Annual Report 2013

Responsibly investing in your future

GEPF

your investment, your future

Vision, Mission and Values

Vision

We seek to be a role model for pension funds worldwide.

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 timely and efficient delivery of the benefits provided in the rules.
- Protect pensions against inflation to the maximum extent possible, while maintaining the Fund's financial soundness.
- Invest responsibly by engaging with organisations in which we invest to encourage good governance, social equity and sound environmental practices.
- Empower our members, pensioners and other stakeholders through adequate communication.
- Champion retirement industry initiatives.

Values

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

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

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

Empathy means:
- working collectively and cooperatively with our stakeholders;
- caring; and
- maintaining customer focus.

Professionalism means:
- acting with due diligence, competence, confidentiality and reliability.

Innovation means:
- championing research and development in the retirement industry worldwide.

"We are an organisation that understands the weight of our responsibility."

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"GEPF seeks to be a role model for pension funds worldwide"

Minister's Note to Parliament

Hon PJ Gordhan
Minister of finance

To the Speaker of Parliament

Annual report of the Government Employees Pension Fund for the year ended 31 March 2013

I have the honour, in terms of Section 9(6) of the Government Employees Pension Law, 1996 (Proclamation 21 of 1996) as amended, to present the annual report of the Government Employees Pension Fund for the period 1 April 2012 to 31 March 2013.

How the Fund Works

"We are the single largest investor in Johannesburg Stock Exchange-listed (JSE) companies."

"GEPF is Africa's largest pension fund."

"We work to give members and pensioners peace of mind about their financial security after retirement and during situations of need."

The Government Employees Pension Fund is Africa's largest pension fund, with 1 275 206 active members and 375 809 pensioners and beneficiaries as at 31 March 2013. We have more than R1 238-billion in assets under management and are the single largest investor in Johannesburg Stock Exchange-listed (JSE) companies. We have significant holdings in government bonds and invest in unlisted equity and property.

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

We receive member contributions from our 345 participating employers – including all national and provincial government departments and the South African National Defence Force, as well as other organisations that have been registered as a participating employer – and invest these using a liability-driven approach. This means we allocate and manage the Fund's assets to meet or outperform the Fund's current and future liabilities. Environmental, social and governance (ESG) issues are integrated into our investment decisions and ownership practices to promote long-term sustainability.

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

GEPF is a defined benefit fund. When our members withdraw from the Fund upon resignation, retirement or death, we calculate the benefit due to them using a predetermined formula that takes into account final salary, years of pensionable service and age. See pages 9 to 11 for an overview of member benefits.

At the last statutory actuarial valuation on 31 March 2012, GEPF had a funding level of 100%, which means that there were sufficient assets to cover actuarial liabilities in full. An actuarial valuation assesses the current solvency and future funding of the value of the pension fund's assets and liabilities. The valuation is conducted by a person qualified to calculate commercial risks and probabilities and is certified as a valuator. The statutory valuation is performed every three years.

The Government Pensions Administration Agency (GPAA) provides us with administration services, including admitting new members, collecting member contributions, maintaining members' beneficiaries and processing member benefits. Our relationship with GPAA is governed by a formal agreement. The current cost of administering the Fund is approximately R25.56 per member/beneficiary per month.

Caution should be exercised when comparing GEPF administration costs with other pension funds, particularly the assumptions behind different measures and calculation methodology.

The Fund is governed and managed by a Board of Trustees comprising an equal number of employer and employee representatives. Full details on the Board of Trustees can be found on page 40 and corporate governance is discussed on page 48.

Overview of Fund Benefits

"We safeguard the pension savings of
1 275 million South Africans."

GEPF provides benefits to 1 275 206 active members and 375 809 pensioners and beneficiaries. The benefits are described below, along with examples of how they work in practice.

Retirement benefits

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

Normal retirement

According to Fund rules, the normal retirement age for members is 60. The benefits paid depend on whether a member has fewer than 10 years of pensionable service, or 10 or more years of pensionable service. Members with fewer than 10 years of service receive a gratuity (a once-off lump sum cash payment) equal to their actuarial interest in the Fund. Members with 10 or more years of service receive a gratuity and a monthly pension (or annuity). Members who retire with more than 10 years of service can increase their spouse’s annuity entitlement from 50% to 75%by reducing either the gratuity or the annuity.

Early retirement

Under certain circumstances, members may retire before reaching the retirement age of 60. The years of pensionable service determine the benefits payable. Members with 10 or more years of service receive annuities and gratuities, calculated in the same way as for normal retirement, but with a reduction of a third of 1% for each month between the dates of early retirement and normal retirement.

Ill-health retirement

Enhanced benefits are paid when members retire for medical reasons or are injured on duty. In these circumstances, members are eligible to receive both annuities and gratuities. For members with fewer than 10 years of pensionable service, the benefits are based on an increased period of service and calculated as a percentage of the member’s final salary. If a member has at least 10 years of pensionable service and is discharged on account of ill health which is not their fault, an annual supplementary amount is paid to him or her.

Resignation benefits

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

Death benefits

Death benefits are paid when a member dies while in service or within five years of becoming a pensioner. GEPF also pays annuities to the surviving spouse(s) or orphan(s) of members who die while in service or after retiring.

Death while in service

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

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

Spouses' annuity

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

Orphans' annuity

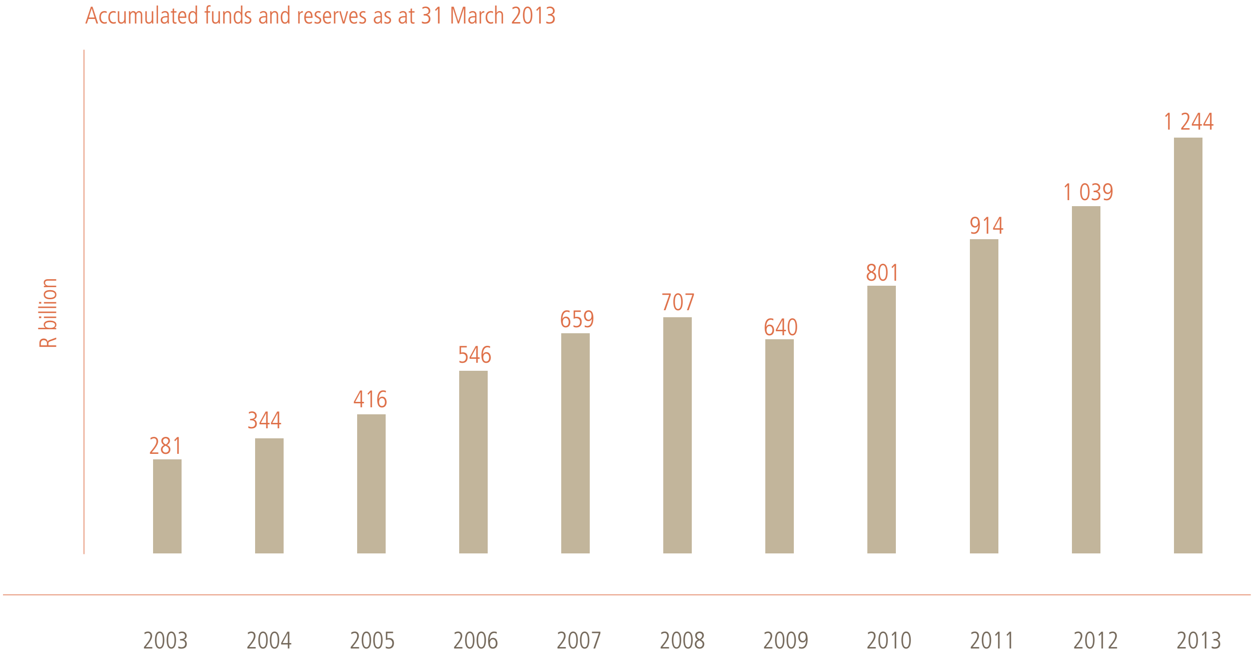
GEPF pays annuities to the orphans of members who became pensioners on or after 1 December 2002. Orphans' annuities are also payable when a member dies in service with a potential service period of 10 years or more. These annuities are paid when a member's spouse dies, leaving eligible orphans.

Funeral benefits

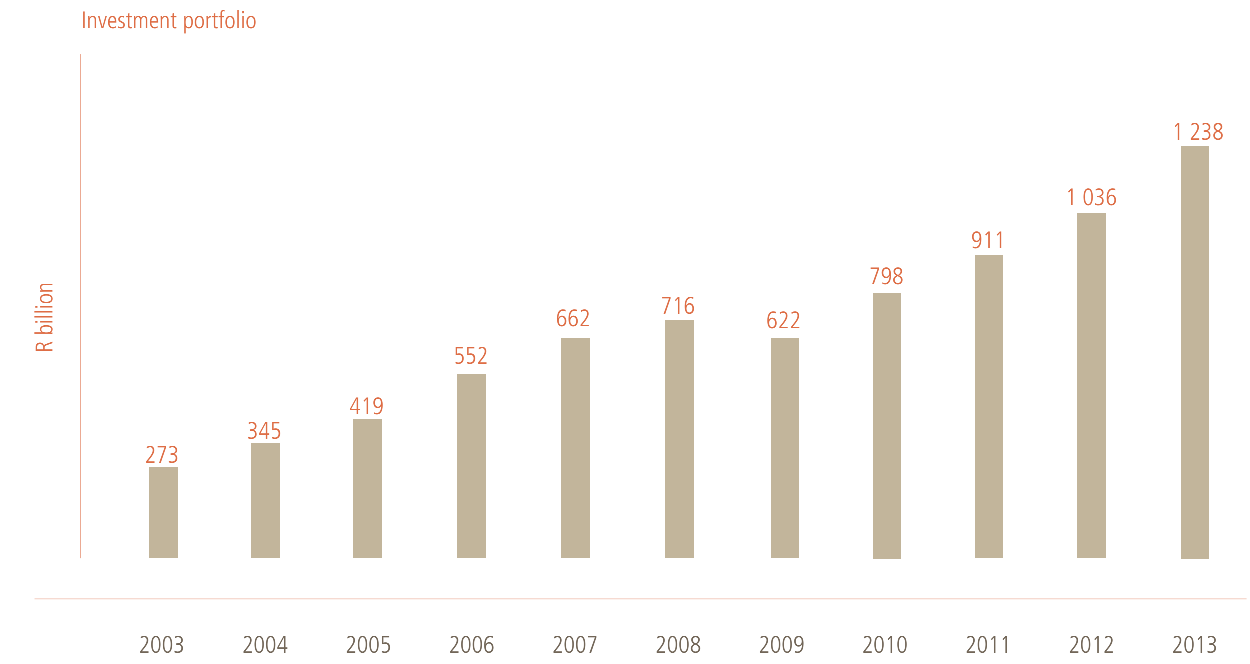
Previously, the Fund provided funeral benefits on the death of members and pensioners whose pension commenced only on or after 1 December 2002 and on the death of spouses and eligible children of members and pensioners whose pension commenced after 1 December 2002. However, the Board approved that this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

Financial Highlights for the Year Ended 31 March 2013

"Our investment portfolio in 2012 has grown by 19.5%."

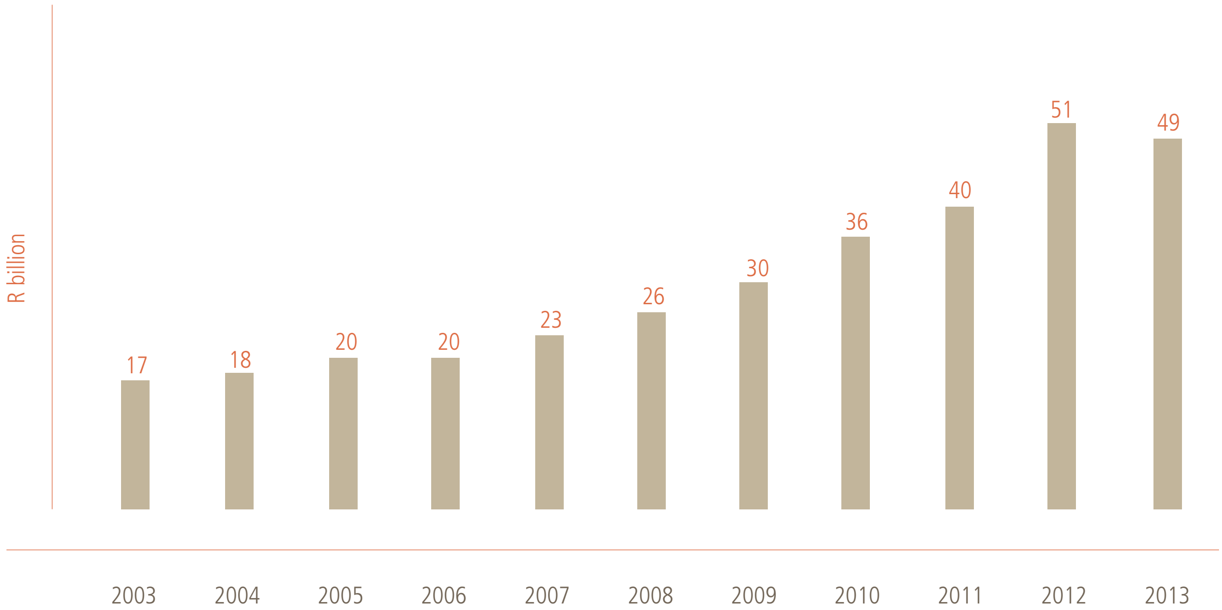


The Fund's accumulated funds and reserves amount to R1 244-billion.
Accumulated funds and reserves have grown at an average rate of 16.6% over the past 10 years, reaching R1 244-billion as at 31 March 2013.



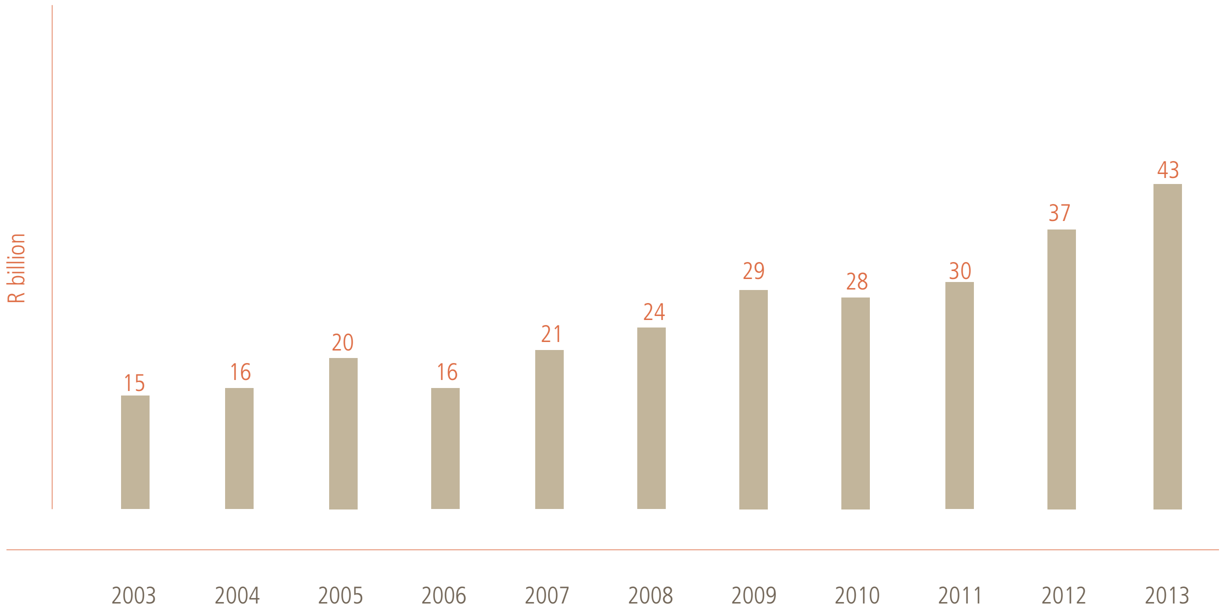
The Fund's investment portfolio grew by 19.5% from R1 036-billion in 2012 to R1 238-billion in 2013.
The increase in the investment value is mainly due to new investments in foreign bonds and the increase in fair values of equities, bills and bonds and collective investment schemes.

Contributions received and accrued for the year ended 31 March 2013



The Fund receives a percentage of members' pensionable salaries as contributions. Contributions received decreased in the current financial year by R2 billion; This decrease is due to the additional accrual of NSF employer contribution receivable plus interest of R5.2 billion in the prior year, whereas in the current year only interest of R1 billion was accrued.

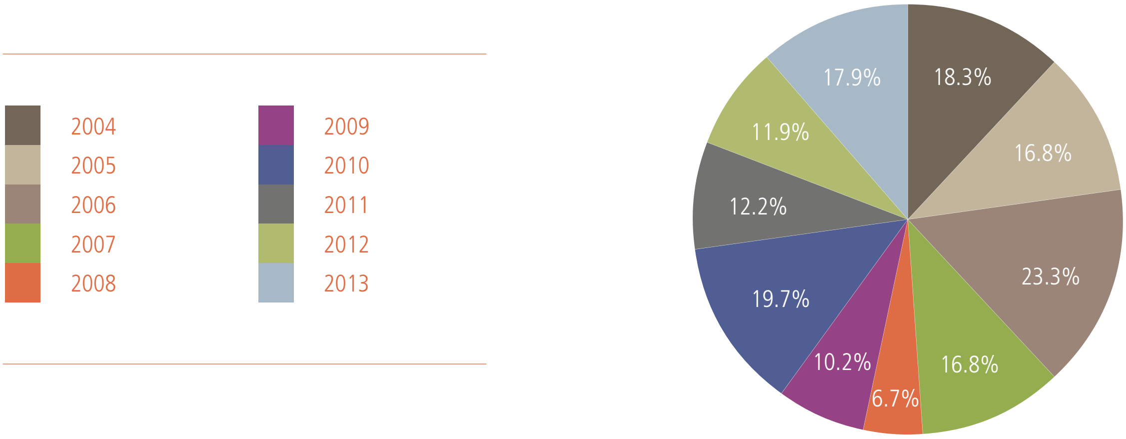
Benefits awarded for the year ended 31 March 2013



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

Benefits paid increased by R6-billion from the prior year.

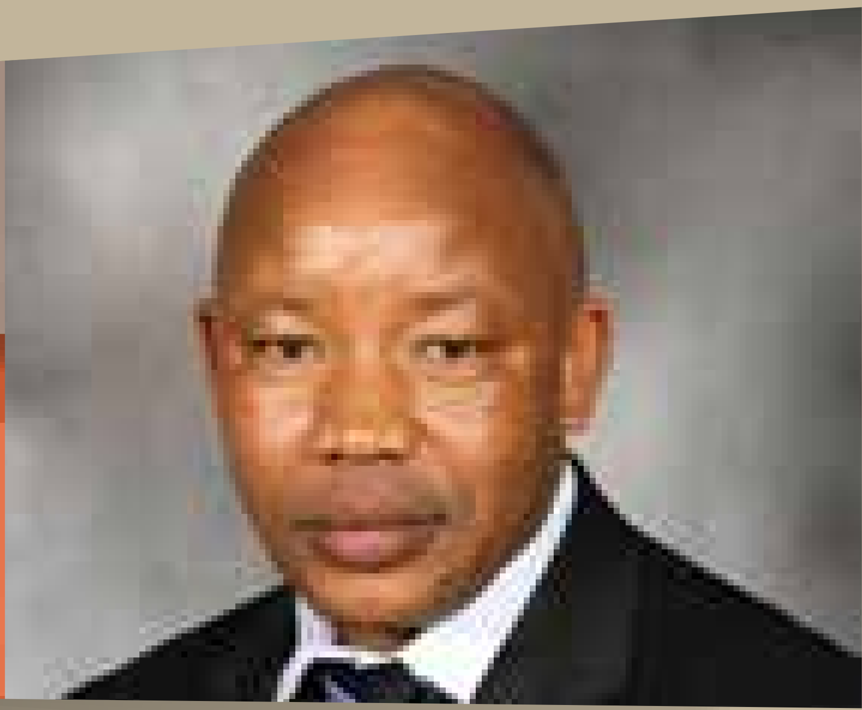
Fund's assets return



During the reporting period, the Fund's assets yielded an average return of 17.3% (2012: 11.9%), driven mostly by additional investments and net investment income. This equates to a net investment income of R196-billion (2012: R114-billion).

Chairperson’s Review

“We take our fiduciary duty seriously because the decisions we make today will affect the future of our pensioners and members.”



Mr Arthur Moloto

This is my final report as Chairman of the Government Employees Pension Fund (GEPF) Board of Trustees as a new Board will be appointed and duly constituted in September 2013.

The Board is preparing for the end of its four-year term of office and making way for the establishment of a new Board comprising eight employer (GEPF) representatives, and six employee (Public Service Coordinating Bargaining Council) representatives. Elections will be held for the pensioner member Trustee and for the Trustee to represent the South African National Defence Force (SANDF) and Intelligence Community. The incumbent Board has appointed the Electoral Institute of Southern Africa to ensure a free and independent election process.

I can say with full confidence that the incoming Board will inherit a Fund that is financially sound and well managed, has the necessary policy and resource provisions to continue delivering value to our members, pensioners and broader stakeholders, and is well equipped to continue meeting its strategic goals.

Five strategic goals were set in 2011 to place GEPF on the right path to achieve its long-term vision of being a role model for pension funds worldwide. The five key strategic initiatives are:

- Strive to be a leader in responsible investing;
- Develop a one-stop financial services capability that offers members and pensioners improved and flexible benefits;
- Optimise the fund structure in terms of governance and benefits offered to members;
- Establish and maintain credibility with stakeholders, and
- Be the employer of choice.

"We reached the R1 238-billion mark in assets under management, effectively solidifying GEPF as Africa's largest pension fund."

During the year under review, GEPF reached a number of important milestones in our pursuit of these strategic objectives. These milestones included:

- Reaching the R1 238-billion mark in assets under management, effectively solidifying GEPF as Africa's largest pension fund.
- Yielding returns of 17.3% across all our investment portfolios compared with the previous year.
- Signing off on Private Placement Memoranda (PPMs) with the Public Investment Corporation (PIC) for investments through the unlisted investment framework worth R13-billion.
- Investing R1.7-billion for a 20% equity share in the pan-African bank Ecobank Group.
- Investing R2.4-billion for private equity in Tanga Cement (trading as Simba Cement Company, Tanzania).
- Membership of the World Bank Treasury (WBT), Reserves Advisory and Management Programme (RAMP), designed by the WBT to help official sector partners develop world-class asset management operations.
- Finalising the appointment of the Principal Executive Officer.

The balance of my report reflects firstly on GEPF's performance in the year under review and then looks back at highlights of the Board's tenure since it took office in June 2005.

Highlights of 2012-13

For the year under review, key themes for the Board were GEPF's Africa strategy, development investment initiatives and progress made with responsible investment.

Investing in Africa

GEPF is increasingly recognised as a thought leader in responsible and developmental investing with an increasing influence on the African continent and other international markets. This is evidenced by the Fund's allocation of 5% of its assets (approximately R62-billion) to Africa outside of South Africa and 5% to international markets, excluding Africa.

According to the 2013 Africa Economic Outlook (AEO) Report, Africa's economy is projected to grow by 4.8% this year, accelerating to 5.3% in 2014. The GDP growth in sub-Saharan Africa (excluding South Africa) is generally expected to average 5% over the next 10 years, compared to growth rates below 2% across most of the developed economies.

The International Monetary Fund (IMF) has stated that Africa will surpass Asia's economic growth rate by 2015 and that seven African nations will be in the top 10 fastest-growing economies.

Across the African continent, it is clear that the legacies of the past are fast being overcome and that the region is experiencing a broad range of reforms. Infrastructure initiatives are opening new avenues of commerce and fostering new movement towards regional integration. In addition, strengthened regulatory and legal systems are providing greater levels of transparency and accountability – a positive development that provides comfort to potential investors such as ourselves.

As Africa steps into the limelight as a prominent emerging market player, GEPF is progressing well in implementing its investment strategy in relation to the Strategic Asset Allocation of 5% towards the continent, excluding South Africa. We are the largest investor in the Pan African Infrastructure Development Fund (PAIDF), and by the end of July 2012 had invested R2.5-billion through various infrastructure projects on the continent.

"Across the African continent, it is clear that the legacies of the past are fast being over-come and that the region is experiencing a broad range of reforms."

PAIDF's objective is to invest directly in infrastructure projects in Africa, as well as in securities of companies that own, control, operate or manage infrastructure and infrastructure-related assets. It has targeted transport, telecommunications, energy and water and sanitation as the main sectors of investment that will help speed up Africa's growth.

In addition to the above, two investments on the continent stand out in the year under review: our R1.7-billion investment for 20% of the Ecobank Group and the R2.4-billion investment into the Tanzanian Tanga Cement Company (trading as Simba Cement).

Ecobank, operating across 33 African countries, is building a world-class pan-African bank and contributing to the economic and financial integration and development of Africa while delivering returns required by investors. In a different industry, we expect Tanzanian Tanga Cement to benefit from the current drive for infrastructure development on the continent. These two investments are the first significant investment by GEPF since our announcement of the 5% commitment towards Africa excluding South Africa. They also demonstrate our integrated strategy towards exploring opportunities offered by the continent.

Developmental Investment

With more than R1.2-trillion in assets under management, GEPF could play a hugely significant role in reshaping the future of South Africa. The Board believes that GEPF's investment capital can and should be used to pursue social goals where possible and that such a strategy must not compromise returns. We believe we can make good financial returns for our members and pensioners while helping to make South Africa and the rest of the continent more competitive, reduce social backlogs, create jobs, support transformation and grow the economy and make it more sustainable.

"We believe we can make good financial returns for our members and pensioners while helping to make South Africa and the rest of the continent more competitive"

In considering our developmental role, we are not re-inventing the wheel. We are aware that the development experience in Asia, for example, has shown that high domestic savings rates linked to domestic investments have a better chance of sustaining long-term growth — which is in the direct interest of all long-term savers including GEPF's members and pensioners.

With this in mind, GEPF has signed Private Placement Memoranda (PPM) as an anchor investor for the Public Investment Corporation's (PIC's) private equity and infrastructure funds to invest in commercially viable South African-based projects that have positive long-term impact on development and are consistent with GEPF's Developmental Investment Policy.

As of the end of the financial year under review GEPF had committed to three funds under this framework, namely:

- Environmental Sustainability Fund, with an initial target of R5-billion;
- Priority Sectors Investment Fund, with an initial target of R3-billion; and
- South African Private Equity Fund, with an initial target of R5-billion, split between strategic and non-strategic investments.

More details of these commitments can be found in the report of the Principal Executive Officer on page 36 of this report.

Responsible investment

GEPF is South Africa's largest investor with around 90% of our portfolio within South Africa, and 50% of that portfolio in South African equities. As a result we have a large shareholding in most listed South African companies, including the mining sector, which is one of the driving forces of our country's economy. So naturally we are concerned about the labour conflict that has emerged in the mining industry.

The tragedy that occurred in August last year at the Lonmin mine at Marikana has brought the imperatives of responsible investment into sharp focus and highlighted some crucial lessons for all to learn.

"Institutional investors, GEPF included, have an active role to play in setting new norms for sustainable investment practices."

Following the events of Marikana, GEPF, together with other responsible investors, engaged with the mining companies and asked some hard questions. One of these was how we could use the crisis at Marikana as a catalyst to remind fund managers and trustees that environmental, social and governance (ESG) issues are no longer peripheral but rather mainstream and must be taken seriously and incorporated into investment processes. We must look at how ESG issues affect the long-term sustainability of entities in which we invest, as this ultimately impacts on the sustainability of pension funds, including the livelihoods of their members and pensioners.

Institutional investors need to actively engage on material issues that impact on their sustainability, including the objective to achieve inclusive sustainable growth. Institutional investors, GEPF included, have an active role to play in achieving this objective by setting new norms for sustainable investment practices.

Highlights of the current Board's tenure

May I recount some brief history: GEPF's first Board of Trustees was appointed and inaugurated in June 2005, replacing the Minister of Finance, who had served as the sole Trustee of GEPF since its inception in 1996. The appointment of a Board brought about a new era of member, pensioner and stakeholder representation, participation and oversight in GEPF.

My predecessor Martin Kuscus and his team laid a solid foundation on which the current Board could build. To strengthen governance and oversight, the previous Board approved a change in the governance structure of the Fund in 2008-09 that resulted in separate fiduciary and administrative entities. This is in line with international retirement fund best practices.

The outsourcing of the administration function was implemented with the establishment of the Government Pensions Administration Agency (GPAA) on 1 April 2010 when documentation was signed giving effect to the separation of the administration function from the Fund. The Board is confident that this separation of the fiduciary and operational structures is in the best interest of its members, pensioners and other stakeholders. In addition, it strengthens governance and oversight while providing clients with the best possible pension administration service.

