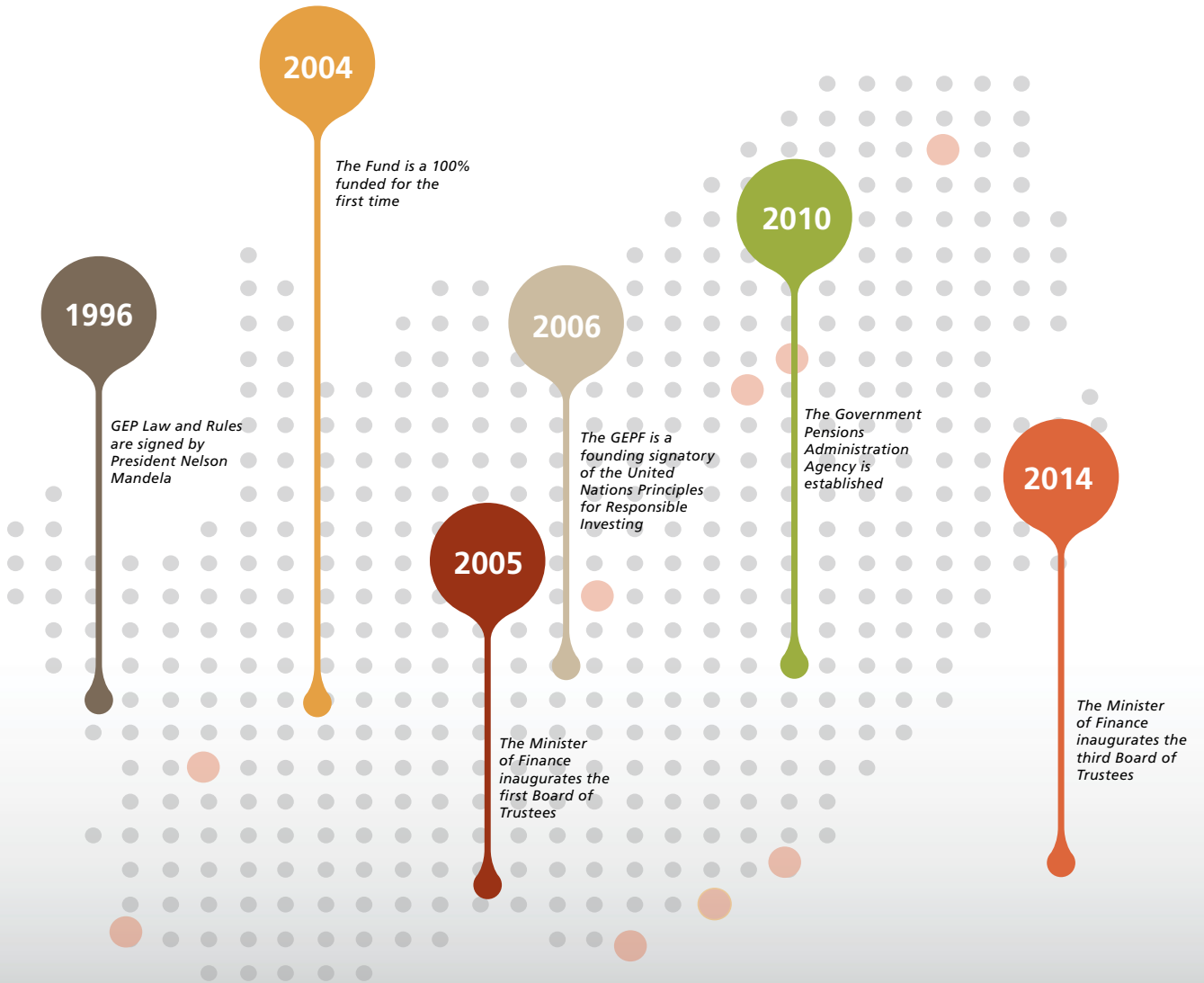




GEPF

your investment, your future



LEARN FROM YESTERDAY, LIVE FOR TODAY, SAVE FOR TOMORROW

2016 ANNUAL REPORT

VISION, MISSION AND VALUES

MISSION

As the Government Employees Pension Fund is the custodian of a significant portion of the wealth of public servants, our mission is to:

- ensure the sustainability of the Fund;
- provide for efficient delivery of benefits; and
- empower our beneficiaries through effective communication.

VISION

To be a global leading and reputable pension fund that delivers quality service to beneficiaries.

VALUES

We value integrity, transparency, client centricity, accountability, and innovation.

Integrity

- Being ethical and truthful
- Maintaining good governance practices
- Not misrepresenting or withholding information to which our stakeholders are entitled

Transparency

- Communicating openly and frequently with our stakeholders
- Setting out information in a format that is clear and understandable
- Being open to scrutiny and oversight

Client centricity

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

Accountability

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

Innovation

- Championing research and development in the retirement industry worldwide

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TO THE SPEAKER OF PARLIAMENT

I have the honour in terms of section 9(6) of the Government Employees Pension Law, 1996 (Proclamation 21 of 1996), as amended, to submit the Annual Report of the Government Employees Pension Fund for the period 1 April 2015 to 31 March 2016.

Pravin J Gordhan, MP
Minister of Finance

October 2016

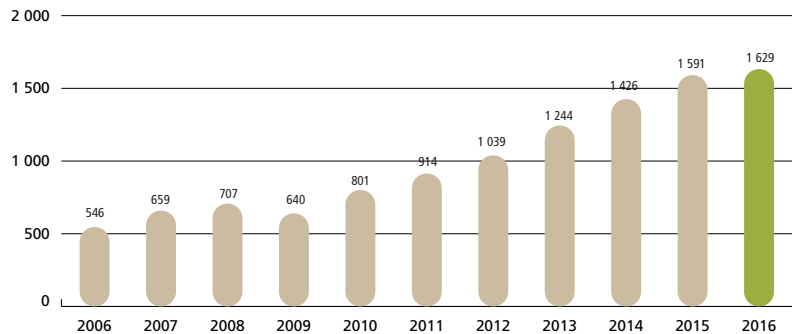


FINANCIAL HIGHLIGHTS

ACCUMULATED FUNDS AND RESERVES AS AT 31 MARCH 2016

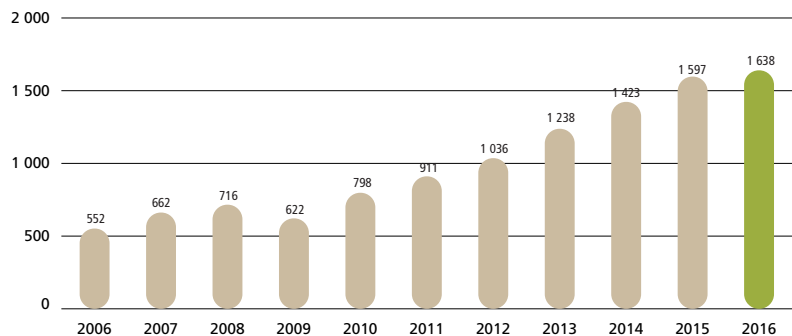
The Fund’s accumulated funds and reserves amount to R1 638 billion as at 31 March 2016. The reserves represent the actuarial reserve that was set aside to address past discriminatory practices in terms of a collective agreement negotiated and agreed to in the Public Service Co-ordinating Bargaining Council (PSCBC).

Accumulated funds and reserves have grown at an average rate of 12,09% over the past 10 years.



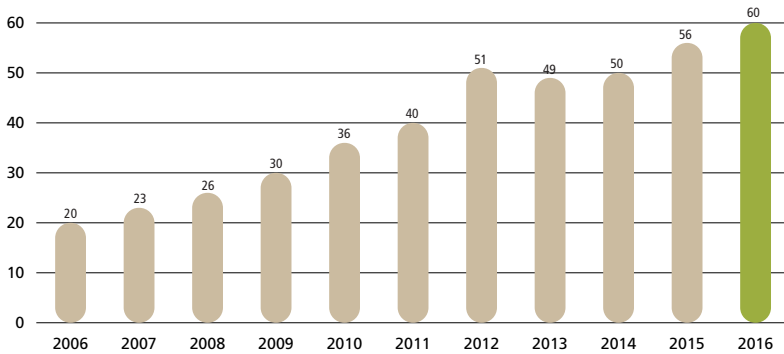
INVESTMENT PORTFOLIO

The Fund’s investment portfolio grew by 2,6% from R1 597 billion in 2015 to R1 638 billion in 2016. The increase in the investment values is mainly due to additional investments made in the current year.



CONTRIBUTIONS RECEIVED AND ACCRUED

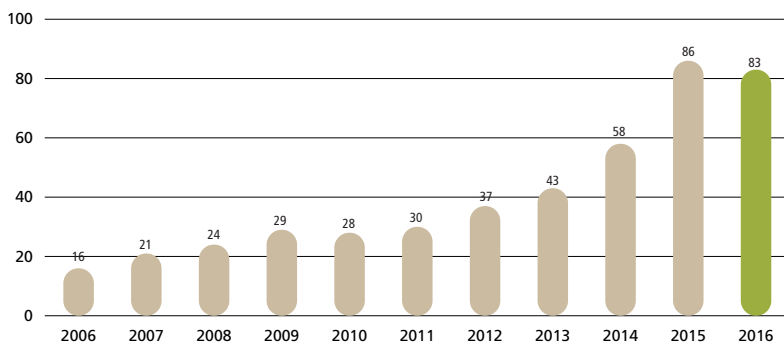
The Fund receives a percentage of members' pensionable salaries as contributions. Contributions received increased by R4 billion in the current year. This increase is mainly due to annual salary increases, as well as promotional and notch increases given to members.



BENEFITS AWARDED

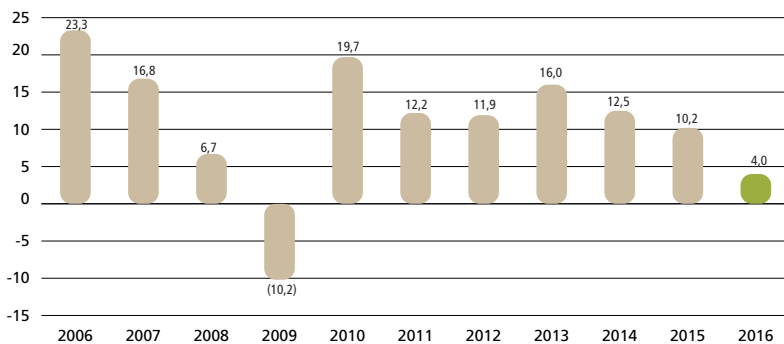
The Fund awards benefits upon a member's resignation, retirement or death. The Fund also pays funeral benefits.

Benefits paid decreased by R3 billion in the current year, mainly due to a decrease in resignations from the Fund.



FUND'S INVESTMENT RETURNS

During the reporting period, the Fund's investments yielded an average return of 4% compared to 10,2% in 2015 based on net investment income of R64 billion (2015: R197 billion).





1996 – 2016



This year marks the **20th anniversary** of the Government Employees Pension Fund (GEPF). The establishment of the present-day GEPF can be traced back to the Record of Understanding signed between the ANC and the then ruling National Party in **1992**. The Record of Understanding committed the parties, among other things, to the formation of the Government of National Unity and to respecting existing employment contracts and retirement compensations in any future restructuring of the civil service. Furthermore, section 212(6) of the (Interim) Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) required that provision be made for a pension for all members of the public service by means of a pension fund or funds established by law. To give effect to section 212(6), the Office of the Public Service Commission launched an investigation into the amalgamation of the various government service pension funds, including those of the then Transkei, Ciskei, Bophuthatswana, and Venda.

The Government Employees Pension Law was published in the Government Gazette No 17135 of 17 April 1996. The then President (Nelson Rolihlahla Mandela), by proclamation, determined 1 May 1996 as the commencement date of the Law.

The provisions of section 2(1) of the Government Employees Pension Law stipulate that all former funds, from 1 May 1996, were to amalgamate with the Government Service Pension Act, 1973 (Act No 57 of 1973). As of this date, the Fund was known as the Government Employees Pension Fund.



The following 10 different government funds were amalgamated during **1996** to form the Government Employees Pension Fund:

- Government Service Pension Fund;
- Temporary Employees Pension Fund;
- Authorities Service Pension Fund;
- Authorities Service Superannuation Fund;
- Ciskeian Civil Servants Pension Fund;
- Transkeian Government Service Pension Fund;
- Government Employees Pension Fund of Transkei;
- Government Pension Fund of Bophuthatswana;
- Government Pension Fund of Venda; and
- Government Superannuation Fund of Venda.

With the amalgamation of the funds, the benefit structure was standardised and all discriminatory practices scrapped. All members now would be expected to contribute at a rate of 7,5% of their salaries and, more importantly, all female members would enjoy the same benefits as their male counterparts.

Past discrimination in terms of pension benefits

The GEPF in collaboration with the Department of Defence, the Public Service Co-ordinating Bargaining Council (PSCBC), the Department of Public Service and Administration and other stakeholders had to establish processes to recognise, as pensionable service, the sacrifices made by individuals who were part of the former non-statutory forces and who had been integrated into the South African National



Defence Force (SANDF). The rules of the GEPF (ie the GEP Law and Rules) were therefore amended to make provision for the recognition of former non-statutory forces (NSF) service as pensionable service in the GEPF. This is commonly known as the NSF Pension Dispensation. In terms of the dispensation, the previous service of the former members who entered into an employment agreement with any State Department that participates in the GEPF may be recognised as pensionable service for purposes of pension benefits.

Other discriminatory practices that had to be dealt with included provisions pertaining to those individuals who went on strike in the Ciskei between 1991 and 1994 and who were dismissed and re-instated. Also, there were many casual labourers who had been employed by government departments for years but could not contribute to a pension fund because of their casual status. As the GEP Law and Rules of the GEPF did not make provision for these cases, complex and protracted negotiations were entered into in order to redress the situation.

