



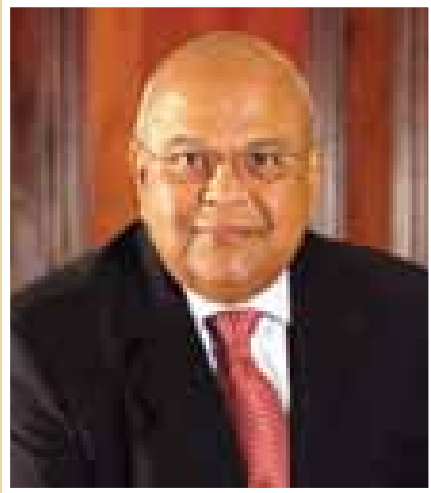
ANNUAL REPORT 2010-2011

GOVERNMENT EMPLOYEES PENSION FUND



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MINISTER'S NOTE TO PARLIAMENT

To the Speaker of Parliament

Annual report of the Government Employees Pension Fund for the year ended
31 March 2011

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 2010 to 31 March 2011.

Pravin Gordhan
Minister of Finance

VISION, MISSION AND VALUES

Vision

The vision of the Government Employees Pension Fund (GEPF) is to be a role model for pension funds worldwide.

Mission

The GEPF is the custodian of a significant portion of the wealth of public servants in South Africa. Our mission is to:

- Ensure timely and efficient delivery of the benefits provided in the rules, and protect pensions against inflation to the maximum extent possible, while maintaining the Fund's financial soundness
- 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 communications
- 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
- Being open to scrutiny and oversight.

By empathy, we mean:

- Working collectively and cooperatively with our stakeholders
- Caring
- Maintaining customer focus.

By professionalism, we mean:

- Acting with due diligence, competence, confidentiality and reliability.

By innovation, we mean:

- Championing research and development in the retirement industry worldwide.

HOW THE FUND WORKS

The Government Employees Pension Fund is Africa's largest pension fund, with 1 242 258 active members and 345 492 pensioners and beneficiaries. We have over R911 billion in assets under management and are the single largest investor in the Johannesburg Stock Exchange (JSE)-listed companies. We also have significant holdings in government bonds, and invest in unlisted equity and property.

Our core business, which is governed by the Government Employees Pension (GEP) Law (1996), is to manage and administer pensions and other benefits for government employees in South Africa. Accordingly, we work to give members and pensioners peace of mind about their financial security after retirement and during situations of need. This is done by making sure that all funds in our safekeeping are responsibly invested and accounted for, and that benefits are paid out efficiently, accurately and on time.

We receive member contributions from our 320 participating employers – including all national and provincial government departments, and the South African National Defence Force – and invest them using a liability-driven approach. This means we take the risk of underperforming liabilities into account in allocating and managing our assets to meet or outperform the Fund's current and future liabilities. Environmental, social and governance (ESG) issues are integrated into our investment decisions and ownership practices to promote long-term sustainability.

The Public Investment Corporation (PIC) is our main investment manager. It manages the equity, bonds, money market and property portfolios. Other investment managers manage a portion of the equities portfolio and some of the other investment classes, most of which are monitored by the PIC on behalf of the Fund. An investment mandate governs our relationship with the PIC and the other investment managers.

The GEPF is a defined benefit fund. When our members withdraw from the Fund upon resignation, retirement or death, we calculate the benefit due to them using a predetermined formula that takes final salary, years of pensionable service and age

into account. See pages 10 to 11 for an overview of member benefits.

As at the last statutory actuarial valuation on 31 March 2010, the GEPF had a funding level of 100 percent, which means that there were sufficient assets to cover actuarial liabilities in full. An actuarial valuation assesses the current solvency and future funding of the value of the pension fund's assets and liabilities. It is conducted by a person qualified to calculate commercial risks and probabilities, who is known as an actuary. The valuation is performed every three years.

The Government Pensions Administration Agency (GPAA) provides us with administration services, which include admitting new members, collecting member contributions, maintaining members' beneficiaries and processing member benefits. Our relationship with the GPAA is governed by a formal agreement.

The Fund is governed and managed by a Board of Trustees, which is made up of an equal number of employer and employee representatives. Full details on the Board of Trustees can be found on page 38 and corporate governance is discussed on page 52.



A person wearing a white lab coat is shown from the side, looking towards a large, glowing, translucent sphere. The sphere is the central focus of the image and has a bright, circular highlight on its surface. The background is a soft, light green color with a subtle gradient. The text is overlaid on the lower right portion of the sphere.

***SECTION I:
OVERVIEW OF
FUND BENEFITS***

Overview of Fund benefits

The GEPF provides benefits to 1 242 258 active members and 345 492 pensioners and beneficiaries. The Fund's 320 participating employers include all national and provincial government departments, the South African National Defence Force and the intelligence services. The benefits are described below, along with examples of how they work in practice.

Retirement benefits

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

- **Normal retirement:** According to Fund rules, the normal retirement age for members is 60. The benefits paid depend on whether a member has less than 10 years of pensionable service, or 10 or more years of pensionable service. Members with less than 10 years of service receive a gratuity (a once-off lump sum cash payment) equal to their actuarial interest in the Fund. Members with 10 or more years of service receive a gratuity and a monthly pension (or annuity). Members who retire with more than 10 years of service can also increase their spouse's annuity entitlement from 50 percent to 75 percent by reducing either the gratuity or the annuity.
- **Early retirement:** Under certain circumstances, members may retire before reaching the normal retirement age of 60. The years of pensionable service also determine the benefits payable. Members with 10 or more years of service receive annuities and gratuities, calculated in the same way as for normal retirement, but with a reduction of a third of 1 percent for each month between the dates of early retirement and normal retirement.
- **Ill-health retirement:** Enhanced benefits are paid when members retire for medical reasons, are injured on duty, or when their

posts are done away with through organisational restructuring. In these circumstances, members are eligible to receive both annuities and gratuities. For members with less than 10 years of pensionable service, the benefits are based on an increased period of service and calculated as a percentage of the member's final salary. If a member has at least 10 years of pensionable service and is discharged on account of ill health, which is not the member's own fault, an annual supplementary amount is paid to him or her.

- **Late retirement:** Members are eligible to 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 can either be paid a gratuity (a once-off cash lump sum) or have their benefits transferred into an approved retirement fund. If the benefits are being transferred, the GEPF pays the member's actuarial interest to the new approved 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 spouse(s) 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(s) 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 once-off cash lump sum.

- **Spouses' 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 percent 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 spouses' annuity benefit from 50 percent to 75 percent.
- **Orphans' annuity:** The GEPF pays annuities to the orphans of members who became pensioners on or after 1 December 2002. Orphans' 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.



A person is sitting at a desk with a laptop, looking at the screen. The image is overlaid with a green gradient and white text. The text reads:

SECTION 2:
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED
31 MARCH 2011

Accumulated funds and reserves as at 31 March

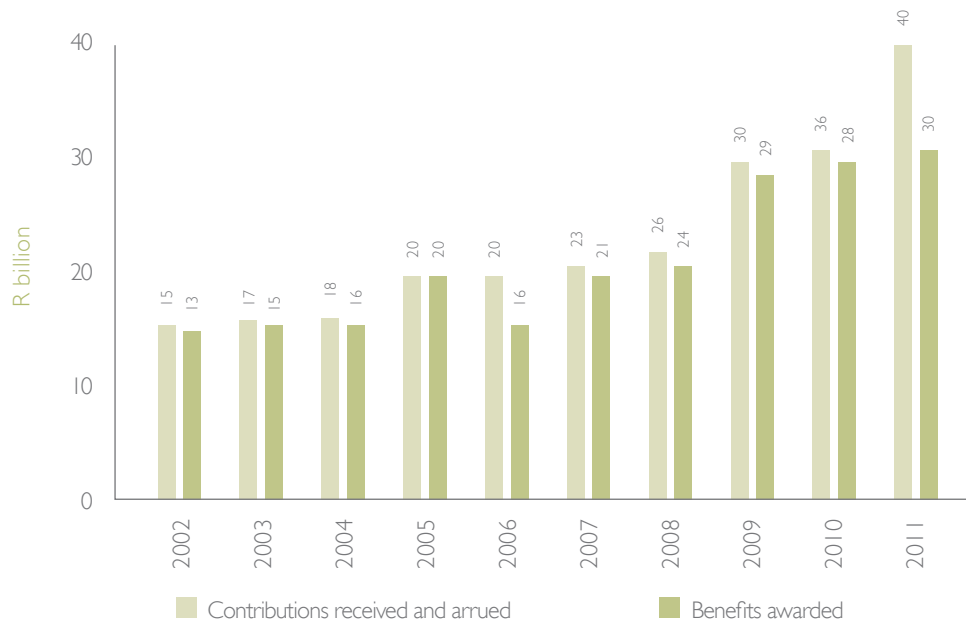


Investment portfolio

The Fund's investment portfolio grew by 14.2% from R798 billion in 2010 to R911 billion in 2011.



Contributions received and accrued and Benefits awarded for the year ended 31 March



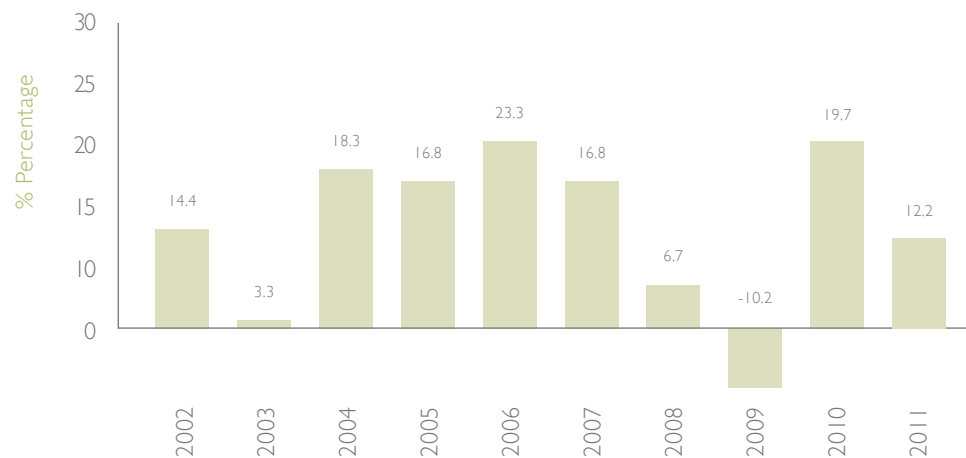
The Fund receives a percentage of members' pensionable salaries as contributions.

Contributions increased by R4 billion from the 2010 year. This increase is due to the increase in membership of 29 708 as well as an average members salary increase of 7.5%.

The Fund awards benefits upon a member's resignation, retirement or death. The Fund also pays funeral benefits.

Benefits paid increased by R2 billion from the 2010 year.

Return on investment for the year ended 31 March



During the reporting period, the Fund's assets yielded an average return of 12.2 percent (2010: 19.7 percent), driven mostly by the equities portfolio. This equates to a net investment income of R105 billion (2010: R153 billion). The decrease is mainly due to the decrease in the movement in fair value for the listed portfolio. It is worth noting that the largest component of the investment income in 2010 was the fair value adjustment comprising about 59%, while in the current year it only comprises 34% of the total net investment income.





***SECTION 3:
CHAIRPERSON'S
REVIEW***

Chairperson's review

The period under review was the first full financial year for which the current Board of Trustees was responsible for the stewardship of the GEPF. It was also my first full financial year as the chairperson of the Board.

Strategic priorities: 2010 to 2013

- Gear up for and influence social and pension reform.
- Forge strategic alliances with all major current and future partners.
- Acquire capabilities for best practice pension administration.
- Brand the GEPF by significantly enhancing its reputation.

The Minister of Finance inaugurated the new Board on 22 September 2009, and we immediately began developing our strategic priorities for the period 2010 to 2013. These priorities build on the work of the previous Board, and are informed by our vision to be an international role model for pension funds. Fulfilling this vision will allow the Fund to extend its positive impact on the lives of its members and pensioners to a broader section of South Africans. As the largest pension fund in Africa, we believe this to be both a responsibility and an opportunity to boost development throughout the continent.

Operational goals: 2010 to 2013

- Manage and implement the outsourcing of the administration function.
- Coordinate and ensure sound governance, risk management and compliance.
- Apply optimal resourcing and succession planning.
- Empower the trustees.
- Simplify the rules of the Fund.
- Revise and implement a treasury management policy and procedure.
- Continue to implement the Responsible Investment Policy.

Our vision guides the Board and its committees, as well as the GEPF's management of daily operations. As a result, the Board's crucial operational goals are also informed by this vision.

The Fund's financial highlights for the year (see pages 14 and 15) include an update on our progress towards achieving these strategic and operational goals. Key achievements during the reporting period are briefly discussed below.

Investments

As in the previous financial year, our investment performance for 2010/11 was positive. The Fund yielded returns of 12.2 percent despite continued volatility in global investment markets.

In previous years, the Board approved a strategic asset allocation that forms part of the Fund's investment mandate to the PIC. This mandate is reviewed annually and directs how the PIC manages the Fund's assets, including which asset classes (local and foreign equities, bonds, private equity, and so on) it may invest in on behalf of the Fund and the proportion of the Fund's investments allowed in each asset class.

In addition to the PIC mandate, our Responsible Investment Policy – which places ESG concerns at the heart of our investment strategy – and our Developmental Investment Policy guide our investment decisions. These policies position the Fund to deliver solid returns while addressing socioeconomic imbalances and supporting development. These investment policies have made the GEPF a world leader in sustainable investment.

The policies are rooted in the understanding that South Africa cannot develop in isolation. The ability of African countries to grow their economies and spread the benefits of such growth will support greater political stability. In turn, these developments will also help to ensure South Africa's long-term growth and stability.

The Board has, in the strategic asset allocation, set aside 5 percent of the Fund's portfolio for investing in developmental projects – mostly infrastructure projects in South Africa. The Fund has also set aside another 5 percent to pursue opportunities elsewhere in Africa. Thus far, we have invested in the Isibaya Fund and the Pan-African Infrastructure Development Fund (PAIDF). To date, 0.6 percent of our portfolio is invested in Isibaya Fund and 0.1 percent in the PAIDF. These are long-term investments, but they are already beginning to have financial and social impacts.

Responsible Investment Policy implementation: 2010/11 highlights

Johannesburg Stock Exchange Socially Responsible Investment Index collaboration

The GEPF partnered with the JSE to research and analyse companies to be included in the Socially Responsible Investment (SRI) Index and to develop ESG data. This collaboration could have significant mutual benefits for the Fund and the JSE, and will boost the consideration of ESG concerns in investment practice. The Fund will consider the JSE SRI Index data in its engagements with investee companies on broader sustainability concerns.

Proxy voting records

The Responsible Investment Policy commits the Fund to reporting on its implementation. This includes reporting on ESG integration in investment decisions, voting, engagement and other active ownership practices. In their fiduciary role, the trustees have a responsibility to exercise the GEPF's ownership rights and privileges. This includes signalling concerns and encouraging change in the investment portfolio. The Fund publishes the records of all proxy voting decisions.

Emerging Markets Disclosure Project

The Emerging Markets Disclosure Project is a collaboration among international investors to encourage greater ESG disclosure in emerging market companies. The Fund is an active participant in the project. The GEPF communicated with each of the JSE top 40 listed companies that were excluded from the JSE SRI Index to discuss the need to improve their overall ESG disclosure, which should lead to their inclusion in the index.

Carbon and Water Disclosure Projects

The Carbon Disclosure Project collects data on climate change, carbon emissions and water from more than 2 000 large companies around the world. It encourages greater transparency through data collection. The Fund is a signatory to both the Carbon Disclosure Project and its associated water disclosure initiative. The Carbon Disclosure Project hosts the world's largest database of self-reported corporate greenhouse gas data and corporate climate change strategies. The water disclosure project collects water-related data from the world's largest corporations to inform the global marketplace about investment risks and commercial opportunities.

Governance

The accompanying financial statements for the year ended 31 March 2011 received an unmodified audit opinion from the independent auditors. The Fund has received unmodified audit opinions since its inception in 1996.

The Board works continually to strengthen our corporate governance structures. The Board is governed by a Board charter that covers the conduct and responsibilities of trustees, their

governance obligations, Board remuneration and expenses, and risk management requirements.

We approved a final version of the trustee code of conduct in June 2010 and assessed trustee training needs, which allowed us to provide specific training to Board members based on individual knowledge gaps. We also approved a formal Board member training and development policy for new and existing trustees.

As we continue to improve our reporting, the GEPF will work to incorporate the recommendations of international organisations such as the Global Reporting Initiative and the International Reporting Committee, and South African bodies such as the King III commission and the Integrated Reporting Committee. We expect that our next annual report will take further steps in integrated reporting, building on the sound foundation laid by the GEPF's groundbreaking work in responsible investing and developmental investing, and our progress toward our strategic goals.

Benefits administration

With effect from 1 April 2010, the GPAA was established, achieving one of the Board's operational goals. The agency's mandate is to administer pensions on behalf of the GEPF. Its establishment is in line with our vision: we are now aligned to industry best practice.

This step will benefit our members and pensioners, as GEPF management can now focus on duties related to issues core to the Fund – managing investments, enhancing sound governance practices, and monitoring compliance with laws and regulations. It also means that there is now an agency whose sole duty is to improve the service provided to members and pensioners.

To that end, the GPAA continued to implement the Board-approved programme to modernise its systems and processes. As the South African Revenue Service (SARS) has recently successfully modernised

its systems and processes, the Minister of Finance gave approval for SARS to assist in the GPAA's modernisation programme. The GPAA also held road shows with members and pensioners to educate them on how they can contribute to a better-managed pension administration system.

Influencing social and pension reform

The GEPF participates in the retirement reform process through industry bodies such as the Association for Savings and Investment South Africa. The Fund will only be able to establish the full impact of the retirement reform initiatives after the National Treasury has issued the third discussion paper on this matter. The GEPF has established an internal task team to investigate the impact that compulsory compliance with the Pensions Fund Act may have on the Fund.

Subsequent to the financial year end, the National Treasury published a draft bill to introduce the "clean-break" principle into the GEP Law. The amendment would allow for a pension interest in the Fund that has been divided by a divorce order to be defined as the benefits to which a member would have been entitled if the membership was terminated on the date of divorce or dissolution of a customary marriage. In summary, it would allow the Fund to pay out benefits to the divorced spouses of members – something that is prohibited under the existing legislation. The amendment to the law is to bring the GEPF rules in line with other South African pension funds, which already have the clean-break principle in place. The Cape High Court, also subsequent to the financial year end, ruled that in this respect the existing GEP Law was unconstitutional. However, as efforts were already under way to amend GEP Law, the court gave the government a year to enact the amendment.

Appreciation

This report clearly sets out how the GEPF pursues its goals, keeping the interests of its members and pensioners at heart. It also shows

how we seek to have a positive impact on South Africa and the rest of Africa, and act as a role model for pension funds globally.

I appreciate the dedication shown by the members of the Board of Trustees in following our vision. I would also like to thank the Principal Officer, the management team and all Fund employees for their commitment to realising our objectives.