The previous Board managed to draft and implement a comprehensive governance charter for GEPF. A formal Code of Conduct and Ethics has now replaced the interim Code of Conduct implemented by the previous Board. The new Code is based on the requirements of King III and circular PF130 (issued by the Registrar of Pension Funds, the circular sets out the requirements for investment management, the code of conduct for trustees and the communication guidelines).

A Litigation Policy was approved to provide a framework within which GEPF will handle all litigation against the Fund, GPAA and PIC. The policy places specific reporting requirements on the above entities with regards to reporting on legal matters to the Governance and Legal Committee.

According To Chapter 6 of the King III Report, GEPF management is required to develop a Compliance Policy. The policy was approved by the Board in 2011 and serves as a cornerstone in the development of a compliance culture within GEPF. The policy contains the following Compliance Policy Statement and Philosophy:

- GEPF's Board recognises that it is accountable to all its stakeholders to ensure the Fund's compliance with applicable legal and regulatory requirements, and that such compliance is indivisible from good business practice.
- The Board is committed to comply with both the spirit and the letter of applicable legal requirements and to act with due skill, care and diligence.
- Each Trustee shall have a working understanding of the effect of the laws, rules, codes and standards applicable to the Fund and its business.
- The Board shall ensure there is effective compliance with the relevant requirements by interpreting the impact of such requirements on its operations, and where necessary adopting appropriate compliance policies and procedures.
- Compliance risk—described as risk to the organisation's reputation arising from non-adherence to the law, regulations or policies—shall form part of the Fund's risk management process.
- Compliance is understood to be an ethical imperative for good governance for all role players within GEPF.

The Legal and Compliance Unit submits quarterly compliance reports to the Board through the Governance and Legal Committee.

"The Board is committed to comply with both the spirit and the letter of applicable legal requirements and to act with due skill, care and diligence."

An Insider Trading Policy was developed and adopted to preserve the Fund's reputation and to avoid any potential liability under the applicable laws. The policy incorporates rules and procedures for the opening and operation of personal securities trading accounts by the Trustees and employees of the Fund in respect of personal transactions arising from the organisational provisions of the Insider Trading Act (1998), the Rules of the Bond Exchange of South Africa, Securities Services Act (2004) and Financial Institutions Act (1984). It also outlines the conditions under which insiders and their associates may buy or sell or otherwise trade in listed and unlisted securities and securities of connected companies. The policy contains prohibitions to disclosure of confidential information and recommendations for safeguarding confidential and sensitive information.

"Training requirements for the Board must be determined annually and quarterly training interventions must be organised"

The Promotion of Access to Information Act (2000) requires GEPF as a public body to provide details of records it holds. In terms of Section 51 of the Act, it must also compile a manual that provides information on both the types and categories of records held. The PAIA Manual was approved by the Board in 2012 and prescribes the procedure to be followed when information is requested. No requests for information in terms of the manual have been received by the Fund to date.

A Fit and Proper questionnaire for Trustees was developed and implemented by the Board in 2010. Its purpose is to assess the fitness and propriety of the Trustees and substitute Trustees of GEPF and focuses on:

- good reputation and character i.e. honesty, integrity, fairness and reputation;
- competence, diligence, capability, soundness of judgment; and
- personal financial soundness.

All Trustees and substitute Trustees are required to complete the questionnaire annually.

The overall effectiveness of the Board was assessed twice during its tenure: first by an external service provider in 2010-11 and then by the Principal Officer's Association during 2011-12. Detailed action plans were developed after each assessment to ensure that the gaps or development needs identified were addressed in a systematic manner. Individual Trustee training or development needs that were identified were addressed through the Trustee Education and Training Policy.

This policy was developed and approved during the current Board's tenure. In line with best practice, King III and PF130, a formal process should be implemented for the induction and ongoing training and development of Trustees, which the Board is committed to supporting.

The policy prescribes that training requirements for the Board must be determined annually and that quarterly training interventions must be organised to address such training requirements. The policy requires new Trustees to complete an introductory training course preferably before assuming office but no later than six months after joining GEPF. They must also undergo a general trustee training course designed to provide a good working knowledge of the fiduciary duties of trustees and all the Fund's service providers not later than six months after becoming a Trustee.

Trustees are encouraged to attend local and international retirement fund industry related conferences in order to remain abreast of and acquainted with relevant industry developments on an ongoing basis. The attendance of conferences is managed through a formal International Conference Attendance Policy. The policy is cognisant of the fact that GEPF is a major player in the global pension fund arena and it is imperative that it remains constantly updated on world views on all aspects which include but are not limited to corporate governance, environmental issues, societal issues, investment-related matters, benefit-related matters and actuarial matters.

GEPF is required by the policy to develop a comprehensive international conference attendance database that includes all conferences relevant to the Fund. The database must include the name of the conference, its relevance and a full breakdown of the topic(s) to be addressed, as well as the benefits of attending the conference on behalf of GEPF.

The Board must approve attendance at international conferences and attendees must prepare a presentation accompanied by a written report-back to the respective committee and to the Board. All the relevant conference material must be made available in GEPF's library for future reference.

GEPF participated in an international governance survey that was conducted among 17 large international pension funds, the outcome of which was that GEPF's governance practices and policies were aligned and on par with the other participants.

"GEPF participated in an international governance survey that was conducted among 17 large international pension funds."

GEPF embarked on a journey to align itself with two important governance documents in the South African environment, namely the King Report on Corporate Governance and PF130. Compliance with the recommended practices or principles was divided into:

- Full compliance with the recommended practice/principle.
- No compliance with the recommended practice/principle.
- Partial compliance with the recommended practice/principle.
- Recommended practice/principle not applicable to GEPF.

The reasons for full/no/partial compliance were provided during the assessment, along with actions that must be taken by GEPF where no or partial compliance with the recommended practice/principle was identified. A number of areas were identified where GEPF did not fully comply with the recommended practice/principle in King III and PF130. The Board developed and approved a project plan to ensure that GEPF addresses those areas of non or partial compliance as a matter of urgency.

In 2008, the previous Board established a formal structure under the leadership of a Principal Officer. During 2010, the current Board initiated a formal organisational design project to ensure that the structure of GEPF would assist it in meeting its fiduciary duties. Since the structure was approved, a number of positions have been added.

A detailed Human Resources Policy Manual was developed, approved and implemented during this Board's tenure. GEPF is proud of its Employment Equity Policy and specifically its employment equity figures. As a Board, we believe that the current GEPF demographics are a true reflection of the spread within broader society. We are proud to note that during the four years of this Board's term only two employees have left GEPF—a true testament to GEPF's commitment to being the employer of choice.

GEPF is cognisant of the fact that though the Fund does not fall under the Pension Funds Act it still needs to align its governance practices and benefits structures to the provisions of the Act. With this in mind, GEPF has embarked on a process to align its benefits structure with those of other private pension funds that fall under the Act.

An investigation was launched to align GEPF with the Clean Break Principle that was introduced by the Registrar of Pension Funds in 2009. The Clean Break Principle allows the spouse of a pension fund member immediate access to the member's pension benefits if so instructed by the divorce settlement. Previously the spouse had to wait for the member to resign or retire before they could access the benefits awarded to them through the divorce settlement. GEPF investigated the most optimal models and the Board approved and gazetted the necessary rule changes in 2012. More than 7 500 claims have since been paid under this rule. A further rule amendment introduced by this Board was the introduction of minimum resignation benefits.

"As a Board, we believe that the current GEPF demographics are a true reflection of the spread within broader society."

The Benefits and Administration Committee, which is tasked with overseeing the ICT function and ICT governance-related matters of GEPF, conducted a review of its ICT arrangements after the separation of GEPF and the GPAA. The following important ICT policies have been approved and implemented:

- Password and user access management
- Portable devices
- Remote access
- Information security
- E-mail and Internet

The GPAA currently renders ICT services to GEPF. The Board agreed that GEPF must appoint an independent service provider and it is envisaged this will take place early in the new financial year.

Minimum resignation benefits

The Board resolved to make the necessary rule changes in 2010 to pay members their actuarial interest in the Fund when they resign or are discharged from active service. This rule change was implemented to align GEPF with the Pension Funds Act that prescribes that funds are required to pay members at least their minimum benefit on withdrawal.

Pension increases over the past four years

"The Fund was 100% funded (including reserves) during all three valuations and no increase to contributions had to be made."

GEP Law and Rules require the Board to award a basic pension increase at a rate of at least 75% of the average increase in the Consumer Price Index (all items) over a period of 12 months (1 December to 30 November). The Board was able to meet this requirement. Below is a table of the four increases awarded by the Board during its tenure.

Date of increase	Pension increase (%)	CPI catch-up awarded	Average increase in CPI (Dec – Nov)	Pension increase / Average CPI increase
1 April 2010	5.60%	100%	7.40%	75.68%
1 April 2011	4.50%	100%	4.52%	99.56%
1 April 2012	4.80%	100%	4.77%	100.63%
1 April 2013 *	6%	100%	5.74%	104.5%

* The Board approved the awarding of the 2013 pension increase during the reporting period but the pension increase only became effective on 1 April 2013.

Three statutory valuations (2008, 2010 and 2012)

GEPF is responsible for appointing a valuator—that reports to the Board—and ensures that the Fund is evaluated at least every three years. The actuary's report, containing recommendations in respect of any surplus or deficit existing in the Fund on the valuation date, must be submitted to the Board within a prescribed period. The report must comply with the provisions of Section 16 of the Pension Funds Act (1956). The Board must submit a copy of such a report to the Minister of Finance within 21 days of receipt.

Three statutory valuations were conducted under this Board. The Fund was 100% funded (including reserves) during all three valuations and no increase to contributions had to be made. More details about the outcome of the 2012 statutory valuation can be found on page 100 of this report.

Preservation Fund

The Board in principle approved the establishment of a Preservation Fund under GEPF. The Board based its decision on the following:

- Preservation may become mandatory if the current proposals from the Government's retirement reform initiatives pass into law.
- The cost of preservation in a commercial preservation fund is high. Preservation in GEPF would enable members of the public sector who use the facility to benefit from economies of scale in respect of investment management fees and possibly in administration costs.

It is envisaged that the Preservation Fund will be established under the leadership of the new Board.

Additional Voluntary Contributions

The Board approved a defined contribution—Additional Voluntary Contribution (AVC)—scheme to be registered under the Pension Funds Act. The AVC scheme will allow members to voluntarily top up their retirement provision, especially since the pensionable salary of some members is only 60% of their total package. Such a vehicle could be extended to short-term or contract employees to allow them to provide for their retirement if GEPF is not a viable option because of its defined benefit nature and differentiated benefits (benefits for members with less than 10 years' service are different from those of members with more than 10 years' service). GEPF is busy consulting with stakeholders on the establishment of this vehicle.

Mobility of personnel from services to public services: rule amendments

Members employed in the armed forces are entitled to certain enhanced benefits according to GEP Law and Rules. These members used to lose those enhanced benefits if they moved from the armed forces to another government department. The Board approved a rule change to provide for those members who transfer to the public service and exit GEPF as a public service member to retain their enhanced pensionable service period.

Distribution of death benefits

The Board resolved to review GEPF's Administration of Death Benefits Policy and determined that the revised policies should align with Section 37C of the Pension Funds Act, which regulates the distribution of death benefits by private pension funds.

Extension of funeral benefits and orphans pension

Resolution 12 of 2002 of the Public Service Coordinating Bargaining Council (PSCBC) gave effect to the following:

- "an orphan's pension payable in the event of a member's or future pensioner's death where there is no surviving spouse..."; and
- "the provision of funeral benefits on the death of members and pensioners ..., and on the death of spouses and eligible children of members and pensioners..."

These benefits were available only to those pensioners whose pension commenced on or after 1 December 2002, the effective date of Resolution 12. Complaints from pensioners resulted in the Board considering extending the above benefits to pensioners whose pension commenced before 1 December 2002. The Board resolved to extend both benefits to those pensioners who retired before 1 December 2002.

Extension of Spouses' Pension

The GEP Law and Rules allow for members who retired after 1 December 2012 to increase their spouse's pension entitlement when they retire or are discharged by reducing the gratuity or annuity. The Board approved a rule amendment to allow for current pensioners (for a limited period only) to enhance their spouses pension by reducing the current annuity that is paid to them.

Unclaimed Benefits Policy and Tracing Policy

Trustees have a fiduciary duty to act impartially towards all members, former members and beneficiaries and to ensure that all members who exit receive the benefits that are legally due and payable to them. The Board approved an Unclaimed Benefits Policy that stipulates how the unclaimed benefits liability should be managed. In terms of best practice, the Unclaimed Benefits Policy is supported by a formal Tracing Policy, which outlines steps to be taken to trace the rightful beneficiary to whom unclaimed benefits are payable. GPAA has implemented both policies and appointed a service provider to assist it in tracing the rightful beneficiaries.

"Trustees have a fiduciary duty to act impartially and to ensure that all members who exit receive the benefits that are legally due and payable to them."

GEPF conducted Asset Liability Modelling (ALM) studies, following which the structure of the portfolio was split between local equities and local bonds, property and cash. Up until 2010, the allocation to offshore investments has been zero. The rationale for an ALM study, however, is to ensure that the assets of the fund are invested in a way that is consistent with the liability structure of the Fund. The outcome of the ALM study conducted in 2010 indicated that the Strategic Asset Allocation of GEPF should be revised to include exposure towards other African markets and developed markets. The Board, in consultation with the Minister of Finance, approved a revised Strategic Asset Allocation in 2010 to allow GEPF the following exposure:

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

The revised Strategic Asset Allocation required that the current investment mandate between GEPF and PIC be reviewed. This revision was finalised and approved by the Board.

"GEPF is committed to incorporate environmental, social and governance (ESG) issues into its investment analysis and decision-making process."

GEPF is a founding signatory of the United Nations supported Principle of Responsible Investment (UN-PRI) and as such is committed to incorporate environmental, social and governance (ESG) issues into its investment analysis and decision-making process.

The previous Board embarked on a process at the beginning of 2008 to develop a responsible investment (RI) policy aligned to GEPF's investment practices. The work started by the previous Board came to fruition with the launch of the RI Policy in 2010, which integrated ESG issues in investment decisions and ownership practices. It includes GEPF's commitment to address socio-economic imbalances through support for the Financial Sector Charter and other industry-specific black economic empowerment charters and the financing of B-BBEE initiatives. It defines the institutional framework and basic strategies for implementation-related activities.

In 2008 the Board of Trustees mandated the Investment Committee to develop a developmental investment strategy in consultation with various stakeholders. This led in February 2010 to the Board adopting a four-pillar framework on developmental investing:

Pillar I: Economic infrastructure: This is return seeking, large-scale capital investment in the construction, improvement or replacement of economic infrastructure. It includes investments in energy infrastructure, logistics networks, water infrastructure, commuter transport, etc.

Pillar II: Social infrastructure: This is return seeking, large-scale capital investment in the construction, improvement or replacement of social infrastructure. It includes financing for affordable housing, healthcare and education.

Pillar III: Environmental investment: This is return seeking investment in firms, funds and projects that improve environmental sustainability to mitigate climate change or foster renewable energy, energy efficiency, recycling and clean technology.

Pillar IV: Enterprise development, black economic empowerment and job creation: This is return seeking investment in sectors, firms and exchanges—especially small and medium enterprises—and selected sectors in which enterprise growth and the creation of new jobs are likely and in broad-based black economic empowerment transactions.

The framework was converted into a policy document that was approved by the Board in August 2010 along with an implementation plan. The developmental investment policy will be implemented mainly through the unlisted investment framework approved by the Board during the reporting period. This new framework is discussed in detail under the Principal Executive Officer's report on page 36.

"Currently the largest asset owner in South Africa, GEPF is strategically placed to participate in the securities lending market."

GEPF received some adverse comments about its investment in Afrisam. Inappropriate initial financing structures jeopardised Afrisam's future viability and resulted in a lengthy restructuring process that culminated in a comprehensive agreement approved in 2012 by all the investors involved. The restructuring secured the future viability of Afrisam, and will ensure that over the longer term the company will contribute to the infrastructural development of South Africa and earn substantial returns for GEPF's members and pensioners.

GEPF is currently the largest asset owner in South Africa and is strategically placed through PIC to participate in the securities lending market (the practice of lending equity and debt securities from an investor's portfolio to meet the temporary needs of another party). GEPF identified securities lending as an important aspect of the market in that it improves market liquidity, reduces the risk of failed trades and adds significantly to the incremental return of investors. The Board therefore approved a formal Securities Lending Policy in December 2011.

A Cash Flow Management Policy was approved by the Board to give effect to GEPF's cash flow management processes and practices. The objective of the policy is to ensure the availability of adequate levels of cash at all times to meet GEPF's daily expenditure demands and ensure that all cash due to GEPF is collected. The policy manages the surplus funds available in GEPF's bank accounts to optimise interest earned and investment return. It also assists in providing accurate cash forecasts and ensuring that cash transactions are authorised and recorded.

A standing Impairment Subcommittee was established to oversee the valuation of unlisted investments and to consider and recommend to the Board any impairments to these investments. This subcommittee facilitated the approval and implementation of the Valuation of Unlisted Investment Policy.

The Board's Investment Committee reviews the Investment Policy Statement of GEPF annually. The Statement provides a framework for the investment philosophy and communicates to the stakeholders and investment managers the investment objectives, the risk philosophy, the design of the portfolios, the benchmarks against which their performance will be reviewed and the risk parameters associated with each portfolio.

In addition, the Investment Policy Statement describes the role of the investment consultant and investment managers, particularly the Public Investment Corporation (PIC), in managing GEPF's assets. This includes the selection of investment managers other than PIC, the determination of the remuneration of the external managers and any decision to replace an investment manager.

Details about the investment-related projects and initiatives that were spearheaded under this Board can be found on page 78 of this report.

In 2012, the Finance and Audit Committee facilitated the establishment of an Internal Audit function within GEPF, comprising an Internal Audit Manager and two senior internal auditors. Previously, following the separation of the Fund from the administration, the Internal Audit Unit of GPAA had conducted internal audits of GEPF.

The Internal Audit Manager reports functionally to the Finance and Audit Committee to ensure full and complete independence of the unit. A detailed Internal Audit Charter and a three-year internal audit rolling plan were approved by the Board and are now being implemented.

GEPF also identified the need to establish an enterprise-wide risk management function and appointed an external service provider to render this service until such time as a full-time resource is acquired. A complete review of GEPF's risk register has been conducted and it is envisaged that the current Board will approve this within its tenure.

The risk management function reports functionally to the Finance and Audit Committee to ensure its independence. The Principal Executive Officer also fulfils the function of the Chief Risk Officer, and risk management has been added as a standing item on the agenda of the Exco.

"A complete review of GEPF's risk register has been conducted."

The Finance and Audit Committee has facilitated unqualified audit reports for GEPF since the inception of the Board in 2005. GEPF and GPAA have been utilising the same Supply Chain Management Policy since the separation of the two entities in 2010. The Board has now approved a GEPF-specific policy based on the principles contained in the Public Finance Management Act (though GEPF is not legally bound by the Act). A forensic investigation, mandated by the Board of Trustees of GEPF, into possible irregularities relating to the procurement policy of GEPF, is still ongoing at the reporting date.

Historically, GEPF's financial statements were prepared on the basis of SA GAAP except for certain agreed departures. However, the Financial Services Board published Regulatory Reporting Requirements (RRR) for the Retirement Funds in South Africa in February 2009. The Board approved the change in the accounting policy of the Fund in 2009 and GEPF has been preparing its financial statements in accordance with the RRR since then.

The separation of the Fund and administrator also required that GEPF revisited its Debt Collection Policy and Procedures. The revised policy and procedures were formally approved and implemented.

The Board commissioned a brand audit to establish the perception stakeholders have of the Fund. The outcome of this audit was utilised to develop a new logo for GEPF, as well as a corporate identity manual.

However, the most important outcome of this audit was to enable GEPF to develop a brand strategy that will enhance GEPF's ability to successfully engage its stakeholders.

Condolences

During the year, GEPF Board lost the services of Mr Zakhele Sithole, who passed away on 19 August 2012. Mr Sithole had served the Board of Trustees with vigour and dedication since his appointment to the Board during September 2009. The skill and knowledge that he brought to the Board and the Finance and Audit Committee will be sorely missed.

Appreciation

I wish to express my sincere appreciation to my fellow Board members who have continued to steer the Fund in a direction and manner befitting of an industry role model. Your guidance and support during the year has been invaluable and your commitment to the organisation and to its vision and mission is greatly appreciated.

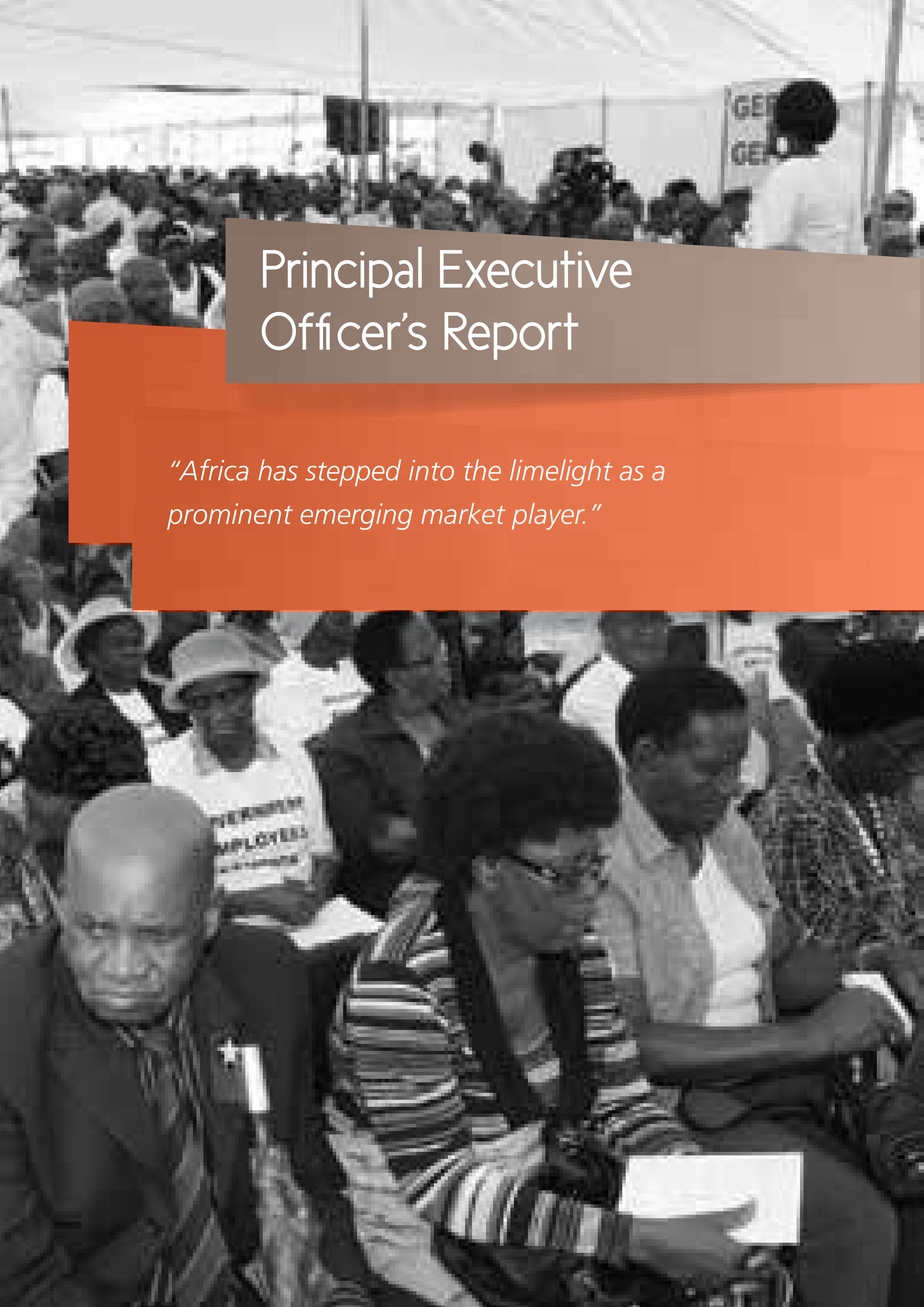
The Board's gratitude goes to the executive and staff for upholding the values and spirit of the Fund in all their dealings with the Fund's stakeholders, of which there are many.

Koena Arthur Moloto

Chairperson: GEPF Board of Trustees

Principal Executive Officer's Report

"Africa has stepped into the limelight as a prominent emerging market player."



Mr John Oliphant

Despite continued volatility in global investment markets during the 2012-13 financial year, the Fund yielded strong financial returns for our members and pensioners. GEPF's portfolio yielded returns of 17.3% across all portfolios compared with the previous year, and outperformed inflation by 11.3%.

The highest returns were seen in the equity portfolio, which performed particularly well. This has resulted in GEPF achieving a funding level of 100% (excluding reserves) as per the actuarial valuation conducted by Towers Watson in 2012.

By year end, the Fund had reached the R1 238-billion mark in assets under management, cementing GEPF's status as the largest pension fund in Africa and one of the largest pension funds worldwide. This should give comfort to GEPF members, pensioners and other stakeholders. As Africa's largest defined benefit pension fund, we serve the retirement interests of 1 275 206 members and 375 809 pensioners receiving monthly annuity benefits.

The detailed allocation and performance of GEPF investment portfolio is set out in the table below:

"We serve the retirement interests of 1 275 206 members and 375 809 pensioners receiving monthly annuity benefits."

Asset class	Guideline %	Actual % 2013
Cash & Money markets	0-8	5
Domestic bonds	26 - 36	33
Domestic property	3 - 7	3
Domestic equity	45-55	53
Africa (ex SA) equity	0-5	0.2
Foreign bonds	0-4	2.4
Foreign equity	1-5	3.4
Total	100	100

Given the Fund's approach of liability-driven investing, it is important to reflect on how the liability structure of the Fund has changed, in relation to the assets of the Fund.

The actuarial valuation of the Fund was done as at 31 March 2012, and the details of the valuation report are discussed in the actuarial section of this annual report. From this report, we are happy that the investment strategy being followed is still in line with the liabilities of the Fund.

Private Placement Memoranda

The financial crisis of 2008 underscored the need for an investment strategy that seeks out opportunities for diversification and for greater long-term returns. To this end, GEPF has signed private placement memoranda (PPM) as an anchor investor for the Public Investment Corporation's (PIC's) private equity and infrastructure funds.

The three funds to which GEPF has committed under the PPM framework are commercially viable South African-based projects that have positive long-term impacts on development and are consistent with GEPF's Developmental Investment Policy.

The three funds are:

- Environmental Sustainability Fund, with an initial target of R5-billion: This fund will invest in renewables, energy efficiency, energy storage, clean energy and recycling over a 20-year term.

- Priority Sectors Investment Fund, with an initial target of R3-billion: This fund will focus on projects that have a substantial impact on SMMEs, job creation and food security, such as manufacturing, agriculture, tourism, mining beneficiation, retail and agro-processing, over a 20-year term.

- South African Private Equity Fund, with an initial target of R5-billion, split between strategic and non-strategic investments. This Fund will concentrate on medium-to-large capital buyouts and mergers and acquisitions over a 10-year term.

Key developmental indicators will be applied to track and measure each fund. The Environmental Sustainability Fund, for example, will look to generate 500MW of new, renewable energy and 300-million litres of biofuel per annum. It will also expect to create approximately 3 000 jobs during and post construction of the renewable energy plants and recycling centres. In addition, the fund will look to achieve a total return of at least 7% above that of 10-year SA Government Bonds.

The Priority Sectors Investment Fund will seek to create 3 000 jobs, of which 25% must be in rural areas. It would also need to ensure an equitable geographic spread of investments across all nine provinces.

The SA Private Equity Fund will seek to achieve broad-based black economic empowerment (B-BBEE) to levels 1 and 3 over three to eight years measured over the 10-year life span of the portfolio. This will be achieved through greater levels of the human development index (HDI) — between 25% and 40% — in the areas of equity ownership, employment and procurement.

The South African Private Equity Fund is slightly removed from the pure developmental policy in the sense that it is pure private equity.

Two additional funds, the Economic Infrastructure Fund and Africa Private Equity Fund, were approved post year-end.

Staff development

One of the five key strategies of GEPF is to be an employer of choice. In keeping with this and following the results of our skills audit we were able to tailor training and development programmes for our employees.

Executive, senior and mid-level managers undertook training programmes, some of which were conducted by the World Bank Treasury, with whom we have had a long-term and mutually beneficial relationship. This was in addition to the leadership and coaching programme implemented for executive managers in 2012.

Unclaimed benefits

"GPAA has held road shows in all nine provinces and established mobile offices to raise awareness about benefits and services."

