



**GEPF**

your investment, your future

**2018/2019**

**Annual Report**



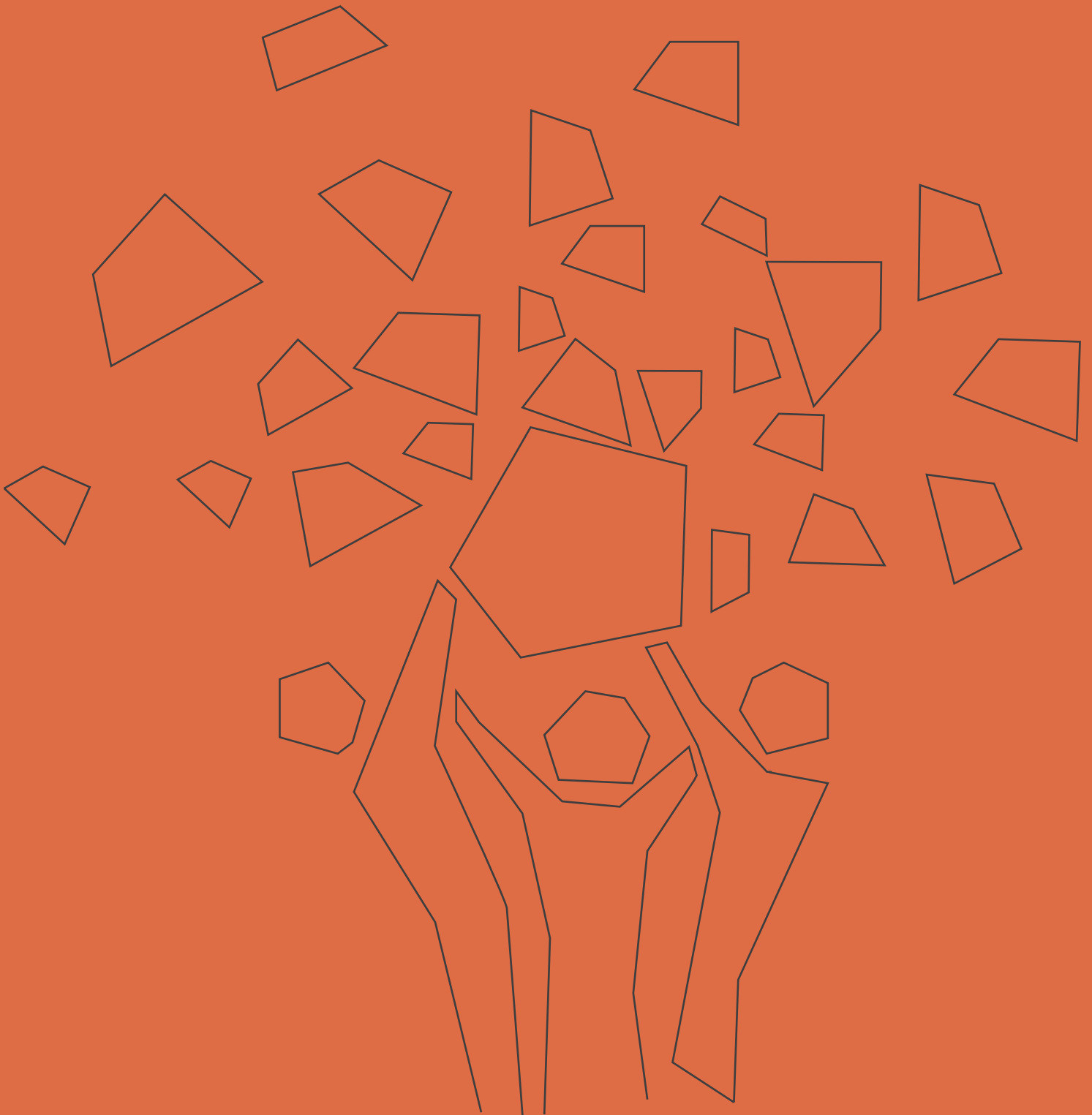


# GEPF

your investment, your future

## 2018/2019

## Annual Report



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# MINISTER'S NOTE TO PARLIAMENT



**TT Mboweni**  
Minister of Finance

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 01 April 2018 to 31 March 2019.

**TT Mboweni**  
Minister of Finance

September 2019

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## ● VISION ●

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

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## ● 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.

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## ● VALUES ●

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

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### ● Integrity

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

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### ● 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

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### ● Client centricity

- working collectively and cooperatively with our stakeholders
- caring
- maintaining customer focus

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### ● Accountability

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

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### ● Innovation

- championing research and development in the retirement industry worldwide

## CHAIRPERSON'S REVIEW



### Dr Renosi Mokate

Chairperson:  
GEPF Board of Trustees

*“The Fund’s administrative functions and investment activities while outsourced remain firmly within our oversight.”*

It is with great pleasure that I present the 2018/19 Annual Report on behalf of the Board of Trustees of the Government Employees Pension Fund (GEPF).

### GLOBAL AND LOCAL ECONOMIC ENVIRONMENT

The performance of the Fund continues to be impacted by local and global economic developments. Our concern with those is how they in turn impact on our members, pensioners and beneficiaries whose future financial security is our main consideration when they go on pension.

During the financial year under review, South Africa entered a technical recession after experiencing negative economic growth for the first two quarters of the year. The decline in growth reflected the adverse conditions such as mining strikes and power cuts, as well as drought conditions in the Western Cape. Overall, annual growth for 2018 resulted in a slowdown of 0.8%, reflecting domestic impediments rather than a global trend. Developed economies grew

by 2.2%, and emerging economies by 4.7% compared to South Africa’s growth of 0.8%. Real GDP declined by 3.2% in the first quarter of 2019, which was largely attributed to the impact of limited electricity supply.

Headline inflation remained within the South African Reserve Bank’s (SARB) target of 3% to 6%, with CPI at 4.5% year-on-year at 31 March 2019, up from 3.8% as at 31 March 2018. Inflationary pressures were introduced by the higher international oil prices experienced towards the end of 2018.

A combination of events that unfolded in global markets, as well as weak domestic economic fundamentals continued to put pressure on the South African rand that depreciated by 22% against the US dollar, from R11.82/\$ in March 2018 to R14.49/\$ in March 2019.

Under prevailing conditions the Fund has managed to sustain an acceptable overall investment performance, despite adverse local and global economic developments.

## CHAIRPERSON'S REVIEW continued

### PIC AND THE GEPF

We cannot comment on the ongoing investigation and inquiry into possible malfeasance at the Public Investment Corporation (PIC) other than what we have already released to the public. That being said, while the GEPF is concerned around governance at the PIC, we are overall satisfied with the performance of the GEPF portfolio in totality, noting the poor economic environment in which we operate. In the wake of the Steinhoff meltdown, and more recently Tongaat Hulett admitting its financials cannot be trusted, the Fund continues to pursue solutions to deliver best-possible returns to our members through the diversification of our portfolio.

### INVESTMENTS

Despite the tough economic conditions, the Fund had a return of 2.6% during the 2018/9 financial year. The Fund's market value was R1.8 trillion in the 2018/19 financial year, increasing by R17 billion from last year. 83% of the GEPF assets were managed by the PIC in the form of equity, bonds, money market, and property portfolios, with the remaining 17% managed by other asset managers. While many pension funds and investors have seen negative growth in their portfolio's during the past financial year, the GEPF has seen an increase, albeit marginal, in its investment growth.

There are mechanisms in place to ensure that the GEPF's asset managers operate within specific legislation and the mandates imposed on by the Fund, and this has assisted in ensuring that the Fund remains resilient. This speaks volumes about how rigorously we defend the security of the Fund, that despite the current investigation of the PIC, the GEPF has produced what it intended, that being growth for the Fund.

### OVERSIGHT AND RELATIONSHIPS

Notwithstanding perceptions in some quarters that the GEPF has not exercised appropriate oversight, measures are in place to communicate with our members, pensioners, beneficiaries and other stakeholders, so that they are guided by the facts, and have an understanding that their pension fund is secure.

For further reassurance, over the course of the past financial year, the GEPF Board ("Board") has enhanced its oversight of the PIC and put in place measures to ensure that the PIC consults the GEPF on unlisted investments above predetermined limits. Unlisted investments are generally going to be more difficult to assess and value but provide worthwhile opportunities in sectors that are not well represented in the listed sector. Hence the Fund's portfolio

is diversified, including both listed and unlisted assets and is managed by a number of asset managers other than the PIC.

With regard to the administration of benefits, despite already rigorous protocols, the Board has directed the Fund's Executive Committee ("Exco") to research and look at ways to positively modify the working relationship the GEPF has with the Government Pensions Administrative Agency (GPAA), the Fund's administrator. This is ongoing with the objective to implement an optimal operating model for the GEPF.

The GEPF has enhanced the communication channels between it, the GPAA and the PIC with a new communication protocol currently being finalised. Essentially this means that increased engagements between the three organisations will seek to ensure monitoring and reporting of any breaches by service providers, and that reporting channels are adhered to timeously so that Board decisions can be taken timeously.

The Board and Management of the GEPF welcomes the appointment of the interim board of the PIC. A strong and resilient PIC is crucial to the growth and protection of the retirement benefits of GEPF members, pensioners, and beneficiaries. The GEPF is committed to working with the newly appointed board as it begins its task of strengthening the governance as well as the integrity and reputation of the PIC.

### IMPAIRMENTS

Impairment provisions may be required to reflect the business reality of an asset at a particular point in time. Such provisions are made when an asset has a lower market value than when the original investment was made; meaning that in the current market it would sell for less than when purchased. Asset values fluctuate over time, impacted by market conditions and the performance of the underlying businesses, and therefore the asset may subsequently recover, or even exceed, the value of the original investment. The original value therefore has not necessarily gone so an impairment loss is the asset's book value, minus its market value. Impairments are reversible should the market value of the asset recover as is evident in this year's financial statements. A write-off on the other hand, is a form of de-recognition of an asset. It is usually based on a management decision where there are no prospects of recovering value from the asset.

Over the course of the year under review the GEPF has impaired a number of assets of which the following assets were the most significant:

**AFRISAM:**

As a result of the recessionary environment that the construction sector currently faces, revenue and profitability for construction material suppliers such as Afrisam, has been under pressure. This has resulted in the business's inability to meet its senior and mezzanine debt covenants and repayment obligations. Cost containment strategies through plant modernisation and head office cost rationalisation are being implemented and the investment continues to be closely monitored, and potential restructuring options are being considered.

**ERIN ENERGY:**

The impairment of Erin Energy was due to the company filing for a voluntary petition for Chapter 11 bankruptcy in the United States Bankruptcy Court for the Southern District of Texas (Bankruptcy Court) on 25 April 2018, which was subsequently converted to a Chapter 7 (liquidation) process in July 2018. The Chapter 7 process is still ongoing.

**INDEPENDENT NEWS MEDIA:**

As a result of declining traditional print and advertising revenue, the Sekunjalo term loan and INMSA shareholder loan and Preference Shares were impaired as INMSA and Sekunjalo did not honour their payment obligations under the transaction agreements.

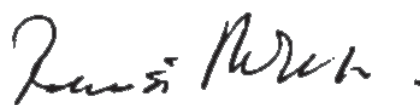
**LANCASTER GROUP:**

The PIC has engaged with Steinhoff to (amongst other imperatives and requests): reconfigure the Steinhoff board; have representation on the committee investigating the state of affairs at Steinhoff; and include collaboration with other investors and regulators inclusive of the JSE, to find a solution to Steinhoff's challenges for the benefit of affected parties.

**APPRECIATION**

It is with heartfelt gratitude that I thank the Board of Trustees, the Principal Executive Officer, Mr Abel Sithole, management and all the GEPF employees for their commitment in meeting the challenges of a tough year. The dedication shown has made us all stronger and given reassurance to our members, pensioners, and beneficiaries that their, and their future generation's financial future is secure and set to grow.

Finally, I thank Minister Mboweni for his unwavering support.



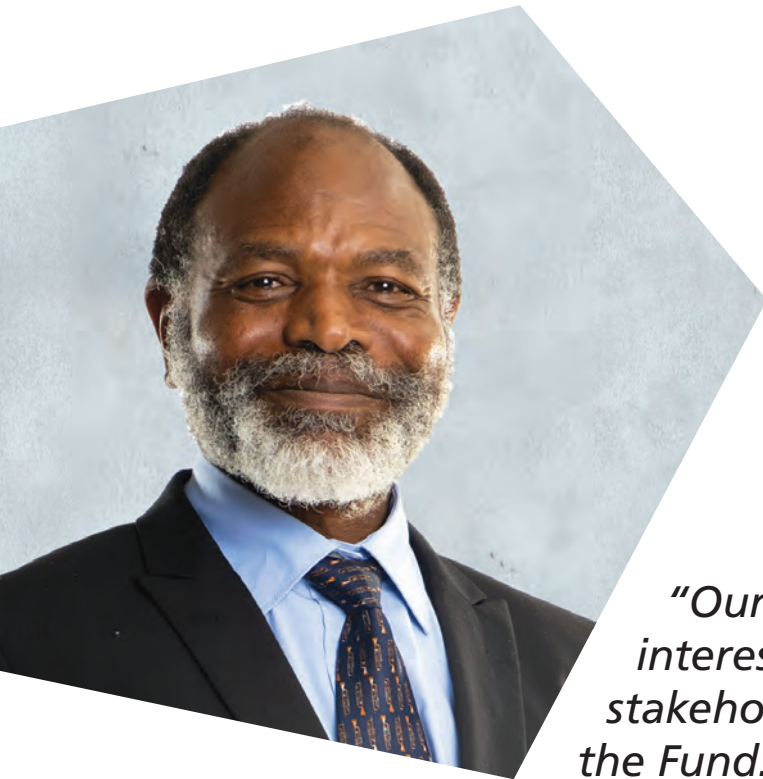
**Dr Renosi Mokate**

*Chairperson: GEPF Board of Trustees*

30 September 2019



# PRINCIPAL EXECUTIVE OFFICER'S REPORT



## Abel Sithole

*Principal Executive Officer*

*“Our approach balances the needs, interests and expectations of material stakeholders in the best interests of the Fund.”*

It is a pleasure to report that the GEPF was able to grow and enhance the Fund by R17 billion during the year under review, and this despite the country's low economic growth rate. The financial results do however highlight that the performance of the Fund is not isolated from the country's economic and development constraints. If the GEPF is to address this dependence, it has to seriously consider increasing its off-shore investments, which is currently under review.

### PERFORMANCE AGAINST STRATEGY

The Board conducted a thorough review of the strategic objectives of the Fund during a strategic planning session in September 2018.

During the 2018/19 financial year the GEPF made significant progress in meeting its performance targets based on strategic objectives, namely:

- improving benefits administration;
- improving member and beneficiary communication and education;

- improving investment monitoring and evaluation;
- reviewing the governance and operating model;
- enhancing risk management architecture; and
- improving stakeholder relations.

### FINANCIAL AND INVESTMENT HIGHLIGHTS

The GEPF invests in the same manner as other large institutions, diversifying its portfolio of investments through the PIC and other asset managers, to reduce its exposure to any one market risk, and thereby maximising its return on investments. These decisions are guided and made in accordance with the GEPF's strategic asset allocation policy and risk management systems.

As of 31 March 2019, the GEPF had invested 100% of its R1.8-trillion in total assets. The investments made are largely long-term in pursuit of sustainable risk-adjusted returns. The GEPF seeks stable, defensive investments with the potential to not just benefit its members but also impact positively on local economic development.

The GEPF returned 2.6%, or R47 billion during the year under review, a decrease of 69.5%, or R106 billion as recorded in the previous financial year.

Local listed equities comprised 50.09%, with capital markets at 29.3%. These were across various sectors such as financial services, retail, oil and gas, mining, telecoms, industrials, technology, government, parastatals and municipalities.

Annual management costs averaged out at 0.12% of the Fund's value, amounting to R1.6 billion, which is up from the previous year. This is due in part to an increased allocation to external managers.

## DEVELOPMENTAL INVESTMENT

The GEPF plays an important role in the economy, providing pension benefits to over 1,7 million public employees, retirees, and beneficiaries, making it one of largest pension funds in the world, and certainly the largest in Africa and South Africa. Members, pensioners, and beneficiaries are impacted by economic, social and environmental challenges, in recognition of which the GEPF directed 5% of its total portfolio towards domestic development inclusive of infrastructure, transformation, sustainability, priority sectors, and small-medium enterprises (SMEs).

## RESPONSIBLE AND ESG INVESTING

Responsible investment is an integral part of the management of the Fund's assets. As a conscious owner we account for how we view the Fund's long-term environmental and social risks, with an emphasis on upholding the highest standards of quality in the Fund's management, inclusive of the greatest possible transparency of the Fund's activities.

The GEPF applies environmental, social and governance considerations through our investment, engagement, collaboration, and reporting mechanisms, and those of King IV Report on Corporate Governance.

Three particular efforts this year are highlighted: the PIC on behalf of the GEPF is pursuing action against a number of investee companies; studying the precedent set for climate change resolutions and disclosure regarding carbon-lending from the banking sector; advocating remuneration policy transparency on how compensation is calculated; and gender pay gaps at investee entities.

The Investment Committee approved the GEPF's Responsible Investment Framework, which integrates ESG policies and strategies, during the financial year. Implementation of

the Framework, which requires application of four pillars, namely collaborate, invest, engage and report, progressed with the acceptance of the SDG Compass. This guidance tool helps to achieve Sustainable Development Goals through business investments and is the result of a collaboration between the World Business Council for Sustainable Development and the Global Reporting Initiative.

## IMPROVING STAKEHOLDER ENGAGEMENT

During the year we continued to implement the refreshed GEPF Integrated Communications Strategy, which serves to inform and educate all stakeholders about the GEPF benefits and processes, and to address concerns about the Fund.

In this regard, activities included roadshows, pre- and post-retirement workshops, participation in PSCBC and Union workshops/events, information dissemination campaigns, exhibitions, stakeholder roundtable engagements, increased mobile office presence, and client liaison programmes.

As part of taking a leadership role in the sector, the GEPF's Inaugural Thought Leadership Conference, in partnership with the World Bank, was well attended in September 2018 by local and international speakers and participants. This event cements the GEPF's intention to play a leadership role in the retirement fund industry within South Africa and on the African continent.

The GEPF considers the media as an important conduit in enhancing our communications. In this respect a programme was implemented, inclusive of advertising on radio, television, print and outdoor platforms as well as media roundtables, briefings, interviews and engagements.

## OUTLOOK

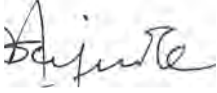
The GEPF is committed to long-term and responsible management of the Fund, which will ensure that future generations will benefit from the investments we make today. The GEPF is confident that it will continue to meet the priorities and objectives set by the new Board that was inaugurated last May. The newly appointed Trustees have attended information sessions and training programmes to ensure that they have the highest possible level of knowledge to govern the Fund in the best interests of its members.

The GEPF is closely monitoring and responding to the governance and executive management challenges at the PIC to safeguard the Fund's assets.

# PRINCIPAL EXECUTIVE OFFICER'S REPORT continued


## APPRECIATION

I express my gratitude and appreciation to the Chairperson of the GEPF Board, Dr Renosi Mokate, the new Board of Trustees and its Committees, and the management team and staff for executing their roles with diligence during the past financial year.



**Abel Sithole**  
*Principal Executive Officer*

30 September 2019



“ALWAYS STRIVING  
TOWARDS BEING A  
GOOD CORPORATE  
CITIZEN”

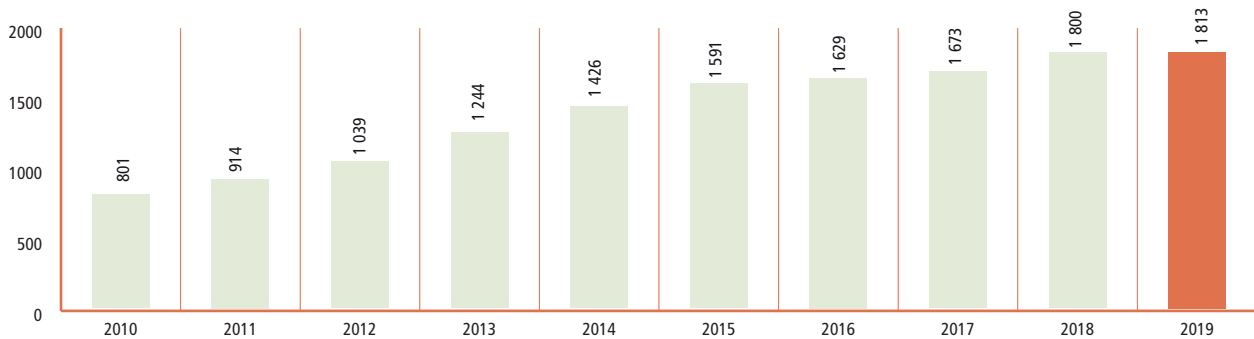
# FINANCIAL HIGHLIGHTS OF THE YEAR

## ACCUMULATED FUNDS AND RESERVES AS AT 31 MARCH 2019

The GEPF's accumulated funds and reserves amounted to R1.8 trillion on 31 March 2019. 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 with the Public Service Co-ordinating Bargaining Council (PSCBC). An amount of R9.3 billion is currently held in the reserve account.

Accumulated funds and reserves grew at an average rate of 11.2% during the 2009 – 2019 period.

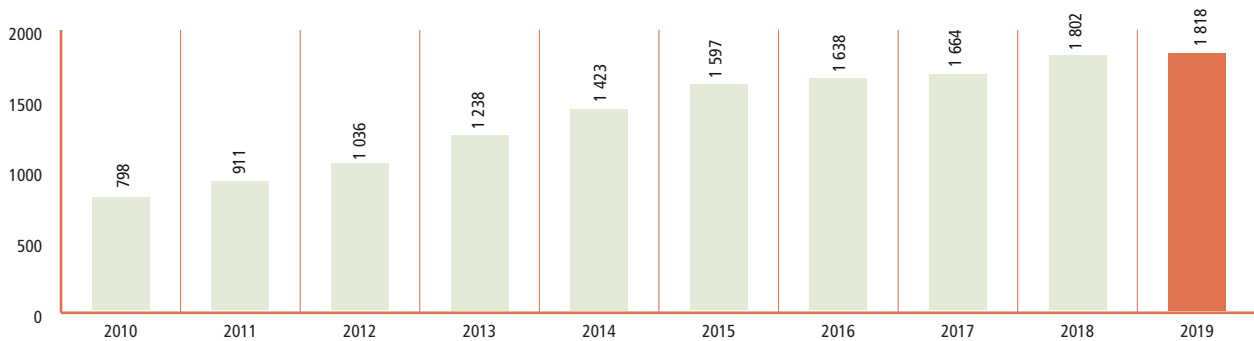
### GROWTH OF ACCUMULATED FUNDS AND RESERVES



## GROWTH IN INVESTMENT PORTFOLIO

The GEPF investment portfolio grew by R17 billion in 2019 compared to 2018.

### GROWTH IN INVESTMENT PORTFOLIO



Below is the movement of major asset classes over the reporting period. Refer to Note 3.1 of the Annual Financial Statements for a complete list of all asset classes and related movements.

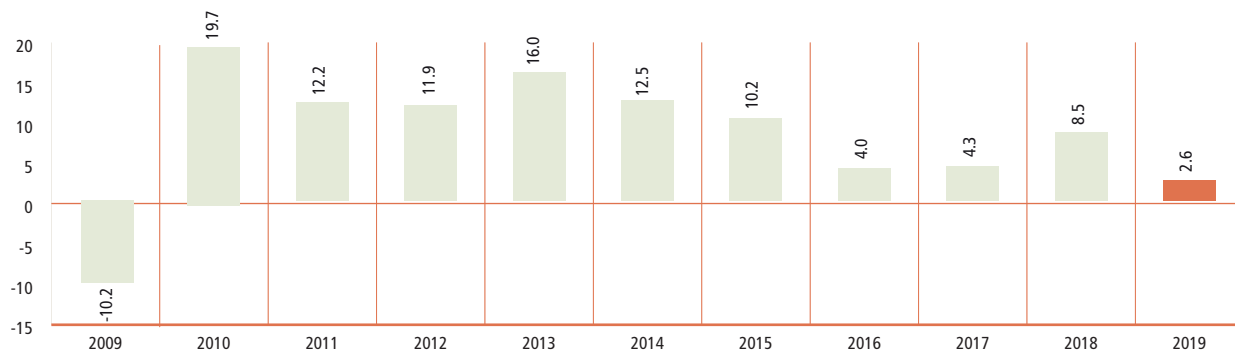
Description	2019 R'000	2018 R'000	Movement R'000	% change
Listed equities	<b>R962 998 068</b>	R970 086 402	(R 7 088 334)	(1)
Domestic bills and bonds	<b>R 551 839 805</b>	R563 088 813	(R11 249 008)	(2)
Unlisted equities (domestic)	<b>R 50 808 472</b>	R50 683 420	R125 052	–
Collective Investments Scheme (foreign)	<b>R 107 687 853</b>	R98 238 637	R9 449 216	10

- Listed equity decreased by 1% as a result of negative fair value adjustments.
- Domestic bonds decreased by 2% as a result of negative fair value adjustments.
- There was no significant increase in domestic unlisted equities.
- Foreign collective investments schemes increased by 10% as a result of positive fair value adjustments and investments to new asset managers.

## RETURN ON INVESTMENTS

During the reporting period, the GEPF investments yielded an average return of 2.6% compared to 8.5% in 2018, based on net investment income of R47 billion (2018: R153 billion).

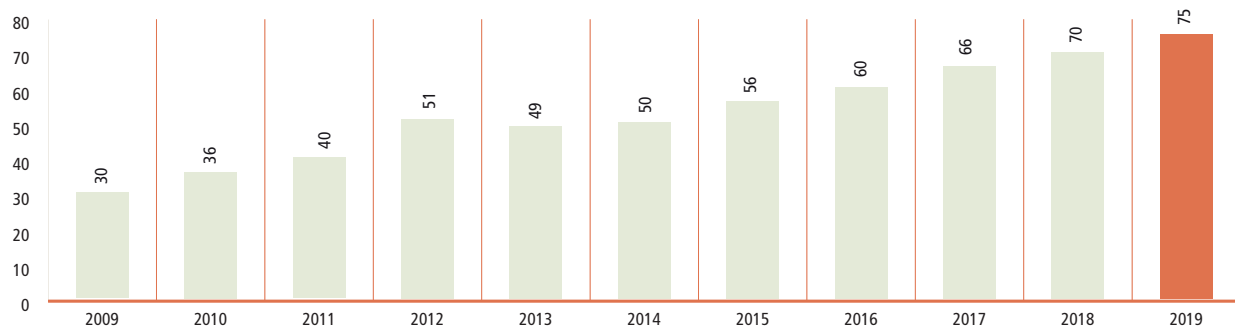
### AVERAGE RETURN PERCENTAGES



## CONTRIBUTIONS RECEIVED AND ACCRUED

The GEPF receives a percentage of members' pensionable salaries as contributions. Contributions received increased by 7.1% during the reporting period, from R70.4 billion in 2018 to R75.1 billion in 2019. This result is mainly due to members' annual salary increases.

### INCREASE IN CONTRIBUTIONS RECEIVED



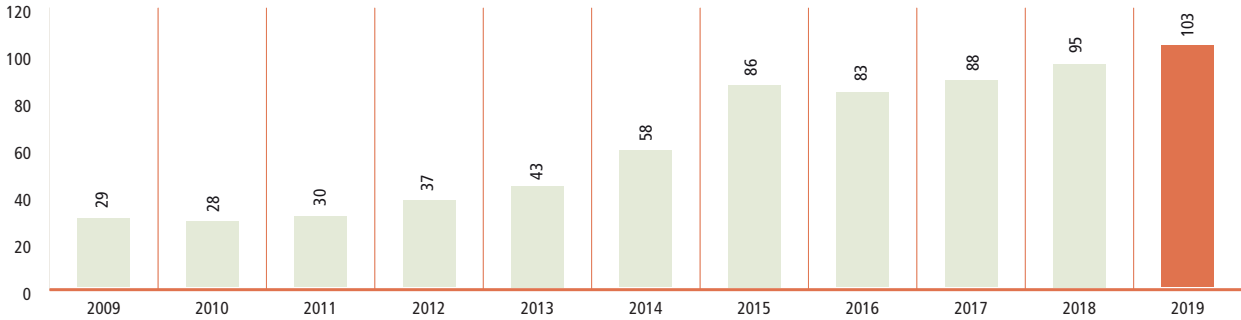
## BENEFITS PAID

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

The amount of total benefits paid during the year under review increased by R8 billion (2018: R8.3 billion) which represents an 8.4% increase, mainly due to the increase in pension payments which accounted for 45.8% of the total increase. The increase in the pension payments were driven by the 5.5% monthly increase granted to pensioners from 1 April 2018 and a 3% increase in the number of pensioners.

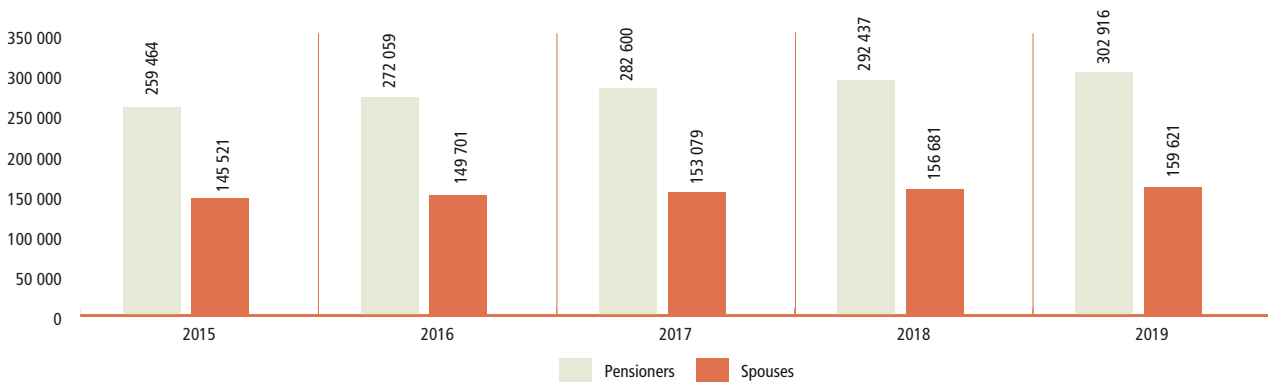
# FINANCIAL HIGHLIGHTS OF THE YEAR continued

## INCREASE IN BENEFITS PAID



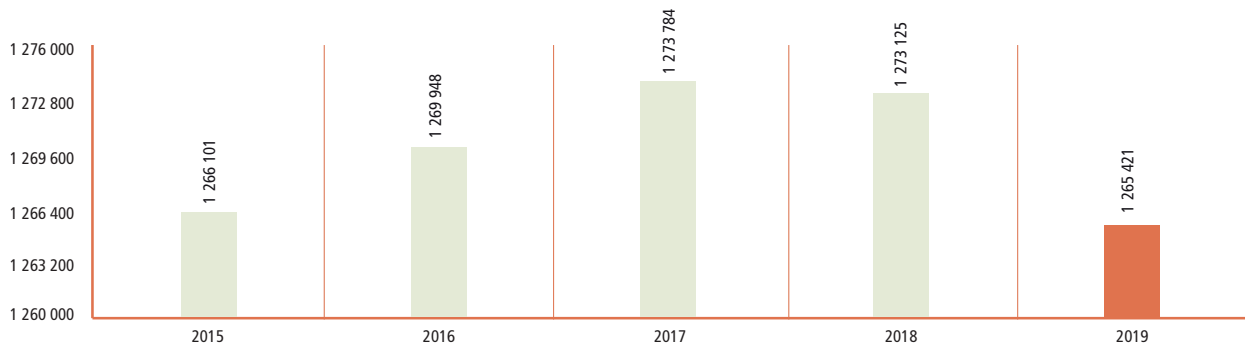
## PENSIONERS

The GEPF has experienced an increase related to the number of pensioners, as well as spouses who are receiving a monthly pension.