Pulling together the divergent administrative systems and varying levels of operational effectiveness was an enormous achievement, further made difficult by the introduction of the Voluntary Service Packages in 1997. By **1999**, however, the GEPF was firmly established and by 2001 had decentralised its operations, and introduced a modernisation process and improvement of its service delivery that is ongoing to this day. The GEPF currently serves more than 1,7 million members and pensioners



spread across all nine provinces and provides services through 13 regional offices countrywide.

The focus since has been the transformation of the GEPF to being an inclusive, transparent, and customer-service orientated operation.

The GEPF still had to deal with a further round of severance packages for those civil servants who could not be deployed as required by the Framework Agreement on the Transformation and Restructuring of the Public Sector, which had been negotiated with the Public Service Co-ordinating Bargaining Council (PSCBC) in 2002.

In the **2003/2004** financial year, a bill to establish the Public Investment Corporation (PIC) – the proposed asset managers for the GEPF – was working its way through Parliament. This clearly separated the legal requirements of the asset managers and the retirement fund and was part of the greater focus on good governance that had seen the GEPF adopt the principles contained in the then King II Report on Corporate Governance.

The Minister of Finance had served as the sole Trustee of the GEPF when it was established in 1996. In June 2005, the first Board of Trustees was appointed and inaugurated. The appointment of a Board brought about a new era of member, pensioner, and stakeholder representation, participation and oversight in the GEPF, and saw the establishment of five permanent committees to give oversight to the strategic agenda of the Fund.

1996 – 2016



In **2006**, the GEPF's drive to become the leader in responsible investing was confirmed when the United Nations revealed its Principles for Responsible Investment (PRI) at the New York Stock Exchange, of which the GEPF is one of the founding signatories. The UN-backed Principles for Responsible Investment (PRI) was launched to encourage collaborative engagement, at an institutional level, on the incorporation of environmental, social, and governance issues in decision-making, ownership, and investment practices.

To strengthen governance and oversight, the first Board of Trustees approved a change in the governance structure of the Fund in 2008/2009 that resulted in the separation of the administration component of the GEPF. This is in line with international retirement fund best practices. The outsourcing of the administration function saw the establishment of the Government Pensions Administration Agency (GPAA) on **1 April 2010**. It allowed the Fund to strengthen its governance and oversight while providing members and beneficiaries with an effective best-possible pension administration service.

Following this, and in acknowledgement of the significant role institutional investors can and should play in shaping the development – and thus the

future – of South Africa, the GEPF's Developmental Investment Policy (DI) was launched in 2010. The GEPF and other concerned stakeholders also launched the Code for Responsible Investing in South Africa (CRISA) in **2011**.

The GEPF's Developmental Investment Policy (DI) adopted a four-pillar approach to developmental investing: economic infrastructure; social infrastructure; environmental investments; and enterprise development (including black economic empowerment and job creation). Many of these developmental projects are located in areas where poverty is high; and the GEPF believes these investments will go a long way towards creating jobs, alleviating poverty, increasing economic participation of impoverished communities, and assisting and supporting with skills development and skills transfer.

In **2012**, the GEPF established an Environmental, Social, and Governance (ESG) Unit and a programme of engagement was started with investee companies to ensure their compliance with ESG imperatives. The GEPF in **2013**, signed Private Placement Memoranda (PPM) with our investment manager PIC for private equity and infrastructure funds that will be invested in commercially viable South African-based projects with a positive long-term impact on development.



Fund assets

In **1996**, the GEPF started out with assets under management of R127 billion, which has since increased to more than R1,6 trillion and is currently the single largest investor in Johannesburg Stock Exchange (JSE) listed companies, with significant holdings in government bonds, listed equity, money markets, as well as investments in unlisted equity and property. It has more than 1,2 million (1996: 958 000) members and 423 395 (1996: 208 000) pensioners.

Financial position of the Fund

This growth has been in tandem with an improvement in the GEPF's funding level, an increase from 72% in 1996 to 100% in 2014 (according to the actuarial valuation of 31 March 2014). This reflects the Fund's robust investment strategy and its ability to adapt to dynamic and turbulent market forces. The GEPF is proud of this achievement as it is currently one of very few defined benefit pension funds internationally which is 100% funded after the 2008/2009 financial crisis.

Pension increases

The GEPF's strategy and operational expertise has resulted in it being able to pay pension increases greater than the agreed basic pension increase of

75% of the average increase in the Consumer Price Index (CPI). In certain years over the past decade, the GEPF paid more than 100% of the increase in the CPI. Between **2003** and **2013**, the average annual pension increase was 5,87%, either matching the average CPI or surpassing it.

The GEPF aims to give members and pensioners peace of mind about their financial security after retirement and during situations of need by ensuring that all funds in its safekeeping are responsibly invested and accounted for, and that benefits are paid out efficiently, accurately, and on time.

Looking back at the achievements of the **last 20 years**, the GEPF will continue to ensure the financial security of its pensioners and members. It will be a catalyst for change in terms of securing investment opportunities locally, regionally, and globally to meet its pension liabilities. In addition, the GEPF will strive to improve service delivery, as well as communication and education to its members and beneficiaries.



OUTLOOK

It is with great pleasure that I present the 2015/2016 Annual Report on behalf of the Board of Trustees of the Government Employees Pension Fund (GEPF).

The year 2015 ended with severe volatility in the local and global markets. In South Africa, the Rand weakened to its lowest level in December and recovered marginally in the first quarter of 2016.

The retirement fund reforms are still on the agenda, as 2016 began with the enactment of the Taxation Laws Amendment Act. Retirement reforms do not affect the GEPF's active members; however, there was a need for the Fund to educate members on the impact of these changes in order to avoid unnecessary resignations from lack of information.

The Fund also celebrated 20 years of existence during the reported period. The GEPF was established in 1996 when various public sector pension funds were consolidated. The 20-year anniversary marks an important milestone for the GEPF as we look back on our legacy and accomplishments.

On inception, the funding level of the GEPF was at 72% and is currently on 100% according to the recent actuarial valuation. A great feat indeed, demonstrating the growth in the financial soundness of the Fund.

The GEPF reached the R1 trillion mark in total value during the 2011/2012 financial year, closely matched by the associated liabilities, once again confirming that the Fund is growing and making a difference in the lives of our pensioners and members.

The primary role of the GEPF is to protect the wealth of our members and pensioners by safeguarding their retirement benefits through proper administration and prudent investment.

This is why the Government Employees Pension Fund was a founding signatory of the United Nations Principles for Responsible Investing (UNPRI) in 2006 and was instrumental in the establishment of the Code for Responsible Investing in SA (CRISA) in 2011, which correlates with the UNPRI.

INVESTMENTS

The GEPF's investment strategy uses a liability-driven approach that takes into consideration expected future benefit payments, the actuarial position, and other long-term objectives, as well as the risk to the overall solvency of the Fund.

During the reported period, the assets of the Fund totalled R1,6 trillion. The GEPF achieved an overall

investment performance return of 4%. This enabled the Board to grant a pension increase of 5,3% which was above 100% of the Consumer Price Index (CPI) of 4,8% as at November 2015. This is higher than the 75% increase recommended by the Rules of the Fund.

As a long-term investor, the GEPF understands that its success cannot be isolated from the development of the country. Any constraints on South Africa's economic growth will have a similar impact on the Fund.

The GEPF's Developmental Investment policy focuses on targeted investments that contribute to positive economic, social and environmental outcomes for South Africa, while earning good returns for members and pensioners.

Through our commitment to Environmental, Social and Governance (ESG) practices, the GEPF plays a critical role in driving the corporate sector towards adopting sustainable business practices that generate long-term financial rewards and have a positive impact on South Africa.

Given our size, the GEPF realises that it can leverage its administration and investments to meet its primary responsibility while contributing meaningfully to the development of our country, our continent and the planet.

The GEPF had already invested in excess of R18 billion in developmental and other unlisted investments. These are investment opportunities that signify steps towards investing in a sustainable future.

The GEPF's promise to public service employees and retirees is to secure and pay benefits when due. However, it also is important for members and pensioners to benefit directly from the Fund where possible before receiving fund benefits. As such, the GEPF will continue to use the Fund's assets to spur economic development, which in turn will benefit not only the investment portfolio but the quality of life of our members and pensioners as is evident in the recent investment commitment of providing housing finance for qualifying government employees.

BENEFITS AND ADMINISTRATION

The goal of the GEPF is to pay benefits accurately and on time with the assistance of its administrator, the Government Pensions Administration Agency (GPAA). As such, the Fund has embarked on initiatives that will improve its administrative processes so that it can provide better and improved services to its members and pensioners.

The modernisation process which we previously introduced will assist us in ensuring that our stakeholders receive their benefits promptly and efficiently. We have also started with processes of enhancing several benefits which will be implemented once all requirements have been met. These are geared towards improving our current benefits structure.

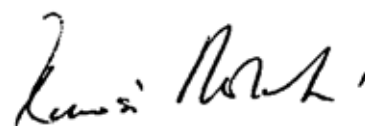
The total membership of the GEPF now stands at 1 693 078 consisting of 1 269 948 members who are still in service and 423 130 pensioners. We are also on a journey to interact more with our members and pensioners. This includes hosting national campaigns such as exhibitions and roadshows. The aim of these campaigns is to inform and educate members, pensioners and beneficiaries about their benefits and to clarify the operations of the Fund.

GOVERNANCE

As a Fund, the GEPF recognises the importance of promoting best-practice 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. As the Board of Trustees, we are accountable for the administrative and investment performance of the Fund and are continuously seeking ways to grow our compliance with King III and PF130. We are also committed to ensuring that the GEPF is an ethical leader and good corporate citizen. In order to achieve this, the GEPF's Board of Trustees participated in training sessions and seminars on various aspects of the business, such as ethics training to ensure that we are compliant and that our Trustees have the appropriate knowledge to fulfil their fiduciary duties.

CONCLUSION

I thank the Board of Trustees for their assistance and extend my gratitude to the PEO, Abel Sithole and all the GEPF employees for ensuring that we fulfil our mandate to our stakeholders effectively. To our members and pensioners, your financial future is secure with the GEPF and we are honoured for the trust you have placed in us.



Dr Renosi Mokate

Chairperson: GEPF Board of Trustees



The GEPF Board develops and sets the strategy for the GEPF. The Office of the PEO must then ensure that this strategy and specific deliverables are implemented in conjunction with the Government Pensions Administration Agency (GPAA) and the Public Investment Corporation (PIC). Below is a brief overview of the operations and focus of this Office during the reporting period.

PERFORMANCE AGAINST STRATEGY

The GEPF focused on implementing the immediate strategy objectives set by the Board during the reporting period in line with the Fund's medium- to long-term strategy. Five strategic initiatives, with specific deliverables, were agreed to by the Board, and the GEPF developed a business plan for 2015/2016 to ensure implementation thereof. The majority of the projects agreed to were implemented with significant cost savings in relation to the approved budget.

The GEPF implemented 87% of the projects with 12% of the projects that remain work in progress. The projects that were implemented are highlighted in this report. The following projects are still work in progress and it is envisaged that it will be finalised within the 2016/2017 financial year:

- Revised Pension Increase Policy
- Revised Funding Level Policy
- Completed and approved operational risk assessments for all divisions
- Full compliance with the identified regulatory environment
- Finalise and implement an Intranet for the use of GEPF employees
- Develop and implement an electronic performance management system
- Develop and implement a system to house actuarial information

Work will continue on the above projects during 2016/2017 to ensure that the projects are implemented as a matter of urgency. The revision of the pension increase and funding level policies are fundamental with long-term initiatives that require rigorous engagement with key stakeholders.

FINANCIAL HIGHLIGHTS

The financial statements have been prepared using closing balances as at 31 March 2016. Significant highlights are as follows:

The Fund value at the end of the financial year 31 March 2016 reached an all-time high of R1,6 trillion. The investment performance for the financial year ending 31 March 2016 was 4%, slightly below

the benchmark return of 4,4%. Over the three years ended 31 March 2016, the Fund produced an annualised return of 11,1% compared to the benchmark return of 11,2%.

RESPONSIBLE INVESTMENT

The GEPF considers responsible investment as the key to the sustainability of its investments and security of members' and pensioners' benefits. The GEPF takes a proactive approach to articulate its practice and application of active ownership and environmental, social and governance (ESG) considerations across the entire GEPF investment portfolio, irrespective of the asset class in which it is invested.

The GEPF met with representatives of a number of JSE-listed companies during the reporting period. The majority of these discussions focused on long-term sustainability and executive remuneration policies. The GEPF Board and Management were represented at the PRI Academic Network and PRI in Person conferences in London, UK in September 2015.

ENSURING MEMBERS' AND PENSIONERS' BEST INTERESTS

The GEPF continuously strives to identify and implement initiatives that will enhance the lives of its members and beneficiaries. In this regard, the GEPF, PIC and DPSA worked together in developing a mechanism to grant access to home loans for GEPF members and pensioners who would not qualify for it through ordinary financial institutions. There is a particular need for housing for middle-income earners who earn "too much" to qualify for a subsidised house and too little to afford new housing on the market. The GEPF has also been working closely with the PIC to ensure that a portion of its portfolio is invested in companies who provide other products for the benefit of our members and pensioners. Areas under consideration are study loans and healthcare. It is expected that these will be realised during the ensuing financial years.

GEPF members and pensioners currently do not have access to an independent ombudsman to assist them in resolving complaints they may have against the Fund. Some of the complainants turn to the courts to resolve matters between them and the GEPF, which is a very costly and time-consuming process. The Board approved in principle the establishment of an independent complaints handling mechanism. Local, as well as international benchmarking was done and the implementation of this structure should take place during the 2016/2017 financial year.

The GEPF engaged the PSCBC on a number of benefit enhancements that were approved by the Board in the past. The engagement was successful and the Fund will now focus on implementing all the relevant benefit changes that have been approved by the PSCBC. The following benefit enhancements will be implemented once all requirements for implementation have been met:

- Establishment of an Additional Voluntary Contribution Scheme (AVC)
- Establishment of a Preservation Fund
- Revised Implementation of the Clean Break Principle
- Revised Orphan's Pension
- Removal of the Market Value Adjustment on qualifying bulk transfers

A number of these changes only require a Rule change and can be implemented fairly quickly. However, the revised Clean Break Principle will require a Law change and will take longer to implement. The GEPF and GPAA have formed a task team to deal with these matters to ensure that the members and pensioners can shortly enjoy these benefits.