Unclaimed benefits refer to member benefits – where we know when and why the member exited the pension scheme – that have not been claimed for the past 24 months. According to GPAA, unpaid ex-employee benefits stood at R583-million as at 31 March 2013. There are a number of reasons for this, such as exit documents not being submitted or submitted incorrectly.

Of the total unclaimed benefits, R30-million relates to cases where employer departments are unable to trace former employees after exit and therefore are unable to submit statements to enable benefit payments. In the largest number of cases, members have died without submitting a nomination form of eligible beneficiaries to the employer.

GPAA has held road shows in all nine provinces and established mobile offices in order to raise awareness about clients' benefits and services to stakeholders. GPAA's tracing unit was upgraded in July 2012 and currently employs 17 officials. To reach the more remote rural areas, Requests for Proposals were issued for external service providers to undertake the exercise in tracking unclaimed benefits.

Road shows

Given the success of the community road show programme in the Eastern Cape, GEPF took its road shows to other parts of the country. The programme improved the Fund's interaction with members, pensioners and beneficiaries, including those living in remote areas, while educating them as to their rights and obligations and the Fund's services and benefits.

On the day before each road show, GPAA staff conducted forums with human resources staff from regional and district employer departments and pension fund brokers in the districts to hear suggestions about improving Fund benefits. During the reporting period, the Fund held 15 community road shows, compared with nine during the previous year.

The events were held to provide services and information to members, pensioners, spouses and orphans who rely on GEPF. More than xxx people attended these events.

Benefits statements

GEPF issued benefits statements to the majority of its members during the reporting period. This brought GEPF closer to aligning itself with the Pension Funds Act and industry best practice, which prescribe that benefits statements be issued to members annually.

Our ongoing collaboration with a number of external organisations was strengthened and expanded this year and details of these will be covered in more detail on page 83 of this report.

I am, however, very proud to announce that thanks to GEPF's successful lobbying, South Africa will host the annual investor event of the UN-supported Principles for Responsible Investment (PRI) in Person–billed as "the responsible investment event of the year"–in Cape Town in October 2013.

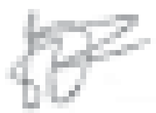
GEPF and the future

Our focus for the future is, first, to continue to analyse, understand and champion the emerging markets in the rest of Africa, given that these are the economies that will be driving the global – and our own – economy.

Second, apart from a deeper understanding of the continent we need to become the catalyst for change in terms of securing opportunities.

Third, we need to improve our collaborative efforts with other institutional investors on the continent. For example, how can we work more closely with the Government Institutions Pension Fund (GIPF) of Namibia and our counterparts in Botswana and elsewhere on the African continent.

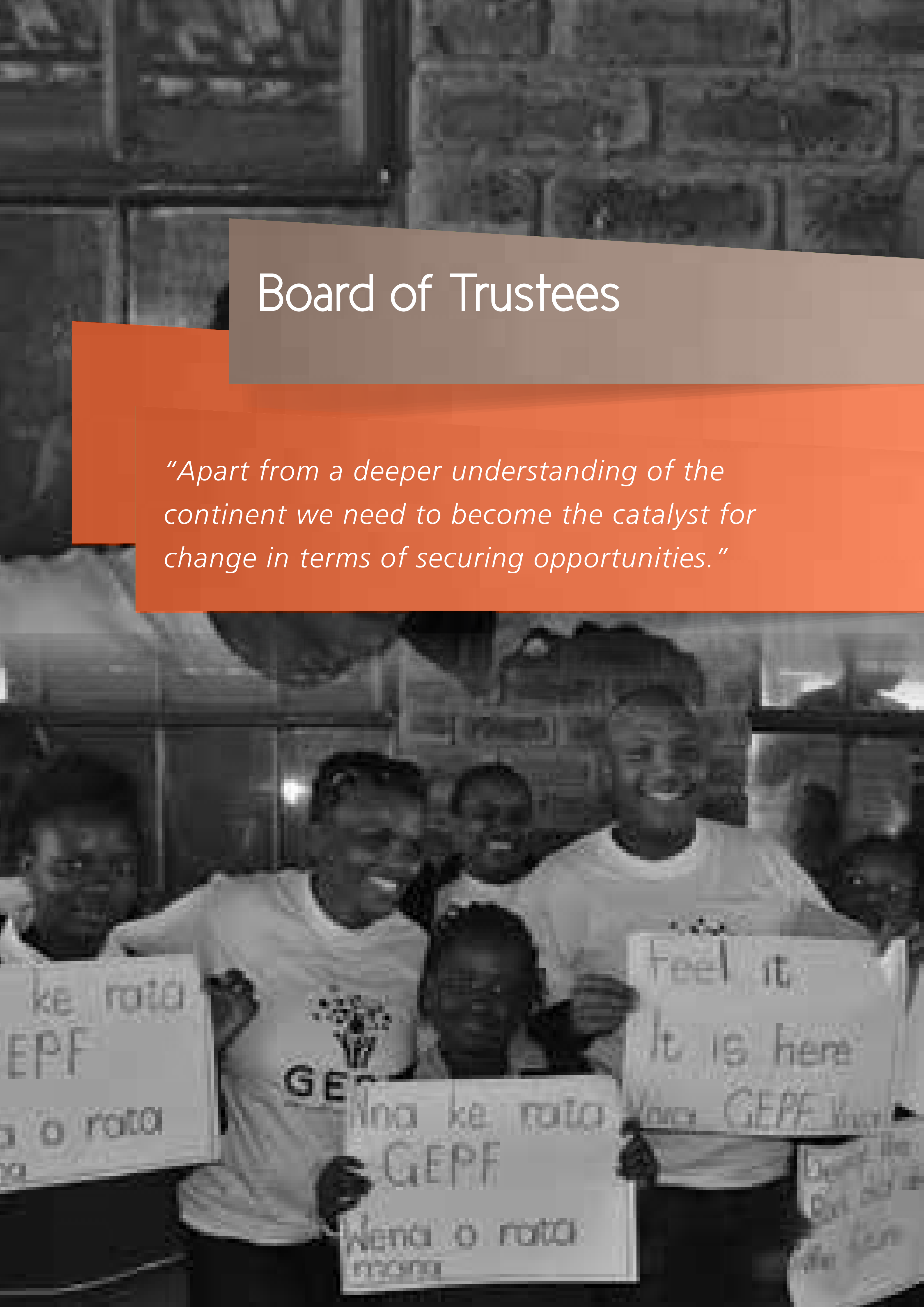
The economic environment makes it tough to be upbeat but given what we are doing at home and on the continent I think we can afford to be optimistic and positive.

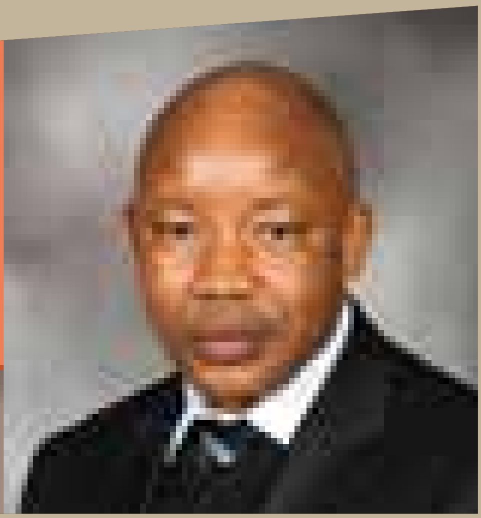


John Rabagadi Oliphant
Principal Executive Officer

Board of Trustees

"Apart from a deeper understanding of the continent we need to become the catalyst for change in terms of securing opportunities."



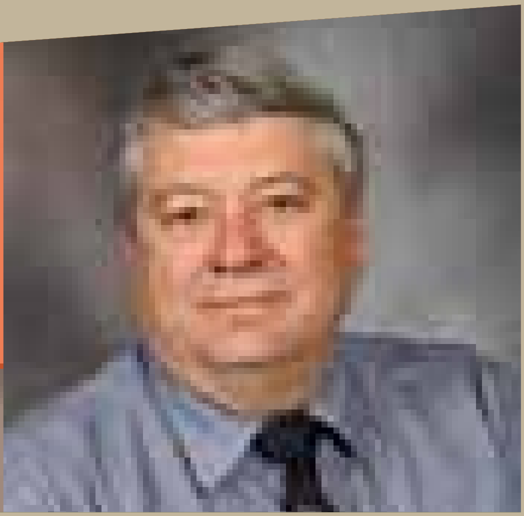


Mr Arthur Moloto

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

Mr Prabir Badal

- Vice Chairperson of the Board of Trustees and Chairperson of the Finance and Audit Committee
- National Diploma (Cost and Management Accounting)
- H.Dip Tax - Local and International Tax
- Programme Investment Analysis and Portfolio Management
- National Treasurer: NEHAWU
- Tax Auditor: South African Revenue Service
- Member of the Institute of Directors

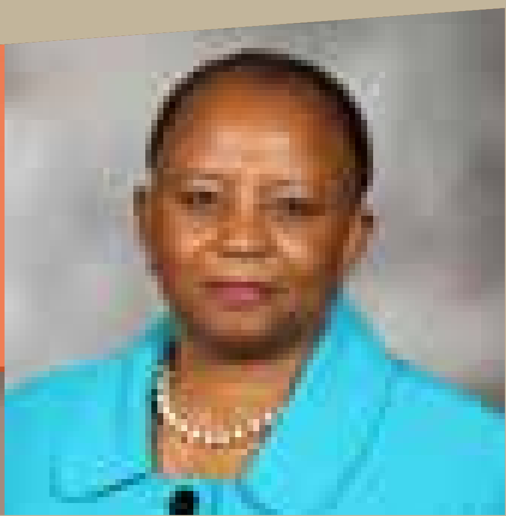


Major General Dries de Wit

- Chairperson of the Benefits and Administration Committee
- Chief of Human Resource Strategic Direction and Policy of the Department of Defence, Defence Headquarters
- SA Defence Force Personnel Specialist of the Year
- South African Air Force Individual Productivity Award (Gold) (1996)
- Tertiary qualification (Human Resource Management)
- Member of the Institute of Directors

Mr Kenny Govender

- Deputy Director-General: Human Resource Management and Development, Department of Public Service and Administration
- Member of the Institute of Directors

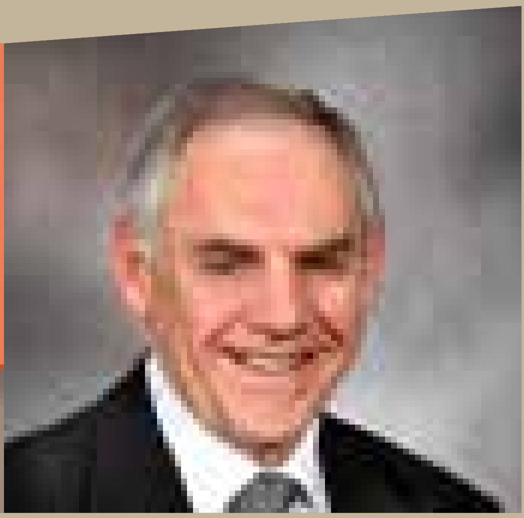


Ms Cecilia Khuzwayo

- Chairperson of the Governance and Legal Committee
- B.Com (Law)
- Advanced Coaching Practice: I Coach Academy Middlesex University, UK
- Effective Director Programme: Gordon Institute of Business Science, University of Pretoria
- Effective Board Leadership: Rotman School of Management, University of Toronto
- Chairperson: National Energy Regulator of South Africa
- Managing Partner: BMK Leadership Coaching Consultants
- Member of the Institute of Directors

Mr Mpho Kwinika

- National Diploma (Policing)
- President: South African Police Union
- Chairperson: Sililanabo South African Police Union Trust Fund
- Member of the Institute of Directors



Dr Frans le Roux

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

Dr Mary Ledwaba

- AB (Psychology) Cheney University, Pennsylvania, Howard
- MEd (Masters in Educational Administration), Cheney University, Pennsylvania:
- PhD (Sociology), Howard University, Washington, D.C:
- Executive Support: Office of the Director-General, Department of Defence
- Palama
- Executive board member: South African National Chapter of the African Association for Public Administration and Management
- Member of the Institute of Directors

Ms Fagmeedah Lurie

- Fellowship of the Institute of Actuaries, Oxford, United Kingdom (1999)
- Postgraduate Diploma (Management Practice), University of Cape Town Graduate School of Business
- Fellow of the Actuarial Society of South Africa (2000)
- B. Bus Sc., (Actuarial Science), University of Cape Town:
- Investment expert trustee of various commercial pension funds
- Member of the Institute of Directors

Ms Edith Mogotsi

- Lieutenant Colonel, Provincial Inspectorate, North West Province
- Advanced Diploma, Public Administration, University of the Western Cape
- Certificate Course: Economic Development , University of the Western Cape
- Present studies: Executive Management and Leadership: UNISA, and Investment: Johannesburg Finance College.
- Member of the Institute of Directors
- Member of Policing Chamber (SASSETA)
- Former Chairperson and former Deputy Chairperson of SASSETA Policing Chamber
- Former member of SASSETA Board
- Former member of PSCBC
- Former member of SSSBC
- Former member of Bid Evaluation Committee: SASSETA
- Former member Provincial Victim Empowerment Programme, North West Province
- Former member of Steering Committee No Violence Against Women and Children
- Member Police Music and Cultural Association

Awards/certificates
- Pretty Shuping Award: "A woman of substance": (POPCRU)
- Best Women Achiever in the province and in the Country: North West Province.

Ms Gladys Modise

- B.Com (Hons) Financial Management
- B.Com
- Diploma in Management
- Member of the Institute of Directors

Ms Moira Moses

- BA, University of Witwatersrand
- Management Advancement Programme, Wits Business School
- GEPF Board Trustee and Independent REMCO Committee
- Public Investment Corporation, Non-Executive Director, Human Resources and Remuneration Committee Member, Audit and Risk Committee Member
- Thusanang Trust, Director
- Member of the Institute of Directors

Ms Marion Mbina-Mthembu

- B.Com (Cost and Management Accounting and Business Administration)
- Associate Cost and Management Accountant: Institute of Cost and Management Accountants
- Head of Department: Eastern Cape Provincial Treasury
- Member of the Institute of Directors

Ms Dorothy Ndlovu

- National Treasurer at Hospersa
- Senior Finance Clerk at Charlotte Maxeke Hospital
- Junior Management Development Programme – TECHNIKON
- Member of the Institute of Directors
- Chairperson of Woman's Committee PSI representing South Africa

Mr Thobile Ntola

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

Advocate Rashied Daniels

- President of the Public Service Association
- Senior Public Prosecutor, National Prosecuting Authority (Western Cape)
- LLB, University of the Western Cape
- Member of the Institute of Directors

Independence of Board members

Board members serve on the Board of Trustees at GEPF for a period of four years, whereafter a new Board is constituted.

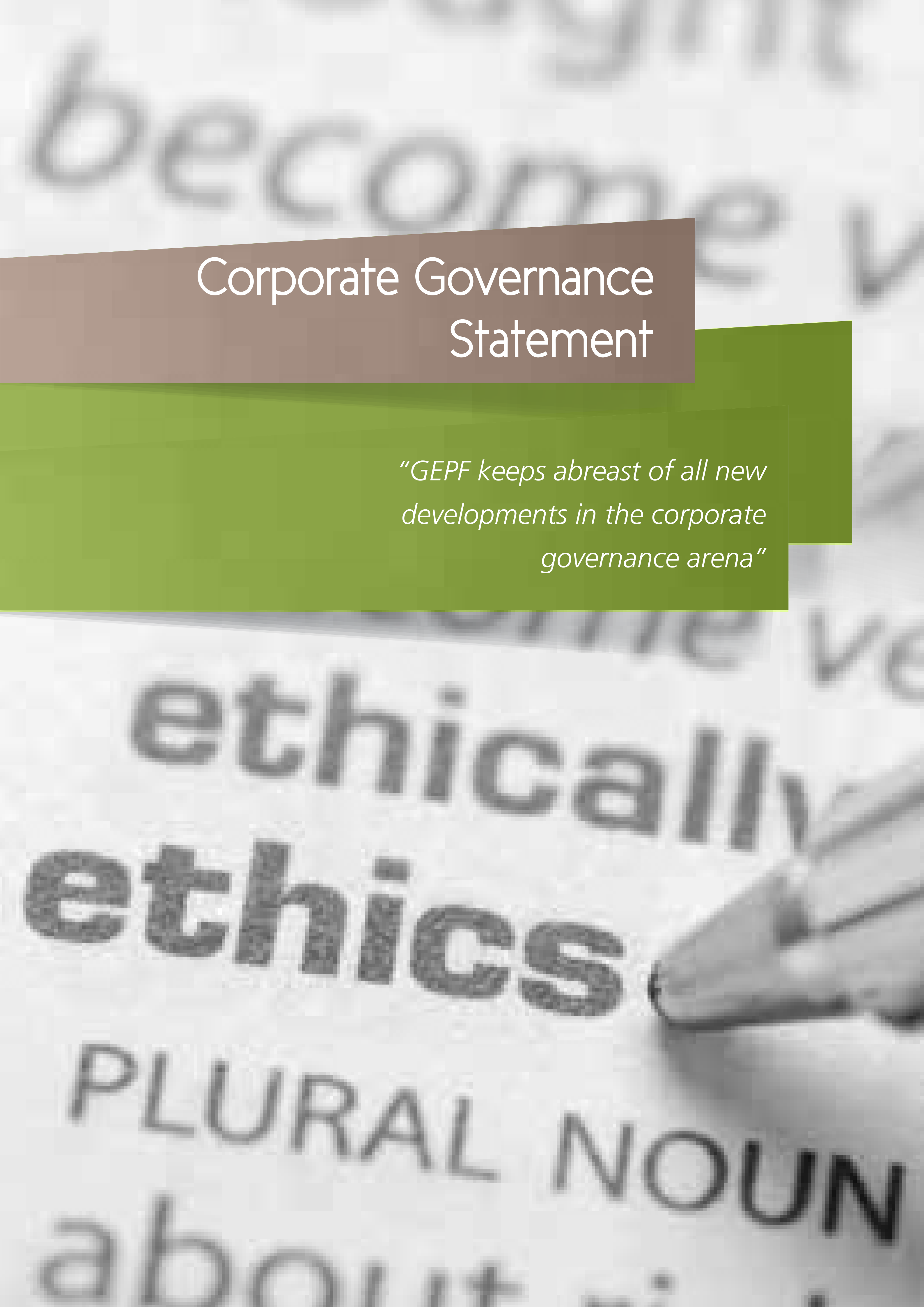
Eight Trustees are nominated through the Minister of Finance and six are nominated through the Public Service Coordinating Bargaining Council (PSCBC) process.

An independent election is run to elect one Pensioner member and one member of the SANDF and Intelligence Community to the Board.

All Board members are considered to be equivalent to non-executive directors by virtue of their arms-length relationship with the Fund. The Board meets quarterly and is not involved in the day-to-day running of the Fund.

Corporate Governance Statement

"GEPF keeps abreast of all new developments in the corporate governance arena"



"GEPF is committed to transparency, integrity and accountability based on accepted corporate governance principles and practices."

Good governance and ethical behaviour provide the foundation for GEPF to realise its aspiration to be a role model for pension funds worldwide. GEPF complies with the requirements of the GEP Law and Rules, and also looks to the Pension Funds Act for best practice where the two are not in conflict. GEPF is committed to transparency, integrity and accountability based on accepted corporate governance principles and practices. The Board governs the Fund – it is accountable for administrative and investment performance. The Board is also responsible for compiling and approving the annual financial statements, which are presented to Parliament by the Minister of Finance.

According to the GEP Law, fiduciary responsibility for the Fund rests with the Board of Trustees. The Law requires that the Board be appointed for a four-year term, after which it must make way for a new Board. The current Board was inaugurated by the Minister of Finance on 22 September 2009 and its four-year term of office will run until September 2013. In line with the GEP Law, the Board consists of 16 Trustees, led by an elected Chairperson and Vice Chairperson. Each Trustee has an elected or appointed substitute, ensuring full and proper representation at all times.

Board composition

Trustees are appointed in accordance with Section 6 of the GEP Law. Fund members and employers are equally represented on the Board. Member representatives include a pensioner and an SANDF and Intelligence Community representative elected through a postal ballot.

Employer representatives on the Board of Trustees

Nominee Trustee		Substitute Trustee	
Department	Name	Department	Name
National Treasury	Marion Mbina-Mthembu	National Treasury	Rudzani Rasikhinya *(resigned 9 October 2012)*
Department of Public Service and Administration	Kenny Govender	Department of Public Service and Administration	Vacant
National government	Arthur Moloto	Department of Health	Valerie Rennie
Department of Education	Paddy Padayachee *(resigned 1 December 2012)*	Department of Education	Gladys Modise
Department of Defence*	Mary Ledwaba	South African Police Service	Johan Griesel
PIC	Zakhele Sithole *(passed away on 19 August 2012)*	PIC	Moira Moses
Specialist Trustee	Cecilia Khuzwayo	Specialist Trustee	Vacant
Specialist Trustee	Fagmeedah Lurie-Petersen	Specialist Trustee	Jeremy Andrew

* Moved to Palama

Employer representatives on the Board of Trustees

Nominee Trustee		Substitute Trustee	
Department	Name	Department	Name
National Education, Health and Allied Workers Union	Prabir Badal	National Education, Health and Allied Workers Union	Pulani Mogotsi
South African Democratic Teachers Union	Thobile Ntola	South African Democratic Teachers Union	Eddie Kekana
Health and Other Service Personnel Trade Union	Dorothy Ndlovu *(appointed on 1 July2012)*	National Union of Public Service and Allied Workers	Success Mataitsane
South African National Defence Force	Dries de Wit	National Intelligence Agency	Itumeleng Mahlwele
Public Servants Association	Rashied Daniels	Public Servants Association	Pierre Snyman *(appointed on 1 October 2012)*
South African Policing Union	Mpho Kwinika	South African Policing Union	Petrus Ntsime
Police and Prisons Civil Rights Union	Edith Mogotsi	Police and Prisons Civil Rights Union	Dan Teffo
Pensioner	Frans le Roux	Pensioner	Hennie Koekemoer

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 independent specialists currently serve as Trustees, supported by two independent specialist Substitute Trustees. The other Trustees and their substitutes have a range of skills, knowledge and experience necessary to effectively manage and govern the Fund. The profiles of the 16 Trustees are reflected on page 41.

The Board Charter

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

The Charter includes a Trustee code of conduct and ethics, Trustee Fit and Proper guidelines, Trustee responsibilities, Trustee development and training, Board and Trustee performance assessments, Board remuneration and expenses, Communication Policy, Confidentiality Policy, Conflict of Interest Policy, Compliance Policy, risk management guidelines, committee terms of reference, and rules on the delegation of authority.

The Charter was updated during the year under review to include an Insider Trading Policy.

Board meetings

"Issues are debated openly at meetings and decisions are taken by mutual agreement."

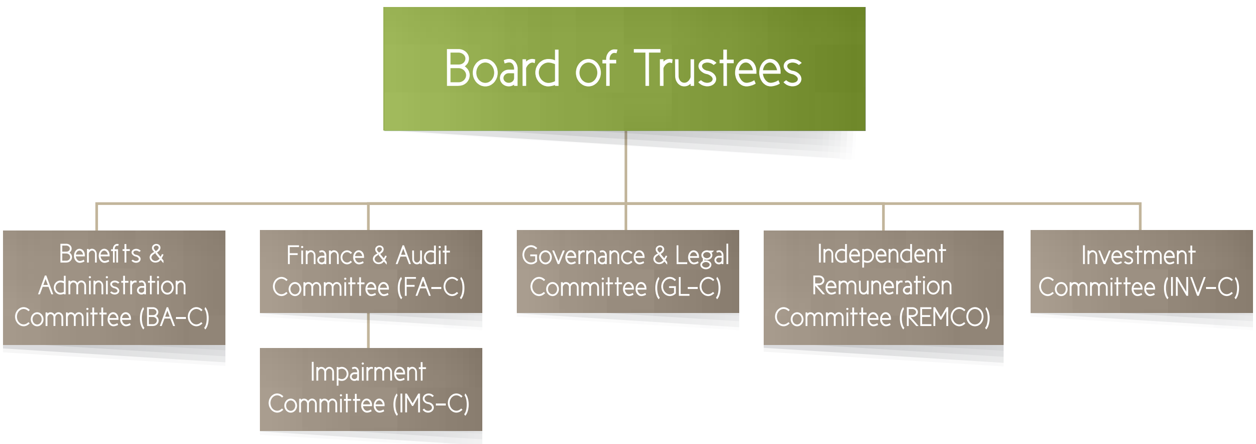
The Board has a formal meeting schedule and meets at least four times a year, with additional meetings when required. Two-thirds of Board members must be present at a meeting to ensure a quorum. Board members are provided with detailed documentation at least a week before a meeting to ensure that they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

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

Board training and development

GEPF's Training and Development Policy prescribes that all newly appointed Trustees must receive induction training. This is done over two days and focuses on governance issues, benefits and rules, investment policies, actuarial valuations and the main service providers of the Fund.

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



Board committee membership, responsibilities and highlights

Benefits and Administration Committee	
Committee Members	Dries de Wit (Chairperson) Jeremy Andrew Kenny Govender Johan Griesel Edward Kekana Mary Ledwaba Frans le Roux Pulani Mogotsi Edith Mogotsi Hans Murray Thobile Ntola Valerie Rennie Daniel Teffo
Responsibilities	Reviews all aspects of GPAA's administration activities Monitors compliance with the SLA between GEPF and GPAA Advises and makes recommendations about GEPF benefits, administration of its affairs, administration policies, strategy, procedures and management
2012-13 highlights	Facilitated for Board approval policies relating to e-mail and Internet, information security, password and user access, portable devices and remote access Facilitated the approval of the Brand Strategy Roll-out Facilitated rule amendments in respect of the mobility of Personnel from the Armed Services to the Public Service Facilitated the review of the Pension Increase Policy Facilitated rule amendments which dealt with divorce debt Facilitated the future establishment of a GEPF Preservation Fund and an Additional Voluntary Contribution Scheme Facilitated the rule amendment in respect of increased spouses pension from 50% to 75% Facilitated a project to investigate flexible and improved benefits Facilitated the 2012-13 pension increase

Finance and Audit Committee	
Committee Members	Prabir Badal (Chairperson) Dries de Wit Edward Kekana Hennie Koekemoer Fagmeedah Petersen-Lurie Itumeleng Mahlwele Success Mataitsane Pulani Mogotsi Gladys Modise Peter Ntsime
Responsibilities	Gives effect to GEPF audit and financial policies and audit strategies Reviews all aspects of GEPF audit and financial activities Advises and makes recommendations about financial reporting, appointment of auditors, internal auditing, risk policies and procedures and annual financial statements
2012-13 highlights	Facilitated the approval of the Internal Audit Manual and Internal Audit Coverage Plan Facilitated the approval of the Debt Collection Policy and Procedures Facilitated the approval of the Supply Chain Management Policy and Accompanying Delegations of Authority Facilitated the appointment of new auditors for a three-year period Facilitated the approval of new office accommodation for GEPF Facilitated the approval of the updated Enterprise-wide Risk Management Policy and Framework Facilitated achievement of an unqualified audit opinion Facilitated and approved the Fund business plan and budget in line with the Board's strategy for 2012-13 Facilitated Board approval of the annual report and annual financial statements for 2011-12 Facilitated the approval of the impairment of unlisted investments and the adjustment to fair value as recommended by the Impairment Committee

Governance and Legal Committee	
Committee Members	Cecilia Khuzwayo (Chairperson) Rashied Daniels Kenny Govender Johan Griesel Hennie Koekemoer Mpho Kwinika Itumeleng Mahlwele Success Mataitsane Thobile Ntola Peter Ntsime Paddy Padayachee Valerie Rennie Daniel Teffo

Governance and Legal Committee	
Responsibilities	Gives effect to GEPF's governance and legal policies and strategies Reviews all aspects of GEPF's governance, risk and legal activities Advises and makes recommendations about GEPF's code of conduct, Board committees and terms of reference, induction, remuneration, evaluation, corporate governance matters, social and ethics practices, risk management, legal functions, dispute resolution, legislation and amendments to GEP Law and Rules
2012-13 highlights	Organised formal training sessions for the Board Updated terms of reference of committees and the Board Charter Trustees and their substitutes completed fit and proper questionnaires Trustees and their substitutes completed financial disclosures Facilitated the roll-out and implementation of an ethics programme Facilitated approval of the Promotion of Access to Information Manual Facilitated approval of the Board assessment questionnaires Facilitated approval of the updated International Conference Attendance Policy Facilitated approval of the updated Trustee Education and Training Policy Facilitated approval of the Staff Dealing Rules in terms of the Insider Trading Policy

Investment Committee	
Committee Members	Arthur Moloto (Chairperson) Jeremy Andrew Prabir Badal Cecilia Khuzwayo Mpho Kwinika Frans le Roux Fagmeedah Petersen-Lurie Marion Mbina-Mthembu Gladys Modise Edith Mogotsi
Responsibilities	Gives effect to investment policies and strategies Reviews all aspects of GEPF investment activities Implements and gives oversight to the Fund's policy and commitment to UN-PRI Monitors investment mandates Advises and makes recommendations about asset management, investment policies and strategy
2012-13 highlights	Facilitated the approval of the Investment Policy Statement Facilitated the approval of the Unlisted Investment Framework Facilitated the approval of the Development Indicators Proposal and Summary of Key Principles in respect of the Private Placement Memoranda Facilitated the approval of Sponsorship of the JSE GEPF Investor Showcase

Remuneration Committee	
Committee Members	Bernard Nkomo (Chairperson) Michael Olivier Basetsane Ramaboa Johan Griesel Kenny Govender
Responsibilities	Adopt remuneration policies and practices that promote the strategic objectives of the Fund and encourage individual performance long term Determines remuneration packages appropriate to attract, retain and motivate high-performing senior executives Annually reviews whether the objectives of the Remuneration Policy have been achieved Annually reviews the principles and levels of Trustee remuneration
2012-13 highlights	Facilitated the approval of a Trustee Remuneration Survey Facilitated the regrading of positions within the current GEPF structure Facilitated the approval of salary increases and performance bonuses for staff

Impairment Committee	
Committee Members	Jeremy Andrew (Chairperson) Fagmeedah Lurie-Peterson Frans le Roux
Responsibilities	Oversee the valuation of unlisted investments and consider and recommend to the Board any impairment to these investments.
2012-13 highlights	Facilitated the approval of the impairment of unlisted investments and the adjustment to fair value for the 2011-12 financial year.

