60. Again, years of pensionable services determine the benefits. Members with 10 or more years of service receive annuities and gratuities. These are calculated in the same way as for normal retirement, but with a reduction of a third of one percent for each month between the dates of early retirement and normal retirement.

Ill-health and other retirements: Enhanced benefits are paid when members retire for medical reasons, when injured on duty, or when their posts are abolished through organisational restructuring. In these circumstances, members receive both annuities and gratuities. For members with less than 10 years' pensionable service, benefits are based on an increased period of service and calculated as a percentage of the member's final salary. Members with more than 10 years' service are also paid an annual supplementary amount.

Late retirement: Members receive annuities and gratuities if they retire after the age of 60, provided they have their employer's approval.

Resignation benefits

These benefits apply to members who resign or are discharged due to misconduct or an illness or injury caused by the member's own doing. These members have two options: either they can be paid a gratuity (lump sum) or have their benefits transferred to an approved retirement fund. If benefits are being transferred, the GEPF pays the member's actuarial interest to the member's new fund.

Death benefits

Death benefits are paid when a member dies while in service, or within five years of becoming a pensioner. The GEPF also pays annuities to the surviving spouses or orphans of members who die while in service or after retiring.

Death while in service: The benefit paid is based on the member's period of pensionable service. It is payable to the surviving spouse or beneficiaries or, if there are no beneficiaries, to the member's estate.

Death after becoming a pensioner: Retirement or discharge annuities are guaranteed for five years after a member goes on pension. If the member dies within this period, his or her beneficiaries receive the balance of the five-year annuity payments (excluding the annual supplement) in a cash lump sum.

Spouse's annuity: A spouse or eligible life partner is entitled to a percentage of the annuity paid to the member at date of death. The same applies if the member dies while in service and had a full potential service period of at least 10 years (meaning pensionable service years plus unexpired years for normal retirement). In the case of members who retired before 1 December 2002, the spouse's annuity is 50% of the annuity the pensioner was receiving at the date of death. Members who retired on or after 1 December 2002 have the option of increasing the spouse's annuity benefit from 50% to 75%.

Orphan's annuity: The GEPF pays annuities to the orphans of members who became pensioners on or after 1 December 2002. Orphan's annuities are also payable when a member dies in service with a potential service period of 10 years or more. These annuities are paid when a member's spouse dies, leaving eligible orphans.

Funeral benefits

The Fund provides for funeral benefits on the death of members and pensioners whose pension commenced on or after 1 December 2002, and on the death of spouses and eligible children of members and pensioners whose pension commenced after 1 December 2002.

investments

Accumulated funds and reserves

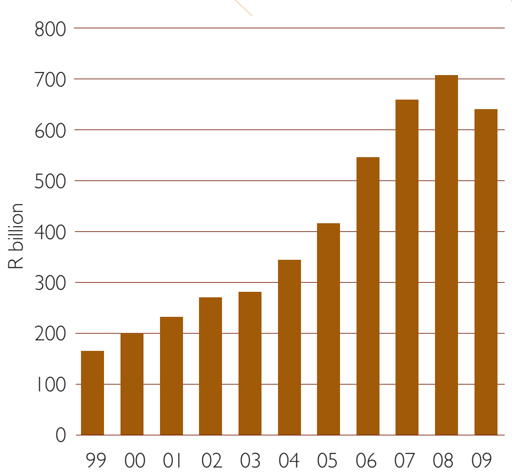
The accumulated funds and reserves of the Fund decreased by R67,3 billion (2008: R48,3 billion increase) during the reporting period from R707,04 billion to R639,75 billion.

Table 12: Accumulated funds and reserves

	2009 R'billion	2008 R'billion
Accumulated funds and reserves – beginning of year	**707,04**	658,76
Contributions received	**30,43**	25,92
Purchases of service, unclaimed benefits and other income	**0,58**	0,28
Transfers to and from other funds	**0,63**	(0,01)
Investment (loss)/income	**(67,24)**	48,54
Interest income	**0,08**	0,02
Benefits awarded	**(28,65)**	(24,11)
Interest paid to members	**(2,22)**	(1,56)
Portfolio management fee	**(0,56)**	(0,51)
Administration expenses	**(0,34)**	(0,28)
Retirement fund taxation	**–**	0,02
Accumulated funds and reserves as at 31 March	**639,75**	707,04

Figure 2: Accumulated reserves/net assets of the GEPF:

Accumulated funds and reserves
as at 31 March



Investments at fair value decreased to R621,9 billion (2008: R708,1 billion). The 12,17% decrease in these investments can mainly be attributed to the fall in value of listed equities.

Investment loss and income

The Fund's investment portfolio as at 31 March 2009 amounted to R621,9 billion (2008: R708,1 billion) (refer to note 3 of the annual financial statements for full details).

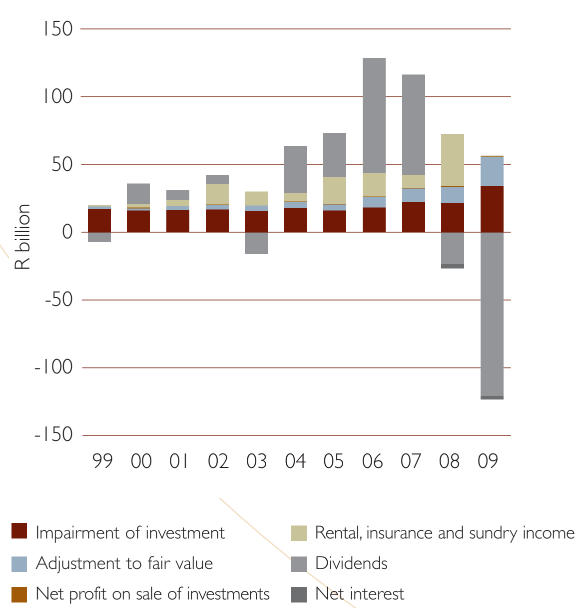
Gross investment loss and net investment loss (net of portfolio management fees) amounted to R66,8 billion and R67,8 billion respectively (2008: R49,0 billion income and R48,0 billion income respectively) (refer to note 17 of the annual financial statements for full details).

Net interest received on investments was R34,0 billion (2008: R21,8 billion), dividends R21,6 billion (2008: R11,7 billion), rental, insurance and sundry income from property R0,3 billion (2008: R0,4 billion), net profit on sale of investments R0,4 billion (2008: R38,6 billion), adjustment to fair value of investment minus R120,9 billion (2008: minus R23,5 billion) and impairment of investments R2,5 billion (2008: R0,3 billion).

Controls relating to the investment mandate of the Fund are being enhanced to incorporate strict credit risk management procedures, which include communication procedures in the event of impairments. In addition, write-offs between PIC, Nedbank and the GEPF will be fully and formally communicated.

Figure 3: Investment income/(loss)

Investment income/(loss)
for the year ended 31 March



Investment process

The GEPF is the largest client of the PIC, which acts as its investment manager. The investments held on behalf of the Fund represent over 90% of the total assets under its management.

The PIC invests in a range of five asset classes consisting of:

- fixed interest instruments (such as long-term government bonds);
- equities (shares in listed companies);
- money market (such as short-term interest-earning deposits);
- property (commercial and residential); and
- other investment instruments.

The PIC manages equity, capital, money market and property portfolios internally. A large component of its equities portfolio and certain other investment classes have been outsourced to external investment portfolio managers, monitored by the PIC.

The external equity managers are Old Mutual Asset Managers (OMAM), Sanlam Investment Managers (SIM), Stanlib Asset Management (SAM), Future Growth Asset Management (FGAM), Rand Merchant Bank Asset Management (RMBAM) and Cadiz. Various other asset managers are involved with special investments and related investment products.

An amount of US$220 million has been committed to the Pan African Infrastructure Development Fund (PAIDF) separately from the investments placed through the PIC. The PAIDF was initiated by the PIC, but is now separately managed under a Board of Trustees. The Fund appoints two members of the Board of Trustees of the PAIDF and two members of the investment committee of the PAIDF.

The approved guidelines for various asset classes, which allow for a balanced portfolio for the financial year under review, are indicated in Table 13.

Table 13: Strategic asset allocation percentages

	Lower limit %	**Strategic %**	**Upper limit %**
Equities			
• Domestic listed	40	51	55
• Private equity aimed at infrastructure, socially desirable investments and BEE financing (Isibaya Fund, Pan African Infrastructure Development Fund, etc)	3	6*	9
Bonds	25	31	45
Property	–	5	7
Cash/money market instruments	–	5	10
Structured investment products	–	2	3
Total		100	

* *In terms of the Financial Sector Charter, 5% should be invested in local targeted investment.*

actuarial valuation

actuarial valuation

In terms of the GEP Law and Rules, an actuarial valuation must be conducted at least every three years. Seven actuarial valuations have been undertaken since the establishment of the Fund in May 1996.

The eighth and most recent actuarial valuation, undertaken as at 31 March 2008, was performed based on the funding policy adopted by the Board of Trustees in consultation with the Minister of Finance. This policy provides for the evaluation of the liabilities on a long-term best-estimate basis, and the establishment of a solvency reserve to allow for funding and investment risk and uncertainty relating to future public service remuneration and employment.

The actuarial consultants subsequently advised that the valuation revealed that the Fund is 100% funded. There were sufficient assets to cover the actuarial liabilities in full, however, a number of the recommended reserves were not fully funded.

Table 14 indicates the funding level as at each valuation. The assumptions underlying these valuations vary, and they are therefore not strictly comparable.

Table 14: Results of GEPF actuarial valuations from May 1996 to March 2008

Date	Funding level %	Valuator
1 May 1996	72,3	Ginsberg, Malan, Carson
31 March 1998	96,5	NBC Employee Benefits
31 March 2000	96,1	NBC Employee Benefits
31 March 2001	98,1	NBC Employee Benefits
31 March 2003	89,4	Alexander Forbes Financial Services
31 March 2004	96,5	Alexander Forbes Financial Services
31 March 2006	101,7	Alexander Forbes Financial Services
31 March 2008	100,0	Alexander Forbes Financial Services

A summary of the membership profile of the GEPF and valuation data is provided in the following tables:

Table 15: GEPF membership profile – contributing members

Member category	Male	Female	Total 2008	Total 2006
"Other" members	381 543	587 400	968 943	901 599
"Services" members	148 513	58 973	207 486	198 953
Total	**530 056**	**646 373**	**1 176 429**	**1 100 552**

Table 16: GEPF membership profile – pensioners

Pensioner category	Male	Female	Total 2008	Total 2006
Former member	99 343	105 668	205 011	203 000
Spouse	9 659	98 746	108 405	104 967
Total	109 002	204 414	313 416	308 467

Significant mortality improvements are being observed internationally and in South Africa and the actuaries therefore believe it to be appropriate to continue to include an explicit allowance for future mortality improvements in this valuation as was done in the previous valuation.

An in-depth membership experience analysis was undertaken prior to carrying out the actuarial valuation of the Fund's liabilities. The purpose of this analysis was to review the appropriateness of the demographic assumptions used in the actuarial valuation in relation to the observed experience.

The investigation covered the demographic assumptions relating to retirements, ill-health retirements, death before and after retirement, and cash resignations. Assumptions were updated where it was deemed necessary by the Board to take account of expected changes in the underlying demographic factors affecting the future of the Fund.

The results of the GEPF actuarial valuation as at 31 March 2008 are shown in Table 17.

Table 17: GEPF valuation results as at 31 March 2008

Financial position	31 March 2008 (revised basis) R'million	31 March 2006 R'million
Contributing member liability	433 286	297 990
Pensioner liability	155 654	120 744
Solvency reserve	nil	42 470
100% CPI pension increase reserve	77 854	57 354
Mortality improvement reserve	15 638	11 137
Data and contingency reserves	24 610	6 828
Total liabilities	**707 042**	**536 523**
Net assets	**707 042**	**545 563**
Surplus/(deficit)	nil	9 040

The 2008 actuarial valuation results showed that the funding level has decreased from 101,7% funded in 2006 to 100% funded in 2008. The main reasons for the reduction in the funding level were, amongst others, the level of salary increases actually awarded, the increased Fund membership and the impact of the changes to the valuation assumptions.