STAKEHOLDER INTERACTION

The GEPF strives to enhance its communication efforts to external and internal stakeholders. During the 2015/16 financial year, it continued with national outreach programmes such as the roadshows and the Retirement Member Campaign aimed at members who are nearing retirement. The outreach programmes provide us with an opportunity to share the GEPF's processes and benefits. It also gives the Fund a chance to better understand the needs of our pensioners, members and beneficiaries.

The GEPF joined forces with the PSCBC and attended eight regional meetings held by the PSCBC. Attendees at those meetings were provided with relevant information regarding the GEPF to be shared with members of labour organisations represented by the attendees. The Fund also attended a number of workshops held by labour organisations which enabled us to share important information about the Fund.

The GEPF has noted that it is not easily accessible to all its members and pensioners as some of them are situated in remote areas. The mobile offices that were launched in 2014, address this, and again proved to be successful in bringing our services closer to people who find it difficult to travel to one of our regional offices. The mobile offices are fully equipped to assist with enquiries and acceptance of documentation.

GOVERNANCE

There are various policies that govern the operations and functioning of the GEPF Board. All those policies were reviewed to ensure that they are still relevant and aligned to new market best practice. The terms of reference of all Board committees were also reviewed and updated where applicable.

HUMAN RESOURCES

All GEPF employees have access to an employee wellness programme that provides a range of services. The services include counselling on various matters, legal advice and financial planning advice, amongst others. In addition, the Fund now has a formal TB and HIV/AIDS Policy to assist affected employees.

As part of the review of the Fund's strategic direction, the Board commissioned a review of the GEPF's organisational structure to ensure it is aligned to the strategy. An external service provider was appointed to assist with the mapping of all current business processes in the organisation. This gave the GEPF management a clearer view of the current circumstances in each business area within the organisation. It highlighted deficiencies and key areas for improvement, but also gave an indication of business areas that are under-capacitated. The Board approved a revised structure during the year and requested the management team to enhance certain areas in the organisation.

ETHICS

The GEPF Employee Ethics Code that was adopted in the previous year, was rolled out to employees. The Code was developed to assist all employees in understanding and applying sound ethical practices.

The GEPF recognises that ethics awareness deters violations and fosters compliance which increases stakeholder trust and confidence in the Fund. The Fund has started working closely with its two main service providers, the PIC and GPAA, to align the ethical standards of the three organisations.

HIGHLIGHTS

The appointment of a single master custodian was finalised and Standard Bank was chosen to provide a full range of investor services product solutions for the GEPF's assets under management. In terms of the master custody and recordkeeping mandate with the GEPF, Standard Bank provides domestic, regional, and global custody services for over 60 markets. These services are integrated with a master recordkeeping solution which includes investment accounting, compliance monitoring, performance, and risk reporting services for all GEPF-listed and unlisted investment portfolios.

The pension increase for the 2015/2016 financial year was 5,3%, effective 1 April 2016. This increase is equal to 100% of the Consumer Price Index (CPI) and attests to the Fund's endeavours to ensure that, investment performance permitting, pensions retain their purchasing power.

APPRECIATION

I would like to express my gratitude and appreciation to the Chairperson of the GEPF, Dr Renosi Mokate, and the Board of Trustees and its Committees for the support I received during the past year.

I am supported by a dedicated management team and staff. I thank them for their hard work, dedication and continued support during the 2015/2016 financial year.



Abel Sithole
Principal Executive Officer



BOARD OF TRUSTEES

as at 31 March 2015



Dr Renosi Mokate

Positions

- Employer-nominated Trustee
- Chairperson of the GEPF Board of Trustees
- Chairperson of the GEPF Investment Committee

Qualifications

- Ph.D. – University Delaware
- Master of Arts – University Delaware
- Bachelor of Arts – Lincoln University

Experience and memberships

- Executive Director and CEO – UNISA Graduate School of Business Leadership
- Executive Director, World Bank Group (2010 to 2012)
- Deputy Governor, South African Reserve Bank (2005 to 2010)
- Member of the Board of Advisors, School of Public Policy and Administration – University of Delaware
- Member of the Institute of Directors in Southern Africa (IoDSA)



Major General Dries de Wit

Positions

- Forces Elected Trustee
- Vice Chairperson of the GEPF Board of Trustees
- Chairperson of the GEPF Benefits and Administration Committee

Qualifications

- Tertiary qualification (Human Resource Management)

Experience and memberships

- Member of the GEPF Investment Committee
- Member of the GEPF Remuneration Committee
- General Officer Commanding, South African National Defence Force – Training Command
- Member of the Institute of Directors in Southern Africa (IoDSA)



Mr Themba Gamedze

Positions

- Employer-nominated Trustee
- Chairperson of the GEPF Valuations Subcommittee

Qualifications

- BA (Honours) – University of Warwick
- MSc – University of Warwick

Experience and memberships

- Member of the GEPF Benefits and Administration Committee
- Member of the GEPF Investment Committee
- President of the Actuarial Society of South Africa – 2012 to 2013
- Member of the Board of ESCAP
- Lecturer in pure mathematics – University of Swaziland (1980 to 1989)
- Director of a number of subsidiaries of the Sanlam Group, including Santam
- Fellow of the Actuarial Society of South Africa
- Member of the Institute of Directors in Southern Africa (IoDSA)



Mr Edward Kekana*

Position

- Employee-nominated Trustee

Qualifications

- Senior Certificate
- Secondary Teachers Diploma
- Certificate, Programme in Human Resource Management
- Advanced Certificate in Education
- Certificate, Programme in Project Management
- Higher Certificate in Economic Development

Experience and memberships

- Member of the GEPF Governance and Legal Committee
- Member of the GEPF Finance and Audit Committee
- Member of the GEPF Investment Committee
- Provincial Chairperson – SADTU Gauteng Province
- Member of SADTU National Executive Committee
- Member of SADTU International Relations Committee
- Director at SADTU Curtis Nkondo Professional Development
- Member of COSATU Retirement Fund
- Director of The Africa Regional Committee on Juche Studies
- Member of the Institute of Directors in Southern Africa (IoDSA)

* Attended all Board meetings and events as a Trustee.



Dr Barry Kistnasamy

Position

- Employer-nominated Trustee

Qualifications

- MBChB – University of Natal
- MMed (Community Health) – University of Natal
- Certificate, Health Economics and Planning – York University
- Rackham Fellowship – Occupational and Environmental Health – University of Michigan
- Certificate, Advanced Epidemiology – New England Epidemiology Institute
- Certificate, Health Leadership – Cambridge

Experience and memberships

- Member of the GEPF Investment Committee
- Member of the GEPF Benefits and Administration Committee
- Former Executive Director – National Institute for Occupational Health
- Compensation Commissioner for Occupational Diseases – National Department of Health
- Member of the Institute of Directors in Southern Africa (IoDSA)



Mr Mpho Kwinika

Position

- Employee-nominated Trustee

Qualifications

- National Diploma (Policing)

Experience and memberships

- Member of the GEPF Governance and Legal Committee
- Member of the GEPF Investment Committee
- President: South African Police Union
- Chairperson: Sililanabo South African Police Union Trust Fund
- Member of the Institute of Directors in Southern Africa (IoDSA)

BOARD OF TRUSTEES (continued)



Dr Frans le Roux

Position

- Pensioner-elected Trustee

Qualification

- DCom (Economics) – University of Stellenbosch

Experience and memberships

- Member of the GEPF Benefits and Administration Committee
- Member of the GEPF Investment Committee
- Member of the GEPF Valuations Subcommittee
- Former Chairperson: Public Investment Corporation Executive Committee
- Former Deputy Director-General: Financial Management, National Treasury
- Former Chief Executive Officer: Government Employees Pension Fund
- Member of the Institute of Directors in Southern Africa (IoDSA)



Mr Seth Makhani

Position

- Employer-nominated Trustee

Qualifications

- BCom (Honours): Cost and Management Accounting – University of Venda
- BCom (Accounting) – University of Venda
- National Diploma in Medical Laboratory Technology – Tshwane University of Technology
- Diploma in Electronics – Intec College

Experience and memberships

- Chairperson of the GEPF Finance and Audit Committee
- Member of the GEPF Governance and Legal Committee
- Trustee: DOD Group Life Insurance Scheme
- Former Trustee – MEDCOR (Correctional Service Medical Scheme)
- Former Finance and Audit Chairperson – Finance Committee, MEDCOR
- Member of the Institute of Directors in Southern Africa (IoDSA)



Ms Kgomotso Makhupola

Position

- Employer-nominated Trustee

Qualifications

- Diploma in Public Relations – Allenby
- Certificate in Human Resource Management – Damelin
- Certificate in Economic Development – University of the Western Cape

Experience and memberships

- Member of the GEPF Governance and Legal Committee
- Member of the GEPF Finance and Audit Committee
- National Treasurer of NEHAWU
- CEC member of NEHAWU
- NEC member of NEHAWU
- Chairperson NEHAWU National Provident Fund
- FINCOM member of NEHAWU
- CEC member of COSATU
- FINCOM member of COSATU
- Member of the Institute of Directors in Southern Africa (IoDSA)



Mr Stadi Mngomezulu

Position

- Employer-nominated Trustee

Qualifications

- Master of Business Leadership
- BCom (Accounting)
- Executive Development Programme – Gestalt International Study Centre, Massachusetts, USA

Experience and memberships

- Member of the GEPF Finance and Audit Committee
- Member of the GEPF Governance and Legal Committee
- Non-executive Director of the State Information Technology Agency
- Board member of the Finance and Accounting Services Sector Education and Training Authority
- Member of the Institute of Directors in Southern Africa (IoDSA)



Ms Gladys Modise

Position

- Employer-nominated Trustee

Qualifications

- BCom (Honours) Financial Management – University of North West
- BCom – University of North West
- Diploma in Management – University of North West

Experience and memberships

- Member of the GEPF Finance and Audit Committee
- Member of the GEPF Investment Committee
- Member of the Institute of Directors in Southern Africa (IoDSA)



Ms Edith Mogotsi

Positions

- Employee-nominated Trustee
- Chairperson of the GEPF Social and Ethics Subcommittee

Qualifications

- Advanced Diploma, Public Administration – University of the Western Cape
- Board Effectiveness – Toronto University, Canada
- Certificate Course: Economic Development – University of the Western Cape
- Executive Development Programme (EDP): UNISA, and Investment – Johannesburg Finance College
- Finance Management – Johannesburg Finance College
- Gender mainstreaming: PALAMA
- Economic Literacy Wits Plus
- Introduction to Investment and Finance – Wits Plus
- Principles of Finance and Investment Management – Wits Plus

Experience and memberships

- Member of the GEPF Benefits and Administration Committee
- Member of the GEPF Investment Committee
- Member of Policing Chamber (SASSETA)
- Member of the Police Music and Cultural Association
- Former Chairperson and former Deputy Chairperson of Policing Chamber (SASSETA)
- Former member of SASSETA Board
- Former member of PSCBC
- Former member of SSSBC
- Former member of Bid Evaluation Committee: SASSETA
- Former member of Provincial Victim Empowerment Programme, North West Province
- Former member of Steering Committee: No Violence Against Women and Children
- Member of the Institute of Directors in Southern Africa (IoDSA)

BOARD OF TRUSTEES (continued)



Ms Moira Moses

Position

- Employer-nominated Trustee

Qualifications

- B.A. – University of Witwatersrand
- Management Advancement Programme – Wits Business School

Experience and memberships

- Member of the GEPF Governance and Legal Committee
- Member of the GEPF Finance and Audit Committee
- Member of the GEPF Investment Committee
- Member of the GEPF Remuneration Committee
- Public Investment Corporation, Non-executive Director
 - Chairman of the Properties Committee
 - Member of the Human Resources and Remuneration Committee
 - Audit and Risk Committee
 - Investment Committee
 - Directors' Affairs Committee
- Kansai Plascon, Non-executive Director, Member of the Social and Ethics Committee
- Thusánang Trust, Director
- Member of the Institute of Directors in Southern Africa (IoDSA)



Ms Dorothy Ndlovu

Position

- Employee-nominated Trustee

Qualifications

- Diploma in Political Economy – University of Western Cape
- Junior Management Development Programme – Technikon SA

Experience and memberships

- Member of the GEPF Benefits and Administration Committee
- Member of the GEPF Finance and Audit Committee
- National Treasurer of Hospersa
- Senior Finance Clerk at Charlotte Maxeke Hospital
- Chairperson of PSI Women's Committee in SA
- FEDUSA NEC and FINCOM member
- Member of the Institute of Directors in Southern Africa (IoDSA)



Mr Pierre Snyman

Position

- Employee-nominated Trustee

Qualification

- Senior Certificate

Experience and memberships

- Member of the GEPF Benefits and Administration Committee
- Member of the GEPF Governance and Legal Committee
- Chairperson of the Public Servants Association of SA (2012 to current)
- Director of the Public Servants Association of SA (2009 to current)
- National Chairperson of DCS branch of the Public Servants Association of SA (2005 to current)
- Former Secretary of the CSP Board
- Former Board member of MEDCOR
- Member of the Institute of Directors in Southern Africa (IoDSA)



Ms Barbara Watson

Positions

- Employer-nominated Trustee
- Chairperson of the GEPF Governance and Legal Committee

Qualification

- BSocSc – University of the Western Cape

Experience and memberships

- Member of the GEPF Investment Committee
- Commissioner to the Commission on Employment Equity representing government as an employer
- International Labour Organisation (ILO): Representing the DPSA in the Committee responsible for the Corridor Economic Empowerment and HIV Vulnerability Reduction Project which is regional in scope
- Board member of Jabu Ndlovu Trust
- Member of the Institute of Directors in Southern Africa (IoDSA)

INVESTMENT POLICY STATEMENT

The GEPF's Developmental Investment Policy is a formal statement of the main principles underlying the investment strategy of the Government Employees Pension Fund. It provides a framework within which the Fund's management, Investment Committee and Board of Trustees make investment decisions. It is designed to:

- communicate the investment philosophy to stakeholders and investment managers; and
- describe the overall investment objectives, the risk philosophy, the design of the portfolios and different mandates, the benchmarks against which performance will be reviewed, and the risk parameters associated with each of these portfolios.