Meeting attendance

	Board and special Board meetings	Benefits and Administration Committee and special meetings	Finance and Audit Committee and special meetings	Governance and Legal Committee	Investment Committee and special meeting	Remuneration Commit-tee	Board training, strategic planning and other work-shops
Meetings/training sessions held	6	5	5	4	5	6	13
Arthur Moloto (Chairperson)	6				5	2 ***	4
Prabir Badal (Vice Chairperson)	5		5	1 ***	5	2 ***	10
Jeremy Andrew *		4	1 ***		4		3
Rashied Daniels	4			3			9
Dries de Wit	6	5	5	1 ***			10
Kenny Govender	3	2		1		2	3
Johan Griesel *		3		3		4	3
Edward Kekana *		4	5				5
Cecilia Khuzwayo	5	1 ***		4	3		6
Hennie Koekemoer *			5	4			9
Mpho Kwinika	5			3	2		9
Frans le Roux	6	5			5		11
Mary Ledwaba	6	4		1			3
Fagmeedah Lurie	6		4		4		7
Itumeleng Mahlwele*			4	4			10
Success Mataitsane *			5	4			9
Marion Mbina-Mthembu	4				4		3
Gladys Modise	5		2		3		3
Edith Mogotsi	5	5			5		11
Pulani Mogotsi *		5	5				12
Moira Moses	1						0
Hans Murray #							0
Nokozula Ndhlovu **	5	2	1				9
Bernard Nkomo (REMCO)	2					6	2
Thobile Ntola	3	1		1			4
Peter Ntsime*			5	3			11
Michael Olivier (REMCO)						3	0
Paddy Padayachee #	0		0	0			0
Basetsana Ramaboa (REMCO)						6	2
Rudzani Rasikhinya #			1				0
Valerie Rennie *		0		0		0	0
Paul Sello #			3	2			3
Pierre Snyman **		1	0				2
Zakhele Sithole ##	1		1				1
Daniel Teffo		5		4			11

*Indicates substitute Trustees

# Indicates resignations during the reporting period Hans Murray 30/06/2012, Rudzani Rasikhinya 09/10/2012, Paul Sello 30/09/2012 ,Paddy Padayachee 01/12/2012

Passed away on 19/08/2012

** Indicates appointments during the reporting period; Nokozula Ndhlovu 01/07/2012, Pierre Snyman 01/10/2012

*** Indicates a Trustee who is not a member of a committee but attended as a special invitee

"Trustees, in consultation with their principals, may elect to have their remuneration paid to them as individuals or to their principals. They may also choose not to receive remuneration."

The newly appointed Trustees also successfully attended induction training.
Trustee remuneration

According to the GEP Law, Trustees are to be compensated for their services and expenses on the basis determined by the Board. To give effect to this, the Board has adopted a Trustee Remuneration Policy, with the following principles:

- All Trustees must receive the same level of remuneration, regardless of experience and expertise;
- Remuneration will be paid in the form of per diem meeting fees rather than annual retainers;
- Meeting fees incorporate pre-meeting preparation, research, the length of the meeting and post-meeting follow-up;
- Remuneration is proportional to the time involvement and responsibility of each Trustee such that those serving on the main Board and several committees/chairing committees are paid more than those who are members only of the main Board;
- Independent Trustees should not ordinarily be commissioned to undertake professional work as this may result in a conflict of interest, and may not be in the interest of good corporate governance;
- Travel, accommodation and other agreed reasonable expenses incurred by Trustees should be governed by policy, proof of expenditure and subject to maximum amounts;
- Trustees, in consultation with their principals, may elect to have their remuneration paid to them as individuals or to their principals. They may also choose not to receive remuneration;
- The annual amount of remuneration paid to each Trustee, and to whom the remuneration was paid, should be disclosed in the annual report.

The Independent Remuneration Committee appointed a service provider to conduct a Trustee remuneration survey. The main purpose of the survey was to enable GEPF to benchmark its current Trustee remuneration levels and practices against those of other large pension funds in South Africa, as well as large defined benefit pension funds internationally.

A total of 12 local pension funds and six international pension funds participated in the survey. The survey results indicated that GEPF Trustees are paid below the market median of both local and international pension funds. However, the REMCO agreed to implement a phased approached to align GEPF's Trustee remuneration levels with those of the local market. It has therefore proposed a percentage increase to the current remuneration level that will became effective on 1 April 2013.

The committee also recommended to the Board that even though the Board has the power to approve Trustee Remuneration, this is not best practice. The Board has therefore agreed to approach the Minister of Finance in his capacity as guarantor of the Fund to approve the increase to the remuneration levels. The relevant approval has not yet been obtained.

The policy requires that these amounts be disclosed in the Fund's annual report, as has been done in the table below.

Remuneration paid for 2012-13 period

Name	Subsistence and travel claims	Remuneration	Total
Mr A Moloto (Chairperson)	None	None	None
Mr P Badal (Vice Chairperson)	None	R225 600	R225 600
Mr J Andrew	None	R106 000	R106 000
Adv R Daniels	None	R107 800	R107 800
Major Gen AL de Wit	None	R241 200	R241 200
Mr K Govender	None	None	None
Mr J Griesel	None	None	None
Mr E Kekana	R6 443	R97 800	R104 243
Mrs C Khuzwayo	R7 440	R130 678	R138 119
Mr H Koekemoer	None	R107 800	R107 800
Mr M Kwinika	None	R138 800	R138 800
Dr F Le Roux	R219	R242 000	R242 219
Dr ML Ledwaba	None	R122 000	R122 000
Mrs F Petersen-Lurie	R17 109	R212 952	R230 061
Ms II Mahlwele	R15 427	R127 600	R143 027
Mr M Mataitsane	R1 178	R121 400	R122 578
Ms M Mbina-Mthembu	None	None	None
Mr P Mngconkola	R10 070	None	R10 070
Ms G Modise	None	R101 600	R101 600
Mrs GE Mogotsi	R9 202	R205 600	R214 802
Mrs P Mogotsi	None	R147 400	R147 400
Mrs M Moses	None	None	None
Mr JPT Murray	None	None	None
Mrs ND Ndhlovu	None	R115 533	R115 533
Mr T Ntola	None	R77 000	R77 000
Mr P Ntsime	R9 442	R125 800	R135 242
Mr P Padayachee	None	None	None
Ms R Rasikhinya	None	None	None
Ms V Rennie	None	None	None
Mr P Sello	R28 495	R50 600	R79 095
Mr P Snyman	None	None	None
Mr Z Sithole	None	R37 400	R37 400
Adv D Teffo	R3 540	R152 600	R156 140
Mr B Nkomo (REMCO)	None	R145 102	R145 102
Mr M Olivier (REMCO)	None	R65 450	R65 450
Mrs B Ramaboa (REMCO)	None	R104 720	R104 720
Total paid 2012/13	R108 565	R3 145 736	R3 254 301

Board Performance Assessment

The Board conducted its annual Board Performance Assessment for the 2012-13 period. The purpose of the assessment is to assess the effectiveness of the Board of Trustees, as well as the Principal Executive Officer, in terms of their statutory objectives:

- To direct, control and oversee the operations of the Fund according to the GEP Law and Rules and other best practice guidelines and principles;
- To protect the interest of members in terms of the rules and the provisions of the GEP Law and Rules and other best practice guidelines and principles;
- To act with due care, diligence and good faith;
- To avoid conflicts of interest;
- To act impartially in respect of all members and beneficiaries;
- To highlight where improvements should be made; and
- To inform the Trustee Education and Training Policy.

The Board Performance Assessment was conducted by the Principal Officers Association to allow for a complete, independent and impartial assessment. The assessment focused on the following areas:

- Board relationships and ethics
- Board size, composition and independence
- Board orientation, training and development
- Board effectiveness, evaluation and breach of conduct
- Agendas, meeting preparation and Board effectiveness
- Board and Board member evaluation and compensation
- Management evaluation and compensation
- Ethics
- Constituencies and stakeholder expectations
- Relationship with Principal Executive Officer
- Relationship with staff
- Relationship to financial management
- Internal controls/governance mechanisms/regulatory authorities
- Expert advisors
- Risk management
- Investment performance of Fund assets
- Communication and access to information
- Members and beneficiaries
- Employer and sponsor
- Approved service providers

While the Board scored fairly high on investment performance on Fund assets, it needs to focus on its communication to members, pensioners and beneficiaries.

A matter that was highlighted was a correlation between investment performance and the utilisation of expert advisors, internal controls and approved service providers on which the Board should place some emphasis.

Ethics, evaluation and management compensation and financial management were well within best practice guidelines.

The Board appeared to be satisfied with meeting conduct, access to information and understanding what stakeholders expect.

Risk management, specifically indemnity cover, was highlighted as a concern to the Board, which must be continually updated and kept abreast of personal liability and their fiduciary duties.

Actions plans to address any gaps have already been developed and the progress on these actions plans is reported to the Board on a quarterly basis.

King III and PF130 compliance

GEPF conducted an assessment of its current governance practices against the recommended principles and practices contained in King III as well as PF130. The comparison was divided into full, partial and no compliance. GEPF also identified certain recommended practices that it will not apply but has provided the reasons for not applying those practices.

A detailed action plan was drafted and adopted by the Board to ensure that GEPF fully complies with King III and PF130. GEPF has started implementing the action plans and managed to increase its compliance to both King III and PF130 during the year under review.

Financial management and control

Through the Finance and Audit Committee, Internal Audit and corporate services, a high-level review of the internal financial controls took place during the current financial year and will continue in the new financial year as an ongoing project to enhance these controls.

The Fund’s business plan and budget is prepared annually and approved by the Board. Regular reviews and monitoring of capital and operational expenditure, as well as cash flow projections, take place throughout the financial year to ensure sound financial control.

There is ongoing engagement with the independent external auditors and Internal Audit on the results of their audits into the financial affairs of the Fund, as well as management’s input. This engagement provides an opportunity to assess the effectiveness of the internal financial controls going forward.

The financial management and reporting of GEPF has been outsourced to GPAA. The Finance division of GPAA manages the financial resources available to administer pensions and other benefits using best practice principles.

The division ensures that policies are adhered to, financial recordkeeping is done according to an appropriate framework and sufficient cash flow levels are maintained for operational activities. This division also prepares the financial statements for GEPF and ensures that an appropriate procurement and provisioning system is maintained that is fair, equitable, transparent, competitive and cost-effective in line with best practice.

"Ethics, evaluation and management compensation and financial management were well within best practice guidelines."

The core aspects of financial management and reporting outsourced to GPAA include:

- General ledger and cash flow management
- Financial reporting and management of year-end audit process.
- Review and updating of accounting policies to ensure compliance with the relevant legislation/framework.
- Accounts receivable, tax and unclaimed benefits management.
- Management of the bank account of GEPF (relating to operational expenses).
- Assisting GEPF with its budgeting process and reporting on variance analysis.

The Fund's annual financial statements are prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa prescribed by the FSB. The Board of Trustees is responsible for the financial statements of the Fund and is satisfied that they fairly present the financial position, performance and cash flows of the Fund as at 31 March 2013. It is the responsibility of the external auditors to independently audit the financial statements.

Ethics and the management of GEPF's ethical risks

King III explains that, "The board should provide effective leadership based on an ethical foundation". GEPF subscribes to King III and is in the process of integrating and embedding King III into its organisation. GEPF is thus in the process of establishing and implementing an ethics programme that entails an investigation to establish its ethical risks.

A risk assessment will be conducted that involves engagements with staff, the Board and certain key service providers to identify risks. The risk assessment will be utilised to build on GEPF's current Code of Ethics and an Ethics Charter will be developed to ensure an ethical relationship between GEPF and its service providers.

GEPF will monitor and disclose its ethical challenges and rewards to its Governance and Legal Committee and the Board, and disclose these in its annual report in future.

These challenges include ensuring that GEPF:

- Acts in good faith and in the best interests of the Fund and the members, pensioners and beneficiaries;
- Acts in good faith and co-operates with the sponsor of the Fund;
- Maintains the required prudence and acts with reasonable care when dealing with Fund-related matters;
- Acts with skill, competence and diligence;
- Acts as a "fit and proper" Trustee.
- Maintains the required independence and acts objectively, avoiding conflicts and perceived conflicts of interest, avoids dealing in matters pursued for self gain and not in the interest of the Fund, and avoids the acceptance of gifts which would reasonably be expected to affect its loyalty;
- Abides by all laws, rules and regulations applicable to the Fund;
- Maintains fair, objective and impartial dealings with members, pensioners and beneficiaries;
- Remains vigilant and consistent in adhering to the Vision and Mission of the Fund;
- Maintains confidentiality in line with the Fund's Confidentiality Policy;
- Communicates with all stakeholders, specifically members, pensioners and beneficiaries in a timeous, accurate and transparent manner at all times;
- Adheres to principles of risk management;
- Strives to attend all meetings and sub-committee meetings;
- Refrains from soliciting reward and accepting gifts and favours in any manner other than in terms of the Fund's policies; and
- Conducts regular reviews of the Investment Policy Statement to ensure effective and efficient management of the Fund's assets and the general performance of the Fund, including the performance of its service providers.

Legal and Compliance

In discharging its responsibility to establish an effective compliance framework and processes for the Fund, the Board had established an independent Legal and Compliance function within the Fund and tasked it with the following responsibilities:

- Ensuring that the Fund complies with the current laws, regulations and supervisory requirements;
- Reporting quarterly to the Board on non-compliance with the laws, policies and processes;
- Advising the Board and management on the regulatory requirements applicable to the Fund;
- Overseeing the implementation of compliance procedures by identifying and implementing control measures that ensure compliance with the laws;
- Providing compliance training to the Board and the employees of the Fund;
- Performing compliance monitoring in order to evaluate whether the activities of the Fund are conducted in compliance with the regulatory requirements;
- Drafting and vetting contracts;
- Drafting legal opinions and providing legal advice; and
- Undertaking legal research.

During the year under review the Legal and Compliance Unit was involved in the following projects:

- Finalisation of the Legal and Governance Model in respect of the Private Placement Memoranda with PIC;
- Compliance training and reporting to the Board and key GEPF staff on:
  - The Insider Trading Policy and Staff dealing Rules;
  - Promotion of Administrative Justice Act, Promotion of Access to Information Act and GEPF PAIA Manual.

"There were no significant legal claims against GEPF during the period under review."

All statutory reporting was undertaken during the period under review with the relevant institutions.

There were no significant legal claims against GEPF during the period under review.

There were no material conflicts of interest disclosed to the Board by both the Trustees and the employees of GEPF. The Compliance and Legal Unit can confirm that the gift register was completed and signed off by staff members who received gifts during this period. Annual Declarations Forms were duly completed by the staff.

Amendment to the GEP Law

The following new rules or rule amendments became effective from 1 April 2012:

Implementation of the "Clean Break" principle in terms of the new rule 14.10

Previously, the GEP Law determined that the portion of pension benefit of a member, payable to a former spouse as part of a divorce settlement, only became payable to a former spouse at the date on which the benefit also became payable to the member spouse, that is when he or she retired, withdrew from the Fund or died.

In terms of the new rule, the pension benefits payable to the former spouse are now payable soon after the date of divorce instead of when the member exits the Fund. The former spouse can now elect either to receive the benefit in cash or to have it transferred to another pension fund.

Amendments of rules 14.6.3 and 14.9.1 to extend funeral benefits and orphan's pension to all pensioners irrespective of the date they became a pensioner

Previously, the rules of GEPF only allowed for pensioners who became entitled to a pension and orphan's pension on or after 1 December 2002 to claim funeral benefits. The new rule will extend funeral benefits and the orphan's pension to all pensioners irrespective of the date they became a pensioner, but on condition that they became a pensioner on the effective date of the rule amendment.

"The new rule will extend funeral benefits and the orphan's pension to all pensioners on condition they became a pensioner on the effective date of the rule amendment."

Amendments to rule 14.6.2 to allow pensioners the option to sacrifice part of their pension in favour of an increased spouse's pension

This amendment relates to pensioners being afforded a once-off choice to elect a reduction in their current pension in favour of an increased spouse's pension. The rules provide that if a pensioner dies, his or her spouse will receive 50% of the pensioner's annuity as at the date of death. The amendment will allow pensioners to elect a reduced annuity in order to provide for his or her legitimate spouse to receive 75% of the pensioner's annuity after the pensioner has died.

Amendments to rule 14.4.1 to set a member's resignation benefit as the higher of the cash resignation benefit or the actuarial interest

The rule states that a member who resigns or is discharged is entitled to a cash resignation benefit calculated as per the formula set out in the rules or a transfer benefit to an approved fund calculated at the actuarial interest of the member as per the formula set out in the rules.

The new rule will entitle all members to a resignation benefit which is the higher of either the cash resignation benefit or the member's actuarial interest irrespective of whether the member chooses to transfer to an approved fund or not. However, this amendment will only be applicable to exits from the Fund as a result of a resignation or a discharge with an exit date of 1 April 2012 and after.

Internal Audit Report for the year ended 31 March 2013

"The Internal Audit Unit's capacity was strengthened during the financial year."

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

Since the separation of the Fund from its administrator, the Government Pensions Administration Agency (GPAA), a decision was taken by the Board of Trustees to establish its own Internal Audit function. The Fund's Internal Audit Unit reports functionally to the Finance and Audit Committee with administrative reporting lines to the Fund's Principal Executive Officer to promote strengthened independence.

These reporting lines were maintained throughout the financial year and Internal Audit was able to discharge its responsibilities in line with the charter, which was approved by the Finance and Audit Committee. The year ended 31 March 2013 was used to establish the internal audit function by performing the following:

- The Internal Audit Manager (who Heads the Internal Audit function of the Fund) facilitated the appointment of the service provider to perform the Risk Management function on behalf of the Fund. The service provider (PricewaterhouseCoopers) assisted by the Internal Audit Manager, updated the Enterprise Risk Management (ERM) policy and framework. The reporting framework was also redesigned.
- Based on the Fund's risk register, a strategic Audit Coverage Plan was compiled and approved by the Board via the Finance and Audit Committee. This committee approved the three-year rolling plan and the annual plan in June 2012. A decision was taken in September 2012 to roll the plan forward as the internal audit function of the Fund was not fully established.
- An internal audit methodology was put in place and approved by the Finance and Audit Committee and the Board during the year, in line with the International Standards for the Professional Practice of Internal Audit.
- An Internal Audit Charter which was last approved in 2006 (while GEPF and GPAA were still one organisation) was updated to factor in the changes in the standards and refreshed to ensure relevance and formally define the Internal Audit function's purpose, authority and responsibility in line with the IIA Standards and Code of Ethics.
- The Internal Audit Unit's capacity was strengthened during the financial year through the appointment of two Senior Internal Auditors as approved by the Finance and Audit Committee and the Board. The Senior Internal Auditors assumed duties in February 2013 and April 2013 respectively.

For the period under review (ended 31 March 2013), reliance was placed on the work performed by GPAA Internal Audit in line with the key risk areas identified by GEPF and GPAA.

Below is a summary of audit projects carried out in line with the Fund's 2012-13 risk register:

Unclaimed benefits review	E-Channel and Retired Member Campaign (RMC)	Disaster Recovery Test and Follow up review
Benefits Review - Non Statutory Forces	Automated Life Verification (ALV)	Business Process Mapping
Funeral Benefits - Follow-up review	ICT and Finance- EFT Review	Corporate Information Security
Call Centre - Follow-up review	ICT and Finance- Accpac	ICT Contract Management and SLA
Member Accounts Management - Follow-up review	CivPen follow-up audit	Risk Management follow-up
Disallowances and Estates - Follow-up review	CRM and Communications Road Shows Observations	AGSA Management Letter follow-up
Communication expenditure review	Web Configurations	
Fraud and Forensic – Follow–up review	Virtual Private Network	

The Internal Audit Unit effectively discharged its responsibilities of contributing to the achievement of the Fund's objectives by:

- Assisting management in evaluating their processes for identifying, assessing and managing the key operational, financial and compliance risks of GEPF;
- Assisting management in evaluating the effectiveness of internal control systems, including compliance with internal policies;
- Recommending improvements in efficiency to the internal control systems established by management;
- Keeping abreast of new developments affecting GEPF's activities and in matters affecting internal audit work; and
- Being responsive to GEPF's changing needs, striving for continuous improvement and monitoring integrity in the performance of its activities.

Reliance was placed on GPAA's 2012-13 Internal Audit projects for areas not yet covered by GEPF Internal Audit function as at 31 March 2013. Based on the audit coverage achieved, the necessary assurance was provided for the Fund's 2012-13 identified risks.

GEPF Risk Statement

In pursuing our strategic objectives, GEPF is exposed to multiple risks in the local and global market economy. The Board of Trustees of GEPF is responsible for risk management of the Fund and, supported by the management of the Fund, has designed and implemented a Risk Management Policy and Framework. The aim of this Framework is to ensure that the extent to which the Fund's strategic and operational objectives are being achieved is understood, that the Fund's risk reporting is reliable and that the Fund complies with relevant laws and regulations.

The Risk Management Policy and Framework is based on the Committee of Sponsoring Organizations – Enterprise Risk Management (COSO-ERM) framework and the ISO 31000 Risk Management Principles and Guidelines. It has been designed to achieve maximum integration of the risk management processes in the course of normal business operations.

For the 2012-13 financial year, GEPF developed a risk management plan and embarked on a process to identify and mitigate emerging risks that the Fund faces.

The Office of the Principal Executive Officer

"Supporting the Board to ensure GEPF acts in the best interest of its members and pensioners."

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

The management structure consists of the Principal Executive Officer, the Head of Corporate Services, the Head of Investments and Actuarial, and the Head of the Board Secretariat.

The Principal Executive Officer assists the Board in meeting its fiduciary and oversight obligations in line with the GEP Law, and other laws and regulations. The Principal Executive Officer also represents GEPF on a policy level, and has the overall responsibility for financial reporting and disclosure, consolidating and amending the Fund's rules and valuating liabilities and assets. The Principal Executive Officer implements all Board decisions and gives effect to the Board's strategy. The Principal Executive Officer is supported in this role by the Risk, Internal Audit, Resources and Communications Managers.

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

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

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

Mr John Oliphant

Principal Executive Officer and Acting Head: Investments and Actuarial

- B.Sc (Actuarial Science), Wits University
- B.Sc (Hons) Advanced Mathematics and Finance, Wits University
- Board member of the United Nations supported Principals of Responsible Investment (UN-PRI)
- Board member of the Principal Officers Association
- Chairman of the PRI South African Network
- Chairman of Code for Responsible Investing South Africa (CRISA)
- Member of the Investment Committee of the Pan African Infrastructure Development Fund (PAIDF)
- Member of the Investment Subcommittee of the South African Bureau of Standards (SABS) Board
- Member of the JSE SRI Advisory Committee

Ms Adri van Niekerk

Head: Board Secretariat

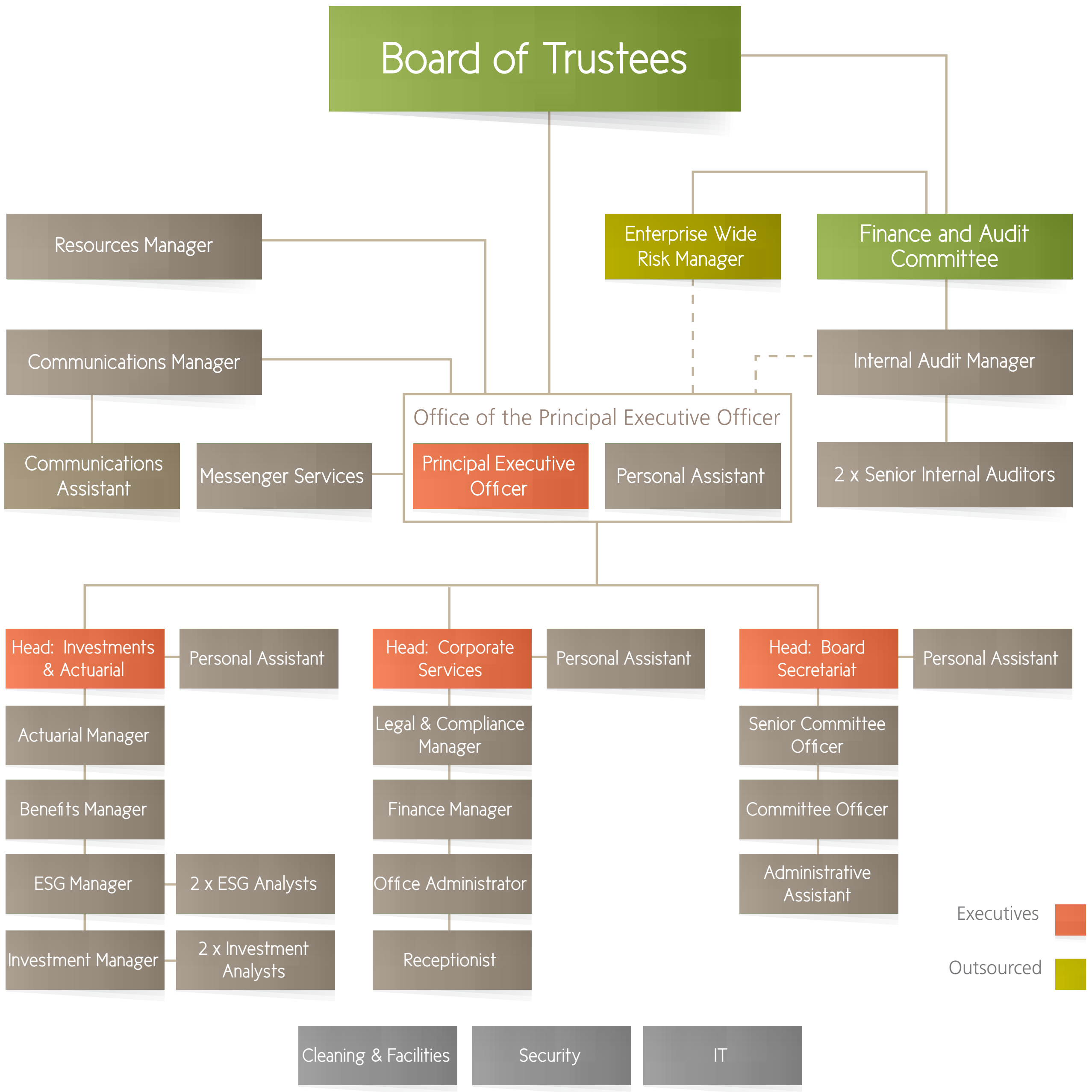
- B.Admin Public Management, University of Pretoria
- Honours degree in Public Management, University of Pretoria
- Member of the Integrated Reporting Committee of South Africa
- Member of the Institute of Directors
- Member of the International Corporate Governance Network (ICGN)
- Member of the Global Reporting Initiative (GRI)

Ms Jolene Moodley

Head: Corporate Services

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

During the year, the Board approved six additional positions to ensure that it can deliver on its strategic objectives.