The employer currently contributes at a rate of 16% of pensionable salary in respect of "Services" members and 13% in respect of "Other" members, reflecting the differences in the benefit structure of these two categories of members. Members of the Fund contribute at a rate of 7,5% of pensionable salary.

annual financial statements

contents

statement of responsibilities by the Board of Trustees

for the year ended 31 March 2009

Responsibilities

The Board of Trustees believes that, during the year under review, in the execution of its duties it:

- ensured that proper registers, books and records of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Trustees;
- ensured that proper internal control systems were implemented by or on behalf of the Fund;
- ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the rules of the Fund;
- took all reasonable steps to ensure that contributions, where applicable, were paid in a timely manner to the Fund;
- obtained expert advice on matters where it required additional expertise;
- ensured that the rules, operation and administration of the Fund complied with the applicable laws;
- was not aware of non-compliance with any applicable legislation; and
- ensured that investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

Approval of the annual financial statements

The annual financial statements of the Government Employees Pension Fund (GEPF) are the responsibility of the Board of Trustees. The Board of Trustees fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which were implemented and executed by the Fund, provide reasonable assurance that:

- the Fund's assets are safeguarded;
- transactions are properly authorised and executed; and
- the financial records are reliable.

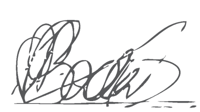
The annual financial statements set out on pages 46 to 82 were prepared in accordance with:

- the basis of accounting applicable to retirement funds in South Africa as indicated in the principal accounting policies contained in the notes to the financial statements;
- the rules of the Government Employees Pension Fund; and
- the provisions of the Government Employees Pension Law.

The independent auditors Deloitte & Touche, PricewaterhouseCoopers Inc, Gobodo Incorporated and Xabiso Chartered Accountants Incorporated, have reported on these financial statements. During their audit, the auditors were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Trustees believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on page 43.

These audited annual financial statements:

– were approved by the Board of Trustees on 9 November 2009;
– are certified by them to the best of their knowledge and belief to be correct;
– fairly represent the net assets of the Fund at 31 March 2009 as well as the results of its activities for the year then ended; and
– are signed on behalf of the Board of Trustees by:



Mr Arthur Moloto
Chairperson

9 November 2009

Mr Prabir Badal
Vice-Chairperson

9 November 2009

report of the independent auditors to the Board of Trustees

for the year ended 31 March 2009

We have audited the annual financial statements of the Government Employees Pension Fund (GEPF), which comprise the report of the Board of Trustees, the statement of net assets and funds as at 31 March 2009, the statement of changes in net assets and funds for the year then ended, the cash flow statement and the notes to the financial statements, which include the principal accounting policies and other explanatory notes, as set out on pages 46 to 82.

Trustees' responsibility for the annual financial statements

The Trustees are responsible for the preparation and presentation of these financial statements for regulatory purposes, in accordance with the basis of preparation applicable to the Government Employees Pension Law, 21 of 1996, and the Rules of the GEPF, as set out in the notes to the financial statements. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion the annual financial statements of the Government Employees Pension Fund (GEPF) for the year ended 31 March 2009 are prepared, in all material respects, in accordance with the GEPF's stated accounting policies, the provisions of the Government Employees Pension Law, 21 of 1996, and the Rules of the GEPF.

Other matters

The financial statements are prepared for regulatory purposes in accordance with the basis of preparation indicated above. Consequently, the financial statements and related auditors' report may not be suitable for another purpose.

The transactions of the GEPF which we examined during the course of our audit were in accordance with applicable laws and rules in terms of the Government Employees Pension Law and, in all material respects, in accordance with the mandatory functions of the entity, as determined by law or otherwise.

We have reviewed the annual report as required by section 13(2) of the Government Employees Pension Law, 21 of 1996, as amended, and, in our opinion, the information furnished in terms of sections 9 and 10 of the Government Employees Pension Law, is presented fairly in all material respects.

With reference to section 13(14) of the Government Employees Pension Law, 21 of 1996, as amended, we draw your attention to the matters highlighted by the Fund in the annual report.

We do not express an opinion on the financial condition of the GEPF from an actuarial point of view.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per E Lehapa
Partner

Pretoria
9 November 2009

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Incorporated
Registered Auditors

Per S Masuku
Director

Johannesburg
9 November 2009

Gobodo Inc.

Gobodo Incorporated
Registered Auditors

Per D Simpson
Director

Pretoria
9 November 2009

Xabiso CA Inc

Xabiso Chartered Accountants Incorporated
Registered Auditors

Per L Dhlamini
Director

Johannesburg
9 November 2009

report of the valuator

for the year ended 31 March 2009

Particulars of financial condition of the Fund

1. Net assets available for benefits amounted to R707,042 billion as at 31 March 2008.

2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement benefits, amounted to R707,042 billion as at 31 March 2008.

3. The actuarial present value of promised retirement benefits in respect of active members amounted to R433,286 billion as at 31 March 2008.

4. The actuarial present value of retirement benefits in respect of pensioners amounted to R155,654 billion as at 31 March 2008.

5. The full value of the data and contingency reserve accounts held by the Fund, on my recommendation, amounted to R118,108 billion as at 31 March 2008. This was less than the full extent of the reserves that would have been recommended and was limited to the assets available to allocate to the reserves.

6. Details of the valuation method adopted (including that in respect of contingency reserves) and details of any changes since the previous summary of report:

   The projected unit method was used to determine past service liabilities and the future service contribution rate.

   Under the projected unit method, the present value of benefits that have accrued to members in respect of service prior to the valuation date is compared with the value of the Fund's assets. Allowance is made in the valuation of the accrued benefits for estimated future salary increases, withdrawals, ill-health retirements and deaths.

   Allowance was made for mortality improvements for all members of 1% per annum.

   An active member data and contingency reserve of approximately 4,5% of the active member liabilities was held.

   A pensioner contingency reserve was calculated to allow for suspended pensioners who may be reinstated. Only future pension payments were taken into account, as backpayments are allowed for in the 'S'-case provision.

   Our results include the reserve held in respect of previous discriminatory practices, being the accumulated value of 1% of the funding level in 1998.

   In the previous valuation, a solvency reserve was set up such that there was a probability of 90% that the funding level after a three-year period would be at least equal to 100%. The solvency reserve was calculated by investment consultants to the GEPF. For the valuation as at 31 March 2008, we have calculated the solvency reserve by reducing the pre-retirement discount rate by 0,5% and setting aside the difference in actuarial liabilities based on this assumption and the valuation assumption as a solvency reserve. As at the valuation date the assets of the Fund were not sufficient assets to fund this reserve.

   A reserve was also determined at the valuation date to fund the increase in the active member and pensioner liabilities and increase in the required contribution rate as a result of the Trustees seeking to exercise greater discretion in granting pension increases equal to 100% of CPI. The Fund could only afford to hold a reserve in respect of the accrued service position for both active members and pensioners.

   When the above contingency reserves were set up at the previous valuation date, it was not the intention of the Trustees to hold such reserves if it would place the Fund into a deficit funding level position. As at 31 March 2008 the Fund could only afford to hold a total of R118 108 million as a reserve. On this basis the full value of the active and pensioner data reserves, the previous discriminatory practices reserves and the 100% CPI increase for pensionable service accrued to the valuation date for both current active members and pensioners could be afforded to be held, together with 93% of the mortality improvements reserve.

7. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report:

   Net pre-retirement discount rate: 10,8% (previously 8,94%).

   Post-retirement net discount rate: 5,0% per annum for active members and 5,1% per annum for current pensioners (previously 4,96% for active members and 4,97% for pensioners).

Post-retirement mortality: Rates based on observed GEPF mortality. These rates have been adjusted based on an experience analysis carried out for the Fund over the period to 31 March 2008.

Salary increases: 7,9% (previously 5,74%). It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 6,9% for active members (previously 4,74%). In addition, an allowance is made for merit salary increments. The assumptions in respect of merit and promotional increases were updated in line with the Fund's experience investigation conducted for the period to 31 March 2008.

Proportion married: Various assumptions have been made regarding proportions of members who are married at each age. Age difference between males and females is assumed to be four years.

Expenses: Allowance for future administration expenses was 0,2% of payroll per annum.

The Fund had undertaken an investigation into the allowance for membership movements in respect of cash withdrawals, ill-health and early retirements as well as deaths in service. The actuarial assumptions in this respect were revised based on this investigation.

8. Any other particulars deemed necessary by the valuator for the purposes of this summary: None.

9. The Fund does not fall under the ambit of the Pension Funds Act, 1956, since it is governed by its own statute. However, in terms of the Fund's own funding level policy, the Fund was considered to be financially sound in that assets were greater than or equal to accrued liabilities and contingency reserves on a best estimate basis.

Prepared by:

Garth Barnard (FFA)
Actuary
Fellow of the Actuarial Society of South Africa
Fellow of the Faculty of Actuaries
In my capacity as a valuator to the Fund and as an employee of Alexander Forbes Financial Services (Pty) Limited.

20 October 2009

REMARKS

For the purposes of this summary of report:

(a) Net assets available for benefits are the fair value of the assets of the Fund less liabilities other than the actuarial present value of promised retirement benefits.

(b) The actuarial present value of promised retirement benefits means:

   i. the actuarial liabilities in respect of past service benefits (including accrued bonus service) of active members, with due allowance for future salary increases where these affect the benefits in respect of past service, and with due allowance for increases in pension and deferred pensions at rates consistent with the pension increase policy of the Fund;

   ii. the actuarial liabilities in respect of pensions in course of payment and deferred pensions, including any contingent annuity payable on the death of a pensioner, with due allowance for increases at rates consistent with the pension increase policy of the Fund; and

   iii. any other accrued liability.

(c) Vested benefits are benefits, the right to which, under the conditions of the Fund, is not conditional upon continued employment.

report of the Board of Trustees

for the year ended 31 March 2009

1. DESCRIPTION OF THE FUND

1.1 Type of fund

The Government Employees Pension Fund (GEPF) is a defined benefit fund established in terms of the Government Employees Pension (GEP) Law, 21 of 1996, as amended (GEP Law). In terms of section 1 of the Income Tax Act, Act 56 of 1962, the GEPF is classified as a pension fund established by law.

1.2 Benefits

Benefits are determined in terms of the rules of the GEP Law and are classified as follows:

- Normal retirement benefits.
- Early retirement benefits.
- Ill-health and other retirement (discharge) benefits.
- Late retirement benefits.
- Resignation benefits.
- Death benefits.
- Spouses and dependant benefits.
- Funeral benefits.

The benefits of the GEPF are described in detail on page 37 of the annual report.

Unclaimed benefits are, in line with the Prescription Act, released to income if unclaimed for a period exceeding three years. All reasonable steps are taken to trace members, whose benefits were not claimed, to effect payment to the correct member or beneficiary.

Although the unclaimed benefits are written back to income after three years, legitimate claims subsequent to write-offs are paid.

Complete records are maintained for all benefits not claimed.

1.3 Contributions

Members (employees of participating employers) contribute 7,5% of their pensionable emoluments to the GEPF. Employers contribute 13% for civil servants and 16% for uniformed employees, respectively, of a member's pensionable emoluments to the GEPF.

1.4 Reserves

In terms of a collective agreement negotiated and agreed to in the Public Service Coordinating Bargaining Council (PSCBC) an actuarial reserve equal to one percent of funding level of the GEPF, based on the result of the actuarial valuation as at 31 March 2001, was set aside to address past discriminatory practices. The GEP Law and Rules thereto were amended to increase the pensionable service for members of former non-statutory forces, employees that participated in strikes in the former Ciskei, and other employees that were previously discriminated against. The actuarial reserve set aside to address past discriminatory practices is allocated to account for the recognition of periods of pensionable service based on agreements concluded in the PSCBC.

The accounting provision for the reserves set aside to address past discriminatory practices is summarised as follows (refer to note 9 to the annual financial statements):

Reserve account balance	31 March 2009 R'000	31 March 2008 R'000
Non-statutory forces	1 009 305	954 180
Ciskei strikers	129 512	119 144
General assistants	72 444	399 314
Other past discriminatory practices	3 042 929	3 344 872
Total balance at year-end	**4 254 190**	4 817 510

1.5 Rule amendments

There have been no rule amendments in the current financial year.