The principal long-term objectives of the Fund are as follows:

- to provide members and their dependants with the benefits promised in the Rules;
- to aspire to granting inflationary increases to pensions subject to affordability and sustainability of the Fund and to establish contingency reserves at a level designed to facilitate such targeting; and
- to keep the employer contribution rate as steady as possible with any increases to the employer contribution rate being able to be predicted well in advance.

As a very substantial fund within the South African market and in accordance with its responsibility as a signatory to the United Nations-backed Principles for Responsible Investment and the Code for Responsible Investing in South Africa, the GEPF aims to invest responsibly for the long term and, therefore, where compatible with its other objectives, to take account of the wider impact on the broader South African society when making investments.

The strategic asset allocation of the Fund is set out in the table below:

Asset class	Strategic asset allocation %	Asset allocation as at 31 March 2016 %	Asset allocation as at 31 March 2015 %	Asset allocation range %
Cash and money markets	4	1	2	0 – 8
Domestic bonds	31	33	32	26 – 36
Domestic property	5	5	5	3 – 7
Domestic equity	50	53	54	45 – 55
Africa equity (ex SA)	5	1	1	0 – 5
Foreign bonds	2	2	2	0 – 4
Foreign equity	3	5	4	1 – 5

The investment strategy of the Fund has been designed using a liability-driven approach that takes the expected future benefit payments, the actuarial position, and other long-term objectives, as well as the risk to the overall solvency of the Fund into consideration, and is designed to ensure that members and their dependants receive their promised benefits on time, and with the highest degree of certainty. It also considers the size of the Fund's assets in the context of the South African market, as well as other African and international markets.

The allocation of the Fund between the different asset classes, and how much to invest in each asset class is set out in the table below:

Asset class	Strategic asset allocation %	Asset allocation range %
Cash and money markets	4	0 – 8
Domestic bonds	31	26 – 36
Domestic property	5	3 – 7
Domestic equity	50	45 – 55
Africa equity (ex SA)	5	0 – 5
Foreign bonds	2	0 – 4
Foreign equity	3	1 – 5

INVESTMENT PERFORMANCE

As at 31 March 2016, the GEPF's investments amounted to R1 638 billion, an increase of R42 billion from R1 596 billion a year ago.

The total return for the Fund for the year to 31 March 2016 was 4% as compared to a benchmark return of 4,4%. Over the three years ended 31 March 2016, the Fund produced an annualised return of 11,1% compared to the benchmark return of 11,2%.

The Fund invests in a combination of investments that seek growth, such as equities and property, and those that are designed to reduce risk, such as bonds and cash.

The GEPF also makes unlisted investments across the different asset classes. The reason for making these investments is twofold. Firstly, as a large institutional investor, investment in unlisted entities provides a degree of diversification to the GEPF's portfolio, and secondly, it increases the opportunity set and allows the GEPF to make investments that fit within the Fund's Developmental Investment Policy.

The GEPF's Developmental Investment Policy promotes investment across four pillars:

1. Investment in economic infrastructure;
2. Social infrastructure;
3. Sustainability projects; and
- 4 Enterprise development projects.

All of these are expected to produce long-term returns for the GEPF's members and pensioners, as well as the broader South African economy.

The GEPF has made developmental investments valued at R13 billion across the four pillars. The key issues addressed through the developmental investments include transformation, social and environmental impact. Through the social infrastructure pillar, investments have been made in education, healthcare facilities and housing construction. Transformative investments have also been made in enterprise development, with more than 340 Small and Medium Enterprises (SMEs) facilitated and 25 463 community groups supported to start small businesses. To promote sustainability, investments have been made in environmental infrastructure through the funding of renewable energy projects. Funding has also been provided to agricultural and manufacturing enterprises.

Through these investments, more than 17 000 jobs have been created.

Some recent investments within the developmental investment portfolio include:

- Kelvin Power – a 600 MW power plant that supplies power to the City of Johannesburg Metropolitan Municipality;
- Lona Citrus – one of the country's top five largest citrus exporters;
- National Urban Reconstruction and Housing Agency (NURCHA);
- Xina Solar One – an investment consisting of the construction and operation of a 100 MW solar power project; and

- Karoshoek Solar One – a project development company set up to develop a 100 MW solar power plant.

OVERVIEW OF GEPF INVESTMENTS IN PRIVATE EQUITY FUNDS

To further its investments in the rest of Africa, the GEPF made a USD30 million commitment to two West African private equity funds. USD20 million was invested in the Capital Alliance Private Equity Fund IV managed by African Capital Alliance, and USD10 million was invested in the Verod Capital Growth Fund II managed by Verod Capital.

RESPONSIBLE INVESTING

GEPF and active ownership

The GEPF believes that integrating Environmental, Social and Governance (ESG) factors into investment decisions promotes the long-term value of the GEPF's investments and is in the interest of its members. The GEPF's investments are vulnerable to varying degrees, to ESG risks across specific investments, sectors and asset classes.

The GEPF's long-term, broadly diversified and predominantly passive investment strategy enhances this vulnerability. Furthermore, ESG issues are often inadequately managed and accounted for by entities and investment service providers. In an effort to protect the GEPF members' interests, we commit to integrating ESG issues in investment decisions and through the exercise of ownership rights and privileges, to encourage entities the GEPF invests in to manage and account for ESG issues appropriately.

Ownership rights have an intrinsic economic value and active ownership uses various formal and informal elements of such voting rights to signal, encourage, and request change in the corporate behaviour of entities in which the GEPF has invested and which support the delivery of long-term investment value. The GEPF's active ownership approach includes two areas of involvement: strategic voting and engagement.

Strategic voting

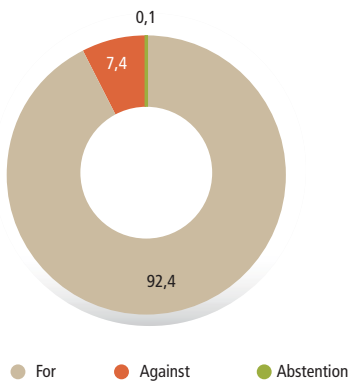
The GEPF regards voting its shares at company meetings as a key obligation to both its members and to the companies in which we invest. It is an integral part of active ownership. We think of share voting as an important tool for engaging with companies and also an effective way for the GEPF to publicly express our views on what a company is doing right, and what a company needs to change.

INVESTMENT REPORT (continued)

Votes are cast in accordance with the PIC Corporate Governance and Proxy Voting Policy which is based on the GEPF's Responsible Investing Policy. The GEPF's proxy voting activities through the PIC are published on the PIC's website.

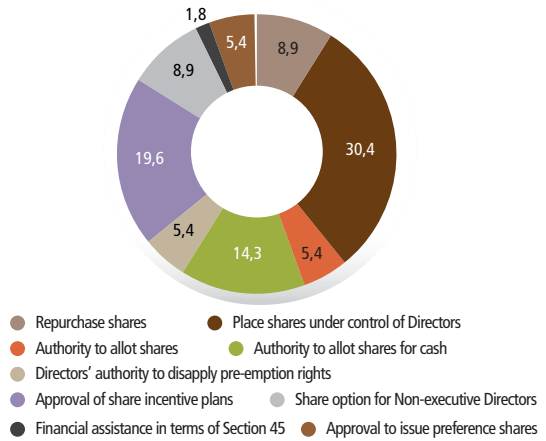
In 2015/2016, the GEPF voted at 225 shareholder meetings on 2 787 resolution items. The GEPF voted in favour of 2 522 resolutions (92,3% of total votes) and against 206 (7,4%) cases. Furthermore, the GEPF abstained on four resolutions during the 2015/2016 financial year.

Proxy voting results (%)



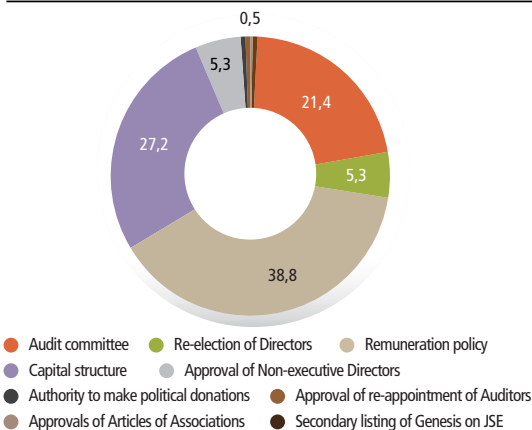
The Fund voted against placing shares under the control of Directors in most instances relating to the company's capital structure (30,4%). Other capital structure-related resolutions dealt with the approval of share incentive plans (19,6%) and the authority to allot shares for cash (14,3%).

Breakdown of capital structure votes (%)



The resolutions the GEPF voted against included the approval of a remuneration policy (38,8%), capital structure (27,2%), the re-election of directors to the Audit Committee (21,4%), the re-election of directors (5,3%) and other matters (7,3%).

Breakdown of against votes (%)







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 and Rules, and takes cognisance of the Pension Funds Act, as well as the King Code for best practice, where they 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.

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 Minister of Finance inaugurated the current Board on 17 April 2014 for a period of four years.

In line with the GEP Law, the Board consists of 16 Trustees, led by an elected Chairperson and Vice Chairperson. The Trustees elect the Chairperson and Vice Chairperson from their own ranks at the first meeting of the newly appointed Board. 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 and Rules. Eight employer and six employee nominees are represented on the Board. Member representatives include a pensioner and an SANDF and Intelligence Community representative elected through a postal ballot.

Employer nominees

Trustee		Substitute trustee	
Department	Name	Department	Name
National Treasury	Mr Stadi Mngomezulu	National Treasury	Ms Lindy Bodewig
Department of Public Service and Administration	Ms Barbara Watson	Department of Public Service and Administration	Dr Alex Mahapa
Department of Health	Dr Barry Kistnasamy	Department of Health	Dr Anban Pillay
Department of Basic Education	Ms Gladys Modise	Department of Basic Education	Dr Morgan Pillay
Department of Defence	Mr Seth Makhani	South African Police Service (SAPS)	Brigadier Johan Griesel
Public Investment Corporation (PIC)	Ms Moira Moses	Public Investment Corporation (PIC)	Vacant
Specialist Trustee	Dr Renosi Mokate	Specialist Trustee	Vacant
Specialist Trustee	Mr Themba Gamedze	Specialist Trustee	Advocate Lindiwe Nkosi-Thomas

Employee nominees

Trustee		Substitute trustee	
Department	Name	Department	Name
National Education, Health and Allied Workers Union (NEHAWU)	Ms Kgomotso Makhupola*	National Education, Health and Allied Workers Union (NEHAWU)	Mr James Maboja*
South African Democratic Teachers Union (SADTU)	Mr Eddie Kekana	South African Democratic Teachers Union (SADTU)	Mr Mugwena Maluleke*
Health and Other Service Personnel Trade Union (Hospersa)	Ms Dorothy Ndhlovu	National Union of Public Service and Allied Workers (NUPSAW)	Mr Success Mataitsane
South African National Defence Force and Intelligence Community	Major General Dries de Wit	South African National Defence Force and Intelligence Community	Colonel Johan Coetzer
Public Servants Association (PSA)	Mr Pierre Snyman	Public Servants Association (PSA)	Mr Ashley McAnda*
South African Policing Union (SAPU)	Mr Mpho Kwinika	South African Policing Union (SAPU)	Mr Peter Ntsime
Police and Prisons Civil Rights Union (POPCRU)	Ms Edith Mogotsi	Police and Prisons Civil Rights Union (POPCRU)	Advocate Makhubalo Ndaba
Pensioner	Dr Frans le Roux	Pensioner	Mr Cornelius Booyens

* New appointments.

INDEPENDENCE OF TRUSTEES

The GEPF has utilised the guidelines contained in King III to establish if the GEPF's Trustees can be classified as Independent Non-executive Directors. Below are the guidelines used:

The Trustee is not a representative of a shareholder who has the ability to control or significantly influence the management of the Board.

The Trustee does not have a direct or indirect interest in the company, which exceeds 5% of the total shares in issue.

The Trustee does not have a direct or indirect interest in the Fund, which is less than 5% of the total shares in issue but is material to his personal wealth.

The Trustee has not been employed by the Fund in any executive capacity, or appointed as the designated auditor or partner in the company's external audit firm, or senior legal advisor for the preceding three financial years.

The Trustee is not a member of an immediate family of an individual who is or has during the preceding three financial years been employed by the Fund in an executive capacity.

The Trustee is not a professional advisor to the Fund, other than as a Trustee.

The Trustee is free from any business or other relationship, which could be seen by an objective outsider to interfere materially with the individual's capacity to act in an independent manner, such as being a director of a material customer of, or supplier to, the company.

The Trustee does not receive remuneration subjected to the performance of the Fund.

According to this assessment, 14 Trustees can be classified as Independent Non-executive Directors. However, all 16 Trustees have an arm's-length relationship with the Fund and are not involved in the day-to-day running of the Fund.

Trustees are consistently reminded of their fiduciary duty to act independently and in the best interest of its members and pensioners.

SKILLS, 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 specialists currently serve as Trustees,

supported by two 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 16 to 21.

THE BOARD CHARTER

The Board has formally adopted a charter during the year under review. Previously, the Board utilised the GEP Law and Rules to regulate the parameters within which it operates and to set out the role and responsibilities of the Board and individual Trustees. The purpose of the charter is to regulate the parameters within which the Board will operate and to ensure the application of the principles of good corporate governance in all dealings by, in respect and on behalf of, the GEPF and furthermore, to set out the roles and responsibilities of the Board and individual Trustees, including the composition and relevant procedures of the Board.