Progress towards being an employer of choice

"GEPF endeavours to ensure sound employer-employee relations through fair employment practices and the protection of employee rights."

GEPF regards employees as a valuable asset to enable it to achieve its broad business objectives. As such, it aims to provide working conditions and benefits that create an optimal environment for people to give of their best and reach their full potential in fulfilling their duties to the Fund, Board and broader stakeholder portfolio.

This initiative stems from the Board's strategic imperative which is to make GEPF an 'employer of choice'. In line with this strategic objective, GEPF endeavours to ensure sound employer-employee relations through fair employment practices and the protection of employee rights. Employee dialogue that was initiated in 2011 was continued during the reporting period to enhance transparency, open communication and interaction between management and staff in general.

GEPF recorded a 0% cent staff turnover rate during the 2012-13 financial year and employees are kept motivated and encouraged to live the values of the Fund.

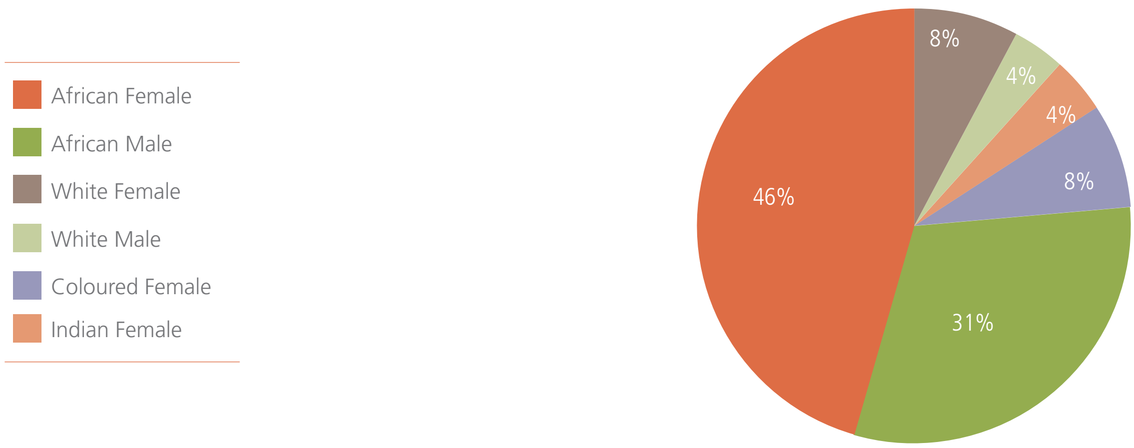
Employment equity

GEPF had established an Employment Equity Committee in line with the Employment Equity Act and related legislation. The Committee had received training on the Employment Equity Act. Its work will come to fruition in the coming financial year and a comprehensive and integrated employment equity strategy will be developed to guide the process.

The Fund's commitment to employment equity in practice is evident in the table and figure below. A total of 88% of GEPF staff, and 66% of executive management, are African, Indian or Coloured. GEPF currently has four vacant positions that will be filled in the coming financial year.

Level	African		Coloured		Indian		White	
	M	F	M	F	M	F	M	F
Top management	1	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	1	0	1
Professional - middle management	5	2	0	1	0	0	1	0
Skilled	1	4	0	0	0	0	0	0
Semi-skilled	0	6	0	1	0	0	0	1
Unskilled	1	0	0	0	0	0	0	0
Total	8	12	0	2	0	1	1	2

Employment equity by percentage



Executive remuneration and performance management

In line with best practice, King III and other codes of good governance, GEPF endeavours to ensure a meaningful link between the performance of its employees and their remuneration. Performance bonuses are allocated for above-average performance and beyond, and this is done at the end of the financial year. Ex-gratia payments were not made during the financial year.

Executive remuneration is reflected in the table below:

	Total Cost to Company	Performance Bonuses
John Oliphant	R2 363 804*	R460 000
Joelene Moodley	R1 013 888	R194 000
Adri van Niekerk	R935 272	R90 240
Total	R4 312 964	R744 240

* This amount includes three months remuneration as Head of Investments and Actuarial (R516k) and nine months as the Principal Executive Officer (R1 848k)

Use of benchmarks and incentive schemes

During January 2012, GEPF established a Remuneration Committee to align the remuneration policy and practices to the Board's strategic objectives and encourage individual performance across all levels over the long term. The Committee determines remuneration packages appropriate to attract, retain and motivate high performers and ensure all benefits are justified and correctly valued, among other things. It furthermore gives high-level advice on human resource matters and Trustee remuneration.

GEPF subscribes to three reputable South African remuneration surveys to apply the correct pay levels for each position and grade. The survey results are compared to find an equitable benchmark for GEPF remuneration generally. A few administrative positions have been identified to be above the market. This situation is due to historical remuneration practices and GEPF will address this by appointing incumbents on the correct salary levels when the positions become vacant.

Stakeholder Engagement

"We have taken our services to the people with the introduction of mobile office."

Mobile Offices

During the 2012-13 financial year, GPAA introduced a new service channel called "Mobile Offices". The roll-out of Mobile Offices was born out of the desire to reach out to members, pensioners and beneficiaries who live in remote areas and thus cannot easily reach the established regional and satellite offices.

The Mobile Offices provide a full range of services offered by GEPF in areas that are far from the current regional offices footprint. The Mobile Office's routes were determined by a GIS study indicating the highest concentration of GEPF members and potential beneficiaries.

During the period under review, 58 locations were visited, handling an average of 60 to 90 walk-in visitors per day. Mobile Offices have improved GEPF's accessibility in the rural and marginalised areas, in line with the objective of increasing rural reach.

Mobile Offices - Some areas visited during the 2012-13 financial year

Province	Area	Province	Area
North West	Ramatlabama	Free State	Jacobsdal/Koffiefontein
	Tlhabane College, Rustenburg		Arlington/Paul Roux
	Bray		Luckhoff/Koffiefontein
	Makapanstad/Moretele		Petrus Steyn/Lindley
	Coligny/Ventersdorp		Brandfort/Theunissen
	Setlagole		Fauresmith/Jagersfontein
	Itsoseng		Soutpan
Limpopo	Vhembe		Philippolis/Reddersburg
	Benfarm Village		Senekal/Clocolan
	Elim Hospital		Edenburg/Petrusburg
	Mokopane FET College		Marquard/Winburg
	Bakenberg Tribal Office		Trompsburg/Winburg
	Ga Seleka Tribal Office		Bethulie
	Giyani		Koppies/Parys
Mpumalanga	Volksrust		Gemoed
	Standerton		
	Amsterdam	Eastern Cape	Mangwaneni
	Driefontein		Taylor Bequest Hospital
	Piet Retief		Maluti College
			Lusikisiki College
Northern Cape	Bathlarosi		Bizana
	Mothibistad		Queenstown
	Uppington		Aliwal North
	De Aar		Mount Ayliff
Gauteng	Heidelberg		Lady Frere
	Natalspruit Hospitaal		Tankulu
	Dr George Mokhari Hospital		Graaff Reinet
	Rathanda		Port St Johns
	Dudusa		
KwaZulu-Natal	Nkandla		
	Josini		
	Utrecht		

Member, pensioner and beneficiary education and empowerment remain a priority. The organisation's conventional and non-conventional outreach programmes educate all stakeholders about the various product offerings. Numerous campaigns were undertaken in the 2012-13 financial year.

Road shows

Fifteen road shows were undertaken in five provinces during the 2012-13 financial year. Road shows are beneficial because they promote communication between the Fund and its stakeholders and provide opportunities for feedback on policy and administrative matters. The table below shows the provinces and municipalities that hosted road shows during 2012-13 financial year.

Province	Municipality
Gauteng	Sebokeng
	Kagiso
	Vosloorus
Eastern Cape	Mdantsane
	Mount Frere
	Port Elizabeth
Western Cape	Gugulethu
	Worcester
	George
Mpumalanga	Middelburg
	Piet Retief
	Thulamahashe
Free State	Kroonstad
	Bloemfontein
	QwaQwa

Pre-retirement education

During the 2012-13 financial year, GPAA introduced a proactive process of contacting prospective retirees in order to promote the desired service level of paying retirement benefits within 60 days of exit date. This Retiring Member Campaign (RMC) has identified active members close to retirement age, informing them of the processes and procedures needed to access their pension benefits timeously.

Through education and communication, many errors and issues are resolved before the member retires, thus making the exit process quicker and simpler. The roll-out of this campaign has increased the proportion of timeous and accurate submissions of retirement exits. Along with this, the 'too early to pay' category was introduced in the SLA report for retirement forms that are sent to GPAA prior to the member's exit date.

Client Liaison Officers (CLOs) conducted 453 pre-retirement and information sessions throughout the country during the year under review. These sessions are intended to empower retirees and to increase the proportion of timeous and accurate submissions of retirement exits.

Issuing of benefits statements

Active members were issued with benefits statements outlining the benefits they are eligible for in the event that they exit the Fund. A total of 969 295 benefits statements were issued. This initiative was well received by members as it afforded them a preview of their future benefits and assisted them in assessing the adequacy of their current benefits.

Newsletters

GEPF's printed newsletters provide information about changes in the Fund, investments, policies and performance. Four newsletters were distributed, as well as informative Frequently Asked Questions pamphlets for both the benefits statement and the yearly pension increase letters.

GEPF Investments

"When our country grows our people grow"

Investment policy statement

GEPF's investment philosophy for responsible investment was made public in 2010 at the launch of GEPF Responsible Investment Policy (RI) in Soweto. Subsequently, the revised Regulation 28 of the Pension Funds Act has further reinforced GEPF's view that environmental, social and governance (ESG) issues may have a material impact on shareholder value over the short, medium and long term.

The Preamble to Regulation 28 states that a "fund has a fiduciary duty to act in the best interest of its members whose benefits depend on the responsible management of fund assets".

It goes on to say, "This duty supports the adoption of a responsible investment approach to deploying capital into markets that will earn adequate risk-adjusted returns suitable for the Fund's specific member profile, liquidity needs and liabilities. Prudent investing should give appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund's assets, including factors of an environmental, social and governance character."

"GEPF played a leading role in the development of the Code for Responsible Investing in South Africa (CRISA)."

The key words here are "a responsible investment approach". One of GEPF's five strategic goals set by GEPF Board of Trustees is to be one of the leaders – if not the leader – in responsible investing. GEPF was one of the founding signatories of the United Nations supported Principals of Responsible Investment (UN-PRI) in 2006, played a leading role in the development of the Code for Responsible Investing in South Africa (CRISA) and has championed responsible investment activities both internationally and on the African continent.

Through our efforts, South Africa has reaffirmed its status as a global leader in this area, becoming only the second country - after the United Kingdom - to introduce stewardship guidelines for institutional investors.

GEPF launched its own responsible investment policy guidelines in 2010 and today has an in-house ESG department which analyses the sustainability of investee companies.

Economic and market review

GEPF is one of the largest pension funds in the world with more than R1 238 billion in assets under management as at 31 March 2013. We are the largest investor in the South African economy, with significant holdings in government bonds, corporate bonds, listed equity, unlisted equity and property. The Fund holds more than 50% of the government inflation-linked bond portfolio and about 10% on average of the companies listed on the Johannesburg Securities Exchange (JSE). GEPF's equity portfolio alone is valued at more than R500-billion and includes large shareholdings in blue chip companies.

As mentioned before, GEPF has chosen to pursue a developmental investment (DI) strategy. Conventional economic theory dictates that DI funds in principle should offer lower returns because of the constraints on their portfolio choices. However, the hard evidence indicates otherwise. Because of inefficiencies that exist in the unlisted space, investors often get rewarded for their efforts to research opportunities well and more often than not realise the embedded liquidity premium. In the listed markets, it is indisputable that companies that manage ESG risks routinely outperform their peers who are not managing such risks.

Investment performance

Funds that integrate ESG issues into their investment analysis also generate good performance. Even in the current difficult economic environment, DI funds held on nicely. As fiduciaries this is a trend we cannot afford to ignore. In fact, going against this would amount to a violation of our fiduciary responsibilities.

We are all very familiar with the challenges facing us as South Africans; from the lack of access to clean water to poor road and rail network infrastructures in some areas, to insecure supplies of energy and the lack of supply and funding for affordable houses, especially for middle-income earners who make up the majority of our own members and pensioners.

GEPF views these challenges as investment opportunities and signifies our bold steps towards investing in a sustainable future. We have committed 5% of assets under management—about R60-billion—to pursue opportunities as identified in the Developmental Investment Policy

The policy has four key developmental investment areas:

- Investment in economic infrastructure, the hard backbone that allows the economy to grow and to become more competitive;
- Investment in social infrastructure, the physical infrastructure that helps to improve the lives and prospects of South African citizens through affordable housing, healthcare and education;
- Environmental investment, that is, projects that seek to improve environmental sustainability, mitigate climate change and foster renewable energy, green buildings, energy efficiency, recycling, and clean technologies; and
- A commitment to enterprise development, broad-based black economic empowerment and job creation.

"Funds that integrate ESG issues into their investment analysis also generate good performance."

Naturally, a number of filters will apply to the developmental portfolio. First, all developmental investments must be based on sound investment sense and not be ideologically driven. Second, GEPF will invest in developmental projects across all asset classes provided that the investment returns will meet or exceed risk-adjusted investment returns. Third, our developmental investments will subject investee companies to high standards in respect of good corporate governance, environmental and social impacts.

"As part of its developmental investment, the Fund will also invest in job-creating sectors."

Taking a brief look at our first key developmental investment areas, infrastructure and energy, as an example, it becomes clear that the economy will not develop without a secure supply of electricity. While Eskom's expansion programme will be funded by government and through increases in electricity tariffs, R30-billion to R40-billion will have to be raised from capital markets each year through to 2015.

Investments in power stations require large capital investments and can have investment horizons of up to 30 years. Both these factors are well matched to GEPF's investment profile as a large and long-term investor. In addition, independent power producers (IPPs) will play a growing role as government plans for 30% of power to come from IPPs in the next decade. The regulatory space for IPPs is still being finalised and when it is, there will be a large funding need and large capital investment opportunities for GEPF.

As for social infrastructure investment, one of the investment categories we are looking at is private-public partnerships (PPPs) which will aid in building and operating schools, universities and artisanal colleges. To this end, we have launched the R1.2-billion Schools and Education Investment Impact Fund of South Africa in partnership with Old Mutual. GEPF has contributed R1-billion and Old Mutual R200-million. The Schools Fund has already allocated more than R450-million for education projects throughout South Africa and looks to increase this in the next financial year.

As part of its developmental investment, the Fund will also invest in job-creating sectors, for example agriculture and agro-processing, tourism, construction and the services industry. The Fund will approach investments in agriculture through partnering with established commercial farming enterprises. The main objective would be to enable these commercial farming entities through debt and equity to facilitate the development of previously underdeveloped farm land with the objective of increasing productive capacity and contributing to food security, while generating excellent investment returns for GEPF.

Investment policies

"We require our investment managers to develop their knowledge of ESG risks and opportunities."

Investment performance influences GEPF's ability to grant pension increases, improve benefits and maintain a stable contribution rate. We believe GEPF's investments are vulnerable to ESG risks across specific investments, sectors and asset classes. Our long-term, broadly diversified but historically predominately passive investment strategy increases this vulnerability.

In response to this risk, we have adopted a responsible investment strategy that integrates ESG issues, which we believe will promote the long-term value of GEPF's investments and is in the interests of our members and pensioners.

We also believe our policy on ESG issues is a significant tool through which GEPF can support the Financial Sector Charter and other industry-specific Black Economic Empowerment Charters and the financing of broad-based black economic empowerment (B-BEEE) initiatives.

We require our investment managers to develop their knowledge of ESG risks and opportunities and to integrate these with traditional financial information when making investment decisions on GEPF's behalf. We will monitor, review and advise them on the extent and effectiveness of their performance in this respect.

While we wish to ensure that GEPF investments incorporate ESG issues and promote socio-economic objectives, this will only be done when these are consistent with our fiduciary responsibilities and are in the interests of GEPF members and pensioners.

Responsible Investment Report

"We are proud to be a leader in responsible investing."

"We have made it clear to our stakeholders that we will actively encourage better corporate management of ESG issues."

Responsible investment is not simply a "nice-to-have" list of things to do, which are not acted upon. GEPF has taken a proactive approach articulated in the practice and application of active ownership. We have made it clear to our stakeholders-irrespective of whether they be our peers in the investment community, the entities in which we invest or the broader South African society - that we will actively encourage better corporate management of ESG issues.

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

GEPF's RI Policy put forward the establishment of an ESG Working Committee with representation from both GEPF and PIC management. This includes GEPF Principal Executive Officer and PIC Chief Investment Officer and respective ESG teams, and meets weekly to discuss, among other issues, the ESG matrix results, proxy voting, transformation, remuneration and environmental issues. Most importantly, the Working Committee is dedicated to engagement and seeks to effect change from within rather than simply voting with its feet.

GEPF and PIC ESG Working Committee

GEPF adheres to good corporate governance practices and codes of conduct in line with the third King Code on Corporate Governance (King III) and played a pivotal part in the drafting of the Code for Responsible Investing in South Africa (CRISA). GEPF, through the PIC and other external fund managers, invests responsibly through the integration of ESG issues incorporated into investment processes. The PIC and the fund managers that invest on behalf of GEPF have all adopted the principles of CRISA. The PIC Corporate Governance and Proxy Voting Policy forms part of the mandates held with these managers.

The Working Committee has developed an ESG matrix, now in its fifth assessment year, in a joint venture between the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School and the PIC.

In essence the matrix aims to:

- Assist companies to improve their corporate governance performance and reporting;
- Encourage transparency using a matrix that makes exclusive use of publicly available information;
- Encourage a paradigm shift to focus on the creation of long-term value and the role of business in society; and
- Create a body of knowledge against which to evaluate South African companies for the purposes of engagement.

The methodology behind the matrix adopts a three-pronged approach to achieve a balanced focus on disclosure, compliance and performance issues. The matrix:

- integrates ESG issues;
- uses only publicly available information; and
- has a scoring methodology that awards points to companies that disclose the required information while also assessing the company's actual performance and compliance in certain other defined areas.

Engagement

At a formal level, engagement involves dealing with company managers and directors to signal our concerns, understanding if and how such concerns are managed and agreeing to the necessary steps for improvement. This is done either at company annual general meetings (AGMs), through voting shares or lodging shareholder resolutions. Informal engagements involve direct correspondence and meetings with management. In extreme situations where the informal engagement activity is unsuccessful, more public approaches may be considered, such as collaborating with other investors, issuing public statements or organising shareholder resolutions.

"In extreme situations where the informal engagement activity is unsuccessful, more public approaches may be considered."

The primary objective of GEPF's ongoing informal engagements with companies is to protect and enhance investment value for GEPF members and pensioners over the short, medium and long term and to improve a company's level of governance and corporate behaviour across a broad range of issues, including governance structures, remuneration policy, accountability and transparency.

GEPF believes engagement, both formal and informal as discussed above, is a tool to manage the risks and opportunities presented by ESG issues. Successful engagement can and should drive change, pushing companies to behave more responsibly, generating better long-term financial rewards for investors, more sustainable prospects for the business, and positive impacts for the labour force, communities and the natural environment affected by a corporation's commercial activities.

During the 2012-13 financial year, GEPF directly engaged a total of 15 companies on a variety of ESG issues. Of the 15, five were in mining, five in retail, two in telecommunications, two in financial services and one was a media company.

Some of the issues addressed during these engagements included poor performance, inadequate disclosure or reporting on the following issues:

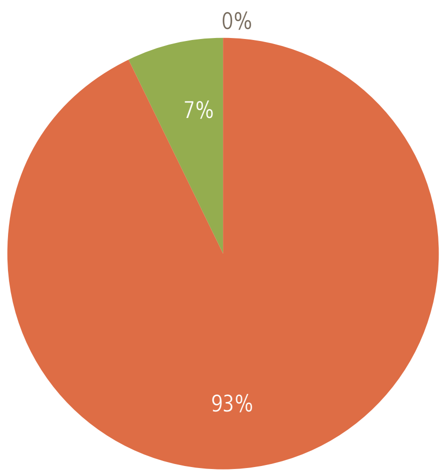
- Corporate governance
- Remuneration policy
- Director remuneration
- Mergers and acquisitions
- Company strategy
- Social issues
- Environmental issues
- Fraud and corruption
- Ethics

Strategic voting

GEPF's duty to its members requires that we vote at company annual general meetings. Strategic voting, however, differs from business-as-usual voting activities (approving capitalisation structures, dividend issuances and issues related to corporate governance) because it means using voting rights to emphasise concerns and to request changes in company policy. (Such changes would already have been signalled to companies through informal engagement activities.) For reports on GEPF's proxy voting activities through PIC, please refer to the following web link: http://www.pic.gov.za/?page_id=80

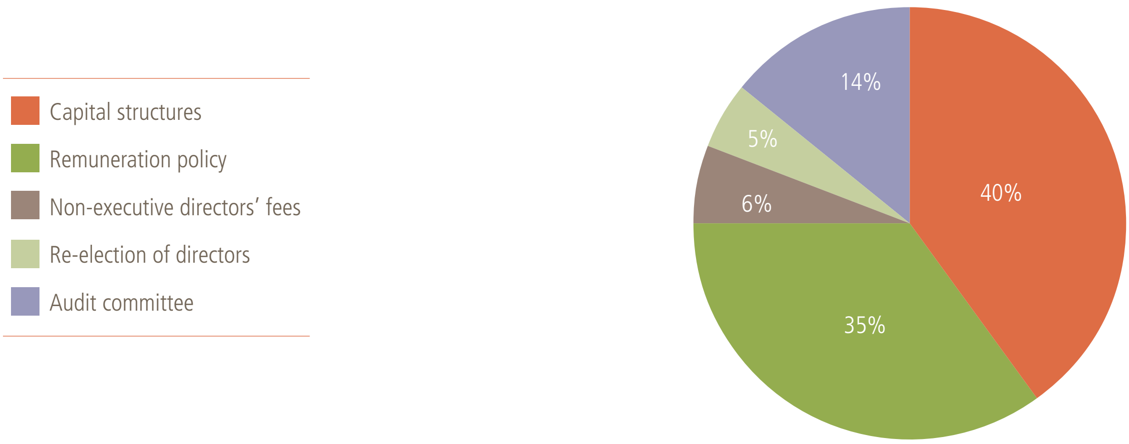
Proxy Voting Results

For	2280
Against	175
Abstain	2
Total number of votes	2457
Total number of companies	224



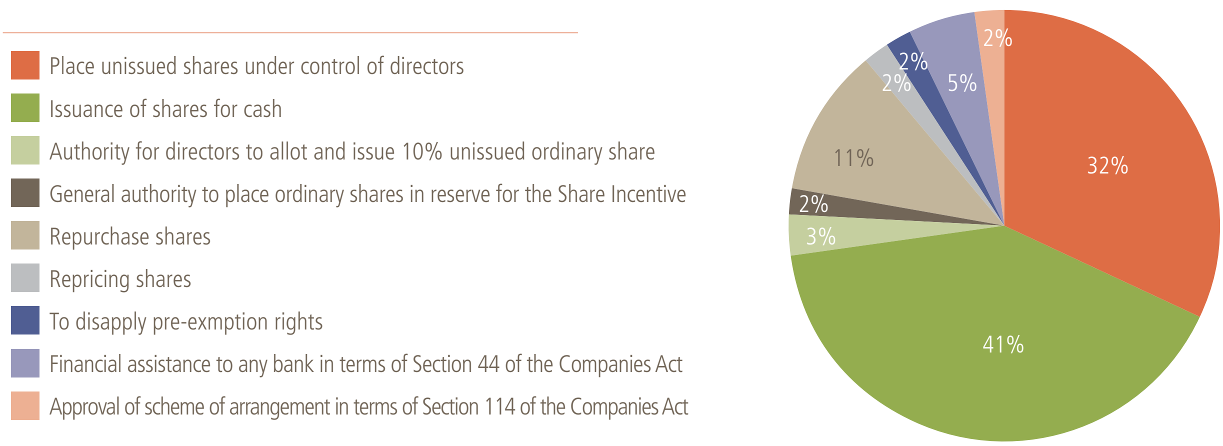
GEPF voted at 224 shareholder meetings for a total of 2 457 resolution items. GEPF voted in favour of 2 280 resolutions and against 175. Furthermore, GEPF abstained on two resolutions.

Breakdown of Against Votes



The number of against votes cast came to 175 and comprised 7%of the total resolutions. The bulk of the resolutions we voted against included capital structure (40%), remuneration policy (35%), re-election of directors to the audit committee (14%) and non-executive director fees (6%).

Breakdown of capital structure votes



The Fund voted against the issuance of shares for cash in most instances relating to companies' capital structure (41%). Other capital structure-related resolutions dealt with placing the unissued shares under the control of directors (32%) and for the repurchase of shares (11%).
GEPF played a major role in at least nine international and local ESG and related initiatives during the year under review.

“We take a long-term, holistic approach to risk and return and ensure that we get to know the companies in which we invest.”

1. Principles for Responsible Investment (PRI)

GEPF has continued to work closely with the United Nations supported Principals of Responsible Investment (UN-PRI). Being a signatory to the Principles helped GEPF formalise our investment policies and research practices relating to ESG issues, requiring that we take a long-term, holistic approach to risk and return and to ensure that we get to know the companies in which we invest and understand the ESG issues that are financially material to their business and strategy. GEPF’s Principal Executive Officer, Mr John Oliphant, serves on the International Advisory Council of PRI, which saw GEPF being instrumental in bringing PRI in Person, PRI’s annual investor event to Cape Town, which is to take place in October 2013. For more on the PRI initiative, please visit: http://unpri.org/

2. Code for Responsible Investing in SA (CRISA)

CRISA gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance. The Principal Executive Officer, Mr John Oliphant, serves as Chairman of the CRISA Committee.

CRISA has five key principles:

- An institutional investor should incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries;
- An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.
- Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors;
- An institutional investor should recognise the circumstances and relationships that hold potential for conflicts of interest and should proactively manage these when they occur; and
- Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

CRISA puts in place checks and balances to make this voluntary governance framework successful. It, like the King Report, is a set of principles and practices complied with on an ’apply or explain’ basis. The CRISA Committee has also issued a practice note that provides guidance to institutional investors on how best to disclose on the application of CRISA. The practice note was developed by a working group of the CRISA Committee that included GEPF’s Environmental, Social and Governance Manager.

The practice note deals with disclosure as three separate elements:

- disclosure of policies;
- disclosure of responsible ownership practices; and
- disclosure of CRISA implementation in general.

The reason for this is that the appropriate platform and timing of disclosure for each of these elements is different, depending on the information requirements of the users. The code recommends that all disclosures take place not only in the integrated annual report but also on a website or other readily accessible public platform where ongoing activity may be tracked. Disclosure should occur at least annually or on a continual basis according to each institutional investor's requirements.

CRISA requires that institutional investors fully disclose to stakeholders at least annually the extent to which the principles have been applied. The code has been endorsed by organisations such as the JSE and the Financial Services Board. For more on CRISA, please visit:
http://www.iodsa.co.za/default.asp?page=crisa

3. Sustainable Returns Project for Pensions and Society

The Sustainable Returns Project is an industry-led initiative to integrate ESG considerations into the mainstream of retirement industry investment practices in Africa. The initial guidance document, released in June 2013 for public comment, was commissioned by the International Finance Corporation (IFC), a member of the World Bank Group, through its Sustainable Investing Unit in the Sustainable Business Advisory Department in collaboration with the Principal Officers Association (POA), a pensions representative body, and GEPF.

The project's objective is to develop a consistent framework and set of tools for Southern African retirement funds to apply the principles of Regulation 28 and CRISA. For more information on Sustainable Returns and the Guide, please visit: http://www.sustainablereturns.org.za/

4. JSE SRI Index

GEPF has partnered with the JSE SRI Index research over the last number of years and uses data from the SRI Index in our engagements with companies regarding their value creation and stewardship activities. GEPF serves on the JSE SRI Index Advisory Committee and is assisting the JSE with the SRI Index strategy review in order to keep the SRI Index at the forefront of ESG reporting and disclosure best practice by South African listed companies. For more on the JSE SRI Index, please visit: http://www.jse.co.za/Products/SRI.aspx

Similarly, GEPF has partnered with the Public Investment Corporation (PIC), GEPF's primary asset manager, on an ESG matrix. This matrix also analyses JSE Top 100 companies against ESG criteria for the purpose of investment decision making and active ownership activities by GEPF and PIC, namely proxy voting resolutions and engaging in dialogue with investee companies. (See above "GEPF and PIC ESG Working Committee". For more information on the ESG matrix, please visit: http://www.governance.usb.ac.za/current-projects/pic-corporate-governance-rating-matrix.aspx

5. Global Real Estate Sustainability Benchmark (GRESB)

GEPF signed on as a member of the Global Real Estate Sustainability Benchmark (GRESB). This is an industry-driven organisation committed to assessing the sustainability performance of real estate portfolios around the globe. GRESB conducts an annual global survey of property portfolios, measuring the environmental performance of real estate investment vehicles, both listed and private property funds. Through GRESB, GEPF will have access to a transparent and comparable measure on the environmental performance of its real estate investments, which will assist the Fund in making informed decisions about the sustainability of its property investments.