The Board acknowledges the contributions made by the Acting Principal Officer, Ms Adri van Niekerk, and thank her for stepping into the Principal Officer role after the departure of the former Principal Officer.

A handwritten signature in black ink, appearing to read 'Arthur Moloto', with a long horizontal flourish extending to the right.

Arthur Moloto

Chairperson of the Board of Trustees





***SECTION 4:
PRINCIPAL
OFFICER'S REPORT***

Principal Officer's report

During 2010/11, the GEPF continued to build on its achievements by increasing the value of our investments, strengthening our sustainable investment practices and creating a separate administration agency.

Responsible investing

The GEPF, as a founding signatory to the United Nations-backed Principles for Responsible Investment (PRI), has been active in international and local initiatives to promote responsible investing. The Fund launched its Responsible Investment Policy in 2009/10, which was followed by its Developmental Investment Policy. The GEPF has been working with other players in the South African investment industry to encourage a more widespread integration of ESG issues. This included ensuring that regulations applicable to institutional investors, such as Regulation 28 to the Pension Funds Act and the Code for Responsible Investing in South Africa, also have ESG considerations.

The Fund collaborated with other local and international signatories to launch the PRI South Africa Network in 2009. The local network has 34 signatories and three working groups focusing on awareness and recruitment, engagement, and integration of the principles in South Africa.

The GEPF's Responsible Investment Policy commits the Fund to active ownership practices and to the integration of ESG across its investment portfolio. It highlights our commitment to delivering healthy returns for our members and pensioners, while directly contributing to South Africa's economic development.

The GEPF, with the support of the PRI South Africa Network, spearheaded the establishment of a committee, which I chair, tasked with developing a Code for Responsible Investing in South Africa. The code was launched in July 2011, making South Africa the second country in the world to have a code for institutional investors. The code recognises the importance of integrating sustainability issues, including ESG, into long-term investment

strategies. These issues are especially important because South Africa has a non-mandatory, market-based code of governance for companies (the King Report on Corporate Governance), as opposed to legislation. By virtue of their share ownership, institutional investors are able to influence and encourage the companies in which they invest to apply sound governance principles and to care for the environment in which they operate. The Code for Responsible Investing sets out the governance duties of institutional investors in relation to overall governance, including engagement with companies on ESG issues.

The Fund appointed an ESG manager during 2010/11 to increase its capacity for ESG implementation. The GEPF also established an ESG working committee made up of senior investment professionals from the GEPF and the PIC.

Many of the code's principles already find expression in the GEPF's Responsible Investment Policy and its Developmental Investment Policy. The former policy applies to all investments made, and the latter is aimed at high-impact investing within a section of the portfolio. The Fund's most significant developmental investments are in the Isibaya portfolio, which is managed by the PIC, and in the PAIDF, which is managed by Harith Fund Managers.

Isibaya Fund

At 31 March 2011, the GEPF had invested R5.5 billion (2010: R5.3 billion) in the Isibaya Fund, representing 0.6 percent of GEPF assets. The Board-approved allocation for this investment is 5 percent of the total GEPF portfolio.

The Isibaya Fund provides finance for projects capable of generating good financial returns, while supporting positive economic, social and environmental outcomes for South Africa over the long term. The focus on developmental investments demonstrates the GEPF's commitment to its obligations as a signatory to the PRI, which ultimately benefits South Africa.

During 2010/11, the Isibaya Fund accelerated investments in developmental projects in four areas:

- Economic infrastructure, including projects in energy, telecommunications, logistics, commuter transport and water infrastructure
- Social infrastructure, including projects in education, affordable housing and healthcare
- Economic growth and transformation, investments in sectors that foster growth, job creation and broad-based black economic empowerment, particularly in priority sectors identified by government's Industrial Policy Action Plan, including agriculture, agro-processing, alternative energy and environmental projects
- Environmental sustainability, with a focus on renewable energy generation and clean technology, as well as firms, funds and projects active in the environmental goods and services sector.

In each area, the Isibaya Fund will maintain a balance between social impact and financial returns. The GEPF has developed an ESG framework to measure the impact of Isibaya's unlisted investments on issues such as job creation, job retention, poverty alleviation, black economic empowerment and regional upliftment. Social impact metrics will be developed for different categories of investments.

During 2010/11, the Isibaya Fund approved R3 billion in deals across the four focus areas. Investment in developmental projects has seen the exposure to private equity reduce from 84 percent in 2009/10 to below 50 percent in 2010/11. Reporting period highlights are outlined below.

School and Education Investment Fund

This fund aims to promote efficient delivery of school infrastructure, effective management of schools and facilities, and better-quality education. The fund will partner with established property developers and facility managers to address all three areas. A parallel Education Grant Fund will be established to improve the quality of education.

The GEPF, through the PIC, will participate in the investment fund. The grant fund will include South African and international donor organisations.

Key activities will include purchasing or leasing land for independent low/middle-income schools, and developing and maintaining their buildings. The fund will also finance the operation of not-for-profit independent schools for low- and middle-income learners.

The fund's target size is R6 billion and the GEPF, through the PIC, has committed R1 billion.

Educational loans

An organisation that specialises in educational loans provides finance to individuals who do not qualify for finance through the formal banking sector. To date, it has provided about R2 billion in loans to more than 500 000 students, mostly from historically disadvantaged backgrounds.

More than 95 percent of the organisation's clients are government employees or students sponsored by state employees. At the close of the reporting period, the effective interest rate charged to students was 16.2 percent, before any fees are added to the repayment schedule. In addition to interest, a monthly administration fee of R35 and an initiation fee of R285 are charged.

The total funding requirement is R274 million and PIC's participation is R130 million.

Housing Impact Fund

The Housing Impact Fund addresses South Africa's housing backlog. An investment organisation approached the PIC to raise R1 billion, which is 10 percent of the total target fund size of R10 billion.

The fund aims to invest in low-cost housing and ancillary projects, with a focus on affordable housing delivery and, to a lesser extent, housing finance.



Low Cost Housing



Low Cost Housing

The fund's investment strategy is to focus on investments that provide houses for individuals earning less than R15 000 per month (60 percent of the fund), with the remainder going to those earning between R15 000 and R30 000 per month.

The fund invests in greenfield projects, existing building or precinct redevelopment, social housing, inner-city rental properties and rental property portfolios, niche financial end-user products (including micro finance), mortgage products, and associated services (schools, clinics, community facilities, and so on).

The housing fund is expected to provide 150 000 housing units, either through greenfield developments or rental accommodation, over the next five to eight years. It will create jobs for contractors and part-time employees. In addition, developers will establish labour desks to employ people from local communities and build their skills.

Woman's Development Business Micro Finance

This initiative provides income-generating micro finance to poor rural women and enhances their positions in households and communities. The businesses fostered by this project create jobs and generate income, supporting better nutrition, education and housing. The PIC's participation is R20 million.

PIC funds support the expansion of this project in KwaZulu-Natal, Limpopo, Eastern Cape and Mpumalanga.

Pan-African Infrastructure Development Fund

As at 31 March 2011, the GEPF had R825 million (2010: R597 million) invested in the PAIDF.

The PAIDF vision is to create a financing platform for infrastructure development that will accelerate Africa's growth. The PAIDF seeks to play a critical role in helping African economies meet the capital requirements in financing infrastructure investments to enable the continent to achieve sustainable growth. The fund's sector targets are energy, telecommunication, transport and water.

The developmental impact of the PAIDF portfolio of investments is still in its infancy, because such investments typically have a long lead time, but its effects are beginning to be felt throughout Africa.

The GEPF invests in this fund because growth and development of South Africa's economy is inextricably linked to development elsewhere in Africa. We believe that investing in the PAIDF will be socially and financially beneficial to our members and pensioners.



Women's Development Fund

The PAIDF's investments as at 31 March 2011 were:

- SeaWolf Oilfields Group, a Nigeria-based oil rig leasing service.
- Aldwych Holdings Limited, an Africa-focused independent power producer with investments in Kenya, South Africa, Zambia and Senegal.
- Essar Kenya Telecoms Limited, a cellphone operator based in Kenya.
- Main One Cable Company, the West Coast subsea broadband telecommunications cable.
- Community Investment Ventures Holdings, a sub-Saharan inter-terrestrial broadband telecommunications investor.
- TAV Tunisie, which runs two airport development projects in Tunisia.
- Dark Fibre Africa, which installs, maintains and operates subterranean ducting infrastructure capable of dark fibre optic network services in South Africa. "Dark fibre" refers to cable that has been laid but is not yet in use.

The PAIDF's committed equity of US\$340 million has participated alongside capital of about US\$2.7 billion. This investment has created over 3 000 direct jobs and 15 000 indirect jobs in Africa.

PAIDF's Integrated Report 2011 and Developmental Impact Report 2011 are available from <http://www.harith.co.za/investment-approach/reports/>.



Pan-African Infrastructure Development Fund



Network Operation and maintenance

Investment performance

As at 31 March 2011, the GEPF's accumulated funds and reserves were R914 billion, an increase of R113 billion from R801 billion a year earlier.

During the reporting period, the Fund yielded an average return of 12.2 percent (2010: 19.7 percent), a decrease of 7.5% compared to the prior year. This is due to a reduction in net income of R45,8bn during the current financial year compared to the previous year mainly due to the decrease in the movement in fair value for the listed portfolio. Conversely, the total assets increased by R112.1bn primarily due to the increase in investments.

Asset class	Lower limit %	Approved asset allocation %	Upper limit %
Cash	0%	4%	8%
Domestic bonds	26%	31%	36%
Domestic property	3%	5%	7%
Domestic equity	45%	50%	55%
African (ex SA) equity	0%	5%	5%
Foreign bonds	0%	2%	4%
Foreign equity	1%	3%	5%

The Fund follows a liability-driven approach to investing to determine how much to allocate to each asset class. At any given point during the year, at least 50 percent of GEPF's assets are invested in listed equities, the majority of which are managed passively. The Fund's passive equity portfolio is invested in JSE-listed companies according to the benchmark weightings of the adjusted JSE Shareholder Weighted Index.

The GEPF regularly conducts asset-liability modelling to ensure that its assets are invested in a way that is consistent with its liability structure. Based on the latest asset-liability modelling study, the Board, in consultation with the Minister of Finance, approved a revised strategic asset allocation to include significant exposure to other African and developed markets.

The PIC manages equity, bonds, and money market and property portfolios internally. A component of the equities portfolio and

certain other investment classes are outsourced to external portfolio managers, most of which are monitored by the PIC on the Fund's behalf. The external asset managers are listed on the page 73. Various other managers are involved with special investments and related products.

Member education and communication

The GPAA communication and customer relations business unit is responsible for stakeholder communication and education on behalf of the GEPF and the Board. GEPF members and pensioners are spread across all nine provinces. The GEPF, through the GPAA, has a presence in all provinces to ensure seamless access to all stakeholders. Regional offices are located in Durban, Pietermaritzburg, Bisho, Port Elizabeth, Mthatha, Kimberley, Nelspruit, Cape Town, Mmabatho, Bloemfontein, Polokwane, Pretoria (head office) and Johannesburg.

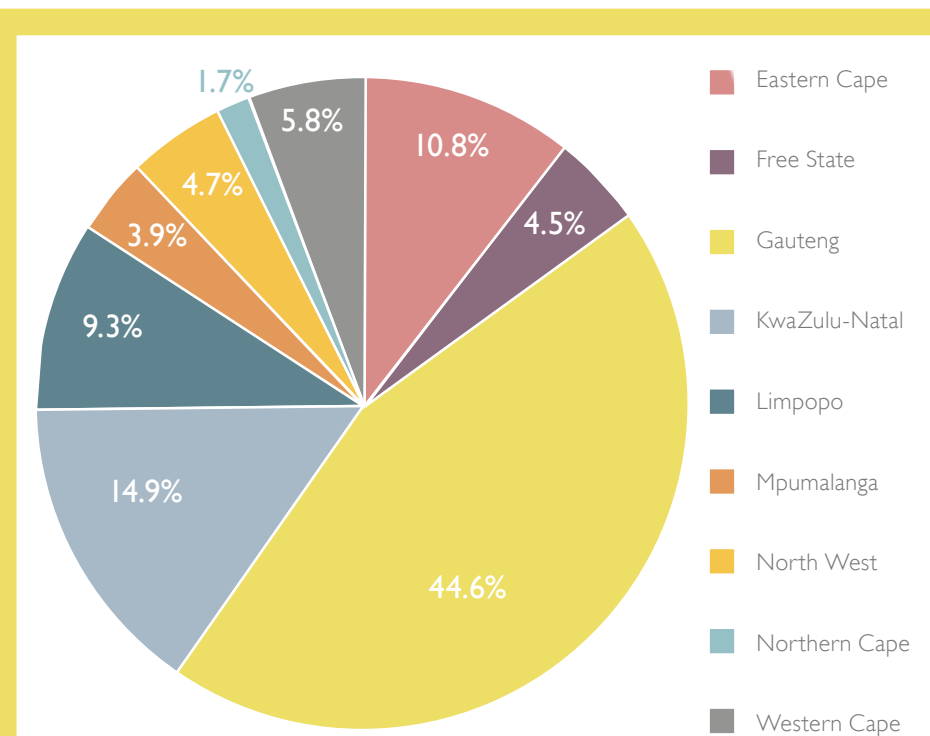


Figure 1: Members by location

Participating employer departments with active members have client liaison officers who visit daily. The client liaison officers and regional offices enable one-on-one interactive communication, education and customer service for members.

During the reporting period, the GEPF worked to strengthen its community road show programme, which was launched in 2008/09. The programme improves the Fund's interaction with members, pensioners and beneficiaries, including those living in remote areas.

The road shows educate members and pensioners about their rights and obligations, and the Fund's services and benefits. It allows for direct interaction and exchange of ideas with GEPF managers.

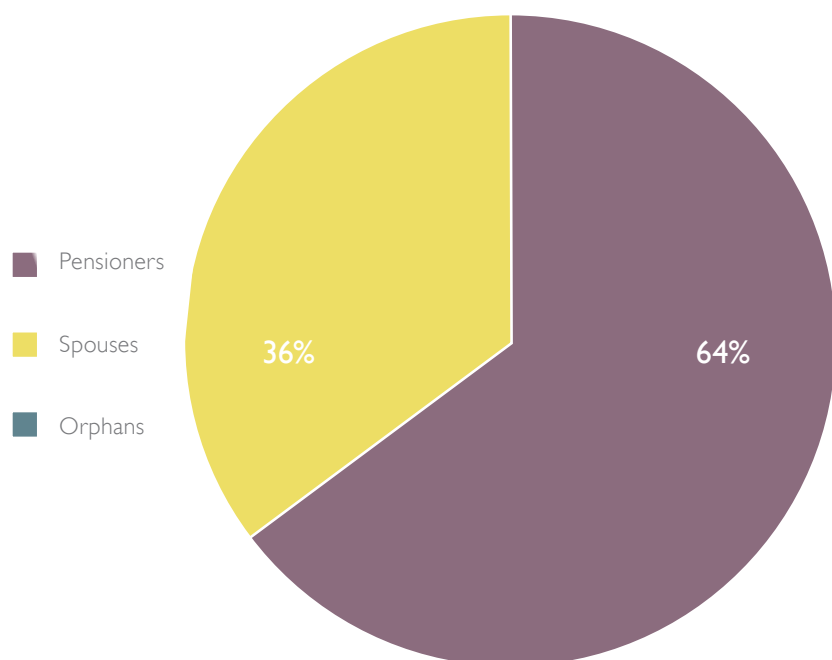


Figure 2: Pensioners categories

During the reporting period, the Fund held nine community road shows, compared with six during the previous year.

In addition, human resources staff from regional and district employer departments, as well as pension fund brokers in the districts, held a series of forums that took place on the day before the road shows. These forums are used to strengthen relationships and to hear suggestions about improving Fund benefits. They provide a more personal level of engagement with Fund members and pensioners.

A day with GEPF members and pensioners in the Eastern Cape

On 19 February 2011, the GEPF held road shows in East London, Mthatha and Port Elizabeth.

The road shows aim to build relationships, ensure that members and pensioners understand the Fund's services and processes, and offer a platform for clients to raise concerns. The Eastern Cape events were held to provide services and information to the 130 764 members, 19 500 pensioners, over 7 000 spouses and 39 orphans living in the province who rely on the GEPF.

Eastern Cape members, pensioners and beneficiaries did not disappoint. More than 1 500 people attended each event.

Many participants expressed their appreciation for the meetings: "I am really overjoyed about the information that the GEPF has given to me," said one. "I am now in a better position to understand processes and procedures involved in processing our claims and how the money is saved for our retirement. I am also pleased to know that there is an office in the province to ensure that our claims are processed quicker."

The road shows were also informative for the Fund. Attendees raised some issues that the GEPF needed to attend to, including delays in claim payments and lack of knowledge about the regional office, the right time to retire and the funeral benefit. Pensioners also deemed the pension increase to be insufficient.

Given the success of these events in the Eastern Cape, the GEPF plans to take its road shows to other parts of the country.



Pensioners in the Eastern Cape

Establishment of the Government Pensions Administration Agency

The GPAA was established on 1 April 2010 to serve as GEPF's administration agency. Its formation marked a key achievement in the strides we are making to improve the quality and timeliness of service to our members and pensioners. The relationship between the GPAA and the GEPF is managed by an administration agreement and a service-level agreement (SLA).

The administration agency produces its own annual report. Highlights of GPAA activity during the reporting period were as follows:

- The GPAA partnered with SARS to modernise its processes and systems. The benefits of this upgrade are expected to be realised quickly. The agency also began to increase its employees' skills to meet the demand for improved service delivery. The modernisation programme aims to improve business processes

and governance; invest in improved information and communications technology infrastructure and facilities; improve customer service, outreach and education; improve employer departments' interface and reporting; enhance employee capabilities; and forge strategic alliances with current and future partners.

- The agency reduced backlogs of benefit payments by 66 percent, from 14 036 to 4 741. A total of 3 013 of the remaining cases are with the employer departments to validate and provide additional information, as little or no information is available. A task team has been established to investigate and finalise the remaining cases.
- The GPAA has also begun to realise benefits from its regional office network, allowing it to service 1 242 258 members and 345 492 pensioners.

Post year-end activities

The Fund has launched a branding exercise to position itself as a leader in the pension fund industry in South Africa and globally. As part of this exercise, the Board has commissioned a research company to conduct research on the current brand experience of active members, pensioners, employees, service providers and other interested parties.

The Board has also commissioned, through the Benefits and Administration Committee, research projects to enhance some current benefits. Projects under way include the establishment of a preservation fund and an additional voluntary contribution scheme.

John Oliphant

Acting Principal Officer

Government Employees Pension Fund



A person with curly hair, wearing a pink shirt, is shown in profile on the left side of the frame, looking towards a bright, sunny outdoor scene. The background is a soft-focus landscape with green foliage and a large, bright sun in the upper right corner, creating a warm, golden glow. The text is overlaid on the right side of the image.

