Annual Report 2014

GEPF

your investment, your future

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Minister's Note to Parliament

To the Speaker of Parliament

Annual report of the Government Employees Pension Fund for the year ended 31 March 2014

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 2013 to 31 March 2014.

Nhlanhla Nene
Minister of Finance

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Overview of the Fund through 20 years of democracy

The story of our nation's 20-year journey on the road of democracy is a broad, sweeping narrative of tribulation, triumph, and achievement. Within six years we had achieved major transformation of the landscape of governance and the composition of the public service to better represent the entire population. We had built institutions necessary for the understanding and implementation of our constitutional democracy: the Reserve Bank and an efficient tax administration to name but two. A third and vitally important institution was the Government Employees Pension Fund (GEPF).

The genesis of the present day Government Employees Pension Fund can be traced back to the Record of Understanding signed between the ANC and the then ruling National Party in 1992. The Record of Understanding committed the parties, among other things to the formation of the Government of National Unity and to respecting existing employment contracts and retirement compensations in any future restructuring of the civil service. And thus the seed was planted.

In 1996, ten existing public servants' pension funds were amalgamated into the Government Employees Pension Fund (GEPF), transforming out of our fragmented past, a consolidated pension fund for South Africa's civil service. The Government Employees Pension Law (1996) governs GEPF, and its mandate is to manage and administer pensions and other benefits for government employees in South Africa.

With the amalgamation of the funds, the benefit structure was standardized and all discriminatory practices scrapped. All members now would be expected to contribute at a rate of 7.5% of their salaries and, more importantly, all female members would enjoy the same benefits as their male counterparts.

Pulling together the divergent administrative systems and varying levels of operational effectiveness was an enormous achievement, further made difficult by the introduction of the Voluntary Service Packages in 1997. By 1999, however, GEPF was firmly established and by 2001 had decentralised its operations, and introduced a modernisation process and improvement of its service delivery that is on going to this day. GEPF currently serves more than 1.2-million members and pensioners spread across all nine provinces and provides services through 13 regional offices across the country.

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

GEPF still had to deal with a further round of severance packages for those civil servants who could not be deployed as required by the Framework Agreement on the Transformation and Restructuring of the Public Sector, which had been negotiated with the Public Service Co-ordinating Bargaining Council (PSCBC) in 2002. In addition, in 2002, the rules of GEPF were amended to make provision for the recognition of former Non-Statutory Force (NSF) as pensionable service. The NSF Dispensation is on going.

"For example, in the enterprise development arena we have created more than 198 400 micro and/or small to medium-size enterprises (SMEs) and created and/or sustained more than 45 470 jobs."

In the 2003/4 financial year, a bill to establish the Public Investment Corporation (PIC) – the proposed asset managers for GEPF – was working its way through Parliament. This clearly separated the legal requirements of the asset managers and the retirement fund and was part of the greater focus on good governance that had seen GEPF adopt the principles contained in the King II Report on Corporate Governance.

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

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

To strengthen governance and oversight, the first Board of Trustees approved a change in the governance structure of the Fund in 2008/9 that resulted in the separation of the administration component of the GEPF. This is in line with international retirement fund best practices. The outsourcing of the administration function saw the establishment of the Government Pensions Administration Agency (GPAA) on 1 April 2010. It allowed the Fund to strengthen its governance and oversight while providing members and beneficiaries with the best possible pension administration service.

Following on this, and in acknowledgment of the significant role institutional investors can and should play in shaping the development – and thus the future – of South Africa, GEPF's Developmental Investment Policy (DI) was launched in 2010. GEPF and other concerned stakeholders also launched the Code for Responsible Investing in South Africa (CRISA) in 2011.

GEPF's Developmental Investment Policy (DI) adopted a four-pillar approach to developmental investing: economic infrastructure; social infrastructure; environmental investments; and enterprise development (including black economic empowerment and job creation).

Many of these developmental projects are located in areas where poverty is high and GEPF believes these investments will go a long way towards creating jobs, alleviating poverty, increasing economic participation of impoverished communities, and assisting and supporting with skills development and skills transfer.

For example, in the enterprise development arena we have created more than 198 400 micro and/or small to medium-size enterprises (SMEs) and created and/or sustained more than 45 470 jobs.