THE GOVERNANCE CHARTER

The Board is governed by a Governance Charter derived from sources that include the GEP Law and Rules, Good Governance on Retirement Funds (Circular PF130, issued by the Financial Services Board) and King III. The Governance Charter is reviewed annually to ensure that it is up to date with corporate governance best practice locally and internationally.

The Governance 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, media policy, confidentiality policy, conflict of interest policy, compliance policy, risk policy and framework, committee terms of reference, and rules on the delegation of authority.

BOARD MEETINGS

The Board has a formal meeting schedule and meets at least four times a year, with additional meetings when required. Two-thirds of the Trustees must be present at a meeting to ensure a quorum. Trustees 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 by consensus. The majority of Trustees present at a meeting may request that voting takes place using secret ballots.

The Board, supported by the Principal Executive Officer and the executive management team, meets annually to discuss and agree on the Fund's long-term strategies.

Attendance at Board meetings

The Board held four meetings during the financial year. Trustees' attendance of these meetings is shown in the table below:

Name	24 Jun 2015	17 Sep 2015	3 Dec 2015	16 Mar 2016
Dr Renosi Mokate (Chairperson)	X	X	X	X
Mr Prabir Badal (Vice Chairperson)#	X	X	X	
Ms Lindy Bodewig*			X	
Major General Dries de Wit	X	X	X	X
Mr Themba Gamedze		X		X
Mr Eddie Kekana	X	X	X	X
Dr Barry Kistnasamy	X	X		X
Mr Mpho Kwinika	X	X	X	X
Dr Frans le Roux	X	X	X	X
Mr Seth Makhani	X	X	X	X
Ms Kgomotso Makhupola##				X
Mr Stadi Mngomezulu	X	X		X
Ms Gladys Modise		X	X	X
Ms Edith Mogotsi	X	X	X	X
Ms Moira Moses		X	X	X
Ms Dorothy Ndhlovu	X	X	X	X
Mr Pierre Snyman	X	X	X	X
Ms Barbara Watson	X	X	X	X
Ms Jennifer Jeftha**	X	X	X	X

* Substitute Trustees who attended a meeting on behalf of the Trustee

Resignations during the reporting period

• Mr P Badal 20 January 2016

** Ms Jeftha only attends the Board meetings to present the recommendations made by the Remuneration Committee (Remco) to the Board

Appointments during the reporting period

• Ms Kgomotso Makhupola 20 January 2016

TRUSTEE EDUCATION AND TRAINING

The Trustee Education and Training Policy prescribes that all newly appointed Trustees (including Substitute Trustees) must receive induction training within six months after their appointment. This is done over two days and focuses on governance issues, benefits and rules, investment policies, actuarial valuations, and the main service providers of the Fund.

All Trustees must also attend an accredited Directors' or Trustee Development Programme within six months of being appointed. At least four compulsory training events are organised annually and Trustees are also invited to attend various retirement fund, governance or investment-related conferences, and training sessions.

All newly appointed Trustees and Substitute Trustees underwent rigorous induction training within the

prescribed period after they had been appointed. The induction training focused on a number of issues:

- Overview of the Fund;
- The GEPF's Benefit Structure;
- The GEPF's Investment Strategy;
- The GEPF's Governance Charter;
- Pension Administration; and
- Investment Management.

The Board furthermore underwent one-day training sessions on the following:

- Pension Fund Reform, Ethical Leadership, King III, Insider Trading and Board Effectiveness (provided by the World Bank). Trustees attended various courses through the Institute of Directors in Southern Africa (IoDSA).

Board of trustees training and strategic planning session

both Trustees and Substitute Trustees attended Board training sessions, as well as the Board strategic planning session.

Name	22 Apr 2015	22 Jul 2015	15 – 16 Sep 2015 Strategic planning session	21 Oct 2015	4 Dec 2015	4 – 5 Mar 2016
Dr Renosi Mokate (Chairperson)		x	x	x	x	x
Mr Prabir Badal (Vice Chairperson)#		x	x		x	
Ms Lindy Bodewig*				x		
Mr Cornelius Booyens*	x		x	x	x	x
Colonel Johan Coetzer*	x	x	x	x	x	x
Major General Dries de Wit	x	x	x	x	x	x
Mr Themba Gamedze	x	x	x	x		x
Brigadier Johan Griesel*			x			x
Ms Jennifer Jeftha**		x	x			
Mr Eddie Kekana			x	x	x	x
Dr Barry Kistnasamy			x		x	
Mr Mpho Kwinika		x	x			
Dr Frans le Roux	x	x	x	x	x	x
Mr Ronny Maepa*#	x	x	x			x
Dr Alex Mahapa*			x			x
Ms Mantuka Maisela**		x				
Mr Seth Makhani		x	x	x	x	x
Ms Kgomotso Makhupola##						x
Mr Success Mataitsane*	x	x	x	x	x	
Dr Lese Matlhape**		x				
Mr Stadi Mngomezulu			x			x
Ms Gladys Modise	x	x	x	x	x	x
Ms Edith Mogotsi	x	x	x	x	x	x
Ms Pulani Mogotsi*#						
Mr Richard Morris**		x				
Ms Moira Moses	x		x			x
Advocate Makubalo Ndaba*	x		x	x		x
Ms Dorothy Ndhlovu	x	x	x	x	x	x
Advocate Lindiwe Nkosi-Thomas*						
Mr Peter Ntsime*	x	x	x	x	x	x
Dr Morgan Pillay*		x	x		x	x
Dr Anban Pillay*						
Mr John Raphela**		x				
Mr Pierre Snyman	x	x	x	x	x	
Ms Barbara Watson	x		x	x	x	x

* Indicates Substitute Trustees

** Specialist Independent Trustees

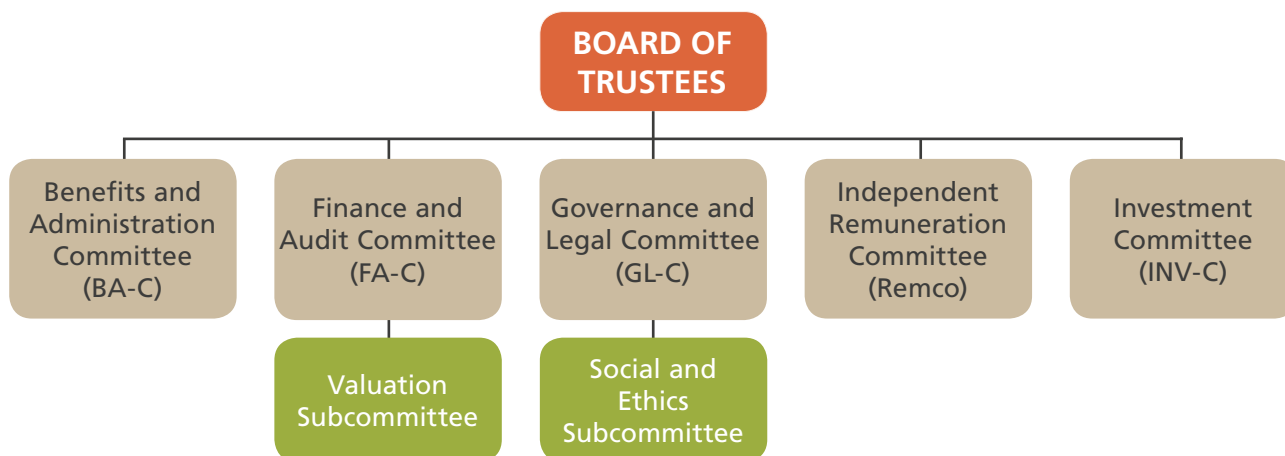
Resignations during the reporting period

- Ms PV Mogotsi – 4 September 2015
- Mr P Badal – 20 January 2016
- Mr MA Maepa – 29 March 2016

Appointments during the reporting period

- Ms Kgomotso Makhupola – 20 January 2016

BOARD COMMITTEES



Board committee membership and attendance

The Board has constituted five permanent committees and two subcommittees to give effect to the Board's strategic direction. Both Trustees and Substitute Trustees serve on these committees. All the committees have formal terms of reference that clearly sets out the mandate and duties of the committee. The table below depicts the membership, as well as attendance of the members of the committees:

Benefits and Administration Committee				
Name	28 May 2015	27 Aug 2015	23 Nov 2015	25 Feb 2016
Major General Dries de Wit (Chairperson)	x	x	x	x
Colonel Johan Coetzer	x	x	x	x
Mr Themba Gamedze	x	x		
Brigadier Johan Griesel		x	x	x
Dr Barry Kistnasamy	x		x	x
Dr Frans le Roux	x	x	x	x
Ms Edith Mogotsi	x	x	x	x
Ms Pulani Mogotsi				
Advocate Makubalo Ndaba	x	x	x	x
Ms Dorothy Ndhlovu	x	x	x	x
Mr Peter Ntsime	x	x	x	x
Dr Morgan Pillay				
Dr Anban Pillay				
Mr Pierre Snyman	x	x	x	x

CORPORATE GOVERNANCE (continued)

Finance and Audit Committee

Name	25 May 2015	24 Aug 2015	3 Sep 2015	16 Nov 2015	15 Feb 2016
Mr Prabir Badal (Chairperson)	x	x	x	x	
Ms Lindy Bodewig	x	x			
Mr Cornelius Booyens		x		x	x
Mr Eddie Kekana	x	x	x	x	x
Mr Ronny Maepa	x	x	x	x	x
Dr Alex Mahapa	x		x		
Mr Seth Makhani	x	x	x	x	x
Mr Success Mataitsane	x	x	x	x	x
Mr Stadi Mngomezulu	x		x		x
Ms Gladys Modise		x	x		x
Ms Pulani Mogotsi					
Mr Richard Morris	x	x	x	x	x
Ms Moira Moses	x	x	x	x	x
Ms Dorothy Ndhlovu		x	x		x
Advocate Lindiwe Nkosi-Thomas					
Mr John Raphela	x	x	x	x	x

Governance and Legal Committee

Name	19 May 2015	17 Aug 2015	9 Nov 2015	18 Feb 2016
Ms Barbara Watson (Chairperson)	x	x	x	x
Ms Lindy Bodewig		x	x	
Mr Cornelius Booyens		x	x	x
Colonel Johan Coetzer	x	x	x	x
Mr Eddie Kekana	x	x	x	x
Mr Mpho Kwinika	x	x	x	x
Mr Ronny Maepa	x		x	x
Dr Alex Mahapa		x		
Mr Seth Makhani	x	x	x	x
Ms Success Mataitsane	x	x	x	x
Mr Stadi Mngomezulu	x	x		x
Ms Moira Moses	x		x	x
Advocate Makubalo Ndaba		x	x	x
Mr Peter Ntsime	x	x	x	x
Mr Pierre Snyman	x	x	x	

Investment Committee					
Name	22 May 2015	19 Aug 2015	13 Oct 2015	18 Nov 2015	22 Feb 2016
Dr Renosi Mokate (Chairperson)	x	x	x	x	x
Mr Prabir Badal	x	x	x	x	
Major General Dries de Wit	x	x	x	x	x
Mr Themba Gamedze		x	x	x	
Brigadier Johan Griesel	x	x	x		x
Dr Barry Kistnasamy		x	x		x
Mr Mpho Kwinika	x		x		
Dr Frans le Roux	x	x	x	x	x
Ms Gladys Modise	x			x	x
Ms Edith Mogotsi	x	x	x	x	x
Advocate Lindiwe Nkosi-Thomas					
Dr Anban Pillay					
Ms Barbara Watson		x	x	x	x

Remuneration Committee							
Name	10 Apr 2015	3 Jun 2015	8 Jun 2015	12 Aug 2015	5 Nov 2015	3 Mar 2016	23 Mar 2016
Ms Jennifer Jeftha (Chairperson)	x	x	x	x	x	x	x
Major General Dries de Wit	x	x	x	x	x	x	x
Ms Mantuka Maisela	x	x	x	x	x	x	x
Dr Lese Matlhape	x	x	x	x		x	x
Ms Moira Moses	x	x	x	x	x	x	x

Valuations Subcommittee		
Name	5 Jun 2015	31 Jul 2015
Mr Themba Gamedze (Chairperson)		x
Ms Lindy Bodewig		x
Dr Frans le Roux		x
Mr Richard Morris		x
Advocate Lindiwe Nkosi-Thomas		

Social and Ethics Subcommittee			
Name	6 Aug 2015	4 Nov 2015	4 Feb 2016
Ms Edith Mogotsi (Chairperson)	x	x	x
Dr Frans le Roux	x	x	x
Mr Ronny Maepa	x	x	x
Dr Alex Mahapa	x		x
Ms Mantuka Maisela	x	x	x

TRUSTEE REMUNERATION

According to the GEP Law, Trustees are compensated for their services and expenses on the basis determined by the Board. The Board revised its Trustee Remuneration Policy to allow for the payment of a meeting fee, as well as an annual retainer fee during the previous reporting period. The Trustee Remuneration Policy clearly sets out the principles on which remuneration is paid to Trustees. The details of the remuneration paid can be found in the Annual Financial Statements on page 109.

BOARD PERFORMANCE ASSESSMENT

The Board conducted a Performance Assessment for the period under review. The effectiveness of the Board, as well as that of the Chairperson of the Board and all the Chairpersons of the committees was evaluated. Trustees were also requested to do a peer review of their fellow Trustees. An action plan was developed and approved by the Board to address any gaps that were identified during the assessments.

KING III AND PF130 COMPLIANCE

The GEPF conducted an assessment of its current governance practices against the recommended principles and practices contained in King III, as well as PF130. The comparison was divided into full, partial, and non-compliance. The GEPF also identified certain recommended practices that it would not apply and has provided reasons for not doing so.

A detailed action plan was drafted and adopted by the Board to ensure that the GEPF fully complies with King III and PF130. The GEPF has started implementing the action plans and managed to increase its compliance with both King III and PF130 during the year under review. Some of the projects have been completed and others are in progress.