## ACTIVE MEMBERS

The number of active members remained stable over the past five years, with a slight decrease of 0.6%.



# OPERATING MODEL

The GEPF is a defined benefit fund that manages pensions and related benefits on behalf of government employees in South Africa. Established in 1996, it is the largest pension fund in South Africa and Africa, and one of the largest in the world. Its current benefit structure offers members:

- Withdrawal benefits;
- Retirement benefits;
- Ill-health or Disability benefits; and
- Death benefits.

The GEPF is governed by the Government Employees Pension (GEP) Law (1996). The executive authority of the GEPF is the Board of Trustees (“Board”). The duties and powers of the GEPF Board are prescribed by the GEP Law and Rules, and require that:

- proper registers, books and records of the Pension Fund are kept, inclusive of proper minutes of all resolutions passed by the Board;
- proper internal control systems are implemented by, or on behalf of, the Pension Fund;
- adequate and appropriate information is communicated to the members of the Pension Fund, informing them of

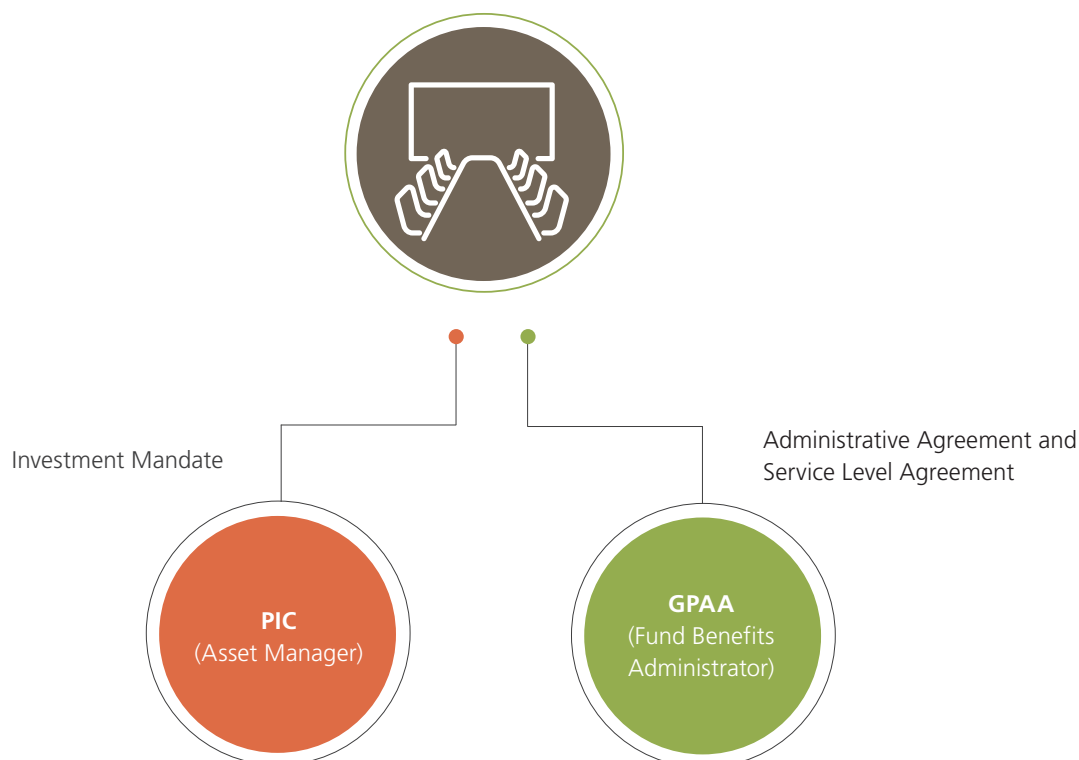
their rights, benefits, and duties in terms of the Rules of the Fund;

- all reasonable steps are taken to ensure that contributions to the Pension Fund are paid in a timely manner;
- the Board obtains expert advice on matters where it requires additional expertise;
- the rules, operation, and administration of the Pension Fund comply with the applicable laws; and
- investments are made and maintained in accordance with the Pension Fund’s investment strategy.

The GEPF has outsourced its administration and investment activities to the Government Pensions Administrative Agency (GPAA) and the Public Investment Corporation (PIC) respectively. The GPAA carries out day-to-day administration of the fund while the PIC invests funds on behalf of the GEPF.

The relationship the GEPF has with both entities is governed by various agreements, and the entities report to the Board, through its committees.

## GEPF Board of Trustees (Executive Authority)





## OPERATING MODEL continued

The GEPF Board of Trustees governs the Pension Fund and is accountable for its administrative and investment performance. According to the GEP Law, fiduciary responsibility for the Pension Fund rests with the Board, which has constituted five permanent Committees and two Sub-committees to give effect to its strategic direction, and to ensure proper oversight and monitoring of outsourced services.



### GOVERNMENT PENSIONS ADMINISTRATION AGENCY

#### OVERVIEW

The Government Pensions Administration Agency (GPAA) is a government agency, established in terms of Section 7A (4) of the Public Service Act (1994) with effect from 01 April 2010.

The role of the GPAA is to administer benefits on behalf of the GEPF and National Treasury. The relationship between the GPAA and the GEPF is managed through an administration agreement as well as a service level agreement.

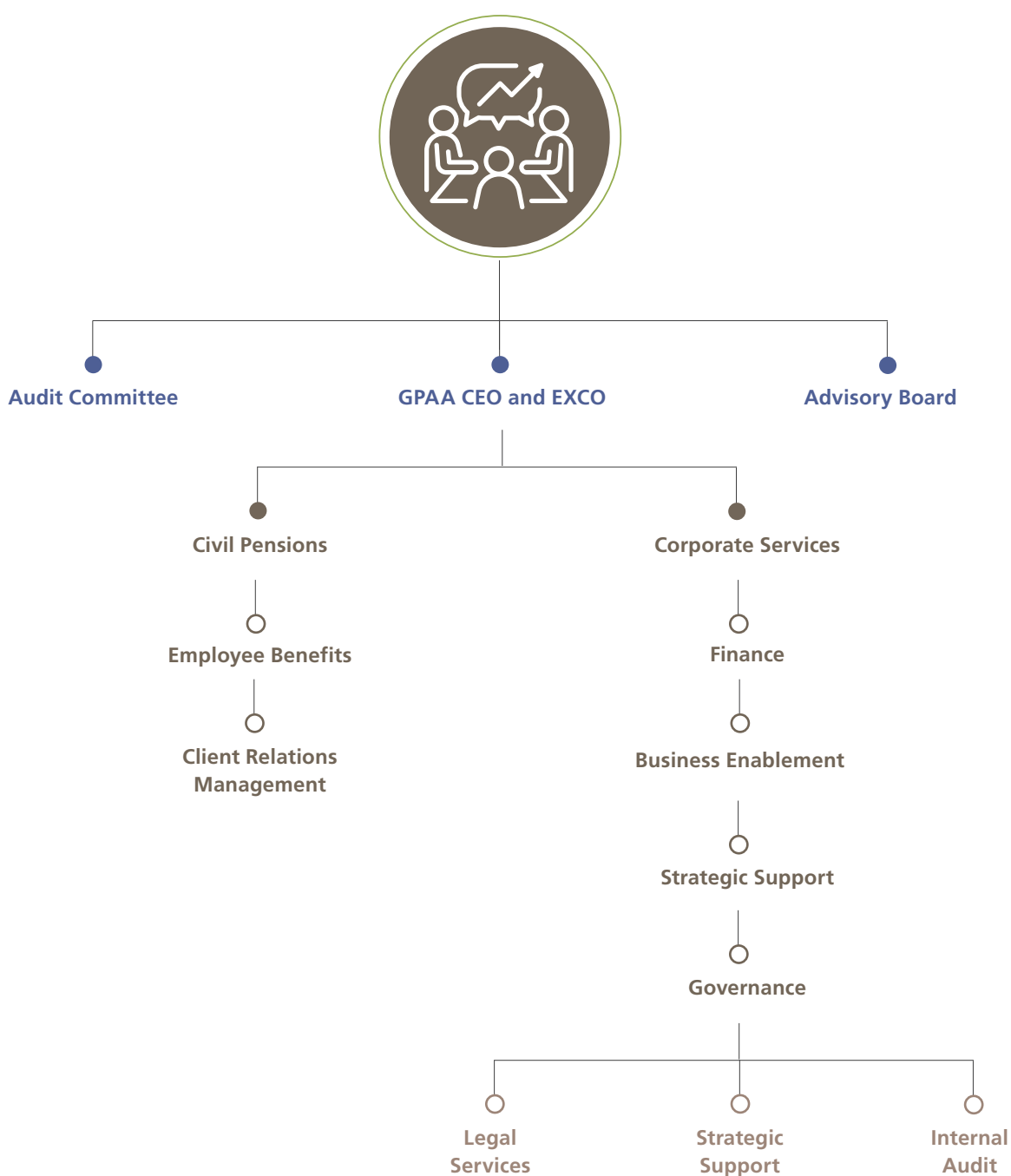
Approximately 94% of the work undertaken by the GPAA is for the GEPF, and 6% is work performed on behalf of National Treasury.

### GPAA GOVERNANCE

The GPAA is headed by a Chief Executive Officer (CEO) who is assisted by an Executive Committee (Exco). Various internal committees, including risk management and internal audit, report to the Exco.

The GPAA reports to an independent Audit Committee and is guided by an Advisory Board, appointed by the Minister of Finance, and mandated to strengthen the governance and executive oversight of the work of the GPAA. The GPAA reports to the Minister of Finance, who serves as its executive authority.

### Executive Authority Minister of Finance



## OPERATING MODEL continued

### OVERSIGHT AND MONITORING OF BENEFITS ADMINISTRATION

The GEPF has policies and processes in place to govern its administration function. The GEPF Benefits and Administration Committee oversees and monitors the performance of the GPAA's administration of benefits.

The Benefits and Administration Committee's duties include, but are not limited to:

- Researching, compiling, and recommending an appropriate service level agreement for the GPAA as per the administration agreement, setting out the functions of GPAA, and the performance and reporting standards, for approval by the Board;
- Monitoring performance of the GPAA against the standards set out in the service level agreement, recommending a service improvement plan to the Board when service standards are below the required standard, and overseeing the implementation of that plan once approved;
- Reviewing the GPAA's service level agreement annually and advising on changes thereto as appropriate;
- Working closely with the GPAA to ensure that administration of the funds meets the required and negotiated standards. This will be achieved through regular, scheduled meetings, ad hoc meetings where required, and correspondence as minuted by the Benefit and Administration Committee;
- Discussing any problems with the GPAA in meeting the required standards in advance of those potentially becoming a significant problem, focusing on prevention and acceptable solutions;
- Developing and presenting a regular administration report to the Board that reports directly on key performance areas in the administration agreement, with value adding commentary on issues and trends. The Benefit and Administration Committee must review the report in advance of meetings of the Board, undertake or request any necessary investigations, and add its own commentary where necessary;
- Reviewing annually the performance of the GPAA, discussing this with the administrator, and preparing a report for the Board; and
- Researching, compiling, and recommending a service level agreement between the administrator and the participating employers and any subsequent amendments or variations.

The GPAA submits the following reports at the committee's quarterly meetings:

- compliance to the service level agreement;
- resignations from the Pension Fund;
- unclaimed benefits; and
- ICT modernisation update.

The Exco's of the GEPF and the GPAA meet on a quarterly basis to assess GPAA performance according to the service level agreement, as well as to discuss other strategic matters.

To ensure effective and efficient operations, the Exco's also hold ad hoc meetings whenever necessary. The GPAA submits its annual operating budget to the GEPF Finance and Audit Committee, and thereafter the budget is submitted to the GEPF Board for approval. Oversight and monitoring of the GPAA's expenses, is the responsibility of the GEPF Finance and Audit Committee.

### PUBLIC INVESTMENT CORPORATION

#### OVERVIEW

The PIC is a South African state-owned entity, with the Minister of Finance as its shareholder representative. Established in 1911, the PIC is one of the largest asset managers in Africa.

The role of the PIC is to invest funds on behalf of public sector entities, including the GEPF. The investment arrangements between the GEPF and the PIC are set out in an investment mandate (the Mandate Agreement) agreed to by both parties. The mandate includes the investment policy of the GEPF, as well as its investment portfolio structure, risk parameters, benchmarks and fees, the proxy voting policy, and the derivatives policy.

The PIC manages 87% of the GEPF's investment portfolio directly, and the remainder through local and international external managers.

#### PIC GOVERNANCE

The PIC is a state-owned entity and a financial services provider registered with the Financial Sector Conduct Authority (FSCA).

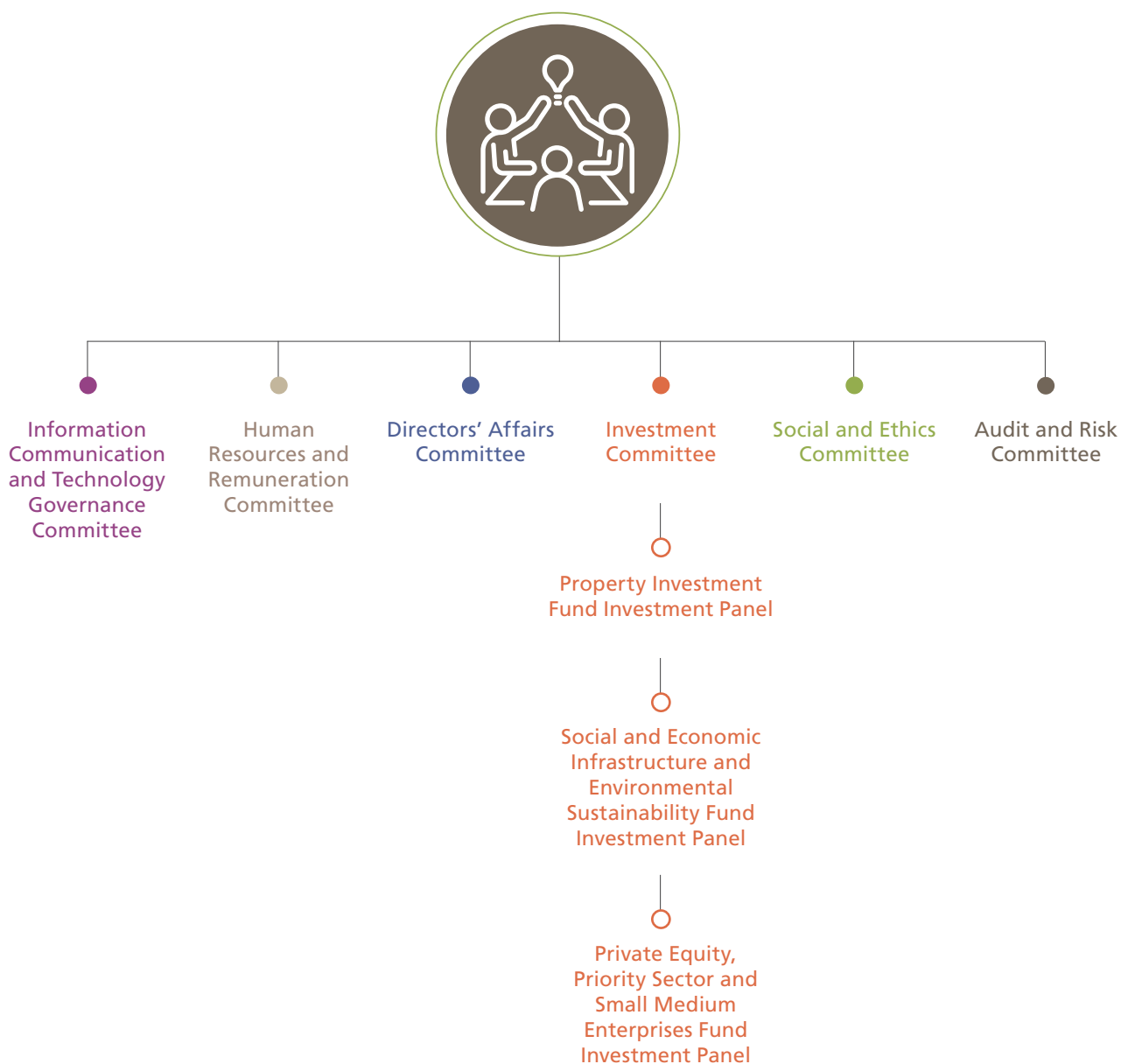
In terms of financial management and accountability, the PIC is regulated by the PIC Act, the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), the Companies Act,

2008 (Act 71 of 2008) and the Prevention of Organised Crime Act, 1998 (Act 121 of 1998), and adheres to the provisions of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FICA).

The PIC Board of Directors is responsible for setting the strategic direction of the company and is assisted by six permanent Committees:

- Audit and Risk Committee;
- Directors’ Affairs Committee;
- Investment Committee;
- Human Resources and Remuneration Committee;
- Information Communication and Technology Governance Committee; and
- Social and Ethics Committee.

### Board of Directors



## OPERATING MODEL continued

### OVERSIGHT AND MONITORING OF INVESTMENTS

The GEPF has policies and processes in place to govern its investment function, namely the Investment Committee, which monitors the Pension Fund's investments and oversees the implementation of the GEPF investment policy and strategy.

The Investment Committee considers factors such as changes in the GEPF liabilities and in the expected return on assets, the likely volatility of the value of the Pension Fund's assets, and any implications that such changes may have on the funding level, contribution requirements, or benefits of the GEPF.

The Investment Committee's duties include, but are not limited to:

- setting the Pension Fund's investment policy, with approval from the Board;
- determining the Pension Fund's strategic asset allocation to align with the Fund's future liabilities;
- monitoring and reviewing the implementation of the Pension Fund's investment strategy through its investment manager(s), primarily the PIC, to assure compliance with policy and procedure;
- monitoring investment performance – the Investment Committee ensures that an independent review and evaluation of the investment returns, and risk of the investment portfolio, is conducted at least quarterly; and
- reviewing quarterly investment reports and reporting, where appropriate, to the Board on issues that are considered important or relevant for Board deliberation.

The Valuations Sub-committee is a sub-committee of the Finance and Audit Committee and reports to the Finance and Audit Committee of the Board and the Investment Committee. The Valuations Sub-committee was established to advise the Pension Fund on the relatively complex matter of the valuation of GEPF unlisted investments managed by the PIC or directly by external managers.

Monitoring and oversight of GEPF investments is primarily undertaken at management level. The GEPF Investment Management division bridges the gap between the PIC and the GEPF Investment Committee by overseeing the implementation of the investment strategy as set out in the investment mandate. The Investment Management division also facilitates investment processes and eases the flow of information and communication between the GEPF and the PIC. Monthly meetings are augmented whenever necessary.

Quarterly meetings are also held between the Exco's of the PIC and the GEPF to oversee the execution, by the PIC, of the GEPF's Investment Management Agreement.

### EXPERT ADVISORS

The Fund also makes use of other expert advisors to assist the Board in fulfilling its fiduciary duties. All advisors are appointed through a competitive bidding process. Some of these advisors are:

- Fund Valuator;
- Internal Auditors;
- Investment Advisory; and
- Legal and Compliance.



“LEADING ETHICALLY  
AND EFFECTIVELY”

# BOARD OF TRUSTEES

The Minister of Finance inaugurated a new Board on 21 May 2018 and the following Trustees served on the Board for the period up until 31 March 2019.



**Dr Renosi Mokate (61)**  
Executive Director  
– Concentric Alliance

### GEPF positions

- Employer-nominated trustee
- Chairperson of the Board of Trustees
- Chairperson of the Investment Committee

### Qualifications

- PhD – University of Delaware
- Master of Arts – University of Delaware
- Bachelor of Arts – Lincoln University

#### Meeting attendance

Board meetings	7/8
Investment Committee	8/8
Board training and strategic planning session	2/7



**Mr Eddie Kekana (55)**  
Provincial Chairperson  
– South African Democratic Teachers' Union (SADTU) Gauteng

### GEPF positions

- Employee-nominated trustee
- Vice-Chairperson of the Board of Trustees
- Chairperson of the Social and Ethics Sub-committee
- Member of the Governance and Legal Committee
- Member of the Investment Committee

### Qualifications

- Secondary Teachers Diploma
- Advanced Certificate in Education
- Higher Certificate in Economic Development
- Certificate Programme in Human Resource Management – UNISA
- Certificate Programme in Project Management – Regenesys Business School

#### Meeting attendance

Board Meetings	8/8
Governance and Legal Committee	4/4
Investment Committee	7/8
Social and Ethics Sub-committee	4/4
Board training and strategic planning session	7/8



**Mr Sibonelo Cele (42)**  
Provincial Chairperson  
– Democratic Nursing Organisation of South Africa (DENOSA)

### GEPF positions

- Employee-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

### Qualifications

- National Diploma in Nursing – KwaZulu-Natal College of Nursing
- National Diploma in Political Studies – Workers College/UKZN
- Business Management (attended) – North West University

#### Meeting attendance

Board Meetings	8/8
Benefits and Administration Committee	3/4
Investment Committee	7/8
Board training and strategic planning session	7/8



### Colonel Johan Coetzer (54)

*Senior Staff Officer – Military Defence Counsel (SANDF)*

#### GEPF positions

- Employee-nominated trustee
- Member of the Finance and Audit Committee
- Member of the Remuneration Committee

#### Qualifications

- Bachelor of Commerce (Law) – University of Pretoria
- LLB – University of Pretoria
- LLM (Labour Law) – University of Johannesburg
- LLM (Labour Law) – University of Pretoria
- Post Graduate Diploma in Labour Law – University of Johannesburg
- Admitted Attorney of the High Court of South Africa (North Gauteng Division, Pretoria)
- Certificate in Labour Dispute Resolution Practice – Stellenbosch University
- Member of the International Pension and Employee Benefits Lawyers Association

#### Meeting attendance

Board Meetings	8/8
Finance and Audit Committee	5/5
Remuneration Committee	7/7
Board training and strategic planning session	8/8



### Mr Themba Gamedze (61)

*Non-executive director on various boards*

#### GEPF positions

- Employer-nominated trustee
- Member of Investment Committee
- Member of Benefits and Administration Committee
- Member of Valuations Sub-committee

#### Qualifications

- BA (Honours) – University of Warwick
- MSc – University of Warwick
- Fellow of the Actuarial Society of South Africa (FASSA)

#### Meeting attendance

Board Meetings	7/8
Benefits and Administration Committee	4/4
Investment Committee	7/8
Valuations Sub-committee	4/4
Board training and strategic planning session	6/8



### Ms Jennita Kandailal (49)

*Manager: Human Resources – State Security Agency*

#### GEPF positions

- Employer-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Remuneration Committee

#### Qualifications

- Master of Arts (Psychology) – University of Natal, Durban
- Higher Diploma in Education – University of Natal, Durban
- Executive Education (Pensions Management) – ICPM University of Toronto, Canada

#### Meeting attendance

Board Meetings	8/8
Benefits and Administration Committee	4/4
Remuneration Committee	7/7
Board training and strategic planning session	7/8



## BOARD OF TRUSTEES continued



**Dr Frans le Roux (72)**

*Former Deputy Director-General – Financial Management, National Treasury*

### GEPF positions

- Pensioner-elected trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

### Qualifications

- BCom – University of Pretoria
- MCom – University of Stellenbosch
- DCom – University of Stellenbosch
- Program in Investment Analysis and Portfolio Management – UNISA

#### Meeting attendance

Board Meetings	8/8
Benefits and Administration Committee	4/4
Investment Committee	8/8
Board training and strategic planning session	8/8



**Ms Kgomotso Makhupola (49)**

*National Treasurer – National Health, Education and Allied Workers' Union (NEHAWU)*

### GEPF positions

- Employee-nominated trustee
- Chairperson of the Benefits and Administration Committee
- Member of the Finance and Audit Committee

### Qualifications

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

#### Meeting attendance

Board Meetings	8/8
Benefits and Administration Committee	4/4
Finance and Audit Committee	4/5
Board training and strategic planning session	4/8



**Stadi Mngomezulu (53)**

*Deputy Director-General – National Treasury*

### GEPF positions

- Employer-nominated trustee
- Chairperson of the Finance and Audit Committee
- Member of the Investment Committee
- Standing invitee to the Valuations Sub-committee

### Qualifications

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

#### Meeting attendance

Board Meetings	6/8
Finance and Audit Committee	4/5
Investment Committee	5/8
Valuations Sub-committee (standing invitee)	1/3
Board training and strategic planning session	3/7



**Mr Thabo  
Mokwena (49)**

*Chairman –  
Leago Group*

#### **GEPF positions**

- Employer-nominated trustee
- Member of the Finance and Audit Committee
- Member of the Investment Committee

#### **Qualifications**

- Masters in Finance: Financial Strategies – Oxford University
- Masters in Economic Development – Wits University
- Honours degree – University of Durban Westville
- Bachelor of Social Science degree – University of Cape Town
- Certificate in Private Equity – Oxford University
- Certificate in Infrastructure development and Finance – Said Business School Oxford University
- Certificate in Economic Challenges for African Development – London School of Economics

#### **Meeting attendance**

Board Meetings	8/8
Finance and Audit Committee	3/5
Investment Committee	6/8
Board training and strategic planning session	5/8



**Advocate  
Makhubalo  
Ndaba (48)**

*Group general  
counsel  
Workerslife group*

#### **GEPF positions**

- Employee-nominated trustee
- Chairperson of the Governance and Legal Committee
- Member of the Investment Committee

#### **Qualifications**

- LL.M – University of Central Lancashire, United Kingdom
- LL.B – University of Transkei
- B.Juris – University of Transkei
- Diploma in Legislation Drafting – University of Johannesburg
- Advanced Research Diploma – Institute of Social Studies, Netherlands
- Executive Education (Governance) – Gordon's Institute of Business Studies (GIBS)
- Executive Education (Governance) – Institute of Directors of Southern Africa (IoDSA)
- Executive Education (Pensions Management) – ICPM University of Toronto, Canada

#### **Meeting attendance**

Board Meetings	8/8
Governance and Legal Committee	4/4
Investment Committee	8/8
Board training and strategic planning session	7/8

## BOARD OF TRUSTEES continued



**Lieutenant General Lineo Ntshiea (46)**

*Deputy Director-General (DDG): Personnel Management – South African Police Service*

**GEPF positions**

- Employer-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

**Qualifications**

- Secondary Education Diploma – Vista University
- Baccalaureus of Artium – Vista University
- Postgraduate Diploma: Public Administration – University of the Free State
- Executive Development & Leadership – Potchefstroom University
- Strategic Management – UNISA
- Leadership Development – WITS Graduate School of Business Administration
- Law Enforcement Executive Development: FBI Academy – Quantico, Washington, DC

**Meeting attendance**

Board Meetings	8/8
Benefits and Administration Committee	4/4
Investment Committee	8/8
Board training and strategic planning session	7/8



**Dr Morgan Pillay (57)**

*Chief Director: Human Resource Management and Development, Labour Relations and IT – Department of Basic Education*

**GEPF positions**

- Employer-nominated trustee
- Member of the Governance and Legal Committee
- Member of the Benefits and Administration Committee

**Qualifications**

- BPaed Degree – University of Durban Westville
- BA Hons Degree – University of Durban Westville
- BEd Degree – University of South Africa
- MEd Degree – Rand Afrikaans University
- Phd – University of Johannesburg

**Meeting attendance**

Board Meetings	8/8
Benefits and Administration Committee	1/4
Governance and Legal Committee	4/4
Board training and strategic planning session	3/7



**Major General  
Mulungisa  
Sitshongaye  
(52)**

*Chief Director:  
Human Resource  
Strategic Direction  
and Policy –  
Department of  
Defence*

**GEPF positions**

- Employer-nominated trustee
- Member of the Governance and Legal Committee
- Member of the Benefits and Administration Committee

**Qualifications**

- Bachelor of Social Science – University of Cape Town
- Master's in International Studies – King's College, University of London

**Meeting attendance**

Board Meetings	7/8
Benefits and Administration Committee	3/4
Governance and Legal Committee	4/4
Board training and strategic planning session	7/8



**Mr Pierre  
Snyman (46)**

*Chairperson – Public  
Servants Association  
of South Africa (PSA)*

*Member of the  
Public Service  
Committee –  
FEDUSA*

**GEPF positions**

- Employee-nominated trustee
- Member of the Governance and Legal Committee
- Member of the Investment Committee

**Qualifications**

- Advance Labour Law Programme – UNISA

**Meeting attendance**

Board Meetings	7/8
Governance and Legal Committee	4/4
Investment Committee	8/8
Board training and strategic planning session	7/7



**Mr Alan  
Thompson  
(44)**

*President of the  
National Teachers  
Union (NATU)*

**GEPF positions**

- Employee-nominated trustee
- Member of the Benefits and Administration Committee
- Member of the Finance and Audit Committee

**Qualifications**

- Bachelor of Science – University of the North
- Bachelor Science Honours Degree – University of the North
- Post Graduate Certificate in Education – University of the North

**Meeting attendance**

Board Meetings	2/8
Benefits and Administration Committee	2/3
Finance and Audit Committee	3/4
Board training and strategic planning session	3/7

## BOARD OF TRUSTEES continued

### THE 16 SUBSTITUTE TRUSTEES OF THE FUND ARE:



**Ms Lindy Bodewig (41)**

*Chief Director in the Office of the Accountant General (South African National Treasury)*

#### GEPF positions

- Employer-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Governance and Legal Committee
- Member of the Valuations Sub-committee

#### Qualifications

- Chartered Accountant (SA) – University of Pretoria
- BCom Accounting Hons and CTA – University of Pretoria
- BCom Accounting Sciences – University of Pretoria

#### Meeting attendance

Board Meetings	2/2
Finance and Audit Committee	0/5
Governance and Legal Committee	2/4
Valuations Sub-committee	3/4
Board training and strategic planning session	5/8



**Mr Terrence Chauke (52)**

*Mathaveiya Skills Enhancement – Chief Executive Officer*

#### GEPF positions

- Employer-nominated substitute trustee
- Member of Finance and Audit Committee
- Member of Investment Committee
- Member of Valuations Sub-committee
- Member of Social and Ethics Sub-committee

#### Qualifications

- Chartered Director – Institute of Directors South Africa
- MBA - Graduate School of Business, UCT
- Post Graduate Diploma in Management – Wits Business School
- Bachelor of Administration – University of the North (Now University of Limpopo)

#### Meeting attendance

Board Meetings	1/1
Finance and Audit Committee	5/5
Investment Committee	8/8
Social and Ethics Sub-committee	4/4
Valuations Sub-committee	3/3
Board training and strategic planning session	7/8



**Major Gen  
Dries De Wit  
(63)**

*Retired Major  
General – South  
African National  
Defence Force  
(SANDF)*

**GEPF positions**

- Pensioner-elected substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

**Qualifications**

- National Diploma in Human Resource Management
- Advanced Diploma in Negotiation Skills
- Board Effectiveness Programme – The World Bank

**Meeting attendance**

Board Meetings	1/1
Benefits and Administration Committee	4/4
Investment Committee	8/8
Board training and strategic planning session	8/8



**Dr Vuyo  
Dyantyi (53)**

*Vice President:  
Public Servants  
Association of  
South Africa (PSA)*

**GEPF positions**

- Employee-nominee substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Governance and Legal Committee
- Member of Social and Ethics Sub-committee

**Qualifications**

- Primary Teachers Diploma – Vista University
- BA, BEd, MEd, Doctoral Technologiae – Vista University

**Meeting attendance**

Board Meetings	1/1
Benefits and Administration Committee	4/4
Governance and Legal Committee	4/4
Social and Ethics Sub-committee	4/4
Board training and strategic planning session	8/8



**Mr Kenny  
Govender (59)**

*Deputy Director-  
General: Special  
Projects –  
Department of  
Water and  
Sanitation*

**GEPF positions**

- Employer-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Governance and Legal Committee