In September 2010, the Board of Trustees agreed on a ten-year strategic plan for the Fund, including but not limited to expanding the awareness of the issues facing private defined benefit pension systems while at the same time working with the government on legislative reforms to enable GEPF to meet its long-term obligations to retirees.

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

"GEPF in 2006 started out with assets under management of R127-billion, which has since increased to more than R1,4-trillion"

GEPF in 2006 started out with assets under management of R127-billion, which has since increased to more than R1,4-trillion and is currently the single largest investor in Johannesburg Stock Exchange-listed (JSE) companies and has significant holdings in government bonds, listed equity, money markets as well as investments in unlisted equity and property. It has more than 1,2-million (958 000:1996) members and 365 000 (208 000:1996) pensioners.

This growth has gone hand-in-hand with an improvement in GEPF's funding level, which was 72% in 1996 to 102.7% in 2012 (according to the actuarial valuation of 31 March 2012). This reflects the Fund's robust investment strategy and its ability to adapt to dynamic and turbulent market forces.

GEPF's strategy and operational expertise has resulted in being able to pay pension increases greater than the agreed basic pension increase of 75% of the average increase in the Consumer Price Index (CPI). GEPF in certain years in the last decade paid more than 100% of the increase in the CPI. Between 2003 and 2013 the average annual pension increase was 5.87%, either matching the average CPI or surpassing it.

Effective date of increase	Pension increase awarded	Average CPI from 1 Dec to 30 Nov	Ratio pension increase divided by average CPI
1 April 2003	7.00%	8.49%	82%
1 April 2004	5.25%	6.99%	75%
1 April 2005	5.50%	1.14%	482%
1 April 2006	4.50%	3.35%	134%
1 April 2007	5.50%	4.45%	124%
1 April 2008	7.00%	6.82%	103%
1 April 2009	9.00%	10.93%	82%
1 April 2010	5.60%	7.4%	75.67%
1 April 2011	4.50%	4.50%	100%
1 April 2012	4.80%	4.80%	100%
1 April 2013	6.00%	5.7%	105%

Table 2.1: Pension Increases

“GEPF will continue to ensure the financial security of its pensioners and members.”

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

In looking back at the achievements of the last 20 years, GEPF will continue to ensure the financial security of its pensioners and members. GEPF will be a catalyst for change in terms of securing investment opportunities locally, regionally, and globally to meet its pension liabilities. And GEPF will strive to improve its collaborative efforts with other institutional investors on the continent to promote and enhance shareholder activism.

Milestones

2005:	Inauguration Board of Trustees
2006:	Co-signatory of UN-PRI
2010:	GEPF changes governance structure resulting in separate fiduciary and administrative entities and creation of the GPAA.
2011:	Involved in establishment of Code for Responsible Investing in SA (CRISA)
2013:	Institutional Investor of the Year award (October) – Africa Investor
2013:	African Pension Fund Initiative of the Year (September) – Africa Investor

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History

Government Employees Pension Fund (GEPF) History

Section 212(6) of the (Interim) Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) required that provision be made for a pension for all members of the public service by means of a pension fund or funds established by law. To give effect to section 212(6), the Office of the Public Service Commission launched an investigation into the amalgamation of the various government service pension funds, including those of the then Transkei, Ciskei, Bophuthatswana, and Venda.

As part of the post-1994 dispensation, the following ten different government funds were amalgamated during 1996 to form the Government Employees Pension Fund:

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

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

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

GEPF is classified as a defined benefit fund established by law in terms of section 1 of the Income Tax Act, 1962 (Act No 58 of 1962).

Past discrimination in terms of pension benefits

GEPF in collaboration with the Department of Defence, the Public Service Co-ordinating Bargaining Council (PSCBC), the Department of Public Service and Administration and other stakeholders had to establish processes to recognise, as pensionable service, the sacrifices made by individuals who were part of the former non-statutory forces and who had been integrated into the South African National Defence Force (SANDF). The rules of GEPF (i.e. GEP Law and Rules) were therefore amended to make provision for the recognition of former Non-Statutory Forces (NSF) service as pensionable service in GEPF. This is commonly known as the NSF Pension Dispensation. In terms of the dispensation the previous service of the former members who entered into an employment agreement with any State Department that participates in GEPF may be recognised as pensionable service for purposes of pension benefits.