1.6 Board of Trustees

A Board of Trustees was constituted on 20 June 2005 to manage the GEPF until 19 June 2009, after which a new board was constituted on 22 September 2009. This Board consists of 16 members, with equal employer and employee representation, and each with a substitute. Member representatives include a pensioner and a service representative as well as their substitutes, who were elected through a postal ballot. Only Trustees participate in Board meetings, whilst Trustees and substitutes participate in Board Committee meetings.

2. INVESTMENTS

2.1 Management of investments

The assets of the GEPF are managed primarily by the Public Investment Corporation (PIC). In terms of their mandate, the PIC appointed the following external asset managers to manage part of the portfolio:

- Old Mutual Asset Managers (OMAM).
- Sanlam Investment Managers (SIM).
- Stanlib Asset Management.
- Future Growth Asset Management.
- Rand Merchant Bank Asset Management (RMBAM).
- Cadiz.

The portfolio structure of the assets managed by the PIC was reviewed during the year, and nine new asset managers were appointed during the year to manage specialised equity portfolios. An additional three asset managers were also appointed for the property portfolio only. All these appointments were effective from 1 April 2009, (refer to note 5 for additional information).

Nedbank Investor Services performs the investment accounting function on behalf of the Fund.

The balance of the assets of the GEPF is invested in the Pan-African Infrastructure Development Fund ("PAIDF"), which is being managed on behalf of the Fund by Harith Fund Managers.

2.2 Assets are invested in a range of asset classes consisting of:

- equities (shares in listed companies);
- fixed interest instruments (eg long-term government bonds);
- money market instruments (eg short-term interest-bearing instruments);
- property (commercial and residential); and
- other investment instruments.

Guidelines have been set for the various asset classes and funds are invested accordingly to allow for a balanced portfolio. The approved guidelines and actual asset allocation for the financial year under review are as follows:

Asset classes	Guideline %	31 March 2009 Actual %
Equity		
– Domestic listed	40 – 55	**43,9**
– Unlisted instruments aimed at infrastructure, socially desirable investments and BEE financing		
(Isibaya Fund, Pan-African Infrastructure Development Fund, etc)	3 – 9	**2,5**
Bonds (fixed interest and capital markets)	25 – 45	**43,9**
Cash/money market instruments	0 – 10	**5,8**
Property	0 – 7	**0,9**
Structured investment products	0 – 3	**3,0**
Total	100	**100,0**

The asset allocation consists of an equal mix between equities and fixed-interest instruments. The strategic asset allocation is being reviewed in consultation with the Minister of Finance as part of an interactive asset liability modelling exercise as well as the revised investment mandate sent to the Public Investment Corporation (PIC).

2. INVESTMENTS (continued)

2.3 Investment properties (title deed not yet registered in the name of the GEPF)

As at 31 March 2009 all title deeds of investment properties were registered in the name of the GEPF except one which relates to Thlabane Flats constructed in Rustenburg by Sefalana Employee Benefits Organisation (SEBO) valued at R5,7 million (2008: R1,2 billion) to whom the GEPF is a successor in title. This property was constructed on state land without proper title to the land being given to SEBO.

In terms of the GEP Law the ownership or the vesting of any other right in terms of the relevant title deed should pass to the GEPF. The process of transferring this property into the name of the GEPF is in an advanced stage and should be concluded during the forthcoming financial year.

2.4 Other investments not in the name of the GEPF

Other securities managed by the PIC are registered in the nominee name of Standard Bank of South Africa Limited and Nedcor Bank Limited, and the scrip accounts are in the name of the PIC on behalf of GEPF. A process of transferring the scrip accounts from the name of the PIC to the GEPF was initiated during the current year.

3. MEMBERSHIP

The GEPF membership as at 31 March 2009 consisted of 1,197 million (2008: 1,16 million) government and parastatal employees as well as 318 000 (2008: 311 000) pensioners receiving monthly annuity benefits.

4. ACTUARIAL VALUATION

An actuarial valuation of the GEPF is conducted at least every three years as prescribed in section 17(3) of the GEP Law. The latest actuarial valuation was performed as at 31 March 2008 based on the funding policy adopted by the Board of Trustees in consultation with the Minister of Finance. This funding policy provides for evaluation of the liabilities on a long-term best estimate basis and the establishment of a solvency reserve to allow for funding and investment risks and uncertainty relating to future public service remuneration and employment. The required level of solvency was calculated independently based on a detailed asset-liability study.

5. SUBSEQUENT EVENTS

The term of the Board of Trustees ended on 19 June 2009, and a new board was constituted on 22 September 2009.

Subsequent to year-end a business case motivating the separation for GEPF from its administration capacity was referred by the Minister of Finance to the Minister of the Department of Public Service and Administration (DPSA) for consideration.

It is expected that the Minister of DPSA will take the process of the separation further, resulting in the establishment of a government component in terms of the Public Service Act for endorsement by the President of the Republic of South Africa.

In December 2008 the Board approved nine new asset managers and allocated the property portfolio to additional three new asset managers with effect from 1 April 2009, and restructured the funds management.

New asset managers:

- Element Investment Managers (Pty) Limited.
- Investec Asset Management (Pty) Limited.
- Kagiso Asset Management (Pty) Limited.
- Prudential Portfolio Managers SA (Pty) Limited.
- Taquanta Asset Managers (Pty) Limited.
- Coronation Asset Management Pty) Limited.
- Absa Asset Management (Pty) Limited.
- Afena Capital.
- Argon Asset Management.

In addition, the Fund appointed the following asset managers for the existing property portfolio:

- Meago (Pty) Limited.
- Catalyst Fund Managers SA (Pty) Limited.
- Sortino Fund Managers (Pty) Limited.

The Fund has finalised the details of its incubation programme and additional appointments under this programme will be made during the forthcoming financial year.

Subsequent to year-end Telkom SA Limited (Telkom) unbundled its holding to Vodacom Limited, (Vodacom), by disposing of its 50% holding in Vodacom. Altogether 35% of the disposed shares were distributed to Telkom shareholders at a ratio of one Vodacom share for every Telkom share held.

This resulted in the GEPF being entitled to the economic benefits from 32 200 891 Vodacom shares, split as below:

- A total of 27 851 891 shares were acquired by Black Ginger 33 (Pty) Limited, the economic benefits of which accrue to the GEPF.
- A total of 4 349 000 shares were acquired directly by the GEPF as a result of Telkom shares previously owned by the GEPF.

Furthermore, Telkom declared a special divided at a post-tax proceeds of R19 per share, and this has resulted in GEPF obtaining a special dividend of R611 816 929 post-year-end.

Significant progress has been made in transferring all scrip accounts from the name of the PIC to that of the GEPF.

statement of net assets and funds

as at 31 March 2009

	Notes	2009 R'000	2008 R'000
ASSETS			
Non-current assets		**621 944 960**	708 137 500
Equipment	2	**25 223**	14 527
Investments	3	**621 919 737**	708 122 973
Current assets		**38 851 333**	16 908 634
Funding loan	4	**3 538**	3 538
Inventory	5	**1 263**	940
Accounts receivable	6	**9 126 534**	8 054 879
Transfers receivable	12.2	**320**	1 830
Contributions receivable	7	**524 965**	318 689
Cash and cash equivalents	8	**29 194 713**	8 528 758
Total assets		**660 796 293**	725 046 134
FUNDS AND LIABILITIES			
Funds and surplus account		**635 492 980**	702 224 871
Accumulated funds	9	**635 492 980**	702 224 871
Reserves		**4 254 190**	4 817 510
Reserve account	9	**4 254 190**	4 817 510
Total funds and reserves		**639 747 170**	707 042 381
Non-current liabilities		**189 630**	132 887
Unclaimed benefits	10	**189 630**	132 887
Current liabilities		**20 859 493**	17 870 866
Benefits payable	11	**18 510 537**	13 652 000
Transfers payable	12.1	**33 115**	1 103 627
Accounts payable	13	**2 306 511**	3 109 687
Provisions	15	**9 330**	5 552
Total funds and liabilities		**660 796 293**	725 046 134

statement of changes in net assets and funds

for the year ended 31 March 2009

	Notes	Accumulated funds R'000	Reserve accounts R'000	**Total 2009 R'000**	Total 2008 R'000
Net (loss)/income before transfers and benefits		(37 059 109)	(900)	**(37 060 009)**	73 944 217
Contributions received and accrued	7.2	30 429 516	–	**30 429 516**	25 919 037
Purchase of periods of service	16	564 682	–	**564 682**	267 949
Unclaimed benefits forfeited	10	9 982	–	**9 982**	12 432
Net investment income	17	–	–	**–**	48 029 017
Other income	18	73 683	–	**73 683**	17 774
		31 077 863	–	**31 077 863**	74 246 209
Less:					
Net investment loss	17	(67 797 473)	–	**(67 797 473)**	–
Administrative expenses	20.1	(339 499)	(900)	**(340 399)**	(279 788)
Retirement fund taxation	14	–	–	**–**	(22 204)
Transfers and benefits		(29 816 137)	(419 065)	**(30 235 202)**	(25 670 042)
Benefits	11	(28 231 038)	(419 065)	**(28 650 103)**	(24 105 789)
Transfers to other funds	12.1	624 022	–	**624 022**	(13 606)
Transfers from other funds	12.2	8 200	–	**8 200**	6 969
Interest paid	21	(2 217 321)	–	**(2 217 321)**	(1 557 616)
Net (loss)/income after transfers and benefits		(66 875 246)	(419 965)	**(67 295 211)**	48 274 175
Funds and reserves					
Balance at beginning of the year	9	702 224 871	4 817 510	**707 042 381**	658 768 206
Transfer to reserves					
Net investment return on reserve	9	143 355	(143 355)	**–**	–
Balance at end of the year		635 492 980	4 254 190	**639 747 170**	707 042 381

cash flow statement

for the year ended 31 March 2009

	Notes	2009 R'000	2008 R'000
Cash flow from operating activities			
Cash flow generated from operations	22	4 500 902	3 191 248
Contributions and other income received		30 223 240	25 759 965
Benefits paid during the year	11	(25 508 377)	(22 397 547)
Other expenses paid		(213 961)	(171 170)
Interest received		34 167 885	21 257 188
Interest paid		(2 217 592)	(430 616)
Dividends received		21 639 942	11 723 190
Retirement fund taxation paid	14	–	(90 091)
Transfers and bought services received		125 093	100 486
Net cash inflow from operating activities		58 216 230	35 751 405
Net cash outflow from investing activities		(37 550 275)	(28 156 621)
Proceeds on sale of equipment		8	569
Additions to equipment		(17 166)	(8 449)
Additions to investments		(37 533 117)	(28 148 741)
Net increase in cash and cash equivalents		20 665 955	7 594 784
Cash and cash equivalents at beginning of the year		8 528 758	933 974
Cash and cash equivalents at end of the year	8	29 194 713	8 528 758

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those of the previous year, unless otherwise stated.

1.1 Basis of presentation of financial statements

The annual financial statements are prepared in accordance with the GEP Law requirements. The retirement fund industry best practice principles are applied as the basis as well as the rules of the Fund. This comprises general adherence to Regulatory Reporting Requirements for Retirement Funds in South Africa as issued by the Financial Services Board, except for the requirements applicable to related-party disclosure.

The financial statements are prepared on a historical-cost and going-concern basis, modified by the valuation of financial instruments and investment properties to fair value, and incorporate the following principal accounting policies, which, unless otherwise indicated, have been consistently applied.

1.2 Equipment

Equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on the historical cost using the straight-line method over the estimated useful life. Residual values and useful lives are assessed annually.

The recorded values of these depreciated assets are periodically compared to the anticipated recoverable amounts if the assets were to be sold. Where an asset's recorded value has declined below the recoverable amount and the decline is expected to be of a permanent nature, the impairment loss is recognised as an expense.

1.3 Financial instruments

Financial instruments include all financial assets and liabilities, including derivative instruments, and investment properties.

1.3.1 Classification

GEPF classifies its financial assets in the following categories:

- At fair value through the statement of changes in net assets and funds.
- Loans and receivables.

1.3.1.1 Financial assets classified at fair value through the statement of changes in net assets and funds

The classification depends on the purpose for which the financial assets were acquired, and is determined by management at the initial recognition of the financial assets.