SECTION 5:
The Fund structure

The Fund structure

The Office of the Principal Officer consists of the Principal Officer and a management team. They support the Board of Trustees, ensuring that the GEPF acts in the best interests of its members, pensioners and beneficiaries. This office is also responsible for day-to-day operations.

The management structure consists of the Principal Officer, the head of corporate services, the head of investments and actuarial, and the head of the Board secretariat.

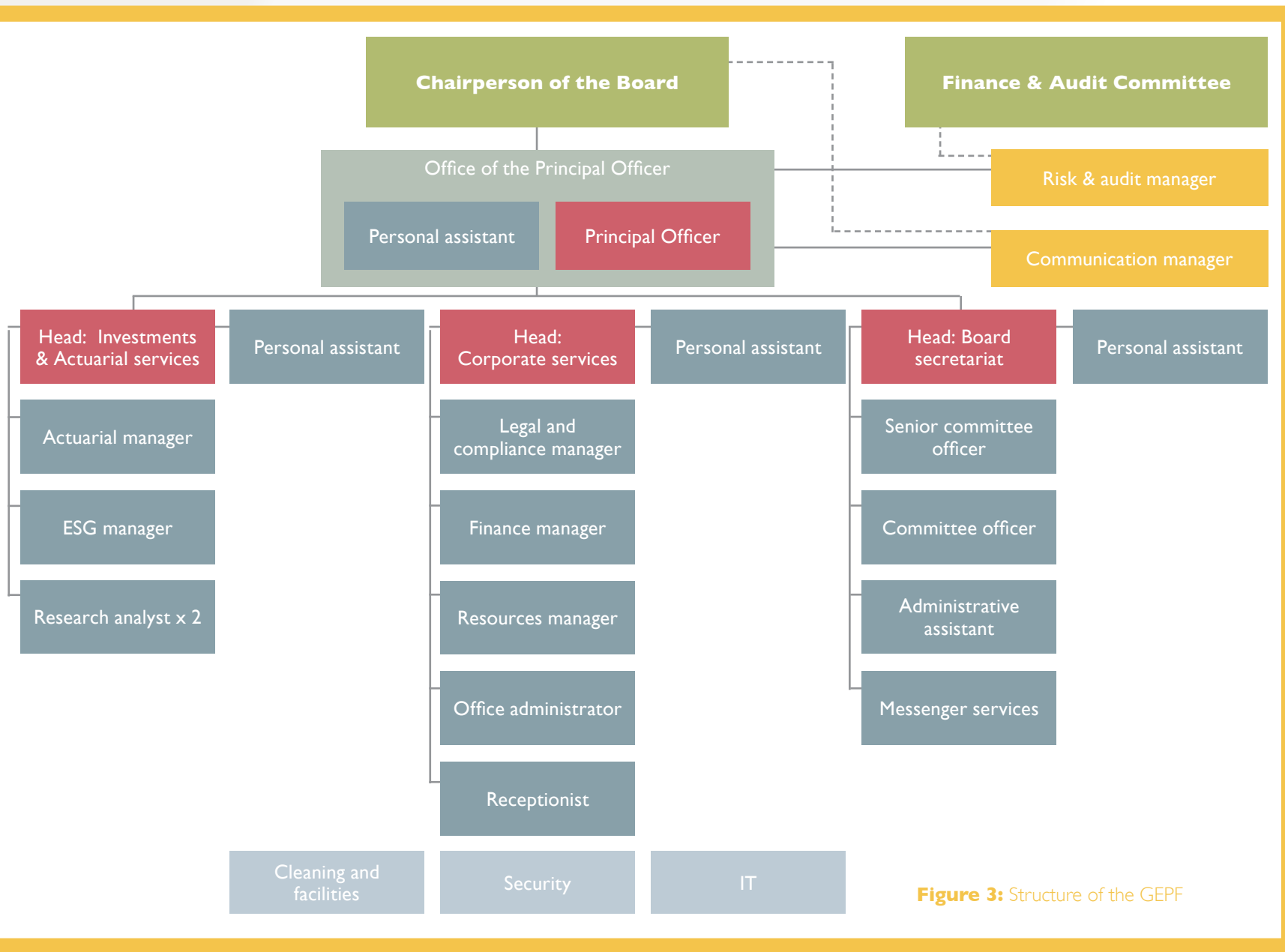


Figure 3: Structure of the GEPF

The Principal Officer assists the Board in meeting its fiduciary and oversight obligations in line with GEP Law, and other laws and regulations. The Principal Officer also represents the GEPP on a policy level, and has the overall responsibility for financial reporting and disclosure, consolidating and amending the Fund's rules and valuating liabilities and assets. The Principal Officer implements all Board decisions and gives effect to the Board's strategy.

The Principal Officer is further supported in this role by the risk and audit manager, and a communications manager. The Principal Officer's report to stakeholders appears on page 23.





***SECTION 6:
THE BOARD OF
TRUSTEES***

The Board of Trustees



Mr Arthur Moloto

Chairperson of the Board of Trustees

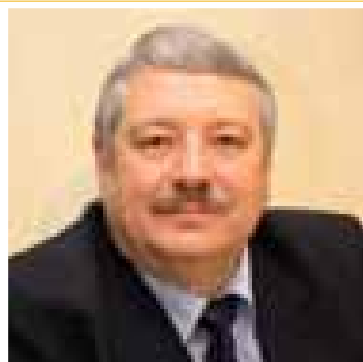
- University of Limpopo: BA (Education)
- University of Limpopo: BA Hons (Development Studies)
- University of London: Postgraduate Diploma (Economic Principles)
- Board Chairperson: Pan-African Infrastructure Development Fund
- Member of Parliament
- Member: Portfolio Committee on Energy and Auditor-General



Mr Prabir Badal

Vice Chairperson of the Board of Trustees and Chairperson of the Finance and Audit Committee

- National Diploma (Cost and Management Accounting)
- HDip Tax - Local & International Tax
- Programme Investment Analysis & Portfolio Management
- National Treasurer: NEHAWU
- Tax auditor: South African Revenue Service



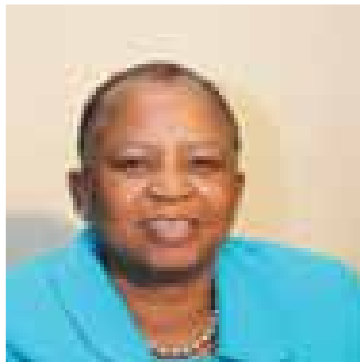
Brigadier General Dries de Wit

Chairperson of the Benefits and Administration Committee

- Director: Human Resource Strategy and Planning of the Department of Defence, Defence Headquarters
- SA Defence Force Personnel Specialist of the Year (1992)
- South African Air Force Individual Productivity Award (Gold) (1996)
- Tertiary qualification (human resource management)

**Mr Kenny Govender**

- Deputy Director-General: Human Resource Management and Development

**Ms Cecilia Khuzwayo**

Chairperson of the Governance and Legal Committee

- BCom (Law)
- Chairperson: National Energy Regulator of South Africa
- Advanced coaching practice
- Managing Partner: BMK Leadership Coaching Consultants

**Mr Mpho Kwinika**

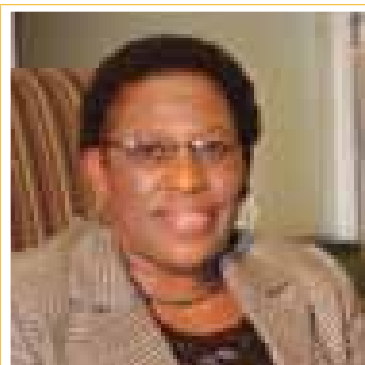
- National Diploma (Policing)
- President: South African Police Union
- Chairperson: Sililanabo South African Police Union Trust Fund

The Board of Trustees



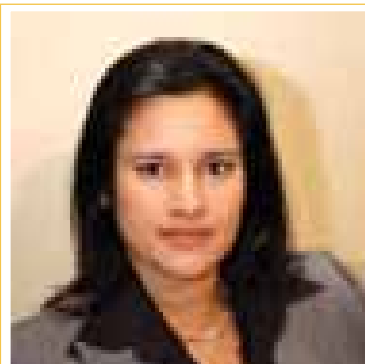
Dr Frans le Roux

- University of Stellenbosch: DCom (Economics)
- Former Chairperson: Public Investment Corporation Executive Committee
- Former Deputy Director-General: Financial Management, National Treasury
- Former Chief Executive Officer: Government Employees Pension Fund



Dr Mary Ledwaba

- Cheyney University, Pennsylvania: BA (Psychology) Howard Cheyney University, Pennsylvania: MEd (Masters in Educational Administration)
- Howard University, Washington, D.C: PhD (Sociology)
- Chief Director: Human Resource Strategy and Policy, Department of Defence
- Member: South African National Defence Force Military Academy Institute
- Executive board member: South African National Chapter of the African Association for Public Administration and Management



Ms Fagmeedah Lurie

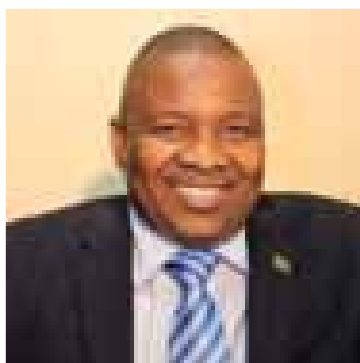
Chairperson of the Communication and Education Committee

- Fellowship of the Institute of Actuaries, Oxford, United Kingdom (1999)
- University of Cape Town Graduate School of Business: Postgraduate Diploma (Management Practice)
- Fellow of the Actuarial Society of South Africa (2000)
- University of Cape Town: Bachelor of Business Science (Actuarial Science)
- Associate: Financial Planning Institute
- Member of the Institute of Directors



Ms Marion Mbina-Mthembu

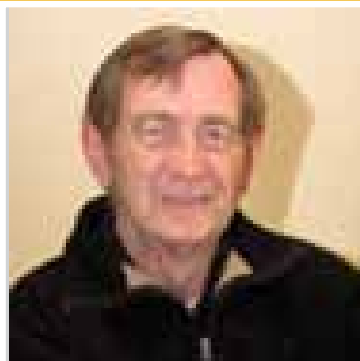
- BCom Accounting (Cost and Management Accounting and Business Administration)
- Associate cost and management accountant: Institute of Cost and Management Accountants
- Deputy Director-General: Corporate Services, National Treasury



Mr Sebenzile Patrick Mngconkola

Chairperson of the Investment Committee

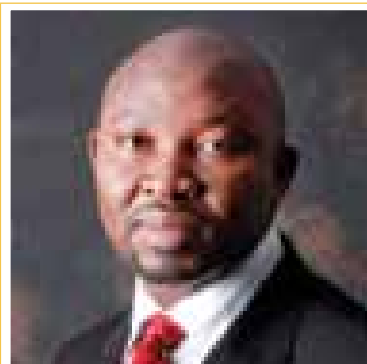
- Board member (Non-Executive Director: Public Investment Corporation (PIC)
- Cape Peninsula University of Technology: BTech (Business Administration)
- Southern Business School: Bachelors Degree (Human Resources Management)
- University of South Africa: National Diploma (Police Administration)
- Member of the Institute of Directors in Southern Africa (IoD-SA)
- University of South Africa: Programme in Forensic and Investigative Auditing
- Deputy Director: Secret Services Account, Crime Intelligence, South African Police Service, Western Cape.



Mr Hans Murray

- BAdmin Hons
- Hospersa representative: Public Service Coordinating Bargaining Council and Public Health and Social Development Sector Bargaining Council
- Hospersa national researcher

The Board of Trustees



Mr Thobile Ntola

- President: South African Democratic Teachers Union
- School principal: Chulekile Senior Secondary
- Member: South African Communist Party Central Committee



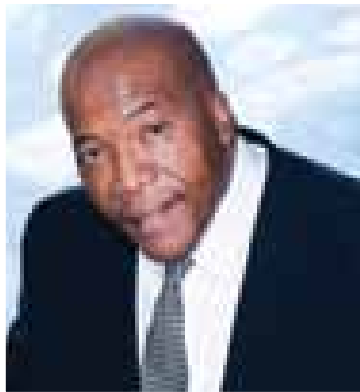
Mr SG Padayachee

- BPaed (Primary Education)
- BA Hons (History)
- MBA (Negotiations)
- Acting Deputy Director General: Planning, Information and Assessment - Department of Basic Education



Mr Paul Sello

- BA Hons (Penology)
- LLB
- Chairperson: Public Service Association Board of Directors



Mr Zakhele Sithole

- University of Zululand: BCom (Accounting)
- University of Witwatersrand: Higher Diploma in Tax Law
- University of Witwatersrand: Higher Diploma in Company Law
- CFE (CA) SA
- Public Accountants and Auditors Board: Qualifying examination
- Board member: Public Investment Corporation
- Chairman: Board of directors, Command Holdings Ltd
- Chairman: Audit committee, Allied Technologies Limited
- Board member: South African Airways
- Board member: Growthpoint Limited

Executive management



Mr John Oliphant

Acting Principal Officer & Head: Actuarial and Investments

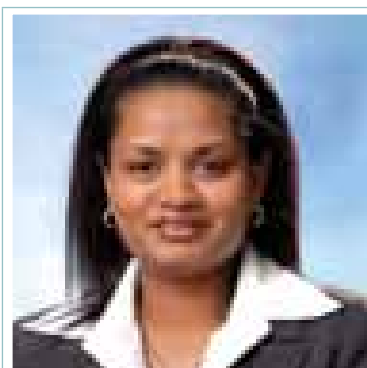
- Wits University: BSc (Actuarial Science)
- Wits University: BSc (Honours) Advanced Mathematics of Finance
- Board member of the UN backed PRI
- Chairman of the PRI South African Network
- Chairman of CRISA
- Member of the Investment Committee of the PAIDF
- Member of the Investment Sub Committee of the SABS Board
- Member of the JSE SRI Advisory Committee



Ms Adri van Niekerk

Head: Board Secretariat

- University of Pretoria: BAdmin Public Management
- University of Pretoria: Honours Degree in Public Management
- Member of the Integrated Reporting Committee of South Africa



Ms Joelene Moodley

Head: Corporate Services

- University of Durban, Westville: B Proc
- University of Durban, Westville: LLB
- University of Pretoria: LLM Corporate Law
- UNISA: Advance Programme in Risk Management
- Board Member of Compliance Institute South Africa

Investments and actuarial

The head of investments and actuarial monitors and manages the GEPF's assets and liabilities, and is responsible for conducting actuarial valuations, asset-liability modelling, advising the Board on investment strategy and execution, and overseeing the implementation of the Responsible Investment Policy.

Corporate services

The head of corporate services manages and oversees the internal operations and corporate services within the Office of the Principal Officer. This includes the management of legal and compliance, human resources, information technology, finance, and facilities management.

Board secretariat

The head of board secretariat ensures that the Board practises good governance at all times, and provides an executive secretariat function to the Board and its committees.

Commitment to employment equity

The GEPF is committed to being an equitable institution. We strive to provide a challenging yet nurturing work environment that respects diversity and upholds dignity. The Fund works to empower its staff to achieve their potential.

During the reporting period, the Board approved an employment equity policy that aims to build a culture of respect for human dignity, sensitivity and a sense of belonging, non-marginalisation, empowerment, transparency and the avoidance of tokenism.

Our commitment to employment equity in practice is evident in the table and figure below. About 80 percent of GEPF staff, and 66 percent of executive management, are African, Indian or Coloured.

Employment equity

Level	African		Coloured		Indian		White		Total		Vacant
	M	F	M	F	M	F	M	F	M	F	
Executive management	1	0	0	0	0	1	0	1	1	2	1
Middle management /specialists	3	1	0	1	0	0	1	0	4	2	4
Support staff	1	4	0	1	0	0	0	1	1	6	2
Total	5	5	0	2	0	1	1	2	6	10	7

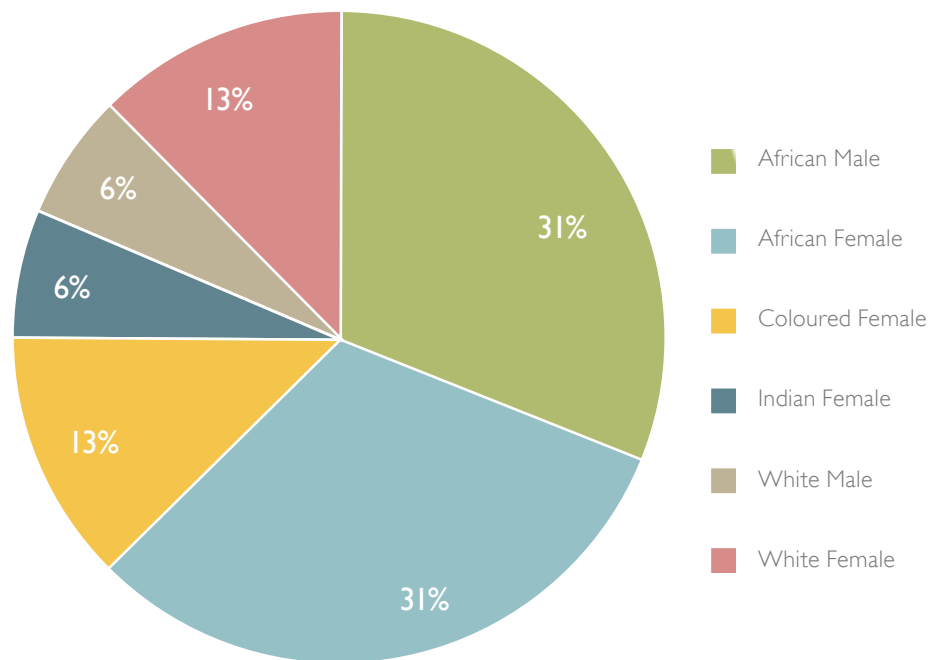


Figure 4: Employment equity by percentage

The GEPF's employees are crucial to our success. Consequently, we endeavour to make the Fund an employer of choice and a great place to work. During the reporting period, we launched several initiatives

to support these goals, including an employee assistance programme, leadership development and executive coaching, and employee performance awards.





SECTION 7:
PROGRESS AGAINST
STRATEGIC PRIORITIES
AND OPERATIONAL GOALS
AS AT 31 MARCH 2011

Progress against strategic priorities and operational goals as at 31 March 2011

Unless otherwise stated, all actions were taken during the reporting period.

Strategic priority	Status	Comments
Gear up for and influence social and pension reform	In progress	The GEPF participates in the retirement reform process through industry bodies such as the Association for Savings and Investment South Africa. The Fund will only be able to establish the full impact of the retirement reform initiatives after the National Treasury has issued the third discussion paper on this matter.
Forge strategic alliances with major current and future partners	In progress	The Fund has strengthened relationships with its two major service providers, the PIC and the GPAA, through Board-to-Board and Executive Committee-to-Executive Committee engagements. The GEPF engages with pensioners and members through regular road shows in the nine provinces.
Acquire the capabilities for best practice pension administration	In progress	The GPAA is in the final stages of modernising its information and communication technology infrastructure and its business processes.
Brand the GEPF by significantly enhancing its reputation	In progress	The Fund is conducting a research project, driven by a communications specialist, to support its brand strategy and communication initiatives.