"As part of the post 1994 dispensation, 10 different government funds were amalgamated during 1996 to form GEPF"

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

GEPF Executive Authority

Year	Interim Trustee	Chief Executive Officer Chief Directorate: Pensions Administration
1996/7	Trevor Manuel	Peet Maritz
1997/8	Trevor Manuel	Peet Maritz
1998/9	Trevor Manuel	Peet Maritz
1999/2000	Trevor Manuel	Dr Frans le Roux
2000/01	Trevor Manuel	Dr Frans le Roux
2001/02	Trevor Manuel	Dr Frans le Roux
2002/03	Trevor Manuel	Dr Frans le Roux
2003/04	Trevor Manuel	Dr Frans le Roux
2004/05	Trevor Manuel	Dr Frans le Roux

Table 3.1: GEPF Executive Authority

Year	Principal Executive Officer GEPF	Chairperson: Board of Trustees	Chief Executive Officer GPAA
2005/06		Martin Kuscus	Dr Frans le Roux* Najwa Adrie Ellies**
2006/07		Martin Kuscus	Hanellie Pretorius*** Mr Phenias Tjie****
2007/08		Martin Kuscus	Mr Phenias Tjie
2008/09	Ms Maemili Ramataboe	Martin Kuscus	Mr Phenias Tjie
2009/10	Ms Adri Van Niekerk	Arthur Moloto	Mr Phenias Tjie
2010/11	Mr John Oliphant	Arthur Moloto	Mr Phenias Tjie
2011/12	Mr John Oliphant	Arthur Moloto	Mr Goolam Aboobaker *****
2012/13	Mr John Oliphant	Arthur Moloto	Mr Goolam Aboobaker
2013/14	Mr John Oliphant****** Ms Joelene Moodley*******	Arthur Moloto	Mr Goolam Aboobaker

Table 3.2: GEPF Executive Authority

* Dr le Roux term ended, 31 January 2006
** Ms Najwah Allie Edries, 1 February 2006 – 31 May 2006
*** Ms Hannelie Pretorius, 1 June 2006 – 31 August 2006
**** Mr Phineas Tjie, 1 September 2006 – February 2013
***** Mr Goolam Aboobaker – Acting Chief Executive Officer – March 2013 to date
****** Mr John Oliphant was suspended – October 2013
******* Ms Joelene Moodley – Acting Principal Executive Officer – October 2013 to date

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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; and
- 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.

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Overview of Fund benefits

GEPF provided benefits to 1 276 753 active members and 391 071 pensioners and beneficiaries as at 31 March 2014. 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 ten years of pensionable service, or ten or more years of pensionable service. Members with fewer than ten years of service receive a gratuity (a once-off lump sum cash payment) equal to their actuarial interest in the Fund. Members with ten or more years of service receive a gratuity and a monthly pension (or annuity). Members who retire with more than ten 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 ten or more years of service receive annuities and gratuities, calculated in the same way as for normal retirement, but with a reduction of a third of one percent for each month between the dates of early retirement and normal retirement.

Ill-health retirement

Enhanced benefits are paid when members retire for medical reasons or are injured on duty. In these circumstances, members are eligible to receive both annuities and gratuities. For members with fewer than ten 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 ten years of pensionable service and is discharged on account of sickness that is not of their doing, an annual supplementary amount is paid to him or her.

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.

"A spouse or eligible life partner is entitled to a percentage of the annuity paid to the member at date of death."

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 ten 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 ten 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.