**Qualifications**

- Senior Primary Education Diploma – Springfield College of Education
- Higher Diploma in Education – Mathematics – Springfield College of Education
- Further Diploma in Education – Computers – Rand Afrikaans University

**Meeting attendance**

Benefits and Administration Committee	0/4
Governance and Legal Committee	1/4
Board training and strategic planning session	1/8

## BOARD OF TRUSTEES continued



**Brigadier Johan Griesel (50)**

*Section Head: Compensation Management, South African Police Services (SAPS)*

**GEPF positions**

- Employer-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Investment Committee

**Qualifications**

- National Diploma – Technicon RSA
- Certified Fraud Examiner (CFE)

**Meeting attendance**

Board Meetings	1/1
Finance and Audit Committee	3/5
Investment Committee	7/8
Board training and strategic planning session	5/7



**Mr Sidney Kgara (49)**

*Head of Policy Development Unit: National Education, Health and Allied Workers' Union (NEHAWU)*

**GEPF positions**

- Employee-nominated substitute trustee
- Member of the Governance and Legal Committee
- Member of the Investment Committee

**Qualifications**

- Bachelor of Social Science
- Masters in Town and Regional Planning

**Meeting attendance**

Board Meetings	1/1
Benefits and Administration Committee	4/4
Governance and Legal Committee	4/4
Board training and strategic planning session	8/8



**Ms Thandi Khoza (57)**

*Director: Human Resource Development and Social Responsibility – Department of Basic Education*

**GEPF positions**

- Employer-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Governance and Legal Committee

**Qualifications**

- Degree in Social Work – University of the North
- Honours in Social Science – UNISA
- Advanced Diploma in Social Work – University of North West
- Masters Degree in Public Administration – University of Pretoria

**Meeting attendance**

Board of Trustees Meetings	1/1
Benefits and Administration Committee	4/4
Governance and Legal Committee	4/4
Board training and strategic planning session	8/8



### Mr Mugwena Maluleke (56)

*General Secretary:  
South African  
Democratic  
Teachers' Union  
(SADTU)*

#### GEPF positions

- Employee-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Investment Committee

#### Qualifications

- Bachelor of Arts (BA) - UNISA
- Primary Teachers Diploma (PTD)
- Masters in Labour Law (LLM) – Nelson Mandela Metropolitan University
- Master of Business Administration (MBA)
- Diploma in Negotiations
- Certificate in Project Management Programme – Regenesys
- Certificate in Personal Finance Management – UNISA

#### Meeting attendance

Benefits and Administration Committee	1/4
Investment Committee	4/8
Board training and strategic planning session	4/7



### Corporal Thobile Maqhubela (52)

*Corporal in  
Uniformed Services  
(Tels Operator –  
Western Cape  
Signal Unit)*

#### GEPF positions

- Employee-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Finance and Audit Committee

#### Qualifications

- Diploma in Personnel and Training Management
- Certificate in Customer Service Management
- Certificate in OHS Management

#### Meeting attendance

Board of Trustees Meetings	1/1
Benefits and Administration Committee	4/4
Finance and Audit Committee	5/5
Board training and strategic planning session	8/8



### Mr Success Mataitsane (64)

*General Secretary:  
National Union of  
Public Service &  
Allied Workers*

#### GEPF positions

- Employee-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Governance and Legal Committee
- Member of the Social and Ethics Sub-committee

#### Qualifications

- National Diploma in Analytical Chemistry

#### Meeting attendance

Board Meetings	2/2
Finance and Audit Committee	5/5
Governance and Legal Committee	4/4
Social and Ethics Sub-committee	4/4
Board training and strategic planning session	5/8



## BOARD OF TRUSTEES continued



**Rear Admiral  
(Junior Grade)  
Gladys  
Mbulaheni (46)**

*Director: Human Resources Maintenance South African National Defence Force and Intelligence Community – SANDF*

### GEPF positions

- Employer-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Finance and Audit Committee

### Qualifications

- Bachelor of Art in Government Administration and Development (UNISA)
- Senior Management Programme Certificate (TUT)
- Postgraduate Diploma in Management in the field of security (WITS)

#### Meeting attendance

Board Meetings	1/1
Benefits and Administration Committee	3/4
Finance and Audit Committee	5/5
Board training and strategic planning session	8/8



**Advocate  
Sibuso  
Mtsweni (44)**

*Head of Legal Department: Police and Prisons Civil Rights Union*

### GEPF positions

- Employee-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of Governance and Legal Committee

### Qualifications

- Bachelor of Laws (LLB) Degree – University of Zululand

#### Meeting attendance

Board Meetings	1/1
Benefits and Administration Committee	2/4
Governance and Legal Committee	3/4
Board training and strategic planning session	8/8



**Ms Suveena  
Pillay (38)**

*Acting Manager: Financial Accounting – State Security Agency (SSA)*

### GEPF positions

- Employer-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Governance and Legal Committee

### Qualifications

- Bachelor of Commerce Degree – University of KwaZulu-Natal
- Bachelor of Commerce Honours (Accounting) – University of KwaZulu-Natal
- Bachelor of Commerce Honours (Accounting) with CTA – University of KwaZulu-Natal
- CA(SA)

#### Meeting attendance

Finance and Audit Committee	5/5
Governance and Legal Committee	4/4
Board training and strategic planning session	8/8



**Mr Khaya  
Sodidi (45)**

*National Chief  
Negotiator in Public  
Sector, Democratic  
Nursing  
Organisation of  
South Africa  
(DENOSA)*

**GEPF positions**

- Employee-nominated substitute trustee
- Member of the Finance and Audit Committee
- Member of the Governance and Legal Committee

**Qualifications**

- Diploma in Nursing Science – Eastern Cape College of Nursing
- Diploma in Education – University of Cape Town
- Advanced Labour Law - UNISA
- BA in Policy Studies – UNISA

**Meeting attendance**

Board Meetings	1/1
Finance and Audit Committee	5/5
Governance and Legal Committee	4/4
Board training and strategic planning session	8/8



**Advocate  
Nonku  
Tshombe (63)**

*Head: General  
Counsel (Legal  
Services) – Financial  
Sector Conduct  
Authority*

**GEPF positions**

- Employer-nominated substitute trustee
- Member of the Benefits and Administration Committee
- Member of the Governance and Legal Committee

**Qualifications**

- BA Law (LLB) – University of Witwatersrand
- Higher Diploma in Tax Law – UNISA
- Certificate in Pension Law

**Meeting attendance**

Board Meetings	2/2
Benefits and Administration Committee	4/4
Governance and Legal Committee	4/4
Board training and strategic planning session	7/8

# FUND GOVERNANCE

## THE GEPF BOARD

The Board is established in terms of the GEP Law and Rules and appointed for a four-year period. The Minister of Finance inaugurated the current Board on 21 May 2018. 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 its 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.

The Rules prescribe that the Board is responsible for the proper and efficient management of the Fund and consists of:

- eight employer nominees; and
- eight employee nominees, which includes a pensioner member and representative of the South African National Defence Force (SANDF) and Intelligence, elected through postal ballot.

The Board, supported by the Principal Executive Officer (PEO) and the executive management team, meets annually

to discuss and agree on the Fund's long-term strategies. Although the Board Charter prescribes that the Board should meet quarterly, during the financial period under review the Board held eight meetings to deal with normal and special business interests of the Fund.

The Board has constituted five permanent committees and two sub-committees to effect its strategic direction. Both trustees and substitute trustees serve on these committees. All the committees have formal terms of reference that clearly detail the mandate and duties of each committee.

The committees are as follows:

- Benefits and Administration Committee;
- Finance and Audit Committee
  - Valuations Sub-committee;
- Governance and Legal Committee
  - Social and Ethics Sub-committee;
- Investment Committee; and
- Remuneration Committee.

## BOARD COMPOSITION

Trustees are appointed in accordance with Section 6 of the GEP Law and Rules.

### 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	Mr Thabo Mokwena	Department of Public Service and Administration	Mr Kenny Govender
Department of Defence	Major General Mulungisa Sitshongaye	Department of Defence	Rear Admiral (Junior Grade) Gladys Mbulaheni
State Security Agency	Ms Jennita Kandailal	State Security Agency	Ms Suveena Pillay
South African Police Services	Lieutenant General Lineo Ntshiea	South African Police Services	Brigadier Johan Griesel
Department of Basic Education	Dr Morgan Pillay	Department of Basic Education	Ms Thandi Khoza
Specialist Trustee	Mr Themba Gamedze	Specialist Trustee	Advocate Nonku Tshombe
Specialist Trustee	Dr Renosi Mokate	Specialist Trustee	Mr Terrence Chauke

## 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 Sidney Kgara
South African Democratic Teachers' Union (SADTU)	Mr Eddie Kekana	South African Democratic Teachers' Union (SADTU)	Mr Mugwena Maluleke
National Teachers Union (NATU)	Mr Alan Thompson	National Union of Public Service and Allied Workers (NUPSAW)	Mr Success Mataitsane
South African National Defence Force and Intelligence Community	Colonel Johan Coetzer	South African National Defence Force and Intelligence Community	Corporal Thobile Maqhubela
Public Servants Association (PSA)	Mr Pierré Snyman	Public Servants Association (PSA)	Dr Vuyo Dyantyi
Democratic Nursing Organisation of South Africa (DENOSA)	Mr Sibonelo Cele	Democratic Nursing Organisation of South Africa (DENOSA)	Mr Khaya Sodidi
Police and Prisons Civil Rights Union (POPCRU)	Advocate Makhubalo Ndaba	Police and Prisons Civil Rights Union (POPCRU)	Advocate Sibusiso Mtshweni
Pensioner	Dr Frans le Roux	Pensioner	Major General Dries de Wit

## INDEPENDENCE OF TRUSTEES

The GEPF Trustees are considered non-executive directors as they are without executive responsibilities and are accordingly not involved in the day-to-day business operations. The Board contributes collectively in respect of their combined judgement, experience, and independence for the benefit of the Fund. Robust Board discussions ensure an appropriate balance of power, and encourages different views and independence of mind at meetings.

## 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 the necessary skills, knowledge, and experience to effectively manage and govern the Fund. The profiles of the 16 Trustees are reflected on pages 20 to 25.

## THE BOARD CHARTER

The Board's role is to ensure that it directs its efforts collectively towards the Fund's affairs to ensure its

prosperity, but also in meeting the expectations of the shareholders and relevant stakeholders. The Board has an established formal Board Charter to assist it to meet such requirements, inclusive of determining the roles and responsibilities of the Board as a collective, for the committees, and serving individuals. The Board Charter specifies its general governance of the Fund and ensures compliance to policies and procedures.

## 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 Sector Conduct Authority), and King IV. The Governance Charter is reviewed annually to ensure that it is compliant with local and international corporate governance best practices.

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.

## FUND GOVERNANCE continued

### TRUSTEE EDUCATION AND TRAINING POLICY

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

The Board was inaugurated on 21 May 2018 and duly attended induction training shortly after its inauguration. A number of additional information sessions were held with the Board to ensure that newly-appointed members were acquainted with the GEPF, the GEP Law and Rules, and their processes and procedures.

Other training interventions ensured that Trustees and Substitute Trustees were fully inducted, and had a thorough understanding of the GEPF's operating environment.

Critical training sessions held included:

- Actuarial matters;
- Investment principles;
- Housing solutions for members;
- Responsible investments; and
- Financial management.

Trustees attended other sessions inclusive of local and international conferences in respect of ongoing training and development. All the Trustees and Substitute Trustees are members of the Institute of Directors of Southern Africa (IoDSA).

### TRUSTEE REMUNERATION POLICY

According to the GEP Law, Trustees are compensated for their services and expenses as determined by the Board. Trustees receive payment for meetings attended as well as an annual retainer fee. The Trustee Remuneration Policy clearly details the principles upon which trustee remuneration is determined. The details of remuneration paid can be found in the annual financial statements on page 110. The GEPF's trustee remuneration levels are aligned to the remuneration levels of Trustees/directors at similar organisations.

### BOARD PERFORMANCE ASSESSMENT

A formal performance assessment for the Board and its committees during the 2018 financial year was not undertaken, given the Board was only inaugurated on 21 May 2018. The Board will undergo this formal assessment during the 2019/2020 financial period.

### ETHICS AND THE MANAGEMENT OF THE GEPF'S ETHICAL RISKS

The Board views its ethical duty towards the Fund, broader stakeholders, the society and the environment, in a very serious light. The Board endeavours to ensure that the Fund is seen as, and is, a responsible corporate citizen. The Board has a formal Code of Conduct and Ethics that espouses the following ethical principles:

#### RESPONSIBILITY

- Trustees must assume responsibility for the assets and actions of the Fund, and be willing to implement corrective actions to keep the Fund on an ethical and sustainable strategic path.

#### ACCOUNTABILITY

- Trustees must assume accountability collectively and individually, and be able to justify their decisions and actions to pensioners, GEPF members, regulatory authorities, and the guarantor of the Fund. Trustees may be held personally and/or collectively liable for any breach of governance that results in any loss to the Fund and its members, pensioners, and beneficiaries.
- In striving towards fairness, Trustees must identify the Fund's ethics risks through engagement with internal and external stakeholders given that stakeholders are able to identify such risks and opportunities. Subsequently, risk strategies will be implemented to ensure that ethical risks are within acceptable limits.

#### FAIRNESS

- When making decisions, Trustees must ensure they give fair consideration to legitimate interests and expectations, in the best interest of the Fund.

#### TRANSPARENCY

- Trustees must ensure that they disclose information in a manner that enables stakeholders to make an informed analysis of the Fund's performance and sustainability.
- Trustees must communicate any aspects of the Fund that are relevant to the Fund's members, and which can assist in establishing credibility and trustworthiness of the Fund in terms of its governance and administration, its investment performance, and the delivery of its benefits.

#### CONSCIENCE

- Trustees must act with intellectual honesty and integrity, and show independence of mind in the best interest of the Fund and its stakeholders. Trustees are independent of their principal organisations and must always

conduct themselves in the best interests of the Fund, its pensioners, and members.

### INCLUSIVITY OF STAKEHOLDERS

- Trustees must strive towards stakeholder inclusion, which is essential for sustainability. The legitimate interests and expectations of stakeholders must also be considered in decision-making and when determining strategy.

### COMPETENCE

- Trustees must have the relevant knowledge, competencies, and skills required for governing a fund effectively.
- Trustees must maintain the relevant capacity to deal diligently and thoroughly in effecting their duties and responsibilities to the Fund.
- Trustees must utilise the results of the annual appraisal assessment to identify lack of skills or competency, and ensure that they receive rigorous and robust training in order to equip themselves to effectively carry out their duties and responsibilities.

### COMMITMENT

- Trustees must be diligent in performing their duties and devote the necessary time to Fund affairs. Fund performance and compliance requires unwavering dedication and appropriate effort.

### COURAGE

- Trustees must have the courage to take appropriate risks associated with directing and controlling a successful, sustainable enterprise, as well as acting with integrity in all Board decisions and activities.

The Board established a Social and Ethics Sub-committee despite the GEPF not being required to do so in terms of the law. This reflects the Board's commitment to positioning the GEPF as an ethical leader and good corporate citizen.

An Ethics Officer is responsible for the implementation of an ethics programme within the GEPF. Quarterly reports are submitted to the Social and Ethics Sub-committee and a formal report, in respect of ethics matters, is tabled to the Governance and Legal Committee and the Board.

The Board, after its inauguration on 21 May 2018, constituted a Social and Ethics Sub-committee consisting of one member from each of its statutory committees. This ensures that due consideration is given to all aspects of the social and ethics environment internally and externally. During the period under review, the Sub-committee focused on understanding its role and how it should deliver its mandate. Regular reporting relating to social and ethics

matters assisted the Sub-committee in its monitoring and oversight role.

## BOARD COMMITTEES

### INVESTMENT COMMITTEE

The Board established the Investment Committee to consider and review all aspects of the Fund's investment activities and to advise and make recommendations to the Board relating to the management of Fund assets and any recommended changes thereto, Investment Policies, strategy procedures, and other similar issues.

#### Composition of Committee

The Committee comprises a mix of full Trustees and Substitute Trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 20 to 31.

The Committee members are:

Dr Renosi Mokate (Chairperson)

Mr Sibonelo Cele

Mr Terrence Chauke

Maj Gen Dries de Wit

Mr Themba Gamedze

Brig Johan Griesel

Mr Eddie Kekana

Mr Sidney Kgara

Dr Frans Le Roux

Mr Mugwena Maluleke

Mr Stadi Mngomezulu

Mr Thabo Mokwena

Adv Makhubalo Ndaba

Lt Gen Lineo Ntshiea

Mr Pierre Snyman

The PIC has a standing invitation to present its quarterly investment report to the Investment Committee.

#### Committee highlights

During the financial year the Committee focussed on enhancing the investment performance and mandate reporting requirements from the PIC including oversight over the investment performance and mandate compliance of the PIC and other external asset managers. As part of enhancing oversight of investments made, the Board approved that all Structured Investment Products (SIP's) above R2 billion be submitted to the GEPF Board for approval based on the recommendation of the Committee.

The Investment Committee is satisfied that during the period under review it has fulfilled its responsibilities in respect of its terms of reference.

## FUND GOVERNANCE continued

### FINANCE AND AUDIT COMMITTEE

The Board established the Finance and Audit Committee to keep under review all aspects of the Fund's audit, financial, and risk activities; and advised and made recommendations to the Board regarding these issues.

#### Composition of Committee

The Committee comprises a mix of full Trustees and Substitute Trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 20 to 31.

Mr Stadi Mngomezulu (Chairperson)  
 Mr Terrence Chauke  
 Col Johan Coetzer  
 Brig Johan Griesel  
 Kgomotso Makhupola  
 Corp Thobile Maqhubela  
 Ms Success Mataitsane  
 Rear Adm (JG) Gladys Mbulaheni  
 Mr Thabo Mokwena  
 Mr Richard Morris  
 Ms Suveena Pillay  
 Mr John Raphela  
 Mr Khaya Sodidi  
 Mr Alan Thompson

The CEO and related personnel of the GPAA, and the administration arm of the GEPP attend the Finance and Audit Committee as invitees. The GPAA reports to the Committee on matters in respect of a Service Level Agreement (SLA), such as the expenditure against their budget, fraud prevention, and other issues relative to the Fund.

#### Committee highlights

The Committee reviewed the GEPP's Business Plan and Budget for the 2019/20 financial year and submitted it to the Board for approval. The GPAA's Budget for the 2019/20 reporting period was also reviewed and approved by the Board.

Oversight over the Internal Audit function was provided by the review and subsequent submission of the Internal Audit Manual and Charter to the Board. The Internal Audit Coverage Plan was approved and the Internal Audit Unit submitted internal audit reports to the Committee according to the Coverage Plan.

ICT governance was enhanced by developing and recommending an ICT governance framework to the Board for approval.

The Committee facilitated the approval of the Annual Report and Annual Financial Statements for the 2017/18 financial year and the External Audit Planning Memorandum for the 2018/19 financial year.

Oversight over risk management within the Fund was provided by reviewing the risk management reports that were submitted to the Committee.

The Finance and Audit Committee is satisfied that during the period under review, it fulfilled its responsibilities in respect of its terms of reference.

### BENEFITS AND ADMINISTRATION COMMITTEE

The Board established the Benefits and Administration Committee and mandated it to keep under review all aspects of the Fund's administration activities, to advise and make recommendations to the Board related the Fund's benefits, to administer the Fund's affairs inclusive of issues related to the benefit or administration policies, strategy, procedures, and management, and any recommended changes thereof.

#### Composition of Committee

The Committee comprises a mix of full Trustees as well as Substitute Trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 20 to 31.

Ms Kgomotso Makhupola (Chairperson)  
 Mr Sibonelo Cele  
 Maj Gen Dries de Wit  
 Dr Vuyo Dyantyi  
 Mr Themba Gamedze  
 Mr Kenny Govender  
 Ms Jennita Kandailal  
 Ms Thandi Khoza  
 Dr Frans le Roux  
 Mr Mugwena Maluleke  
 Corp Thobile Maqhubela  
 Rear Adm (JG) Gladys Mbulaheni  
 Adv Sibusiso Mtsweni  
 Lt Gen Lineo Ntshiea  
 Maj Gen Mulungisa Sitshongaye  
 Mr Alan Thompson  
 Adv Nonku Tshombe  
 Dr Morgan Pillay

#### Committee highlights

The Fund Valuator finalised the 2018 Statutory Valuation and the Committee reviewed it and submitted it to the Board together with the revised Actuarial Factors for approval. The Service Level Agreement with the GPAA was enhanced and subsequently approved by the Board.

Various Law and Rule changes were initiated by the Committee and approved by the Board, which includes:

- Additional Voluntary Scheme;
- Preservation Fund; and
- Home loan guarantees.

Annual pension increases were reviewed and submitted to the Board for approval.

The Benefits and Administration Committee is satisfied that during the period under review it fulfilled its responsibilities in respect of its terms of reference.

### GOVERNANCE AND LEGAL COMMITTEE

The Board established a Governance and Legal Committee mandated to review all aspects of the Fund's governance, legal and compliance activities, and to advise and make recommendations to the Board accordingly.

#### Composition of the Committee

The Committee comprises a mix of full Trustees and Substitute Trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 20 to 31.

Adv Makhubalo Ndaba (Chairperson)  
 Ms Lindy Bodewig  
 Dr Vuyo Dyantyi  
 Mr Kenny Govender  
 Mr Eddie Kekana  
 Mr Sidney Kgara  
 Ms Caroline Khoza  
 Mr Success Mataitsane  
 Adv Sibusiso Mtsweni  
 Dr Morgan Pillay  
 Ms Suveena Pillay  
 Mr Khaya Sodidi  
 Maj Gen Mulungisa Sitshongaye  
 Mr Pierre Snyman  
 Adv Nonku Tshombe

#### Committee highlights

The Committee reviewed all the policies in the governance charter to ensure that it is aligned to the latest governance principles. This Committee further focussed on oversight and monitoring of the compliance universe within the GEPP and the GPAA.

The Governance and Legal Committee is satisfied that during the period under review it fulfilled its responsibilities in respect of its terms of reference.

### REMUNERATION COMMITTEE

The Board established a Remuneration Committee (Remco) to keep under review all remuneration and human resources policies and practices of the Fund.

#### Composition of Committee

The Committee comprises a mix of Trustees and independent specialists who make recommendations to the Board.

Ms Jenny Jeftha (Chairperson)  
 Col Johan Coetzer  
 Ms Jennita Kandailal  
 Ms Mantuka Maisela  
 Dr Lese Matlhape

#### Committee highlights

The Committee reviewed the Critical Talent Segmentation and facilitated the approval of Long Term Incentive Rules. It recommended Trustee and Employee Remuneration increases for the 2019/20 financial year to the Board for approval.

The Remuneration Committee is satisfied that during the period under review it fulfilled its responsibilities in respect of its terms of reference.

### VALUATIONS SUB-COMMITTEE

The Board established the Valuations Sub-committee to advise the Finance and Audit Committee on the relatively complex matter of the valuation of the unlisted investments of the Fund.

#### Composition of Sub-committee

The Committee comprises a mix of Trustees, Substitute Trustees as well as independent specialists who make recommendations to the Board.

Mr Richard Morris (Chairperson)  
 Mr Themba Gamedze  
 Ms Lindy Bodewig  
 Mr Terrence Chauke

#### Committee Highlights

The Committee facilitated the approval of the adjustments to fair value and the impairments and reversals of unlisted investments.

The Valuations Sub-committee is satisfied that during the period under review it fulfilled its responsibilities in respect of its terms of reference.



## FUND GOVERNANCE continued

### SOCIAL AND ETHICS SUB-COMMITTEE

The Board established the Social and Ethics Sub-committee to keep under review all aspects of the Fund's governance, social and ethics activities, and to advise the Governance and Legal Committee and make recommendations to it.

#### Constitution of the Sub-committee

The Committee comprises a mix of full Trustees and Substitute Trustees who make recommendations to the Board. Committee members' qualifications and experience can be found on pages 20 to 31.

Mr Eddie Kekana (Chairperson)

Ms Mantuka Maisela

Mr Terrence Chauke

Mr Success Mataitsane

Dr Vuyo Dyantyi

#### Committee highlights

Various quarterly reports on material, and social and ethics matters were considered and reported on. Matters that affected the GEPF, PIC, and the GPAA where a mutual interest existed were considered and discussed. Organisational ethics was also considered and no matters on ethics were reported by GEPF staff in either the 'ethics box' or through any other reporting mechanisms.

### ICT GOVERNANCE

During the year under review, the GEPF has reinforced its IT governance framework to ensure that technology and information are governed in a manner that supports the business objectives. A new ICT Manager role has been created to oversee IT governance within the business. IT governance and information policies have been standardised to focus on IT reporting and security. The Board oversight and monitoring of material IT projects has intensified through the Finance and Audit Committee. Pro-active monitoring of IT systems and networks continues to protect against threats and vulnerabilities. Business continuity processes and disaster recovery plans are in place to ensure operations are unaffected by power outages and supported by two business continuity tests. IT continues to conduct cyber risk assessments and monthly security reporting.

### LEGAL AND COMPLIANCE

In discharging its responsibility to establish an effective compliance framework and processes, the GEPF has updated its Compliance Policy during the financial year, to serve as a cornerstone in the development of a compliance culture within the Pension Fund.

The Policy ensures that the Fund complies with applicable legislative, regulatory, and supervisory requirements. The Compliance Policy makes provision for compliance reporting, which is done on a quarterly basis and presented to the Governance and Legal Committee.

No material or repeated instances of non-compliance with regulatory requirements by either the GEPF or its Trustees in their capacity as members of the Board were found.

The GEPF will continue monitoring compliance in line with its Board approved compliance framework and policy.

### FINANCIAL CONTROL AND REPORTING

The oversight role of the Finance and Audit Committee (FA-C) holds management and key service providers accountable for effective internal financial controls. During 2018/19, internal audit conducted a review of the internal financial controls as part of an ongoing project to improve this oversight and an additional layer of control around unlisted loans and advances was added through the independent preparation of amortisation schedules by the master custodian.

To assess the effectiveness of the internal financial controls going forward, it is envisaged to have ongoing engagements with the management team as well as the independent external auditors and internal auditors on the results of their audits into the financial affairs of the GEPF

The GEPF'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.

## INTERNAL AUDIT

In line with the requirements of the King IV Report on Corporate Governance, GEPF's Internal Audit unit continues to provide objective and relevant assurance to management and the Board through the Finance and Audit Committee, which contributes to the effectiveness of governance, risk management, and control processes.

To promote independence of the Internal Audit unit, the Internal Audit Manager reports functionally to the Finance and Audit Committee, and administratively to the PEO. During the year under review, Internal Audit discharged its responsibilities in line with the Internal Audit Charter approved by the Finance and Audit Committee.

The Finance and Audit Committee approved the risk-based Internal Audit Coverage Plan for the 2018/19 financial year. Internal audit reports were presented to the Finance and Audit Committee in line with the approved internal audit plan. These reports highlighted areas of process control gaps and/or weaknesses for corrective action and improvement, thereby providing assurance on the effectiveness and adequacy of the control environment.

A combined assurance framework was developed and approved through which assurances will be received from internal audits of the GEPF, the GPAA and the PIC, specific to the top risks relating to the GEPF and its major service providers (PIC and GPAA).

During the year under review, Internal Audit did not identify significant findings or control deficiencies that raised concern in terms of the effectiveness of the GEPF's governance, risk management, and control processes.

# THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER

The Office of the Principal Executive Officer (“Office”) comprises a Principal Executive Officer (PEO) and an executive management team. It supports the Board, ensuring that the GEPF acts in the best interests of its members, pensioners, and beneficiaries. The Office is also responsible for day-to-day operations.

## ROLE AND RESPONSIBILITY

The management structure consists of the PEO, the Head of Corporate Services, the Head of Investments and Actuarial, the Head of Stakeholder Management and Communications, and the Company Secretary.

### THE PEO

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 strategic and operational forums, and has overall responsibility for financial reporting and disclosure, consolidating and amending Fund Rules, and valuing liabilities and assets.

The PEO implements all Board decisions and gives effect to the Board’s strategy and is supported in this role by executive managers.

### HEAD OF INVESTMENTS AND ACTUARIAL

The Head of Investments and Actuarial monitors and manages the assets and liabilities of the GEPF, and is responsible for: ensuring that regular actuarial valuations are duly conducted by the Pension Fund’s actuary; that asset liability modelling is undertaken to ensure the investment strategy can be aligned to meet the profile of its liabilities; advising the Board on the investment strategy and execution thereof; and overseeing the implementation of the Responsible Investment Policy (RI) and Developmental Investment Policy (DI).

### THE COMPANY SECRETARY

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

### HEAD OF CORPORATE SERVICES

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

### HEAD OF STAKEHOLDER MANAGEMENT AND COMMUNICATIONS

The Head of Stakeholder Management and Communications is responsible for managing and overseeing a comprehensive stakeholder management strategy, as well as a communication and education strategy.

## EXECUTIVE MANAGEMENT



**Mr Abel Sithole**

*Principal Executive Officer*

- MA (International Relations) – University of Stellenbosch
- MPhil (Futures Studies) – University of Stellenbosch
- MBA – University of the Witwatersrand
- BA – Lawrence University, USA
- Fellow: Institute of Life and Pension Advisors
- Chartered Financial Planner
- Member of the IoDSA



**Ms Linda Mateza**

*Head: Investments and Actuarial*

- Master of Management (Finance and Investments) – Wits Business School
- BCom Honours – Unisa
- BCom – University of Natal (now the University of KwaZulu-Natal)
- BA – Rhodes University
- Fellow of the Africa Leadership Initiative (South Africa)
- Member of the Aspen Global Leadership Network (AGLN)
- Member of the IoDSA



**Ms Adri van Niekerk**

*Company Secretary*

- BAdmin (Honours) Public Management – University of Pretoria
- BAdmin Public Management – University of Pretoria
- Fellow of the IoDSA
- Member of the International Corporate Governance Network (ICGN)



**Mr Babs Naidoo**

*Head: Stakeholder Management and Communications*

- BA – University of Westville
- BA Honours – University of Westville
- Member of the IoDSA
- Member of the International Association of Business Communicators (IABC)
- Chartered Public Relations Practitioner with the Public Relations Institute of South Africa (PRISA)



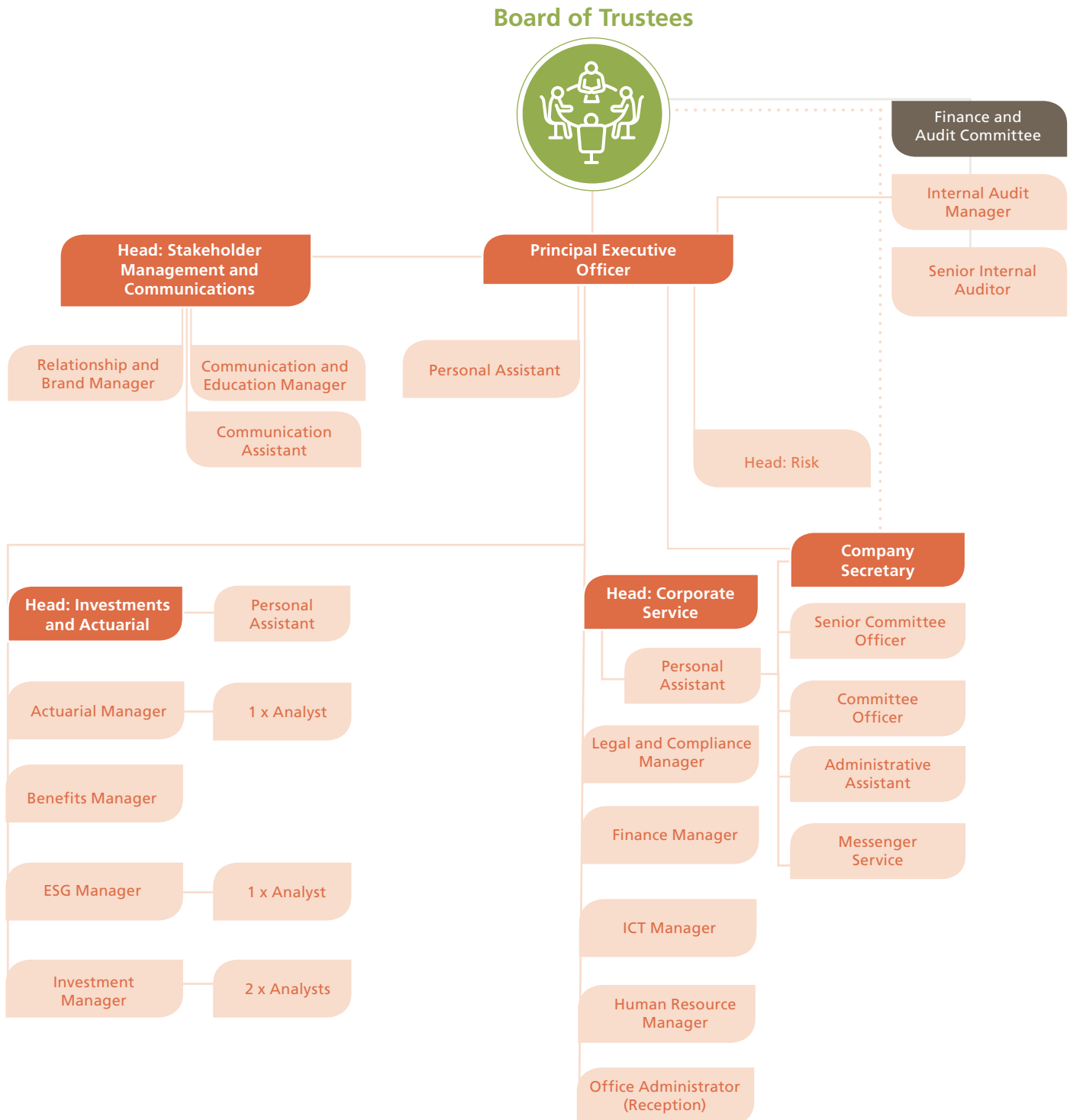
**Mr Musa Mabesa**

*Head: Corporate Services*

- ACCA
- Bachelor of Accounting Sciences (BCompt) – University of South Africa
- Leadership – University of Stellenbosch Business School
- Member of the IoDSA

# THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER continued

## ORGANISATIONAL STRUCTURE



## INTERNAL GOVERNANCE STRUCTURES

The GEPF has an established Exco that is responsible for ensuring that all matters are tabled, through committees, to the Board for approval. The Exco drives the Board strategy and ensures that all divisions are adept at meeting the strategic targets set by the Board.