Financial assets classified at fair value through the statement of changes in net assets and funds comprise equity, capital market instruments, options and interest swaps, structured investment products and derivatives.

1.3.1.2 Loans and receivables

Financial assets classified as loans comprise loans to individuals, companies and other loans.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those intended to be sold in a short term, or those that are designated as at fair value through the statement of changes in assets and funds.

Financial liabilities

Financial liabilities that are not classified at fair value through the statement of changes in net assets and funds include accounts payable.

1.3.2 Recognition

The GEPF recognises financial assets and financial liabilities on the date when the entity becomes a party to the contractual provisions of the instrument.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.2 Recognition (continued)

Financial instruments are initially measured at fair value as at trade date, including, for instruments not at fair value through the statement of changes in assets and funds, any directly attributable transaction costs.

Financial assets carried at fair value through the statement of changes in net assets and funds are initially recognised at fair value, and transaction costs are expensed in the statement of changes in net assets and funds.

Financial instruments classified as loans and receivables are recognised as assets when the entity becomes a party to the contract and as a consequence has a legal right to receive cash.

1.3.3 Measurement

Subsequent to initial recognition, all financial assets classified at fair value through the statement of changes in net assets and funds are measured at fair value with changes in their fair value recognised in the statement of changes in net assets and funds.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those classified at fair value through the statement of changes in net assets and funds, are measured at amortised cost using the effective interest rate method.

1.3.3.1 Equities

Equity instruments consist of equities with primary listing on the JSE Limited (JSE), equities with secondary listing on the JSE, foreign-listed equities and unlisted equities.

Equity instruments designated as fair value through the statement of changes in net assets and funds are initially recognised at fair value on trade date.

Listed equities

Listed equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of net changes in assets and funds.

The fair value of listed equity instruments with standard terms and conditions are traded on active liquid markets, is based on regulated exchange quoted closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted equities

Unlisted equity instruments are subsequently measured at fair value, using the pricing models determined by the GEPF, or by applying valuation techniques such as discounted cash flow model or at arm's length market transactions. When discounted cash flow techniques are used, discounted cash flows are based on management's best estimates and the discount rates used are market rates at the statement of net assets and funds date applicable for an instrument with similar terms and conditions.

Where other methods are used, inputs are based on the market data at the date of the statement of net assets and funds.

1.3.3.2 Preference shares

The fair value of preference shares classified as fair value through the statement of changes in net assets and funds is measured as indicated below:

Listed preference shares

The fair value of listed preference shares traded on active liquid markets is based on regulated exchange quoted closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted preference shares

The fair value of unlisted preference shares is determined by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transaction in respect of preference shares.

The market yield is determined by using the appropriate yields of existing listed preference shares that best fit the profile of the instruments being measured, and a discounted cash flow model is then applied using the determined yield, in order to calculate the fair value.

1.3.3.3 Debentures

Debentures comprise listed and unlisted debentures.

Listed debentures

The fair value of listed debentures traded on active markets is based on regulated exchange quoted closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted debentures

Unlisted debentures are financial assets with fixed or determinable payment and fixed maturity date. The fair value is estimated using the pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of unlisted debentures.

1.3.3.4 Bills and bonds

Bills and bonds comprise investments in government, national or provincial administration, local authorities, participating employers, subsidiaries or holding companies and corporate bonds.

Listed bills and bonds

The fair value of listed bills and bonds traded on active liquid markets is based on regulated exchange quoted closing prices at close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted bills and bonds

The market yield is determined by using the appropriate yields of existing listed bills and bonds that best fit the profile of the instruments being measured, and based on the terms to maturity of the instrument, adjusted for credit risk, where appropriate, a discounted cash flow model is then applied using the determined yield, in order to calculate the fair value.

1.3.3.5 Investment properties

Properties held for a long-term rental yield or for capital appreciation and not occupied by the Fund are classified as investment property. Investment properties comprise investment in commercial properties, residential properties, industrial properties and hospitals. Investment properties are carried at fair value.

Investment properties reflected at fair value are based on an open market fair value at the statement of net assets and fund date. If the open market fair value cannot be reliably determined, alternative valuation methods, such as discounted cash flow projections or recent prices on active markets for transactions of a similar nature, are used.

The fair values are the estimated amounts for which a property could be exchanged for on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

The open market fair value is determined once every three years by independent professional valuators. Interim desktop valuations are performed annually by the same independent professional valuators. Changes in fair value are recorded in the statement of net assets and funds.

1.3.3.6 Collective investment schemes

Investments in collective investment schemes are initially recognised at fair value, net of transaction costs that are directly attributable to the investment.

These investments are subsequently measured at fair value, which is the quoted unit values as derived by the collective investment schemes' administrator with reference to the rules of each particular collective investment scheme, multiplied by the number of units.

1.3.3.7 Derivative market instruments

Derivatives market instruments consist of options, equity index-linked instruments, futures/forwards-SAFEX/foreign currency swaps and interest swaps.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at fair value.

Fair values are obtained from the regulated exchange quoted market prices in active markets, including recent market transactions, and valuation techniques, cash flow models and options pricing models as appropriate.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.3 Measurement (continued)

1.3.3.7 Derivative market instruments (continued)

All derivatives are carried as assets when the fair value is positive and as liability when the fair value is negative. The fund does not classify any derivatives as hedges in a hedging relationship.

The best evidence of the fair value of derivatives at initial recognition is the transaction price, unless the fair value of that instrument is evident by comparison with other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets.

Options

Options are valued using the Black-Scholes model.

Futures/forwards

The fair value of publicly traded derivatives is on quoted closing prices for assets held or liabilities issued, and current offer prices for assets to be acquired and liabilities held.

Swaps

Swaps are valued by means of discounted cash flow models, using the swap zero curve from a regulated exchange such as BESA, to discount fixed and variable rates cash flows, as well as to calculate the implied forward rates to determine the floating interest rate amount.

The net present value of the fixed part and the variable part of the swap are offset to calculate the fair value of the swap.

1.3.3.8 Structured products

Investments in structured products are valued at gross total fair value of all underlying instruments included in the structured products and/or arrangements.

Where there are instruments within the structured products, which require a different treatment, these are measured separately in accordance with the measurements criteria set out in a class they belong to.

1.3.4 Derecognition

The GEPF derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The GEPF uses the weighted average method to determine realised gains and losses on derecognition. The financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

1.3.5 Impairments

1.3.5.1 Financial assets carried at amortised cost

The Fund assesses each statement of net assets and fund date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that a loss event has an impact on the estimated future cash flow of the financial asset or a group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or a group of assets is impaired includes observable data that comes to the attention of the Fund about the following:

- Significant financial difficulty experienced by the issuer or debtor.
- A breach of contract, such as a default or delinquency in payments.
- Becoming probable that the issuer or the debtors will enter into a bankruptcy or other financial reorganisation.
- The disappearance of an active market for a particular financial asset as a result of financial difficulties.
- Observable data indicating a measurable decrease on the estimated future cash flows from a group of financial assets since the initial recognition, though the decrease cannot be identified with the individual financial assets in a group, including;
  – adverse changes on the payment status of the issuers or debtors in the group; or
  – national or local economic conditions that correlate with defaults in the assets in a group.

The Fund assesses whether the objective evidence of impairment exists individually for financial assets that are significant first, if no evidence of impairment exists for individually assessed assets, a group of financial assets with similar credit risk characteristics are collectively assessed for impairment. Refer to note 17 for additional information.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of changes in net assets and funds. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The Fund may measure the impairment loss on the basis of the instrument's fair value using an observable market price.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics relevant to the estimation of future cash flows for groups of such assets, by being indicative of the issuer's ability to pay all amounts due under the contract terms of the debt instrument being evaluated.

If, in the subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of changes in net assets and funds.

1.3.5.2 Impairment of other non-financial assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances that the carrying amount may not be recoverable occur.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

1.3.5.3 Impairment of loans and receivables

A provision for impairment of loans and receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due, according to the original terms.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash deposited with financial institutions and other short-term liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at fair value.

1.5 Inventory

Inventory is stated at the lower of cost or net realisable value. Cost is calculated using the weighted average method.

1.6 Accounts receivable

Trade receivables

Trade receivables are measured at fair value at initial recognition if normal credit terms are exceeded, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised into statement of changes in net assets and funds when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Purchase of service receivables

Purchase of service receivables are recognised upon acceptance by the member of the quote issued by the GEPF for the recognition of the purchase of a period as pensionable service. No provision is made for potential doubtful purchase of service debtors, as only the period paid for vests in favour of the member.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Unclaimed benefits

Unclaimed benefits are in line with the GEP Law released to income if unclaimed for a period exceeding three years, but legitimate claims received subsequent to write-offs are paid, as the records are maintained.

1.8 Accounts payable

Accounts payable are measured at fair value at initial recognition if normal credit terms are exceeded, and are subsequently measured at amortised cost using the effective interest rate method.

1.9 Provisions

Provisions are recognised when the GEPF has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

1.10 Contributions

Contributions are accounted for on the accrual basis, except for additional voluntary contributions, which are recorded in the period in which they are received.

1.11 Purchase of service

Income from purchase of service is accounted for when it has been approved and processed.

1.12 Dividend, interest, rentals and gains and losses on subsequent measurement

1.12.1 Dividend income

Dividend income is recognised in the statement of changes in net assets and funds, when the right to receive payment is established, which is the last date to trade for equity securities.

For financial assets designated at fair value through the statement of changes in net assets and fund, dividend income forms part of fair value adjustments.

1.12.2 Interest income

Interest income is recognised in the statement of changes in net assets and funds as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium or any other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

1.12.3 Rental income

Rental income from investment property is recognised in the statement of changes in net assets and funds as it accrues on a straight-line basis over the period of lease agreement, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased assets is diminished.

Property expenses are recognised in the statement of changes in net assets and fund under net income.

1.12.4 Collective investment schemes distribution

Distribution from collective investment schemes are recognised when the right to receive payment is established.

1.12.5 Gains and losses on subsequent measurement to fair value

Gains and losses on subsequent measurement to fair value of investment and of all other financial instruments are recognised in net investment (loss)/income during the period in which the change arises.

1.13 Transfers to and from the GEPF

Transfers to and from the GEPF, including individual transfers, are recognised on the accrual basis.

1.14 Interest payable to members exited from the GEPF

Interest payable to members in respect of the late payment of benefits is accounted for on the accrual basis.

1.15 Interest payable to dormant members

In terms of the GEPF rules interest is accrued to a dormant member's benefit until the effective date on which such benefit becomes payable.

1.16 Foreign exchange gains or losses

Foreign monetary assets and liabilities are translated into South African Rand at rates ruling at year-end. Unrealised differences on foreign monetary assets and liabilities are recognised in the statement of changes in net assets and funds in the period in which they occur.

1.17 Operating leases

Operating leases include rental on properties and office equipment. Rental expenses are recognised on a straight-line basis over the lease term.

1.18 Interest on late payments of contributions and/or loans and receivables

Interest on late payments of contributions, surplus improperly utilised and/or loans and receivables is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

1.19 Expenses incurred in managing investments

Expenses in respect of management of investments are recognised as the services are rendered.

1.20 Judgements and estimates

Critical judgements in applying the entity's accounting policies

In the process of applying the GEPF's accounting policies, the Board of Trustees has made the following judgements to amounts recognised in the financial statements (apart from those involving estimations, which are dealt with separately below).

- *Residual values and useful lives*
  Residual values and useful lives of equipment are assessed annually. Equipment is assessed for impairment annually, or more frequently when there is an indication that an asset may be impaired and the related impairment losses recognised in the statement of changes in net assets and funds in the period in which the impairment occurred.

- *Provision for impairment of receivables*
  The provision of impairment of receivable is raised on all receivable amounts aged 730 days and older, amounts due from individuals who have attained the age of 70 years and older as well as all fraud case receivables.

- *Accumulated leave pay provision*
  The leave pay provision accounts for vested leave pay to which employees may become entitled upon exit from the service of the GEPF.

- *Performance bonus provision*
  This provision accounts for performance bonuses payable, based on the outcome of the performance evaluation of employees and the relevant approval.

- *Fair value estimation*
  The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of net assets and funds date. The quoted market price used for financial assets held by the Fund is the closing price.