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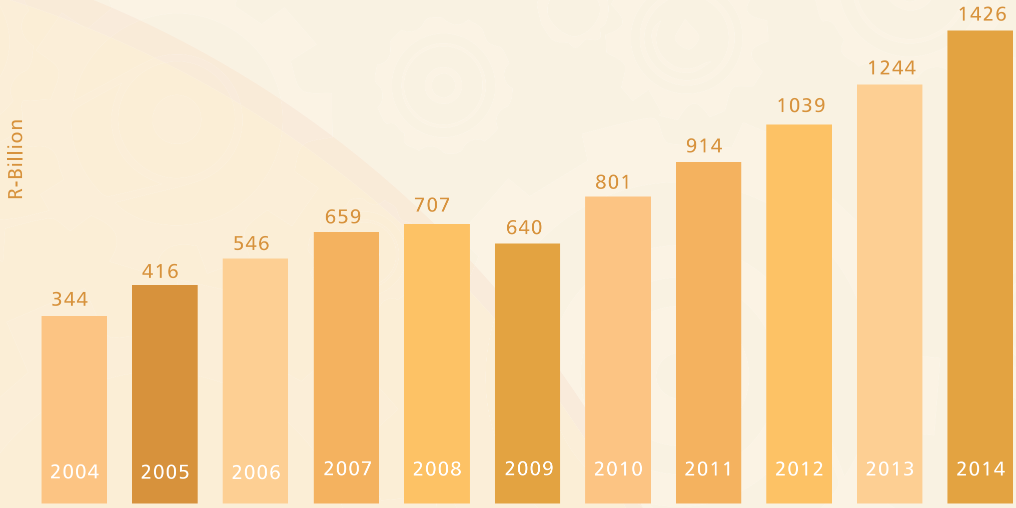
Financial highlights for the year ended 31 March 2014

Accumulated funds and reserves as at 31 March 2014

The Fund's accumulated funds and reserves amount to R1 426-billion.
Accumulated fund and reserves have grown at an average rate of 15.8% over the past 10 years, reaching R1 426-billion as at 31 March 2014.



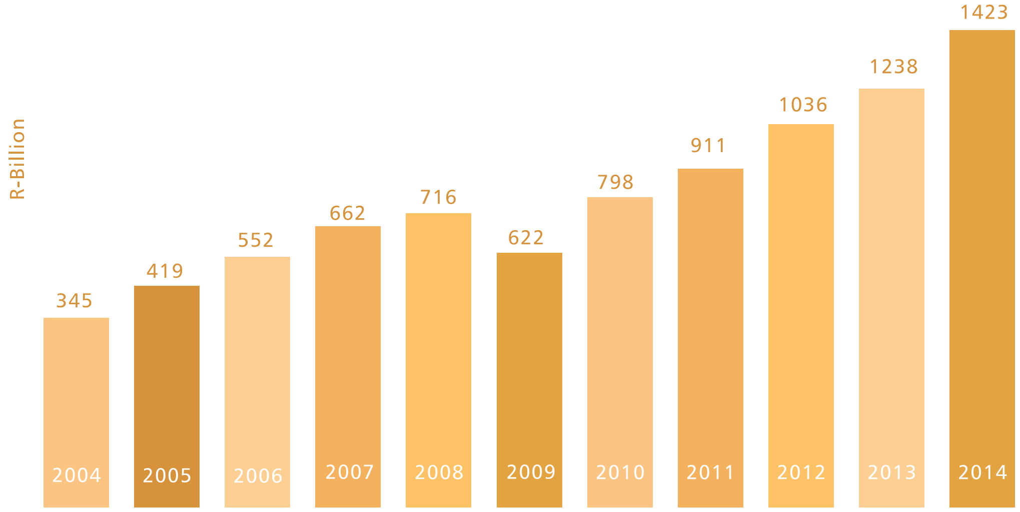
R-Billion

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
344	416	546	659	707	640	801	914	1039	1244	1426

Table 6.1: Accumulated funds and reserves as at 31 March 2014

Investment portfolio

The Fund's investment portfolio grew by 14.9% from R1 238-billion in 2013 to R1 423-billion in 2014. The increase in the investment value is mainly due to new investments in foreign collective investment schemes and loans, and increase in fair values of equities, bills and bonds and collective investments schemes.