"Integrating ESG issues within property investments will deliver better risk-adjusted returns through improving energy efficiency and reducing energy usage costs."

GRESB's dynamic benchmarking practice, used by institutional investors to improve the sustainability performance of their property investment portfolios, fits perfectly with GEPF's RI Policy. The latter commits GEPF to integrate ESG issues within all investment decisions and ownership practices.

ESG issues may have a detrimental impact on our property portfolio, which includes directly held properties within GEPF's property portfolio (managed by Public Investment Corporation Properties) and listed and unlisted property companies and property funds. It therefore made sense to become part of GRESB as it provides the much-needed measure of the environmental and social performance of GEPF's property investments.

Integrating ESG issues within property investments will deliver better risk-adjusted returns through improving energy efficiency and reducing energy usage costs.

GEPF's property investment portfolio includes South African property funds and directly owned South African property, including office buildings, retail centres and other real estate assets. Our mandate allows for a 5% to 7% asset allocation to be invested in property. For more information on GRESB, please visit: http://gresb.com/

"GEPF believes the integrated report benefits investors and other company stakeholders"

6. International Integrated Reporting Committee (IIRC) Pilot Programme

GEPF has been an active participant in the Investor Network of the International Integrated Reporting Committee (IIRC) Pilot Programme in South Africa and is a strong advocate for integrated reporting, which is backed by South Africa's financial governance and regulatory system.

GEPF believes the integrated report benefits investors and other company stakeholders by providing an opportunity for a company to report material information about its strategy, governance, performance and prospects in a manner that reflects the commercial, social and environmental context within which it operates. It also allows a company to focus its attention on providing quality material information in one report.

The Consultation Framework, significantly, is principles based with a focus on integrated thinking. For too long, sustainability factors (or value-creating factors) of the various "capitals" referred to in the draft have not been fully incorporated into the core of companies' business strategy. In some instances, it was simply a matter of them not being reported on in sufficient detail in order to provide shareholders and stakeholders with assurance that this is indeed the case.

The IIRC Consultation Framework is important at this juncture, as the world's investors are increasingly attempting to incorporate ESG issues across various asset classes and types. GEPF notes, however, that while the IIRC's progress is encouraging, a continuing lack of engagement still remains with limited engagement by institutional investors in the Consultation Framework in South Africa. For more information on the IIRC, please visit: http://www.theiirc.org/

7. Carbon Disclosure Project – Carbon and water projects

GEPF realises the need to seriously address climate change and water scarcity in the process of transforming the South African (and global economy) into one that is resource efficient, lower in carbon emissions, resilient and equitable. GEPF has adopted a proactive approach towards responsible and sustainable investing that acknowledges the ESG issues that will dictate our future investment policies.

GEPF's position on water scarcity as an investment issue is supported by the Carbon Disclosure Project's (CDP) water disclosure project that encourages "meaningful and systematic reporting on water globally so that investors and other stakeholders can understand how companies are building water into their core business strategies and so that leading practices can be shared".

The CDP, with support from investors representing more than US$43 trillion in assets, released its water disclosure report for South Africa in 2011. It found that South Africa's "most significant corporate water users are not

yet able or ready to report on their water related risks”. This presents a significant risk to institutional investors who rely on “publicly available and audited data from companies to help inform their investment decisions”. For more information on CDP, please visit:
https://www.cdproject.net/en-US/Pages/HomePage.aspx

GEPF follows a liability-driven asset-allocation strategy but is also committed to transparent and responsible investing. We are determined to engage both companies and sectors in which we have investments and, through GEPF’s external fund managers managing GEPF assets, to address carbon and water risks openly at both a company and portfolio level.

GEPF has noted that recent research produced by the Asset Owners Disclosure Project (AODP) reveals that a typical fund has 55% of its assets in high carbon investments and only 2% in low carbon. The carbon footprint of aggregated holdings in GEPF equity portfolios invested in South Africa was valued at 72 tonnes of carbon per Rmn value. This was 9% lower than the average carbon footprint of the FTSE/JSE Top 100 companies.

GEPF SA bond portfolio carbon footprint was measured against the benchmark Bond Exchange of South Africa (BESA) Corporate Credit Index. The carbon footprint of GEPF bond holdings was 12 tonnes of carbon per Rmn which is 17% more carbon efficient than the BESA Corporate Credit Index, mainly due to the relative carbon efficiency of debt holdings in the Basic Resources sector. For more information on the AODP, please visit: http://aodproject.net/

Our DI policy is geared towards addressing this imbalance and will increasingly invest in renewable energy projects over the next few years. This will include investments in renewable energy projects or projects that will transition South Africa’s economy to a low-carbon dependent economy. Such projects include the renewable energy sector, energy efficiencies and storage, clean technology and environmentally friendly infrastructure development. As a result, GEPF through its investment manager the PIC, in partnership with the Industrial Development Corporation (IDC), subscribed to an IDC Green bond for R5-billion (US$560-million) that will see GEPF invest in renewable energy generation and energy efficiency projects in South Africa.

8. GEPF’s collaboration with WWF on carbon and water footprints

Our sustainability journey began in 2006 as a founding signatory to the UN supported UN-PRI looking at the sustainability of investments across all asset classes and taking into account salient ESG factors. Climate change and water scarcity were flagged as a risk (and potential investment opportunity) that would have a significant impact on GEPF’s portfolio over the long term. It was important for us to be able to measure our portfolio in terms of the carbon and water footprints.

"We are determined to engage both companies and sectors in which we have investments."

GEPF assessed its investment strategy's exposure to these footprints, enlisting the support of a number of organisations to analyse the carbon footprint and water risks of our equity and bond portfolios. Over a three-month period the World Wildlife Fund (WWF), the WWF-SA in collaboration with Trucost, SinCo and Carbon Tracker, completed the project, which has been incorporated into the WWF public reports.

The report "Navigating Muddy Waters: securing investment returns under carbon and water constraints", highlighted the fact that South Africa is not only vulnerable to the impacts of climate change but, more importantly, our annual freshwater availability is less than 1 700m3 per capita. We have a limited average rainfall of 450mm per year and unevenly distributed water resources.

The United Nations Framework Convention on Climate Change in 2011 estimated that the country's total water requirements by 2025 face a shortfall of between "2% and 13%" while some estimates suggest they could run to as high as "33% by 2025". As the WWF report puts it, this "may adversely affect companies' revenues, operational costs, margins, and ultimately, investment returns".

With this in mind, GEPF has continued to innovate within and exert influence on responsible investing, establishing a dedicated ESG Unit and engaging with investee companies to ensure their compliance with our ESG imperatives. The WWF report indicated that institutional investors were failing to factor in climate change and freshwater risks when making investment decisions. This potentially posed a risk in that the listed bonds and equities of companies in high-carbon sectors may be mispriced, which could lead to "financial instability when the market recognises the realities of resource constraints owing to water scarcity and greenhouse gas (GHG) emission limits, and re-prices these securities accordingly".

The WWF report calculated the "external price of water scarcity in South Africa" by looking at the "impact of water extraction on freshwater replenishment, habitat maintenance, groundwater recharge, water quality maintenance and waste assimilation". Based on this, the annual external value of water used by operations and first-tier suppliers of JSE top 100 companies could total more than R56-billion (US$6.78-billion). In essence, they are paying "less than 1% of the true value of water" in South Africa. The potential risks to companies from disruption, higher water tariffs and "rising input prices due to water stress will negatively impact companies' financial results, operations and, ultimately, valuations". For more information on GEPF's collaboration with WWF for carbon and water, please visit:
http://www.wwf.org.za/media_room/publications/?7260/securing-investment-returns

9. Access to Nutrition Index (ATNI)

Access to Nutrition Index (ATNI) addresses the fundamental dilemma we face today of how to get new capital, in new ways, to drive better nutrition in the global food system. ATNI understands that the role of investors is critical to its long-term success and has embraced the strategic role of investors with participation on its advisory committees to help develop and refine the methodology and metrics of the Index. GEPF serves on ATNI's independent advisory panel and is part of its global Expert Group.

In March 2013, the Access to Nutrition Index (ATNI) revealed that 25 of the world's largest food and beverage manufacturers must do more to increase access to more affordable nutritious products and to positively exercise their influence on consumer choice and behaviour. Developing the ATNI helps move the general ESG thematic coverage forward in the food and beverages sector. Probing questions on nutrition may be added to the analysis and shareholder engagement in the sector.

The Index is different from others in the food and beverages (F&B) sector because it focuses solely on one link in the food value chain — food manufacturers. Future iterations of the index may look at increased coverage of companies, and expanding the links to include F&B retailers.

Investment research reflects that, apart from water, nutrition is the second major long-term sustainability megatrend affecting food companies. The ATNI Report states that, "overweight and undernourished consumers combined [represent] 28% of the world population" and goes on to point out that, "food companies face long-term growth opportunities if they succeed in adapting their product portfolio to these consumers". For more information on ATNI, please visit: http://www.accesstonutrition.org/about-us

Other collaborations

During the year under review, GEPF remained part of the 12-member Emerging Markets Disclosure Project (EMDP) team working towards greater collaboration among international investors to encourage greater ESG disclosure in emerging market companies. This engagement is conducted with those JSE Top 40 companies that do not qualify for inclusion in the annual JSE SRI Index assessment, and focuses on the following activities:

- The establishment of a model for collaboration to improve sustainability reporting and practices in emerging and developing markets that will be used by signatories to the United Nations supported Principals of Responsible Investment (UN-PRI) in the years ahead;
- Winning the backing of 55 investors with more than US$1-trillion in assets under management;
- Publishing four original research reports, documenting wide disparities in sustainability disclosure practices in emerging markets, greatly varied knowledge of ESG risks and a lack of understanding among companies of how investors use sustainability data;
- Creating a scorecard for companies to benchmark their ESG performance and EMDP participants to assess companies' weaknesses in these areas;
- Forming four country teams with local and international partners in Brazil, Indonesia, South Africa and South Korea, which engaged with 72 companies on sustainability issues; and
- Achieving its core goal—increased and improved corporate sustainability reporting in emerging markets.
- On 15 October 2012, EMDP released its final report covering five years of the initiative. EMDP's accomplishments included:

The South Africa team winning reforms from Aspen Pharmacare Holdings¸ Naspers, Sasol, Shoprite Holdings, Steinhoff International and Tiger Brands, including improvements in sustainability reporting and policies. For more information on EMDP, please visit: http://www.ussif.org/files/Emerging_Markets_F2012.pdf

South Africa's hosting of Conference of the Parties (COP) 17 in Durban in December 2011 was an opportunity for GEPF to host a formal dinner with boards of GEPF and PRI for an evening of discussion with Minister Trevor Manuel of the National Planning Commission. During the COP17 week and side events, GEPF took part in the National Business Initiative's responsible investment roundtable, which examined the role of investors in promoting sustainable investment. Asset owners and fund managers were challenged to do some introspection, become more involved in responsible and developmental investment opportunities and look at longer terms gains for sustainability – and not just short-term performance.

Administration

"On the road to service excellence."

To meet the requirements of GEPF's Service Level Agreement (SLA), GPAA set out to pay 80% of benefits within 60 days upon receipt of correctly completed documents. During the 2012-13 financial year, GPAA was able to pay 78% of exits within 60 days. While this is 2% below the set target, it shows a commitment towards meeting the requirements set out in the Government Employees Pension (GEP) Law.

GPAA also processed and paid 8 626 spouse's pensions, 1 258 orphan's benefits, 18 417 funeral benefits and 770 clean break payments to non-member former spouses. A total of 22 649 Non-Statutory Forces (NSF) service periods were recognised in line with the revised NSF dispensation of 2011. GPAA also activated 4 823 enhanced spouse's benefit choice applications.

Service offering	2012-13	2011-12	2010-11
Number of beneficiaries paid due to withdrawal from GEPF	54 607	61 174	54 830
Number of beneficiaries paid funeral benefits	18 417	17 260	16 785
Number of non-member spouse clean break payments	770	n/a	n/a
Number of enhanced spouse's benefit choice applications	4 823	n/a	n/a
Number of NSF service periods were recognised in line with revised the NSF dispensation of 2011	22 649	n/a	n/a

Unclaimed benefits

During the 2011 financial year, GEPF's Board of Trustees adopted its Unclaimed Benefit and Tracing policies to govern the effective and efficient administration of unclaimed benefits. The objective of the Tracing Policy is to provide comprehensive guidelines for tracing the rightful beneficiaries of GEPF benefits. In order to discharge this responsibility effectively, two approaches are adopted, namely:

First level tracing

This is conducted after the first 90 days of a benefit becoming payable and is handled through the approved external databases of a registered credit bureau. Tracing commences once attempts to source the necessary information from the participating employer have failed to facilitate payment. First level tracing is conducted by a dedicated in-house team that was set up in July 2012.

Second level tracing

The second level tracing will be conducted by an external tracing company to be appointed once supply chain processes have been complied with in terms of the Public Finance Management Act. It is envisaged that an external tracing company will be appointed in May 2013.

"The objective of the Tracing Policy is to provide comprehensive guidelines for tracing the rightful beneficiaries of GEPF benefits."

Unclaimed befits age analysis from 1 April 2012 to 31 March 2013

The unclaimed benefit account was approximately R759-million in the 2011-12 financial year and has been reduced by intervention to R583-million in 2012-13.

The reduction in unclaimed benefits of approximately 19% during the 2012-13 financial year demonstrates our commitment to ensuring that GEPF has satisfied clients through operational excellence.

Description	No. of cases	Amount
Opening balance at 1 April 2012	25 255	R759-million
Add: New cases transferred into account	14 813	R738-million
Subtotal	40 068	R 1 497-million
Less: Cases traced relating to previous years	9 768	R316-million
Cases traced relating to the current year	9 814	R540-million
Less: Interest provision		R58-million
Closing balance at 31 March 2013	20 486	R583-million

Active member and pensioner customer experience

During the year under review, GPAA's Call Centre experienced an increased volume of calls, with a total of 1 029 947 calls compared to the 968 216 received in 2011-12. The increased volume of calls is attributed to the beneficiaries' improved awareness of GEPF product offerings and the unavailability of an automated or self-service claim status tracking system. The increased calls exceeded the current Call Centre capacity, resulting in a service level of 77% against the target of 90%. The Call Centre Optimisation Project will be prioritised in the 2013-14 financial year to improve accessibility and responsiveness.

Modernisation – GPAA's Service Delivery Improvement Programme

GPAA's vision is to be the leading and preferred fund benefits administrator. To ground this vision into reality, the organisation embarked on a transformational journey in 2011, called the Modernisation Programme. The programme is intended to elevate GPAA's operational effectiveness and efficiency, stakeholder management and governance. It is the vehicle that is being used to execute the organisation's transformation roadmap. It will transform GPAA into a service-oriented entity in line with the expectations of its internal and external stakeholders.

The first year (2011-12) was dedicated to defining a long-term modernisation strategy and developing a competent modernisation delivery capability to support GPAA's turnaround strategy.

Modernisation achievements for 2012-13

The notable achievements for the year under review are the implementation of an electronic claim submission facility (called eChannel), the deployment of Mobile Offices and the Retiring Member Campaign.

“The uptake of eChannel by employer departments exceeded expectations.”

eChannel – GEPF Online

The mode of interaction between GEPF and employer departments is primarily manual. In 2012-13 GPAA deployed an online capability called eChannel or GEPF Online. This facility automated the employer interface to enable electronic submissions of exit documents.

The uptake of eChannel by employer departments exceeded expectations as 27 were signed on to this system, exceeding the annual target of 15. The average turnaround time (TAT, received to pay) for cases submitted via eChannel is 16,5 days. The automation of this primary interface has alleviated a host of administrative pitfalls that lead to delays in the paying of benefits for participating employers.

Benefit Automation Project

The anchor project of automating the benefit payment value chain processes through an integrated pension administration system was delayed. The two critical projects required to implement a technology foundation to enable an integrated automated pension administration platform and an upgraded Call Centre, namely the information and Technical Architecture Design (TAD) and implementation and the deployment of a preferred solution as per the TAD’s recommendation, were not realised as at 31 March 2013.

The delay is attributed to the non-finalisation of key tenders.
Post-March 2013 the key tenders, namely the Technical Architecture Design (TAD), Business Process Management (BPM) and Human Capital Management (HCM), were approved to accelerate modernisation.

Modernisation Roadmap 2013-2015

The primary focus for 2013-2015 will be the provision of appropriate processes and systems that will transform GPAA into a service-oriented entity in line with the expectations of its internal and external stakeholders. The new pension administration platform’s capability will:

- Allow flexibility, customisation and continuous development;
- Allow full integration with workflow;
- Allow real time processing and online functionality;
- Fully integrate with financial and third party systems;
- Produce reports and audit trails;
- Allow for automated communication to stakeholders; and
- Eliminate administrative obstacles.

Actuarial valuation

"We are 100% funded."

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. Ten statutory actuarial valuations have been undertaken since the establishment of the Fund in May 1996 with the 10th and most recent having been undertaken as at 31 March 2012. This valuation was performed based on the Funding Policy that was adopted by the Board of Trustees in consultation with the Minister of Finance. The policy provides for the valuation of the liabilities on a long-term best-estimate basis, and the establishment of a solvency reserve to allow for funding and investment risk and uncertainty relating to future public service remuneration and employment.

"The actuarial results of the March 2012 valuation show that the Fund is 100% funded."

The actuarial results of the March 2012 valuation show that the Fund is 100% funded. There were sufficient assets to cover the actuarial liabilities in full; however, the recommended reserves were not fully funded. The table below indicates the funding level as at each valuation. The assumptions underlying these valuations vary, and they are therefore not strictly comparable.

Results of GEPF actuarial valuations from May 1996 to March 2012

Date	Funding Level %	Valuator
1 May 1996	72.3	Ginsberg, Malan, Carson
31 March 1998	96.5	NBC Employee Benefits
31 March 2000	96.1	NBC Employee Benefits
31 March 2001	98.1	NBC Employee Benefits
31 March 2003	89.4	Alexander Forbes Financial Services
31 March 2004	96.5	Alexander Forbes Financial Services
31 March 2006	101.7	Alexander Forbes Financial Services
31 March 2008	100.0*	Alexander Forbes Financial Services
31 March 2010	100.0*	Alexander Forbes Financial Services
31 March 2012	100.0*	Towers Watson

* The funding level has been determined with reference to the affordable reserves only.

GEPF membership profile – contributing members

Member Category	Male	Female	Total 2012	Total 2010
Retired members	100 068	122 839	222 907	211 931
Spouses	12 868	115 622	128 490	119 095
TOTAL	112 936	238 461	351 397	331 026

Significant mortality improvements are being observed internationally and South Africa is expected to follow suit. The actuaries therefore believe that it is appropriate to include an explicit allowance for future mortality improvements in the 2012 valuation, as was the case in the previous valuation.

The demographic assumptions used were the same as those used for the actuarial valuation of the Fund as at 31 March 2010. The economic assumptions were updated to take into account the market conditions as at 31 March 2012. The results of GEPF actuarial valuation as at 31 March 2012 are shown in the table below.

GEPF valuation results as at 31 March 2012

Financial Position	31 March 2012 R'million	31 March 2010 R'million
Contributing member liability	773 805	526 196
Pensioner liability	223 050	180 647
Data and past discriminatory practice reserves	14 761	29 879
Contingency reserves*	27 330	64 282
Total liabilities	1 038 946	801 004
Net assets	1 038 946	801 004
Surplus/(deficit)	-	-

* As at 31 March 2012 the full value of the recommended reserves was R464 181-million. This consists of a solvency reserve (R254 000-million), 100% CPI pension increase reserve (R183 553-million) and a mortality improvement reserve (R26 628-million). However, the Fund could only afford to hold a total of R27 330-million as a reserve at this date. On this basis 5.9% of the contingency reserves could be held. As at 31 March 2010, a reserve of R64 282-million was affordable.

The 2012 actuarial valuation results show that the funding level has remained at 100% when compared with the 2010 actuarial valuation. In terms of the policies adopted by the Trustees, they would have liked to increase the funding of the contingency reserves (including solvency, mortality improvement and CPI pension increases) by an additional R436 851-million had the funds been available. However, in terms of the practice adopted, it was felt appropriate to limit the level of contingency reserves to reflect a fully funded fund with contingency reserves set at 5.9% of the desired level.

The employer currently contributes at a rate of 16% of pensionable salary in respect of "services" members and 13% in respect of "other" members, reflecting the differences in the benefit structure of these two categories of members. Members of the Fund contribute at a rate of 7.5% of pensionable salary.

Howard Buck
Valuator to the Fund
May 2013

The year ahead

"Unlocking potential value for members and pensioners"

Into 2013-14, GEPF will continue to pursue objectives against its five strategic outcomes.

To remain a leader in responsible investing

Significant investments will be made in the four pillars of economic and social infrastructure, the green economy, enterprise development, and job creation and B-BBEE.

Develop one-stop financial services capability that offers members and pensioners improved and flexible benefits

A service provider has been appointed to assist the Board in the development of a business case for the Value Added Benefits project. The project will be implemented once the Board has approved the business case.

Optimise the Fund structure in terms of governance and benefits offered to members

The Preservation Fund and Additional Voluntary Contribution scheme will be implemented once GEPF has consulted with all the relevant stakeholders. GEPF will be working aggressively to implement all the actions that were identified during the King III and PF 130 compliance to ensure that the Fund is fully compliant to those two important governance documents. GEPF will endeavour to align itself with the draft guidelines on integrated reporting in an attempt to move closer to issuing an integrated report. The newly constituted Board will undergo a comprehensive induction training programme spanning six months.

Be an employer of choice

Stakeholders and employees will be engaged on implementation of a 'best fit' employee policy and the associated alignment of systems, policies and procedures. Work will continue on the creation of a work environment of choice.

Establish and maintain credibility with stakeholders

The brand strategy will be implemented. A communications plan will be instituted to inform and empower members on financial planning and the Fund's benefits.

Contents

Statement of Responsibility by the Board of Trustees

for the year ended 31 March 2013

Responsibilities

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

- Ensured that proper registers, books and records of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Trustees.
- Ensured that proper internal control systems were implemented by or on behalf of the Fund.
- Ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the rules of the Fund.
- Took all reasonable steps to ensure that contributions, where applicable, were paid in a timely manner to the Fund.
- Obtained expert advice on matters where it required additional expertise, including but not limited to a forensic investigation, mandated by the Board of Trustees of GEPF, into possible irregularities relating to the procurement policy of GEPF, which is still ongoing at the reporting date.
- Ensured that the rules, operation and administration of the Fund complied with the applicable laws.
- Was not aware of non-compliance with any applicable legislation.
- Ensured that investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

Approval of the annual financial statements

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

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

The annual financial statements set out on pages 114 to 158 were prepared in accordance with:

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

The independent auditors, Deloitte & Touche 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 of Trustees believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on pages 110 to 111.

These audited annual financial statements:

- Were approved by the Board of Trustees and are signed on its behalf.
- Are certified by them to the best of their knowledge and belief to be correct.
- Fairly represent the net assets of the Fund at 31 March 2013, as well as the results of its activities for the year then ended.

Mr Arthur Moloto
Chairperson
20 September 2013

Mr Prabir Badal
Vice Chairperson
20 September 2013

The Finance and Audit Committee Report

for the year ended 31 March 2013

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

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

- Examine and review the quality (adequacy, reliability and accuracy) of GEPF's annual financial statements and interim financial statements.
- Make recommendations to the Board regarding the approval of the Annual Financial Statements, as well as the adoption of the interim financial statements.
- Review the effectiveness of the internal control systems.
- Ensure that executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified in internal and external audits.
- Ensure the entity's compliance with certain critical elements of the legal and regulatory framework, policies and procedures.
- Ensure the integrity of the Integrated Report. GEPF has not issued an Integrated Report but has embarked on a journey to start aligning the Annual Report with the requirements of an Integrated Report where possible.
- Oversee the establishment of the internal audit function for the Fund (previously GEPF relied on GPAA for its internal audit before separation), which included:
  - Approval of internal audit charter, methodology and the internal audit three year rolling plan for 2013/14 to 2015/16 and the annual plan for 2013/14.
  - Approval of reporting lines for internal audit, i.e. functionally to the Finance and Audit Committee and administratively to the Principal Executive Officer.
  - Approval of the resources to execute the internal audit coverage plan (i.e. budget and personnel)
  - Oversee the coordination of activities between GPAA and GEPF internal audit to ensure there is no duplication of activities. Also oversee coordination with the external auditors, receiving the reports of significant findings of GPAA internal audit and ensuring that management of GPAA implement agreed management actions.
  - Recommended the renewal of the contract with the external auditors (Deloitte and SAB&T) to conduct the external audit for the 2012/13 financial year.
  - Appointed a service provider (PWC) to render risk management services to the Fund, separating this function from internal audit to ensure the independence of internal audit.
  - Appointed a service provider (Sizwe Ntsaluba Gobodo) to assist GEPF to execute their plan, especially in those areas where specialist expertise is required e.g. Investments and Actuarial, as well as those areas that the Internal Audit Manager was previously responsible for e.g. Finance, Procurement and Risk Management.

Based on the information and explanations given by management and the internal audit department, and discussions with the independent external auditors on the result of their audits, the Finance and Audit Committee is confident that the internal financial controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained. Nothing significant has come to the attention of the Finance and Audit Committee to indicate any material breakdown in the functioning of these controls, procedures and systems during the period under review.

The Finance and Audit Committee has evaluated the financial statements of the Government Employees Pension

The Finance and Audit Committee Report

for the year ended 31 March 2013 (continued)

Fund for the year ended 31 March 2013. Based on the information provided, they comply, in all material respects, with the Fund's stated accounting policies, the provisions of the Government Employees' Pension Law (21 of 1996), GEPF Rules and the regulatory framework that the Board adopted based on the Finance and Audit Committee's recommendation.

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

Mr Prabir Badal
Chairperson: Finance and Audit Committee

Risk Management Statement

for the year ended 31 March 2013

Introduction

The Board of Trustees has committed GEPF to a process of risk management that is aligned to:
- The requirements of Section 6 and 7 of GEP Law and Rules.
- The Pension Fund guideline for good governance, known as PF130, issued by the Financial Services Board.
- Codes of good corporate governance, including the King III code and the code issued by the Committee of Sponsoring Organisations (COSO) – an internationally accepted framework for good governance.
- Other relevant legislation.

The enterprise-wide risk management policy and framework (approved in August 2010) is in the process of being reviewed, as well as the entire risk register of the Fund. During the year under review, the Fund via the Finance and Audit Committee ensured that risk management processes and procedures were put in place to mitigate and actively manage the identified risk. Focus was placed mainly on the top 20 strategic and operational risks to ensure that controls and action plans have been implemented to reduce the residual risk exposure to the Fund.

Purpose

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

Responsibility

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

The Principal Executive Officer is the Fund's nominated chief risk officer and is accountable to the Finance and Audit Committee for the risk management performance in terms of the enterprise-wide risk management policy. The Principal Executive Officer has delegated the coordination of the Fund's risk management activities to the audit and risk manager.

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

Monitoring

The Board identified 20 strategic and 20 operational risks for the Fund. During the year 2012/13 management implemented controls and action plans to mitigate these risks. Reporting was done on a quarterly basis on the actions taken and the remaining risk was re-rated based on the controls and actions implemented by management. Internal audit assisted in the monitoring, through its assurance processes, progress of GEPF business units in managing their risk, and reporting to the chief risk officer. To achieve independent monitoring, the execution of the internal audit plan was based on the top 20 risks to give assurance that the controls are adequate and effective in mitigating the risks. To enhance the independence of the internal audit function, a decision was taken by the Board to separate the risk management coordination function from the internal audit function.

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

Conclusion

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

Report of the Independent Auditors to the Board of Trustees

for the year ended 31 March 2013

We have audited the annual financial statements of the Government Employees Pension Fund (GEPF), which comprise the report of the Board of Trustees, the statement of net assets and funds as at 31 March 2013, the statement of changes in net assets and funds for the year then ended, the cash flow statement and the notes to the financial statements, which include the principal accounting policies and other explanatory notes, as set out on pages 114 to 158.

Trustees' responsibility for the annual financial statements

The Trustees are responsible for the preparation and presentation of these financial statements, in accordance with the basis of preparation applicable to the Government Employees Pension Law (21 of 1996) and the rules of GEPF, as set out in the notes to the financial statements, and for such internal controls as the trustees determine is necessary to enable the preparation of financial statements that are free from material statements, whether due to fraud or error.