  The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

  The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

  Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discount cash flows, are used to determine fair value for the remaining instruments.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.20 Judgements and estimates (continued)

Key assumptions of estimations with uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of net assets and fund date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

- *Accrual for benefits payable*
  The accrual for benefits payable is based on a calculation performed by the GEPF's actuaries and contains actuarial assumptions and key estimates. These estimates pertain to member profiles, amongst others. The actuarial assumptions applied are in line with those applied for statutory valuation purposes.

- *Accruals and contingent liabilities for legal costs*
  Liabilities may exist for lawsuits by and against the GEPF. The amounts accrued for/included in contingent liabilities, include the GEPF's independent attorneys' best estimates of the probable/possible legal liabilities which the GEPF may incur.

- *Investments*
  The net present value of certain unlisted investments has been calculated using estimated future cash flows at discounted rates.

Further information about the key assumptions concerning the future and other key sources of estimation uncertainties are set out in the relevant notes to the financial statements.

1.21 Accounting policies, changes in accounting estimates and errors

Retirement funds apply adjustments arising from changes in accounting policies and errors prospectively, the adjustment relating to changes in accounting policies and errors is therefore recognised in the current and future periods affected by the change.

1.22 Reserves

Reserves accounts comprise particular amounts of designated income and expenses and are recognised in the period in which such income and expenses accrue to the Fund.

		Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Office equipment R'000	Motor vehicles R'000	Tools R'000	Total R'000
2.	EQUIPMENT							
2.1	Current year, 2009							
	Gross carrying amount	32 286	1 785	12 678	11 319	2 503	13	60 584
	At beginning of the year	25 266	1 271	8 566	6 671	1 862	13	43 649
	Additions	7 040	514	4 354	4 651	641	–	17 200
	Disposals	(20)	–	(242)	(3)	–	–	(265)
	Accumulated depreciation and impairment	(20 489)	(924)	(6 503)	(5 991)	(1 445)	(9)	(35 361)
	At beginning of the year	(16 563)	(713)	(5 602)	(5 028)	(1 208)	(8)	(29 122)
	Depreciation	(3 945)	(211)	(1 128)	(966)	(237)	(1)	(6 488)
	Impairment loss	–	–	(6)	–	–	–	(6)
	Accumulated depreciation on disposals	19	–	233	3	–	–	255
	Net carrying amount at end of the year	11 797	861	6 175	5 328	1 058	4	25 223
2.2	Prior year, 2008							
	Gross carrying amount	25 266	1 271	8 566	6 671	1 862	13	43 649
	At beginning of the year	21 717	712	7 571	6 326	1 862	13	38 201
	Additions	6 486	559	1 059	345	–	–	8 449
	Disposals	(2 937)	–	(64)	–	–	–	(3 001)
	Accumulated depreciation	(16 563)	(713)	(5 602)	(5 028)	(1 208)	(8)	(29 122)
	At beginning of the year	(16 331)	(711)	(4 566)	(4 186)	(975)	(6)	(26 775)
	Depreciation	(2 603)	(2)	(1 090)	(862)	(233)	(2)	(4 772)
	Accumulated depreciation on disposals	2 371	–	54	–	–	–	2 425
	Net carrying amount at end of the year	8 703	558	2 964	1 643	654	5	14 527

	Fair value 2009 R'000	Amortised cost 2009 R'000	Total 2009 R'000	Total (all local) 2008 R'000	Category (IAS 39) AC 133
3. INVESTMENTS					
3.1 Investment summary					
Money market instruments	–	35 777 441	35 777 441	49 263 941	*
Direct loans (other than housing loans)	–	15 827 746	15 827 746	6 615 607	*
Debentures	32 662	–	32 662	93 075	**
Bills, bonds and securities	257 340 555	–	257 340 555	235 402 106	**
Investment properties	5 822 256	–	5 822 256	2 935 629	**
Equities	288 414 100	–	288 414 100	408 745 452	
Listed equities	272 939 004	–	272 939 004	377 010 012	**
Primary listings	218 138 957	–	218 138 957	377 010 012	
Secondary listings	46 013 006		46 013 006		
Foreign equities	8 787 041	–	8 787 041	–	
Unlisted equities	15 475 096	–	15 475 096	31 735 440	**
Local equities	15 295 640	–	15 295 640	31 735 440	
Foreign equities	179 456	–	179 456	–	
Special investment products and policies	17 769 510	–	17 769 510	4 422 782	**
Collective market instruments	922 700	–	922 700	521 626	**
Derivative market instruments	12 767	–	12 767	122 755	**
	570 314 550	51 605 187	621 919 737	708 122 973	

* *Classified as loans, receivables and cash.*
** *Classified at fair value through the statement of changes in net assets and funds.*

Included in listed equities are 27 851 891 ordinary shares in Telkom SA Limited valued at R2,9 billion (2008: R3,6 billion) of which the "B" rights belong to Black Ginger 33 (Pty) Limited (Black Ginger). The "B" rights entitle Black Ginger 33 (Pty) Limited to register ownership and voting rights attached to Telkom shares, but specifically excludes the "A" rights. The price payable for the "B" rights shall be R1 and shall be payable to Black Ginger 33 (Pty) Limited on final date, which is March 2011.

Subsequent to year-end, Telkom disposed of its 50% holding in Vodacom. Altogether 35% of the disposed shares were distributed to its shareholders, at a ratio of one Vodacom share for every Telkom share held. This resulted in Black Ginger obtaining 27 851 891 Vodacom shares, of which the "B" rights are owned by PIC representing the GEPF. When these shares were issued to Black Ginger on 18 May 2009, they were valued at R58,80 per share. Furthermore, Telkom declared a special dividend at a post-tax proceed of R19 per share. As a result of this special dividend declaration, these shares were allocated at R529,1 million.

Included in the unlisted foreign equities above are investments in the Pan-African Infrastructure Development Fund (PAIDF) to the value of US$18 million (R179,4 million). These infrastructure investments are in Seawolf Jackup Limited and Aldwych Holdings Limited.

The money market instruments with original maturities of three months or less were classified as investment in the previous financial years and are currently classified as cash and cash equivalents in terms of Regulatory Reporting Requirements of Retirement Funds.

Comparative figures for the detail schedules are not available as this information was not disclosed in the prior year. The details of the minimum top 25% have been provided and the rest is included in other, where practicable.

	Fair value R'000
3.1.1 Money markets	
Certificates of deposits	6 879 543
Fixed deposits	22 600 164
Promissory notes	6 297 734
Total cash and deposits	**35 777 441**

	Secured by	Fair value R'000
3.1.2 Direct loans		
Entity		
Consol Holdings (Pty) Limited	Unsecured	246 213
University of Western Cape	Unsecured	2 689
University of the North	Unsecured	1 096
FirstRand Limited	40 million FirstRand shares	304 688
Investec Bank	33,5 million Investec Bank shares	499 238
Afrisam (Pty) Limited	Unsecured	4 796 059
New Shelf 664 (Pty) Limited	Pledge of 768,4 million MTN shares	9 817 658
Brevity Trade	97 million Doves shares	20 861
Legend Lodges	40% of Entabeni Holdings shares	132 348
Wireless Broadband Solution Holdings	4,8 million WBS Holdings shares	6 896
Total loans		**15 827 746**

3.1.3 Direct bonds and debentures
Bills, bonds and securities

	Secured by/ unsecured	Fair value R'000
DIRECT HOLDINGS		
Government or provincial administration		
Bills		
Eskom	Unsecured	6 614 878
Telkom SA Limited	Unsecured	759 756
Total		**7 374 634**
Government bond		
157 R157 RSA 2015 13,5% 150915	Unsecured	23 470 644
189 R189 RSA 2013 6,25% 310313	Unsecured	26 217 030
Others	Unsecured	109 342 220
Total		**159 029 894**
Corporate bonds		
Eskom	Unsecured	12 570 969
Transnet	Unsecured	6 675 163
Others	Unsecured	59 229 654
Total		**78 475 786**

3. INVESTMENTS (continued)
3.1 Investment summary (continued)
3.1.3 Direct bonds and debentures (continued)
Bills, bonds and securities (continued)

	Secured by/ unsecured	Fair value R'000
Other		
Commercial Paper DS		
Anglo American SA Finance Limited	Unsecured	199 110
Anglo American SA Finance Limited	Unsecured	198 734
Others	Unsecured	1 181 586
Total		**1 579 430**
Parastatal bonds		
Eskom Holdings Limited	Unsecured	8 419 644
Total		**8 419 644**
Other bonds		
Telkom SA Limited	Unsecured	1 231 304
Others	Unsecured	1 229 863
Total		**2 461 167**
Total bills, bonds and securities		**257 340 555**

Debentures	Secured by/ unsecured	Redemption value R'000	Fair value R'000
DIRECT HOLDINGS			
Lereko Mobile	Unsecured	n/a	32 662
Total debentures			**32 662**

	Fair value R'000
3.1.4 Investment properties	
DIRECT HOLDINGS	
Current developments	344 415
Residential properties	30 420
Industrial properties	1 044 125
Office properties	3 574 376
Retail properties	820 558
Specialised properties	76 277
Vacant land	5 886
Lease income accrual*	(73 801)
Total properties	**5 822 256**

* *This is not included on the Investments note 3, and has been regarded as Accounts receivable, note 6.*

Investment properties	Address	Valuation method	Date of last valuation	Pledged as guarantee	Fair value R'000
List of properties					
Ashlea Gardens	Ashlea Gardens Garsfontein Pretoria	Discounted cash flow	31/03/2009	No	256 806
Iparioli Office Park	1166 Park/Duncan Street Hartfield	Discounted cash flow	31/03/2009	No	243 000
Pdis Discovery Health	3 Alice Lane Sandown Sandton	Discounted cash flow	31/03/2009	No	344 577
GijimaAst Holdings	47 Landmarks Avenue Kosmosdal Centurion	Discounted cash flow	31/03/2009	No	362 700
Jakaranda Shopping Centre	Cnr Michael Brink and Frates Street Rietfontein Pretoria	Discounted cash flow	31/03/2009	No	257 832
Other					4 431 142
Lease income accrual					(73 801)
Total					**5 822 256**

	2009 R'000	2008 R'000
3.1.4.1 Investment properties		
Balance at beginning of the year	**3 059 037**	1 961 167
Additions	**3 391 692**	844 559
Capital expenditure	**293 715**	38 245
Properties inherited from SEBO	**487**	1 400
Disposals	**(769 886)**	(5 500)
Fair value adjustment	**(78 988)**	219 166
Closing fair value	**5 896 057**	3 059 037
Operating lease income accrual	**(73 801)**	(123 408)
Balance at end of the year	**5 822 256**	2 935 629

A desktop valuation of the investment properties was performed as at 31 March 2009. All relevant factors in determining a reasonable value as it would be determined between reasonable and informed purchasers and sellers in an open market situation are taken into account in the revaluation of the investment properties. This desktop valuation was performed by professional valuators from CB Richard Ellis (Pty) Limited, who are familiar with valuation of such properties and hold recognised and relevant property valuation qualifications.

3.1.4.2 Title deeds of investment properties (not registered in the name of the GEPF)

The title deed of one certain investment property is not registered in the name of the GEPF, but in the names of the entity that previously amalgamated into the GEPF. In terms of the GEPF Law the ownership or the vesting of any other right indicated on the relevant title deeds in respect of the assets, should pass to the GEPF. The necessary steps are being taken to achieve this.

As at 31 March 2009 all title deeds of investment properties were registered in the name of the GEPF except one which relates to the Tlhabane Flats constructed in Rustenburg by Sefalana Employee Benefits Organisation (SEBO) valued at R5,7 million (2008: R1,201 billion) to which the GEPF is a successor in title. This property was constructed on state land, without proper title deed to the land being given to SEBO.

3.1.4.3 Other investments not in the name of the GEPF

Other securities managed by the PIC are registered in the nominee name of Standard Bank of South Africa Limited and Nedcor Bank Limited, and the scrip accounts are in the name of the PIC on behalf of the GEPF.