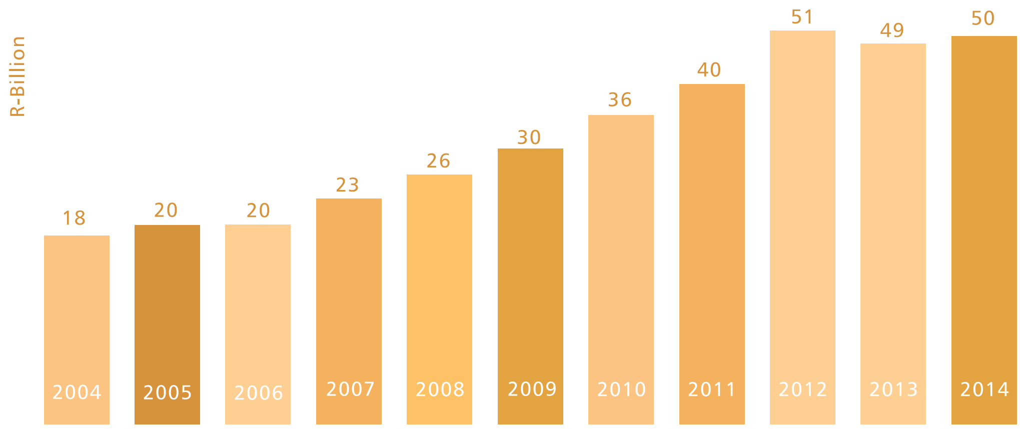
R-Billion

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
345	419	552	662	716	622	798	911	1036	1238	1423

Table 6.2: Investment Portfolio

Contributions received and accrued for the year ended 31 March 2014

The Fund receives a percentage of members' pensionable salaries as contributions. Contributions received increased in the current year by R1-billion. This increase is mainly due to membership and public sector employees' salary increase.



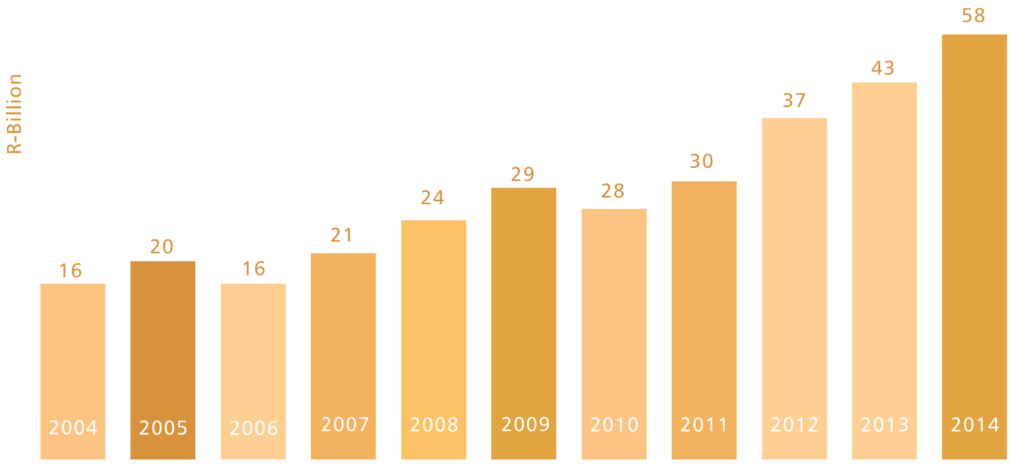
R-Billion

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
17	18	20	20	23	26	30	36	40	51	49	50

Table 6.3: Contributions received and accrued for the year ended 31 March 2014

Benefits awarded for the year ended 31 March 2014

The Fund awards benefits upon a member's resignation, retirement or death. The Fund also pays funeral benefits. Benefits paid increased by R15-billion in the current year mainly due to increase in benefits provision and number of exit cases processed.



R-Billion

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
15	16	20	16	21	24	29	28	30	37	43	58

Table 6.4: Benefits awarded for the year ended 31 March 2014

Fund's assets return

During the reporting period, the Fund's assets yielded an average return of 12.5% (2013: 16.0%), driven mostly by decrease in net investment income. This equates to a net investment income of R191-billion (2013: R196-billion).

R-Billion

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
18.3	16.8	23.3	16.8	6.7	-10.2	19.7	12.2	11.9	16.0	12.5

Table 6.5: Fund's assets return

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Chairperson's Report

On 17 April 2014, the then Minister of Finance Pravin Gordhan inaugurated GEPF's new Board of Trustees, of which I have been elected Chairperson. On behalf of my fellow members of the Board, I extend sincere appreciation to our predecessors for their stewardship of the Fund. In particular, we thank the former Chairperson, Mr Arthur Moloto, whose review of the 2013/14 financial year is presented in Section 8.