Operational goal	Status	Comments
Manage and implement the outsourcing of administration (the "separation")	Completed	The outsourcing of the administration function was fully implemented with the establishment of the GPAA on 1 April 2010. Documentation giving effect to the separation of the administrative function from the Fund was signed and implemented. All employees and assets were transferred to the GPAA through a business agreement. The GPAA is monitored through administration and SLAs signed with the Fund.
Coordinate and ensure sound governance, risk management and compliance	Completed	The Board approved a formal enterprise-wide risk management policy and framework. A risk register was developed and quarterly reports are now submitted to the relevant Board committees. The Finance and Audit Committee is responsible for overall risk management within the Fund.
Apply optimal manpower resourcing and succession planning	Completed	The Human Resources Committee began a redesign process to align the GEPF's organisational structure with its strategic direction. The Board approved this new organisational structure in August 2010.
Empower the trustees	Completed	The Governance and Legal Committee assessed training needs and developed a formal Board training programme for both individual trustees and the Board as a whole. Industry experts provide the training. Trustees are also encouraged to attend local and international conferences. The Board approved a formal training and development policy.

Operational goal	Status	Comments
Simplify the rules of the Fund	In progress	In 2009/10, the GEPF began to simplify its rules and align them with the Pension Fund Act without changing the benefit structure. The updated rules were not implemented during 2010/11 because the administrative and financial effects of this reform would have outweighed the benefits. In consultation with the GPAA, the Board agreed to implement the simplified rules only once the GPAA operating system has been modernised.
Revise and implement a treasury management policy and procedure	Completed	The Board, through its Finance and Audit Committee, developed and implemented a treasury management policy.
Continue to implement the Responsible Investment Policy	In progress	The Responsible Investment Policy is still being implemented. The Fund appointed an ESG manager to manage this policy and oversee ESG research activities and events. The Fund has also established an ESG working committee, which includes PIC representatives. The Head: Investments and Actuarial Services continues to be involved in industry-wide responsible investing initiatives. He is a member of the United Nations-backed PRI Advisory Council and chairs the United Nations-backed PRI South Africa Network and the committee responsible for drafting the Code for Responsible Investing by Institutional Investors in South Africa.





***SECTION 8:
CORPORATE
GOVERNANCE***

Corporate governance

Good governance and ethical behaviour provide the foundation for the GEPF to realise its aspiration to be a role model for pension funds worldwide.

The GEPF complies with the requirements of the GEP Law, but also looks to the Pension Funds Act for best practice where the two are not in conflict. The GEPF is committed to transparency, integrity and accountability based on accepted corporate governance principles and practices.

The Board governs the Fund – it is accountable for administrative and investment performance. The Board is also responsible for compiling and approving the annual financial statements, which are presented to Parliament by the Minister of Finance.

To strengthen governance and oversight, the Board approved a change in the governance structure of the Fund in 2008/09 that resulted in separate fiduciary and administrative entities. This is in line with retirement fund best practice. The separation took effect from 1 April 2010 and the Fund is now fully separated from the GPAA, which is a government component in terms of the Public Service Act (1994).

Employer representatives on the Board of Trustees

The Board is confident that the separation of the fiduciary and operational structures is in the best interest of its members, pensioners and other stakeholders. It will strengthen governance and oversight while providing clients with the best possible pension administration service.

According to the GEP Law, fiduciary responsibility for the Fund rests with the Board of Trustees. The law requires that the Board be appointed for a four-year term, after which it must make way for a new Board. The current Board was inaugurated by the Minister of Finance on 22 September 2009 and its 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 or appointed substitute, ensuring full and proper representation at all times.

Board composition

Trustees are appointed in accordance with Section 6 of the GEP Law. Fund members and employers are equally represented on the Board. Member representatives include a pensioner and a South African National Defence Force and intelligence community representative elected through a postal ballot.

NOMINEE TRUSTEE		SUBSTITUTE	
DEPARTMENT	NAME	DEPARTMENT	NAME
National Treasury	Marion Mbina-Mthembu	National Treasury	Rudzani Rasikhinya
Department of Public Service and Administration	Kenny Govender	Department of Public Service and Administration	Vuyelwa Vumendlini ¹
National government	Arthur Moloto	Department of Health	Valerie Rennie
Department of Education	Paddy Padayachee	Department of Education	Gladys Modise
Department of Defence	Mary Ledwaba	South African Police Service	Johan Griesel
PIC	Zakhele Sithole	PIC	Moira Moses
Independent specialist	Cecilia Khuzwayo	Specialist	Elias Masilela ²
Independent specialist	Fagmeedah Lurie	Specialist	Jeremy Andrew

Employee representatives on the Board of Trustees

NOMINEE TRUSTEE		SUBSTITUTE	
DEPARTMENT	NAME	DEPARTMENT	NAME
National Education, Health and Allied Workers Union	Prabir Badal	National Education, Health and Allied Workers Union	Pulani Mogotsi
South African Democratic Teachers Union	Sello Tshabalala	South African Democratic Teachers Union	Thobile Ntola
Health and Other Service Personnel Trade Union	Hans Murray	National Union of Public Service and Allied Workers	Success Mataitsane
Department of Defence	Dries de Wit	National Intelligence Agency	Itumeleng Mahlwele
Public Servants Association	Red Williams ³	Public Servants Association	Paul Sello ⁴
South African Policing Union	Mpho Kwinika	South African Policing Union	Vusi Matam ⁵
Police and Prisons Civil Rights Union	Patrick Mngconkola	Police and Prisons Civil Rights Union	Dalindyebo Bout
Pensioner	Frans le Roux	Pensioner	Hennie Koekemoer

¹ Resigned in July 2010

² Resigned on 1 February 2010

³ Removed by Principal on 25 November 2010

⁴ Appointed by Principal to serve as trustee on 25 November 2010

⁵ Removed by Principal on 8 October 2010

Skill, knowledge and experience of trustees

According to Section 4.1.2 of the GEP Rules, at least one of the eight employer-nominated trustees must have expertise in financial management and investments, or the management and organisation of pension funds in general. Two independent specialists currently serve as trustees, supported by two independent specialist substitute trustees. The other trustees and their substitutes have a range of skills, knowledge and experience necessary to effectively manage and govern the Fund. The profiles of the 16 trustees are reflected on pages 38 to 44.

The Board charter

The Board is governed by a charter, derived from sources that include the GEP Law and Rules, Good Governance on Retirement Funds (Circular PF 130, issued by the Financial Services Board) and King III. The charter is reviewed annually to ensure that it is up to date with corporate governance best practice locally and internationally.

The Board charter includes a trustee code of conduct and ethics, trustee fit and proper guidelines, trustee responsibilities, trustee development

and training, Board and trustee performance assessments, Board remuneration and expenses, communication policy, confidentiality policy, conflict of interest policy, compliance policy, risk management guidelines, committee terms of reference, and rules on the delegation of authority.

Board meetings

The Board has a formal meeting schedule and meets at least five times a year, with additional meetings when required. Two-thirds of Board members must be present at a meeting to ensure a quorum. Board members are provided with detailed documentation at least a week before a meeting to ensure that they are well prepared and can make informed decisions. Issues are debated openly at meetings and decisions are taken on mutual agreement. The majority of trustees present at a meeting may request that voting takes place using secret ballots.

The Board, supported by the Principal Officer and the executive management team, meets annually to discuss and agree on the Fund's long-term strategies. This discussion takes place over two days to ensure that Board members fully apply their minds to the strategic direction of the Fund.

Board committees

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

During the reporting period, the Board streamlined its committee structure by collapsing the Communication and Education and the Human Resources Committees into the Benefits and Administration and the Governance and Legal Committees respectively. This was in response to the Fund's outsourcing of the administration function, and also aided better governance practices.

The Board noted that its committee structure was not aligned to King III requirements because there was no independent remuneration committee. To correct this, the Board approved the establishment of an Independent Remuneration Committee, which will deal with both Board and staff remuneration matters.

The five remaining committees deal with benefits and administration, which includes communication and education matters, finance and audit, governance and legal, remuneration and human resources, and investment matters.

Board committee membership and responsibilities

As the Independent Remuneration Committee was not fully constituted, all remuneration and human resources matters were referred to the Governance and Legal Committee and the Board concluded that the level of trustee remuneration should remain the same for 2010/11.

The Impairment Subcommittee of the Finance and Audit Committee met to deal with the valuation and possible impairment of the Fund's unlisted assets.

The Board approves the membership of each committee. Trustees and substitute trustees may serve on only two committees. Board committees have limited executive powers to ensure that the Board remains responsible and accountable for the management of the Fund. Each committee operates under approved terms of reference, which set out the requirements for committee membership, the chairperson, record keeping, standard of performance, compliance with policies, authority, delegation, quorum, duties and responsibilities, accountability, and term of office.

Committees are allowed, subject to the approval of the Board, to appoint independent professionals to offer required skills or expertise not present in the committee. These persons will be allowed to participate in discussions, but will not have any decision-making or voting powers.

Board committee	Committee members	Responsibilities	2010/11 highlights
Benefits and Administration Committee	Dries de Wit (Chairperson) Jeremy Andrew Kenny Govender Johan Griesel Mary Ledwaba Frans le Roux Elias Masilela Patrick Mngconkola Pulani Mogotsi Hans Murray Thobile Ntola Sello Tshabalala	<ul style="list-style-type: none"> Reviews all aspects of GPAA's administrative activities Monitors compliance with SLA between GEPF and GPAA Advises and makes recommendations about GEPF benefits, administration of its affairs, administration policies, strategy, procedures and management 	<ul style="list-style-type: none"> Facilitated payment of pensions in advance Facilitated approval of statutory actuarial valuation as at 31 March 2010 Facilitated Board approval for minimum resignation benefits by proposing rule amendment Facilitated Board approval of actuarial factors by proposing rule amendment to align benefits payable to members' liability Facilitated clean-break principle approach to benefits used to determine divorce settlements Participated in Association for Savings and Investment South Africa National Pension Study Facilitated 2010/11 pension increase Facilitated rule amendment to the Non-statutory Forces Pension Dispensation Launched investigation into preservation fund proposal Launched investigation into additional voluntary contribution scheme

Finance and Audit Committee	Prabir Badal (Chairperson) Dries de Wit Hennie Koekemoer Fagmeedah Lurie Success Mataitsane Vusi Matam Gladys Modise Paddy Padayachee Rudzani Rasikhinya Paul Sello Zakhele Sithole	<ul style="list-style-type: none"> • Gives effect to GEPF audit and financial policies and audit strategies • Reviews all aspects of GEPF audit and financial activities • Advises and makes recommendations about financial reporting, appointment of auditors, internal auditing, risk policies and procedures and annual financial statements 	<ul style="list-style-type: none"> • Facilitated achievement of an unqualified audit opinion • Facilitated and approved Fund business plan and budget in line with Board's strategy for 2010/11 • Facilitated approval of GPAA's budget in line with their strategy for 2010 to 2013 • Facilitated extension of external auditors' contract for one year • Finalised supply chain management policy, cash flow management policy, enterprise-wide risk management policy, framework and risk registers
Governance and Legal Committee	Cecilia Khuzwayo (Chairperson) Hennie Koekemoer Mpho Kwinika Itumeleng Mahlwele Vusi Matam Moirra Moses Paddy Padayachee Valerie Rennie Paul Sello Red Williams	<ul style="list-style-type: none"> • Gives effect to GEPF's governance and legal policies and strategies • Reviews all aspects of GEPF's governance, risk and legal activities • Advises and makes recommendations about 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 GEP Law and rules 	<ul style="list-style-type: none"> • Facilitated approval and signature of separation documents between GEPF and GPAA • Organised formal training sessions for Board • Updated terms of reference of committees and Board charter • Drafted terms of reference for Independent Remuneration Committee • Finalised a code of conduct and ethics • Finalised a fit and proper questionnaire • Trustees and their substitutes completed fit and proper questionnaires (post year end) • Trustees and their substitutes completed financial disclosures (post year end) • Finalised trustee education and training policy • Reviewed fidelity cover for Board • Facilitated revision to delegations of Principal Officer
Human Resources Committee	Red Williams (Chairperson) Dalindyabo Bout Kenny Govender Johan Griesel Cecilia Khuzwayo Mpho Kwinika Mary Ledwaba Success Mataitsane Pulani Mogotsi Thobile Ntola Valerie Rennie	<ul style="list-style-type: none"> • Reviews all aspects of GEPF's human resources matters • Advises and makes recommendations about human resources policy, strategy, procedures and administrative structure, including its organisational structure, change management and communication 	<ul style="list-style-type: none"> • Facilitated approval of an organisational redesign for Fund • Revised and finalised an international subsistence and travel policy for Board • Facilitated approval and implementation of a human resources policy manual • Revised the trustee remuneration policy to allow for an annual consumer price index increase and increased hourly rate for professional work done • Facilitated approval of employment equity policy • Facilitated approval of cellphone allowance and date card policy

Investment Committee	Patrick Mngconkola (Chairperson) Jeremy Andrew Prabir Badal Dalindyabo Bout Frans le Roux Fagmeedah Lurie Marion Mbina-Mthembu Gladys Modise Sello Tshabalala	<ul style="list-style-type: none"> Gives effect to investment policies and strategies Reviews all aspects of GEPF investment activities Implements and gives oversight to Fund's policy and commitment to United Nations PRI Monitors investment mandate Advises and makes recommendations about asset management, investment policies and strategy 	<ul style="list-style-type: none"> Revised investment policy statement for 2010/11 Launched a development investment policy and implementation plan Revised the Fund's strategic asset allocation Facilitated the approval of an unlisted investment policy
Communication and Education Committee	Fagmeedah Lurie (Chairperson) Prabir Badal Hennie Koekemoer Frans le Roux Itumeleng Mahlwele Elias Masilela Success Mataitsane Pulani Mogotsi Sello Tshabalala Red Williams	<ul style="list-style-type: none"> Gives effect to communication policies and strategies 	<ul style="list-style-type: none"> Facilitated collaboration on SRI Index Board member participation in regional road shows for first time Finalised media and communication policy Facilitated a national brand health check

Board meeting attendance rate

Board of Trustees	Board & special Board meetings	Benefits & Administration Committee	Communication & Education Committee	Finance & Audit Committee	Governance & Legal Committee	Human Resources Committee	Investment Committee	Board training, strategic planning & other workshops
Meetings/ training sessions held	7	5	6	5	5	6	5	9
Arthur Moloto (Chairperson)	7	1		-	-	-	-	7
Prabir Badal (Vice chairperson)	5	-	3	5	-	-	4	8
Jeremy Andrew *	-	4	-	-	-	-	4	7
Dalindyabo Bout *	-	-	-	-	-	4	4	7
Dries de Wit	7	5	-	5	-	-	-	9
Kenny Govender	3	0	-	-	-	1	-	3
Johan Griesel *	0	3	-	-	-	1	-	3
Cecilia Khuzwayo	6	-	-	-	5	6	-	5
Hennie Koekemoer *	-	-	6	4	5	-	-	5
Mpho Kwinika	7	-	-	-	3	6	-	7
Mary Ledwaba	7	3	-	-	-	6	-	7
Frans le Roux	7	5	6	-	-	-	5	8
Fagmeedah Lurie	6	-	6	5	-	-	4	9

Board of Trustees	Board & special Board meetings	Benefits & Administration Committee	Communication & Education Committee	Finance & Audit Committee	Governance & Legal Committee	Human Resources Committee	Investment Committee	Board training, strategic planning & other workshops
Meetings/ training sessions held	7	5	6	5	5	6	5	9
Itumeleng Mahlwele *	-	-	6	-	5	-	-	9
Elias Masilela	-	4	5	-	-	-	-	5
Success Mataitsane *	1	-	6	5	-	6	-	9
Vusi Matam*	-	-	-	3	2	-	-	7
Marion Mbina-Mthembu	3	-	-	-	-	-	3	4
Patrick Mngconkola	7	5	-	-	-	-	5	8
Gladys Modise *	3	-	-	4	-	-	2	7
Pulani Mogotsi *	2	5	5	-	-	6	-	8
Maira Moses *	-	-	-	-	-	-	-	0
Hans Murray	6	4	-	-	-	-	-	9
Thobile Ntola *	6	5	1	-	-	6	-	7
Paddy Padayachee	4	-	-	2	2	-	-	0
Rudzani Rasikhinya *	1	-	-	2	-	-	-	2
Valerie Rennie *	-	-	-	-	1	1	-	3
Paul Sello *	-	-	-	5	5	-	-	9
Zakhele Sithole	6	-	-	4	-	-	-	8
Sello Tshabalala	1	3	4	-	-	-	2	2
Red Williams	5	-	4	-	3	5	-	1

*Indicates substitute trustees

Remuneration paid to trustees and substitutes as at 31 March 2011

According to the GEP Law, trustees are to be compensated for their services and expenses on the basis determined by the Board. To give effect to this, the Board has adopted a trustee remuneration policy.

Under the policy, the trustees, in consultation with their principals, may elect to have their remuneration paid to them as individuals or to their principals; they may also choose not to receive remuneration. Trustees are remunerated in the form of fees per meeting attended.

The policy requires that the Principal Officer submit a quarterly written report to the Board regarding all payments made to all trustees. The policy also requires that these amounts be disclosed in the Fund's annual report, as has been done in the table below.

Name	Remuneration
Arthur Moloto (Chairperson) *	R166 334
Arthur Moloto (PAIDF)	-
Prabir Badal (Vice chairperson)	R315 381
Jeremy Andrew	R200 216

Name	Remuneration
Dalindyebo Bout	R200 024
Dries de Wit	R355 168
Kenny Govender	None
Johan Griesel	None
Cecilia Khuzwayo	R304 208
Hennie Koekemoer	R141 650
Mpho Kwinika	R253 706
Mary Ledwaba	R222 658
Frans Le Roux	R250 825
Fagmeedah Lurie	R356 393
Fagmeedah Lurie (PAIDF)	R57 399
Elias Masilela	R87 219
Success Mataitsane	R211 148
Vusi Matam	R86 200
Marion Mbina-Mthembu	None
Patrick Mngconkola	R283 400
Gladys Modise	R106 238
Pulani Mogotsi	R207 000
Moria Moses	None
Hans Murray	R145 700
Thobile Ntola	R213 427
Paddy Padayachee	None
Rudzani Rasikhinya	None
Valerie Rennie	None
Paul Sello	R223 945
Zakhele Sithole	R131 143
Sello Tshabalala	R104 695
Vuyelwa Vumendlini	None
Red Williams	R252 457
Red Williams (PAIDF)	R62 450
Total paid 2010/11	R5 069 134

* Received remuneration until October 2010

Board effectiveness

The Board agreed, through the Governance and Legal Committee, to appoint an independent service provider to assess the effectiveness of the Board, its committees, Board and committee chairpersons, Board members and committee members. The assessment has been concluded post year end, and the Board is addressing all the issues highlighted in the report through the Governance and Legal Committee.