Auditors' responsibility

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

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

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

Audit opinion

In our opinion the annual financial statements of the Government Employees Pension Fund (GEPF) for the year ended 31 March 2013 are prepared, in all material respects, in accordance with GEPF's stated accounting policies, the provisions of the Government Employees Pension Law and the rules of GEPF.

Report of the Independent Auditors to the Board of Trustees

for the year ended 31 March 2013 (continued)

Report on Legal and Other Regulatory Matters

Report of the Auditors on Section 13 (2) (a) (ii)

We have audited the Annual Report as required by Section 13(2)(a)(ii) of the Government Employees Pension Law, as amended, and in our opinion, the information furnished in terms of Section 9 and 10 of the Government Employees Pension Law, is presented is fair in all material respects and consistent with the prior year.

Report of the Auditors on Section 13 (2) (a) (iii)

The transactions of the Fund that has come to the auditors notice in the course of his examination were executed in accordance with the applicable laws and instructions.

Report of the Auditors on Section 13 (2) (a) (iv)

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

Report of the Auditors on Section 13(4)

In terms of the above section, the auditor shall draw attention to any other matter falling within the scope of the auditor's examination which, in his or her opinion, should in the public interest be brought to the notice of Parliament. We would like to draw your attention to the fact that the Board of Trustees has mandated a forensic investigation into the circumvention of certain controls within the supply chain management process. Details of this are included in the responsibility of the Board of Trustees statement.

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

Restriction on use

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

Deloitte & Touche
Registered Auditors
Per D Munu
Partner
20 September 2013

Nexia SAB&T.
Registered Auditors
Per A Darmalingam
Director
20 September 2013

Report of the Valuator

for the year ended 31 March 2013

Particulars of financial condition of the Fund

1. Net assets available for benefits amounted to R1 038 946 million as at 31 March 2012.
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 038 946 million as at 31 March 2012.
3. The actuarial present value of promised retirement and other benefits in respect of active members amounted to R773 805 million as at 31 March 2012.
4. The actuarial present value of retirement benefits in respect of pensioners amounted to R223 050 million as at 31 March 2012.
5. The full value of the data, past discriminatory practices and contingency reserve accounts amounted to R478 942 million as at 31 March 2012. This includes the solvency reserve as at 31 March 2012. The affordable level of the data and contingency reserves amounted to R42 091 million as at 31 March 2012.
6. Details of the valuation method adopted (including that in respect of contingency reserves) and details of any changes since the previous summary of report.
   - 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 reserve of R4 711 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.
   - A reserve of R10 050 million was set aside in respect of errors or omissions in the valuation data. This reserve was set at a level of 1.30% 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 2008 with an allowance for mortality improvements determined using the mortality assumption rated down one and a half years.
   - For active members, current mortality rates have been set equal to the mortality rates calculated in 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 the Fund's asset consultants. This model is broadly based on a 1 in 10 year (10%) probability of the funding level falling below a certain level.
   - A reserve was also determined at the valuation date to fund the increase in the active member and pensioner liabilities and increase in the required contribution rate as a result of the Trustees seeking to exercise greater discretion in granting pension increases equal to 100% of CPI.
   - When the above contingency reserves (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 would place the Fund into a deficit funding level position. As at 31 March 2012, the Fund could only afford to hold a total of R27 330 million as contingency reserves. On this basis 5.9% of the desired level of contingency reserves could be held.
7. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.
   - Net pre-retirement discount rate: 3.25% per annum (previously 3.75%).
   - Post-retirement net discount rate: 5.5% per annum for actives and current pensioners (previously 5.8% for active members and 5.6% for pensioners).

Report of the Valuator

for the year ended 31 March 2013

- Post retirement mortality: Rates based on observed GEPF mortality. These rates are the same as those used for the 2010 statutory valuation and are based on an experience analysis carried out for the Fund over the period to 31 March 2008.
- Salary increases: 7.7% per annum (previously 6.7%). It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 6.7% per annum (previously 5.7%). 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.
- Expenses: An allowance for future administration expenses of 0.3% of annual pensionable salary was made.
- The contribution rate was determined using an equity risk premium of 5% resulting in a discount rate of 12.4% as opposed to the 11.2% used to determine the liabilities, which is based on a 3% equity risk premium.

8. Any other particulars deemed necessary by the valuator for the purposes of this summary. None
9. The Fund does not fall under the ambit of the *Pension Funds Act, 1956,* since it is governed by its own statute. However in terms of the Fund's own Funding Level Policy, the Fund was considered to be financially sound in that assets were equal to accrued liabilities and contingency reserves (at 5.9% of the desired level) on a best estimate basis.

Howard Buck
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.
May 2013

Report of the Board of Trustees

for the year ended 31 March 2013

1 Description of the fund

1.1 Type of fund

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

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

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

1.3 Contributions

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

1.4 Reserves

In terms of a collective agreement negotiated and agreed to in the Public Service Co-ordinating Bargaining Council (PSCBC) an actuarial reserve equal to 1% of funding level of 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).

Reserve account balance	2013 R'000	2012 R'000
Ciskei Strikers	148 293	144 365
General Assistants	89 628	84 984
Other past discriminatory practices	5 535 778	4 625 863
Total balance at end of period	5 773 699	4 855 212

1.5 Rule amendments

The following new rules or rule amendments became effective from 1 April 2012:

- Implementation of the "clean break" principle in terms of the new rule 14.10

Previously, the GEP Law determined that the portion of pension benefit of a member, payable to a former spouse as part of a divorce settlement, only became payable to a former spouse at the date on which the benefit also became payable to the member spouse, that is when he or she is retired, withdrew from the Fund or died.

In terms of the new rule, the pension benefits payable to the former spouse are now payable soon after date of divorce as opposed to when the member exits the Fund. The former spouse can now elect either to receive the benefit in cash or to have it transferred to another pension fund.

- Amendments of rules 14.6.3 and 14.9.1 to extend funeral benefits and orphan's pension to all pensioners irrespective of the date they became a pensioner

The rules of GEPF only allow for pensioners who became entitled to a pension and orphan's pension on or after 1 December 2002 to claim for funeral benefits. The new rule will extend funeral benefits and orphan's pension to all pensioners irrespective of the date they became a pensioner, but on condition that they became a pensioner on the effective date of the rule amendment.

- Amendments to rule 14.6.2 to allow pensioners the option to sacrifice part of their pension in favour of an increased spouse's pension

This amendment relates to pensioners being afforded a once-off choice to elect a reduction in their current pension in favour of an increased spouse's pension. The rules provide that if a pensioner dies, his or her spouse will receive 50% of the pensioner's annuity as at the date of death. The amendment will allow for pensioners to elect a reduced annuity in order to provide for his or her legitimate spouse to receive 75% of the pensioner's annuity after the pensioner has died.

- Amendments to rule 14.4.1 to set a members resignation benefit as the higher of the cash resignation benefit or the actuarial interest

The rule states that a member who resigns or is discharged is entitled to a cash resignation benefit calculated as per the formula set out in the rules or a transfer benefit to an approved fund calculated as the actuarial interest of the member as per the formula set out in the rules.

The new rule will entitle all members to a resignation benefit which is the higher of either the cash resignation benefit or the member's actuarial interest irrespective of whether the member chooses to transfer to an approved fund or not. However, this amendment will only be applicable to exits from the Fund as a result of a resignation or a discharge with an exit date of 1 April 2012 and after.

1.6 Board of Trustees

The Board consists of 16 members, with equal employer and member representation, and each with a substitute. Member representatives include a pensioner and a service representative, as well as their substitutes, who were elected through a postal ballot. Only Trustees participate in Board meetings, while Trustees and substitutes participate in Board committee meetings.

2 Investments

2.1 Management of investments

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

- Absa Asset Management (Pty) Ltd.
- Aeon Investment Management (Pty) Ltd.
- Afena Capital (Pty) Ltd.
- Argon Asset Management (Pty) Ltd.
- Black Rock Advisors UK Ltd.
- Cadiz Asset Management Ltd.
- Catalyst Fund Managers SA (Pty) Ltd.
- Coronation Asset Management (Pty) Ltd.
- First Avenue Investment Management (Pty) Ltd.
- International Bank for Reconstruction and Development
- Investec Asset Managers (Pty) Ltd.
- Kagiso Asset Managers (Pty) Ltd.
- Mazi Capital (Pty) Ltd.
- Meago (Pty) Ltd.
- Mergence Africa Investments (Pty) Ltd.
- Old Mutual Investment Group SA (OMIGSA).
- Prudential Portfolio Managers (Pty) Ltd.
- Sanlam Investment Managers (Pty) Ltd.
- Sentio Capital Management (Pty) Ltd.
- Sortino Fund Managers (Pty) Ltd.
- Stanlib Asset Management Ltd.
- Taquanta Asset Managers (Pty) Ltd.

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

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

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

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

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

Asset classes	Guideline %	Actual % 2013
Cash and Money markets	0-8	5
Domestic bonds	26 - 36	33
Domestic property	3 - 7	3
Domestic equity	45-55	53
Africa (ex SA) equity	0-5	0.2
Foreign bonds	0-4	2.4
Foreign equity	1-5	3.4
Total	100	100

2.3 Other investments not in the name of GEPF

In the 2010 financial year, some securities managed by the PIC were registered in the nominee name of Standard Bank of South Africa Limited and Nedbank Limited, and the scrip accounts were in the name of the PIC on behalf of GEPF. In the current year all investments were registered in the name of GEPF, except for a directly held property, Palm Grove, which was registered in the name of CBS Property Portfolio (Pty) Ltd.

3 Membership

GEPF membership as at 31 March 2013 consisted of 1 275 206 (2012: 1 270 298) government and parastatal Employees', as well as 375 809 (2012: 360 799) pensioners receiving monthly annuity benefits.

4 Actuarial valuation

An actuarial valuation of GEPF is conducted at least every three years as prescribed in section 17(3) of the GEP Law. The latest actuarial valuation was performed as at 31 March 2012 based on the funding policy adopted by the Board in consultation with the Minister of Finance. This funding policy provides for evaluation of the liabilities on a long-term best estimate basis and the establishment of a solvency reserve to allow for funding, investment risks and uncertainty relating to future public service remuneration and employment. The required level of solvency was calculated independently by Towers Watson (Pty) Ltd based on a detailed asset-liability study. In terms of the Fund's own funding level policy, the Fund was considered to be financially sound in that assets were equal to accrued liabilities and contingency reserves (at 19% of the desired level) on a best estimate basis.

Statement of net assets and funds

as at 31 March 2013

	Notes	2013 R'000	2012 R'000
Assets			
Non-current assets		1 237 929 038	1 036 318 051
Equipment	2	2 467	2 250
Investments	3	1 237 926 571	1 036 315 801
Current assets		25 369 722	21 007 228
Funding loan	4	6 716	6 716
Accounts receivable	5	11 854 054	4 753 351
Transfers receivable	11.2	34 546	33 529
Contributions receivable	6	7 797 298	5 724 301
Cash and cash equivalents	7	5 677 108	10 489 331
Total assets		1 263 298 760	1 057 325 279
Funds and liabilities			
Funds		1 238 586 187	1 034 090 985
Accumulated funds		1 238 586 187	1 034 090 985
Reserves		5 773 699	4 855 212
Reserve account	8	5 773 699	4 855 212
Total funds and reserves		1 244 359 886	1 038 946 197
Non-current liabilities		583 095	758 483
Unclaimed benefits	9	583 095	758 483
Current liabilities		18 355 779	17 620 599
Benefits payable	10	16 613 581	16 277 300
Transfers payable	11.1	3 539	2 952
Accounts payable	12	1 736 417	1 338 686
Provisions	13	2 242	1 661
Total funds and liabilities		1 263 298 760	1 057 325 279

Statement of changes in net assets and funds

for the year ended 31 March 2013

	Notes	Accumulated funds R'000	Reserve accounts R'000	Total 2013 R'000	Total 2012 R'000
Net income before transfers and benefits		246 392 797	-	246 392 797	164 788 134
Contributions received and accrued	6.2	49 076 395	-	49 076 395	50 545 761
Purchase of periods of service	14	24 304	-	24 304	9 322
Net investment income	15	196 701 321	-	196 701 321	114 083 892
Other income	16	1 114 083	-	1 114 083	650 693
Less:					
Administrative expenses	17	(523 306)	-	(523 306)	(501 534)
Transfers and benefits		(44 526 120)	(3 961)	(44 530 081)	(39 115 946)
Benefits	10 & 8	(43 241 807)	(3 961)	(43 245 768)	(37 157 636)
Transfers to other funds	11.1	(65 557)	-	(65 557)	(156 852)
Transfers from other funds	11.2	9 490	-	9 490	44 234
Interest paid	18	(1 228 246)	-	(1 228 246)	(1 845 692)
Net income after transfers and benefits		201 866 677	(3 961)	201 862 716	125 672 188
Net income for the period		201 866 677	(3 961)	201 862 716	125 672 188
Funds and reserves					
Balance at beginning of the period		1 034 090 985	4 855 212	1 038 946 197	914 320 279
Prior year adjustment – benefits	10.1	3 550 973	-	3 550 973	16 988
Offset to NSF additional liabilities		-	-	-	(1 063 258)
Transfer of net investment return to reserves	8	(922 448)	922 448	-	-
Balance at end of the period		1 238 586 187	5 773 699	1 244 359 886	1 038 946 197

Cash flow statement

for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Cash flow from operating activities			
Cash generated from operations	20	5 010 739	8 631 365
Contributions and other income received		48 117 481	46 132 222
Benefits paid during the year		(39 769 902)	(35 397 657)
Other expenses paid		(3 336 840)	(2 103 200)
Interest received		32 122 996	28 006 234
Interest paid		(812 897)	(910 722)
Dividends received		22 912 160	17 714 803
Transfers and bought services received/(paid)		(31 334)	(137 445)
Net cash inflow from operating activities		59 201 664	53 304 235
Net cash outflow from investing activities		(64 013 887)	(56 311 401)
Additions to equipment		(1 090)	(130)
Additions to investments		(64 012 797)	(56 311 271)
Net (decrease)/ increase in cash and cash equivalents		(4 812 223)	(3 007 166)
Cash and cash equivalents at beginning of the year		10 489 331	13 496 497
Cash and cash equivalents at end of the period	7	5 677 108	10 489 331

Notes to the Annual Financial Statements

for the year ended 31 March 2013

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 the rules of the Fund. This comprises adherence to Regulatory Reporting Requirements for Retirement Funds in South Africa as issued by the Financial Services Board.

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

1.2 Equipment

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

Equipment is stated at historical cost less accumulated depreciation.

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

Asset classes	Annual depreciation rate %
Computer Equipment	25%
Computer Software	33%
Furniture and Fittings	15%
Office Equipment	15%
Motor Vehicles	20%
Tools	15%

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

1.3 Financial instruments

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

1.3.1 Classification

1.3.1.1 GEPF classifies its financial assets into the following categories:

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

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

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

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

1.3.1.1.2 Loans and receivables

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

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

1.3.1.2 Financial liabilities

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

1.3.2 Recognition

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

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

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

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

1.3.3 Measurement

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

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

1.3.3.1 Equities

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

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

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

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

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

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

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

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

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

Unlisted preference shares
The fair value of unlisted preference shares is determined by applying appropriate valuation techniques such as discounted cash flow model, recent arm's length market transaction 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, where appropriate, a discounted cash flow model is then applied using the determined yield, in order to calculate the fair value.

1.3.3.5 Investment properties

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

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

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

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

1.3.3.6 Collective Investment Schemes

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

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

1.3.3.7 Special Investment Products

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

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

1.3.3.8 Direct loans

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

1.3.3.9 Money market instruments

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

1.3.4 Derecognition

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.

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

1.3.5 Impairments

1.3.5.1 Financial assets carried at amortised cost

The Fund assesses at each statement of net assets and fund date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence 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 assesses whether the objective evidence of impairment exists individually for financial assets that are significant first, and, if no evidence of impairment exist for individually assessed assets, a group of financial assets with similar credit risk characteristics are collectively assessed for impairment (Refer to note 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 assets carrying amount and the present value of estimated future cash flow discounted at the financial assets original effective interest rate.

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics 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 assets fair value less costs to sell and value in use.

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

1.3.5.3 Impairment of loans and receivables

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

1.4 Cash and cash equivalents

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

1.5 Inventory

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

1.6 Accounts receivable

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

Purchased service

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

1.7 Unclaimed benefits

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

1.8 Accounts payable

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

1.9 Provisions

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

1.10 Contributions

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

1.11 Purchase of service

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

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

1.12.1 Dividend income

Dividend income is recognised in the statement of changes in net assets and funds, when the right to receive payment is established, which is the last date to trade for equity securities. For financial assets designated at fair value through statement of changes in net assets and fund, dividend income forms part of fair value adjustments.

1.12.2 Interest income

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

1.12.3 Rental income

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

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

1.12.4 Collective investment schemes distribution

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

1.12.5 Gains and losses on subsequent measurement to fair value

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

1.13 Transfers to and from GEPF

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

1.14 Interest payable to members exited from GEPF

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

1.15 Interest payable to dormant members

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

1.16 Foreign exchange gains or losses

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

1.17 Operating leases

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

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

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

1.19 Expenses incurred in managing investments

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

1.20 Judgements and estimates

Critical judgements in applying the entity's accounting policies

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

- Residual Values and useful lives

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

- Provision for impairment of receivables

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

- Accumulated leave pay provision

The leave pay provision accounts for vested leave pay to which Employees' may become entitled upon exit from the service of GEPF.

- Performance bonus provision

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

- Fair value estimation

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

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

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

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

Key assumptions of estimations with uncertainty

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

- Accrual for benefits payable

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

- Accruals and contingent liabilities for legal costs

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

- Investments

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

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

1.21 Accounting policies, changes in accounting estimates and errors

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

1.22 Reserves

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

1.23 Benefits

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

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

1.24 Administration expenses and other expenses

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

1.25 Contingent assets and liabilities

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

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

1.26 Related parties

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

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

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

2 Equipment

	Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Office equipment R'000	Motor vehicles R'000	Tools R'000	Total R'000
2.1 Current year, 2013							
Gross carrying amount	1 054	311	2 188	1 875	656	-	6 084
At beginning of the year	595	247	2 157	1 838	157	-	4 994
Additions	459	64	31	37	499	-	1 090
Accumulated depreciation	(584)	(245)	(1 414)	(1 177)	(197)	-	(3 617)
At beginning of the year	(414)	(237)	(1 090)	(898)	(105)	-	(2 744)
Depreciation	(170)	(8)	(324)	(279)	(92)	-	(873)
Net carrying amount at end of the period	470	66	774	698	459	-	2 467
2.2 Prior year, 2012							
Gross carrying amount	595	247	2 157	1 838	157	-	4 994
At beginning of the year	518	236	2 152	1 801	157	-	4 864
Additions	77	11	5	37	-	-	130
Accumulated depreciation	(414)	(237)	(1 090)	(898)	(105)	-	(2 744)
At beginning of the year	(288)	(194)	(766)	(627)	(73)	-	(1 948)
Depreciation	(126)	(43)	(324)	(271)	(32)	-	(796)
Net carrying amount at end of the year	181	10	1 067	940	52	-	2 250

3 Investments

3.1 Investment Summary

	Notes	Fair Value 2013 R' 000	Amortised Cost 2013 R'000	Total 2013 R'000	Total 2012 R'000
Money market instruments*	3.1.1	-	57 707 253	57 707 253	31 810 865
Direct loans*	3.1.2	-	3 962 512	3 962 512	8 917 674
Bills and bonds**	3.1.3	439 231 842	-	439 231 842	382 730 740
Local		408 982 412	-	408 982 412	356 400 713
Foreign		30 249 430	-	30 249 430	26 330 027
Investment properties**	3.1.4	9 658 199	-	9 658 199	9 415 403
Equities**	3.1.5	685 661 149	-	685 661 149	569 552 983
Listed equities		651 311 554	-	651 311 554	542 636 203
Primary listings		489 815 182		489 815 182	415 504 991
Secondary listings		161 496 372		161 496 372	127 131 212
Unlisted equities		34 349 595	-	34 349 595	26 916 780
Local equities		32 758 731	-	32 758 731	25 827 302
Foreign equities		1 590 864	-	1 590 864	1 089 478
Preference shares**	3.1.6	957 160	-	957 160	1 126 237
Collective investment schemes**	3.1.7	40 748 456	-	40 748 456	32 761 899
Local instruments		181 411	-	181 411	184 332
Foreign instruments		40 567 045	-	40 567 045	32 577 567
		1 176 256 806	61 669 765	1 237 926 571	1 036 315 801

* Classified as loans and receivables

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

Explanatory notes:

- Based on the revised strategic asset allocation which was approved by the Minister in the previous year, the Fund invested in foreign collective instruments and foreign bonds to the value of R70, 8 billion (2012:R58, 9 billion). The investment is managed by Black Rock Advisors UK Ltd and the International Bank for Reconstruction and Development.
- Included in the unlisted foreign equities above are investments in the Pan African Infrastructure Development Fund (PAIDF) to the value of R1, 6 billion. These infrastructure investments are in Seawolf Jackup Ltd, Aldwych Holdings Ltd, Essar Telecoms Kenya Holdings Ltd, Main One Cable Company Ltd, Community Investment Venture Holdings (Pty) Ltd and Dark Fibre Africa (Pty) Ltd. Additional investments to the value of R65, 3 million were made in the current year.
- Money market instruments with original maturities of three months or less are classified as cash and cash equivalents.
- The details of the top ten investments per investment category have been provided in the detailed schedules below and the balance is included in 'other', where practicable. Investments which meet the top ten 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 ten investments are disclosed per entity level not per instrument level.

3.1.1 Money market instruments

	Amortised Cost 2013 R'000	Amortised Cost 2012 R'000
Certificate of deposits	255 300	123 352
Development Bank of SA Ltd	203 718	103 352
Sanlam Ltd	51 582	-
Eskom Holdings Ltd	-	20 000
Fixed deposits	52 525 558	28 406 085
ABSA Group Ltd	13 529 929	5 991 925
Nedbank Ltd	12 404 242	6 349 727
First Rand Ltd	12 400 786	6 463 918
Standard Bank Group Ltd	10 979 481	6 658 252
Investec Bank Ltd	2 039 028	2 029 376
African Bank Ltd	1 168 058	912 887
Venda Building Soc Ltd	4 034	-
Promissory notes	4 926 395	3 281 428
Land and Agricultural Development Bank of SA	4 144 068	3 281 428
Sanlam Ltd	782 327	-
Total money market instruments	57 707 253	31 810 865

3.1.2 Direct loans

	Secured by	Amortised Cost 2013 R'000	Amortised Cost 2012 R'000
Opiconsivia Investments 230 (Pty) Ltd	Not secured[4]	-	3 421 537
Opiconsivia Investments 239 (Pty) Ltd	Second ranking security over all Afrisam assets	1 241 361	1 569 450
Industrial Development Corporation SOC Limited	Not secured[3]	517 409	-
Bakwena Platinum Corridor Concessionaire (Pty) Ltd	Suretyship, cession of bond and shares, shareholder loans, equity options and contracts, general notarial bond	408 089	408 617
CBS Property Portfolio Ltd	Properties held in CBS Property Portfolio Ltd	335 395	293 267
Trust for Urban Housing Finance Loan	Cession of loan book	300 149	-
Business Partners Ltd	Cession of loan book and bank account	291 451	-
Consol Holdings (Pty) Ltd	Not secured[1]	140 830	126 661
Edu-Loan (Pty) Ltd	Cession of loan book	130 000	130 000
Solar Capital De Aar(Pty) Ltd	Shares in project company	111 236	-
Johannesburg Housing Company	Mortgage against property	89 635	91 710

	Secured by	Amortised Cost 2013 R'000	Amortised Cost 2012 R'000
Legend Lodges (Pty) Ltd	100% of Katiso Investment Holdings (Pty) Ltd, 40% shareholding in Entabeni Holdings (Pty) Ltd	68 400	88 745
Solar Capital De Aar Community Trust	Cession of bank	50 070	-
Mazwe Financial Services	Cession of loan book, bank accounts, licence to the loan management system and surety by shareholder, cession of rights in the life and disability insurance cover	46 306	45 436
Kiaat Private Hospital	Cession over trusts and shareholder guarantees	45 792	-
King Sabata Dalindyebo Municipality	Municipal building in Umtata	37 253	41 954
LA Crushers (Pty) Ltd	Special and General Notarial Bond, Personal surety	27 993	36 705
Kurland Covie MTN Zakhele Share Trust	Not secured[2]	26 257	23 850
Erika Energy (RF) (Pty) Ltd	Pledge and cession	24 442	-
Small Enterprise Foundation (Pty) Ltd	Cession of receivables	20 000	20 001
Kurisani Witkop Trust	Pledge and cession	18 363	-
Kurisani Soutpan Trust	Cession of shares	16 441	-
Spartan Technology Rentals (Pty) Ltd	Cession of rental cash agreements, equipment, personal surety from CEO & KPA trust, 2nd mortgage bond, cession of bank account	6 662	3 776
Core Energy (RF) (Pty) Ltd	Pledge and cession	6 263	-
University of Western Cape	Standard Bank zero coupon bond	2 715	2 778
Afrisam South Africa (Pty) Ltd	First ranking security over all Afrisam assets shared pari passu with other bridge loan funders	-	2 597 798
Women's Development Business Micro Finance	Cession of business loan book	-	15 389
Total loans		3 962 512	8 917 674

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

2 There is an undertaking by the trustees of Kurland Covie Trust that they will not change the trust deed without consent of GEPF. PIC on behalf of GEPF is a signatory on the bank account

3 This loan consists of uncertified notes which are held by the Central Securities Depository

4 In the prior year this amount was a shareholders loan and by its nature did not have security. In the current year this loan was fully converted to equity.

3.1.3 Bills and bonds

	Issuer Rating Long term	Fair value 2013 R'000	Fair value 2012 R'000
Bills		2 812 559	1 559 122
Eskom Holdings Ltd	AA+	2 614 590	1 559 122
Telkom SA Ltd	AAA	197 969	-
Commercial paper		2 185 222	
Macquarie Group SA Ltd	AA	795 615	-
Bidvest Group Ltd	AA	545 311	-
Mercedes-Benz SA Pty Ltd	AA+	328 248	-
Barloworld Ltd	AA-	280 714	-
MTN Group Ltd	AA-	235 334	-
Government bonds		249 340 947	207 615 879
Republic of SA	AAA	249 129 643	207 615 879
Republic of Namibia	AA-	211 304	-
Corporate bonds		27 249 487	30 047 578
Standard Bank Group Ltd	AA	9 232 611	9 502 010
ABSA Group Ltd	AAA	3 686 760	3 276 925
First Rand Ltd	AA	2 991 791	4 470 347
Nedbank Ltd	AA	1 527 154	2 000 578
MTN Group Ltd	AA-	1 368 930	1 343 312
Old Mutual Life Assurance Ltd	AA+	1 196 452	1 116 666
Mercedes-Benz SA Pty Ltd	AA+	969 372	870 488
African Bank Limited	A2	897 268	-
RMB Holdings Ltd	A+	587 826	724 918
African Development Bank Ltd	AAA	-	1 061 184
Investec Group Ltd	A+-	571 145	652 300
Other	-	4 220 178	5 028 850
Parastatal bonds		127 329 763	117 112 739
Eskom Holdings Ltd	AA+	55 525 401	50 157 882
Transnet Ltd	A+	20 442 870	18 552 609
South African National Road Agency Ltd	A2	19 883 249	18 644 283
Development Bank of SA Ltd	AA+	14 891 197	13 783 518
Trans-Caledon Tunnel Authority	AA+	12 157 181	11 516 942
City of Johannesburg	AA-	1 125 291	1 395 082
City of Cape Town	Aa3	816 977	771 927
Airports Company SA	AA-	815 503	775 015
Land and Agricultural Development Bank of SA	AA	525 439	423 793
Telkom SA Ltd	AAA	475 008	650 977
Other	-	671 647	440 711
Other bonds		64 434	65 395
Lesotho Highlands	*	64 434	65 395

	Issuer Rating Long term	Fair value 2013 R'000	Fair value 2012 R'000
Foreign Bonds		30 249 430	26 330 027
Black Rock Advisors (UK)	**	22 873 274	26 330 027
International Bank for Reconstruction and Development	**	7 376 156	-
Total bills and bonds		439 231 842	382 730 740

The Fitch or Moody's ratings are used as investment grade ratings on national scale rating, unless otherwise mentioned. The rating categories are as follows:

Long term Rating	Fitch rating	Moody's rating
Highest grade quality	AAA	Aaa
High credit quality	AA+, AA, AA-	Aa1, Aa2, Aa3
Strong payment capacity	A+, A, A-	A1, A2, A3

* The Credit Risk Department of the Public Investment Corporation applied an A rating to these bonds.
** Foreign Bonds are held in a bond portfolio. The bond portfolio invests in a range of bonds with different credit ratings.