Over the past 18 years, GEPF has become a significant and substantial leader within the global pension fund sector. It is imperative, therefore, that it remains abreast of international thinking on all relevant matters, including, but not limited to, corporate governance, environmental and social concerns, the responsible use of investments, retirement and benefit reforms, and actuarial matters.

In June this year, I had the honour of attending the annual Responsible Investor (RI) Europe 2014 conference in London to witness first-hand that leadership role. GEPF's Annual Report 2013 was awarded the Commended, Best RI Report by a Large Fund at the annual RI Reporting Awards 2014 event.

GEPF was competing against funds from Australia, Canada, France, the Netherlands, New Zealand, Norway, and Sweden for this prestigious award in the large pension funds sector – those with assets under management greater than €25-billion (R250-billion). GEPF shared the commended honour with the Canadian Pension Plan Investment Board (CPPIB), one of the world's top ten largest funds.

The RI Reporting Awards showcase excellence in responsible investment and ESG reporting and are intended to encourage best practice and transparency by recognising the highest standards in the disclosure of responsible investment (RI) activities by asset owners globally.

I am proud of the leadership GEPF has shown and honoured that it has been recognised.

The year ahead

While we are proud of GEPF's contribution to and importance within the global pension arena, we must never forget that its primary function is to serve its pensioners and members: from the basic task of ensuring their benefits are paid on time and that they receive good, efficient, and attentive services, to making sure that the funds are managed in a transparent, responsible, and profitable manner. We are the custodians of their future – and a substantial contributor to the future success of their nation – and we need to act accordingly.

GEPF remains committed to playing the dual role of protecting the wealth of its members and pensioners, while contributing meaningfully to the development of the country and the continent.

“GEPF is committed to becoming a catalyst for change through an investment strategy directed at promoting infrastructure development, job creation, and improving the lives of Africans while at the same time growing its investment portfolio.”

GEPF will continue to improve its operational risk management policies, to engage with companies and other institutional investors in championing the principles of responsible investment, and to encourage good governance, social equity, and sound environmental practices. GEPF recognises that because much of its services are outsourced it is imperative that members maintain their trust in GEPF’s ability to ensure the timely and efficient delivery of the benefits provided for in the rules.

GEPF has 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 required. The risk management function reports into the Finance and Audit Committee to ensure its independence and effectiveness. A review of GEPF’s risk register has been conducted and it is envisaged that the current Board would approve this within its tenure.

During the prior year a disciplinary process commenced with respect to the Principal Executive Officer. This matter is on-going. An Acting Principal Executive Officer was appointed by the Board and continued in office during the period ended 31 March 2014. The Fund and the Board continues to operate and manage this risk in terms of the framework and Law and Rules of the Fund.

GEPF has invested in African Bank Investment Limited in the form of publicly traded equities and debt (secured and unsecured). GEPF’s exposure to Abil was in line with the benchmark index, and as such GEPF were not in an overweighted position in the investment. GEPF, through the PIC has invested approximately half of the R10-billion invested into African Bank to capitalise the Bank, although at this stage the figure is subject to confirmation.

GEPF is committed to becoming a catalyst for change through an investment strategy directed at promoting infrastructure development, job creation, and improving the lives of Africans while at the same time growing its investment portfolio.

The following are some of the strategic initiatives on which this Board will have to focus:

- Implementation of the Additional Voluntary Contributions and Preservation Fund Projects
- Finalisation and implementation of the unlisted investment model
- Appointment of a master custodian
- Enhanced member and beneficiary communication and education.

In conclusion, I wish to welcome the new Board of Trustees and reiterate that we look forward to working with the management and staff of GEPF and all our stakeholders to ensure that the Fund delivers an impeccable and reliable service to its pensioners and members.

I would also like to take this opportunity to thank the executive management team and staff for all their hard work and dedication during the 2013/14 financial year.

Dr Renosi Mokate
Chairperson: GEPF Board of Trustees

Outgoing Chairperson's Review

In 2009 I had the honour and a privilege to be appointed Chairperson of the Board of Trustees of the Government Employees Pension Fund. It gives me great pleasure and satisfaction to know that the esteemed Dr Renosi Mokate will now occupy the chair. The Trustees, new and old, are in excellent hands. More importantly, the pensioners and members can rest assured that GEPF and the Board of Trustees will continue to act in their best interests.