Ethics

The values of the Board 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. Trustees are expected to act, at all times, in accordance with the following ethical principles:

- **Responsibility:** Trustees are responsible for the Fund's assets and actions and must be willing to take corrective actions to keep the Fund on a strategic path that is ethical and sustainable.
- **Accountability:** Trustees are collectively and individually accountable and should be able to justify their decisions and actions to members, beneficiaries and other stakeholders of the Fund. Trustees may be liable for any breach of governance that results in any loss to the Fund and to its members, pensioners and beneficiaries.
- **Fairness:** Trustees should give fair consideration to the legitimate interests and expectations of all stakeholders of the Fund. In striving towards fairness, trustees should identify the Fund's ethics risks through engagement with internal and external stakeholders, as stakeholders are able to identify the Fund's risks and opportunities, and whether, in the stakeholder's opinion, it is ethical or unethical.
- **Transparency:** Trustees should disclose information in a manner that enables stakeholders to make an informed analysis of the Fund's

performance and sustainability. Trustees should communicate any aspects of the Fund, including the performance of the Fund's investments, that are relevant to the Fund's members, and that would help establish the credibility and trustworthiness of the administration, the Fund and the delivery of its benefits.

- **Conscience:** Trustees should act with intellectual honesty, integrity, competence, diligence and respect, and show independence of mind in the best interest of the Fund and all its stakeholders. Trustees should place the interest of the Fund above their own personal interests and personal gain.
- **Inclusivity of stakeholders:** Trustees should include stakeholders, as it is essential for sustainability. The legitimate interests and expectations of stakeholders must be taken into account in decision-making and strategy.
- **Competence:** Trustees should have the relevant knowledge, competencies and skills required to effectively govern the Fund. They should maintain the relevant capacity to diligently and

thoroughly conduct their duties and responsibilities to the Fund. The results of the annual appraisal assessment should be used to identify lack of skills or competency and ensure that trustees receive rigorous and robust training to effectively carry out their duties and responsibilities.

- **Commitment:** Trustees should diligently perform their duties and devote sufficient time to Fund affairs. Fund performance and compliance requires unwavering dedication and appropriate effort.
- **Courage:** Trustees should have the courage to take risks associated with directing and controlling a successful, sustainable enterprise, as well as the courage to act with integrity in all Board decisions and activities.

Disclosure of executive remuneration

The GEPF uses a formal remuneration policy and performance management policy to establish the level of executive remuneration and related performance bonuses.

The table below sets out the remuneration of our executives for the 12 months to 31 March 2011.

Name	Job title	Basic salary and other allowances	Performance bonus	Total
Adri van Niekerk	Acting Principal Officer (until 31 March 2011)	R1 328 669	R 63 467	R1 392 136
Maemeli Ramataboe	Former Principal Officer	R1 548 217	-	R1 548 217
John Oliphant	Head: Investments and Actuarial Services	R1 770 502	R 327 002	R2 097 504
Joelene Moodley	Head: Corporate Services	R834 393	R 75 210	R909 603
Clivia Ulland	Acting Head : Board Secretariat	R734 464	R42 622	R777 086





***SECTION 9:
ACTUARIAL
VALUATION***

Actuarial valuation

According to the GEP Law and Fund rules, an actuarial valuation must be performed at least once every three years. Since the establishment of the Fund in May 1996, nine actuarial statutory valuations have been performed. The most recent was performed with a 31 March 2010 valuation date, based on the funding policy adopted by the Board 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 March 2010 valuation showed that the Fund was 100-percent funded. There were sufficient assets to cover the actuarial liabilities in full; however, the recommended reserves (i.e. monies set aside in addition to the liabilities of the Fund) were not fully funded. The table below indicates the funding level at each valuation date. Because the assumptions underlying these valuations vary, they are not strictly comparable.

Results of GEPF actuarial valuations from May 1996 to March 2010

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	Alexander Forbes Financial Services
31 March 2010	100	Alexander Forbes Financial Services

GEPF membership profile – contributing members

MEMBER CATEGORY	MALE	FEMALE	TOTAL 2010	TOTAL 2008
"Other" members	390 056	619 824	1 009 880	968 943
"Services" members	156 871	68 297	225 168	207 486
TOTAL	546 927	688 121	1 235 048	1 176 429

GEPF membership profile – pensioners

MEMBER CATEGORY	MALE	FEMALE	TOTAL 2010	TOTAL 2008
Retired member	98 804	113 127	211 931	205 011
Spouse	10 857	108 238	119 095	108 405
TOTAL	109 661	221 365	331 026	313 416

The life expectancy of members and pensioners is one of the valuation assumptions, and it has been improving significantly internationally and in South Africa. The actuaries believe that it is appropriate to include an explicit allowance for future improvements in life expectancy in the March 2010 valuation, as was the case in the previous valuation.

GEPF valuation results as at 31 March 2010

FINANCIAL POSITION	31 MARCH 2010 (REVISED BASIS) R'MILLION	31 MARCH 2008 R'MILLION
Contributing member liability	526 196	433 286
Pensioner liability	180 647	155 654
Contingency reserves*	64 282	93 492
Data and contingency reserves	29 879	24 610
Total liabilities	801 004	707 042
Net assets	801 004	707 042
Surplus/(deficit)	-	-

* As at 31 March 2010, the full value of the recommended reserves was R344 877 million. This consists of a solvency reserve (R208 000 million), 100 percent consumer price index pension increase reserve (R118 129 million) and a mortality improvement reserve (R18 748 million). However, the Fund could only afford to hold a total of R64 282 million as a reserve at this date. On this basis, 19 percent of the contingency reserves could be held. As at 31 March 2008, a reserve of R93 492 000 was affordable.

The 2010 actuarial valuation results showed that the funding level has remained at 100 percent. The trustees, based on the policies adopted by the Board, would have liked to increase the funding of the contingency reserves (including solvency, mortality improvement and consumer price index pension increases) by R280 595 million. However, in terms of the practice adopted, the level of contingency reserves was limited to reflect a fully funded fund with contingency reserves at 19 percent of the desired level.

The employers currently contribute 16 percent of pensionable salary for "services" (i.e. some GEPF members employed by the National Intelligence Agency, the South African National Defence Force, the South African Police Services and the South African Secret Service) members and 13 percent for all other members. This differential contribution rate reflects the differences in the benefit structure of these two categories of members, which mainly relates to an

The demographic assumptions used in this valuation were the same as those used for the March 2008 valuation. The economic assumptions were updated to take into account the market conditions at the time. The results of the GEPF actuarial valuation as at 31 March 2010 are shown in the table below.

additional 25 percent enhancement in pensionable service greater than 10 years. Members of the Fund contribute at a rate of 7.5 percent of pensionable salary.



Anton Nel

Valuator to the Fund



SECTION 10: ANNUAL FINANCIAL STATEMENTS

31 March 2011

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Statement of Responsibility by the Board of Trustees for the year ended 31 March 2011

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.
- 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.
- The financial records are reliable.

The annual financial statements set out on pages 72 to 111 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.
- 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 69.

These audited annual financial statements:

- Were approved by the Board of Trustees and are signed on its behalf.
- 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 2011, as well as the results of its activities for the year then ended.



Mr Arthur Moloto
Chairperson

11 October 2011



Mr Prabir Badal
Vice Chairperson

11 October 2011

Finance and Audit Committee report for the year ended 31 March 2011

The Finance and Audit Committee acts in accordance with applicable legislation and regulations. It adopted appropriate formal terms of reference as its charter, and has regulated its affairs in compliance with this charter. The committee has discharged all of its responsibilities contained in the charter, which is updated annually to ensure its relevance.

The Finance and Audit Committee's responsibilities included the following:

- Examine and review the quality (adequacy, reliability and accuracy) of GEPF's annual financial statements and interim financial statements.
- Make recommendations to the Board regarding the approval of the annual financial statements, as well as the adoption of the interim financial statements.
- Review the effectiveness of the internal control systems.
- Ensure that executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified in internal and external audits.
- Ensure the entity's compliance with certain critical elements of the legal and regulatory framework, policies and procedures.
- Oversee an effective internal audit function, which reported periodically to the Finance and Audit Committee in line with the approved audit coverage plan for the GEPF.
- Oversee the activities of the internal audit department, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- Ensure independence and objectivity of the external auditors.
- Recommend the appointment of external auditors.

The Finance and Audit Committee facilitated the development of an enterprise-wide risk policy framework and the accompanying risk register. The Board and the office of the Principal Officer have established the necessary structures for the risks to be mitigated on a real-time basis.

Based on the information and explanations given by management and the internal audit department, and discussions with the independent external auditors on the result of their audits, the Finance and Audit Committee is confident that the internal financial controls are adequate to ensure that the

financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained. Nothing significant has come to the attention of the committee to indicate any material breakdown in the functioning of these controls, procedures and systems during the period under review.

The committee has evaluated the financial statements of the Government Employees Pension Fund for the year ended 31 March 2011. Based on the information provided, they comply, in all material respects, with the Fund's stated accounting policies, the provisions of the Government Employees Pension Law (21 of 1996), the GEPF Rules and the regulatory framework, which the Board adopted based on the Finance and Audit Committee's recommendation.

The Finance and Audit Committee agrees that the adoption of the going concern premise in the preparation of these financial statements is appropriate. The committee recommended the adoption of the financial statements by the Board of Trustees and the Board has approved the



Prabir Badal

Chairperson: Finance and Audit Committee

11 October 2011

Risk management statement for the year ended 31 March 2011

Introduction

The Board of Trustees has committed the GEPF to a process of risk management that is aligned to:

- The requirements of Section 6 and 7 of GEP Law and Rules.
- The Pension Fund guideline for good governance, known as PFI30, issued by the Financial Services Board.
- Codes of good corporate governance, including the King III code and the code issued by the Committee of Sponsoring Organisations of the Treadway Commission – an internationally accepted framework for good governance.
- Other relevant legislation.

In August 2010, the Board approved the enterprise-wide risk management policy and framework. The Board also performed a risk assessment, which formed the basis of the business risk profile (risk register) for the Fund. In March 2011, the Board approved the top 20 risks of the GEPF (20 strategic and 20 operational risks).

Purpose

The risk management process helps management identify and manage factors and events that would otherwise prevent the GEPF from achieving its strategic objectives. Risk management has been integrated into management processes – from strategy, business planning and budgeting to operations.

Responsibility

All Board subcommittees have the responsibility to identify, prioritise, manage and report on all risks in their areas of specialisation. The Finance and Audit Committee tables the consolidated risk report. This committee serves as the overall Risk Management Committee through the chief risk officer, who reports to the Board on all risk management activities of the Fund. The risk oversight responsibility of the Finance and Audit Committee is codified in the updated Board charter.

The Principal Officer is the Fund's nominated chief risk officer, and is accountable to the Finance and Audit Committee for the risk management performance in terms of the enterprise-wide risk management policy. The Principal Officer

has delegated the coordination of the Fund's risk management activities to the audit and risk manager.

Management is responsible for the day-to-day management of risks in their areas of expertise, assisting the committees they report to with their risk management responsibilities and ensuring that employees are aware of risk management procedures in their operational areas.

Monitoring

The Board established an internal audit function (headed by the audit and risk manager) after separating the Fund's administration wing (now the GPAA). Internal audit assists in monitoring, through its assurance processes, progress of GEPF departments in managing their risk, and reporting to the chief risk officer. To achieve independent monitoring, the execution of the internal audit plan will be outsourced to an external service provider. External auditors will also evaluate the adequacy and effectiveness of the Fund's risk management processes.

The Fund also ensures that two of its major suppliers (the GPAA and the PIC) maintain sound risk management processes by making sure that its major risks, as prioritised by the Board, are covered in their respective domains.

Conclusion

The integrity of the GEPF's financial reporting relies upon a sound system of internal control and effective risk management processes. The Board has implemented adequate and effective policies and procedures covering the risk exposures prioritised by the Board. The various policies implemented by the Board include mechanisms to ensure compliance and continuous improvement. The Board is of the opinion that it has sound risk management processes, policies and procedures, and that these have kept the Fund's risk exposure at acceptable levels and within GEPF risk appetite.

Report of the independent auditors to the Board of Trustees for the year ended 31 March 2011

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 2011, 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 72 to 111.

Trustees' responsibility for the annual financial statements

The Trustees are responsible for the preparation and presentation of these financial statements, 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, and for such internal controls as the trustees determine is necessary to enable the preparation of financial statements that are free from material statements, whether due to fraud or error.

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 2011 are prepared, in all material respects, in accordance with the GEPF's stated accounting policies, the provisions of the Government Employees Pension Law and the rules of the GEPF.

Other matters

The transactions of the GEPF which we audited in terms of International Standards of Auditing 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, as amended, and in our opinion, the information furnished in terms of Section 9 and 10 of the Government Employees Pension Law, is presented in all material respect in accordance with the requirements of the Government Employees Pension Law.

With reference to Section 13(14) of the Government Employees Pension Law, as amended, we concur with 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
Registered Auditors
Per M Ajoobha
Partner - Pretoria
11 October 2011



PricewaterhouseCoopers Incorporated.
Registered Auditors
Per S Masuku
Director - Johannesburg
11 October 2011



Gobodo Incorporated
Registered Auditors
Per C Patel
Director - Johannesburg
11 October 2011



Xabiso Consulting Chartered Accountants Incorporated
Registered Auditors
Per L Dhlamini
Director - Johannesburg
11 October 2011

Report of the Valuator for the year ended 31 March 2011

Particulars of financial condition of the Fund

1. Net assets available for benefits amounted to R801 004 million as at 31 March 2010.
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 R801 004 million as at 31 March 2010.
3. The actuarial present value of promised retirement benefits in respect of active members amounted to R526 196 million as at 31 March 2010.
4. The actuarial present value of retirement benefits in respect of pensioners amounted to R180 647 million as at 31 March 2010.
5. The full value of the data and contingency reserve accounts amounted to R374 756 million as at 31 March 2010. This includes the solvency reserve as at 31 March 2010. The affordable level of the data and contingency reserves amounted to R94 161 million as at 31 March 2010.
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. For pensioners, current mortality rates have been set equal to the mortality rates calculated in our experience investigation with an allowance for mortality improvements determined using the mortality assumption rated down one and a half years. For active members, current mortality rates have been set equal to the mortality rates calculated in our experience investigation with an allowance for mortality improvements determined using the mortality assumption rated down two and a half years.

An active member contingency reserve of 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 back-payments are allowed for as benefits due.

A reserve of R4 936 million was also set aside in respect of previous discriminatory practices. This reserve was obtained in the financial statements, being the accumulated value of 1% of the funding level in 1998.

The solvency reserve has been set based on modelling by the asset consultants. This model is broadly based on a 1 in 10 year (10%) basis of the funding level falling below a certain level.

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.

When the above contingency reserves were set up, 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 2010 the Fund could only afford to hold a total of R64 282 million as contingency reserve. On this basis 19% of the desired level of contingency reserves could be held.

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: 10.7% (previously 10.8%).

Post-retirement net discount rate: 5.8% per annum for active members and 5.6% per annum for current pensioners (previously 5.0% for active members and 5.1% for pensioners).

Post retirement mortality: Rates based on observed GEPF mortality. These rates are the same as those used for the 2008 statutory valuation and are based on an experience analysis carried out for the Fund over the period to 31 March 2008.

Salary increases: 6.7% (previously 7.9%).

It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 5.7% for active members (previously 6.9%). In addition, an allowance is made for merit salary increments.

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.

Expense: Allowance for future administration expenses was 0.2% per annum of payroll.

The contribution rate was determined using an equity risk premium of 5% resulting in a discount rate of 11.2% as opposed to the 10.7% used to determine the active member liabilities which is based on a 3% equity risk premium.

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 equal to accrued liabilities and contingency reserves (at 19% of the desired level) on a best estimate basis.



Prepared by:

Anton Nel

Fellow of the Actuarial Society of South Africa

Fellow of the Institute of Actuaries

For the purposes of professional regulation my primary regulator is the Actuarial Society of South Africa.

In my capacity as valuator to the Fund and as an employee of Alexander Forbes Financial Services (Pty) Ltd.

11 October 2011

Report of the Board of Trustees for the year ended 31 March 2011

I 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. In terms of Section 1 of the Income Tax 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 while in service benefits.
- Death after becoming a pensioner benefits.
- Spouses' annuity benefits.
- Orphans' annuity benefits.
- Funeral benefits.

Unclaimed benefits are not written back to income as per the Prescription Act but will remain in the Fund as unclaimed until the member has been traced. Legitimate claims received subsequent to write-offs are paid as the records are maintained. This is in line with industry best practise principles as outlined in PF Circular 126 as issued by the Financial Services Board (FSB).

All reasonable steps are taken to trace members whose benefits were not claimed, to effect payment to the correct member or beneficiary.

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 emolument to the GEPF.

1.4 Reserves

In terms of a collective agreement negotiated and agreed to in the Public Service Co-ordinating Bargaining Council (PSCBC) an actuarial reserve equal to 1% 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 2011 R'000	31 March 2010 R'000
Non-statutory forces	1 063 258	1 053 304
Ciskei strikers	141 407	136 488
General assistants	80 353	75 472
Other past discriminatory practices	4 151 181	3 670 866
Total balance at end of period	5 436 199	4 936 130

1.5 Rule amendments

There were no rule amendments in the current financial year.

Board of Trustees

The Board consists of 16 members, with equal employer and member 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, while 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:

- Absa Asset Management (Pty) Ltd.
- Aeon Investment Management (Pty) Ltd.
- Afena Capital (Pty) Ltd.
- Argon Asset Management (Pty) Ltd.
- Black Rock Advisors UK Ltd
- Cadiz Asset Management Ltd.
- Catalyst Fund Managers SA (Pty) Ltd.
- Coronation Asset Management (Pty) Ltd.
- Element Investment Managers (Pty) Ltd.
- Investec Asset Managers (Pty) Ltd.
- Kagiso Asset Managers (Pty) Ltd.
- Mazi Capital (Pty) Ltd.
- Meago (Pty) Ltd.
- Mergence Africa Investments (Pty) Ltd.
- Old Mutual Investment Group SA (OMIGSA).
- Prudential Portfolio Managers (Pty) Ltd.
- Rand Merchant Bank Asset Management (RMBAM).
- Sanlam Investment Managers (Pty) Ltd.
- Sentio Capital Management (Pty) Ltd.
- Sortino Fund Managers (Pty) Ltd.
- Stanlib Asset Management Ltd.
- Taquanta Asset Managers (Pty) Ltd.

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

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

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

- Equities (shares in listed and unlisted companies).
- Fixed interest instruments.
- Money market instruments.
- Property.
- 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 %	Actual % 31 March 2011
Cash & money markets	0–8	4.6
Domestic bonds	26–36	36.1
Domestic property	3–7	1.9
Domestic equity	45–55	53.2
Africa (ex SA) equity	0–5	0
Foreign bonds	0–4	0
Foreign equity	1–5	4.2
Total	100	100

The asset allocation consists of an equal mix between equities and fixed-interest instruments. The revised strategic asset allocation was approved by the Minister of Finance in the current financial year. A revised investment mandate which is in line with strategic asset allocation signed off by the Minister is being reviewed by the Board for the asset allocation ranges and should be approved in the forthcoming year.