3. INVESTMENTS (continued)

3.1 Investment summary (continued)

		Total R'000
3.1.5	Equities	
	1. Primary listing on JSE	218 138 957
	2. Secondary listing on JSE	46 013 006
	3. Foreign listed equities	8 787 041
	4. Unlisted equities	14 944 745
	Total equities	**287 883 749**

	Issued shares	Holding number	Holding %	Fair value R'000
1. Primary listing on JSE				
DIRECT HOLDINGS				
Sasol Limited	636 935 716	117 400 981	18	32 285 270
MTN Group Limited	1 868 253 569	218 257 101	12	22 916 995
Subtotal				55 202 265
Other				162 936 692
Total equity holding				**218 138 957**
2. Secondary listing on JSE				
Billiton plc	2 231 121 202	107 895 680	5	20 248 782
Subtotal				20 248 782
Other				25 764 222
Total equity holding				**46 013 004**
3. Foreign listed equities				
British Tobacco plc	2 025 021 814	40 096 014	2	8 787 041
Subtotal				8 787 041
Other				–
Total equity holding				**8 787 041**
4. Unlisted equities				
MTN Group preference shares	1 500 000	213 800	14	10 459 781
Other				4 484 964
Total equity holding				**14 944 745**

Method of valuation

1. Discounted cash flow method for all unlisted equities

Included in the value on the previous page are the following scrip lending transactions:

Name of lender	Description	Percentage of total assets	Value of transaction R'000
PIC on behalf of the GEPF			
PIC on behalf of the GEPF	Gold Fields Limited	0,03	209 000
	Telkom	0,22	1 436 941
Total			**1 645 941**

Scrip lending

Transaction date	Scrip on lent	Security in place	Fair value	Number of shares lent	Name of counterparty	Scrip custodian
31/03/2009	Gold Fields Limited	232 050	209 000	2 000 000	Nedcor Securities	Nedbank
31/03/2009	Telkom	2 051 025	1 436 941	13 621 583	Citi Group	Nedbank

3.1.6 Preference shares

DIRECT HOLDINGS	Issued shares	Holding number	Holding %	Fair value R'000
Afripalm Resources A	20 604 000 000	206 040 000	1	239 775
Afripalm Resources B	16 348 000 000	163 480 000	1	197 494
Afripalm Resources D	50	50	100	56 024
Afripalm Resources C	3 048	30 480 000	0,01	37 058
Total preference shares				**530 351**

3.1.7 Derivative market instruments

Options

	Strike price R	Expiry date	Put/call	Premium	Full exposure (notional amount) R'000
DIRECT HOLDINGS					
Standard Corporate Merchant Bank	0,268	15/05/2009	Call	122	(2)
Standard Corporate Merchant Bank	0,270	18/05/2009	Call	954	(19)
Absa Bank	10	15/07/2009	Call	–	33 516
Absa Bank	11	15/07/2009	Call	–	(14 982)
Total options					**18 513**

Futures/forward – SAFEX/foreign

	Put/call	Expiry date	Full exposure (notional amount) R'000
DIRECT HOLDINGS			
Anglo American	n/a	Sept 2009	23 901
Alsfi	n/a	June 2009	11 227
Others	n/a	June 09 – Dec 09	95 495
Total futures			**130 623**

3. INVESTMENTS (continued)

3.1 Investment summary (continued)

3.1.7 Derivative market instruments (continued)

This is not included on the Investments, note 3, and has been regarded as Accounts receivable (see note 6).

Interest rate swap

Description	Fixed rate %	Variable rate	Notional amount R'000	Fair value R'000
DIRECT HOLDINGS				
Rand Merchant Bank	8,96	three months	497 000	(1 035)
Rand Merchant Bank	7,14	three months	90 000	212
Rand Merchant Bank	11,12	three months	500 000	(4 923)
Total interest rate swaps				**(5 746)**
Total direct derivative market instruments				**12 767**

3.1.8 Other portfolio assets

DIRECT HOLDINGS	Description	Holding	Holding %	Fair value R'000
Local				
Structured investments products	Old Mutual Asset Management			3 863 619
	Pareto	1 383 700 425	40	3 934 526
	Others			9 971 366
Unit trust products	Old Mutual Community Fund			
	Others	166 016 283		243 529
				679 170
Total other portfolio assets				**18 692 210**

3.1.9 Risk management

Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/liquid asset with counterparty R'000	Scrip lending transactions R'000	Guarantees R'000	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty as a percentage of the fair value of the assets of the Fund R'000
Banks							
Absa	695 769	15 859 654	–	n/a	4 388 550	20 943 973	3,20
ABN Amro	–	–	–	n/a	202 000	202 000	0,03
African Bank	–	455 002	–	n/a	125 021	580 023	0,09
African Development Bank	–	–	–	n/a	3 279 892	3 279 892	0,50
Capitec Bank	15 491	–	–	n/a	–	15 491	0,00
Deutsche Bank	–	–	–	n/a	190 000	190 000	0,03
Development Bank of Southern Africa	–	1 123 413	–	n/a	4 886 609	6 010 022	0,92
First National Bank	–	7 987 238	–	n/a	4 355 014	12 342 252	1,89
Investec Bank	2 866 882	2 767 086	–	n/a	950 887	6 584 856	1,01
Land Bank	–	–	–	n/a	8 287 893	8 287 893	1,27
Nedbank	2 642 910	14 516 040	–	n/a	1 569 018	18 727 968	2,86
RMB	2 354 206	530 440	–	n/a	57 281	2 941 927	0,45
Standard Bank	14 874 883	16 656 242	–	n/a	5 925 448	37 456 574	5,73

Counterparty	Direct investment in counterparty R'000	Deposit/liquid asset with counterparty R'000	Scrip lending transactions R'000	Guarantees R'000	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty as a percentage of the fair value of the assets of the Fund R'000
Asset managers – local							
Cadiz	–	–	–	n/a	141 950	141 950	0,02
PIC	–	–	1 645 940	n/a	–	1 645 940	0,25
Stanlib	2 376 649	–	–	n/a	19 606	2 396 254	0,37
Old Mutual	2 754 268	–	–	n/a	753 038	3 507 306	0,54
Sanlam	4 551 895	356 407	–	n/a	1 005 981	5 914 283	0,90
Future Growth	179 456	–	–	n/a	–	–	–
Harith Fund	–	–	–	n/a	–	179 456	0,03
Insurance companies							
Alexander Forbes	110 576	–	–	n/a	–	110 576	0,02
Discovery Holdings	1 166 759	–	–	n/a	344 577	1 511 336	0,23
Metropolitan	841 886	–	–	n/a	–	841 886	0,13
Santam	203 285	–	–	n/a	29 383	232 668	0,04
Momentum	–	–	–	n/a	91 527	91 527	0,01

3.1.10 Market risk

Equity holdings

10 largest rand-value equity holdings

Investment	Fair value at end of period R'000	Total fair value equity holdings and open instruments R'000	Market movement by 5% R'000
Sasol Limited	32 285 270	32 285 270	1 614 263
MTN Group Limited	22 916 996	22 916 996	1 145 850
Billiton Plc	20 248 782	20 248 782	1 012 439
Standard Bank Group Limited	14 874 883	14 874 883	743 744
Anglo American Plc	11 317 017	11 317 017	565 851
MTN preference shares	10 459 781	10 459 781	522 989
Telkom SA Limited	9 984 646	9 984 646	499 232
Impala Platinum	9 696 816	9 696 816	484 841
South African Breweries	9 491 708	9 491 708	474 585
British Tobacco Plc	8 787 041	8 787 041	439 352
Total value of 10 largest equity holdings		**150 062 940**	**7 503 146**
As a percentage of total investments plus bank balances		23	**1,2**

3. INVESTMENTS (continued)

3.1 Investment summary (continued)

3.1.11 Other financial instruments

10 largest rand-value other financial instruments

Instrument	Holding	Fair value at end of period R'000	Market movement by 5% R'000
R189 RSA 6,25% 310313	13 405 461 568	26 217 030	1 310 851
R157 RSA 13,5% 150915	18 492 189 592	23 470 644	1 173 532
R197 RSA 5,50% 071223	9 910 183 495	20 970 421	1 048 521
R186 RSA 10,5% 211226	15 423 263 376	18 400 144	920 007
R201 RSA 8,75% 211214	17 205 119 585	18 032 464	901 623
E170 Eskom 13,5% 010820	9 532 700 000	12 570 969	628 548
R203 RSA 8,25% 150517	11 500 970 000	11 345 979	567 299
R207 RSA 7,25% 150120	10 503 895 000	9 630 282	481 514
R208 RSA 6,75% 310321	10 971 309 401	9 414 322	470 716
R204 RSA 8,00% 211218	8 234 500 000	8 099 795	404 990
Total value of 10 largest other instruments		158 152 050	**7 907 601**
As a percentage of total investments plus bank balances		24	1,2

3.1.12 Foreign currency exposure

Description	Fair value at end of period R'000	Market movement by 5% R'000
Pan-African Infrastructure Development (PAIDF)	179 456	8 973
Total value of foreign instruments	179 456	8 973
As a percentage of total investments plus bank balances	–	–

	2009 R'000	2008 R'000
4. FUNDING LOAN		
Sefalana Employee Benefits Organisation (SEBO)	**3 538**	3 538

This is an unsecured, interest-free loan utilised to fund SEBO's property, plant and equipment. Recovery is dependent on the fair value of SEBO's assets upon liquidation. The fair value of the GEPF's equitable share of the distribution account of SEBO cannot be determined yet.

Liquidators were appointed to liquidate SEBO during the 2005 financial year. The liquidation is dependent on the registration of all the title deeds in respect of investment properties (not registered in the name of the GEPF) to which the GEPF became the successor in title (refer to note 3.3).

	2009 R'000	2008 R'000
5. INVENTORY		
Inventory consists of consumables	**1 263**	940

		2009 R'000	2008 R'000
6.	**ACCOUNTS RECEIVABLE**		
	Accrued interest	**5 241 661**	4 514 172
	Accrued dividend	**910 565**	–
	Associated Institutions Pension Fund	**5 886**	1 450
	Estates debt	**45 129**	32 514
	Total estates debt	**53 160**	51 467
	Less: provision for impairment of receivables	**(8 031)**	(18 953)
	Fraud cases debt	**–**	–
	Total fraud cases debt	**39 827**	39 258
	Less: provision for impairment of receivables	**(39 827)**	(39 258)
	Investment debtors*	**2 784 147**	3 336 649
	Lease debtor	**73 801**	123 408
	National Treasury	**15 582**	3 750
	Purchased service	**21 093**	18 283
	Purchased service not recovered at retirement or death	**457**	477
	South African Post Office	**2 881**	1 900
	Non-statutory force	**20 717**	–
	South African Revenue Service	**–**	247
	Staff debtors	**68**	307
	Sundry debtors	**581**	191
	Temporary Employees Pension Fund	**1 303**	1 235
	Overpayments debt	**2 664**	20 296
	Total overpayments debt	**24 294**	24 800
	Less: provision for impairment of receivables	**(21 630)**	(4 504)
		9 126 534	8 054 879

* *Investment debtors include a loan to Black Ginger 33 (Pty) Limited, for the purchase of 18 753 104 Telkom SA Limited (Telkom) shares at a current market value of R1,9 billion (2008: R2,4 billion). The market value of this loan is linked to the value of Telkom shares. However, Black Ginger received a distribution of 18 753 104 Vodacom Limited (Vodacom) shares due to Telkom's unbundling subsequent to year-end. These Vodacom shares were issued at a price of R58,80 per share. The amount to be repaid will be determined as and when the shares are sold by Black Ginger. This investment debtor has no fixed repayment terms.*

		2009 R'000	2008 R'000
7.	**CONTRIBUTIONS**		
7.1	**Contributions receivable**		
	Participating employers	**95 373**	11 696
	Arrear contributions*	**1 250**	649
	Additional liabilities**	**426 432**	303 614
	Interest on outstanding contributions	**1 909**	2 730
	Statement of net assets and funds	**524 965**	318 689

* *Arrear contribution on late admissions.*

** *This is an amount owing to the GEPF in respect of additional liabilities placed on the GEPF resultant from decisions by the employers to afford exiting members enhanced benefits as per section 17.4 of the GEP Law (eg voluntary severance packages/early retirement without downscaling).*

	Contributions receivable 2008 R'000	Contributions accrued 2009 R'000	Contributions received 2009 R'000	Contributions receivable 2009 R'000
7. CONTRIBUTIONS (continued)				
7.2 Reconciliation of contributions receivable				
Member contributions	4 517	10 716 176	(10 719 443)	1 250
Employer contributions	311 442	19 713 630	(19 503 267)	521 805
Interest on outstanding contributions	2 730	(290)	(531)	1 909
	318 689	30 429 516	(30 223 240)	524 965
Statement of changes in net assets and funds				30 429 516

	2009 R'000	2008 R'000
8. CASH AND CASH EQUIVALENTS		
Cash resources	1 512 173	1 273 115
Call accounts	3 988 638	–
Settlement account	7 741 947	–
Certificate of deposits	4 176 494	1 908 831
Fixed deposits	7 800 000	3 180 000
Promissory notes	3 975 461	2 166 812
	29 194 713	8 528 758

The money market instruments with original maturities of three months or less were classified as investment in the previous financial years and are currently classified as cash and cash equivalents in terms of Regulatory Reporting Requirements of Retirement Funds.