A Bid Adjudication Committee deliberates on all tenders above R500 000 and ensures that the necessary compliance and procedures have been followed by GEPF staff.

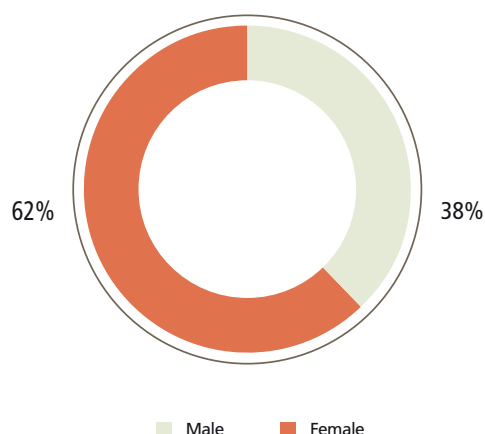
## EMPLOYMENT EQUITY

The GEPF is committed to the spirit and objectives of the Employment Equity Act and endeavours to:

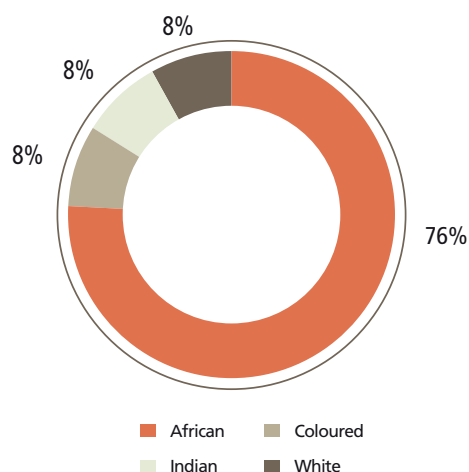
- transform the demographic profile of the GEPF workforce to adequately reflect the local and national demographics profile while embracing diversity in the workplace in respect of race, gender, and culture;
- remove all identified barriers to equity for designated groups; and
- ensure fair, non-discriminatory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

### EMPLOYMENT EQUITY BY RACE AND GENDER

Employment gender



Employment equity by race



# INVESTMENT REPORT

## ECONOMIC OVERVIEW

### GLOBAL AND DOMESTIC ECONOMY

The global economy experienced a slowdown in growth in 2018, particularly in the second half, following a strong growth in 2017 and the first half of 2018 as reported by the International Monetary Fund (IMF). Numerous negative factors affected the growth of developed economies including the United States, contributing to a marginally slower global growth of 3.6% in 2018 compared to 3.8% in 2017. The IMF expects global growth to be lower in 2019 at a projected rate of 3.3%. While there are challenges affecting some emerging economies, emerging market growth remained higher than growth in the developed markets. Emerging markets were largely boosted by strong growth from emerging Asia and Central Europe, with growth remaining robust in countries such as India for the past two consecutive years.

	GDP growth 2017 %	GDP growth 2018 %
Developed Markets	2.3	2.2
Emerging Markets	4.8	4.7
South Africa	1.4	0.8

Source: SARB, IMF, Bloomberg

The South African economy underperformed emerging markets growth due to unique domestic challenges that persisted for the most part of 2017 and 2018. These challenges included drought conditions, labour unrest and interruptions in power supply. The primary sector which comprises of the mining and agriculture was impacted the most, contracting consistently throughout 2018. Although manufacturing in the secondary sector contracted significantly in the first quarter of 2018, it showed signs of improvement in subsequent quarters of the year.

South Africa had an overall GDP growth of 0.8% in 2018, a slowdown compared to a GDP growth of 1.3% in 2017. Real GDP recovered to a revised 2.6% in the third quarter following two consecutive quarters of negative growth, the fourth quarter saw a 1.4% growth in real GDP.

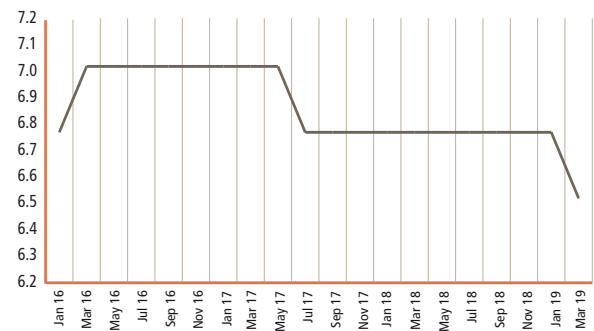
The IMF expects the local economy to grow at 1.2% in 2019, somewhat better than the previous two years, as policy uncertainty is expected to improve post the 2019 presidential elections.

### INFLATION ENVIRONMENT

Headline inflation remained within the South African Reserve Bank's (SARB) target of between 3% and 6%, with CPI at 4.5% year-on-year at 31 March 2019, up from 3.8%

at March 2018. Inflationary pressures were introduced by the higher international oil prices experienced toward the end of 2018. The SARB was concerned about the domestic inflation outlook and took the decision to hike the interest rate by 25 basis points in November 2018. Inflation concerns have moderated since, and the SARB maintained the repurchase rate unchanged at 6.75% as at 31 March 2019.

### REPURCHASE RATE



### EXCHANGE RATE

A combination of events that unfolded in global markets, as well as weak domestic economic fundamentals, continued to put pressure on the South African rand. Trade tensions, geopolitics, and rising interest rates in developed markets led to the depreciation of emerging market currencies. The South African rand depreciated by 22% against the US dollar, from R11.82/\$ in March 2018 to R14.49/\$ in March 2019.

### ASSET CLASS PERFORMANCE

Major domestic asset classes remained under pressure, reflecting lower business confidence in the local market, in line with the weaker domestic economy. The table (below) shows the annual investment returns of various assets classes as at 31 March 2019 compared to 31 March 2018. Returns from domestic equities and bonds declined sharply compared to the previous year. A slight improvement on domestic-listed property was recorded, although the returns remained negative.

	March 2019 %	March 2018 %
Domestic Equities	<b>0.43</b>	9.41
Domestic bonds	<b>3.45</b>	16.18
Domestic Listed property	<b>(5.68)</b>	(7.09)
Domestic cash	<b>7.26</b>	7.41

The rand's depreciation against the US dollar enhanced investment returns from offshore equities and bonds, in rand terms. South African investors were rewarded for diversifying into offshore markets, as illustrated in the table below.

	Rand		USD	
	Mar-19	Mar-18	Mar-19	Mar-18
Global Equities	26.28%	0.31%	4.08%	13.52%
Global Bonds	19.39%	(6.85%)	(1.91%)	5.41%

### PORTFOLIO PERFORMANCE

Against the backdrop of slow local economic growth and unfavourable investment markets, the Fund's annual gross investment return at 31 March 2019 was 4.0%, down from 9.4% at 31 March 2018. The performance of domestic equities and bonds, which constitute 80% of the Fund's assets, remained sluggish.

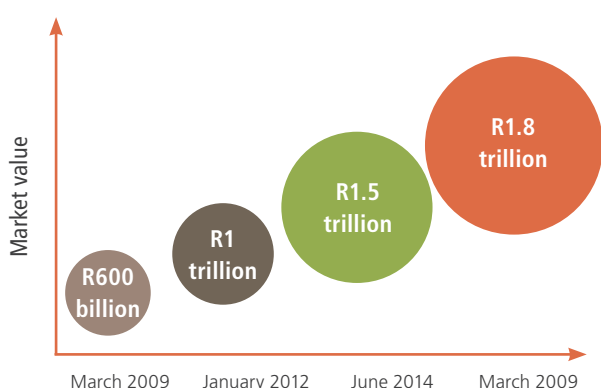
The local equity benchmark declined from an annual return of 9.4% in 2018 to 0.4% at 31 March 2019. The local All Bond Index annual return contracted from 16.1% at March 2018 to 3.5% at March 2019. The GEPF's allocation to offshore investments is relatively small, at 5% of total assets, thus the strong performance of offshore investments did not make a large impact on the Fund's overall return.

Despite the prevailing headwinds, the Fund's annual return exceeded its benchmark return of 2.3%. This was due to improved performance from resource commodity prices, which favoured the Fund's tactical overweight position in resources shares relative to its benchmark. The Basic Materials sector of the Johannesburg Securities Exchange (JSE) yielded a return of 41% over the 12 months to 31 March 2019.

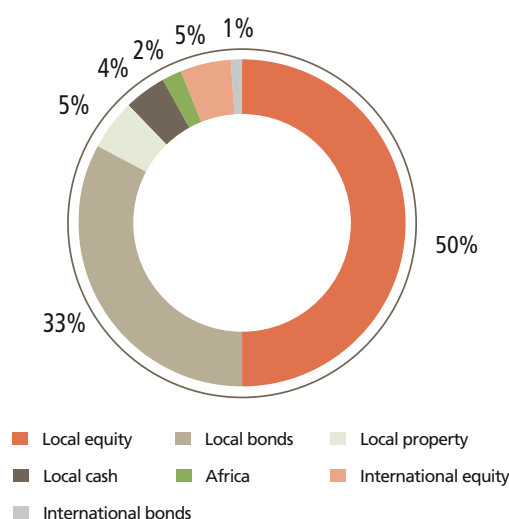
The Fund has continued to generate healthy long-term returns in line with its long-term investment strategy. The annualised five- and 10-year returns were 7.0% and 11.6% respectively at 31 March 2019. These returns were largely driven by the performance of the local equity and bond markets, which was favourable over the long term.

### PERFORMANCE INFOGRAPHIC

Market value growth



Asset allocation





# INVESTMENT REPORT continued

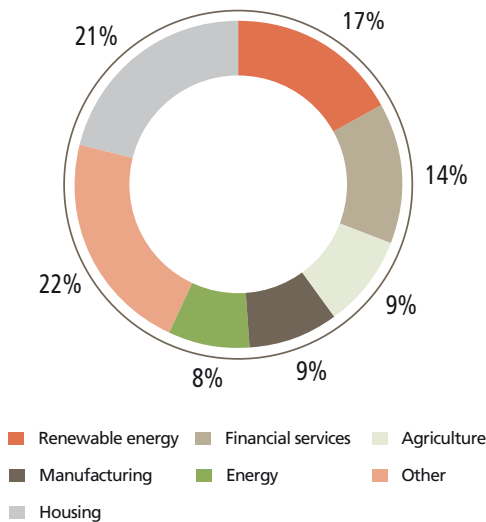
Period	GEPF Fund	Benchmark	Inflation
1 year	4.04%	2.31%	4.52%
3 years	5.68%	5.69%	4.72%
5 years	6.97%	7.04%	4.97%
10 years	11.58%	12.11%	5.21%

## ISIBAYA PORTFOLIO

The Isibaya Fund was established in 1999 to house the GEPF’s unlisted investments. To date, R76 billion has been committed (and R66 billion invested) in various investments across a number of sectors. The portfolio is primarily invested in South Africa (80%), with the balance (20%) in other African countries.

The unlisted investments are split between Impact Investing and Private Equity. The investments are made by the PIC and other external fund managers, with the aim of achieving positive financial returns while making a socioeconomic impact. The portfolio is well diversified among sectors including renewable energy, financial services, and housing.

Sector allocation



## PORTFOLIO INVESTMENTS

The GEPF recognises agriculture as one of the priority sectors in the economy and has thus allocated funds for investment into this industry. The following investments, which contribute towards improving food security, were made during the financial year:

- R171 million was invested in GroBank, which aims to provide business banking solutions to customers in the food and agricultural value chain;
- R175 million was invested in Philafrica Foods, an investment company involved in food processing throughout the African continent. The entity owns and operates maize and wheat mills; oilseed crushing and extraction facilities and refining plant; and undertakes the manufacture of animal feed; and
- \$120 million was invested in the Africa Food Security Fund (AFSF), which invests in SMEs with high-growth potential, operating in food and agriculture value chains across sub-Saharan Africa.

Other investments made by the PIC on behalf of the GEPF during the financial year include:

### YALU

A commitment of R75 million is directed at Yalu, a digitally based financial services entity offering debt protection services such as credit life insurance. To date R45 million has been contributed.

### GAUTENG PARTNERSHIP FUND

The Gauteng Partnership Fund (GPF) is the funding and implementing agent for sustainable human settlement developments in the Gauteng region. A capital commitment of R350 million was granted to the GPF to meet affordable housing demand. To date the Fund has invested R160 million in the GPF.

## PORTFOLIO EXITS

The most noteworthy investments exited by the Fund include the Sanlam Focus Fund and Libstar, where R20 million and R825 million respectively had been invested. The Sanlam Focus Fund had a final exit value of R216 million, achieving an Internal Rate of Return (IRR) of 22.7%. Libstar was successfully exited via an Initial Public Offering on the JSE at approximately R1.5 billion, having produced an IRR of 19%.

# RESPONSIBLE INVESTING

The GEPF understands that environmental, social and governance (ESG) considerations are essential to investment decisions and asset management activities that lead to better long-term investment performance. While the Fund pursues optimal investment outcomes, it also considers itself a responsible investor, and a contributor to South Africa's development. Responsible investing seeks to meet commitments to the Fund's beneficiaries while aligning investment activities with the broader interests of society. The premise is that responsible investment practices deliver both financial and non-financial returns.

The GEPF approaches responsible investment through four thematic pillars:

1. ESG investing;
2. ESG engagement;
3. Industry collaboration; and
4. ESG reporting.

## ESG INVESTING

The Fund integrates ESG factors by applying ESG risk and opportunity analysis to supplement traditional financial analysis. The Fund has an oversight function to monitor, evaluate, and continuously review the effectiveness of the asset managers' integration of ESG requirements in making investment decisions.

## ESG ENGAGEMENT

The Fund aims to use its influence and size to signal change and lead development in South Africa, by exercising its voting rights and engaging with investee companies to promote good corporate governance. This year some particularly notable events occurred in proxy voting including:

- the Steinhoff class action lawsuit whereby the Fund has voted for, and the PIC is now pursuing, legal action against Steinhoff;
- the precedent set by voting on climate change resolutions and disclosure on carbon-lending from the banking sector; and
- remuneration policy transparency on how compensation is calculated, and gender pay gaps.

## INDUSTRY COLLABORATION

The GEPF is involved in national and regional engagements on responsible investment in South Africa. These include engagement on the following stakeholder platforms:

- The IoDSA's Sustainable Development Forum on Stakeholder Engagement;
- African Alternative's Investing Sustainable Capital for Impact event in South Africa;

- United Nations Principles for Responsible Investment;
- The hosting by GEPF of an Asset Owners' meeting on the Sustainable Development Goals;
- BATSETA Council for Retirement Funds South Africa;
- The GEPF Annual Thought Leadership Conference; and
- The Code for Responsible Investing South Africa (CRISA).

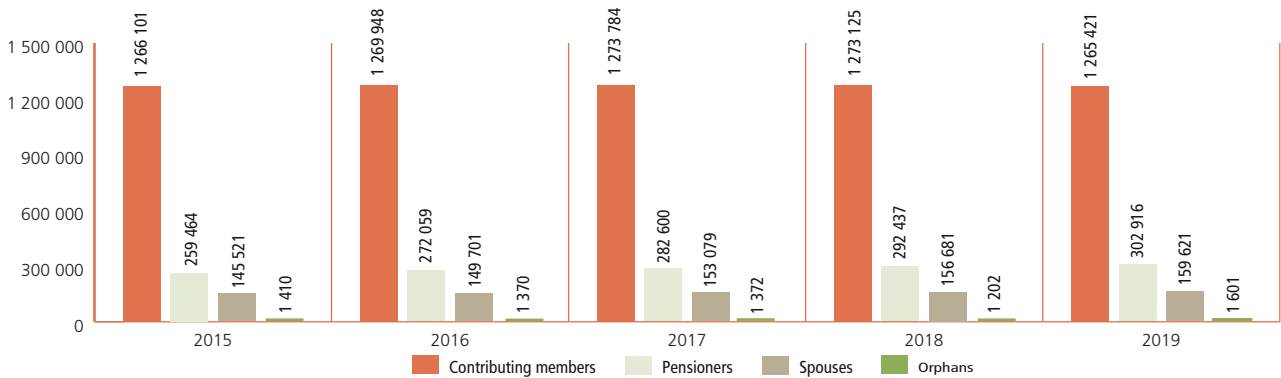
## ESG REPORTING

The Fund reports to its stakeholders in an open and transparent manner, and its Responsible Investment Policy is made publicly available. The Fund monitors the progress of its ESG-related activities by:

- quarterly reporting on ESG matters on listed and unlisted investments;
- setting standards and requirements for ESG criteria and reporting for its asset managers;
- reviewing quarterly proxy voting records from its asset managers;
- specialist research and monitoring of responsible investment controversies and ESG ratings; and
- liaison committee meetings aimed at improving the oversight of ESG-related matters.

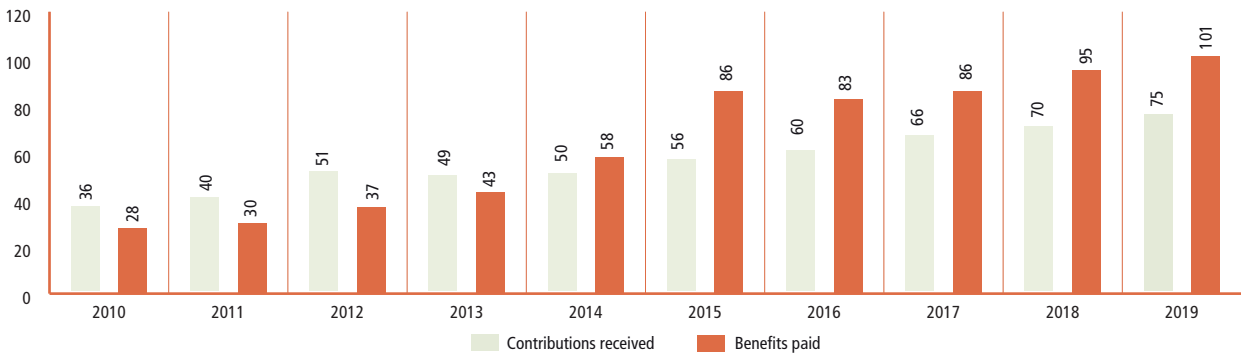
# GEPF MEMBERSHIP AND BENEFITS

The GEPF provided benefits to 1 265 421 active members and 464 138 pensioners and beneficiaries as at 31 March 2019. The figure below depicts the changes in the membership and beneficiaries of the Fund over the past five-years. The increase in pensioners and spouses is integral to an aging fund such as the GEPF. The Fund also expects an increase in the number of orphans receiving a benefit from the Fund due to the recent Rule change that changed the definition of an orphan.



The benefits payable to beneficiaries started exceeding the contributions received by the Fund from the 2013/14 financial year. This trend is continuing.

## BENEFITS PAID VS CONTRIBUTIONS RECEIVED



This is not only due to an increase in resignations and retirements but also to the following benefit enhancements implemented by the Board:

- Pension increases equal to 100% of CPI;
- Enhanced funeral benefits;
- Child pensions; and
- Payment of actuarial benefit on resignation.

The GEPF is a defined benefit fund. This means that the benefits defined in the Rules of the Fund are guaranteed; they do not depend on the amounts contributed by the member and employer.

The Pension Fund provides:

- benefits for normal, early and late retirement and ill-health retirement;
- resignation benefits;
- benefits for members affected by retrenchment/restructuring; and
- funeral benefits.

Detailed information on the GEPF’s benefits can be found on its website at [www.gepf.co.za](http://www.gepf.co.za) or [www.gepf.gov.za](http://www.gepf.gov.za)

## RETIREMENT BENEFITS

The GPAA processed and finalised 35 931 (2018: 35 571) cases of members retiring during the period under review. The total value of gratuities paid was R16.0 billion (2018: R14.5 billion), and annuities R45.6 billion (2018: R40.6 billion).

## RESIGNATION BENEFITS

An amount of R25.2 billion (2018: R27.2 billion) was paid in resignation benefits to 23 362 (2018: 26 690) beneficiaries during the year under review.

## DEATH BENEFITS

The GEPF paid an amount of R4.8 billion (2018: R5.4 billion) in death benefits during the reporting period.

## CHILD PENSION

The GEPF pays annuities to the orphans of members who became pensioners on or after 01 December 2002. A child's annuity is also only payable when a member, who has a service period of 10 years or more, dies in service. Such annuities are paid when a member's spouse dies, leaving eligible orphans.

The number of orphans receiving a benefit from the GEPF is 1 601 (2018: 180). A total of 1 101 (2018: 767) new applications were processed, with 120 (2018: 753) of the current orphans receiving a benefit from the GEPF having reached the termination age. The GEPF paid R77.4 million (2018: R39 million) in orphans' annuities during the reporting period.

## FUNERAL BENEFITS

The GEPF processed and paid 24 852 (2018: 24 789) funeral benefit claims. Of the 10 941 (2018: 11 297) claims paid to members, 5 854 (2018: 6 099) (R84.3 million) were claims for members, and 3 651 (2018: 3 728) were claims for member's spouses.

Of the 13 911 (2018: 1 349) claims paid in respect of pensioners, 10 964 (2018: 10 587) were claims for pensioners and 2 884 (2018: 2 900) were claims for pensioner's spouses. R338 million (2018: R234 million) was paid to beneficiaries during the reporting period.

# COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT

## OVERVIEW

The GEPF faces very similar challenges to that of most large pension funds in that pension information is often viewed as complex and evokes an emotional response. This situation is further exacerbated in the South African context by low financial literacy levels which often contribute to a lack of understanding.

Therefore, core to the GEPF's stakeholder engagement and communications activities is the recognition that effective education and communication is integral to ensuring empowered stakeholders. Thus, empowering stakeholders with relevant and accurate information was a key goal of the education and communication work undertaken during the reporting period.

The year under review was characterised by an increasingly contested environment as a result of disclosures at the Commission of Inquiry into the PIC, the GEPF's investment manager, which meant that the GEPF needed to continuously focus on:

- strengthening stakeholder engagement by building and maintaining relationships with stakeholders to ensure that uninformed comments and perception did not become reality; and
- ensuring that employees of the GEPF were informed, motivated, and inspired in the workplace thereby contributing towards the efforts to maintain a highly competent and effective organisation.

As a result, the GEPF largely focused its efforts on: ensuring stakeholders received information about the pension system; the type of fund the GEPF is; processes and procedures implemented by the Fund; benefits the GEPF provides; investments made; and the sustainability of the GEPF.

Relative to, and in support of these efforts, the GEPF also intensified its communication to members, pensioners, beneficiaries, employer departments, unions, the Public Service Coordinating Bargaining Council (PSBC), the Board, Parliament, trade unions, stakeholder associations/organisations, media, and the investment industry. Communications to such stakeholders was directed through:

- an outreach/engagement programme comprising member roadshows, human resource forums, retirement member forums, workshops, investment tours, media roundtables, stakeholder roundtables and exhibitions, and a mobile office programme in all provinces. The mobile offices provided on-site, real-time assistance to members, pensioners, and beneficiaries; and
- a media programme encompassing advertising, editorials, media conferences, media statements, and

responding to media queries, across national, provincial, regional, and community platforms.

## OUTREACH/ENGAGEMENT PROGRAMME

During the reporting period the following was undertaken:

- Member roadshows: Nationally structured member engagements included addresses by Trustees, presentations by GPAA officials, question and answer sessions, and one-on-one sessions to resolve specific queries. A total of nine roadshows were held countrywide, reaching over 9 400 members, pensioners and beneficiaries. As part of the GEPF Fiscal Education Programme, the Government Employees Medical Scheme (GEMS), the South African Revenue Service (SARS) and the FSCA were invited to participate in the roadshows and provided valuable information to attendees.
- Retiring member workshops: To ensure that members who are nearing retirement enjoy, and are prepared for, a smooth retirement process, the GEPF hosted retirement member workshops. These focused on the requirements and responsibilities of members and employers during the retirement application process. Nine roadshows were held during the reporting period, with over 6 000 members attending.
- Mobile offices: The GPAA vehicles that serve as mobile offices, target rural areas in order to reach individuals that are unable to visit regional GEPF branches. During 2018/19, a total of 848 sites were visited in the nine provinces, reaching over 89 000 individuals. The mobile offices are viewed as a significant step towards achieving improved service levels for members, pensioners, and beneficiaries.
- Client Liaison programmes: The GPAA has a team of community liaison officers to service employer departments. Their engagements are structured according to monthly schedules. During the reporting period the following engagements were undertaken:
  - 11 741 employer site visits;
  - 5 547 employer education sessions;
  - 736 employer on-site retiring member group sessions;
  - 17 448 one-on-one retiring member interviews; and
  - 2738 member awareness sessions.
- Service interaction and support: Client relationship management is considered a critical component of ensuring effective service. The GPAA Call Centre manages telephonic, email, and postal interactions. Service interactions with stakeholders included: 683 173 telephone calls; 518 787 visitors to GEPF offices; and 89 965 visitors to mobile offices.

- Third party events: The GEPF has identified key stakeholder events in which it either participates or exhibits. These are often industry- and stakeholder-related, especially trade union events via the PSCBC. During the financial year, the GEPF participated in 38 such events.
- Media roundtables: As part of ensuring an educated and engaged media, the GEPF hosted one media roundtable to address key issues in the public domain.
- Stakeholder roundtable: The GEPF hosted four stakeholder roundtables with trade unions and employer departments to address burning issues.
- Investment tours: The GEPF, together with the PIC, hosted members of the Board of both entities and the media, on a tour of some of the investment projects invested in by the PIC on behalf of the Fund. Those tours included: three citrus farms and their processing depots in Limpopo; two student housing projects in the Western Cape; and two renewable energy plants in Northern Cape. This new initiative will continue in the forthcoming financial year.
- Thought Leadership conference: The Fund hosted its inaugural Thought Leadership conference in partnership with the World Bank, targeting decision-makers and influencers in government, retirement funds, investment bodies, business bodies, asset managers, and trade unions. The two-day conference was attended by 250 individuals and will be an annual event.

Public displays and exhibitions: To enhance visibility of the Fund, we showcased the GEPF offerings at the Rand Easter Show where over 1 000 members were assisted with their queries at the GEPF exhibition stand. The Fund also exhibited at the Annual Batseta Winter conference as well as at the Institute of Retirement Funds Africa annual conference, where an estimated 150 members were assisted with their queries, and some 1 500 education/marketing materials such as brochures, leaflets and the GEPF annual report were distributed. Mail activations were implemented in the provinces of Eastern Cape, North West, Mpumalanga, and Northern Cape. Through these efforts more than 2 000 members were assisted.

## MEDIA PROGRAMME

In addition to direct engagement initiatives, the GEPF also communicated with stakeholders via advertising on radio, television, and outdoor platforms and in print media, quarterly newsletters and editorials, as well as through radio interviews and social media interventions.

Major activities included:

- radio advertising campaigns to raise awareness of the GEPF and its processes, serving to educate members about the benefits and processes associated with claiming or registering for benefits;
- participation in a number of radio talk show programmes including two one-hour community radio broadcasts that aired over 70 radio stations;
- a television campaign, aimed at tracing beneficiaries who have not claimed benefits, which involved storyline insertions into the broadcast of popular TV series, *Khumbul' ekhaya*.
- another television campaign, undertaken with GauTV and Tshwane TV, was flighted to communicate the GEPF's 2017/18 financial year results. The GEPF also participated in the SABC Amalungelo Akho television programme, which allowed members an opportunity to present their challenges;
- digital campaigns comprising advertising via LED outdoor and stadium billboards. The stadium advertising included free television exposure on SABC and Supersport; and
- print campaigns including adverts and advertorials to communicate the impact of the GEPF investments in the South African economy and the rewards of belonging to the Fund. Also highlighted were some of the benefits that the Fund offers and the financial results were also presented.

These campaigns largely served to educate members about the benefits and processes of GEPF registration and the Fund's financial sustainability, and resulted in exposure across national, regional, and community newspapers as well as trade union publications, inclusive of newsletters, magazines, and diaries.

Engagement with the media also necessitated responding to 57 media queries, the distribution of eight media statements, participation in 30 interviews, and the hosting of two media conferences.

## MEMBER SERVICES

The GPAA is responsible to ensure 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 payment of benefits. The GPAA's main goal is to pay benefits accurately and on time. The relationship between the GEPF and the GPAA is governed through a SLA.

The Member Services Head Office is in Arcadia, Pretoria and the GPAA also has regional and satellite offices in all nine provinces. This enables the GPAA to better serve members and beneficiaries. Mobile vans are also deployed in various rural areas to take the Fund's services to members and pensioners.

# COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT continued

In 2011, the GPAA embarked on a modernisation programme to improve the key service outputs of the organisation. Since then, the GPAA has implemented the following improvements to improve the quality of service to the pensioners, beneficiaries, employer departments, and other stakeholders:

- A self-service solution has been deployed successfully, which will enable the members to view their benefits statements and calculate their benefits online.
- The implementation of a data management solution to assist with the identification of member data error. This data management solution will also assist with quicker cleansing of data. 98% of all exits are submitted on the Pension Case Management (PCM) solution by the participating employers that enables faster processing of member exits. The engagement with Transversal systems to enhance interfaces to receive and update data to the administration system continues.