ETHICS AND THE MANAGEMENT OF THE GEPF'S ETHICAL RISKS

King III prescribes that the "Board should provide effective leadership based on an ethical foundation". The GEPF subscribes to King III and is in the process of integrating and embedding King III into its organisational structures.

The Board decided to establish a Social and Ethics Subcommittee reporting through the Governance and Legal Committee even though by law, the GEPF is not required to do so. This decision was based on the fact that as a pension fund, the GEPF invests in a large percentage of listed and unlisted companies and thus has a substantial social and ethical footprint. This decision also reflected the Board's commitment that

the GEPF be an ethical leader and good corporate citizen. The GEPF has appointed an Ethics Officer responsible for the implementation of an ethics programme within the organisation. A number of ethics initiatives were implemented, such as an ethics box for confidential disclosures and quarterly inserts into the GEPF's newsletter. The Ethics Officer through the Social and Ethics Subcommittee reports quarterly to the Governance and Legal Committee in respect of gift disclosures, annual financial disclosures, and any other matters that impact on ethics deliverables. As part of its ethics programme, a project to align the ethical codes of the GPAA, the PIC and the GEPF will be implemented. A reporting framework will be established between the entities to ensure effective oversight over social and ethics matters.

LEGAL AND COMPLIANCE

In discharging its responsibility to establish an effective compliance framework and processes, the Fund has an established Fund Compliance Policy (FCP) to serve as a cornerstone in the development of a compliance culture within the GEPF. It also ensures that the Fund complies with all applicable legislative, regulatory, and supervisory requirements. The FCP makes provision for compliance reporting, which currently occurs on a quarterly basis. Our compliance reports cover, inter alia, statutory reports, conflicts of interest and gift declarations, staff disclosures, monitoring of compliance with the SLA, and mandates from the PIC, and compliance training.

While the Board remains ultimately responsible for compliance with regulatory requirements, it has delegated this responsibility to its Compliance Unit, which has the following six areas of responsibility:

- Facilitate the establishment and enhancement of a compliance culture;
- Co-ordinate all relevant compliance functions within the Fund;
- Give specific focus to compliance risk within a broader risk management framework;
- Keep abreast of international developments/trends;
- Assist in lowering the impact of regulatory risk; and
- Provide for the formal and structured monitoring of compliance.

The Fund is able to report that in the financial year under review there was no material or repeated instances of non-compliance with regulatory requirements by either the Fund or Trustees in their capacity as members of the Board.

FINANCIAL CONTROL

The oversight role of the Finance and Audit Committee (FA-C) holds management accountable for effective internal financial controls. The FA-C and internal audit and corporate services conducted a high-level review of the internal financial controls in an ongoing project to improve this oversight. The Fund's business plan and budget is prepared annually and approved by the Board. Regular reviews and monitoring of capital and operational expenditure, as well as cash flow projections take place throughout the financial year to ensure sound financial control.

Ongoing engagement with the independent external auditors and internal audit on the results of their audits into the financial affairs of the Fund, as well as input from management will provide an opportunity to assess the effectiveness of the internal financial controls going forward.

FINANCIAL REPORTING

The Fund's annual financial statements are prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa (RRR) as prescribed by the Financial Services Board (FSB). Key aspects of the RRR are based on International Financial Reporting Standards (IFRS) and are tailored to cover the accounting aspects that are relevant to the retirement fund industry. However, the RRR are not currently designed to cover all of the extensive requirements of IFRS. Retirement industry and financial reporting stakeholders such as the FSB, SAICA and IRBA are involved in ongoing projects to align the RRR more fully with IFRS.

The Board of Trustees is responsible for the financial statements of the Fund and is satisfied that they fairly present the financial position, performance, and cash flows of the Fund as at 31 March 2016. It is the responsibility of the external auditors to independently audit the financial statements.

INTERNAL AUDIT

In line with the King III Report on Corporate Governance requirements, the Internal Audit provides management and the Board, through the Finance and Audit Committee, with assurances that internal controls are adequate and effective. This is achieved by means of a risk-based audit coverage plan that caters for the evaluation of governance, risk management, and controls through the identification of process control gaps and/or weaknesses for corrective action and improvement.

The Fund's Internal Audit Unit reports to the Finance and Audit Committee, with administrative reporting lines to the Fund's Principal Executive Officer to promote strengthened independence. These reporting lines were maintained throughout the financial year and the Internal Audit was able to discharge its responsibilities in line with the charter approved by the Finance and Audit Committee.

The Finance and Audit Committee approved the Internal Audit Annual Plan for the 2015/2016 financial year. A tracking register tracks the progress of previously agreed management corrective actions, and a register is kept of all reviews until these are resolved.

GEPF BENEFIT STRUCTURE



THE GEPF PROVIDED BENEFITS TO **1 269 958** ACTIVE MEMBERS AND **423 395** PENSIONERS AND BENEFICIARIES AS AT 31 MARCH 2016. 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 the Fund's rules, the normal retirement age for members is 60. The benefits payable depend on whether a member has fewer than 10 years of pensionable service, or 10 or more years of pensionable service. Members with fewer than 10 years of service receive a gratuity (a once-off cash lump sum) 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 increase their

spouse's annuity entitlement from 50% to 75% by reducing either the gratuity or the annuity.

EARLY RETIREMENT

Under certain circumstances, members may retire before reaching the retirement age of 60. The years of pensionable service 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 one 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 or are injured on duty. In these circumstances, members are eligible to receive both annuities and gratuities. For members with fewer

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 sickness that is not of their doing, an annual supplementary amount is paid to him or her.

LATE RETIREMENT

According to the Fund's rules, the normal retirement age for members is 60. However, in certain instances the employment contract of the member may allow for the member to retire after 60. The benefits of such a member will be calculated using the same formula as for normal retirement.

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 elect to be paid a gratuity (a once-off cash lump sum) or have their benefits transferred into an approved retirement fund. If the member elects for their benefits to be 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 orphan(s) of members who die while in service or within five years of retiring.

DEATH WHILE IN SERVICE

The benefit payable is based on the member's period of pensionable service. It is payable to the surviving spouse(s) or to the 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) as a once-off cash lump sum.

SPOUSE'S ANNUITY

A spouse or eligible life partner is entitled to a percentage of the annuity paid to the member at date of death. The same applies if the member dies while in service and had a full potential service period of at least 10 years (meaning pensionable service years plus unexpired years for normal retirement). If a member retired before 1 December 2002, the spouse's annuity is 50% of the annuity the pensioner was receiving at the date of death, but a member who retired on or after 1 December 2002, had the option of increasing the spouse's annuity benefit from 50% to 75%. This arrangement applied to all members because the Board resolved that all current pensioners of the Fund be allowed to reduce their pension for an increased spouse's pension from 50% to 75%. This option was only available to the pensioners for a limited period. The reduction was calculated based on the member/pensioner's age and gender, spouse's actual age, and the remaining guarantee period.

ORPHAN'S ANNUITY

The GEPF pays annuities to the orphans of members who became pensioners on or after 1 December 2002. An orphan's annuity is 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

Previously, the Fund provided funeral benefits on the death of members and pensioners whose pension commenced only 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. However, the Board approved that this benefit be extended to all pensioners whose pension commenced before 1 December 2002 and who were alive at the effective date of the rule amendment. The rule amendment was gazetted and effected on 1 April 2012.



DURING THE **2015/2016** FINANCIAL YEAR, THE GEPF HELD A NUMBER OF SUCCESSFUL STAKEHOLDER ENGAGEMENTS.

These included national outreach campaigns such as roadshows, mobile offices, Human Resource Forums (HRFs), Retirement Member Campaigns (RMCs) workshops and exhibitions.

The aim of these initiatives is to educate members about the Fund's various pension benefits. They also provide a platform for members and pensioners to give feedback on the services rendered by the GEPF.

ROADSHOWS

The Fund hosted seven roadshows in the Northern Cape, North West, Western Cape, Limpopo, Free State, Eastern Cape and Gauteng. The roadshows provided the Fund with an opportunity to share its processes and benefits with its members and pensioners. They also provide insight and stakeholder feedback on the services rendered by the GEPF, as well as invaluable information which assists the Fund in reviewing its rules while providing information on policy matters and administration.

The table below illustrates the overall information for the roadshow venues and attendance.

Province	Actual attendance
North West – Mahikeng	1 046
Northern Cape – Concordia	146
Limpopo – Thohoyandou	1 358
Western Cape – George	293
Gauteng – Soshanguve	1 636
Free State – Bethlehem	1 003
Eastern Cape – Mount Frere	553

The selected venues managed to draw more than 5 735 members in total, exceeding the targeted attendance figure.

The campaign made use of the SABC and community radio stations, as well as selected print media to publicise the events. In addition, partners such as GEMS and FSB were part of the roadshows providing information to the attendees.

The attendees were supplied with pamphlets, posters, and other relevant information. Questionnaires were also distributed in order to solicit the views of the members.

RETIREMENT MEMBER CAMPAIGN

The Retirement Member Campaign (RMC) is aimed at interacting with members nearing retirement to encourage them to submit their documents in advance to ensure a seamless retirement process.

The RMC has a number of objectives which include empowering members by providing them with the necessary information and processes to follow in preparing for retirement.

EXHIBITION INFORMATION

In total, more than 1 410 members and pensioners attended the Rand Easter Show (Gauteng) exhibition. During the exhibition, the GEPP showcased its products and services, and interacted with its members, pensioners and beneficiaries at the show.

The GEPP's participation in public shows is informed by the need to utilise cost-effective mechanisms and platforms to promote the core services and offerings of the Fund, creating public awareness on how the services can be accessed.

MEMBER'S GUIDE

In our efforts to make the most of our interactions with stakeholders, we disseminated a Member's Guide booklet containing information on the GEPP's benefits. The Guide shares important information about stakeholder membership and benefits. We also finalised a compressed version of the Member's Guide as a z-folder.

NEWSLETTERS

As in previous years, we continued sending regular newsletters, which were aimed at providing pensioners and members with pertinent information. The GEPP has two newsletters, a member and pensioner newsletter, providing appropriate information to the different stakeholders.

HR FORUMS

HR Forums are interactions in which human resources practitioners from various employer departments participate in discussing issues of mutual interest pertaining to the payment of benefits. The GEPP also imparts information on benefits to the human resources practitioners.

MOBILE OFFICES

The GEPP has mobile vehicles that serve as mobile offices. The vehicles enable the GEPP to execute its rural outreach initiatives and are equipped with the latest IT and communication technology, including satellite receivers. These satellite receivers enable the mobile offices to link with the main information systems in Pretoria and provide on-site, real-time assistance to members, pensioners, and beneficiaries in all nine provinces.

The mobile offices are a significant step towards achieving improved service levels for our members, pensioners, and beneficiaries.

Our call centre agents and regional offices are also at hand to assist with both telephonic and face-to-face interaction.



THE GPAA IS RESPONSIBLE FOR ENSURING THE ACCURATE AND TIMELY PAYMENT OF BENEFITS TO THE GEPF MEMBERS AND BENEFICIARIES.

As such, it is responsible for the administration of members, member records, collection and recording of contributions, and the processing of their benefits. The GPAA's main goal for the 2015/2016 financial year was to pay benefits accurately and on time.

ACHIEVEMENTS AND CHALLENGES

Below are listed the major achievements for the financial year under review:

- The agency surpassed its goal of paying benefits accurately by achieving 100% of its target, while R85,59 billion in benefits was paid for 79 783 members;
- The GPAA managed to pay 77% of benefits within 45 days, while 86,8% was within the prescribed period. This was achieved despite the fact that the organisation received an increase in the amount of exit claims from employer departments during the financial year;
- Clients' records were on average 99% of the time updated within the prescribed 21 days of receipt of documentation; and

- Contributions of approximately R60 billion were collected from GEPF members.

SERVICE DELIVERY ENVIRONMENT

In 2011, the GPAA embarked on a Modernisation Programme to equip itself to fulfil its legislative mandate and to meet the changing needs of its clients and customers. Below is a discussion that analyses the situation of where the GPAA currently fits into the pension landscape.

FLEXIBILITY IN SERVICE DELIVERY

Our main concerns regarding service delivery are with regards to improved communication, enhancing member education, ensuring timely and accurate payments, and the strengthening of regional and satellite offices. Newsletters remain the main form of communication with clients, with a large number preferring paperless communication to paper-based communication.

A GPAA study identified an opportunity for the GPAA to educate members on GEPF products, services and benefits. The study also identified raising the financial literacy level among members as important. Other areas of interest identified included death benefits, the implications of divorce for pension benefits and retirement preparedness and procedures.

GOVERNANCE

A review of pension governance emphasised the importance of administrative efficiencies and increased co-operation between the Fund, the administrator and the client. Good governance in pension systems promotes the timely and cost-effective delivery of benefits, as well as the administration of the pension in the best interests of the pensioner, active member and beneficiary. Good governance in the GPAA is being increasingly recognised as an important aspect of an efficient pension administration system, enhancing administrative performance and securing service delivery. The adoption of a good governance model will promote the timely and cost-effective delivery of benefits and administration thereof. The proclamation of the GPAA made provision for the Minister to appoint an Advisory Board for the administration function, and such a structure may strengthen the governance and executive oversight.

BATHO PELE PRINCIPLES

In South Africa, there is a growing acknowledgement that the physical infrastructure and accessibility of one's services contribute to the effective and efficient running of organisations. Therefore, in line with the Batho Pele Principles, improved processes can ensure that the GPAA's clients are informed and empowered. Such improvements promote retirement preparedness, arming clients with the knowledge to make informed and important decisions about their retirement. They are also in line with the GPAA's current strategic objectives in ensuring that benefit and pension pay-outs are made to the right clients and are paid at the right time, which could increase stakeholder satisfaction, trust and confidence.

Modernisation – the GPAA's Service Delivery Improvement Programme (SDIP)

In 2011, the GPAA converted its Service Delivery Improvement Programme (SDIP) into a Modernisation Programme, which is premised on the idea that the key service outputs of the organisation will improve if:

- key business processes are re-engineered;
- the re-engineered processes are then automated through the introduction of new ICT technology;

- staff efficiency and effectiveness are enhanced by human resource management interventions supported by the process innovation and technology refresh/enhancements; and
- the implementation of the new processes and technology platforms are supported by a robust change management and training programme.