3.1.4 Investment properties

	Fair Value 2013 R'000	Fair Value 2012 R'000
Residential properties	55 630	52 990
Industrial properties	1 270 551	1 220 054
Office properties	6 310 161	6 213 039
Retail properties	1 750 421	1 650 487
Specialised properties	87 224	125 406
Vacant land	204 090	199 030
Lease income accrual	(19 878)	(45 603)
Total properties	**9 658 199**	**9 415 403**

Name of property	Address	Valuation Method	Date of last valuation	Pledged as guarantee	Fair Value 2013 R'000	Fair Value 2012 R'000
Riverwalk Office Park	41 Matroosberg Street, Ashlea Gardens, Pretoria	DCF	2012/03/31	No	548 577	534 850
Vangate Shopping	Vanguard Drive, Athlone, Cape Town	DCF	2012/03/31	No	457 633	441 600
Discovery Health	3 Alice Lane, Sandown, Sandton	DCF	2012/03/31	No	372 000	342 000
Trevenna	70 Meintjies Street, Trevenna, Pretoria	DCF	2012/03/31	No	324 573	221 090
GijimaAst Holdings	47 Landmarks Avenue, Kosmosdal	DCF	2012/03/31	No	292 000	310 000
Iparioli Office Park	1166 Park Street, Hatfield	DCF	2012/03/31	No	287 655	287 655
Webber Wentzel	10 Fricker Road, Illovo, Johannesburg	DCF	2012/03/31	No	223 000	207 500
Jakaranda Shopping Centre	Cnr Michael Brink and Frates Street Rietfontein	DCF	2012/03/31	No	213 500	208 288
Joggie Vermooten	57 Joyner Road, Prospection, Isipingo Ext. 12, Durban	DCF	2012/03/31	No	190 384	178 000
HSBC	Cnr Maude Street & Gwen Lane, Sandown	DCF	2012/03/31	No	185 000	177 000
Peregrine	6A Sandown Valley Crescent, Sandown	DCF	2012/03/31	No	-	-
Other					6 583 755	6 553 023
Lease income accrual					(19 878)	(45 603)
Total properties					9 658 199	9 415 403

	2013 R'000	2012 R'000
3.1.4.1 Investment properties		
Balance at beginning of the year	9 461 006	6 941 372
Additions		
- Direct acquisition	-	2 571 965
- Capital expenditure	59 138	80 547
Disposals	(36 556)	(113 000)
Fair value adjustment	194 489	(19 878)
Closing fair value	9 678 077	9 461 006
Operating lease income accrual	(19 878)	(45 603)
Total investment properties	9 658 199	9 415 403

An independent valuation of the investment properties was performed as at 31 March 2013. 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 valuators 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 valuators from Mills Fitchett and Associates who are registered valuators in terms of Section 19 of the Valuers Professional Act (Act No 47 of 2000), and have recent experience in valuing similar properties at similar locations.

3.1.5 Equities

	Fair Value 2013 R'000	**Fair Value 2012 R'000**
Primary listing on the JSE	489 815 182	415 504 991
Secondary listing on the JSE	161 496 372	127 131 212
Unlisted equities	34 349 595	26 916 780
Total equities	685 661 149	569 552 983

	Total Issued shares (Number)	GEPF's Holding (Number)	GEPF's Holding %	Fair Value 2013 R'000	Fair Value 2012 R'000
1. Primary listing on the JSE				489 815 182	415 504 991
MTN Group Ltd	1 883 486 964	318 474 000	17	51 427 182	43 959 360
Sasol Ltd	647 623 116	83 690 122	13	34 090 334	32 414 389
Naspers Ltd	415 540 259	59 415 706	14	34 036 287	23 888 376
Standard Bank Group Ltd	1 618 461 953	225 593 889	14	26 708 061	23 268 257
First Rand Ltd	5 637 941 689	608 661 123	11	19 598 888	15 555 755
Remgro Ltd	481 106 370	83 524 919	17	15 297 589	11 717 213
Sanlam Ltd	2 100 000 000	301 763 341	14	14 237 194	10 117 042
Shoprite Holdings Ltd	570 579 460	76 431 454	13	13 971 670	10 822 676
Bidvest Group Ltd	327 734 929	53 112 778	16	12 872 413	10 701 185
Growthpoint Property Ltd	1 823 603 559	413 199 552	23	11 135 728	-
Impala Platinum Holdings Ltd	-	-	-	-	11 545 272
Other	-	-	-	256 439 836	221 515 466
2. Secondary listing on the JSE				161 496 372	127 131 212
BHP Billiton Plc	2 136 185 454	109 267 022	5	29 501 003	26 998 751
Anglo American Plc	1 405 462 446	106 638 616	8	25 523 953	22 814 701
SAB Miller Plc	1 669 731 799	51 528 545	3	25 017 109	24 520 187
British American Tobacco Plc	2 026 267 623	42 242 249	2	20 939 483	15 021 645
Richmont Securities AG	5 220 000 000	264 899 284	5	19 199 900	12 255 206
Old Mutual Plc	4 871 143 719	511 594 525	11	14 457 661	11 133 986
Investec Plc	605 338 615	84 702 259	14	5 448 896	4 019 320
Reinet Investments S.C.A	1 959 412 860	296 551 779	15	5 447 656	4 326 524
Mondi Ltd	367 240 805	33 347 496	9	4 151 763	2 235 794
Ecobank Transnational Inc.	15 625 000 000	3 125 000 000	20	3 276 485	2 286 834
Other				8 532 463	1 518 264
3. Unlisted equities				34 349 595	26 916 780
Pareto Ltd	3 459 251 062	3 459 251 062	100	13 839 313	12 625 107
Lexshell 44 General Trading (Pty) Ltd	200 000	100 000	50	5 270 500	4 914 500
Opiconsivia Investments 230 (Pty) Ltd	100	65.99	65.99	4 608 000	742 818
Community Property Fund**	-	-	57.73	2 910 177	2 613 765
ADR International Airports SA (Pty)Ltd	166 000	166 000	100	2 100 000	2 040 000
Pan African Infrastructure Development Fund**	-	-	39.68	1 590 864	1 089 478
CBS Property Portfolio Ltd	280 944 599	280 944 599	100	538 751	540 482
Housing Impact Fund of SA	-	-	10.93	532 054	428 981
PFN Holdings (Pty) Ltd			100	295 000	-
Bakwena Platinum Corridor Concessionaire (Pty) Ltd**	-	-	7.81	282 420	254 706
Lereko Metier Capital Growth Fund**	-	-	8.92	-	210 864
Other				2 382 516	1 456 079

There were no scrip lending transactions for the period ending 31 March 2013.

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

3.1.6 Preference shares

	Total Issued shares (Number)	GEPF's Holding (Number)	GEPF's Holding %	Fair Value 2013 R'000	Fair Value 2012 R'000
Afripalm Resource D	-	-	-	-	-
Afripalm N	-	-	-	-	-
ABSA Group Ltd	-	-	-	-	-
Investec Bank Ltd	-	-	-	-	-
Allied Electronics Corporation	241 848 047	45 297 710	19	942 192	1 115 277
Alexander Forbes	236 715 741	1 178 528	-	14 968	10 960
Total preference shares				957 160	1 126 237

3.1.7 Collective investment schemes

Description	GEPF's Holding (Number)	GEPF's Holding %	Fair value 2013 R'000	Fair value 2012 R'000
Black Rock Advisors (UK)	315 819 605	-	40 567 045	32 577 567
Sanlam Ltd	4 752 166	-	153 540	158 755
Liberty Group Ltd	79 416	-	27 871	25 577
Total			40 748 456	32 761 899

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 as a % of the fair value of the assets
Banks						
ABSA Group Ltd	10 434 926	84 838	No	17 721 279	28 241 043	2
African Bank Ltd	3 607 800	-	No	2 165 837	5 773 637	-
Capitec Holdings Ltd	2 914 781	-	No	299 766	3 214 547	-
Development Bank SA Ltd	-	-	No	15 094 915	15 094 915	1
Ecobank Transnational Inc.	3 276 485	-	No	-	3 276 485	-
First Rand Ltd	19 598 888	-	No	15 190 815	34 789 703	3
Investec Ltd	7 891 420	-	No	2 610 176	10 501 596	1
Land and Agricultural Development Bank	-	-	No	4 669 508	4 669 508	-
Nedbank Ltd	8 078 993	4 672 008	No	14 032 552	26 783 553	2

Counterparty	Direct investment in counterparty R'000	Deposit/ liquid asset with counterparty R'000	Guarantees	Any other instrument R'000	Total per counterparty R'000	Exposure to counterparty as a % of the fair value of the assets
Society Generale	-	-	No	25 091	25 091	-
South African Reserve Bank	-	79 000	No		79 000	-
Standard Bank Group Ltd	26 708 061	6 662 394	No	20 313 252	53 683 707	4
Asset managers						
Black Rock Advisors UK)	-	-	No	64 172 200	64 172 200	5
Cadiz Asset Management Ltd	10 353	-	No	-	10 353	-
Coronation Asset Management (Pty) Ltd	796 559	-	No	-	796 559	-
International Bank for Reconstruction and Development	-	-	-	7 402 489	7 402 489	1
Insurance companies						
Alexander Forbes Ltd	14 967	-	No	-	14 967	-
Discovery Holdings Ltd	4 462 446	-	No	-	4 462 446	-
Liberty Group Ltd	1 983 291	-	No	27 872	2 011 163	-
MMI Holdings Ltd	3 576 704	-	No	-	3 576 704	-
Momentum Group Ltd	-	-	No	104 419	104 419	
Old Mutual Life Assurance Company SA Ltd	14 457 661	-	No	1 196 452	15 654 113	1
Sanlam Ltd	14 237 194	-	No	1 227 823	15 465 017	1
Santam Ltd	1 335 819	-	No	222 829	1 558 648	-
Metropolitan Group Ltd	-	-	No	1 182	1 182	-

3.1.9 Market risk

Equity holdings

10 largest rand-value equity holdings

	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
MTN Group Ltd	51 427 182	2 571 359
Sasol Ltd	34 090 334	1 704 517
Naspers Ltd	34 036 287	1 701 814
Billiton Plc	29 501 003	1 475 050
Standard Bank Group Ltd	26 708 061	1 335 403
Anglo American Plc	25 523 953	1 276 198
SA Breweries Ltd	25 017 109	1 250 855
British American Tobacco Plc Shares	20 939 483	1 046 974
FirstRand Ltd	19 598 888	979 944
Richmont Securities AG	19 199 900	959 995
Total value of 10 largest equity holdings	286 042 200	14 302 109
As a percentage of total investment plus bank balances	23	1

3.1.10 Other financial instruments

10 largest rand-value other financial instruments

	GEPF's Holding	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
RSA 186	37 803 926 339	49 001 317	2 450 066
RSA 197	15 363 604 459	44 936 469	2 246 823
Black Rock Global Equity Fund	254 293 922	32 801 234	1 640 062
Blackrock Global Short Bond Barclays	16 922 068 823	23 605 154	1 180 258
RSA 202	9 730 300 000	21 304 635	1 065 232
RSA 210	11 960 840 000	19 677 818	983 891
RSA 208	19 255 409 401	19 555 037	977 752
RSA203	16 861 470 000	18 457 938	922 897
RSA 204	16 191 157 000	17 973 216	898 661
RSA 207	14 253 582 000	15 146 724	757 336
Total value of 10 largest other instruments		262 459 542	13 122 978
As a percentage of total investments plus bank balances		21	1

3.1.11 Foreign currency exposure

Description	Fair value at end of period USD '000	Fair value at end of period R'000	Market movement by 5% R'000
Pan African Infrastructure Development Fund (PAIDF)	172 291	1 590 864	79 543
Black Rock Advisors UK Ltd	6 949 857	64 172 200	3 208 610
Ecobank Transnational Inc.	354 844	3 276 485	163 824
International Bank for Reconstruction and Development	801 690	7 402 489	370 124
Total value of foreign instruments	8 278 682	76 442 038	3 822 101
As a percentage of total investments plus bank balances		6	-

4 Funding Loan

	2013 R'000	2012 R'000
Sefalana Employee Benefits Organisation (SEBO)	6 716	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 GEPF, the liquidators would then finalise the liquidation of SEBO. The liquidators have used three different scenarios to estimate the amount which will be due to GEPF on the final liquidation of SEBO. GEPF has followed a conservative approach by adopting the lowest estimate provided by the liquidators.

5 Accounts Receivable

	2013 R'000	2012 R'000
Accrued interest	34 651	42 965
Accrued dividend	4 067 186	3 557 359
Estates debt	23 981	22 085
Total estates debt	64 971	59 368
Less: provision for doubtful debts	(40 990)	(37 283)
Fraud cases debt	-	-
Total fraud cases debt	43 171	41 695
Less: provision for doubtful debts	(43 171)	(41 695)
Investment debtors	6 240 644	1 027 444
Lease debtor	19 878	45 603
Government Pensions Administration Agency	22 694	9 224
Purchased service	27 772	17 030
Purchased service not recovered at retirement or death	155	178
Divorce debt	407 363	-
South African Post Office	2 913	2 264
Sundry debtors	975 053	102
Overpayments	31 764	29 097
Total overpayments	43 046	37 311
Less: provision for doubtful debts	(11 282)	(8 214)
	11 854 054	4 753 351

6 CONTRIBUTIONS

6.1 Contributions receivable

	2013 R'000	2012 R'000
Participating employers	31 353	30 472
Arrear contributions*	-	788
Additional employer contributions**	1 493 680	451 859
Additional NSF employer contributions***	6 271 791	5 240 941
Interest on outstanding contributions	474	241
Statement of net assets and funds	7 797 298	5 724 301

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

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

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

6.2 Reconciliation of contributions receivable

	2013 R'000 Contributions accrued	2013 R'000 Contributions received	2013 R'000 Contributions receivable	2012 R'000 Contributions receivable
Member contributions	17 128 576	(17 129 364)	-	788
Employer contributions	31 947 287	(29 873 735)	7 796 824	5 723 272
Interest on outstanding contributions	532	(299)	474	241
	49 076 395	(47 003 398)	7 797 298	5 724 301
Statement of Changes in net assets and funds				49 076 395

7 Cash and Cash Equivalents

	2013 R'000	2012 R'000
Cash resources	1 468 997	1 125 756
Short term investments	4 208 111	9 363 575
	5 677 108	10 489 331

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

8 Reserves

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

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

	2013 R'000 Ciskei strikers reserve	2013 R'000 General assistants reserve	2013 R'000 Other past discriminatory practices reserve	2013 R'000 Total reserve accounts
Balance at beginning of the period	144 365	84 984	4 625 863	4 855 212
Transfers and benefits	(3 961)	-	-	(3 961)
Benefits paid	(3 961)	-	-	(3 961)
Net loss after transfers and benefits	(3 961)	-	-	(3 961)
Net loss for the period	(3 961)	-	-	(3 961)
Transfer from net investment return to reserves	7 889	4 644	909 915	922 448
Balance at end of period	148 293	89 628	5 535 778	5 773 699

9 Unclaimed Benefits

	2013 R'000	2012 R'000
Balance at the beginning of the period	758 483	574 566
Transferred from benefits	737 556	2 548 897
Benefits paid	(1 007 241)	(2 517 072)
Interest provision	94 297	152 092
Balance at the end of period	583 095	758 483

Reconciliation of Number of Cases

	2013 Cases	2013 R'000 Amount	2012 Cases	2012 R'000 Amount
Bank rejections	8 076	134 155	9 023	156 901
Benefits directly transferred to unclaimed upon exit	10 788	395 287	14 465	552 077
Unclaimed funeral benefits	592	3 909	651	4 323
Benefits transferred to unclaimed without complete documents	711	41 488	764	25 964
Benefits payments with a tax directive declined	306	7 016	352	19 218
Dispute cases	13	1 240	-	-
Balance at the end of period	20 486	583 095	25 255	758 483

During the current year, a unit consisting of 18 staff members responsible for tracing unclaimed benefits was established. This has resulted in a 23% reduction from the prior year balance. Subsequent to year end, an external tracing company was appointed and further reduction is expected.

10 Benefits

	2012 R'000 Benefits payable	2013 R'000 Benefits accrued current year	2013 R'000 Benefits paid during year	2013 R'000 Benefits payable
Net Benefit Payments	11 325 471	43 241 807	(39 769 902)	14 797 376
Gratuities	1 428 025	7 028 622	(6 135 630)	2 321 017
Withdrawal benefits	4 923 339	9 956 229	(7 781 153)	7 098 415
Monthly pensions	1 060 520	21 830 239	(21 889 211)	1 001 548
Retrenchment benefits	92 705	119 630	(190 897)	21 438
Death benefits	3 785 830	4 132 973	(3 615 835)	4 302 968
Funeral benefits	26 646	144 900	(132 844)	38 702
Orphan benefits*	8 406	28 237	(23 355)	13 288
Unclaimed benefits**	-	977	(977)	-
Interest to members	4 951 829	(2 379 445)	(756 179)	1 816 205
Benefits payable***	16 277 300	40 862 362	(40 526 081)	16 613 581
Statement of Changes in net assets and funds				43 241 807

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

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

*** Benefits payable as at 31 March 2013 and benefits accrued during the year includes an amount of R3,7 billion (2012: R2, 9 billion) representing exit cases that were not fully processed at year-end.

10.1 Benefits Payable Provision – Prior Year Adjustment

The adjustment of R3, 551 billion relates to the revision of the 2012 benefits payable provision. The revised benefits payable provision reduced from R16, 277 billion to R12, 726 billion. The revised provision is as a result of the treatment of the late payment interest for members exiting the Fund prior to 11 November 2004. It is the Fund's practice not to pay late payment interest from date of exit but rather from date of receipt of complete documentation for exits prior to November 2004 (the effective date of the rule amendment).

In line with the Regulatory Reporting Requirements for Retirement Funds in South Africa, as issued by the Financial Services Board (FSB), and the accounting policy of the Fund, the adjustment of R3, 551 billion relating to the 2012 benefits payable provision has been applied prospectively and therefore recognised in the current financial year.

11 Transfers

11.1 Transfers to other funds

	Effective Date	Number of members	2012 R'000 Transfers Payable	2013 R'000 Transfers approved	2013 R'000 Return on transfer	2013 R'000 Transfers paid	2013 R'000 Transfers Payable
Bulk transfers in terms of Rule 12 of the GEP Law							
Municipal transfers	2012/2013	200	2 952	54 755	10 802	(64 970)	3 539
		200	2 952	54 755	10 802	(64 970)	3 539

Transfers approved	54 755
Return on transfers	10 802
Statement of changes in net assets and funds	65 557

11.2 Transfers from other funds

	Effective Date	Number of members	2012 R'000 Transfers Receivable	2013 R'000 Transfers approved	2013 R'000 Return on transfers	2013 R'000 Transfer received	2013 R'000 Transfers Receivable
Transfers in terms of Rule 12 of the GEP Law							
Individual transfers	2012/2013	22	33 529	6 995	2 495	(8 473)	34 546
		22	33 529	6 995	2 495	(8 473)	34 546

Transfer approved	6 995
Return on transfers	2 495
Statement of changes in net assets and funds	9 490

12 Accounts Payable

	2013 R'000	2012 R'000
Administrative creditors	5 421	4 858
Operating lease accrual	140	485
Child maintenance (court orders)	848	380
Contributions (employers)	2 782	2 125
Dormant members	1 078	980
Government Pensions Administration Agency	-	5 444
Associated Institutions Pension Fund	2 084	1 021
Temporary Employees' Pension Fund	403	120
Investment creditors	1 182 049	880 349
National Treasury	341	31
Non-Statutory Forces contribution*	344 337	287 717
Outstanding SA Post Office vouchers	2 875	1 880
Portfolio management fees payable	158 591	137 393
Sundry creditors	35 468	15 903
Total	1 736 417	1 338 686

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

13 Provisions

Provision for accumulated leave pay	227	225
Balance at beginning of year	225	141
Provided	830	665
Utilised	(828)	(581)
Provision for bonuses	2 015	1 436
Balance at beginning of year	1 436	935
Provided	1 900	1 436
Utilised	(1 321)	(935)
Balance at end of period	2 242	1 661

14 Purchase of Periods of Service

	2013 R'000	2012 R'000
GEPF members	20 343	4 131
Past discriminatory members	3 961	5 191
	24 304	9 322

15 Net Investment Income

	2013 R'000	2012 R'000
Income from investments	32 633 124	28 836 372
Interest	31 000 599	27 343 336
Other income	228 227	130 679
Property income	1 404 298	1 362 357
Net profit on sale of investments[1]	32 495 237	20 965 584
Adjustment to fair value[2]	133 392 356	67 124 585
Impairment of Investments[3]	(20 345)	(1 175 349)
Total investment income	198 500 372	115 751 192
Less: expenses incurred in managing investments		
- Management Fees	(773 480)	(735 914)
- PAIDF (Management fees and other expense)	(48 251)	(41 069)
- Property expenses	(480 790)	(429 456)
- Transaction costs and other expenses	(496 530)	(460 861)
Total investment expenses	(1 799 051)	(1 667 300)
Net investment income	196 701 321	114 083 892
[1]Profit on sale of investments	32 597 733	22 787 320
Loss on sale of investments	(102 496)	(1 821 736)
Net profit on sale of investments	32 495 237	20 965 584

[2] Dividend income amounting R22,4 billion (2012: R18,8 billion) is included in the adjustment to fair value, in line with the requirements of the Regulatory Reporting Requirements for Retirement Funds.

[3] Some of the loans entered into by the PIC on behalf of GEPF in their capacity as the Fund's asset manager have been impaired for the period ended 31 March 2013 based on the independent valuation as stated below:

Reconciliation of impairment

	2013 R'000	2012 R'000
Afrisam (Pty) Ltd	-	1 175 349
Legend Lodges (Pty) Ltd	20 345	-
Total	20 345	1 175 349

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

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

16 Other Income

Interest received	2013 R'000	2012 R'000
Arrear contributions	1 777	1 339
Purchase of service	5 512	1 235
Additional employer contributions – early retirement	44 187	79 383
Additional employer contributions – NSF	1 030 850	537 820
Divorce debt	6 935	-
Operating bank account	24 540	30 890
Other	282	26
	1 114 083	650 693

17 Administrative Expenditure

	2013 R'000	2012 R'000
17.1 Total administrative expenditure		
Administration expenses	446 883	431 601
Actuarial fees	5 542	1 100
Investment accounting fees	8 373	9 321
Investment performance analysis	3 430	4 515
Audit fees	2 392	5 395
Depreciation	873	796
Foreign currency loss	66	37
Legal costs	1 042	937
Bad debts	423	-
Operating expenses	23 262	19 963
Operating lease payments	2 895	2 545
Operating lease smoothing adjustment	(344)	(95)
Personnel expenses	20 218	17 735
Personnel expenditure (refer note 17.2)	11 427	9 920
Executive officer expenditure (refer note 17.3)	2 750	4 370
Principal officer expenditure (refer note 17.4)	2 308	240
Trustee expenditure (refer note 17.5)	3 733	3 205
Increase in provision for doubtful debt	8 251	7 684
	523 306	501 534

	2013 R'000	2012 R'000
17.2 Personnel remuneration and expenses		
Remuneration to permanent and contract Employees'	9 379	8 168
Retirement funds contributions	1 434	747
Training expenses	375	563
Other benefits (housing, medical, etc.)	239	442
	11 427	9 920

	2013 R'000	2012 R'000
17.3 Executive officers remuneration and expenses		
Remuneration and allowances	2 465	3 859
Bonuses	285	511
	2 750	4 370
17.4 Principal officer remuneration and expenses		
Remuneration and allowances	1 848	240
Bonuses	460	-
	2 308	240
17.5 Board of Trustees remuneration and expenses		
Meeting allowances	3 634	3 032
Expenses	99	173
	3 733	3 205

18. Interest Paid

Interest paid to members	1 171 528	1 816 063
Interest paid to members exited from GEPF	1 100 024	1 417 531
Interest paid to external funds in respect of members exited from GEPF	69 573	58 796
Interest paid to Non-Statutory Forces members	1 931	339 736
Interest paid to employers (Non-Statutory Forces)	56 620	29 540
Interest paid to dormant members	98	89
	1 228 246	1 845 692

19 Operating Lease

INCOME

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

Receivable within one year	870 931	896 708
Receivable between two and five years	2 008 327	2 086 876
Receivable after five years	350 331	587 562
	3 229 589	3 571 146

EXPENSES

Future minimum lease payments under non-cancellable operating leases:

Payable within one year	846	2 460
Payable between two and five years	-	846
	846	3 306

20 Cash Generated from Operations

	2013 R'000	2012 R'000
Net income after transfers and benefits	201 862 716	125 672 188
Adjusted for:	(193 450 588)	(111 481 880)
Interest received	(32 114 682)	(27 994 029)
Interest paid	1 228 246	1 845 692
Dividends received	(22 402 333)	(18 813 057)
Adjustment to fair values of investments	(110 990 023)	(48 311 527)
Net profit on sale of investments and property	(32 495 237)	(20 965 584)
Impairment of investments	20 345	1 175 349
Administration fees	-	5 444
Foreign currency loss/(income)	(210 276)	(107 388)
Depreciation	873	796
Debts written-off	-	-
Increase in doubtful debt provision	8 251	7 684
Movement in provisions	3 472 486	1 571 446
Net transfers (in)/out	31 762	103 294
Adjusted net income after transfers and benefits	8 412 128	14 190 308
Changes in working capital	(3 401 389)	(5 558 943)
Decrease /(Increase) in accounts receivable	(3 482 011)	(5 064 245)
Increase/(Decrease) in accounts payable	80 622	(494 698)
Cash flow generated from operations	5 010 739	8 631 365

21 Financial Management and Associated Risks

Investment activities expose GEPF to various types of risks that are associated with the financial instruments and markets in which they are invested. The nature and extent of financial instruments as at financial year end and the risk management policies employed by 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 changes in market prices, irrespective of whether those changes are caused by circumstances particular to the investment or to the investment market in general. Interest rate risk is the risk that the value of a financial instrument or the income received from such instruments will fluctuate due to movements in market interest rates. Exposure to market and interest risk is for the account of GEPF due to it being a defined benefit arrangement, and is managed primarily by setting strategic asset allocation percentages for the various asset classes, which are designed to match the inflation risk that impacts both the liabilities and assets, as well as market and interest risk.

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

Equities are the most volatile asset class and therefore the biggest source of short-term risk for the portfolio. The Investment Committee, on behalf of the Board of Trustees, monitors this risk against predetermined benchmarks. The investment manager outsources the management of approximately 25% of the equity portfolio to other external fund managers who possess both the resources and expertise to adequately address any potential equity market risk. The fair value of the equity portfolio at 31 March 2013 was R685, 7 billion (2012: R569, 5 billion).

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 GEPF.

This risk is managed by the investment manager through models developed in-house and by external credit rating agencies.

Money is placed with A-rated obligors (excluding loans and advances) within limits set by the investment manager on behalf of the Board of Trustees.

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

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

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 investments made in the Pan African Infrastructure Development Fund, International Bank for Reconstruction and Development and Black Rock Advisors UK Limited, which are denominated in US Dollars (See note 3.1.11).

Currency risk is managed primarily by setting limits to strategic asset allocation percentages for foreign asset classes.

21.5 Solvency risk

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet GEPF's contractual obligations to members. An undertaking by the Government, as employer, to ensure that the funding level remains above 90% and the setting of strategic asset allocation percentages following an asset-liability modelling exercise, mitigates this risk.

Such an exercise will be repeated regularly to ensure that the employer contribution rate, solvency reserve and strategic asset allocation percentages are managed to constrain the solvency risk within levels acceptable to the stakeholders.

22 Related Parties

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

- Contributions received of R29,9 billion (2012: R28,7 billion) and contributions receivable of R479,6 million (2012: R483,4 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 R416, 2 million (2012: R341,5 million) was paid from the Fund to PIC for investment management services in terms of the approved investment mandate.

23 Contingent Liabilities

23.1 Benefits

A contingent liability exists for members that retired from GEPF prior to 31 March 2013, for whom no duly completed exit documentation have been received. 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 liability

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

24 Capital Commitments

During the 2007/2008 financial period, GEPF committed to an investment to the Pan African Infrastructure Development Fund (PAIDF). As part of this investment GEPF committed to make capital contributions amounting to US$ 250,0 million translating to R2,3 billion. At 31 March 2013, US$ 172,6 million translating to R1,6 billion, of the initial commitment has been invested. The remaining capital commitment of US$ 77,4 million translating to R714,7 million is payable approximately within the next three years. The PAIDF investment is managed by Harith Fund Managers.

Notes