9. ACCUMULATED FUNDS AND RESERVES

In terms of a collective agreement negotiated and agreed to in the Public Service Coordinating Bargaining Council an actuarial reserve was set aside to address past discriminatory practices.

This note illustrates the detailed split of the reserve balance between non-statutory forces, Ciskei strikers, general assistants and other past discriminatory practices.

	Non-statutory forces reserve 2009 R'000	Ciskei strikers reserve 2009 R'000	General assistants reserve 2009 R'000	Other past discriminatory practices reserve 2009 R'000	Total reserve accounts 2009 R'000	Accumulated funds (excluding reserves) 2009 R'000
Balance at beginning of the year	954 180	119 144	399 314	3 344 872	4 817 510	702 224 871
Net loss before transfers and benefits	(853)	(28)	(19)	–	(900)	(37 059 109)
Contributions received and accrued	–	–	–	–	–	30 429 516
Purchase of periods of service	–	–	–	–	–	564 682
Net investment loss	–	–	–	–	–	(67 797 473)
Allocated from unclaimed benefits	–	–	–	–	–	9 982
Other income	–	–	–	–	–	73 683
Less:						
Administrative expenditure	(853)	(28)	(19)	–	(900)	(339 499)
Transfers and benefits	(58 411)	(4 301)	(356 353)		(419 065)	(29 816 137)
Benefits	(58 411)	(4 301)	(356 353)	–	(419 065)	(28 231 038)
Transfers to other funds	–	–	–	–	–	624 022
Transfers from other funds	–	–	–	–	–	8 200
Interest paid	–	–	–	–	–	(2 217 321)
Net loss after transfers and benefits	(59 264)	(4 329)	(356 372)	–	(419 965)	(66 875 246)
Transfer to reserves						
Net investment return/(loss) on reserve amount	114 389	14 697	29 502	(301 943)	(143 355)	143 355
At end of the year	1 009 305	129 512	72 444	3 042 929	4 254 190	635 492 980

	2009 R'000	2008 R'000
10. UNCLAIMED BENEFITS		
Balance at beginning of the year	132 887	97 320
Transferred from benefits paid	434 164	324 985
Less:		
Benefits paid	(367 439)	(276 986)
Benefits forfeited	(9 982)	(12 432)
Balance at end of the year	189 630	132 887

	Benefits payable 2008 R'000	Benefits accrued current year 2009 R'000	Benefits paid during year 2009 R'000	Benefits payable 2009 R'000
11. BENEFITS				
Net benefit payments	11 050 000	28 231 038	(24 859 398)	14 421 640
Gratuities	1 127 814	5 826 570	(2 347 254)	4 607 129
Withdrawal benefits	4 754 092	5 693 021	(4 604 718)	5 842 394
Monthly pensions	1 208 862	15 346 676	(14 788 186)	1 767 352
Retrenchment benefits	168 776	578 010	(622 062)	124 723
Death benefits	3 434 456	731 384	(2 372 337)	1 793 504
Funeral benefits	216 000	177 757	(116 757)	277 000
Orphan benefits*	140 000	(126 412)	(4 051)	9 537
Unclaimed benefits**	–	4 033	(4 033)	–
Interest to members	2 602 000	2 135 876	(648 979)	4 088 897
Benefits payable***	13 652 000	30 366 914	(25 508 377)	18 510 537
Statement of changes in net assets and funds				28 231 038

* *Orphan benefits are payable in terms of the provisions of Rule 14.6.3 to the GEP Law, which was introduced during the 2003 financial year. The benefit offered was reviewed as a result of problems experienced with the implementation thereof and referred back to the PSBC to be renegotiated.*

** *Unclaimed benefits that have been prescribed and written back to revenue, and are subsequently claimed by the former members, are reissued to the members from revenue according to the GEPF's approved policy on the reissue of benefits.*

*** *Benefits payable as at 31 March 2009 and benefits accrued during the year include an amount of R2,914 million (2008: R2,577 million), representing exit cases that were work in progress at year-end.*

	Effective date	Number of members	At beginning of period 2009 R'000	Transfers approved 2009 R'000	Return on transfers 2009 R'000	Transfers paid 2009 R'000	Transfers payable 2009 R'000
12. TRANSFERS							
12.1 Transfers to other funds							
Bulk transfers in terms of Rule 12 of the GEP Law							
Ezemvelo KZN Wildlife Provident Fund	2008/09	272	1 103 627	56 029	–	(56 029)	1 103 627
Municipality transfers	2008/09	2 134	–	–		(375 044)	(375 044)
Municipality transfers overprovided	2006/07	5 771	–	(696 780)	–	–	(696 780)
Forestry Workers Pension Fund	2008/09	2	–	242	–	(242)	–
Retirement Online Pension Fund	2008/09	32	–	5 965	–	(5 965)	–
Sanlam Life Insurance Limited	2008/09	40		9 210		(9 210)	
Individual transfers	2008/09	2	–	1 134	178	–	1 312
		8 253	1 103 627	(624 200)	178	(446 490)	33 115
Transfers approved							(624 200)
Return on transfers							178
Statement of changes in net assets and funds							(624 022)

		Effective date	Number of members	At beginning of period 2009 R'000	Transfers approved 2009 R'000	Return on transfers 2009 R'000	Transfers received 2009 R'000	Transfers payable 2009 R'000
12.2	**Transfers from other funds**							
	Transfers in terms of Rule 12 of the GEP Law							
	Individual transfers	2008/09	23	**1 830**	**6 948**	**1 252**	**(9 710)**	**320**
			23	**1 830**	**6 948**	**1 252**	**(9 710)**	**320**
	Transfer approved							**6 948**
	Return on transfers							**1 252**
	Statement of changes in net assets and funds							**8 200**

		2009 R'000	2008 R'000
13.	ACCOUNTS PAYABLE		
	Administrative creditors	**37 852**	49 652
	Operating lease accrual	**2 691**	–
	Child maintenance (court orders)	**248**	233
	Contributions (employers)	**458**	656
	Dormant members	**918**	866
	Investment creditors	**1 495 644**	2 293 971
	National Treasury	**139**	1 860
	Non-statutory forces contribution*	**719 342**	710 281
	Outstanding SA Post Office vouchers	**3 386**	999
	Portfolio management fees payable	**44 671**	41 800
	Public Investment Commissioner (VAT refund)	**–**	8 653
	Sundry creditors	**1 162**	716
	Total	**2 306 511**	3 109 687

* *Amounts received in advance in respect of the recognition of periods of service to recognise pensionable service for members of former non-statutory forces (rules 1, 10, 11 and 14 to the Fund).*

		2009 R'000	2008 R'000
14.	RETIREMENT FUND TAXATION		
	Taxable income	**–**	–
	Less: formula deduction	**–**	–
	Retirement fund taxable amount	**–**	–
	Retirement fund taxation at relevant rate	**–**	22 204
	Less: overprovision of tax	**–**	–
	Retirement fund taxation expense	**–**	22 204
	Balance at beginning of the year	**–**	67 887
	Retirement fund taxation paid during the year	**–**	(90 091)
	Balance at end of the year	**–**	–

Due to the fact that Retirement Fund Tax (RFT) was abolished (with effect from 1 March 2007) prior to the commencement of the previous year, no RFT calculation was performed for the previous year. The amount included in the statement of changes in net assets and funds relates to an underprovision of tax of the prior year as assessed by the South African Revenue Service in the previous year. The full amount outstanding was paid in the previous year.

		2009 R'000	2008 R'000
15.	**PROVISIONS**		
	Provision for accumulated leave pay	3 373	2 059
	Balance at beginning of the year	2 059	2 454
	Provided	1 526	361
	Utilised	(212)	(756)
	Provision for bonuses	5 956	3 493
	Balance at beginning of the year	3 493	1 180
	Provided	6 587	5 740
	Utilised	(4 124)	(3 427)
	Balance at end of the year	9 330	5 552
	Bonuses are calculated based on 3,5% of the budgeted labour costs and the leave pay provision based on the current leave entitlement pro rata plus the cap leave of staff members over 55 years of age.		
16.	**PURCHASE OF PERIODS OF SERVICE**		
	GEPF members	20 233	24 506
	Non-statutory forces members	544 449	243 443
		564 682	267 949
17.	**NET INVESTMENT (LOSS)/INCOME**		
	Income from investments	34 479 454	22 298 080
	Interest	34 093 241	21 824 033
	Other income	76 903	–
	Rentals	309 310	474 047
	Net profit on sale of investments	365 510	38 560 003
	Adjustment to fair value*	(99 181 231)	(11 742 136)
	Impairment of investments*	(2 509 317)	(330 655)
	Total investment (loss)/income	(66 845 584)	48 785 292
	Less: expenses incurred in managing investments		
	– Management fees	(556 963)	(506 974)
	– PAIDF (Management fees and other expense)	(47 914)	(39 679)
	– Bad debts investments	(19 184)	(24 481)
	– Rental expense	(137 255)	(185 141)
	– Transaction costs and other expenses	(190 572)	–
	Total investment expenses	(951 889)	(756 275)
	Net investment (loss)/income	(67 797 473)	48 029 017
	Profit on sale of investments	4 832 913	47 549 030
	Loss on sale of investments*	(4 467 403)	(8 989 027)
	Net profit on sale of investments	365 510	38 560 003

* *Most assets were affected to some extent by the difficult economic conditions that prevailed, notably the deteriorating inflation outlook, increases in interest rates and the weakening of emerging market assets prices in the wake of the subprime losses in the United States. In addition, some of the loans entered into by PIC on behalf of the GEPF in their capacity as the Fund's asset managers have subsequently been impaired as stated below.*

Reconciliation of impairment	Amount R'000
Afrisam preference shares	1 977 731
Afrisam equity	210 000
Brits (BR25)	14 315
Brits (BR26)	1 656
Other	305 615
Total	2 509 317

In arriving at the impairment figures mentioned above, the GEPF took the following impairment triggers into account which were considered on all its impaired investments:

- Material uncertainties on the going concern on audited financial statements of its investees.
- Expected slowdown in the demand of investees' products, which could put financial pressure on achieving expected profits.
- Anticipated pressure on investees in servicing their debts obligations.
- Actual breaches of any original funding agreements, that resulted in renegotiation of those agreements.
- Where cash flow projections have been revised downwards, it resulted in a decrease in enterprise values of investees.
- Current global economic downturn impacts on its investees.

Dividend income amounting to R21,639 billion (2008: R11,723 billion) has been included in the adjustment for fair value, in line with the requirements of Regulatory Reporting Framework for Retirement Funds.