2.3 Other investments not in the name of the GEPF

In the 2010 financial year, some securities managed by the PIC were registered in the nominee name of Standard Bank of South Africa Limited and Nedcor Bank Limited, and the scrip accounts were 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 concluded in the current year except for some of the Isibaya investments and a foreign collective market instrument which are not in the name of the GEPF. The foreign collective

Report of the Board of Trustees for the year ended 31 March 2011 (Continued)

market instrument is not in the name of the Fund because PIC's account was used for the transfer of funds, as they had the South African Reserve Bank's approval on behalf of GEPF.

3 MEMBERSHIP

The GEPF membership as at 31 March 2011 consisted of 1 242 258 (March 2010: 1 212 550) government and parastatal employees, as well as 345 492 (March 2010: 336 586) 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 2010 based on the funding policy adopted by the Board 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, investment risks and uncertainty relating to future public service remuneration and employment. The required level of solvency was calculated independently by Alexander Forbes Financial Services (Pty) Ltd based on a detailed asset-liability study. In terms of the Fund's own funding level policy, the Fund was considered to be financially sound, in that assets were equal to accrued liabilities and contingency reserves (at 19% of the desired level) on a best estimate basis.

5 SUBSEQUENT EVENTS

5.1 V&A Waterfront

Subsequent to year end, the Fund together with Growthpoint Properties (Pty) Ltd acquired, in equal proportions, 100% of the ordinary shares in Lexshell 44 General Trading (Pty) Ltd, the owner of the V&A Waterfront for R9.8 billion. The transaction was closed on 7 June 2011.

5.2 Approval of non-statutory forces dispensation

In 2010 Cabinet approved a revised non-statutory forces dispensation. On 8 July 2011 the rules of the GEPF were amended to give effect to the revised non-statutory forces dispensation which entailed the following:

- Abolishing the need for former non-statutory forces members to contribute to the funding for non-statutory forces recognition.
- Recognition of the full period of non-statutory forces service for members who qualify for non-statutory forces service.
- Allowing former non-statutory forces members whose service is recognised to retain the Special Pension benefits until date of exiting the GEPF.

Statement of net assets and funds as at year ended 31 March 2011

	Notes	2011 R'000	2010 R'000
Assets			
Non-current assets			
		911 558 331	798 349 586
Equipment	2	2 916	42 233
Investments	3	911 555 415	798 307 353
Current assets			
		18 096 291	19 243 078
Funding loan	4	6 716	3 538
Inventory	5	-	1 109
Accounts receivable	6	3 919 942	3 663 019
Transfers receivable	12.2	786	1 330
Contributions receivable	7	672 350	465 901
Cash and cash equivalents	8	13 496 497	15 108 181
Total assets		929 654 622	817 592 664
Funds and liabilities			
Funds			
		908 884 080	796 067 982
Accumulated funds		908 884 080	796 067 982
Reserves			
		5 436 199	4 936 130
Reserve account	9	5 436 199	4 936 130
Total funds and reserves		914 320 279	801 004 112
Non-current liabilities			
		574 556	549 838
Unclaimed benefits	10	574 556	549 838
Current liabilities			
		14 759 787	16 038 714
Benefits payable	11	13 771 468	14 113 707
Transfers payable	12.1	4 360	6 189
Accounts payable	13	982 883	1 905 190
Provisions	14	1 076	13 628
Total funds and liabilities		929 654 622	817 592 664

Statement of changes in net assets and funds for the year ended 31 March 2011

		Accumulated funds	Reserve accounts	Total 2011	Total 2010
	Notes	R'000	R'000	R'000	R'000
Net income/(loss) before transfers and benefits		144 863 311	(801)	144 862 510	187 882 899
Contributions received and accrued	7.2	40 066 114	-	40 066 114	35 509 729
Purchase of periods of service	15	144 828	-	144 828	116 797
Net investment income	16	105 034 359	-	105 034 359	152 562 111
Other income	17	63 592	-	63 592	108 622
Less:					
Administrative expenses	18	(445 582)	(801)	(446 383)	(414 360)
Transfers and benefits		(31 454 822)	(59 661)	(31 514 483)	(28 772 957)
Benefits	11	(29 856 972)	(59 661)	(29 916 633)	(28 199 412)
Transfers to other funds	12.1	(21 870)	-	(21 870)	(450 054)
Transfers from other funds	12.2	24 815	-	24 815	7 009
Interest paid	19	(1 600 795)	-	(1 600 795)	(130 500)
			-		-
Net income/(loss) after transfers and benefits		113 408 489	(60 462)	113 348 027	159 109 942
Loss on transfer of administration component	21	(31 860)	-	(31 860)	-
Net income/(loss) for the period		113 376 629	(60 462)	113 316 167	159 109 942
Funds and reserves					
Balance at beginning of the period		796 067 982	4 936 130	801 004 112	639 747 170
Prior year adjustment – benefits		-	-	-	2 147 000
Transfer of net investment return to reserves	9	(560 531)	560 531	-	-
Balance at end of the period		908 884 080	5 436 199	914 320 279	801 004 112

Cash flow statement for the year ended 31 March 2011

	Notes	2011 R'000	2010 R'000
Cash flow from operating activities			
Cash generated from operations	22	8 343 686	5 300 038
Contributions and other income received		39 857 896	35 566 690
Benefits paid during the year		(31 074 009)	(30 028 344)
Other expenses paid		(440 201)	(238 308)
Interest received		29 569 137	30 060 343
Interest paid		(709 887)	(1 112 564)
Dividends received		13 416 104	11 032 054
Transfers and bought services received/(paid)		144 062	(352 433)
Net cash inflow from operating activities		50 763 102	44 927 438
Net cash outflow from investing activities			
Proceeds on sale of equipment		-	159
Additions to equipment		(30)	(27 217)
Additions to investments		(52 374 756)	(44 227 351)
Net (decrease)/ increase in cash and cash equivalents		(1 611 684)	673 029
Cash and cash equivalents at beginning of the year		15 108 181	14 435 152
Cash and cash equivalents at end of the year	8	13 496 497	15 108 181

Notes to the annual financial statements for the year ended 31 March 2011

I 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's requirements. The retirement fund industry best practice principles are applied as the basis as well as the rules of the Fund. This comprises adherence to Regulatory Reporting Requirements for Retirement Funds in South Africa as issued by the Financial Services Board.

The financial statements are prepared on the 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

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in assets carrying amount or recognised as a separate asset.

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. Depreciation rates are as follows:

Asset classes	Annual depreciation rate
Computer equipment	25%
Computer software	33%
Furniture and fittings	15%
Office equipment	15%
Motor vehicles	20%
Tools	15%

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

1.3.1.1 GEPF classifies its financial assets into the following categories

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

1.3.1.1.1 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 statement of changes in net assets and funds comprise equities, money market instruments, bills and bonds, debentures, investment properties, unlisted preference shares, collective investment schemes and special investment products.

1.3.1.1.2 Loans and receivables

Financial assets classified as loans comprise direct loans to individuals and companies.

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 the short term, or those that are designated as at fair value through the statement of changes in assets and funds.

1.3.1.2 Financial liabilities

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

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 instruments 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 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 liabilities 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, 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 flows 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 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.

Notes to the annual financial statements for the year ended 31 March 2011

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 unlisted debentures.

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 bonds

The fair value of listed 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

The market yield is determined by using the appropriate yields of existing listed bills 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 rentals 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 open market fair values at the statement of net assets and fund date. If the open market fair values 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 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 valuers. Interim desktop valuations are performed annually by the same independent professional valuers. 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 are the quoted unit values for listed schemes. Unlisted schemes' fair values are derived from the investment scheme administrator with reference to the rules of each particular collective investment scheme, multiplied by the number of units held.

1.3.3.7 Special investment products

Special investment 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.

1.3.3.8 Direct loans

Direct loans are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

1.3.3.9 Money market instruments

Money market instruments are measured at amortised cost using the effective interest rate method.

1.3.4 Derecognition

The GEPF derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset.

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 at 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 (a) of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and (b) 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 come 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.
- A likelihood 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.
- 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, and, if no evidence of impairment exist for individually assessed assets, a group of financial assets with similar credit risk characteristics are collectively assessed for impairment (refer to Note 16 for additional information).

Assets that are individually assessed for impairment and for which an impairment loss is or continue 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, 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 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 are 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 subsequent periods, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring

Notes to the annual financial statements for the year ended 31 March 2011

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 deposits are measured at fair value.

1.5 Inventory

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

1.6 Accounts receivable

Accounts receivable 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.

Purchased service

Purchased 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.

1.7 Unclaimed benefits

Unclaimed benefits are not written back to income as per the Prescription Act but will remain in the Fund as unclaimed until the member has been traced. 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 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 properties 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 agreements, 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 funds.

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 investments and of all other financial instruments are recognised as net investment (loss)/ income during the period in which the change arises.

1.13 Transfers to and from the GEPF

Transfers to/(from) the GEPF are recognised on the earlier of receipt/ (payment) of the actual transfer value or the written notice of transfer (Recognition of Transfer).

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 on any part of a member's benefit not paid within 60 days from the last day of service.

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.

Notes to the annual financial statements for the year ended 31 March 2011

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 receivables 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 statement of net assets and funds 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.

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 the following:

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, among 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.

1.23 Benefits

Benefits expenses are recognised as the benefits occur, through the statement of changes in net assets and funds on an accrual basis.

Liability is raised for all benefits accruing at the end of the financial year, which have not been paid through the statement of net assets and funds.

1.24 Administration expenses and other expenses

Administration expenses incurred are recognised through the statement of changes in net assets and funds on an accrual basis.

1.25 Contingent assets and liabilities

Contingent assets are disclosed when there is a possible asset, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of GEPF.

Contingent liabilities are disclosed when there is a possible obligation that arises from the past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of GEPF, or it is not possible that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

1.26 Related parties

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Fund will disclose the nature of the related party relationship as well as the following information for each related party relationship:

- The name of the government and the nature of its relationship with the Fund.
- The nature and amount of each individually significant transaction.
- For other transactions that are collectively, but not individually significant, a qualitative or quantitative indication of their extent.

Notes to the annual financial statements for the year ended 31 March 2011

2 PROPERTY, PLANT AND EQUIPMENT
2.1 Current year, 2011

	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
Gross carrying amount	518	236	2 152	1 801	157	-	4 864
At beginning of the year	32 765	4 803	17 869	19 110	2 609	9	77 165
Transfers to Government Pensions Administration Agency (GPAA)	(32 263)	(4 567)	(15 720)	(17 320)	(2 452)	(9)	(72 331)
Additions	16	-	3	11	-	-	30
Accumulated depreciation	(288)	(194)	(766)	(627)	(73)	-	(1 948)
At beginning of the year	(17 443)	(1 453)	(7 600)	(6 751)	(1 680)	(5)	(34 932)
Transfers to Government Pensions Administration Agency (GPAA)	17 279	1 337	7 157	6 391	1 638	5	33 807
Depreciation	(124)	(78)	(323)	(267)	(31)	-	(823)
Net carrying amount at end of the year	230	42	1 386	1 174	84	-	2 916

2.2 Prior year, 2010

Gross carrying amount	32 765	4 803	17 869	19 110	2 609	9	77 165
At beginning of year	32 286	1 785	12 678	11 319	2 503	13	60 584
Additions	9 858	3 018	5 778	8 376	186	1	27 217
Disposals	(9 379)	-	(587)	(585)	(80)	(5)	(10 636)
Accumulated depreciation and impairment	(17 443)	(1 453)	(7 600)	(6 751)	(1 680)	(5)	(34 932)
At beginning of year	(20 489)	(924)	(6 503)	(5 991)	(1 445)	(9)	(35 361)
Depreciation	(6 295)	(529)	(1 668)	(1 342)	(315)	(1)	(10 150)
Impairment	-	-	(2)	-	-	-	(2)
Accumulated depreciation on disposals	9 341	-	571	584	80	5	10 581
Net carrying amount at end of year	15 322	3 350	10 269	12 359	929	4	42 233

3 INVESTMENTS

	Notes	Fair value	Amortised cost	Total	Total
		2011 R'000	2011 R'000	2011 R'000	2010 R'000
3.1 Investment summary					
Money market instruments	3.1.1	-	29 625 147	29 625 147	31 152 272 *
Direct loans	3.1.2	-	3 268 322	3 268 322	3 118 500 *
Debentures	3.1.3	-	-	-	44 990 **
Bills and bonds	3.1.4	330 353 695	-	330 353 695	290 072 467 **
Investment properties	3.1.5	6 874 972	-	6 874 972	6 722 111 **
Equities	3.1.6	515 152 393	-	515 152 393	449 256 685
Listed equities		501 322 552	-	501 322 552	446 253 064 **
Primary listings		362 557 701	-	362 557 701	323 969 197
Secondary listings		138 764 851	-	138 764 851	122 283 867
Unlisted equities		13 829 841	-	13 829 841	3 003 621 **
Local equities		13 004 714	-	13 004 714	2 406 134
Foreign equities		825 127	-	825 127	597 487
Preference shares	3.1.7	86 138	-	86 138	550 599
Special investment products	3.1.8	1 301	-	1 301	16 311 686 **
Collective investment schemes	3.1.9	26 193 447	-	26 193 447	1 078 043 **
Foreign instruments		25 691 250	-	25 691 250	-
Local instruments		502 197	-	502 197	1 078 043
		878 661 946	32 893 469	911 555 415	798 307 353

* Classified as loans and receivables.

** Classified at fair value through the statement of changes in net assets and funds.

Explanatory notes:

- In the previous year, listed equities included 27 851 891 ordinary shares in Telkom SA Ltd which were valued at R951.1 million of which the "B" rights belong to Black Ginger 33 (Pty) Ltd. The "B" rights entitles Black Ginger 33 (Pty) Ltd to register ownership and voting rights attached to Telkom shares, but specifically excludes the "A" rights. The price payable for the "B" rights is R1 and is payable to Black Ginger 33 (Pty) Ltd at the final date, which was March 2011. During the previous financial year, Telkom disposed of its holding in Vodacom Ltd. Altogether 70% of the disposed shares were distributed to Telkom shareholders at a ratio of one ordinary Vodacom share for every Telkom share held. This resulted in Black Ginger (Pty) Ltd obtaining 27 851 891 Vodacom shares of which the "B" rights are owned by Black Ginger (Pty) Ltd. The 27 851 891 ordinary shares in Vodacom to the value of R1.5 billion were also included in listed equities.
- On 30 April 2010, Black Ginger 33 (Pty) Ltd sold all its Telkom and Vodacom shares to the Fund. The selling price was set off against the outstanding loan (refer to Note 6) and the shares were transferred into the Fund's name.
- Based on the revised strategic asset allocation which was approved by the Minister in the current year, the Fund invested in foreign collective instruments to the value of R25.7 billion in the global emerging equity markets and the developed world equity markets. The investment is managed by Black Rock Advisors UK Ltd.



Notes to the annual financial statements for the year ended 31 March 2011

Explanatory notes (continued)

- Included in the unlisted foreign equities above are investments in the Pan African Infrastructure Development Fund (PAIDF) to the value of R825.1 million. These infrastructure investments are in Seawolf Jackup Ltd, Aldwych Holdings Ltd, Essar Telecoms Kenya Holdings Ltd, Main One Cable Company Ltd, TAV Tunisie Ltd, Dark Fibre Africa Ltd and Community Investment Venture Holdings (Pty) Ltd. Additional investments to the value of R215.2 million were made in PAIDF during the 12-month period ended 31 March 2011.
- Money market instruments with original maturities of three months or less are classified as cash and cash equivalents.
- The details of the top 10 investments per investment category have been provided in the detailed schedules below and the balance is included in "other", where practicable. Investments which meet the top 10 criteria in one year and do not meet the criteria in another year, will be disclosed as zero and included in "other" in the year in which they do not meet the criteria. Details of the top 10 investments are disclosed per entity level not per instrument level.

3.1.1 Money market instruments

	Amortised cost 2011 R'000	Amortised cost 2010 R'000
Certificate of deposits	889 272	16 091 538
Development Bank of SA Ltd	300 758	959 936
Standard Bank Group Ltd	217 945	2 143 087
First Rand Ltd	214 878	4 572 988
Nedbank Ltd	135 748	2 402 512
ABSA Group Ltd	-	3 084 137
Eskom Holdings Ltd	19 943	-
Investec Bank Ltd	-	665 226
Infrastructure Finance Corporation Ltd	-	454 979
Thekwini Fund Ltd	-	395 685
Mercedes Benz SA (Pty) Ltd	-	281 201
Airports Company SA Ltd	-	266 728
Other	-	865 059
Fixed deposits	27 455 573	11 558 782
First Rand Ltd	6 525 826	1 338 897
Standard Bank Group Ltd	6 297 456	1 890 094
Nedbank Ltd	5 845 251	3 252 543
ABSA Group Ltd	5 739 484	3 820 267
Investec Bank Ltd	2 945 122	692 612
African Bank Ltd	102 434	533 731
Meeg Bank Ltd	-	30 638
Promissory notes	1 280 302	3 501 952
Land and Agricultural Development Bank of SA	1 275 363	2 451 849
Eskom Holdings Ltd	4 939	1 984
Other	-	1 048 119
Total money market instruments	29 625 147	31 152 272

Comparative figures relating to promissory notes have been disclosed in terms of the top 25% in line with prior year disclosure and not in terms of top 10 investments, as the information was not readily available or obtainable.

3.1.2 Direct loans

	Secured by	Amortised cost 2011 R'000	Amortised cost 2010 R'000
Consol Holdings (Pty) Ltd	Not secured ¹	113 091	232 081
University of Western Cape	Standard Bank zero coupon bond	2 746	2 708
First Rand Ltd	40 000 000 FirstRand shares	-	321 056
Investec Bank Ltd	33 500 000 Investec shares	287 861	496 595
Afrisam (Pty) Ltd	Not secured ²	1 175 349	1 175 349
Numsa Investment Company (Pty) Ltd	Not secured ³	6 628	-
Legend Lodges (Pty) Ltd	40% of Legend Holdings (Pty) Ltd shares	88 745	89 926
LA Crushers (Pty) Ltd	Special notarial bond	39 568	-
King Sabata Dalindyebo Municipality	Municipal building in Umtata	46 301	49 099
Kurland Covie MTN Zakhele Share Trust	Not secured ⁴	21 584	-
Bakwena Platinum Corridor Concessionaire (Pty) Ltd	Deed of surety ship, cession of operating performance bond, cession of shares, shareholder loans, equity options and contracts, general notarial bond	408 517	-
Batho Bonke Capital (Pty) Ltd	75 152 300 Batho Bonke shares	752 570	741 870
Johannesburg Housing Company (Pty) Ltd	Mortgage against property	24 693	-
Spartan Technology Rentals (Pty) Ltd	Cession of rental cash flows, equipment and personal surety from Chief Executive Officer	1 419	-
Women's Development Business Micro Finance	Cession of business loan book	16 040	9 816
CBS Property Portfolio Ltd	Properties held in CBS Property Portfolio Ltd and subsidiaries	283 210	-
Total loans		3 268 322	3 118 500

¹ This is a shareholder loan and by its nature does not have security.