<b>44 324</b> New members	<b>23 424</b> New pensioners	<b>49%</b> Members between 41 and 50 years in age	<b>28%</b> Members reside in Gauteng	<b>60</b> Average retirement age
<b>48%</b> No of members with less than 10-years of service	<b>59%</b> Pensioners receive a monthly pension of less than R10 000	<b>91.5%</b> Spouses receive a monthly pension of less than R10 000	<b>61 – 70</b> Majority of pensioners and spouses age	<b>2 273</b> Pensioners over 90 years of age

## MEMBER SERVICE HIGHLIGHTS

During the period under review, the GPAA received 70 995 pension claims (compared with 73 957 in 2017/18) and paid 68 401 of these claims (compared with 73 336 in 2017/18). The benefits in respect of these claims were R93.44 billion (compared with R89.66 billion in 2017/18).

In addition, the Administration collected R74.9 billion in contributions (compared with R71.4 billion in 2017/18). Member and pensioner communication and documentation totalled 276 590 received and processed (compared with 216 610 in 2017/18). The communication and information included nomination forms, change of address information and updates to personal details. The total membership of the Fund in 2018/19 was 1.26 million compared to 1.27 million in the previous financial year.

Service interactions with beneficiaries

Visitors to all GEPF offices: 518,787

Telephone calls attended to: 683,173

Visitors to mobile offices: 89 965.

A 94% satisfaction rating was received through a variety of channels, inclusive of regional offices' call centres, emails, mobile offices, and outreach activities.

## Service improvement programmes

The Fund strives continuously to improve the customer experience and service delivery to its members, pensioners, beneficiaries, and employer departments. The following initiatives were implemented in 2018/19 financial year:

- Pension Case Management (PCM): This system enabled the employer departments to capture exit claims electronically. 97.82% of all submitted exit claims were submitted through the PCM system; and
- Self-service: Members can view their benefit statements online through a self-service system that was rolled-out to four employer departments: the SARS; the National Treasury; the Department of Public Service and Administration (DPSA); and the South African Social Security Agency (SASSA). At the end of the 2018/19 financial year, over 18 000 members had registered for the self-service facility.

The following strategies will be implemented to ensure the fast tracking of benefit payments:

- expedition of Benefit Payment Automation, a retirement deployment to improve electronic processing of cases;
- implementation of a fully integrated line of business systems inclusive of the introduction of key functionality to improve effectiveness, efficiency, and claim payment turnaround times;
- the testing and implementation of additional Benefit Payment Automation for Retirement and Discharge benefits; and
- the implementation of enhanced processes and structures for the efficient administration of death benefits.

# GEP LAW AND RULE CHANGES

## PRESERVATION FUND

GEPF members do not have the option to preserve their pension proceeds within the GEPF upon exit. The establishment of the Preservation Fund will enable members to preserve their benefits within the GEPF until their retirement. The Board approved the draft Rule amendment during the reporting period. The draft Rule must now be negotiated with the PSCBC before it can be implemented and is a long-term project.

## ADDITIONAL VOLUNTARY SCHEME

This will allow GEPF members an option to increase their retirement provision while in active employment, as well as to allow those members who have 36-month or more fixed term contracts and who are currently not members of the GEPF, the option to make provision for retirement. The Board approved the draft Rule amendment during the reporting period. The draft Rule must be negotiated with the PSCBC before it can be implemented. The establishment of this scheme is a long-term project and the GEPF is working closely with the GPAA to finalise its implementation.

## GUARANTEES FOR HOME LOANS

The Board of Trustees approved proposed Law and Rule changes to enable the GEPF to embark on the necessary consultation process with the PSCBC as prescribed by the GEP Law and Rules. The GEP Law will be amended to more explicitly state the allowable loans for which guarantees can be made and the conditions under which they can be made. The implementation of this project is a long-term as the changes to the GEP Law needs to follow the prescribed Parliamentary process.



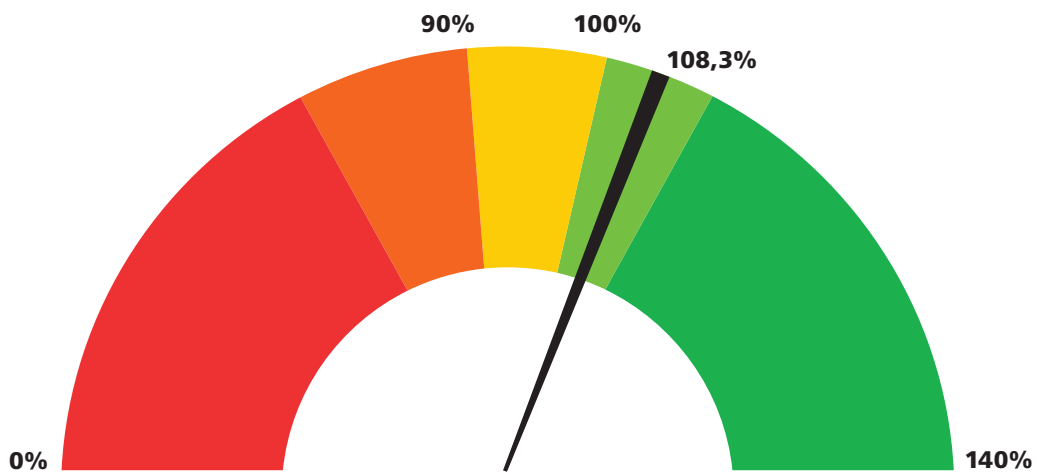
# ACTUARIAL VALUATION

## 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. The valuation as at 31 March 2018, was performed based on the Funding Policy that was adopted by the Board 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 funding level of liabilities is the Fund’s financial gauge. The higher the funding level, the better the financial situation. The results of the March 2018 actuarial valuation show that the Fund is 108.3% funded, i.e. there are sufficient assets to cover the actuarial liabilities in full.

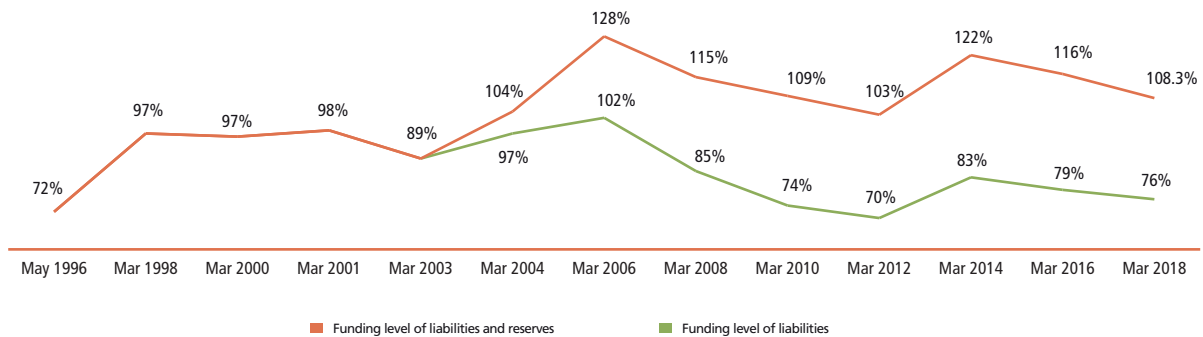
### FUNDING OF LIABILITIES AS AT 31 MARCH 2018



The Funding Policy requires that the Board ensures that the funding level of liabilities is above 90%. This is in line with Rule 7.2 of the Rules of the Fund, which states that the employer contributions should be sufficient to ensure that the Fund is able to meet its obligations at all times, subject to a funding level of liabilities of at least 90%.

Since the establishment of the Fund in May 1996, 13 statutory actuarial valuations have been undertaken, with the most recent at 31 March 2018. The graph below illustrates the funding level trends:

History of funding levels



The GEPF only started holding contingency reserves from 2003 as the Fund was underfunded prior to that.

## 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 additional contingency reserves as recommended by the valuator. The funding level of liabilities and reserves is a policy measure that plays an important

role in the decisions concerning benefit improvements, pension increases, and employer contributions.

The results of the March 2018 actuarial valuation show that 75.5% of the liabilities and the full recommended reserves could be afforded at that date. In terms of the policies adopted by the Trustees, the reserves established as at 31 March 2018 are limited to the amount affordable by the Fund, namely R137 428 million. On this basis 19.1% of the recommended reserves could be held. As at 31 March 2016, a reserve of R222 747 million (or some 34.4% of the recommended reserves) was affordable.

## HIGHLIGHTS FROM THE 2018 ACTUARIAL VALUATION REPORT

### MEMBERSHIP PROFILE

	Total 2018	Total 2016
<b>Contributing members</b>		
“Other” members	1 048 072	1 062 318
“Services” members	233 751	223 108
<b>Total</b>	<b>1 281 823</b>	1 285 426
<b>Pensioners</b>		
Retired members	286 831	266 480
Spouses	153 590	146 624
Orphans	1 204	–
<b>Total</b>	<b>441 625</b>	413 104

### VALUATION ASSUMPTIONS AS AT 31 MARCH 2018

The economic assumptions were updated to take into account prevailing market conditions as at 31 March 2018. The demographic assumptions were based on 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 Willis Towers Watson, which was finalised in October 2013.

Mortality improvements are being observed internationally and South Africa is expected to follow suit. The actuaries believe therefore, that it is appropriate to include an explicit allowance for future mortality improvements in the 2018 valuation, as was the case in the previous valuation.

# ACTUARIAL VALUATION continued

## VALUATION RESULTS AS AT 31 MARCH 2018

The results of the GEPF actuarial valuation as at 31 March 2018 are indicated in the table below:

FINANCIAL POSITION	31 March 2018 (R million)	31 March 2016 (R million)
Contributing member liability	1 171 396	1 029 889
S-case and exits in progress	11 673	12 063
Pensioner and deferred pensioner liability	462 022	349 805
Data and past discriminatory practice reserves	17 548	15 419
Total best-estimate liabilities	1 662 640	1 407 176
Net assets	1 800 068	1 629 923
Excess of assets over liabilities	137 428	222 747
Funding level of liabilities	108.3%	115.8%
Recommended reserves*	720 893	647 049
Total best-estimate liabilities and reserves	2 383 533	2 054 225
Net assets	1 800 068	1 629 923
Excess of assets over liabilities and reserves	(583 464)	(424 302)
Funding level of liabilities and reserves	75.5%	79.3%

\* This consists of a solvency reserve of R402 000 million, 100% CPI pension increase reserve of R270 634 million, and a mortality improvement reserve of R48 259 million.

The 2018 actuarial valuation results show that the funding level has deteriorated when compared with the 2016 actuarial valuation.

## EMPLOYER CONTRIBUTION RATE FOR THE YEAR FROM 01 APRIL 2018 TO 31 MARCH 2019

The employer currently contributes at a rate of 16% of pensionable salary in respect of "services" members and 13% in respect of "other" members. All members of the Fund contribute at a rate of 7.5% of pensionable salary.

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 18.9% of pensionable salary in respect of "services" members and 14.4% of pensionable salary in respect of "other" members, reflecting the differences in the benefit structure of these two categories of members.

The shortfall in the required contribution rate is estimated to amount to some R5 600 million over the forthcoming year and can be afforded from the excess of the assets over the best-estimate liabilities.



**Anton Ronald Pienaar**  
Valuator to the Fund

27 September 2019

# REMUNERATION REPORT

The GEPF provides an engaging and fulfilling work environment that encourages personal and professional growth and development for its employees. The environment enables all Pension Fund teams to give their best towards achieving the strategic imperatives of the organisation.

## REMUNERATION PHILOSOPHY

The GEPF's remuneration philosophy is to provide a framework of total rewards that attracts and retains talent and motivates and recognises excellent performance so that the Pension Fund can achieve its strategic deliverables.

The GEPF aims to pay employees at the median of the South African national market, thereby ensuring that remuneration neither leads nor lags the selected market. When performance targets are exceeded and the Pension Fund performs well, the Pension Fund rewards employees through a short-term incentive scheme.

## REMUNERATION POLICY

The Remuneration Policy of the GEPF aims to crystallise the spirit of the total rewards plan and seeks to ensure that the remuneration and rewards framework is robust, supports the GEPF's objectives and meets best practice standards. The existing total rewards strategy is compelling, flexible, and compliant, and seeks to reinforce the appropriate employee behaviours in their daily delivery of work.

## PAY BENCHMARKING

The GEPF subscribed to, and participated in, two reputable South African remuneration surveys in the final quarter of the year under review. The information obtained from the surveys is used to assess the Pension Fund's position in the market and to inform its remuneration philosophy, policies, and practices in terms of fixed and variable remuneration. The outcome of the pay benchmarking process was approved and implemented.

## REMUNERATION GOVERNANCE

The Remco is committed to the principles of fair and responsible remuneration practices ensuring that the GEPF

is both externally competitive and internally equitable. The GEPF's governance framework ensures that the reward process is subject to independent oversight by the Remco to enhance the perception of fairness and objectivity and approval by the Board. The remuneration policy and implementation thereof, enables the GEPF to achieve its short, medium and long-term goals which supports organisational sustainability. The Board approved the implementation of a long-term incentive scheme (LTIS) for mission critical skills as part of improving the employee value proposition. The LTIS will vest every three years subject to performance conditions and other criteria being met, commencing 01 April 2018.

## REMUNERATION ELEMENTS

The GEPF's remuneration comprises three elements:

- Fixed remuneration;
- Short-term incentives (STI) - annual cash incentive based on performance assessment outcomes; and
- Long-term Incentives for Executives and mission critical roles – subject to performance conditions and vests in three years if conditions are met

## EXECUTIVE REMUNERATION AND PERFORMANCE MANAGEMENT

The GEPF endeavours to ensure a direct link between the performance of its employees, attainment of organisational goals and remuneration, so that remuneration and rewards are structured to promote and sustain high levels of performance.

Performance bonuses are allocated for above-average performance and beyond, and the performance review process undergoes a rigorous independent moderation process, which culminates in bonuses being effected at the end of the financial year. The Board approved the payment of performance bonuses to qualifying employees during the year under review. No ex-gratia payments were made during this period. Details of the remuneration paid to Executives can be found in the Financial Statements.



“RESPONSIBLE  
INVESTMENT IS  
PRACTISED BY THE  
FUND TO PROMOTE THE  
GOOD GOVERNANCE  
AND THE CREATION  
OF VALUE BY THE  
COMPANIES IN WHICH  
IT INVESTS”

# • ANNUAL FINANCIAL STATEMENTS

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# STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

for the year ended 31 March 2019

## RESPONSIBILITIES

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

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

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

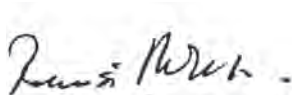
- The Fund's assets are safeguarded;
- Transactions are properly authorised and executed; and
- The financial records are reliable.

The annual financial statements set out on pages 74 to 115 were prepared in accordance with:

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

The independent auditors, Deloitte & Touche and Nexia SAB&T, have reported on these financial statements. During their audit, the auditors were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The annual financial statements have been audited by the independent auditors and the report of the independent auditors is presented on pages 63 to 67.

These audited annual financial statements were approved by the Board of Trustees on 20 September 2019 and were signed on its behalf by:



**Dr Renosi Mokate**  
Chairperson

30 September 2019



**Mr Edward Kekana**  
Vice Chairperson

30 September 2019

# THE FINANCE AND AUDIT COMMITTEE REPORT

for the year ended 31 March 2019

The fundamental role of the Finance and Audit Committee is to assist the Board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, and the internal and external audit functions.

The Finance and Audit Committee (FA-C) acts in accordance with applicable legislation and regulations. It adopted appropriate formal terms of reference as its Charter, and has regulated its affairs in compliance with this Charter. The FA-C has discharged its responsibilities as contained in the Charter, which is updated regularly to ensure its relevance. The FA-C's responsibilities are summarised below:

- Examine and review the quality (adequacy, reliability and accuracy) of the GEPF's annual financial statements and unaudited interim financial statements.
- Make recommendations to the Board regarding the approval of the annual financial statements, as well as the adoption of the unaudited interim financial statements.
- Review of the effectiveness of the internal control systems.
- Ensure that executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified in internal and external audits.
- Oversee the functioning of the internal audit unit of the Fund through the revised internal audit charter, methodology and the internal audit three-year rolling plan.
- Oversee the co-ordination of activities between the GPAA and GEPF internal audit to ensure there is no duplication of activities. Also oversee co-ordination with the external auditors, and receiving the reports of significant findings of the GPAA internal audit and ensuring that management of the GPAA implement agreed management actions.
- Ensure that an external audit firm is appointed to conduct the annual external audit for the 2018/19 financial year and ensure their independence and objectivity.
- Oversee the risk management function of the Fund and ensuring the separation of this function from internal audit to ensure the independence of internal audit.

The FA-C is satisfied that the external auditor is independent of the organisation and that no non-audit services were rendered to the GEPF by the external auditors during the reporting period. The external auditor has rotated the designated external audit partner for the 2018/19 reporting period. Based on the information and explanations given by management and the internal audit department, and discussions with the independent external auditors on the result of their audits, the FA-C is confident that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained. Nothing significant has come to the attention of the FA-C to indicate any material breakdown in the functioning of these controls, procedures and systems during the period under review.

The FA-C has evaluated the financial statements of the GEPF for the year ended 31 March 2019. Based on the information provided, they comply in all material respects with the Fund's stated accounting policies, the provisions of the GEP Law (21 of 1996), the GEPF Rules and the regulatory framework, which the Board adopted based on the FA-C's recommendation.

The FA-C agrees that the adoption of the going concern premise in the preparation of these financial statements is appropriate. The FA-C recommended the adoption of the financial statements by the Board of Trustees and the Board has approved the financial statements.



**Mr Stadi Mngomezulu**

*Chairperson: Finance and Audit Committee*

30 September 2019



# RISK MANAGEMENT STATEMENT

for the year ended 31 March 2019

## INTRODUCTION

Risk management is a fundamental activity in the GEPF's strategic imperatives of ensuring long-term sustainability and generating value for its members and beneficiaries. The enhancement of the risk architecture was identified as a strategic priority for the Fund. This has been included in the Fund's strategic objectives, which were approved by the Board in the 2018/19 financial year. These enhancements entailed the review of the Enterprise Risk Management (ERM) framework, the commencement of the Fund's risk register review and resourcing of the ERM function to provide sufficient rigour within the risk management process and segregation of the risk management function from other functions.

## STANDARDS, REGULATION AND BEST PRACTICE

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

- The requirements of sections 6 and 7 of the GEP Law and Rules;
- The Pension Funds Guideline for Good Governance, known as the PF130, issued by the Financial Sector Conduct Authority (FSCA); Codes of good corporate governance, including the King IV Code and the code issued by the Committee of Sponsoring Organisations (COSO);
- ISO 31000:2018, Risk management – Principles and guidelines; and
- Other relevant legislation.

## KEY RISKS

The Fund is cognisant of the risks inherent in its strategy and operations. These risks are monitored and reported, quarterly to the relevant governance structures under the auspices of the Finance and Audit Committee. The key risk exposures that were identified include the following top six risks:

- Inaccuracy of member data;
- Financial losses due to fraud and corruption;
- Investment underperformance in relation to liabilities;
- Inadequate governance structures;
- Potential non-compliance with regulatory requirements/Litigation; and
- Lack of ICT governance.

## GEPF STRATEGIC RISK MANAGEMENT PROCESS

The GEPF seeks to maintain an agile and responsive risk management architecture. In an effort to address developments within the operating environment, the Fund is in the process of revising its risk register to capture risks that are pertinent to its objectives and operating landscape. The process is at an advanced stage. Various stakeholders within the risk management process have been consulted and the Board will ratify the outcome of this in the 2019/20 financial year. This seeks to ensure that the latest developments, which might have adversely affected the Fund's risk profile, are adequately identified, assessed and monitored.

## CONCLUSION

The Board implemented adequate and effective policies and procedures covering the prioritised risk exposures. Where significant events presented an adverse impact to the GEPF risk profile, additional mitigations were instituted and the Board applied due care in ensuring the implementation of appropriate risk responses to such events. The Board is of the opinion that it has maintained a sound and effective risk management process.

# INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF THE GOVERNMENT EMPLOYEES PENSION FUND

## OPINION

We have audited the annual financial statements of the Government Employees Pension Fund (the Fund) set out on pages 74 to 115, which comprise the statement of net assets and funds as at 31 March 2019, and the statement of changes in net assets and funds and the cash flow statement for the year then ended, including a summary of significant accounting policies. The financial statements are prepared for the purpose of reporting to the Minister of Finance.

In our opinion, the financial statements of the Government Employees Pension Fund for the year ended 31 March 2019 are prepared, in all material respects, in accordance with Regulatory Reporting Requirements for Retirement Funds in South Africa, the provisions of the Government Employees Pension Law 21 of 1996, as amended ("GEP Law") and the rules of the Fund.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board of Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How the matter was addressed in the audit

#### **Public Investment Corporation (PIC) Governance: The integrity of information produced by the PIC on behalf of the Fund for financial reporting purposes**

The PIC is a service provider to the Fund in terms of a signed agreement with appropriate authorisation from the Board of Trustees. The activities of the PIC are significant to the financial information presented in the financial statements.

Due to the governance related developments/ allegations that took place at the PIC over the Fund's reporting period and the subsequent termination of relationships between the PIC and its Board of Directors, CEO and other senior members of management, we have increased our level of scrutiny of the financial reporting information produced by the PIC on behalf of the Fund.

As noted on the Chairperson's review on pages 3 to 5, the Board of Trustees has over the past financial year put in place a number of measures to enhance the Fund's oversight of the PIC.

Accordingly, the **PIC Governance – information produced by the PIC on behalf of the Fund for financial reporting purposes – is considered a key audit matter.**

As part of the audit procedures performed, we increased our professional scepticism and specifically performed the following:

- Inspected a copy of the signed investment management mandate between the Fund and the PIC and confirmed that the investment additions that we tested complied with the agreed mandate;
- Held discussions with senior management at the Fund including the Principal Executive Officer on the procedures applied to monitor the compliance of the PIC with the signed mandate;
- Evaluated the governance structures in place at the Fund to assess the robustness of investment decisions made;
- Obtained and inspected a copy of the ISAE 3402 report prepared on the assessment of the financial controls at the PIC;
- Inspected significant business relationships identified during the course of the audit and assessed the potential of any undisclosed related party transactions, in particular, those with senior business associates and directors at the PIC and the Fund; and
- We also made use of our Corporate Finance and Financial Services Advisory expertise to critically analyse the appropriateness of the valuation models and sensitive inputs used by the Fund's specialists in calculating the unlisted investments' values and to independently perform valuations for selected unlisted investments.

# INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF THE GOVERNMENT EMPLOYEES PENSION FUND

## (continued)

### Key audit matter

#### Valuation of unlisted investments

In accordance with the investment strategy, the Fund holds investments in unlisted instruments. These investments include unlisted equities, loans, properties and derivatives.

The Board of Trustees is ultimately responsible for the review of the valuations on an annual basis. The Board of Trustees has however discharged this function to the PIC, who in turn engages with and appoints independent valuation experts to perform valuations on the unlisted investments on an annual basis and to assess the appropriateness of the fair values reported in the financial statements.

As disclosed in note 3, the valuation of these investments involves the use of various complex valuation models, subjective valuation inputs as well as significant levels of judgement.

Accordingly, the **valuation of unlisted investments** is considered a **key audit matter**.

### How the matter was addressed in the audit

We had a greater focus on the testing of the unlisted investments by using a lower materiality benchmark. Our focus was mainly based on the methodologies and key assumptions made by the Board of Trustees' valuation specialists. Our audit procedures included the following:

- We assessed the design and implementation of controls around the valuation of unlisted investments;
- We assessed the design and implementation of controls around the governance and related approval process for new investments;
- We attended the Valuation Sub-committee's meeting wherein the valuations performed by external valuation specialists were analysed and challenged;
- We engaged our internal specialists (Corporate Finance and Financial Services Advisory Specialist) to assist with:
  - assessing the competence and independence of the external investment valuation specialists engaged by the Fund;
  - performing detail testing on a sample of independent valuations performed by the Fund's valuation experts. Our audit procedures included assessing the appropriateness of the valuation methodology applied, assessing the reasonability of valuation inputs and re-performing the valuation, and
  - Inspected the disclosure of unlisted investments in the financial statements.

#### The valuation of benefit payable provision

In accordance with the rules of the Fund, a benefit becomes due when a member ceases to be a member of the Fund. This results in the Fund having a constructive obligation to pay the benefit. Consequently, the Fund is required to recognise the liability related to such benefits.

The benefits payable to members are calculated in terms of section 14 of the rules of the Fund. There are a number of key actuarial assumptions made and complex methodologies applied in the calculation of the benefits payable to members as disclosed in note 10 of the financial statements, which include:

- type of exit,
- member's age,
- years of service, and
- earnings.

Therefore, the **valuation of the benefits payable provision** is considered a **key audit matter**.

The Board of Trustees has involved actuarial specialists to assist in calculating the benefit payable provisions as at year-end.

Our testing of the benefit payable provision focused on the methodologies and key actuarial assumptions made by the Board of Trustees. Our audit procedures included:

- Assessing the competence and independence of the actuarial specialists;
- Testing the integrity of the information used in the calculation of the benefit payable provision by performing detailed substantive procedures on such information;
- Assessing the design and implementation of controls around the valuation of the benefit payable provision;
- Inspecting the appropriateness of the disclosure on the financial statements of the benefit payable provision; and
- We engaged our internal actuarial specialists to assist us with:
  - Benchmarking the methodologies used in calculating the outstanding benefit provision against similar schemes in the industry; and
  - Verifying that the methodologies and assumptions used by actuarial specialists appointed by the Board of Trustees are reasonable.

## Key audit matter

## How the matter was addressed in the audit

### The impact of contributions rates on the funding level of the Fund

The Government Employees Pension Fund is a defined benefit fund. In a defined benefit arrangement, the employers' contribution rate(s) is not specified in the rules of the Fund. The Board of Trustees agree on the employers' contribution rate in consultation with the actuary of the Fund.

The GEP Law requires that the Fund shall have its financial condition investigated and reported upon by the valuator at least once every three years. However, due to significant changes in the liability and asset values seen over the past few years, it is the practice of the Fund to perform biennial actuarial valuations to determine the values of:

- the Fund's liabilities; and
- the required contribution rate by the employers.

The latest actuarial valuation of the Fund was performed as at 31 March 2018 and the outcomes of this actuarial valuation are disclosed in section 16 of the annual report.

If a defined benefit fund is not in a sound financial position and the employer contributions rates are not at appropriate levels, this may affect its ability to meet its future obligations to members.

Accordingly, **the impact of contributions rates on the funding level of the Fund** is considered a **key audit matter**.

We obtained the actuarial valuation report of the Fund as at 31 March 2018 performed by the Fund's Actuaries and focused our procedures on:

- Assessing the competence and independence of the actuarial specialists;
- Confirming the actuaries' conclusion on the financial soundness of the Fund;
- Comparing the minimum contribution rates recommended by the Fund's actuaries to the actual contribution rates applied;
- Comparing the funding level contained in the last three actuarial valuations;
- Recalculating the employer contribution rates applied by Fund for the reporting period;
- Assessing the design and implementation of controls around the contributions processing; and
- We made use of our internal actuarial specialists to assist us with:
  - o Benchmarking the methodologies and assumptions used in performing the actuarial valuation; and
  - o Verifying that the methodologies and assumptions used by actuarial specialists appointed by the Board of Trustees are reasonable.

Assessing the appropriateness of the disclosure of contributions on the financial statements.

## EMPHASIS OF MATTER – FINANCIAL REPORTING FRAMEWORK

We draw attention to Note 1 which describes the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Financial Sector Conduct Authority. Consequently, the financial statements and related auditors' report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

## OTHER INFORMATION

The Board of Trustees is responsible for the other information. The other information comprises the information included in the document titled "Government Employees Pension Fund 2019 Annual Report". The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITORS' REPORT TO THE BOARD OF TRUSTEES OF THE GOVERNMENT EMPLOYEES PENSION FUND

## (continued)

### RESPONSIBILITIES OF THE BOARD OF TRUSTEES FOR THE FINANCIAL STATEMENTS

The Board of Trustees is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the provisions of the GEP Law and the rules of the Fund, and for such internal control as the Board of Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Trustees either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Conclude on the appropriateness of the Board of Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board of Trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### SECTION 13(2) AND 13(4) OF THE GEP LAW

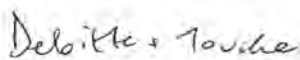
We have read the Annual Report as required by section 13(2)(a)(ii) of the GEP Law, 21 of 1996, as amended, and the information furnished in terms of section 9 and 10 of the GEP Law, is presented in accordance with the requirements of the GEP Law, 21 of 1996, as amended.

With reference to Section 13(2)(a) the auditor is required to state whether:

- (iii) the transactions of the Fund that had come to the auditors' notice in the course of his or her examination were executed in accordance with the applicable laws and instructions; and
- (iv) the transactions which had come to his or her attention during auditing were in all material respects in accordance with the mandatory functions of the Fund determined by law or otherwise.

There are no instances of non-compliance with laws and regulations that came to our attention during the course of our audit of the financial statements.

With reference to section 13(4) of the GEP Law, 21 of 1996, as amended, we are required to draw attention to any matters that are in the public interest. Such matters have been summarised and reported in the Key Audit Matters section above.

**Deloitte & Touche**

Registered Auditor  
Per: Eugene Zungu  
Partner

Johannesburg

30 September 2019

**Nexia SAB&T**

Registered Auditor  
Per: Aneel Darmalingam  
Director

Centurion

30 September 2019

# REPORT OF THE VALUATOR

for the year ended 31 March 2019

## PARTICULARS OF FINANCIAL CONDITION OF THE FUND BASED ON THE ACTUARIAL VALUATION EFFECTIVE 31 MARCH 2018

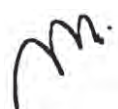
1. Net assets available for benefits amounted to R1 800 068 million as at 31 March 2018.
2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement and other benefits, amounted to R1 800 068 million as at 31 March 2018.
3. The actuarial present value of promised retirement and other benefits in respect of contributing members amounted to R1 171 396 million as at 31 March 2018.
4. The actuarial present value of promised retirement and other benefits in respect of S-case members and exits in progress amounted to R11 673 million as at 31 March 2018.
5. The actuarial present value of retirement benefits in respect of pensioners and deferred pensioners amounted to R462 022 million as at 31 March 2018.
6. The data and past discriminatory practices reserves were considered as "liabilities" for the purposes of the valuation and were fully funded.

The full value of the recommended contingency reserve accounts, including the solvency reserve, amounted to R720 893 million as at 31 March 2018. The affordable level of these contingency reserves amounted to R137 428 million as at 31 March 2018.

*In summary, the assets of the Fund therefore exceed the best-estimate liabilities in respect of benefits for members and pensioners, i.e. the Fund is solvent. In addition, the Fund is able to set up contingency reserves to meet both known and unknown contingencies of R137 428 million. On a conservative basis and if affordable, the Fund would have ideally set up contingency reserves of R720 893 million.*

7. Details of the valuation method adopted (including that in respect of contingency reserves) and details of any changes since the previous summary of report:
  - As for the previous valuation, the Projected Unit Method was used to determine past service liabilities and the future service contribution rate;
  - Under the Projected Unit Method, the present value of benefits that have accrued to members in respect of service prior to the valuation date is compared with the value of the Fund's assets. Allowance is made in the valuation of the accrued benefits for estimated future salary increases, ill-health retirements and deaths;
  - A liability of R11 673 million was set aside in respect of S-case members and exits in progress. This liability is in respect of members who have left the Fund and the benefit due to them is yet to be paid and is not yet provided for in the financial statements of the Fund;
  - A reserve of R8 763 million was set aside in respect of previous discriminatory practices. This reserve was obtained from the financial statements, being the accumulated value of one per cent (1%) of the funding level in 1998, less amounts already utilised to fund discriminatory practices;
  - A reserve of R8 785 million was set aside in respect of errors or omissions in the valuation data. This reserve was set at a level of 0.75% of the contributing member liability;
  - A reserve was held to provide for mortality improvements for all members:
    - For pensioners, current mortality rates have been set equal to the mortality rates calculated in the experience investigation dated 31 March 2012, with an allowance for mortality improvements determined using the mortality assumption rated down one and a half years; and
    - For active members, current mortality rates have been set equal to the mortality rates calculated in the same experience investigation, with an allowance for mortality improvements determined using the mortality assumption rated down two and a half years.