		2009 R'000	2008 R'000
18.	OTHER INCOME		
	Interest received on arrear contributions	14 287	13 637
	Purchase of service	–	915
	Additional liabilities	–	3 222
	Other	59 396	–
		73 683	17 774
19.	OPERATING LEASES		
	Income		
	Future minimum lease payments received under non-cancellable operating leases:		
	Receivable within one year	89 734	209 405
	Receivable between two and five years	380 347	548 509
	Receivable after five years	41 302	39 629
		511 383	797 543
	Expenses		
	Future minimum lease payments under non-cancellable operating leases:		
	Payable within one year	5 669	–
	Payable between two and five years	24 208	–
		29 877	–

		2009 R'000	2008 R'000
20.	**ADMINISTRATIVE EXPENDITURE**		
20.1	**Total administrative expenditure**		
	Actuarial fees	4 228	2 228
	Administration expenses related to reserve accounts	900	1 353
	Investment accounting fees	8 810	13 548
	Audit fees – current year	5 224	4 093
	Bad debts written off	–	4 172
	Depreciation	6 494	4 772
	Foreign currency loss	29	16
	Legal costs	1 889	1 180
	Loss on sale of equipment	2	7
	Operating expenses	168 780	138 026
	Operating lease payments	5 842	2 393
	Operating lease smoothing adjustment	2 691	–
	Personnel expenses	127 836	101 430
	Personnel expenditure (refer to note 20.2)	106 081	93 014
	Senior management expenditure (refer to note 20.3)	18 862	6 176
	Trustee expenditure (refer to note 20.4)	2 893	2 240
	Increase in provision for doubtful debt	6 773	6 570
		339 499	279 788
20.2	**Personnel remuneration and expenses**		
	Remuneration to permanent and contract employees	83 332	54 241
	Contributions to the GEPF	8 790	5 368
	In-sourced contractors	–	25 279
	Training expenses	3 543	2 366
	Other benefits (housing, medical, etc)	10 416	5 760
		106 081	93 014
20.3	**Senior management remuneration and expenses**		
	Remuneration to permanent and contract employees	10 980	4 035
	Contributions to the GEPF	574	272
	Allowances	6 339	1 692
	Bonuses	969	177
		18 862	6 176
20.4	**Board of Trustees' remuneration and expenses**		
	Meeting allowances	2 004	2 056
	Expenses	889	184
		2 893	2 240
21.	**INTEREST PAID**		
	Interest paid to members	2 135 876	1 468 827
	Interest paid to members exited from the GEPF	2 046 626	1 399 903
	Interest paid to external funds in respect of members exited from the GEPF	79 001	43 082
	Interest returns from unclaimed benefits	(178)	(300)
	Interest paid to non-statutory forces members	10 427	26 142
	Interest paid to employers (non-statutory forces)	81 362	69 397
	Interest paid to dormant members	83	79
	Interest paid on retirement funding tax	–	19 313
		2 217 321	1 557 616

		2009 R'000	2008 R'000
22.	**CASH FLOW GENERATED FROM OPERATIONS**		
	Net (loss)/income after transfers and benefits	(67 295 211)	48 274 175
	Adjusted for:	73 671 267	(44 608 769)
	Interest received	(34 167 885)	(21 257 188)
	Interest paid	2 217 592	430 616
	Dividends received	(21 639 942)	(11 723 190)
	Retirement fund taxation	–	22 204
	Adjustment to fair values of investments	120 870 780	23 341 918
	Profit on sale of investments and property	(4 832 913)	(47 549 030)
	Loss on sale of investments and property	4 467 403	8 989 027
	Impairment of investments	2 509 317	355 136
	Loss on sale of plant and equipment	2	7
	Foreign currency (gain)/loss	(16 705)	16
	Depreciation	6 494	4 772
	Debts written off	19 184	4 172
	Increase in doubtful debt provision	6 773	6 570
	Movement in provisions	4 862 315	3 027 513
	Net transfers out	(631 148)	(261 312)
	Adjusted net income after transfers and benefits	6 376 056	3 665 406
	Changes in working capital	(1 875 154)	(474 158)
	Increase in accounts receivable	(1 071 655)	(582 491)
	(Increase)/decrease in inventory	(323)	362
	(Decrease)/increase in accounts payable	(803 176)	107 971
	Cash flow generated from operations	4 500 902	3 191 248

23. FINANCIAL MANAGEMENT AND ASSOCIATED RISKS

Investment activities expose the GEPF to various types of risks that are associated with the financial instruments and markets in which they are invested. The nature and extent of financial instruments as at financial year-end and the risk management policies employed by the GEPF and its investment administrator are discussed below.

23.1 Market risk and interest rate risk

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to changes in market prices, irrespective of whether those changes are caused by circumstances particular to the investment or to the investment market in general. Financial instruments are recognised at fair value and all changes in market conditions directly affect net investment income. Exposure to market and interest risk is for the account of the GEPF due to it being a defined benefit arrangement, and is managed primarily by setting strategic asset allocation percentages for the various asset classes, which are designed to match the inflation risk that impacts both the liabilities and assets, as well as market and interest risk.

The investment managers are required to diversify the investments of the GEPF and disperse investments within classes of assets such that exposure to any single investment is limited and the performance of the asset classes are similar to the performance of the corresponding sections of the market as a whole.

Equities are the most volatile asset class and therefore the biggest source of short-term risk for the portfolio. The Investment Committee, on behalf of the Board of Trustees, monitors this risk against predetermined benchmarks. The investment manager outsources the management of approximately 25% of the equity portfolio to other external fund managers who possess both the resources and expertise to adequately address any potential equity market risk. The fair value of the equity portfolio at 31 March 2009 was R288,4 billion (2008: R408,7 billion).

Interest rate risk is the risk that the value of a financial instrument or the income received from such instruments will fluctuate due to movements in market interest rates.

23. FINANCIAL MANAGEMENT AND ASSOCIATED RISKS (continued)

23.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument or investment will default on its obligation, in part or in total, thereby causing financial loss to the GEPF.

This risk is managed by the investment manager through models developed in-house and by external credit rating agencies. Money is placed with A-rated obligors (excluding loans and advances) within limits set by the investment manager on behalf of the Board of Trustees.

The credit risk pertaining to loans and advances is managed partially through a combination of derivative structures and guarantees for the credit exposure as appropriate. Loans and advances are approved by the relevant governance structures within the investment manager.

23.3 Liquidity risk

Liquidity risk is the risk that the investments will not readily convert into cash should the need for funds arise.

Liquidity risk is managed by investing the majority of assets in government stocks and equities within an active market, enabling the investments to be efficiently liquidated, if necessary, to satisfy cash flow requirements. In addition, substantial cash holdings mitigate this risk.

23.4 Currency risk

Currency risk is the risk that the value of a financial instrument denominated in a currency other than the reporting currency may fluctuate due to changes in foreign currency exchange rates, between the reporting currency and the currency in which the instrument is denominated. The Fund's exposure to currency risk is mainly in respect of the foreign investment made in the Pan-African Infrastructure Development Fund.

Currency risk is managed by management on a quarterly basis, and any significant changes on foreign currency balances are followed up and reported throughout the year.

23.5 Solvency risk

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the GEPF's contractual obligations to members. An undertaking by the government, as employer, to ensure that the funding level remains above 90% and the setting of strategic asset allocation percentages following an asset-liability modelling exercise, mitigates this risk. Such an exercise will be repeated regularly to ensure that the employer's contribution rate, solvency reserve and strategic asset allocation percentages are managed to constrain the solvency risk within levels acceptable to the stakeholders.

24. RELATED PARTIES

Related-party disclosure was not applied comprehensively, due to the majority of the participating employers being the entire government and the predominant number of GEPF transactions being with related government entities. This would result in an exorbitant amount of related-party disclosure, which in the opinion of the trustees would not necessarily add value to the users of the financial statements.

25. CONTINGENT LIABILITIES

25.1 Benefits

A contingent liability exists for members that retired from the GEPF prior to 31 March 2009, for whom no duly completed exit documentation has been received. The GEPF cannot estimate the benefits payable to such members exactly, because the quantum of the liability is dependent on:

- the reason for exit from service;
- the final salary of the respective members upon exit; and
- the period of pensionable service, which period may be altered by means of added service, dependent on the exit reason, eg ill health.

A provision has been made in the financial statements for the actuarial estimate of the above liability, but the benefits owing cannot be calculated exactly.

25.2 Investments

A loan was provided to Black Ginger 33 (Pty) Limited relating to an initial purchase of a 15,1% interest in Telkom. The remaining portion of the loan has been included in Accounts receivable (note 6), and relates to a remaining 3,37% holding in Telkom. The loan has been included at a market value approximating the market value of the underlying Telkom shares. As these shares were initially acquired at a discount, they will possibly be disposed of at a discount equivalent to that at which they were initially acquired. An equivalent discount that would possibly be allowed on the remaining shares approximates R340 million (2008: R422 million).

25.3 Pending liability

A contingent liability exists in respect of various legal matters brought against the GEPF. The estimated liability to the GEPF is between R226 000 and R1,581 million. This amount includes legal costs and was obtained from the GEPF's independent attorneys.

26. CAPITAL COMMITMENTS

During the previous year the GEPF committed to an investment in Pan-African Infrastructure Development Fund (PAIDF). As part of this investment the GEPF committed to make capital contributions amounting to US$250 million translating to R2,048 billion. At year-end US$30 million of the initial commitment has been invested. The total capital commitment of US$220 million translating to R1,806 billion is payable approximately within the next seven years. The PAIDF investment is being managed by Harith Fund Managers.

27. CHANGES IN ACCOUNTING POLICIES

During the current year the following changes in accounting policies relating to investments were implemented in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa:

- Listed equities are valued at closing prices instead of closing bid prices.
- Transaction costs on financial instruments classified at fair value through the statement of changes in net assets and funds are expensed.
- Money market instruments with original maturities of three months or less are classified as cash and cash equivalents.
- Dividend income forms part of the adjustment to fair value as opposed to being disclosed separately.
- Changes in accounting policies, changes in estimates and prior year errors are applied prospectively.

The changes in accounting policies were performed to comply with the Regulatory Reporting Requirements for Retirement Funds in South Africa. The changes in accounting policies were performed prospectively.

The effect of the changes in accounting policies is as follows:

	2009 R
Rental smoothing	(49 606)
Dividend income	21 639 942
Transaction expenses	133 857
Fair value adjustment	(10 015 627)
Increase in profit	**11 708 565**
Investment property	(73 801)
Accounts receivable	73 801
Cash and cash equivalent	27 682 540
Money market instruments	(27 682 540)
Listed equities	11 708 565
Increase in investments	**11 708 565**

28. SUBSEQUENT EVENTS

The term of the Board of Trustees ended on 19 June 2009, and a new board was constituted on 22 September 2009.

Subsequent to year-end a business case motivating the separation of the GEPF from its administration capability was referred by the Minister of Finance to the Minister of the Department of Public Service and Administration (DPSA) for consideration.

It is expected that the Minister of DPSA will take the process of the separation further resulting in the establishment of a government component in terms of the Public Service Act for endorsement by the President of the Republic of South Africa.

28. SUBSEQUENT EVENTS (continued)

In December 2008 the Board approved nine new asset managers and allocated the property portfolio to additional three new asset managers with effect from 1 April 2009, and restructured the funds management:

New asset managers:

- Element Investment Managers (Pty) Limited.
- Investec Asset Management (Pty) Limited.
- Kagiso Asset Management (Pty) Limited.
- Prudential Portfolio Managers SA (Pty) Limited.
- Taquanta Asset Managers (Pty) Limited.
- Coronation Asset Management Pty) Limited.
- Absa Asset Management (Pty) Limited.
- Afena Capital.
- Argon Asset Management.

In addition, the Fund appointed the following existing asset managers mandated for the property portfolio:

- Meago (Pty) Limited.
- Catalyst Fund Managers SA (Pty) Limited.
- Sortino Fund Managers (Pty) Limited.

The Fund has finalised the details of its incubation programme and additional appointments under this programme will be made during the forthcoming financial year.

Subsequent to year-end Telkom SA Limited (Telkom) unbundled its holding to Vodacom Limited (Vodacom) by disposing of its 50% holding in Vodacom. Altogether 35% of the disposed shares were distributed to Telkom shareholders at a ratio of one Vodacom share for every Telkom share held.

This resulted in the GEPF being entitled to the economic benefits from 32 200 891 Vodacom shares, split as below:

- A total of 27 851 891 shares were acquired by Black Ginger 33 (Pty) Limited, the economic benefits of which accrue to the GEPF.
- A total of 4 349 000 shares were acquired directly by the GEPF as a result of Telkom shares previously owned by the GEPF.

Furthermore, Telkom declared a special divided at a post-tax proceeds of R19 per share, and this has resulted in the GEPF obtaining a special dividend of R611 816 929 post-year-end.

Significant progress has been made in transferring all scrip accounts from the name of the PIC to that of the GEPF.

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