² This is a payment in kind note which is typically not secured.

³ This loan was restructured during the year and a full repayment is due on 30 September 2011.

⁴ There is an undertaking by the trustees of Kurland Covie Trust that they will not sell the shares financed by the loan amount.

Notes to the annual financial statements for the year ended 31 March 2011

3.1.3 Debentures

	Secured by/ unsecured	Redemption value R'000	Fair value 2011 R'000	Fair value 2010 R'000
Lereko Mobility Ltd	Unsecured	-	-	44 990
Total debentures		-	-	44 990

3.1.4 Bills and bonds

	Credit rating long term	Fair value 2011 R'000	Fair value 2010 R'000
Bills		5 049 227	2 688 804
Eskom Holdings Ltd	AAA	4 764 100	2 452 860
Land and Agricultural Development Bank of SA	AA	189 887	-
Nedbank Ltd	AA-	95 240	-
Republic of SA	-	-	82 253
Blue Titanium Conduit (Pty) Ltd	-	-	58 132
Trans-Caledon Tunnel Authority	-	-	49 692
Synthesis Funding Ltd	-	-	23 890
Indwa Investments Ltd	-	-	21 977
Government bonds		190 374 277	172 125 224
Republic of SA	AAA	190 374 277	172 125 224
Corporate bonds		64 342 405	75 778 153
Development Bank of SA Ltd	AAA	10 812 422	8 470 094
Trans-Caledon Tunnel Authority	AA+	10 471 634	9 898 127
Standard Bank Group Ltd	AA	7 383 118	7 218 601
Transnet Ltd	AA-	6 553 713	14 978 796
First Rand Ltd	AA	4 341 891	3 268 851
SA Roads Agency Ltd	AAA	3 457 593	8 129 876
ABSA Group Ltd	AAA	3 347 522	3 186 730
Nedbank Ltd	AA-	2 276 464	1 928 342
MTN Group Ltd	AA-	1 274 512	-
African Development Bank	AAA	1 085 553	1 091 017
Blue Granite Investments (Pty) Ltd	-	-	1 454 680
Other	-	13 337 983	16 153 039

	Credit rating long term	Fair value 2011 R'000	Fair value 2010 R'000
Parastatal bonds		69 737 412	37 490 967
Eskom Holdings Ltd	AAA	44 343 249	35 631 685
Transnet Ltd	AA-	13 054 276	-
South African National Road Agency Ltd	AAA	11 506 661	1 859 282
Telkom SA Ltd	AAA	652 133	-
Development Bank of SA Ltd	AAA	175 384	-
Umgeni Water Board	AA+	5 709	-
Other bonds		850 374	1 989 319
Telkom SA Ltd	-	-	1 328 395
Standard Bank Group Ltd	-	-	551 306
South African National Road Agency Ltd	AAA	740 681	-
Lesotho Highlands	*	64 337	63 376
Sedibeng Water	*	45 356	46 242
Total bills and bonds		330 353 695	290 072 467

The Fitch Ratings is used as investment grade ratings, unless otherwise mentioned. The rating categories are as follows:

Symbol	Rating
AAA	Highest grade quality
AA+, AA, AA-	High credit quality
A+, A, A-	Strong payment capacity

*The Credit Risk Department of the Public Investment Corporation applied an A rating to these bonds.

3.1.5 Investment properties

	Fair value 2011 R'000	Fair value 2010 R'000
Current developments	-	515 473
Residential properties	27 615	30 990
Industrial properties	1 030 629	1 031 335
Office properties	4 694 728	4 013 130
Retail properties	1 014 978	1 105 500
Specialised properties	120 140	73 900
Vacant land	53 282	14 689
Lease income accrual	(66 400)	(62 906)
Total properties	6 874 972	6 722 111

Notes to the annual financial statements for the year ended 31 March 2011

Name of property	Address	Valuation method	Date of last valuation	Pledged as guarantee	Fair value 2011 R'000	Fair value 2010 R'000
Riverwalk Office Park	Ashlea Gardens, Garsfontein	8 year DCF	2011/03/31	No	511 780	490 110
Vangate Shopping	Vanguard Drive, Athlone, Cape Town	11 year DCF	2011/03/31	No	425 000	425 000
Discovery Health	3 Alice Lane, Sandown	5 year DCF	2011/03/31	No	340 000	340 000
GijimaAst Holdings	47 Landmarks Avenue, Kosmosdal	6 year DCF	2011/03/31	No	321 000	311 000
Iparioli Office Park	1166 Park Street, Hatfield	5 year DCF	2011/03/31	No	286 100	266 000
Jakaranda Shopping Centre	Cnr Michael Brink and Frates Street Rietfontein	7 year DCF	2011/03/31	No	227 000	222 200
Trevenna	70 Meintjies Street, Trevenna, Pretoria	5 year DCF	2011/03/31	No	212 578	193 050
Webber Wentzel	10 Fricker Road, Illovo, Johannesburg	8 year DCF	2011/03/31	No	194 500	180 000
Joggie Vermooten	57 Joyner Road, Isipingo Ext. 12, Durban	8 year DCF	2011/03/31	No	189 500	-
Peregrine	6A Sandown Valley Crescent, Sandown	6 year DCF	2011/03/31	No	180 000	184 000
HSBC (ex-ABN- AMRO)	Cnr Maude Street and Gwen Lane, Sandton	6 year DCF	2011/03/31	No	-	182 000
Other					4 053 914	3 991 657
Lease income accrual					(66 400)	(62 906)
Total properties					6 874 972	6 722 111

3.1.5.1 Investment properties

Balance at beginning of the year

Additions

- Direct acquisition

- Capital expenditure

Disposals

Fair value adjustment

Closing fair value

Operating lease income accrual

Balance at end of year

	2011 R'000	2010 R'000
Balance at beginning of the year	6 785 017	5 896 056
Additions		
- Direct acquisition	-	1 190 826
- Capital expenditure	49 707	302 515
Disposals	(38 520)	(27 152)
Fair value adjustment	145 168	(577 228)
Closing fair value	6 941 372	6 785 017
Operating lease income accrual	(66 400)	(62 906)
Balance at end of year	6 874 972	6 722 111

An independent valuation of the investment properties was performed as at 31 March 2011. The properties were valued at fair value on the basis of the discounted cash flow method, using a risk-free rate adjusted for property risk. Additional adjustments were included for tenant risk, building factors, vacancies, rental reversions to market, property costs, tenant installations and capital expenditure. The key assumptions used by the valuers include the capitalisation rate and the discount rate. The discount rates reflect the risks inherent in the net cash flows and are constantly monitored by reference to comparable market transactions.

The independent valuation was performed by professional valuers from Mills Fitchett and Associates who are registered valuers in terms of Section 19 of the Valuers Professional Act (47 of 2000), and have recent experience in valuing similar properties at similar locations.

3.1.6 Equities

	Fair value 2011 R'000	Fair value 2010 R'000
1. Primary listing on JSE	362 557 701	323 969 197
2. Secondary listing on JSE	138 764 851	122 283 867
3. Unlisted equities	13 829 841	3 003 621
Total equities	515 152 393	449 256 685

	Total issued shares (number)	GEPF's holding (number)	GEPF's holding %	Fair value 2011 R'000	Fair value 2010 R'000
I. Primary listing on the JSE				362 557 701	323 969 197
MTN Group Ltd	1 884 529 317	330 602 133	18%	45 150 333	47 734 348
Sasol Ltd	641 406 616	85 964 362	13%	33 654 188	31 763 436
Standard Bank Group Ltd	1 585 345 307	207 669 029	13%	21 597 579	22 686 968
Impala Platinum Holdings Ltd	631 714 020	78 168 246	12%	15 300 652	16 588 900
First Rand Ltd	5 637 941 689	662 740 319	12%	13 321 080	12 595 178
Remgro Ltd	481 106 370	89 662 223	19%	9 980 302	8 638 497
Bidvest Group Ltd	327 348 572	65 811 898	20%	9 783 597	8 597 072
Anglo American Platinum Ltd	263 391 521	13 917 134	5%	9 700 242	10 953 964
ABSA Group Ltd	718 210 043	65 264 148	9%	8 905 293	8 979 397
Sanlam Ltd	2 100 000 000	318 361 481	15%	8 786 777	7 773 787
Other				186 377 658	147 657 650
2. Secondary listing on the JSE				138 764 851	122 283 867
BHP Billiton Plc	2 209 214 820	119 438 249	5%	32 248 327	28 311 604
Anglo American Plc	1 342 929 799	74 300 245	6%	26 135 111	22 017 374
SAB Miller Plc	1 658 502 746	81 153 447	5%	19 689 449	17 403 767
Naspers Ltd	406 170 911	53 141 384	13%	19 343 464	16 556 070
British American Tobacco Plc	2 025 756 358	43 624 043	2%	12 007 518	9 936 781
Richmont Securities AG	5 220 000 000	272 039 057	5%	10 778 187	9 662 251
Old Mutual Plc	5 695 125 962	517 934 518	9%	7 753 480	5 756 262
Investec Bank Ltd	538 817 296	78 509 537	15%	4 117 825	3 584 835
Reinet Investments S.C.A.	1 959 412 860	315 713 834	16%	3 659 123	3 408 925
Mondi Ltd	367 240 805	24 647 896	7%	1 611 972	-
Liberty International Plc				-	2 227 411
Other				1 420 395	3 418 587

Notes to the annual financial statements for the year ended 31 March 2011

	Total issued shares (number)	GEPF's holding (number)	GEPF's holding %	Fair value 2011 R'000	Fair value 2010 R'000
3. Unlisted equities				13 829 841	3 003 621
Pareto Ltd	3 459 251 062	1 383 700 425	40%	4 571 333	-
Community Property Fund*			63%	2 519 810	-
CBS Property Portfolio Ltd	280 944 599	280 944 599	100%	2 073 000	2 050 000
Airports Company SA Ltd	500 000 000	100 000 000	20%	1 800 000	-
Pan African Infrastructure Development Fund*			39.68%	825 127	-
Bakwena Platinum Corridor Concessionaire (Pty) Ltd*			7.81%	248 077	-
Investec Participation Rights*				234 040	-
N3 Toll Concession (Pty) Ltd*			10.41%	211 903	-
Aloecap BEE Private Equity Fund*			60%	183 780	-
Batho Bonke Participation Rights*				163 688	-
Other				999 083	953 621

There were no scrip lending transactions for the year ended 31 March 2011. Comparative figures relating to unlisted equities have been disclosed in terms of the top 25% in line with prior year disclosure and not in terms of top 10 investments. Some of these instruments were included in structured investment products and collective investment schemes in the previous year. See Note 3.1.8 and 3.1.9

*Information disclosed above for other instruments is not applicable to these instruments because their nature is not of pure equities.

3.1.7 Preference shares

	Total issued shares (number)	GEPF's holding (number)	GEPF's holding %	Fair value 2011 R'000	Fair value 2010 R'000
Afripalm Resource A	-	-	-	-	229 771
Afripalm Resource B	-	-	-	-	217 412
Afripalm Resource C	-	-	-	-	40 929
Afripalm Resource D	50	50	100%	61 451	62 487
Afripalm N	-	-	-	17 349	-
ABSA Group Ltd	4 944 839	4 170	-	3 624	-
Investec Bank Ltd	15 447 630	37 894	-	3 714	-
Total preference shares				86 138	550 599

3.1.8 Special investment products

Description	GEPP's holding (number)	GEPP's holding %	Fair value 2011 R'000	Fair value 2010 R'000
Old Mutual Asset Management	Not applicable	100%	1 301	4 649 789
RMB Pooled Fund			-	3 733 664
Pareto Ltd			-	3 621 906
Community Property Fund			-	2 305 106
SARB Northern Toll Road Construction			-	780 734
Santam Ltd			-	309 530
Investec Bank Ltd			-	273 733
Bakwena Platinum Corridor Concessionaire (Pty) Ltd			-	198 671
Batho Bonke Capital (Pty) Ltd			-	185 610
N3 Toll Concession (Pty) Ltd			-	174 000
Other				78 943
Total			1 301	16 311 686

Special investment products combine traditional financial instruments with derivative instruments, whose value are based on the underlying security. These products efficiently combine different investments to provide an extensive choice of sophisticated solutions that will match our objective and enhance our return. Some of the special investment products have been reclassified to unlisted equities in the current year. See Note 3.1.6.

3.1.9 Collective investment schemes

Description	GEPP's holding (number)	GEPP's holding %	Fair value 2011 R'000	Fair value 2010 R'000
Black Rock Advisors (UK) – foreign	Not applicable	Not applicable	25 691 250	-
Santam Ltd	Not applicable	Not applicable	332 707	-
Fedsure Holdings	Not applicable	Not applicable	145 445	114 589
Liberty Group Ltd	Not applicable	Not applicable	24 045	-
Old Mutual Community Gilt Fund	Not applicable	Not applicable	-	293 305
Old Mutual Community Equity Fund	Not applicable	Not applicable	-	267 959
Lereko Metier Capital Growth Fund	Not applicable	Not applicable	-	144 339
Cadiz Asset Management Ltd	Not applicable	Not applicable	-	133 104
South African Infrastructure Fund	Not applicable	Not applicable	-	124 747
Total			26 193 447	1 078 043

Some of the collective investment schemes have been reclassified to unlisted equities in the current year. See Note 3.1.6.

Notes to the annual financial statements for the year ended 31 March 2011

3.1.10 Risk management
Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/ liquid asset with counterparty R'000	Guarantees	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty as a % of the fair value of total assets
Banks						
ABSA Group Ltd	8 908 917	578 218	No	9 087 006	18 574 141	1
ABN Amro Group N.V.	-	-	No	182 000	182 000	0
African Bank Ltd	4 600 724	-	No	415 606	5 016 330	0
African Development Bank	-	-	No	1 085 553	1 085 553	0
Capitec Holdings Ltd	46 411	-	No	40 589	87 000	0
China Construction Bank Corporation	-	130	No	-	130	0
Credit Agricole	-	7 262	No	-	7 262	0
Deutsche Bank AG	-	37 318	No	163 000	200 318	0
Development Bank SA Ltd	-	-	No	11 288 564	11 288 564	1
First Rand Ltd	13 321 080	502 123	No	11 102 632	24 925 835	2
HSBC Bank International Ltd	-	199	No	-	199	0
Investec Bank Ltd	6 220 314	309 571	No	4 026 127	10 556 012	1
JP Morgan Chase Bank	-	171	No	-	171	0
Land and Agricultural Development Bank	-	-	No	1 825 875	1 825 875	0
Nedbank Ltd	6 171 121	9 298 010	No	8 352 703	23 821 834	2
Rand Merchant Bank	5 033 099	19 029	No	-	5 052 128	0
Society General	-	17 550	No	-	17 550	0
Standard Bank Group Ltd	21 597 579	4 182 092	No	13 951 368	39 731 039	4

3.1.10 Risk management (continued)

Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/ liquid asset with counterparty R'000	Guarantees	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty as a % of the fair value of total assets
Asset managers						
Cadiz Asset Management Ltd	-	-	No	-	-	-
Coronation Asset Management (Pty) Ltd	1 33 757	-	No	-	133 757	0.00
Insurance companies						
Alexander Forbes Ltd	280 369	-	No	-	280 369	0.00
Discovery Holdings Ltd	2 052 372	-	No	-	2 052 372	0.00
Stanlib Ltd	1 693 410	-	No	24 046	1 717 456	0.00
Old Mutual Life Assurance Company SA Ltd	7 753 480	-	No	913 840	8 667 320	0.00
Sanlam Ltd	8 786 777	229	No	232 343	9 019 349	0.00
Santam Ltd	1 003 962	-	No	-	1 003 962	0.00
Momentum Group Ltd	-	-	No	97 209	97 209	0.00

3.1.11 Market risk

Equity holdings

10 largest rand-value equity holdings

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
MTN Group Ltd	45 150 333	2 257 517
BHP Billiton Plc	32 248 327	1 612 416
Sasol Ltd	33 654 188	1 682 709
Anglo American Plc	26 135 111	1 306 756
Naspers Ltd	19 343 464	967 173
Standard Bank Group Ltd	21 597 579	1 079 879
South African Breweries Ltd	19 689 449	984 472
Impala Platinum Holdings Ltd	15 300 652	765 033
First Rand Ltd	13 321 080	666 054
British American Tobacco Plc	12 007 518	600 376
Total value of 10 largest equity holdings	238 447 701	11 922 385
As a percentage of total investment plus bank balances	25%	1%

Notes to the annual financial statements for the year ended 31 March 2011

3.1.12 Other financial instruments

10 largest rand-value other financial instruments

	GEPF's holding	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
R197 RSA 5.5% (2023)	14 696 604	33 748 728	1 687 436
R186 RSA 10.5% (2025/6/7)	22 738 963	26 296 586	1 314 829
Black Rock Global Equity Fund	244 720	20 489 444	1 024 472
R201 RSA 8.75% (2014)	16 337 719	17 430 452	871 523
R208 RSA 6.75% 310321	20 123 409	17 519 016	875 951
R203 RSA 8.25% (2017)	15 616 470	15 521 767	776 088
R157 RSA 13.50% (2015)	10 166 189	12 360 764	618 038
R204 RSA 8.0% (2018)	14 180 157	14 023 398	701 170
R207 RSA 7.25% (2020)	14 504 582	13 470 611	673 531
E170 ESKOM 13.5% (2020)	9 795 700	12 704 065	635 203
Total value of 10 largest other instruments		183 564 831	9 178 241
As a percentage of total investments plus bank balances		19%	1%

3.1.13 Foreign currency exposure

Description	Fair value at end of period 2011 ('000)	Fair value at end of period 2011 R'000	Market movement by 5% R'000
Pan African Infrastructure Development Fund (PAIDF)	US\$122 070	825 127	41 256
Black Rock Advisors UK Ltd	US\$3 800 790	25 691 250	1 284 563
Total value of foreign instruments		26 516 377	1 325 819
As a percentage of total investments plus bank balances		2%	0.1%

4 FUNDING LOAN

Sefalana Employee Benefits Organisation (SEBO)

2011 R'000	2010 R'000
6 716	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.

Liquidators were appointed to liquidate SEBO during the 2005 financial year. The liquidation was dependent upon the registration of all the title deeds in respect of investment properties. Subsequent to the registration of all the title deeds in respect of investment properties in the name of the GEPF, the liquidators would then finalise the liquidation of SEBO. The liquidators have used three different scenarios to estimate the amount which will be due to the GEPF on the final liquidation of SEBO. GEPF has followed a conservative approach by adopting the lowest estimate provided by the liquidators.

5 INVENTORY

Inventory consists of consumables

	2011	2010
	R'000	R'000
	-	1 109

The Fund does not keep any inventory on hand. Inventory held from the prior year was transferred to the GPAA. Refer to Note 21.