- The solvency reserve has been set based on modelling by asset consultants. This model is broadly based on a 90% probability of the Fund remaining solvent over the three-year period following the valuation date; and
  - A reserve was also determined at the valuation date to fund the increase in the active member and pensioner liabilities and increase in the required contribution rate as a result of the trustees seeking to exercise greater discretion in granting pension increases equal to 100% of CPI.
8. When the above contingency reserves (excluding the data and past discriminatory practice reserves) were set up, it was not the intention of the Trustees to hold such reserves if they were to place the Fund into a deficit funding level position. As at 31 March 2018, the Fund could only afford to hold a total of R137 428 million as contingency reserves. On this basis 19.1% of the desired level of contingency reserves could be held.
9. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.
- Net pre-retirement discount rate: 3.44% per annum (previously 2.93% per annum);
  - Post-retirement net discount rate: 5.70% per annum for active and current pensioners (previously 5.53% per annum);
  - Post-retirement mortality: Rates based on experience of GEPF mortality over 1 April 2008 to 31 March 2012. These rates are the same as those used for the 2016 statutory valuation;
  - Salary increases: 7.50% per annum (previously 9.30% per annum). It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 6.50% per annum (previously 8.30% per annum). In addition, an allowance is made for merit salary increments;
  - Proportion married: Assumptions have been made regarding proportions of members who are married at each age. The age difference between males and females is assumed to be four years, with males older than their female counterparts; and
  - Expenses: An allowance for future administration expenses of 0.3% of annual pensionable salary was made.
10. Any other particulars deemed necessary by the valuator for the purposes of this summary: None.
11. The Fund does not fall under the ambit of the Pension Funds Act, 1956 since it is governed by its own statute. However, in terms of the Fund's own Funding Level Policy, the Fund was considered to be financially sound in that assets were equal to accrued liabilities and contingency reserves (at 19.1% of the desired level) on a best-estimate basis.



**Andre Pienaar**

Fellow of the Actuarial Society of South Africa

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

In my capacity as Valuator to the Fund

27 September 2019



# REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 March 2019

## 1. DESCRIPTION OF THE FUND

### 1.1 TYPE OF FUND

The GEPF is a defined benefit fund established in terms of the GEP Law, No 21 of 1996, as amended. In terms of section 1 of the Income Tax Act, No 56 of 1962, the GEPF is classified as a pension fund established by law.

### 1.2 BENEFITS

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

- Normal retirement benefits;
- Early retirement benefits;
- Ill health and other retirement (discharge) benefits;
- Late retirement benefits;
- Resignation benefits;
- Death while in service benefits;
- Death after becoming a pensioner benefits;
- Spouses' annuity benefits;
- Orphans' annuity benefits; and
- Funeral benefits.

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

### 1.3 CONTRIBUTIONS

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

### 1.4 RESERVES

In terms of a collective agreement negotiated and agreed to in the Public Service Co-ordinating Bargaining Council (PSCBC) an actuarial reserve equal to 1% of the funding level of the GEPF, based on the result of the actuarial valuation as at 31 March 2001, was set aside to address past discriminatory practices. The GEP Law and Rules thereto were amended to increase the pensionable service for members of former non-statutory forces (NSF), employees that participated in strikes in the former Ciskei, and other employees that were previously discriminated against. The actuarial reserve set aside to address past discriminatory practices, is allocated to account for the recognition of periods of pensionable service based on agreements concluded in the PSCBC.

The accounting provision for the reserves set aside to address past discriminatory practices, is summarised as follows (refer to note 8 to the annual financial statements).

	<b>2019</b>	2018
	<b>R'000</b>	R'000
<b>Reserve account balance</b>		
Ciskei strikers	<b>168 083</b>	160 831
General assistants	<b>132 576</b>	123 580
Other past discriminatory practices	<b>9 025 380</b>	8 639 065
<b>Total balance at end of year</b>	<b>9 326 039</b>	8 923 476

## 1.5 RULE AMENDMENTS

The rule amendments or new rules relating to the following were approved and implemented during the current year:

- Amendment of rule 14.7.3 for purposes of calculation of benefits pertaining to former South African National Defence Force members that came into operation on 18 May 2018; and
- Amendment of rule 14.6.3 by introducing the child's pensions that became effective from 01 June 2018.

## 1.6 BOARD OF TRUSTEES

The Minister of Finance inaugurated the current Board on 21 May 2018 for a period of four years. The Board consists of 16 members, with equal employer and member representation, and each with a Substitute. Member representatives include a pensioner and a service representative, as well as their Substitutes, who were elected through a postal ballot. Only Trustees participate in Board meetings, while Trustees and Substitutes participate in Board Committee meetings. The current Board's tenure will end on 20 May 2022.

## 2. INVESTMENTS

### 2.1 MANAGEMENT OF INVESTMENTS

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

- Aeon Investment Management (Pty) Ltd.
- Afena Capital (Pty) Ltd.
- Aluwani Capital Partners (Pty) Ltd.
- Argon Asset Management (Pty) Ltd.
- Benguela Global Fund Managers (Pty) Ltd.
- Black Rock Advisors UK Ltd.
- Coronation Asset Management (Pty) Ltd.
- Enko Capital Management LLP.
- First Avenue Investment Management (Pty) Ltd.
- Gemcorp Capital LLP.
- Goldman Sachs Asset Management International.
- All Weather Capital (Pty) Ltd.
- International Bank for Reconstruction and Development.
- Investec Asset Management (Pty) Ltd.
- JP Morgan Asset Management (UK) Ltd.
- Kagiso Asset Management (Pty) Ltd.
- Legacy Africa Fund Managers (Pty) Ltd.
- Mazi Capital (Pty) Ltd.
- Meago (Pty) Ltd.
- Mergence Investment Managers (Pty) Ltd.
- Mianzo Asset Management (Pty) Ltd.
- Oasis Asset Management (Pty) Ltd.
- Perpetua Investment Managers (Pty) Ltd.
- Prowess Investment Managers (Pty) Ltd.
- Prudential Investment Managers South Africa (Pty) Ltd.
- Robeco Institutional Asset Management B.V.

# REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 March 2019

## 2. INVESTMENTS (continued)

### 2.1 MANAGEMENT OF INVESTMENTS (continued)

- Sanlam Investment Management (Pty) Ltd.
- Sentio Capital Management (Pty) Ltd.
- Umthombo Wealth (Pty) Ltd.
- Vele Asset Managers (Pty) Ltd.
- Vunani Fund Managers (Pty) Ltd.
- Cheyne Capital LLP.

The balance of the assets of the GEPF is invested in African Development Partners II LP (ADP II) that is managed by Development Partners International, Pan African Infrastructure Development Fund (PAIDF) that is managed by Harith Fund Managers, South Suez African Fund II LP (South Suez) that is managed by South Suez Capital Limited, Verod Capital Growth Fund II LP (Verod) that is managed by Verod Capital Management and Capital Alliance Private Equity IV (Cape IV) that is managed by Capital Alliance Private Equity IV Limited on behalf of the Fund.

During the current year, Standard Bank of South Africa Limited performed the custody and investment accounting function on behalf of the Fund.

### 2.2 ASSETS ARE INVESTED IN A RANGE OF ASSET CLASSES CONSISTING OF:

- Equities (shares in listed and unlisted companies);
- Fixed interest instruments;
- Money market instruments;
- Property; and
- Other investment instruments.

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

<b>Asset classes</b>	<b>Guideline %</b>	<b>Actual % At 31 March 2019</b>
Cash and money markets	0 – 8	<b>4</b>
Domestic bonds	26 – 36	<b>33</b>
Domestic property	3 – 7	<b>5</b>
Domestic equity	40 – 55	<b>50</b>
Africa (ex SA) equity	0 – 5	<b>2</b>
Foreign bonds	0 – 4	<b>1</b>
Foreign equity	1 – 5	<b>5</b>
<b>Total</b>	100	<b>100</b>

### 2.3 OTHER INVESTMENTS NOT IN THE NAME OF THE GEPF

In the current year, all investments were registered in the name of the GEPF, except for a directly held property, Palm Grove, which was registered in the name of CBS Property Portfolio (Pty) Ltd.

### 3. MEMBERSHIP

The GEPF membership as at 31 March 2019 consisted of 1 265 421 (2018: 1 273 125) government and parastatal employees from participating employers, as well as 464 138 (2018: 450 322) pensioners receiving monthly annuity benefits.

### 4. ACTUARIAL VALUATION

An actuarial valuation of the GEPF is conducted at least once every three years as prescribed in Section 17(3) of the GEP Law. The latest actuarial valuation was performed by Alexander Forbes Financial Services (Pty) Ltd as at 31 March 2018 based on the funding level policy adopted by the Board in consultation with the Minister of Finance. This funding level policy provides for evaluation of the liabilities on a long-term best estimate basis and the establishment of a solvency reserve to allow for funding, investment risks and uncertainty relating to future public service remuneration and employment. The required level of solvency was calculated independently by RisCura (Pty) Ltd based on a detailed asset-liability study. In terms of the Fund's own funding level policy, the Fund was considered to be financially sound as at 31 March 2018 in that assets were equal to accrued liabilities and 19.1% of the desired level of solvency and contingency reserves.

### 5. SIGNIFICANT MATTERS

No significant matters were identified during the current year.

### 6. SUBSEQUENT EVENTS

In 2012, the Fund introduced the Clean Break principle which allowed for a former spouse of a member of the GEPF to be paid his or her share of the pension shortly after a divorce and not only when the member exits the GEPF. The Clean Break principle was effected in terms of a debt model, which required the GEPF to register the amount paid to the former spouse as a debt against the member. The member had to either repay this notional debt with interest or the outstanding amount was deducted from the member's pension upon exit. The GEP Law and rules in respect of the Clean Break principle have changed from 01 August 2019. This means that all divorces that take place on or after 01 August 2019 to which the Clean Break principle is applicable, will be dealt with in terms of the service reduction model, meaning the benefit that is subsequently payable to the member shall, as provided in the rules, be decreased by reducing the member's years' of pensionable service to take into account the pension interest of the member which was assigned to any former spouse of the member.

# STATEMENT OF NET ASSETS AND FUNDS

as at 31 March 2019

	Notes	2019 R'000	2018 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
		<b>1 818 851 590</b>	1 801 819 134
Equipment	2	12 309	1 833
Investments	3	1 818 839 281	1 801 817 301
<b>Current assets</b>			
		<b>40 197 458</b>	33 445 785
Funding loan	4	6 716	6 716
Accounts receivable	5	8 111 082	7 530 124
Transfers receivable	11.2	1 431	1 397
Contributions receivable	6.1	3 230 895	3 710 854
Cash and cash equivalents	7	28 847 334	22 196 694
<b>Total assets</b>		<b>1 859 049 048</b>	1 835 264 919
<b>FUNDS AND LIABILITIES</b>			
<b>Total funds and reserves</b>			
		<b>1 812 702 086</b>	1 800 068 265
Accumulated funds		1 803 376 047	1 791 144 789
Reserve accounts	8	9 326 039	8 923 476
<b>Non-current liabilities</b>			
		<b>863 122</b>	667 902
Unclaimed benefits	9	863 122	667 902
<b>Current liabilities</b>			
		<b>45 483 840</b>	34 528 752
Benefits payable	10	42 128 322	30 870 653
Transfers payable	11.1	899	860
Accounts payable	12	3 345 544	3 649 570
Provisions	13	9 075	7 669
<b>Total funds and liabilities</b>		<b>1 859 049 048</b>	1 835 264 919

# STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

for the year ended 31 March 2019

	Notes	Accumulated funds R'000	Reserve accounts R'000	<b>Total 2019 R'000</b>	Total 2018 R'000
<b>Net income before transfers and benefits</b>		122 060 874	–	<b>122 060 874</b>	224 018 416
Contributions received and accrued	6.2	75 138 760	–	<b>75 138 760</b>	70 396 742
Purchase of periods of service	14	834 467	–	<b>834 467</b>	773 299
Net investment income	15	46 777 176	–	<b>46 777 176</b>	153 409 209
Other income	16	417 591	–	<b>417 591</b>	475 700
Less: Administrative expenses	17	(1 107 120)	–	<b>(1 107 120)</b>	(1 036 534)
<b>Transfers and benefits</b>		(109 422 598)	(4 455)	<b>(109 422 053)</b>	(96 639 268)
Benefits	10 & 8	(102 500 959)	(4 455)	<b>(102 505 414)</b>	(94 889 664)
Transfers to other funds	11.1	(192 748)	–	<b>(192 748)</b>	(253 269)
Transfers from other funds	11.2	102 680	–	<b>102 680</b>	790 800
Interest expense	18	(6 831 571)	–	<b>(6 831 571)</b>	(2 287 135)
<b>Net income after transfers and benefits</b>		12 638 276	(4 455)	<b>12 633 821</b>	127 379 148
<b>Funds and reserves</b>					
Balance at beginning of the year		1 791 144 789	8 923 476	<b>1 800 068 265</b>	1 672 689 117
Transfer of net investment return to reserves	8	(407 018)	407 018	–	–
<b>Balance at end of the year</b>		1 803 376 047	9 326 039	<b>1 812 702 086</b>	1 800 068 265

# CASH FLOW STATEMENT

for the year ended 31 March 2019

	Notes	2019 R'000	2018 R'000
<b>Cash flow from operating activities</b>			
Cash generated from operations	20	(19 605 110)	(21 812 625)
Contributions and other income received		75 618 719	71 046 277
Benefits paid during the year		(93 661 449)	(89 699 883)
Other expenses paid		(1 562 380)	(3 159 019)
Interest received		48 326 152	45 150 015
Interest paid		(1 470 689)	(1 961 373)
Dividends received		34 507 006	29 939 603
Transfers and bought services (paid)/received		(49 649)	564 845
Divorce benefits paid		(1 960 806)	(2 092 459)
<b>Net cash inflow from operating activities</b>		<b>59 746 904</b>	<b>49 788 006</b>
<b>Net cash outflow from financing activities</b>			
Net repayment to Bank of America Merrill Lynch		–	(1 297 227)
<b>Net cash outflow from investing activities</b>		<b>(53 096 264)</b>	<b>(56 478 587)</b>
Proceeds on sale of equipment		16	–
Additions to equipment		(12 192)	(1 215)
Additions to investments		(53 084 088)	(56 477 372)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6 650 640</b>	<b>(7 987 808)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>22 196 694</b>	<b>30 184 502</b>
<b>Cash and cash equivalents at end of the year</b>	7	<b>28 847 334</b>	<b>22 196 694</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 1. PRINCIPAL ACCOUNTING POLICIES

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

### 1.1 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with the GEP Law's requirements. The retirement fund industry best practice principles are applied as the basis, as well as per the rules of the Fund. This comprises adherence to Regulatory Reporting Requirements (RRR) for Retirement Funds in South Africa as issued by the former Financial Services Board (FSB).

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

### 1.2 EQUIPMENT

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

Equipment is stated at historical cost less accumulated depreciation.

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

<b>Asset classes</b>	<b>Annual depreciation rate</b>
	%
Computer equipment	25
Computer software	33
Furniture and fittings	15
Office equipment	15
Motor vehicles	20
Leasehold improvements	20

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

### 1.3 INVESTMENTS

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

#### 1.3.1 Classification

1.3.1.1 The GEPF classifies its financial assets into the following categories:

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

1.3.1.1.1 Financial assets classified at fair value through the statement of changes in net assets and Funds

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

Financial assets classified at fair value through the statement of changes in net assets and funds comprise equities, bills and bonds, debentures, investment properties, unlisted preference shares, collective investment schemes and special investment products.

1.3.1.1.2 Loans and receivables

Financial assets classified as loans comprise direct loans to companies.

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



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.3 INVESTMENTS (continued)

#### 1.3.1 Classification (continued)

#### 1.3.2 Recognition

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

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

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

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

#### 1.3.3 Measurement

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

#### 1.3.3.1 Equities

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

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

##### Listed equities

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

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

##### Unlisted equities

Unlisted equity instruments are subsequently measured at fair value, using the pricing models determined by the GEPF, or by applying valuation techniques such as the discounted cash flow model, at arm's-length market transactions in respect of the unlisted equities, net asset values and price earnings multiples.

For recently-made investments, the price of recent acquisition is generally used for a limited period to equate fair value. At reporting date during the limited period, an assessment is made as to whether any subsequent events have occurred that impacts the fair value.

When discounted cash flow techniques are used, discounted cash flows are based on management's best estimates and the discount rates used are market rates at the statement of net assets and funds date applicable, for an instrument with similar terms and conditions.

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

### 1.3.3.2 Preference shares

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

#### Listed preference shares

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

#### Unlisted preference shares

The fair value of unlisted preference shares is determined by applying appropriate valuation techniques such as the discounted cash flow model, recent arm's-length market transactions in respect of preference shares, net asset values, and price earnings multiple.

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

### 1.3.3.3 Debentures

Debentures comprise unlisted debentures.

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

### 1.3.3.4 Bills and bonds

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

#### Listed bonds

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

#### Unlisted bills

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

### 1.3.3.5 Investment properties

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

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

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.3 INVESTMENTS (continued)

#### 1.3.3 Measurement (continued)

##### 1.3.3.6 Collective investment schemes

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

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

##### 1.3.3.7 Special investment products

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

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

##### 1.3.3.8 Direct loans

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

##### 1.3.3.9 Money market instruments

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

#### 1.3.4 Derecognition

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

The GEPF uses the weighted average method to determine realised gains and losses on derecognition.

#### 1.3.5 Impairments

##### 1.3.5.1 Financial assets carried at amortised cost

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

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

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

The Fund first assesses whether the objective evidence of impairment exists individually for financial assets that are significant, and, if no evidence of impairment exists for individually assessed assets, a group of financial assets with similar credit risk characteristics are collectively assessed for impairment (refer to note 15 for additional information).

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

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

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

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

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

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

#### **1.3.5.2 Impairment of other non-financial assets**

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

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

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

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

#### **1.3.5.3 Impairment of loans and receivables**

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

### **1.4 CASH AND CASH EQUIVALENTS**

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.5 ACCOUNTS RECEIVABLE

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

#### **Purchased service**

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

### 1.6 UNCLAIMED BENEFITS

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

### 1.7 ACCOUNTS PAYABLE

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

### 1.8 PROVISIONS

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

### 1.9 CONTRIBUTIONS

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

### 1.10 PURCHASE OF SERVICE

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

### 1.11 DIVIDEND, INTEREST, RENTALS AND GAINS AND LOSSES ON SUBSEQUENT MEASUREMENT

#### **1.11.1 Dividend income**

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

#### **1.11.2 Interest income**

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

#### **1.11.3 Rental income**

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

Property expenses are recognised in the statement of changes in net assets and funds as the services are rendered.

#### 1.11.4 Collective investment schemes distributions

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

#### 1.11.5 Gains and losses on subsequent measurement to fair value

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

### 1.12 TRANSFERS TO AND FROM THE GEPF

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

### 1.13 INTEREST PAYABLE TO MEMBERS EXITED FROM THE GEPF

Interest payable to members in respect of the late payment of benefits is accounted for on the accrual basis on any part of a member's benefit not paid within 60 days from the last day of service.

### 1.14 INTEREST PAYABLE TO DORMANT MEMBERS

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

### 1.15 FOREIGN EXCHANGE GAINS OR LOSSES

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

### 1.16 OPERATING LEASES

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

### 1.17 INTEREST ON LATE PAYMENTS OF CONTRIBUTIONS AND/OR LOANS AND RECEIVABLES

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

### 1.18 EXPENSES INCURRED IN MANAGING INVESTMENTS

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

### 1.19 JUDGEMENTS AND ESTIMATES

#### Critical judgements in applying the entity's accounting policies

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

- **Residual values and useful lives**

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

- **Provision for impairment of receivables**

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.19 JUDGEMENTS AND ESTIMATES (continued)

- **Accumulated leave pay provision**

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

- **Performance bonus provision**

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

- **Fair value estimation**

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

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

The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of net assets and funds date.

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

#### Key assumptions of estimations with uncertainty

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

- **Accrual for benefits payable**

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

- **Accruals and contingent liabilities for legal costs**

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

- **Investments**

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

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

### 1.20 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

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

### 1.21 RESERVES

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

## 1.22 BENEFITS

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

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

## 1.23 ADMINISTRATION EXPENSES AND OTHER EXPENSES

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

## 1.24 CONTINGENT ASSETS AND LIABILITIES

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

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

## 1.25 RELATED PARTIES

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

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

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

## 1.26 FINANCIAL LIABILITIES

### 1.26.1 Classification

Financial liabilities are classified at amortised cost.

### 1.26.2 Recognition

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

### 1.26.3 Measurement

Financial liabilities are measured at amortised cost using the effective interest rate method.

### 1.26.4 Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 2. EQUIPMENT

	Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
<b>2.1 CURRENT YEAR, 2019</b>							
<b>Gross carrying amount</b>	<b>2 400</b>	<b>817</b>	<b>4 040</b>	<b>3 934</b>	<b>656</b>	<b>13 452</b>	<b>25 299</b>
At beginning of the year	2 624	817	2 909	2 992	656	3 333	13 331
Additions	–	–	1 131	942	–	10 119	12 192
Disposals	(224)	–	–	–	–	–	(224)
<b>Accumulated depreciation</b>	<b>(1 725)</b>	<b>(809)</b>	<b>(2 858)</b>	<b>(2 850)</b>	<b>(656)</b>	<b>(4 092)</b>	<b>(12 990)</b>
At beginning of the year	(1 650)	(795)	(2 682)	(2 603)	(656)	(3 112)	(11 498)
Depreciation	(299)	(14)	(176)	(247)	–	(980)	(1 716)
Accumulated depreciation on disposals	224	–	–	–	–	–	224
<b>Net carrying amount at end of the year</b>	<b>675</b>	<b>8</b>	<b>1 182</b>	<b>1 084</b>	<b>–</b>	<b>9 360</b>	<b>12 309</b>
<b>2.2 PRIOR YEAR, 2018</b>							
<b>Gross carrying amount</b>	<b>2 624</b>	<b>817</b>	<b>2 909</b>	<b>2 992</b>	<b>656</b>	<b>3 333</b>	<b>13 331</b>
At beginning of the year	1 459	805	2 909	2 954	656	3 333	12 116
Additions	1 165	12	–	38	–	–	1 215
<b>Accumulated depreciation</b>	<b>(1 650)</b>	<b>(795)</b>	<b>(2 682)</b>	<b>(2 603)</b>	<b>(656)</b>	<b>(3 112)</b>	<b>(11 498)</b>
At beginning of the year	(1 403)	(647)	(2 568)	(2 427)	(617)	(2 445)	(10 107)
Depreciation	(247)	(148)	(114)	(176)	(39)	(667)	(1 391)
<b>Net carrying amount at end of the year</b>	<b>974</b>	<b>22</b>	<b>227</b>	<b>389</b>	<b>–</b>	<b>221</b>	<b>1 833</b>

### 3. INVESTMENTS

#### 3.1 INVESTMENT SUMMARY

	Notes	Fair value 2019 R'000	Amortised cost 2019 R'000	Total 2019 R'000	Total 2018 R'000
Money market instruments*	3.1.1	–	42 323 368	42 323 368	30 228 303
Direct loans*	3.1.2	–	41 886 273	41 886 273	44 244 370
Bills and bonds**	3.1.3	575 542 873	–	575 542 873	576 690 673
Local		551 839 805	–	551 839 805	563 088 813
Foreign		23 703 068	–	23 703 068	13 601 860
Investment properties**	3.1.4	14 650 804	–	14 650 804	14 296 588
Equities**	3.1.5	1 031 061 316	–	1 031 061 316	1 033 079 532
Listed equities		962 998 068	–	962 998 068	970 086 402
Primary listings		763 107 297	–	763 107 297	781 484 673
Secondary listings		199 890 771	–	199 890 771	188 601 729
Unlisted equities		68 063 248	–	68 063 248	62 993 130
Local equities		50 808 472	–	50 808 472	50 683 420
Foreign equities		17 254 776	–	17 254 776	12 309 710
Preference shares**	3.1.6	5 044 182	–	5 044 182	4 379 389
Collective investment schemes**	3.1.7	108 330 465	–	108 330 465	98 898 446
Local instruments		642 612	–	642 612	659 809
Foreign instruments		107 687 853	–	107 687 853	98 238 637
		<b>1 734 629 640</b>	<b>84 209 641</b>	<b>1 818 839 281</b>	1 801 817 301

\* Classified as loans and receivables.

\*\* Classified as fair value through statement of changes in net assets and funds.

#### EXPLANATORY NOTES:

- Included in the unlisted foreign equities above are internally managed investments by the GEPF to the value of R7.8 billion (2018: R5.2 billion). These investments include ADPI II, PAIDF, South Suez, Verod and Cape IV;
- Money market instruments with original maturities of three months or less are classified as cash and cash equivalents; and
- The details of the top 10 investments per investment category have been provided in the detailed schedules below and the balance is included in 'other', where practical. Investments which meet the top 10 criteria in one year and do not meet the criteria in another year, will be disclosed as zero and included in 'other' in the year in which they do not meet the criteria. Details of the top 10 investments are disclosed per entity level not per instrument level.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 3. INVESTMENTS (continued)

### 3.1 INVESTMENT SUMMARY (continued)

#### 3.1.1 Money market instruments

	<b>Amortised cost 2019 R'000</b>	Amortised cost 2018 R'000
<b>Certificate of deposits</b>	<b>452 500</b>	1 079 466
Development Bank of SA Ltd	452 500	1 079 466
<b>Fixed deposits</b>	<b>35 610 127</b>	23 088 246
Nedbank Ltd	8 101 311	5 300 230
ABSA Group Ltd	7 504 055	5 240 198
FirstRand Ltd	7 158 660	5 030 073
Investec Bank Ltd	6 537 322	3 903 918
Standard Bank Group Ltd	6 293 642	3 573 534
Land and Agricultural Development Bank of SA	15 137	–
State Bank of India	–	40 293
<b>Promissory notes</b>	<b>6 260 741</b>	6 060 591
Land and Agricultural Development Bank of SA	6 191 050	6 060 591
South African National Road Agency Ltd	69 691	–
<b>Total money market instruments</b>	<b>42 323 368</b>	30 228 303

#### 3.1.2 Direct loans

	<b>Amortised cost 2019 R'000</b>	Amortised cost 2018 R'000
	<b>Secured by</b>	
SAHL Investments Holding (Pty) Ltd	Shareholder guarantees, cession and pledges	8 081 080
Lancaster 101 (RF) (Pty) Ltd	Secured by collar options, primary cession over Steinhoff Africa shares, primary cession over dividends received from Steinhoff Africa shares, reversionary cession over proceeds from put option, reversionary cession over Steinhoff International shares, as well as cash and operating accounts	6 000 557
Industrial Development Corporation SOC Limited	Not secured*	5 074 084
Kilimanjaro Sakhumnotho Consortium (Pty) Ltd	First ranking pledge and cession in security of pledged shares, pledged share distributions and disposal proceeds; and pledge (and not an out-and-out cession and transfer) of the ceded rights and accordingly, cedentes shall be and remain the owner of such rights until the cessionary exercises its rights, guarantee from each of the obligors	2 812 583
		5 906 274
		6 020 000
		5 085 780
		2 699 376

	<b>Secured by</b>	<b>Amortised cost 2019 R'000</b>	Amortised cost 2018 R'000
Firefly Investments 326 (RF) (Pty) Ltd	Corporate guarantees from Bayport Financial Services (BFS) and Bayport Management Ltd (BML), cession in securitatum debiti of all positive bank accounts, pledge and cession of shares in BML, BFS and Firefly Investments 326, as well as shareholder guarantee	<b>2 398 155</b>	2 584 600
Honsha Property (Pty) Ltd	Pledge and cession of shares by HEA Trading 1 Pledge and cession of share from Honsha Properties Proprietary Limited Security on personal assets (properties) Personal surety (limited guarantee)	<b>2 071 268</b>	1 924 510
Lebashe Investment Group (Pty) Ltd formerly known as Petratouch (Pty) Ltd	Pledge and cession in securitatum debiti of its rights, title and interest including acquired Ashbrook and Capitec shares	<b>1 600 663</b>	2 228 588
Kuseni Group 2 (RF) (Pty) Ltd	Cession and pledge of shares, shareholders' guarantee and cession of bank accounts	<b>1 433 624</b>	1 528 380
Tanga Cement Company Ltd	Cession and pledge of debenture and mortgage registered under Tanga Cement Company Ltd and stand-by payment guarantee	<b>1 383 419</b>	1 194 296
South Point Management Services (Pty) Ltd	Shareholders' guarantee, cession and pledge in security	<b>596 024</b>	–
Afrisam Group (Pty) Ltd	Second ranking security over all Afrisam assets	–	1 940 552
Other		<b>10 434 816</b>	13 132 014
<b>Total loans</b>		<b>41 886 273</b>	44 244 370

\* This loan consists of uncertified notes which are held by the Central Securities Depository.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 3. INVESTMENTS (continued)

### 3.1 INVESTMENT SUMMARY (continued)

#### 3.1.3 Bills and bonds

	Issuer rating long-term	Fair value 2019 R'000	Fair value 2018 R'000
<b>Bills</b>		<b>539 406</b>	830 645
Eskom Holdings Ltd	B	539 406	830 645
<b>Commercial paper</b>		<b>534 740</b>	1 093 962
The Thekwini Fund Ltd	AAA	534 099	924 750
Telkom SOC Ltd	AA	641	–
Transnet SOC Ltd	AAA	–	98 657
Premium Properties Ltd	*	–	70 555
<b>Government bonds</b>		<b>369 692 649</b>	360 831 626
Republic of SA	AAA	368 561 235	358 786 115
Republic of Angola	B-	519 002	1 434 641
Republic of Namibia	A+	612 412	610 870
<b>Corporate bonds</b>		<b>29 232 300</b>	35 650 594
Pareto Ltd	AA	4 552 000	7 186 770
Standard Bank Group Ltd	AA+	6 831 718	8 110 709
FirstRand Ltd	AA+	4 907 113	6 272 315
Nedbank Ltd	AA+	3 116 792	3 203 423
ABSA Group Ltd	AA+	2 269 975	2 350 804
Barclays Africa Group Ltd	AA-	1 519 277	1 458 008
The Thekwini Fund Ltd	AAA	1 498 743	1 503 790
Investec Group Ltd	AAA	919 138	1 334 763
African Bank Ltd	A	671 501	804 371
Old Mutual Plc	**	603 904	602 925
Other		2 342 139	2 822 716
<b>Parastatal bonds</b>		<b>151 840 710</b>	164 681 986
Eskom Holdings Ltd	B	84 487 323	87 564 144
South African National Road Agency Ltd	AA	23 136 937	25 959 615
Transnet SOC Ltd	AAA	21 087 869	21 732 153
Development Bank of SA Ltd	AA+	12 594 646	12 834 108
Trans-Caledon Tunnel Authority	AA+	6 925 770	12 477 597
City of Cape Town	AA+	730 461	750 168
City of Johannesburg	AA+	615 135	787 303
Rand Water Board	AA-	537 992	544 480
Industrial Development Corporation SOC Ltd	AA	517 062	509 154
Ekurhuleni Metropolitan Municipality	AAA	424 146	–
Airports Company SA	AA+	–	665 188
Other		783 369	858 076
<b>Foreign bonds</b>		<b>23 703 068</b>	13 601 860
Black Rock Advisors (UK)	***	10 961 531	9 125 407
International Bank for Reconstruction and Development	***	5 496 475	4 476 453
JP Morgan Asset Management (UK) Ltd	***	4 808 120	–
Goldman Sachs Asset Management International	***	2 436 942	–
<b>Total bills and bonds</b>		<b>575 542 873</b>	576 690 673

### 3. INVESTMENTS (continued)

#### 3.1 INVESTMENT SUMMARY (continued)

##### 3.1.3 Bills and bonds (continued)

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

National Long-term Rating Definition	National Scale Rating Symbol
Highest grade quality	AAA
Very high credit quality	AA+, AA, AA-
High credit quality	A+, A, A-
Adequate protection factors	BBB+, BBB, BBB-
Capacity for timely repayment	BB+, BB, BB-
Possessing risk that obligations will not be met when due	B+, B, B-
Defaulted	D

\* Premium Properties Ltd as an issuer is not rated, however the instrument is guaranteed by Octodec Investment Ltd which has an A- National Credit Rating from Global Credit Rating Co.