Although not everything can be measured by the bottom line, I am proud to announce that as of the end 31 March 2014, pensions saw an increase of 5.3%% – a figure in line with annual inflation. There can be no better testimony to the correctness of the investment strategy that the Board of Trustees has adopted. I want to congratulate the Public Investment Corporation (PIC), our asset manager, for work well done and enabling GEPF to realise these pension increases.

When I was in Nairobi and had the honour of addressing delegates at the 4th Annual Africa Conference on investment in infrastructure across the continent, I outlined the strategy and rationale behind our investments on the continent. I called on governments and financial institutions to develop capacity and new financial tools for our continent, although young and vigorous in terms of its institutions, is bursting with economic potential.

Africa's economic development and growth prospects are worthy of GEPF's attention, and it would be irresponsible for us not to see the many investment opportunities right on our doorstep.

There are many good reasons to be optimistic about such opportunities, but we have to find innovative approaches to confront the infrastructure deficit that currently is sabotaging Africa's development.

GEPF responded to this opportunity by redesigning its investment strategy, specifically its strategic asset allocation towards investments, to provide a significant economic contribution to the African continent. To this end, 5% of assets under management were allocated for investments on the continent (excluding South Africa). GEPF's mandates in infrastructure and private equity in Africa (Ex-SA) reflects a commitment of US$1.25-billion to both the Pan African Infrastructure Development Fund (PAIDF) and the PIC.

The following are two examples of how this is reflected in GEPF's developmental investment strategy on the continent – including South Africa – both of which are linked to renewable energy. A sustainable energy supply constitutes a significant part of the critical sectors of the local economy, and to ignore this would negatively impact the economy and our investment portfolio.

The Industrial Development Corporation (IDC) concluded an R5-billion private placement with PIC for a 'green bond' that would facilitate funding for businesses looking to invest in clean-energy infrastructure developments. This represented an important landmark in the on-going implementation of the development investment policy of GEPF.

“The Investment Committee has applied itself to the matter of increased investments in the unlisted market sector.”

This policy seeks to invest in renewable-energy projects – and other infrastructure projects – that make good investment sense, and which contribute to South Africa’s and the continent’s developmental agenda.

In Kenya, we have invested in the independent power producer Aldwych, in the Lake Turkana Wind Power project (LTWP). This project aims to provide 300MW of reliable, low-cost wind power to the Kenyan national grid, equivalent to approximately 20% of the current installed electricity generating capacity.

Again, this is an indicator of the commitment GEPF has shown to the continent, and is an example of the excellent work done by the PAIDF to ensure that Africa is connected to the world.

I should point out that GEPF made a $250-million commitment to establishment of the Pan-African Infrastructure Development Fund (PAIDF1). An additional $350-million has been committed to the second Pan-African Infrastructure Development Fund (PAIDF 2), which is a further indication of GEPF’s commitment to building the African continent and its infrastructure. Keep in mind that we are not investing as a philanthropic exercise: the Board is of the view that it will realise good returns from these investments.

The Investment Committee has applied itself to the matter of increased investments in the unlisted market sector. Since the reform of the country’s Pension Funds Act in 2011 with key amendments to Regulation 28 of the Act there have been increasing interest and investment in private equity. South African pension funds can now invest up to 10% of their total assets in private equity, which in the case of GEPF is an estimated US$13-billion. The 10% is split equally with 5% for the rest of Africa and 5% for global investments.

It must be kept in mind that GEPF is a juristic entity governed by the Government Employees Pension Law, 1996 (GEP Law) and not the Pension Fund Act 24, 1956, or the Public Finance Management Act 1, 1999. While it is not responsible to the regulations of the Financial Services Board or answerable to the Pension Fund Adjudicator, it strives in terms of best practice to adhere to and comply with the principles and philosophies embodied in such institutions and as specified in Regulation 28 PIC, on behalf of GEPF, has to date placed 0.7% of its African allocation and, given the lack of liquidity in many sub-Saharan markets, much of the investment will be via private equity opportunities that avail themselves. The global allocation of 5% has been outsourced and is mostly in passive equity and bond mandates.