The progress made by the main projects undertaken by the Modernisation Programme is as follows:

Pension Case Management (PCM)

The first phase of the PCM development was rolled out during the second quarter of the 2015/2016 financial year to three employer departments, namely the South African Police Service (SAPS), the South African Revenue Service (SARS) and the Gauteng Department of Finance (GDF). The intention behind this was to start testing the functionality of the new solution as part of end-user testing.

The second phase of the PCM development is to deliver an automated/work-flow platform for the automated processing and payment of GEPF benefits (commonly referred to as Benefit Payment Automation or BPA). The initial proposal was to start user acceptance testing, the last phase of software development testing, of the first (of several) key milestone by February 2016. However, once begun it was decided that it would be best if PCM be completed with all outstanding issues, including new critical requirements, before the commencement of BPA, which has delayed BPA progress. The revised plan is therefore to start user acceptance testing during the 2016/2017 financial year.

Queue Management System (QMS) for walk-in centres

The Queue Management System (QMS) will provide the GPAA with the Business Intelligence information required to ensure continuous improvement in managing service requests in the walk-in centres effectively, which will enhance efficiency and the client experience. The project began during January 2016 and the Request for Proposals to potential service providers was issued in February 2016.

Client Relationship Management (CRM) Multichannel Communication Solution Project

The project is in the last stages of the investigation phase and the beginning stages of the design phase. The tender closed on 29 March 2016 and tender responses were received since then.

Enterprise Data Management Solution (EDMS)

During the fourth quarter of the year under review, the Enterprise Data Management Solution (EDMS) project team worked to run and finalise the Proof of Concept (POC) for the new EDMS solution. This POC, covering phase one of the entire solution, is envisaged to begin to return dividends immediately as it provides a relational database, which in turn will provide the GPAA with updated information – a necessity for efficient administration of benefits.

Data from the current pension administration system (CIVPEN) was migrated to the target EDMS solution as part of the POC, which is expected to be concluded during the 2016/2017 financial year.

Data Quality Improvement and Management (DQIM)

The Data Governance Committee (DG-C) is in the process of defining the different data management levels. The initial instruction given to the committee was to create a Data Management Policy and to define the standards for each data management discipline, as well as the processes to perform data management according to the new policy and standards. A draft of the new Data Management Policy has been created and progress will continue into 2016/2017.

Business Process Management (BPM)

All of the GPAA's core business processes (mainly the benefit payment and CRM processes) that have been identified to date have been mapped, with approximately 86% being completely re-engineered or being in the process of being re-engineered. Of non-core/support processes (e.g. Finance, Human Resources and Risk) that have been identified, 65% have been mapped.

In 2016/2017, the focus of the BPM initiative will be on the implementation of a complete business architecture capability for the GPAA.

Solution Implementation Partner (SIP)

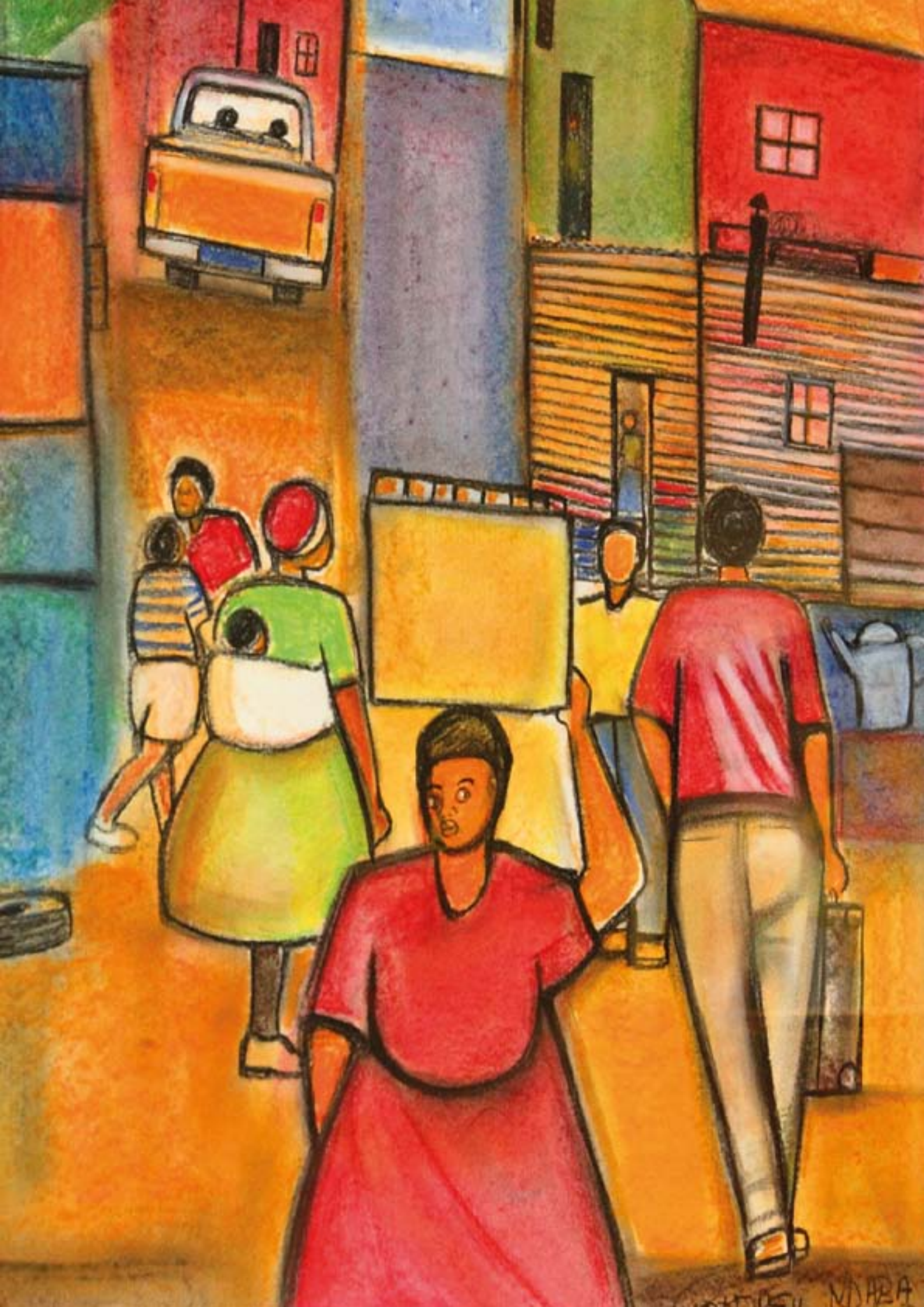
The implementation of the supporting Oracle Identity and Access Management (IAM) solution is in progress. Planning and design has been completed.

Enterprise Content Management (ECM)

The procurement process for appointing a vendor to implement Enterprise Content Management (ECM) has been completed and the ECM project is underway. The project will be completed during the 2016/2017 financial year.

Integrated Document Management Solution (IDMS)

The process of appointing the service provider for the IDMS project was in progress at the time of reporting.

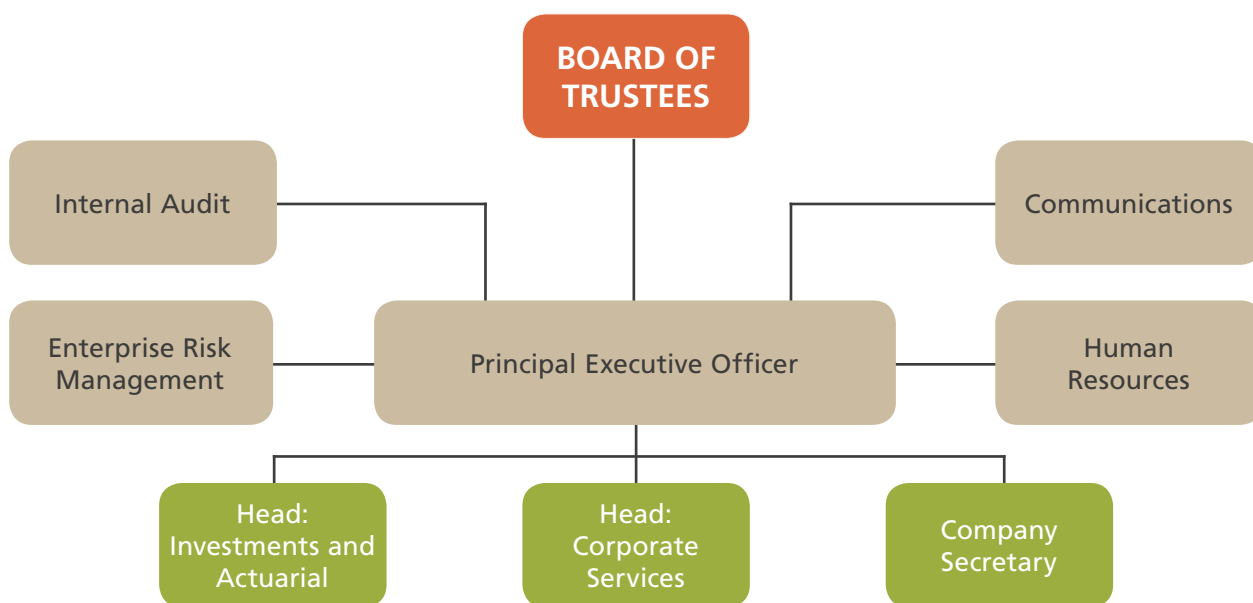


CHITREU NDABA

THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER

The Office of the Principal Executive Officer comprises the Principal Executive Officer (PEO) and an executive management team. It supports 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 Executive Officer, the Head of Corporate Services, the Head of Investments and Actuarial, and the Company Secretary.



The PEO assists the Board in meeting its fiduciary and oversight obligations in line with the GEP Law, and other laws and regulations. The PEO also represents the Board at different forums (strategic and operational), and has the overall responsibility for financial reporting and disclosure, consolidating and amending the Fund's rules, and valuating liabilities and assets. The PEO implements all Board decisions and gives effect to the Board's strategy. The PEO is supported in this role by the Risk, Internal Audit, Resources, and Communications Managers.

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 (RI) and Developmental Investment Policy (DI).

The Company Secretary ensures that the Board practices good governance at all times, provides guidance to the Board on the duties of the Trustees, ensures that the Trustees are adequately inducted and trained, and provides an executive secretariat function to the Board and its committees.

The Head of Corporate Services manages and oversees the internal operations and corporate services within the Office of the Principal Executive Officer. This includes the management of legal and compliance, finance, and facilities management.

EXECUTIVE MANAGEMENT



Mr Abel Sithole

Position

- Principal Executive Officer

Qualifications

- MA (International Relations) – University of Stellenbosch
- MPhil (Futures Studies) – University of Stellenbosch
- MBA – University of the Witwatersrand

Experience and memberships

- Fellow: Institute of Life and Pension Advisors
- Chartered Financial Planner



Ms Adri van Niekerk

Position

- Company Secretary

Qualifications

- BAdmin (Honours) Public Management – University of Pretoria
- BAdmin Public Management – University of Pretoria

Experience and memberships

- Member of Integrated Reporting Committee of South Africa
- Fellow of the Institute of Directors in Southern Africa (IoDSA)
- Member of the International Corporate Governance Network (ICGN)



Ms Linda Mateza

Position

- Head: Investments and Actuarial

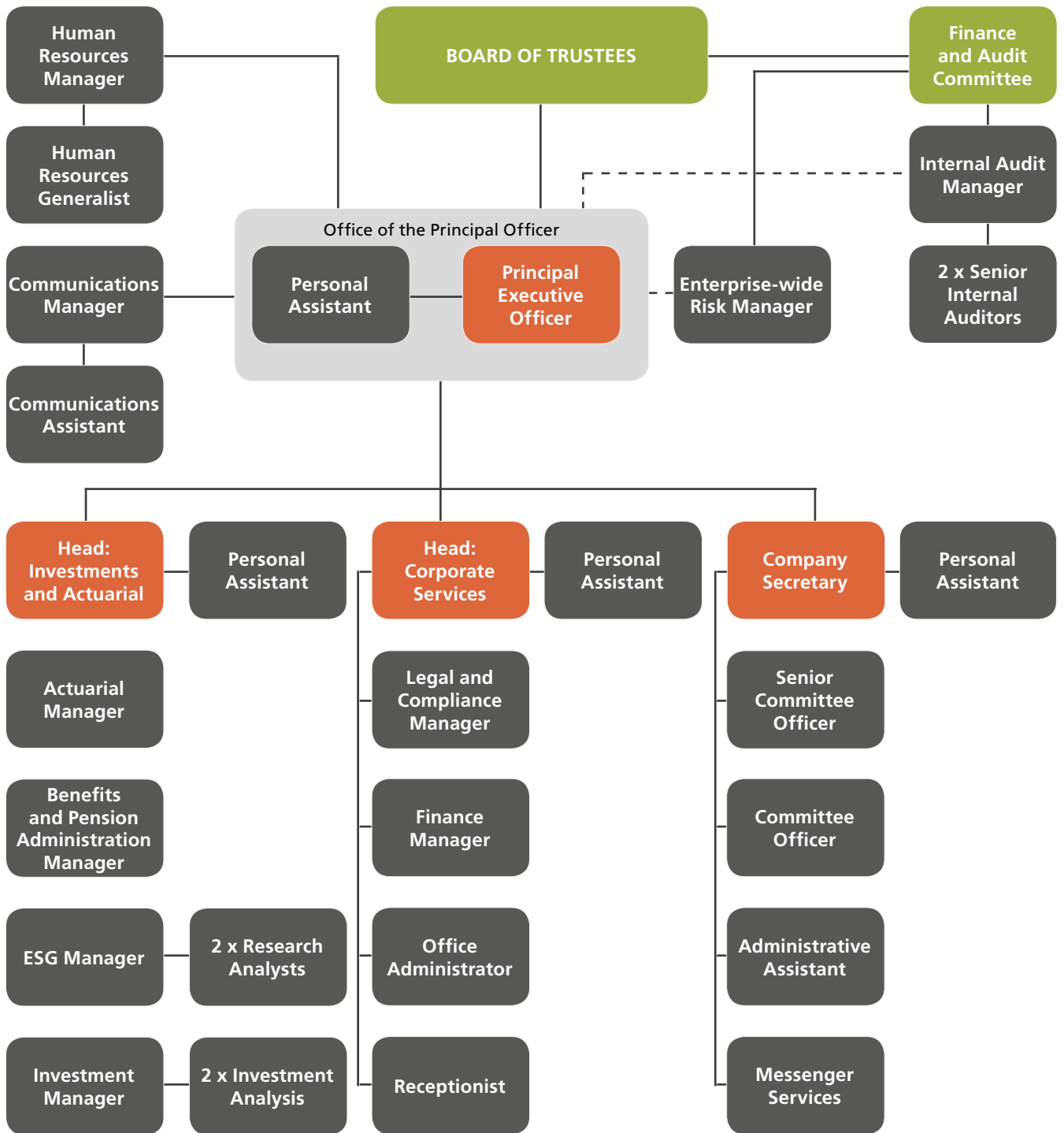
Qualifications

- Master of Management (Finance and Investments) – Wits Business School
- Bachelor of Commerce Honours – UNISA
- Bachelor of Commerce – University of Natal (now UKZN)
- Bachelor of Arts – Rhodes University