\*\* Old Mutual Plc has a Ba1 rating on a Global Credit Rating Scale, which is higher than South Africa's Global Credit Rating. Thus, converting Old Mutual Plc's Global Credit Rating to a National Scale Rating, the rating will be AA-.

\*\*\* Foreign bonds are held in bond portfolios. These bond portfolios invest in a range of bonds with different credit ratings.

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

Transaction date	Bonds on lent	Security in place 2019 R'000	Nominal value 2019 R'000	Fair value 2019 R'000	Name of counterparty	Scrip custodian
31 March 2019	R186	*	4 975 645	5 621 076	Standard Bank	Standard Bank
31 March 2019	R2023	*	939 952	944 357	Standard Bank	Standard Bank
31 March 2019	R2048	*	885 000	802 567	Standard Bank	Standard Bank
31 March 2019	R209	*	759 305	546 698	Standard Bank	Standard Bank
31 March 2019	R213	*	955 019	800 209	Standard Bank	Standard Bank
31 March 2019	R214	*	985 733	698 229	Standard Bank	Standard Bank
<b>Total</b>			<b>9 500 654</b>	<b>9 413 136</b>		

\* Collateral is not done on an individual bond level basis. The total out on loan position is collateralized across all securities. The security in place for the equity collateral is 115% of the daily market value of the listed equity shares. The security in place for the bond collateral is 110% of the daily market value of the Bonds Gross Market value.

##### 3.1.4 Investment properties

	Fair value 2019 R'000	Fair value 2018 R'000
Residential properties	208 530	180 175
Industrial properties	1 551 000	1 486 400
Office properties	7 211 350	8 022 075
Retail properties	4 985 795	4 251 085
Specialised properties	636 800	216 625
Vacant land	354 702	408 120
Lease income accrual	(297 373)	(267 892)
<b>Total properties</b>	<b>14 650 804</b>	<b>14 296 588</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 3. INVESTMENTS (continued)

### 3.1 INVESTMENT SUMMARY (continued)

#### 3.1.4 Investment properties (continued)

Name of property	Address	Valuation method	Date of last valuation	Pledged as guarantee	Fair value 2019 R'000	Fair value 2018 R'000
Centre Square Development	Cnr of Dallas Road and Aramist Road, Menlyn Maine, Pretoria	DCF	2019/03/31	No	771 300	785 000
Riverwalk Office Park	41 Matroosberg Street, Ashlea Gardens, Pretoria	DCF	2019/03/31	No	715 400	606 200
Vangate Shopping	Vanguard Drive, Athlone, Cape Town	DCF	2019/03/31	No	683 000	655 000
Central City Shopping Centre	Stand 426, Unit E, Central Road, Mabopane	DCF	2019/03/31	No	654 400	628 700
Trevenna	70 Meintjies Street, Trevenna, Pretoria	DCF	2019/03/31	No	598 100	564 900
Business Connexion	1037 Lenchen Avenue, Zwartkop	DCF	2019/03/31	No	545 000	516 000
Tshwane Regional Mall	Denneboom Station Mamelodi City of Tshwane	DCF	2019/03/31	No	437 000	446 000
Joggie Vermooten	57 Joyner Road, Prospection, Isipingo Ext. 12, Durban	DCF	2019/03/31	No	319 600	292 900
Kasteel Park Office Park	Corner Nossob and Jochemus Street Erasmuskloof City of Tshwane	DCF	2019/03/31	No	303 900	–
Portions 43 – 50 of Erf Cornubia	Portions 43 – 50 of Erf Cornubia	DCF	2019/03/31	No	300 000	–
The Wedge	255 Rivonia Road Morningside City of Johannesburg	DCF	2019/03/31	No	–	283 000
Thembisa	Cnr Andrew Mapheto Drive & Umzimvubu Street, Esangweni, Ekurhuleni	DCF	2019/03/31	No	–	284 800
Other					9 620 477	9 501 980
Lease income accrual					(297 373)	(267 892)
<b>Total properties</b>					<b>14 650 804</b>	<b>14 296 588</b>

### 3. INVESTMENTS (continued)

#### 3.1 INVESTMENT SUMMARY (continued)

##### 3.1.4 Investment properties (continued)

##### 3.1.4.1 Investment properties

	<b>2019</b> <b>R'000</b>	2018 R'000
Balance at beginning of the year	<b>14 564 480</b>	13 722 180
Additions		
– Direct acquisition	<b>319 756</b>	32 161
– Capital expenditure	<b>820 299</b>	776 583
Disposals	<b>(63 225)</b>	–
Fair value adjustment*	<b>(693 133)</b>	33 556
<b>Closing fair value</b>	<b>14 948 177</b>	14 564 480
Operating lease income accrual	<b>(297 373)</b>	(267 892)
<b>Balance at end of year</b>	<b>14 650 804</b>	14 296 588

An independent valuation of the investment properties was performed as at 31 March 2019. The properties were valued at fair value on the basis of the discounted cash flow method, using a risk-free rate adjusted for property risk. Additional adjustments were included for tenant risk, building factors, vacancies, rental reversions to market, property costs, tenant installations and capital expenditure. The key assumptions used by the valuers include the capitalisation rate and the discount rate. The discount rates reflect the risks inherent in the net cash flows and are constantly monitored by reference to comparable market transactions.

The independent valuation was performed by professional valuers from Knight Frank, Broll Property Group, De Leeuw Valuers, and Spectrum Valuations and Asset Solutions who are registered valuers in terms of Section 19 of the Valuers Professional Act, No 47 of 2000, and have recent experience in valuing similar properties at similar locations.

##### 3.1.5 Equities

	<b>Fair value</b> <b>2019</b> <b>R'000</b>	Fair value 2018 R'000
Primary listing on the JSE	<b>763 107 297</b>	781 484 673
Secondary listing on the JSE	<b>199 890 771</b>	188 601 729
Unlisted equities	<b>68 063 248</b>	62 993 130
<b>Total equities</b>	<b>1 031 061 316</b>	1 033 079 532



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 3. INVESTMENTS (continued)

### 3.1 INVESTMENT SUMMARY (continued)

#### 3.1.5 Equities (continued)

	Total issued shares (number)	GEPF's shareholding (number)	GEPF's shareholding %	Fair value 2019 R'000	Fair value 2018 R'000
<b>1. Primary listing on the JSE</b>				<b>763 107 297</b>	<b>781 484 673</b>
Naspers Ltd	438 656 059	69 398 027	16	231 243 942	202 137 621
MTN Group Ltd	1 884 269 758	474 159 858	25	42 020 047	33 440 253
Sasol Ltd	624 613 344	86 021 484	14	38 709 668	34 226 713
Standard Bank Group Ltd	1 618 514 218	197 205 875	12	36 528 444	43 413 976
FirstRand Ltd	5 609 488 001	475 275 740	8	29 923 361	33 309 192
Vodacom Group Ltd	1 835 864 961	245 158 118	13	27 317 969	36 487 297
Sanlam Ltd	2 343 338 047	251 469 540	11	18 548 393	21 644 997
Bid Corporation Ltd	335 404 212	49 691 253	15	14 807 993	–
Remgro Ltd	529 217 007	71 879 557	14	13 316 407	17 326 646
Nedbank Group Ltd	496 265 258	52 717 308	11	13 244 696	–
Shoprite Holdings Ltd	–	–	–	–	17 271 224
Aspen Pharmacare Holdings Ltd	–	–	–	–	14 254 952
Other				<b>297 446 377</b>	<b>327 971 802</b>
<b>2. Secondary listing on the JSE</b>				<b>199 890 771</b>	<b>188 601 729</b>
Anglo American Plc	1 405 467 840	167 945 343	12	64 796 672	51 147 728
British American Tobacco Plc	2 456 415 884	44 252 445	2	26 457 209	29 894 697
BHP Group Plc	2 112 071 796	57 383 459	3	19 936 735	13 697 484
Old Mutual Plc	4 942 048 355	655 954 418	13	14 345 723	20 442 121
Richmont Securities AG	5 220 000 000	125 381 210	2	13 123 651	13 454 560
Dangote Cement Plc	17 040 507 405	805 582 668	5	6 177 242	6 880 099
Reinet Investments S.C.A.	195 941 286	22 605 428	12	5 578 794	5 319 143
Mondi Ltd	367 240 805	17 276 306	5	5 491 792	5 415 974
Nepi Rock Castle Plc	577 800 734	44 967 252	8	5 460 823	–
Glencore Plc	14 586 200 066	86 154 885	1	5 168 432	5 569 291
Mediclinic International Plc	–	–	–	–	5 627 280
Other				<b>33 353 698</b>	<b>31 153 352</b>
<b>3. Unlisted equities</b>				<b>68 063 248</b>	<b>62 993 130</b>
Pareto Ltd	4 551 646 134	3 459 251 062	76	12 659 000	8 175 000
V & A Waterfront Holdings (Pty) Ltd	1 000 000	500 000	50	10 295 000	10 214 169
Barclays Africa Group Ltd	**	**	**	9 694 000	11 256 219
Pan African Infrastructure Development Fund*	*	*	40/98	6 736 825	4 519 109
ADR International Airports SA (Pty) Ltd	166 000	166 000	100	3 344 000	3 999 000
ETG Inputs Holdco Ltd	500	245	49	2 840 628	2 284 626
African Bank Ltd	500 000 000	125 000 000	25	2 690 000	2 551 000
Arch Property Fund (Pty) Ltd	25 000 000	5 000 000	20	2 071 000	2 000 000
Bayport Management Ltd	30 741 360	6 377 550	21	2 058 006	1 903 616
MTN Nigeria Communications Ltd***	402 590 263	7 105 633	2	1 452 199	–
Afrisam Group (Pty) Ltd	–	–	–	–	1 625 000
Other				<b>14 222 590</b>	<b>14 465 391</b>

\* Information relating to the total shares issued and the GEPF's holding number and percentage is not disclosed, as the nature of these instruments is not pure equity.

\*\* This instrument is an option and therefore GEPF shareholding percentage is not applicable.

\*\*\* The GEPF has a shareholding of 7 105 633 preference shares and 7 105 633 ordinary shares in MTN Nigeria Communications Ltd.

### 3. INVESTMENTS (continued)

#### 3.1 INVESTMENT SUMMARY (continued)

##### 3.1.5 Equities (continued)

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

Transaction date	Scrip on lent	Security in place 2019 R'000	Fair value 2019 R'000	Number of shares on lent	Name of counterparty	Scrip custodian
31 March 2019	Anglogold Ashanti Ltd	*	13 834	72 204	Deutsche Bank	Standard Bank
31 March 2019	Attacq Ltd	*	7 571	527 582	Deutsche Bank	Standard Bank
31 March 2019	Brait S E Ltd	*	29 830	1 242 911	Deutsche Bank	Standard Bank
31 March 2019	BHP Group Plc	*	347 430	1 000 000	Deutsche Bank	Standard Bank
31 March 2019	British American Plc	*	363 855	608 585	Deutsche Bank	Standard Bank
31 March 2019	Capital and Countries Ltd	*	27 854	609 224	Deutsche Bank	Standard Bank
31 March 2019	Compagnie Financiere Richmont	*	191 288	1 827 532	Deutsche Bank	Standard Bank
31 March 2019	Clicks Group Ltd	*	1 433	7 777	Deutsche Bank	Standard Bank
31 March 2019	Coronation Fund Managers Ltd	*	60 978	1 327 332	Deutsche Bank	Standard Bank
31 March 2019	Curro Holdings Ltd	*	10 462	440 875	Deutsche Bank	Standard Bank
31 March 2019	Capitec Bank Ltd	*	413 330	306 173	Deutsche Bank	Standard Bank
31 March 2019	Cashbuild Ltd	*	1 180	4 767	Deutsche Bank	Standard Bank
31 March 2019	Dischem Pharmacies Ltd	*	3 399	140 215	Deutsche Bank	Standard Bank
31 March 2019	Discovery Ltd	*	143 195	1 046 749	Deutsche Bank	Standard Bank
31 March 2019	EOH Holdings Ltd	*	3 705	356 202	Deutsche Bank	Standard Bank
31 March 2019	Fortress Income Fund	*	8 987	489 477	Deutsche Bank	Standard Bank
31 March 2019	First Rand Ltd	*	79 287	1 259 329	Deutsche Bank	Standard Bank
31 March 2019	Glencore Plc	*	11 838	197 336	Deutsche Bank	Standard Bank
31 March 2019	Group Five Ltd	*	35	39 290	Deutsche Bank	Standard Bank
31 March 2019	Growth Point Properties Ltd	*	26 343	1 078 751	Deutsche Bank	Standard Bank
31 March 2019	Harmony Gold Mining Ltd	*	59 520	2 201 183	Deutsche Bank	Standard Bank
31 March 2019	Impala Platinum Holdings Ltd	*	260 703	4 273 822	Deutsche Bank	Standard Bank
31 March 2019	Intu Properties Plc	*	68 925	3 429 124	Deutsche Bank	Standard Bank
31 March 2019	Kumba Iron Ore Ltd	*	78 496	182 422	Deutsche Bank	Standard Bank
31 March 2019	Lewis Group Ltd	*	2 492	80 128	Deutsche Bank	Standard Bank
31 March 2019	MMI Holdings Ltd	*	9 111	549 177	Deutsche Bank	Standard Bank
31 March 2019	Mondi Plc	*	176 430	555 021	Deutsche Bank	Standard Bank
31 March 2019	Massmart Ltd	*	27 024	339 923	Deutsche Bank	Standard Bank
31 March 2019	MTN Group Ltd	*	145 633	1 643 337	Deutsche Bank	Standard Bank
31 March 2019	Murray & Roberts Holdings Ltd	*	2 586	181 122	Deutsche Bank	Standard Bank
31 March 2019	Nedbank Group Ltd	*	157 948	628 672	Deutsche Bank	Standard Bank
31 March 2019	Northam Platinum Ltd	*	23 829	375 267	Deutsche Bank	Standard Bank
31 March 2019	Oceana Group Ltd	*	1 810	23 361	Deutsche Bank	Standard Bank
31 March 2019	Omnia Holdings Ltd	*	17 163	337 192	Deutsche Bank	Standard Bank
31 March 2019	Royal Bafokeng Platinum Ltd	*	231	17 005	Deutsche Bank	Standard Bank
31 March 2019	Resilient Prop Inc Fund	*	82 270	1 504 031	Deutsche Bank	Standard Bank
31 March 2019	Rhodes Food Group Ltd	*	4 688	284 976	Deutsche Bank	Standard Bank
31 March 2019	Standard Bank Group Ltd	*	249 829	1 348 748	Deutsche Bank	Standard Bank
31 March 2019	Sibanye Gold Ltd	*	175 988	11 188 050	Deutsche Bank	Standard Bank
31 March 2019	Sanlam Ltd	*	197 602	2 678 984	Deutsche Bank	Standard Bank
31 March 2019	Steinhoff International Holdings N.V.	*	66 694	35 475 573	Deutsche Bank	Standard Bank
31 March 2019	Trencor Ltd	*	3 333	124 813	Deutsche Bank	Standard Bank
31 March 2019	<b>Total</b>		<b>3 558 139</b>			

\* Collateral is not done on an individual stock basis level. Deutsche Bank collateralizes the total out on loan position across all securities. The security in place for the equity and bond collateral is done on a gross basis of the daily market value of listed equity shares and the daily market value of the bonds.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 3. INVESTMENTS (continued)

### 3.1 INVESTMENT SUMMARY (continued)

#### 3.1.6 Preference shares

	Total issued shares (number)	GEPF's shareholding (number)	GEPF's shareholding %	Fair value 2019 R'000	Fair value 2018 R'000
BK One Ltd	24 492 823	1 200 000	5	120	120
MTN Nigeria Communications Ltd	402 590 263	7 105 633	2	**	**
Zambezi Platinum (RF) Ltd	159 905 453	73 102 345	46	5 044 062	4 379 269
<b>Total preference shares</b>				<b>5 044 182</b>	<b>4 379 389</b>

\*\* The GEPF has a shareholding of 7 105 633 preference shares and 7 105 633 ordinary shares in MTN Nigeria Communications Ltd. The preference shares and ordinary shares are linked. The ordinary and preference shares have not been valued separately in the prior year. The total market value of both the preference and ordinary shares has been valued at R1.4 billion (2018: R1.0 billion) and is included in the market value of unlisted equity.

#### 3.1.7 Collective investment schemes

Description	Fair value 2019 R'000	Fair value 2018 R'000
Black Rock Advisors (UK)	70 217 284	68 871 750
Robeco Institutional Asset Management B.V.	22 260 488	17 520 286
Gemcorp Capital LLP	5 003 111	3 819 164
Cheyne Capital Management (UK) LLP	4 936 044	3 774 668
Enko Capital Management LLP	2 824 585	2 077 897
Mazi Africa Capital (Pty) Ltd	1 268 345	1 152 006
Coronation African Frontiers Unit Trust	1 076 980	940 027
H4 Collective Investments (RF) (Pty) Ltd	477 894	506 642
Sanlam Ltd	164 301	152 779
Investec Africa Unit Trust	101 016	82 839
Mazi Capital (Pty) Ltd	417	388
<b>Total</b>	<b>108 330 465</b>	<b>98 898 446</b>

The GEPF owns units in all above listed collective investment schemes.

### 3. INVESTMENTS (continued)

#### 3.1 INVESTMENT SUMMARY (continued)

##### 3.1.8 Risk management

###### Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/liquid asset with counterparty R'000	Guarantees	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty (% of the fair value of assets)
<b>Banks</b>						
ABSA Group Ltd	9 092 272	572 157	No	9 774 030	19 438 459	1
African Bank Ltd	2 690 000	–	No	671 500	3 361 500	–
Bank of America Merrill Lynch	–	510 129	No	–	510 129	–
Barclays Africa Group Ltd	–	–	No	4 488 595	4 488 595	–
BNP Paribas SA	–	–	No	37 355	37 355	–
Capitec Holdings Ltd	10 609 754	–	No	51 437	10 661 191	1
City Bank	–	–	No	2 112 563	2 112 563	–
Deutsche Bank	–	–	No	3 842 460	3 842 460	–
Development Bank SA Ltd	–	–	No	13 047 145	13 047 145	1
Ecobank Transnational Inc	1 798 680	1 463 600	No	–	3 262 280	–
FirstRand Ltd	29 923 361	502 760	No	12 065 772	42 491 893	2
HSBC Holdings Plc	–	3	No	–	3	–
International Bank for Reconstruction and Development	–	–	No	5 496 475	5 496 475	–
Investec Ltd	8 883 358	650 126	No	7 456 460	16 989 944	1
Land and Agricultural Development Bank	–	–	No	6 626 783	6 626 783	–
Nedbank Ltd	524 701	13 244 696	No	11 218 102	24 987 499	1
Rand Merchant Bank	11 631 771	–	No	–	11 631 771	1
Sasfin Holdings Ltd	–	2	No	–	2	–
Société Générale South Africa Ltd	–	20	No	–	20	–
South African Reserve Bank	67	116 883	No	–	116 950	–
Standard Bank Group Ltd	36 528 444	27 063 315	No	13 125 360	76 717 119	4
Venda Building Society Ltd	–	–	No	–	–	–
<b>Asset managers</b>						
H4 Collective Investments (RF) (Pty) Ltd	–	–	No	477 894	477 894	–
Black Rock Advisors (UK)	–	–	No	81 178 815	81 178 815	4
Coronation Asset Management (Pty) Ltd	1 907 171	–	No	1 076 979	2 984 150	–
Goldman Sachs Asset Management International	–	–	No	2 436 942	2 436 942	–
Investec Africa Unit Trust	–	–	No	101 016	101 016	–
JP Morgan Asset Management (UK) Ltd	–	–	No	4 808 120	4 808 120	–
Mazi Capital (Pty) Ltd	–	–	No	417	417	–
Novare Africa Property Fund	1 230 466	–	No	–	1 230 466	–
Robeco Institutional Asset Management B.V.	–	–	No	22 260 488	22 260 488	1
<b>Insurance companies</b>						
Alexander Forbes Ltd	408 162	–	No	–	408 162	–
Discovery Holdings Ltd	6 960 583	–	No	–	6 960 583	–
Liberty Group Ltd	2 464 875	–	No	56 654	2 521 529	–
MMI Holdings Ltd	2 140 014	–	No	405 156	2 545 170	–
Old Mutual Ltd	14 345 723	–	No	603 904	14 949 627	1
Sanlam Ltd	18 548 393	–	No	164 301	18 712 694	1
Santam Ltd	1 778 259	–	No	268 500	2 046 759	–

\* In the current year, all investments in Venda Building Society Ltd have been written down to zero.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 3. INVESTMENTS (continued)

### 3.1 INVESTMENT SUMMARY (continued)

#### 3.1.9 Market risk

##### Equity holdings

##### Ten largest rand-value equity holdings

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
Naspers Ltd	231 243 942	11 562 197
Anglo American Plc	64 796 672	3 239 834
MTN Group Ltd	42 020 047	2 101 002
Sasol Ltd	38 709 668	1 935 483
Standard Bank Group Ltd	36 528 444	1 826 422
FirstRand Ltd	29 923 361	1 496 168
Vodacom Group Ltd	27 317 969	1 365 898
British American Tobacco Plc	26 457 209	1 322 860
BHP Group Plc	19 936 735	996 837
Sanlam Ltd	18 548 393	927 420
<b>Total value of 10 largest equity holdings</b>	<b>535 482 440</b>	<b>26 774 121</b>
<b>As a percentage of total investments plus bank balances</b>	<b>29</b>	<b>1</b>

#### 3.1.10 Other financial instruments

##### Ten largest rand-value other financial instruments

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
Black Rock Global Equity Fund	56 069 592	2 803 480
RSA 197	51 802 413	2 590 121
RSA 210	28 109 196	1 405 460
RSA 2048	27 869 797	1 393 490
RSA 202	27 494 218	1 374 711
RSA 2037	24 419 708	1 220 985
RSA 2030	23 006 859	1 150 343
Robeco Equity Fund	22 260 488	1 113 024
RSA 212	20 791 063	1 039 553
RSA I2050	19 686 583	984 329
<b>Total value of 10 largest other instruments</b>	<b>301 509 917</b>	<b>15 075 496</b>
<b>As a percentage of total investments plus bank balances</b>	<b>16</b>	<b>1</b>

### 3. INVESTMENTS (continued)

#### 3.1 INVESTMENT SUMMARY (continued)

##### 3.1.11 Foreign currency exposure

Description	Fair value 31 March 2019 USD'000	Fair value 31 March 2019 R'000	Market movement by 5% R'000
Black Rock Advisors UK Ltd	5 601 243	81 178 815	4 058 941
Robeco Institutional Asset Management B.V.	1 535 947	22 260 488	1 113 024
Barclays Africa Group Ltd	668 875	9 694 000	484 700
Dangote Cement Plc	426 222	6 177 242	308 862
Pan African Infrastructure Development Fund	464 833	6 736 825	336 841
International Bank for Reconstruction and Development	379 250	5 496 475	274 824
Gemcorp Capital LLP	345 209	5 003 111	250 156
Cheyne Capital Management (UK) LLP	340 581	4 936 045	246 802
JP Morgan Asset Management (UK) Ltd	331 755	4 808 120	240 406
Ecobank Transnational Inc	225 093	3 262 280	163 114
ETG Inputs Holdco Ltd	196 000	2 840 628	142 031
Enko Capital Management LLP	194 893	2 824 585	141 229
Goldman Sachs Asset Management International	168 146	2 436 942	121 847
Bayport Management Ltd	142 000	2 058 006	102 900
Grit Real Estate Group NPV	114 041	1 652 797	82 640
MTN Nigeria Communications Ltd	100 200	1 452 199	72 610
Tanga Cement Company Ltd	95 454	1 383 419	69 171
Smile Telecoms Holdings Ltd	58 181	843 220	42 161
Mazi Africa Fund	87 514	1 268 345	63 417
Novare Africa Property Fund	84 901	1 230 466	61 523
Coronation Africa Frontiers Unit Trust	74 310	1 076 980	53 849
Vodacom Tanzania Ltd	56 848	823 896	41 195
S&S Refinery Holdings Ltd	19 761	286 400	14 320
Abraaj Africa Fund III	44 100	639 141	31 957
African Export-Import Bank	41 900	607 257	30 363
Republic of Angola	35 811	519 002	25 950
African Development Partners II LP	32 258	467 514	23 376
Kenya Electricity Generating Company Ltd	27 730	401 886	20 094
AP Ventures Fund	24 632	356 996	17 850
South Suez African Fund II LP	19 891	288 279	14 414
Kuvenco 1 Ltd	20 098	291 281	14 564
Convergence Partners Communications Infrastructure Fund	19 917	288 657	14 433
Kuramo Africa Opportunity II (Mauritius) LLC	19 627	284 457	14 223
Cipla Quality Chemical Industries Ltd	16 443	238 302	11 915
West Africa Emerging Fund	15 552	225 396	11 270
Capital Alliance Private Equity IV Ltd	11 884	172 235	8 612
Verod Capital Growth Fund II LP	10 361	150 167	7 508
Investec Africa Unit Trust	6 970	101 016	5 051
Yalu Financial Services (Pty) Ltd	3 345	48 483	2 424
Africa Food Security Fund	61	877	44
<b>Total value of foreign instruments</b>	<b>12 061 837</b>	<b>174 812 230</b>	<b>8 740 611</b>
<b>As a percentage of total investments plus bank balances</b>		<b>9%</b>	<b>-</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 4. FUNDING LOAN

	<b>2019</b> <b>R'000</b>	2018 R'000
Sefalana Employee Benefits Organisation (SEBO)	<b>6 716</b>	6 716

This is an unsecured, interest-free loan utilised to fund SEBO's property, plant and equipment. Recovery is dependent on the fair value of SEBO's assets upon liquidation.

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

## 5. ACCOUNTS RECEIVABLE

	<b>2019</b> <b>R'000</b>	2018 R'000
Accrued interest	<b>82 612</b>	75 395
Accrued dividend	<b>4 125 105</b>	3 806 902
Estates debt	<b>40 266</b>	35 725
Total estates debt	<b>99 779</b>	91 177
Less: provision for doubtful debts	<b>(59 513)</b>	(55 452)
Fraud cases debt	–	–
Total fraud cases debt	<b>60 713</b>	58 884
Less: provision for doubtful debts	<b>(60 713)</b>	(58 884)
Investment debtors	<b>3 413 066</b>	2 198 268
Lease debtor	<b>297 373</b>	267 892
Purchased service	<b>67 406</b>	64 420
Purchased service not recovered at retirement or death	<b>626</b>	711
South African Post Office	<b>27 590</b>	12 201
Sundry debtors	<b>3 475</b>	3 417
National Treasury	<b>2 330</b>	6 158
Temporary Employees Pension Fund	<b>267</b>	185
Prepayments	–	1 019 783
Overpayments	<b>50 966</b>	39 067
Total overpayments	<b>68 499</b>	54 789
Less: provision for doubtful debts	<b>(17 533)</b>	(15 722)
	<b>8 111 082</b>	7 530 124

## 6. CONTRIBUTIONS

	2019 R'000	2018 R'000
<b>6.1 CONTRIBUTIONS RECEIVABLE</b>		
Participating employers	147 169	141 411
Additional employer contributions*	1 988 791	1 913 737
Additional NSF employer contributions**	1 092 443	1 653 992
Interest on outstanding contributions	2 492	1 714
<b>Statement of net assets and funds</b>	<b>3 230 895</b>	<b>3 710 854</b>

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

\*\* This is an amount owing to the GEPP in respect of additional liabilities arising out of the revised NSF pension dispensation. The additional cost will have to be met by each individual employer.

	Contributions accrued 2019 R'000	Contributions received 2019 R'000	Contributions receivable 2019 R'000	Contributions receivable 2018 R'000
<b>6.2 RECONCILIATION OF CONTRIBUTIONS RECEIVABLE</b>				
Member contributions	26 887 860	(26 887 860)	–	–
Employer contributions	48 247 878	(48 728 615)	3 228 403	3 709 140
Interest on outstanding contributions	3 022	(2 244)	2 492	1 714
	<b>75 138 760</b>	<b>(75 618 719)</b>	<b>3 230 895</b>	<b>3 710 854</b>
<b>Statement of changes in net assets and funds</b>				<b>75 138 760</b>

## 7. CASH AND CASH EQUIVALENTS

	2019 R'000	2018 R'000
Cash resources	1 589 748	2 683 056
Short-term investments	27 257 586	19 513 638
	<b>28 847 334</b>	<b>22 196 694</b>

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



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 8. RESERVES

In terms of a collective agreement negotiated and agreed to in the PSCBC, an actuarial reserve was set aside to address past discriminatory practices.

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

	Ciskei strikers' reserve 2019 R'000	General assistants' reserve 2019 R'000	Other past discriminatory practices' reserve 2019 R'000	Total reserve accounts 2019 R'000
<b>Balance at the beginning of the year</b>	160 831	123 580	8 639 065	8 923 476
<b>Transfers and benefits</b>	(4 455)	–	–	(4 455)
Benefits paid	(4 455)	–	–	(4 455)
<b>Net loss after transfers and benefits</b>	(4 455)	–	–	(4 455)
Transfer from net investment return to reserves	11 707	8 996	386 315	407 018
<b>Balance at the end of the year</b>	168 083	132 576	9 025 380	9 326 039

## 9. UNCLAIMED BENEFITS

	2019 R'000	2018 R'000
<b>Balance at the beginning of the year</b>	667 902	491 782
Transferred from benefits	1 728 822	1 626 536
Benefits paid	(1 782 286)	(1 623 522)
Interest provision	248 684	173 106
<b>Balance at the end of the period</b>	863 122	667 902

### RECONCILIATION OF NUMBER OF CASES

	Cases	2019 R'000 Amount	Cases	2018 R'000 Amount
Payments rejected by the banks	4 058	217 226	3 583	94 825
Cases available for internal tracing	3 534	289 605	2 279	143 904
Unclaimed funeral benefits	103	1 142	43	385
Tax directives declined	724	37 435	735	38 546
Family disputes cases	208	113 960	190	135 349
Cases available for external tracing	8 886	203 754	9 350	254 893
<b>Balance at the end of the period</b>	17 513	863 122	16 180	667 902

## 10. BENEFITS

	Benefits payable 2018 R'000	Benefits accrued current year 2019 R'000	Benefits paid during year 2019 R'000	Benefits transferred to unclaimed benefits 2019 R'000	Benefits payable 2019 R'000
Net benefit payments	26 790 164	102 500 959	(94 876 686)	(1 727 486)	32 686 951
Gratuities	3 967 352	16 727 980	(15 954 252)	(367 202)	4 373 878
Withdrawal benefits	13 533 139	29 151 271	(25 208 660)	(693 610)	16 782 140
Monthly pensions	1 520 505	46 028 340	(45 649 906)	(39 803)	1 859 136
Retrenchment benefits	131 552	105 547	(187 228)	(412)	49 459
Death benefits	7 559 822	7 272 668	(4 768 033)	(574 019)	9 490 438
Funeral benefits	47 624	361 302	(337 542)	(4 310)	67 074
Child and orphans benefits**	30 170	100 873	(77 440)	(2 857)	50 746
Divorce benefits	–	2 751 958	(2 692 605)	(45 273)	14 080
Unclaimed benefits***	–	1 020	(1 020)	–	–
Interest to members	4 080 489	6 831 529	(1 469 311)	(1 336)	9 441 371
Benefits payable****	30 870 653	109 332 488	(96 345 997)	(1 728 822)	42 128 322

## Statement of changes in net assets and funds

102 500 959

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

The new child's benefits replaced the orphans' benefits with effect from 1 June 2018. The concern about the orphans' pension was that both parents had to be deceased for a child to qualify for a pension. With the new child's pension, the death of one parent who is a member or pensioner of the Fund occurring from 01 June 2018 will result in an eligible child being entitled to a child's pension.