6 ACCOUNTS RECEIVABLE

Accrued interest	55 170	75 685
Accrued dividend	2 459 105	656 139
Associated Institutions Pension Fund	299	11 537
Estates debt	23 264	45 380
Total estates debt	57 038	54 327
Less: provision for doubtful debts	(33 774)	(8 947)
Fraud cases debt	-	-
Total fraud cases debt	40 112	40 394
Less: provision for doubtful debts	(40 112)	(40 394)
Investment debtors*	1 258 868	2 739 601
Lease debtor	66 400	62 906
National Treasury	356	20 605
Government Pensions Administration Agency	569	-
Purchased service	21 840	19 355
Purchased service not recovered at retirement or death	385	444
South African Post Office	2 052	1 524
Non-Statutory Forces	1 988	23 676
Staff debtors	-	68
Sundry debtors	35	676
Temporary Employees Pension Fund	77	599
Overpayments	29 534	4 824
Total overpayments	35 156	32 622
Less: provision for doubtful debts	(5 622)	(27 798)
	3 919 942	3 663 019

* In the previous year, investment debtors included a loan to Black Ginger 33 (Pty) Limited, for the purchases of 18 753 104 Telkom shares valued at R640.4 million and a distribution of 18 753 104 Vodacom shares valued at R1.0 billion received by Black Ginger 33 (Pty) Limited due to Telkom unbundling. The market value of this loan was linked to the value of both Telkom and Vodacom shares. The amount to be repaid was determined when the shares were sold by Black Ginger 33 (Pty) Limited. This loan had no fixed repayment terms.

On 30 April 2010, Black Ginger 33 (Pty) sold its Telkom and Vodacom shares to GEPPF. The selling price was set off against the abovementioned loan and the shares were transferred into GEPPF's name.

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Notes to the annual financial statements for the year ended 31 March 2011

7 CONTRIBUTIONS

7.1 Contributions receivable

	2011 R'000	2010 R'000
Participating employers	278 624	11 120
Arrear contributions*	724	833
Additional employer contributions**	392 749	453 409
Interest on outstanding contributions	253	539
Statement of net assets and funds	672 350	465 901

* Arrear contributions as a result of late admissions and contributions from employers.

** 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 (e.g. voluntary severance packages /early retirement without downscaling).

7.2 Reconciliation of contributions receivable

	2011 R'000	2011 R'000	2011 R'000	2010 R'000
	Contributions accrued	Contributions received	Contributions receivable	Contributions receivable
Member contributions	14 274 899	(14 275 008)	724	833
Employer contributions	25 789 732	(25 582 888)	671 373	464 529
Interest on outstanding contributions	1 483	(1 769)	253	539
Statement of changes in net assets and funds	40 066 114	(39 859 665)	672 350	465 901
				40 066 114

8 CASH AND CASH EQUIVALENTS

	2011 R'000	2010 R'000
Cash resources	1 196 036	1 142 832
Short-term investments	12 300 461	13 965 349
	13 496 497	15 108 181

The money market instruments with original maturities of three months or less are classified as cash and cash equivalents.

9 RESERVES

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

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

	2011 R'000	2011 R'000	2011 R'000	2011 R'000	2011 R'000
	Non-statutory forces reserve	Ciskei strikers reserve	General assistants reserve	Other past discriminatory practices reserve	Total reserve accounts
Balance at beginning of the period	1 053 304	136 488	75 472	3 670 866	4 936 130
Net loss before transfers and benefits	(779)	(22)	-	-	(801)
Administrative expenditure	(779)	(22)	-	-	(801)
Transfers and benefits	(55 777)	(3 884)	-	-	(59 661)
Benefits paid	(55 777)	(3 884)	-	-	(59 661)
Net loss after transfers and benefits	(56 556)	(3 906)	-	-	(60 462)
Net loss for the period	(56 556)	(3 906)	-	-	(60 462)
Transfer from net investment return to reserves	66 510	8 825	4 881	480 315	560 531
Balance at end of period	1 063 258	141 407	80 353	4 151 181	5 436 199

Notes to the annual financial statements for the year ended 31 March 2011

10 UNCLAIMED BENEFITS
Balance at beginning of the period

Transferred from benefits payable

Less:

Benefits paid

Balance at end of period

	2011	2010
	R'000	R'000
	549 838	189 630
	590 203	951 090
	(565 485)	(590 882)
	574 556	549 838

11 BENEFITS

	2010	2011	2011	2011
	R'000	R'000	R'000	R'000
	Benefits payable	Benefits accrued current year	Benefits paid during year	Benefits payable
Net benefit payments	10 996 364	29 856 972	(31 098 727)	9 754 609
Gratuities	1 198 673	3 615 953	(3 941 018)	873 608
Withdrawal benefits	4 302 664	4 081 496	(4 726 834)	3 657 326
Monthly pensions	1 448 563	18 624 371	(18 311 466)	1 761 469
Retrenchment benefits	92 845	217 586	(285 161)	25 270
Death benefits	3 685 912	3 379 048	(3 693 491)	3 371 468
Funeral benefits	244 000	(76 667)	(123 333)	44 000
Orphan benefits*	23 707	12 510	(14 749)	21 468
Unclaimed benefits**	-	2 675	(2 675)	-
Interest to members	3 117 343	1 553 264	(653 748)	4 016 859
Benefits payable***	14 113 707	31 410 236	(31 752 475)	13 771 468
Statement of changes in net assets and funds				29 856 972

* Orphans 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 difficulties experienced with the implementation thereof and referred back to the PSBC to be renegotiated.

** Unclaimed benefits are not written back to income as per the Prescription Act but will remain in the Fund as unclaimed until the member has been traced. Legitimate claims received subsequent to write-offs are paid as the records are maintained.

*** Benefits payable as at 31 March 2011 and benefits accrued during the year includes an amount of R2.5 billion (2010: R2.4 billion), representing exit cases that were not fully processed at year-end.

12 TRANSFERS

			2010	2011	2011	2011	2011
			R'000	R'000	R'000	R'000	R'000
	Effective date	Number of members	Transfers payable	Transfers approved	Return on transfer	Transfers paid	Transfers payable
12.1 Transfers to other funds							
Bulk transfers in terms of Rule 12 of the GEP Law Ezemvelo KZN Wildlife Provident Fund	2010/2011		1 103 627	-	-	-	1 103 627
Municipal transfers	2010/2011	93	(373 283)	9 841	6 376	(15 966)	(373 032)
Municipal transfers overprovided	2010/2011	(11)	(724 473)	(1 762)	-	-	(726 235)
X-SA Nat Parks Jnt Pen Dep Opp	2010/2011	52	-	6 912	821	(7 733)	-
Individuals	2010/2011	-	318	(235)	(83)	-	-
		134	6 189	14 756	7 114	(23 699)	4 360
Transfers approved							14 756
Return on transfers							7 114
Statement of changes in net assets and funds							21 870

12.2 Transfers from other funds

			2010	2011	2011	2011	2011
			R'000	R'000	R'000	R'000	R'000
	Effective date	Number of members	Transfers receivable	Transfers approved	Return on transfers	Transfer received	Transfers receivable
Transfers in terms of Rule 12 of the GEP Law							
Old Mutual Provident Fund	2010/2011	122	-	9 616	9 478	(19 094)	-
Individual transfers	2010/2011	23	1 330	5 438	283	(6 265)	786
		145	1 330	15 054	9 761	(25 359)	786
Transfer approved							15 054
Return on transfers							9 761
Statement of changes in net assets and funds							24 815

Notes to the annual financial statements for the year ended 31 March 2011

13 ACCOUNTS PAYABLE

Administrative creditors
Operating lease accrual
Child maintenance (court orders)
Contributions (employers)
Dormant members
Investment creditors
National Treasury
Non-statutory forces contribution*
Outstanding SA Post Office vouchers
Portfolio management fees payable
Sundry creditors
Total

* 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).

14 PROVISIONS

Provision for accumulated leave pay
Balance at beginning of year
Provided
Transfer to GPAA
Utilised
Provision for bonuses
Balance at beginning of year
Provided
Transfer to GPAA
Utilised

Balance at end of period

2011 R'000	2010 R'000
5 760	34 509
581	1 275
238	66
2 520	1 932
891	948
31 616	962 344
81	817
790 515	818 364
1 998	1 312
140 974	74 523
7 709	9 100
982 883	1 905 190

141	6 977
6 977	3 373
113	3 754
(6 916)	-
(33)	(150)
935	6 651
6 651	5 956
935	4 595
(6 651)	-
-	(3 900)
1 076	13 628

Bonuses are calculated based on 7% of the budgeted labour costs and the leave pay provision based on the current leave entitlement pro-rata.

I5 PURCHASE OF PERIODS OF SERVICE

GEPF members
Non-statutory forces members

I6 NET INVESTMENT INCOME

Income from investments
Interest
Other income
Reversal of impairment⁴
Property income
Net profit on sale of investments¹
Adjustment to fair value²
Impairment of Investments³

Total investment income

Less: expenses incurred in managing investments

- Management fees
- PAIDF (management fees and other expenses)
- Bad debts on investments
- Property expenses
- Transaction costs and other expenses

Total investment expenses**Net investment income**

¹ Profit on sale of investments
Loss on sale of investments
Net profit on sale of investments

² Dividend income amounting to R15.2 billion (2010: R10.8 billion) is included in the adjustment to fair value, in line with the requirements of the Regulatory Reporting Requirements for Retirement Funds.

	2011 R'000	2010 R'000
	22 044	19 777
	122 784	97 020
	144 828	116 797
	30 473 351	30 783 049
	29 483 260	29 921 881
	15 101	1 797
	6 808	-
	968 182	859 371
	25 771 895	28 322 625
	50 334 664	99 502 844
	(1 181)	(4 682 972)
	106 578 729	153 925 546
	(804 358)	(511 653)
	(40 526)	(48 629)
	-	(8 206)
	(291 222)	(256 430)
	(408 264)	(538 517)
	(1 544 370)	(1 363 435)
	105 034 359	152 562 111
	26 364 185	28 533 776
	(592 290)	(211 151)
	25 771 895	28 322 625

Notes to the annual financial statements for the year ended 31 March 2011

16 NET INVESTMENT INCOME (continued)

³ Some of the loans entered into by the PIC on behalf of the GEPF in their capacity as the Fund's asset manager have been impaired for the period ended 31 March 2011 based on the independent valuation as stated below:

Reconciliation of impairment

	2011 R'000	2010 R'000
Wireless Broadband Solution Holdings (Pty) Ltd	-	6 896
Brevity 12 (Pty) Ltd	-	3 027
Batho Bonke Capital (Pty) Ltd	-	180
Afrisam (Pty) Ltd	-	4 617 444
Legend Lodges (Pty) Ltd	1 181	55 425
Total	1 181	4 682 972

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

- Uncertainties on the going concern on audited financial statements of its investees.
- 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.
- Anticipated pressure on investees in servicing their debts obligations.

⁴ In the current year, impairments amounting to R6.8 million were reversed. The reversals related to the Batho Bonke Capital loan and Brevity 12 (Pty) Ltd are due to subsequent repayments received from Batho Bonke Capital (Pty) Ltd and a restructuring of the Brevity 12 (Pty) Ltd loan.

17 OTHER INCOME**Interest received**

Arrear contributions
Purchase of service
Additional liabilities
Operating bank account

	2011 R'000	2010 R'000
Arrear contributions	12 261	9 848
Purchase of service	1 490	1 833
Additional liabilities	14 577	32 071
Operating bank account	35 264	64 870
	63 592	108 622

18 ADMINISTRATIVE EXPENDITURE

18.1 Total administrative expenditure

	2011 R'000	2010 R'000
Administration expenses	387 294	-
Actuarial fees	1 271	7 819
Investment accounting fees	9 370	8 963
Investment performance analysis	3 280	3 653
Audit fees – current year	1 245	377
Depreciation	823	10 150
Foreign currency loss	50	20
Legal costs	632	3 560
Bad debts	309	-
Profit on sale of property, plant and equipment	-	(104)
Impairment on assets	-	2
Operating expenses	17 508	142 909
Operating lease payments	2 360	8 143
Operating lease smoothing adjustment	4	1 587
Personnel expenses	19 068	219 494
Personnel expenditure (refer note 18.2)	7 275	207 867
Executive officer expenditure (refer note 18.3)	3 784	6 286
Principal officer expenditure (refer note 18.4)	2 940	1 475
Trustee expenditure (refer note 18.5)	5 069	3 866
Increase in provision for doubtful debt	2 368	7 651
	445 582	414 360

18.2 Personnel remuneration and expenses

Remuneration to permanent and contract employees	3 572	175 459
Retirement funds contributions	838	15 140
Training expenses	376	4 104
Other benefits (housing, medical, etc)	2 489	13 164
	7 275	207 867

Notes to the annual financial statements for the year ended 31 March 2011

18 ADMINISTRATIVE EXPENDITURE (continued)

18.3 Executive officers remuneration and expenses

Remuneration and allowances
Bonuses

18.4 Principal officer remuneration and expenses

Remuneration and allowances
Bonuses

18.5 Board of Trustees remuneration and expenses

Meeting allowances
Expenses

19 INTEREST PAID

Interest paid to members
Interest paid to members exited from the GEPF
Interest paid to external funds in respect of members exited from the GEPF
Interest paid to non-statutory forces members
Interest paid to employers (non-statutory forces)
Interest paid to dormant members

20 OPERATING LEASE

INCOME

Future minimum lease payments received under non-cancellable operating leases:

Receivable within one year
Receivable between two and five years
Receivable after five years

EXPENSES

Future minimum lease payments under non-cancellable operating leases:

Payable within one year
Payable between two and five years
Payable after five years

	2011 R'000	2010 R'000
	3 339	5 422
	445	864
	3 784	6 286
	2 877	1 344
	63	131
	2 940	1 475
	4 818	3 735
	251	131
	5 069	3 866
	1 546 150	75 514
	1 473 221	(11 638)
	59 191	76 023
	13 738	11 129
	54 564	54 900
	81	86
	1 600 795	130 500
	689 924	666 418
	1 790 947	1 813 919
	637 586	879 174
	3 118 457	3 359 511
	1 962	8 306
	2 899	18 435
	-	2 481
	4 861	29 222

21 LOSS ON TRANSFER OF ADMINISTRATION COMPONENT

The Fund and the administrative functions have, with effect from 1 April 2010 been separated after the establishment of the Government Pensions Administration Agency (GPAA), an entity within National Treasury. The effect of the separation is that the majority of staff previously employed by the GEPP together with fixed assets and liabilities previously owned by the GEPP but utilised for the provision of administrative services have with effect from 1 April 2010, been transferred from the GEPP to the GPAA.

The following assets and liabilities were transferred for Nil and resulted in a loss:

Inventory	
Accounts receivables	
Fixed Assets	
Accumulated Depreciation	
Accounts payable and provisions	
Loss on transfer of administration component	

	2011 R'000	2010 R'000
	1 109	-
	33 187	-
	72 331	-
	(33 807)	-
	(40 960)	-
	31 860	-

22 CASH GENERATED FROM OPERATIONS

Net income after transfers and benefits

Adjusted for:

Interest received	
Interest paid	
Dividends received	
Adjustment to fair values of investments	
Profit on sale of investments and property	
Loss on sale of investments and property	
Impairment of Investments	
Profit on sale of fixed assets	
Loss on transfer of administration component	
Foreign currency loss	
Depreciation	
Debts written-off	
Increase in doubtful debt provision	
Movement in provisions	
Net transfers (in)/out	

	2011 R'000	2010 R'000
	113 316 167	159 109 942
	(104 830 171)	(153 507 793)
	(29 548 335)	(30 031 235)
	1 609 404	141 010
	(15 219 070)	(10 777 628)
	(35 115 594)	(88 725 216)
	(26 364 185)	(28 533 776)
	592 290	211 151
	(5 627)	4 682 972
	-	(104)
	31 860	
	50	86 548
	823	10 150
	309	8 206
	2 368	7 651
	(666 691)	(913 770)
	(147 773)	326 248
	8 485 996	5 602 149
	(142 310)	(302 111)
	(192 385)	99 056
	-	154
	50 075	(401 321)
	8 343 686	5 300 038

Adjusted net income after transfers and benefits

Changes in working capital

(Increase)/decrease in accounts receivable	
Decrease in inventory	
Decrease/(increase) in accounts payable	

Cash generated from operations

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Notes to the annual financial statements for the year ended 31 March 2011

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 2011 was R515.2 billion (March 2010: R449.3 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.

23.2 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 investments made in the Pan African Infrastructure Development Fund and Black Rock Advisors UK Limited, which are denominated in US dollars (see note 3.1.13).

Currency risk is managed by management on 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 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

In regards to the Fund, the majority of the participating employers relate to the entire government and the predominant numbers of GEPF transactions are 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.

- Contributions received of R25.6 billion (Mar 2010: R23.0 billion) and contributions receivable of R672.4 million (Mar 2010: R465.9 million) are from the employer which is the government of the Republic of South Africa.
- Trustees of the Fund who are also members of the Fund contribute to the Fund and may receive benefits upon exit from the Fund in terms of the Fund rules.
- Remuneration and expenses of key management personnel is disclosed in Note 18 to the annual financial statements.
- The PIC is wholly owned by the government of the Republic of South Africa. Management fees amounting to R299.0 million (2010: R250.6 million) were paid from the Fund to PIC for investment management services in terms of the approved investment mandate.

25 CONTINGENT LIABILITIES

25.1 Benefits

A contingent liability exists for members that retired from the GEPF prior to 31 March 2011, for whom no duly completed exit documentation have 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.

- The period of pensionable service, which period may be altered by means of added service, dependent on the exit reason, e.g. 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 Pending liability

No known pending liability is anticipated for GEPF during the current year.

26 CAPITAL COMMITMENTS

During the 2007/08 financial period, the GEPF committed to an investment to the Pan African Infrastructure Development Fund (PAIDF). As part of this investment the GEPF committed to make capital contributions amounting to US\$250.0 million translating to R1.7 billion. At 31 March 2011, US\$134.1 million translating to R1.1 billion, of the initial commitment has been invested. The remaining capital commitment of US\$115.9 million translating to R989.7 million is payable approximately within the next five years. The PAIDF investment is managed by Harith Fund Managers.

27 SUBSEQUENT EVENTS

27.1 V&A Waterfront

Subsequent to year end, the Fund together with Growthpoint Properties (Pty) Ltd acquired, in equal proportions, 100% of the ordinary shares in Lexshell 44 General Trading (Pty) Ltd, the owner of the V&A Waterfront for R9.8 billion. The transaction was closed on 7 June 2011.

27.2 Approval of non-statutory forces dispensation

In 2010 Cabinet approved a revised non-statutory forces dispensation. On 8 July 2011 the rules of the GEPF were amended to give effect to the revised non-statutory forces dispensation which entailed the following:

- Abolishing the need for former non-statutory forces members to contribute to the funding for non-statutory forces recognition.
- Recognition of the full period of non-statutory forces service for members who qualify for non-statutory forces service.
- Allowing former non-statutory forces members whose service is recognised to retain the Special Pension benefits until date of exiting the GEPF.

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