Experience and memberships

- Fellow of the Africa Leadership Initiative (South Africa)
- Member of the Aspen Global Leadership Network (AGLN)
- Member of the Institute of Directors in Southern Africa (IoDSA)

THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER (continued)

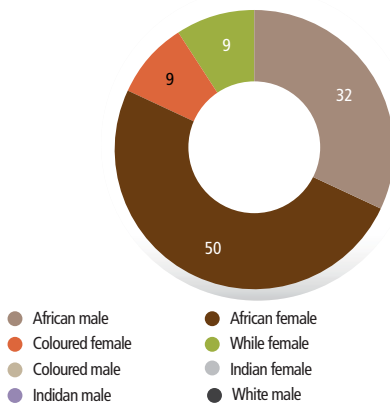


EMPLOYMENT EQUITY

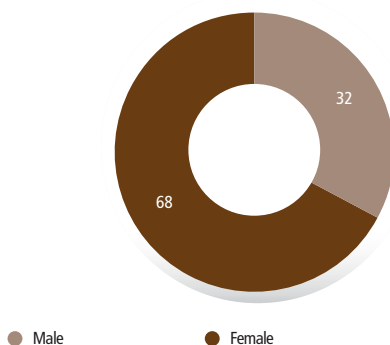
31 March 2016

Level	African		Coloured		Indian		White		Total		Total filled	Vacant
	M	F	M	F	M	F	M	F	M	F		
Top management	1								1		1	
Senior management		1						1			2	1
Professional – middle management	4	2		1					4	3	7	3
Skilled	1	3							1	3	4	4
Semi-skilled		5		1				1		7	7	1
Unskilled	1								1		1	
Total	7	11	–	2	–	–	–	2	7	15	22	9
Percentage	32	50	–	9	–	–	–	9	32	68		

Employment equity by race (%)



Employment equity by gender (%)



The GEPF approved employment equity goals and targets that will assist the organisation to align its demographics with the South African national demographics profile. The organisation is fully committed to the spirit and objectives of the Employment Equity Act and is committed to the following in this regard:

- To transform the demographics profile of the GEPF workforce to adequately reflect the local and national demographics profile representative of the people while embracing diversity in the workplace in respect of race, gender and culture;
- To remove all identified barriers to equity for designated groups; and
- To ensure fair, non-discriminatory practices which respect to the rights and dignity of all GEPF employees, irrespective of colour, race, gender or disability.

REMUNERATION REPORT

Remuneration philosophy

The GEPF's remuneration philosophy is to provide a framework of total rewards, which attracts talent, motivates and rewards performance, and retains such talent that enables us to achieve our strategy. In order to support and enable our people to give their best to the organisation, we provide a work environment that is both engaging and fulfilling and encourages opportunities for personal and professional growth.

The GEPF aims to pay employees at the median of the South African national market and thereby ensure that remuneration neither leads nor lags the selected market. Where the Fund has performed well and performance targets are exceeded, we reward employees through a short-term incentive scheme.

Remuneration policy

The GEPF's Remuneration Policy aims to crystallise the spirit of a total rewards plan and seeks to ensure that the remuneration and rewards framework meets the GEPF's strategic needs. A Total Rewards Strategy that is compelling, flexible, and compliant with legislation has been developed in line with our philosophy.

Operating in the pension fund space and financial sector environments, for the Fund to retain the critical and core skills, which attract certain premiums as determined by market forces, it needs to strategically incentivise high-performers, while at the same time being mindful of, and sensitive to, the nature of the organisation and accompanying public perception.

Pay benchmarking

The GEPF is aware of the need to minimise any negative impact that changes to the reward structures may have on the level of service efficiency we provide. During 2015, the GEPF subscribed to and participated in two reputable South African remuneration surveys to obtain information, which would identify the Fund's position in the market, and inform the remuneration philosophy and policies and practices in terms of fixed and variable remuneration. Members of the Remuneration Committee (Remco) have access to information that informs their independent judgement on the possible effects that remuneration may have on compliance with risk, regulatory, and behavioural controls.

The annual benchmark exercise resulted in the establishment of the Fund's internal pay scale or remuneration structure, which was then used as guideline for positioning remuneration packages.

Remuneration package

Finally, Remco is committed to ensuring that the GEPF's remuneration and people practices are reviewed regularly so that the organisation continues to be attractive for desirable talent who are able to work towards the attainment of its vision and the Fund's strategic goals.

EXECUTIVE REMUNERATION AND PERFORMANCE MANAGEMENT

In line with best practice, King III, and other codes of good governance, the GEPF endeavours to ensure a meaningful link between the performance of its employees and their remuneration. Performance bonuses are allocated for above-average performance and beyond, and this is done at the end of the financial year.

Ex-gratia payments were not made during the financial year.

Executive remuneration is reflected in the annual financial statements.





FUNDING OF LIABILITIES

In terms of the GEP Law and the Rules of the Fund, an actuarial valuation must be carried out at least once every three years. Eleven statutory actuarial valuations have been undertaken since the establishment of the Fund in May 1996 with the most recent having been undertaken as at 31 March 2014.

This valuation was performed based on the Funding Policy that was adopted by the Board of Trustees in consultation with the Minister of Finance. The policy provides for the comparison of the assets held by the Fund with the valuation of the liabilities on a long-term best-estimate basis.

The actuarial results of the March 2014 valuation show that the Fund is 121,5% funded, ie there are sufficient assets to cover the actuarial liabilities in full.

Funding level of liabilities

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	103,9	Alexander Forbes Financial Services
31 March 2006	128,2	Alexander Forbes Financial Services
31 March 2008	115,2	Alexander Forbes Financial Services
31 March 2010	108,7	Alexander Forbes Financial Services
31 March 2012	102,7	Towers Watson
31 March 2014	121,5	Towers Watson

FUNDING OF LIABILITIES AND RESERVES

The Funding Policy also provides for the establishment of reserves to protect against mortality and investment risk in the future and to increase the target for future pension increases from 75% to 100% of headline inflation.

The valuation reports since 31 March 2004 have reported on the comparison of the assets held by the Fund with the valuation of the liabilities on a long-term best-estimate basis together with the additional contingency reserves recommended by the valuator.

The actuarial results of the March 2014 valuation show that 83,1% of the liabilities and the recommended reserves could be afforded at that date.

Funding level of liabilities and recommended reserves		
Date	Funding level %*	Valuator
31 March 2004	96,5	Alexander Forbes Financial Services
31 March 2006	101,7	Alexander Forbes Financial Services
31 March 2008	85,3	Alexander Forbes Financial Services
31 March 2010	74,1	Alexander Forbes Financial Services
31 March 2012	70,4	Towers Watson
31 March 2014	83,1	Towers Watson

* The funding level has been determined with reference to the full reserves as recommended by the valuator at that time.

Membership profile				
Contributing members	Male	Female	Total 2014	Total 2012
"Other" members	382 147	678 685	1 060 832	1 095 712
"Services" members	167 102	59 426	226 528	202 682
Total	549 249	738 111	1 287 360	1 298 394

Pensioners	Male	Female	Total 2014	Total 2012
Retired members	101 738	131 827	233 565	222 907
Spouses	14 296	119 488	133 784	128 490
Total	116 034	251 315	367 349	351 397

VALUATION ASSUMPTIONS AS AT 31 MARCH 2014

The economic assumptions were updated to take into account the market conditions as at 31 March 2014.

The demographic assumptions have been updated following an investigation into the Fund's experience over the period 1 April 2008 to 31 March 2012. The full details of the investigation are set out in a report prepared by the Fund's actuaries finalised in October 2013.

Mortality improvements are being observed internationally and South Africa is expected to follow suit. The actuaries therefore believe that it is appropriate to include an explicit allowance for future mortality improvements in the 2014 valuation, as was the case in the previous valuation.

VALUATION RESULTS AS AT 31 MARCH 2014

The results of the GEPF's actuarial valuation as at 31 March 2014 are shown in the table below.

Financial position	31 March 2014 R million	31 March 2012 R million
Contributing member liability	878 721	773 805
S-case and exits in progress	18 155	–
Pensioner and deferred pensioner liability	263 558	223 050
Data and past discriminatory practice reserves	13 082	14 761
Total best-estimate liabilities	1 173 516	1 011 616
Net assets	1 425 719	1 038 946
Excess of assets over liabilities	252 203	27 330
Funding level of liabilities (%)	121,5	102,7
Recommended reserves*	541 375	464 181
Total best-estimate liabilities and reserves	1 714 891	1 475 797
Net assets	1 425 719	1 038 946
Excess of assets over liabilities and reserves	(289 172)	(436 851)
Funding level of liabilities and reserves (%)	83,1	70,4

* This consists of a solvency reserve (R303 000 million), 100% CPI pension increase reserve (R204 457 million) and a mortality improvement reserve (R33 918 million).

The 2014 actuarial valuation results show that the funding level has improved materially when compared with the 2012 actuarial valuation.

In terms of the policies adopted by the Trustees, the reserves established as at 31 March 2014 are limited to the amount affordable by the Fund, namely R252 203 million. On this basis, 46,6% of the recommended reserves could be held. As at 31 March 2012, a reserve of R27 330 million was affordable (or some 5,9% of the recommended reserves).

EMPLOYER CONTRIBUTION RATE FOR THE YEAR FROM 1 APRIL 2015 TO 31 MARCH 2016

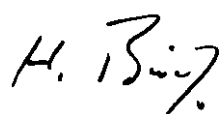
Based on the best-estimate actuarial valuation basis, and ignoring the excess of the assets over the best-estimate liabilities, the required employer contribution rate is 18,4% of pensionable salary in respect of "services" members and 14% of pensionable salary in respect of "other" members, reflecting the differences in the benefit structure of these two categories of members.

The employer currently contributes at a rate of 16% of pensionable salary in respect of "services" members and 13% in respect of "other" members. Members of the Fund contribute at a rate of 7,5% of pensionable salary.

The shortfall in the required contribution rate is estimated to amount to some R3 200 million over the year ended 31 March 2015 and a commensurate amount adjusted for salary increases and any changes in the membership data over the year ended 31 March 2016. These amounts can be afforded from the excess of the assets over the best-estimate liabilities.

VALUATION AS AT 31 MARCH 2016

We are currently undertaking a valuation of the Fund effective 31 March 2016, the results of which are expected to be available in December 2016. It is expected that the Fund will again reflect a funding level of more than 100% on the best-estimate valuation basis.



Howard Buck
Valuator to the Fund

11 October 2016





In the coming year, 2016/2017, the GEPF will continue to pursue objectives against its key strategic outcomes focusing on:

IMPROVE BENEFITS ADMINISTRATION

The GEPF and GPAA continue to work closely with other stakeholders to ensure that the information the Fund has regarding its members is correct, complete and up to date. The GEPF values and acknowledges the crucial role that the employers play in this regard and will be doubling its efforts in building solid relations with them complete and correct information will greatly enhance the service delivery our members experience especially when they exit the Fund.

The implementation of the Rule changes referred to in the PEO's report will also receive attention from the GEPF as those changes will be beneficial to members.

IMPROVE MEMBER AND BENEFICIARY COMMUNICATION AND EDUCATION

We have engaged the Financial Service Board to assist us in developing a program to enhance the financial literacy of our members and pensioners. This program will be rolled out soon to ensure that our stakeholders are equipped to make decisions regarding their financial well-being.

There has been a decline in the number of members who exits the Fund due to resignation. We believe that a number of these members exit the Fund to gain access to their retirement benefits for various reasons. The GEPF continues with its media campaign as well as road shows to ensure that members make

informed decisions regarding their retirement benefits to curb the number of unnecessary exits.

IMPROVE INVESTMENT MONITORING

The Board has recently approved a revised organisation structure that will assist the Fund to improve its supervisory, monitoring and evaluation function over the PIC and other investment managers. The GEPF will focus on capacitating its research capability to ensure that it remains a leader in the ESG field both locally and internationally.

RISK MANAGEMENT ARCHITECTURE

The GEPF strives to be well governed and adheres to all the relevant governance codes where possible. As such, the Fund will review the principles contained in the revised King Code (King IV) once it's launched. We will develop action plans to adhere to those principles where the GEPF falls short.

IMPROVE STAKEHOLDER RELATIONS

The revised organisation structure will further enhance the GEPF's capability to improve its relationships with all stakeholders, especially employers and employee representative organisations, the GPAA and PIC. It will further assist us to implement the communication and education strategy that was approved by the Board in this reporting period.

We will therefore focus on filling the vacant positions as a matter of urgency to ensure that we have the right people onboard to build and enhance relationships.

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