\*\*\* Unclaimed benefits are not currently written back to income as per the Prescription Act but will remain in the Fund as unclaimed until the member has been traced. These are claims which were written off and paid in the current year due to policy changes.

\*\*\*\* Benefits payable as at 31 March 2019 and benefits accrued during the year includes an amount of R10.3 billion (2018: R6.3 billion) representing exit cases that were not fully processed at year-end.

Benefits payable age analysis is summarised as follows:

	Cases	2019 R'000	Cases	2018 R'000
<b>Current</b>				
<2 years	35 627	23 279 742	28 564	19 316 330
<b>Unpaid benefits</b>				
2 – 5 years	25 950	3 145 738	25 690	1 850 801
>5 years	71 618	13 642 741	69 464	8 203 551
<b>Contingency provision</b>	–	1 977 864	–	1 446 423
<b>Orphans' benefits</b>	2 523	48 761	319	30 170
<b>Interest on NSF benefits</b>	295	33 476	195	23 378
<b>Total</b>	<b>136 013</b>	<b>42 128 322</b>	<b>124 232</b>	<b>30 870 653</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 11. TRANSFERS

### 11.1 TRANSFERS TO OTHER FUNDS

	Effective date	Number of members	Transfers payable 2018 R'000	Transfers approved 2019 R'000	Return on transfer 2019 R'000	Transfers paid 2019 R'000	Transfers payable 2019 R'000
Bulk transfers in terms of Rule 12 of the GEP Law							
Municipal transfers	2018/2019	240	860	176 105	16 643	(192 709)	899
		240	860	176 105	16 643	(192 709)	899
Transfers approved							176 105
Return on transfers							16 643
<b>Statement of changes in net assets and funds</b>							<b>192 748</b>

### 11.2 TRANSFERS FROM OTHER FUNDS

	Effective date	Number of members	Transfers receivable 2018 R'000	Transfers approved 2019 R'000	Return on transfers 2019 R'000	Transfer received 2019 R'000	Transfers receivable 2019 R'000
Transfers in terms of Rule 12 of the GEP Law							
Individual transfers	2018/2019	248	1 397	102 494	186	(102 646)	1 431
		248	1 397	102 494	186	(102 646)	1 431
Transfer approved							102 494
Return on transfers							186
<b>Statement of changes in net assets and funds</b>							<b>102 680</b>

## 12. ACCOUNTS PAYABLE

	<b>2019</b>	2018
	<b>R'000</b>	R'000
Administrative creditors	<b>19 280</b>	1 557
Operating lease accrual	<b>352</b>	195
Child maintenance (court orders)	<b>773</b>	549
Contributions (employers)	<b>7 930</b>	5 594
Dormant members	<b>466</b>	469
Associated Institutions Pension Fund	<b>3 140</b>	1 511
Government Pensions Administration Agency	<b>84 486</b>	59 896
Investment creditors	<b>2 518 887</b>	3 066 393
National Treasury	<b>–</b>	366
Outstanding SA Post Office vouchers	<b>26 236</b>	10 917
Portfolio management fees payable	<b>352 440</b>	157 349
Sundry creditors	<b>331 554</b>	344 774
	<b>3 345 544</b>	3 649 570

## 13. PROVISIONS

	<b>2019</b>	2018
	<b>R'000</b>	R'000
Provision for accumulated leave pay	<b>773</b>	769
Balance at beginning of year	<b>769</b>	728
Provided	<b>773</b>	1 500
Utilised	<b>(769)</b>	(1 459)
Provision for bonuses	<b>8 302</b>	6 900
Balance at beginning of year	<b>6 900</b>	5 177
Provided	<b>7 410</b>	7 628
Utilised	<b>(6 008)</b>	(5 905)
<b>Balance at end of year</b>	<b>9 075</b>	7 669

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 14. PURCHASE OF PERIODS OF SERVICE

	2019 R'000	2018 R'000
GEPF members	38 860	26 621
Divorce benefits	791 152	733 568
Past discriminatory members	4 455	13 110
	<b>834 467</b>	773 299

## 15. NET INVESTMENT INCOME

Income from investments	88 264 440	77 973 012
Dividends	34 825 209	30 556 944
Interest	47 915 778	44 620 259
Other income	393 004	428 716
Foreign exchange gain	2 934 215	–
Reversal of impairment <sup>3</sup>	454 242	624 785
Property income	1 741 992	1 742 308
Net profit on sale of investments <sup>1</sup>	11 376 097	18 716 127
Adjustment to fair value	(40 455 432)	69 033 759
Impairment of investments <sup>2</sup>	(8 766 971)	(7 390 611)
<b>Total investment income</b>	<b>50 418 134</b>	<b>158 332 287</b>
Less: expenses incurred in managing investments		
– Management fees – externally managed	(1 729 469)	(1 600 933)
– Management fees and other expenses – internally managed	(470 429)	(179 845)
– Property expenses	(849 656)	(938 680)
– Transaction costs and other expenses	(591 404)	(2 203 620)
<b>Total investment expenses</b>	<b>(3 640 958)</b>	<b>(4 923 078)</b>
<b>Net investment income</b>	<b>46 777 176</b>	<b>153 409 209</b>
<sup>1</sup> Profit on sale of investments	18 085 366	20 468 037
Loss on sale of investments	(6 709 269)	(1 751 910)
Net profit on sale of investments	11 376 097	18 716 127

<sup>2</sup> Some of the loans entered into by the PIC on behalf of the GEPF in their capacity as the Fund's asset manager have been impaired based on the independent valuation as stated on the following page.

<sup>3</sup> In the current year, reversals of impairment were recognised for companies listed in the schedule of reversals of impairment below.

## 15. NET INVESTMENT INCOME (continued)

### SCHEDULE OF IMPAIRMENTS

	2019 R'000	2018 R'000
Afrisam Group (Pty) Ltd	2 354 506	252 815
Lancaster Group	959 277	4 275 782
Erin Energy Corporation Ltd	867 764	–
Allied Mobile Communications (Pty) Ltd	646 054	269 782
Smile Telecoms Holdings (Ltd)	542 057	–
Firefly Investments 326 (Pty) Ltd	480 633	–
S&S Refinery (Pty) Ltd	490 838	–
Business Venture Investments 1828 (Pty) Ltd	441 610	–
Musa Group (Pty) Ltd	368 284	–
Independent News and Media SA (Pty) Ltd	338 510	1 058 320
Kuseni Group (Pty) Ltd	307 067	89 456
Sub Saharan Investment Holdings (Pty) Ltd	227 485	110 101
Firefly Investments 319 (Pty) Ltd	104 082	–
Acapulco Trade and Investment 164 (RF) (Pty) Ltd	82 290	–
Firefly Investments 230 (RF) (Pty) Ltd	78 732	123 548
Dikgosi Tailings Processing (Pty) Ltd	68 444	117 577
Honsha Property (Pty) Ltd	67 722	–
ACWA Power Solafrika Bokpoort CSP Power Plant (Pty) Ltd	67 954	–
Sakhumnotho Property Holdings (Pty) (Ltd)	43 706	–
Magae Makhaya Housing	41 859	–
Venda Building Society	40 619	374 700
Jasper Power Company RF (Pty) Ltd	33 556	–
Friedshelf 1518 (Pty) Ltd	39 582	–
Madibeng Municipality	29 205	–
Just Veggies (Pty) Ltd	13 699	15 500
King Sabata Dalindyebo Municipality	8 129	–
La Crushers (Pty) Ltd	7 882	50 351
Kiaat Nozala Health Partners (Pty) Ltd	4 958	5 840
Mucet Investments (Pty) Ltd	3 002	–
Kiaat Bridge Facility	2 646	19 754
Kiaat Private Hospital (Pty) Ltd	2 637	22 859
Hot Dog Café (Pty) Ltd	1 053	140
Kiaat Ndabezitha Trust	557	484
Multisource (Pty) Ltd	433	1 866
Kiaat Lehakwe Trust	139	121
Afgri Poultry (Pty) Ltd	–	491 567
Kuenco 1 Ltd	–	63 465
Zamalwandle Transport Logistics (Pty) Ltd	–	44 146
Botshilu Private Hospital (Pty) Ltd	–	2 437
<b>Total</b>	<b>8 766 971</b>	<b>7 390 611</b>

In arriving at the impairment figures, the GEPF took the following impairment triggers into account that were considered as applicable to all of its impaired investments:

- Uncertainties on the going concern on audited financial statements of its investees;
- Actual breaches of any original funding agreements, that resulted in renegotiation of those agreements;
- Where cash flow projections have been revised downwards, it resulted in a decrease in enterprise values of investees; and
- Anticipated pressure on investees in servicing their debt obligations.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 15. NET INVESTMENT INCOME (continued)

### SCHEDULE OF REVERSALS OF IMPAIRMENT

	2019 R'000	2018 R'000
Afgri Poultry (Pty) Ltd	400 783	297 441
Zamalwandle Transport Logistics (Pty) Ltd	29 547	11 623
Just Veggies (Pty) Ltd	8 920	–
Kiaat Private Hospital (Pty) Ltd	7 639	10 426
Botshilu Private Hospital (Pty) Ltd	7 353	–
Friedshelf 1511 (Pty) Ltd	–	235 732
Friedshelf 1518 (Pty) Ltd	–	33 849
Projectprop (Pty) Ltd	–	26 143
Entabeni Holdings (Pty) Ltd	–	8 400
Ngwenyama Trading 58 (Pty) Ltd	–	1 171
<b>Total</b>	<b>454 242</b>	<b>624 785</b>

## 16. OTHER INCOME

	2019 R'000	2018 R'000
<b>Interest received</b>		
Arrear contributions	4 325	7 065
Purchase of service	4 535	4 894
Additional employer contributions – early retirement	166 774	154 674
Additional employer contributions – NSF	175 751	228 748
Operating bank account	65 315	80 182
Other	891	137
	<b>417 591</b>	<b>475 700</b>

## 17. ADMINISTRATIVE EXPENDITURE

### 17.1 TOTAL ADMINISTRATIVE EXPENDITURE

	2019 R'000	2018 R'000
Administration expenses	968 157	911 138
Actuarial fees	3 268	1 681
Investment accounting fees	3 561	3 112
Investment performance analysis	5 303	4 249
Audit fees	4 065	3 530
Depreciation	1 716	1 391
Foreign currency loss	161	140
Legal costs	10 255	13 192
Bad debts	6 439	6 737
Loss/ (profit) on sale of equipment	(24)	–
Operating expenses	39 117	38 272
Operating lease payments	5 633	6 159
Operating lease smoothing adjustment	352	(674)
Personnel expenses	51 416	40 392
Personnel expenditure (refer to note 17.2)	21 336	16 309
Executive officer expenditure (refer to note 17.3)	10 328	7 565
Principal Executive Officer expenditure (refer to note 17.4)	5 882	4 957
Trustee expenditure (refer to note 17.5)	13 870	11 561
Increase in provision for doubtful debt	7 701	7 215
	<b>1 107 120</b>	<b>1 036 534</b>

## 17. ADMINISTRATIVE EXPENDITURE (continued)

### 17.2 PERSONNEL REMUNERATION AND EXPENSES

	2019 R'000	2018 R'000
Remuneration to permanent and contract employees	18 931	14 520
Retirement fund contributions	1 661	1 166
Training expenses	609	385
Other benefits (housing, medical, etc.)	135	238
	<b>21 336</b>	16 309

### 17.3 EXECUTIVE OFFICERS' REMUNERATION AND EXPENSES

Name	Position	2019 R'000			2018 R'000		
		Cost to Company	Short-Term Incentives	Total	Cost to Company	Short-Term Incentives	Total
Musa Mabesa	Head: Corporate Services	R1 713	R705	R2 418	R1 354	R493	R1 847
Linda Mateza	Head: Investments and Actuarial	R2 492	R777	R3 269	R2 379	R705	R3 084
Babs Naidoo	Head: Stakeholder Management and Communications	R1 770	R544	R2 314	R436		R436
Adri van Niekerk	Company Secretary	R1 773	R550	R2 323	R1 692	R506	R2 199

### 17.4 PRINCIPAL OFFICER'S REMUNERATION AND EXPENSES

	2019 R'000	2018 R'000
Remuneration and allowances	4 197	3 780
Bonuses	1 685	1 177
	<b>5 882</b>	4 957

### 17.5 BOARD OF TRUSTEES' REMUNERATION AND EXPENSES

Meeting allowances	11 305	10 980
Expenses	2 565	581
	<b>13 870</b>	11 561



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 17. ADMINISTRATIVE EXPENDITURE (continued)

### 17.6 TRUSTEE REMUNERATION 2018/19

Name	Meeting attendance fee	Retainer fee	Subsistence and travel	Total paid
Ms Lindy Bodewig	–	–	R17 454	R17 454
Mr Corn Booyens*	–	R11 954	–	R11 954
Mr Sibonelo Cele	R420 960	R84 757	R13 244	R518 961
Mr Terrence Chauke	R443 762	R82 479	R13 518	R539 759
Col Johan Coetzer	R499 648	R84 757	R22 221	R606 626
Maj Gen Dries de Wit	R342 352	R47 814	R13063	R403 229
Dr Vuyo Dyantyi	R293 644	R65 744	R3 118	R362 507
Mr Themba Gamedze	R443 549	R108 664	R15 916	R568 129
Mr Kenny Govender	–	–	–	–
Brig Johan Griesel	R219 136	R47 814	R647	R267 597
Ms Jenny Jeftha	R468 838	R59 639	R13 689	R542 166
Ms Jennita Kandailal	R420 760	R84 757	R20 604	R526 121
Mr Edward Kekana	R605 566	R200 648	R17 699	R823 913
Mr Sidney Kgara	–	–	R10 145	R10 145
Ms Thandi Khoza	R241 052	R47 814	R10 904	R299 770
Dr Barry Kistnasamy*	–	–	R647	R647
Mr Mpho Kwinika*	–	R21 189	–	R21 189
Dr Frans Le Roux	R460 204	R69 545	R727	R530 475
Mr James Maboab*	–	R11 954	R966	R12 920
Ms Mantuka Maisela	R325 341	R69 947	R21 464	R416 752
Mr Seth Makhani*	–	R39 077	R13 933	R53 010
Ms Kgomotso Makhupola	R450 631	R120 489	R32 857	R603 977
Mr Mugwena Maluleke	R105 184	R47 814	R200	R153 198
Corp Thobile Maqhubela	R254 200	R47 814	–	R302 014
Mr Success Mataitsane	R302 412	R65 744	R605	R368 761
Dr Lese Mathape	R178 378	R23 907	R18 508	R220 793
Rear Adm (JG) Gladys Mbulaheni	R241 052	R47 814	–	R288 866
Mr Stadi Mngomezulu	–	–	R6 603	R6 603
Ms Gladys Modise*	–	R21 189	–	R21 189
Ms Edith Mogotsi*	R3 560	R39 077	(R3 944)	R38 693
Dr Renosi Mokate	R559 474	R206 400	R49 192	R815 066
Mr Thabo Mokwena	R368 368	R84 757	R12 028	R465 153
Mr Richard Morris	R327 349	R95 457	R14 036	R436 842
Ms Moira Moses*	–	R44 987	–	R44 987
Adv Sibusiso Mtsweni	R228 104	R47 814	R22 370	R298 288
Adv Makhubalo Ndaba	R520 710	R87 389	R46 389	R654 488,57
Ms Dorothy Ndhlovu*	–	R21 189	–	R21 189
Lt Gen Lineo Ntshiea	R433 908	R84 757	R12 742	R531 407
Mr Peter Ntsime*	–	R11 954	–	R11 954
Dr Anban Pillay*	–	–	R1 528	R1 528
Dr Morgan Pillay	R289 280	R84 757	R23 018	R397 055
Ms Suveena Pillay	R219 136	R47 814	R8 523	R275 473
Mr John Raphela	R191 526	R23 907	R19 608	R235 041
Maj Gen Malungisa Sitshongaye	R333 304	R84 757	R9 732	R427 793
Mr Pierre Snyman	R411 992	R84 757	R16 532	R513 281
Mr Khaya Sodidi	R254 400	R47 814	R9 853	R312 067
Mr Alan Thompson	–	–	–	–
Adv Nonku Tshombe	R254 400	R47 814	R10 921	R313 135
Ms Barbara Watson*	R21 969	R33 100	–	R55 069
<b>TOTAL</b>	<b>R11 134 149</b>	<b>R2 691 825</b>	<b>R521 261</b>	<b>R14 347 235</b>

\* Tenure ended on 20 May 2018

## 18. INTEREST EXPENSE

	2019 R'000	2018 R'000
Interest paid to members	6 831 529	2 287 092
Interest paid to members exited from the GEPF	6 664 623	2 070 626
Interest paid to external funds in respect of members exited from the GEPF	113 356	167 659
Interest paid to NSF members	53 550	48 807
Interest paid to dormant members	42	43
	<b>6 831 571</b>	<b>2 287 135</b>

## 19. OPERATING LEASE

### INCOME

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

Receivable within one year	1 032 749	1 075 139
Receivable between two and five years	2 150 588	2 421 606
Receivable after five years	1 188 420	1 253 406
	<b>4 371 757</b>	<b>4 750 151</b>

### EXPENSES

Future minimum lease payments under non-cancellable operating leases:

Payable within one year	4 449	1 415
Payable between two and five years	18 533	–
	<b>22 982</b>	<b>1 415</b>

## 20. CASH GENERATED FROM OPERATIONS

### Net income after transfers and benefits

Adjusted for:

Net income after transfers and benefits	12 633 821	127 379 148
Adjusted for:	<b>(33 751 841)</b>	<b>(149 267 665)</b>
Interest income	<b>(48 333 369)</b>	<b>(45 095 959)</b>
Interest expense	6 831 571	2 287 135
Divorce benefits	2 751 958	2 826 027
Dividends received	<b>(34 825 209)</b>	<b>(30 556 944)</b>
Adjustment to fair values of investments	40 455 432	(69 033 759)
Profit on sale of investments	<b>(11 376 097)</b>	<b>(18 716 127)</b>
Impairment of investments	8 766 971	7 390 611
Reversal of impairment	<b>(454 242)</b>	<b>(624 785)</b>
Foreign currency (income)/ loss	<b>(2 934 054)</b>	<b>1 186 779</b>
Depreciation	1 716	1 391
Profit on sale of equipment	<b>(24)</b>	<b>–</b>
Lease smoothing	352	(674)
Bad debt written off	6 439	6 737
Increase in doubtful debt provision	7 701	7 215
Movement in provisions	6 093 413	2 365 518
Net transfers (in)/out	<b>(744 399)</b>	<b>(1 310 830)</b>

### Adjusted net income after transfers and benefits

### Changes in working capital

Adjusted net income after transfers and benefits	<b>(21 118 020)</b>	<b>(21 888 517)</b>
Changes in working capital	1 512 910	75 892
Decrease/(increase) in accounts receivable	<b>1 464 678</b>	<b>150 866</b>
Increase/(decrease) in accounts payable	<b>48 232</b>	<b>(74 974)</b>

### Cash flow generated from operations

Cash flow generated from operations	<b>(19 605 110)</b>	<b>(21 812 625)</b>
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

## 21. FINANCIAL MANAGEMENT AND ASSOCIATED RISKS

Investment activities expose the GEPF to various types of risks that are associated with the financial instruments and the asset classes in which the portfolio is invested. Market, Credit, Liquidity and Solvency risk exposures are on the account of the GEPF's strategic asset allocation percentages for the various asset classes, which are set to counter inflation risk that affect the GEPF's liabilities and assets. The nature and extent of financial instruments as at financial year-end and the risk management policies employed by the GEPF and its investment administrator are discussed below.

### 21.1 MARKET RISK AND INTEREST RATE RISK

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to adverse movements in market factors, irrespective of whether such fluctuations are caused by circumstances particular to the investment(s) or general market dynamics.

Investment managers are required to diversify investments of the GEPF and make investments within the specified asset allocation such that the performance of the asset classes are similar to the performance of corresponding sectors of the market as a whole and that exposure to a single investment is within an acceptable tolerance level.

Equities are the most volatile asset class and therefore the biggest source of short-term risk for the portfolio. The Investment Committee, on behalf of the Board, monitors this risk against predetermined benchmarks. The fair value of the equity portfolio at 31 March 2019 was R1 031.1 billion (2018: R1 033.1 billion).

Furthermore, market risk exposure is managed through adherence to investment mandate requirements, such as tracking error and duration limits relative to the respective benchmarks.

Interest rate risk is the risk that the value of a financial instrument or the income received from such instruments will fluctuate due to adverse movements in interest rates. Interest rate risk is managed and evaluated through scenario analysis and stress tests, which measures the sensitivity of the company's investment interest income and market value of the portfolio to extreme interest rate movements.

### 21.2 CREDIT RISK

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

Credit risk is managed by utilising internal models, as well as ratings from external credit rating agencies. Credit related limits are approved by the relevant committees, in accordance with the Board-approved Delegation of Authority. Risk reports are submitted to the Portfolio Management Committee, Investment Committee, Audit and Risk Committee and the Board.

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

### 21.3 LIQUIDITY RISK

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

Liquidity risk is managed by investing in liquid assets such as money market instruments, bonds, fixed deposits and promissory notes as well as liquid debt issues from government, municipalities and other approved issuers. In addition to this, a substantial amount is kept in cash to further mitigate this risk.

### 21.4 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument denominated in a currency other than the reporting currency may fluctuate due to changes in foreign currency exchange rates, between the reporting currency and the currency in which the instrument is denominated.

The Fund's exposure to currency risk is mainly in respect of the foreign investment mandates that are denominated in US dollar. Currency risk is managed primarily by setting limits to strategic asset allocation percentages for foreign asset classes and hedging in other instances.

## 21.5 SOLVENCY RISK

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

## 21.6 CONCENTRATION RISK

Concentration risk is the risk of losses arising due to poor diversification within funds. This relates to both credit and market risk as excessive concentrations in a particular or correlated sector, issuer, asset class, term structure or financial instrument type can result in undesirable risk exposures. This risk is managed in accordance with investment mandates and approved policies, which dictate the level of acceptable concentration.

## 22. RELATED PARTIES

With regards to the Fund, the majority of the participating employers relate to the entire government and the predominant numbers of GEPF transactions are with related government entities. This would result in an exorbitant amount of related party disclosure, which in the opinion of the Trustees would not necessarily add value to the users of the financial statements.

- Contributions received of R48.7 billion (2018: R45.5 billion) and contributions receivable of R318 million (2018: R405 million) are from the employer, which is the government of the Republic of South Africa.
- Trustees of the Fund who are also members of the Fund contribute to the Fund and may receive benefits upon exit from the Fund in terms of the Fund rules.
- Remuneration and expenses of key management personnel is disclosed in note 17 to the annual financial statements.
- The PIC is wholly-owned by the government of the Republic of South Africa. Management fees amounting to R1.1 billion (2018: R1.1 billion) were paid from the Fund to the PIC for investment management services in terms of the approved investment mandate.
- An amount of R968 million (2018: 911 million) was paid to the GPAA as remuneration for administration services provided to the Fund.

## 23. CONTINGENT LIABILITIES

### 23.1 BENEFITS

A contingent liability exists for members that exited from the GEPF prior to 31 March 2019, for whom no duly completed exit documentation has been received. The GEPF cannot estimate the benefits payable to such members exactly, because the quantum of the liability is dependent on:

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

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

### 23.2 PENDING LITIGATION

No contingent liability exists in respect of a legal claim against the GEPF on the date on which the financial statements were approved.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 23. CONTINGENT LIABILITIES (continued)

### 23.3 FINANCIAL GUARANTEES

- An agreement with Deutsche Bank AG, Econet New ARX Limited and Econet Global Limited:

Deutsche Bank AG offered a loan of USD 275 million on 14 August 2018 for a period of 36 months to Econet New ARX Limited for operating and capital expenses. Econet Global provided a guarantee for the above loan and provided collateral of 33.5% of Liquid Telecom shares (currently this stake is diluted to 28.83% post an investment of USD180 million in Liquid Telecom). The PIC on behalf of GEPP entered into a risk participation agreement with Deutsche Bank on the above loan. In terms of the risk participation agreement the GEPP has to provide a pledge of global bonds to Deutsche Bank (110% of outstanding loan from Econet New ARX limited) in return for a cash interest margin. The risk participant (PIC on behalf of GEPP) guarantees to repay the outstanding loan if there is a default from the borrower.

- Maximum Trigger event – Amount                      USD 285 million
- Trigger event    Default on loan

For the period to 31 March 2019 there has not been any trigger event that has occurred and the maximum exposure amount has been disclosed.

- The guarantee agreement with GroCapital

The PIC entered into an agreement granting Nedbank a right to require the PIC, on the occurrence of a trigger event, to purchase from Nedbank all the present and future liabilities and obligations of Nedbank's Facility in Grocapital Holdings.

As part of the transaction, the PIC was required, together with all other shareholders to fund the shareholder loans in SABA. Due to the rate being lower than the required return for the fund, the support was provided to Nedbank in order for Nedbank to fund the obligations.

- Maximum Trigger event – Amount                      R250 million
- Trigger event    Default on loan

For the period to 31 March 2019 there has not been any trigger event that has occurred and the maximum exposure amount has been disclosed.

- The guarantee agreement ETI and Deutsche Bank AG

Deutsche Bank provided a 5 year USD 250 million Convertible Loan Facility to ETI and for a participation fee, the PIC has Guaranteed Deutsche Bank the full extent of the loan in the event of default by ETI. The PIC Guarantee is backed by Off-shore bonds to the value of USD 250m (plus 10% Haircut) that have been ring-fenced in a collateral account.

- Maximum Trigger event – Amount                      USD 250 million (plus any outstanding interest at LIBOR + 6,46)
- Trigger event    Default on loan

For the period to 31 March 2019 there has not been any trigger event that has occurred and the maximum exposure amount has been disclosed.

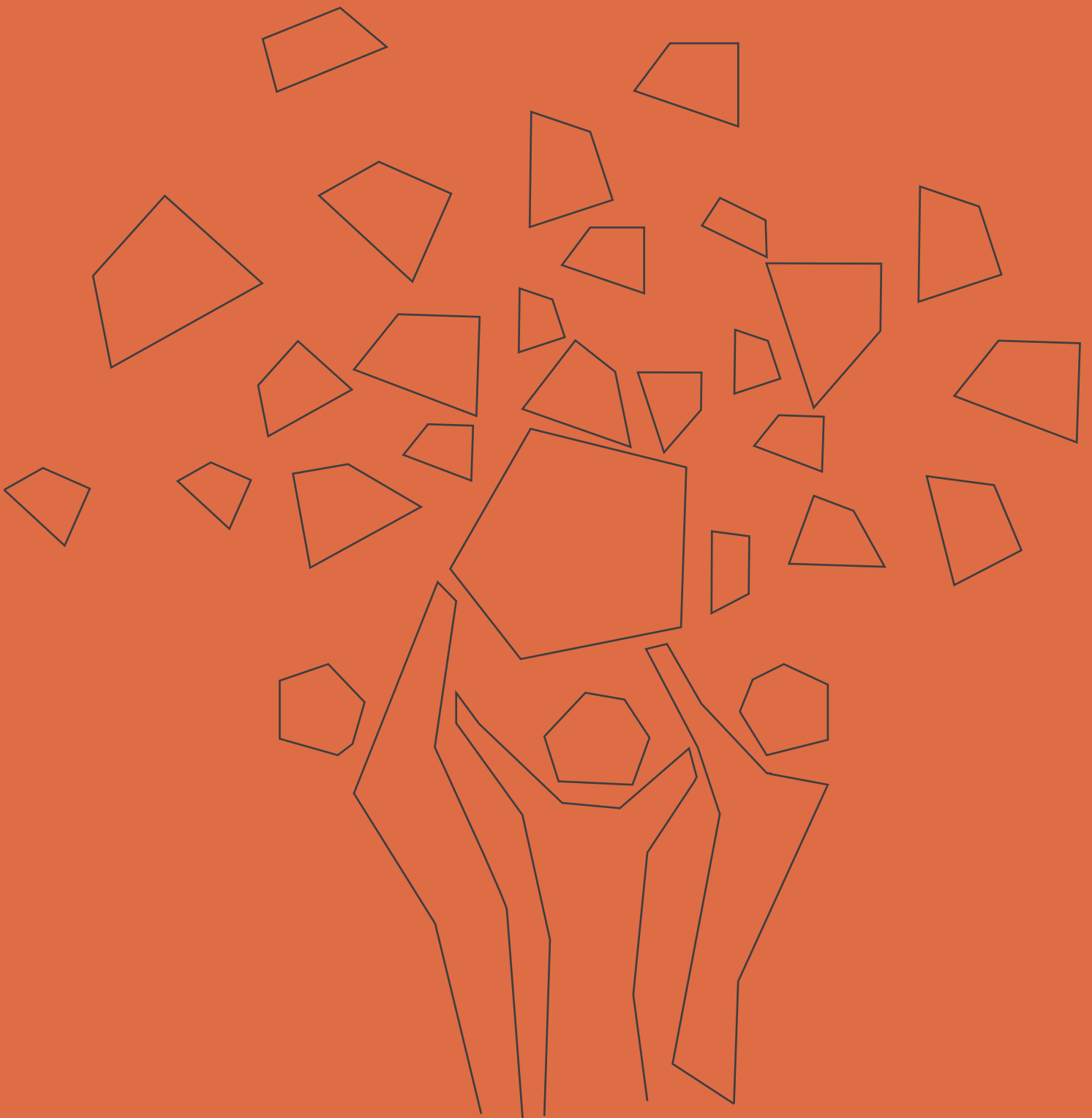
## 24. CAPITAL COMMITMENTS

### 24.1 CAPITAL COMMITMENTS CURRENT YEAR

Name of fund	Total commitment 2019 USD'000	Drawn commitment 2019 USD'000	Undrawn commitment 2019 USD'000	Total commitment 2019 R'000	Drawn commitment 2019 R'000	Undrawn commitment 2019 R'000	Estimated repayable period
ADPI II	30 000	24 967	5 033	434 790	361 843	72 947	1 year
Cape IV	20 000	12 341	7 659	289 860	178 852	111 008	5 years
PAIDF I	250 000	250 000	–	3 623 250	3 623 250	–	–
PAIDF II	350 000	221 627	128 373	5 072 550	3 212 046	1 860 504	2 years
South Suez	25 000	18 266	6 734	362 325	264 733	97 592	7 years
Verod	10 000	9 524	476	144 930	138 028	6 902	2 years
<b>Total</b>	<b>685 000</b>	<b>536 725</b>	<b>148 275</b>	<b>9 927 705</b>	<b>7 778 752</b>	<b>2 148 953</b>	

### 24.2 CAPITAL COMMITMENTS PREVIOUS YEAR

Name of fund	Total commitment 2018 USD'000	Drawn commitment 2018 USD'000	Undrawn commitment 2018 USD'000	Total commitment 2018 R'000	Drawn commitment 2018 R'000	Undrawn commitment 2018 R'000	Estimated repayable period
ADPI II	30 000	19 938	10 062	354 711	235 741	118 970	2 years
Cape IV	20 000	8 967	11 033	236 474	106 023	130 451	6 years
PAIDF I	250 000	247 680	2 320	2 955 925	2 928 494	27 431	1 year
PAIDF II	350 000	87 504	262 496	4 138 295	1 034 621	3 103 674	3 years
South Suez	25 000	13 865	11 135	295 592	163 936	131 656	8 years
Verod	10 000	7 855	2 145	118 237	92 875	25 362	3 years
<b>Total</b>	<b>685 000</b>	<b>385 809</b>	<b>299 191</b>	<b>8 099 234</b>	<b>4 561 690</b>	<b>3 537 544</b>	



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RP 363/2019  
ISBN 978-0-621-47945-4