The Board is aware that as a pension fund we are substantial investors and as such we expect that the private equity funds will meet not only the requirements stipulated by the Registrar of Pension Funds but will adhere to GEPF’s standards and policy requirements. These include – but are not limited to – environmental and social sustainability standards, governance, integrity, due diligence, and fund terms that are consistent with best market practice.

With respect to training and skills development, GEPF has made considerable progress in the training of the Trustees, recognising that financial management and investment vehicles are complex and constantly evolving. We want our Trustees to be kept abreast of these developments. The previous board was brought up to scratch through attending training courses and by benchmarking GEPF to global best practices.

We have constantly sought to measure GEPF, its Board of Trustees, and management against international benchmarks of excellence. In this regard, the Independent Remuneration Committee was established following the consideration that, first, it would not be best practice to enable the Trustees to

"PRI in Person is the signatory investor event of the United Nations-supported Principles for Responsible Investment and the one opportunity that signatories – and potential signatories – have to meet, collaborate and learn from their peers..."

determine their own fees; second to benchmark the remuneration package of the executives to what is available in the market; and finally to develop the best remuneration policies in line with what was happening in the market.

The modernisation programme continues and additional funds have been allocated to ensure this is followed through. We have achieved critical milestones but much remains to be done especially as regards the automated interface between the GPAA and relevant government departments.

A highlight of the year was bringing the seventh annual PRI in Person 2013 to South Africa in October 2013. PRI in Person is the signatory investor event of the United Nations-supported Principles for Responsible Investment and the one opportunity that signatories – and potential signatories – have to meet, collaborate and learn from their peers and engage in debate with experts and thought leaders.

In closing I would like to extend my thanks and appreciation to my fellow Trustees and colleagues at GEPF. I have been greatly blessed by the fact that I have been able to work with men and woman of such high calibre and integrity. These are the people whose leadership and adherence to the best levels of professionalism has made sure that our pensioners and members enjoy their benefits. I am honoured to have been able to lead and work with such great men and women.

Thank you.
Arthur Moloto

9

Report of the Principal Executive Officer

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. GEPF serves the retirement interests of 1 276 753 members and 391 071 pensioners receiving monthly annuity benefits. 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.

For the tenth year running, GEPF achieved a 100% consumer price index (CPI) pension increase for 2013/14 financial year.

As at 31 March 2014, GEPF's assets under management amounted to R1 423-billion, an increase of R185-billion from R1 238-billion a year ago, confirming the Fund's status as Africa's largest pension fund, and one of the top ten to 20 pension funds worldwide.

The total return for the Fund for the year to 31 March 2014 was 15.4% as compared to a benchmark return of 15.6%. Over the three years ended 31 March 2014, the fund produced an annualised return of 15.4% (or 53.7%) compared to the benchmark return of 15.9% (or 55.6%).

Developmental investment and unlisted investment

The Developmental Investment (DI) policy now has been fully incorporated into GEPF's mandate. The model, legal structure, and monitoring mechanisms for the unlisted investments portfolio have been agreed to and will be finalised following internal processes conducted by GEPF's asset managers, the Public Investment Corporation (PIC), the results of which are expected in by the end of the 2014/15 financial year.

Responsible Investment

GEPF's responsible Investment (RI) policy remains an on-going process and GEPF's engagement with companies on matters of environmental, social and governance (ESG) issues continue. In addition, GEPF is compiling an online ESG database. (See page x of the 2014 Annual Report.)

"GEPF also continues to play a key role in embedding ESG practices in private equity investments..."

Ensuring members and pensioners' interests are taken care of

GEPF has engaged with the Government Pension Administration Agency (GPAA) to review and compare the existing funding model in an effort to enhance efficiencies in administration funding and to ensure that is in line with the industry best practice. Various funding model options will be explored and a paper on the different options will be presented to the Board by December 2014.

GEPF's specially appointed task team has consistently been researching benefit enhancements to ensure aligning the Fund to emerging pension reform trends.

The modernisation programme embarked on by the GPAA has been a vital, on-going exercise to improve service delivery to GEPF's members and pensioners. It has primarily intended to improve business processes and governance through investment in improved administration infrastructure – especially around ICT platforms and processes – and facilities that will enhance customer service, outreach, and education. The pressing need of the modernisation programme is to develop and improve the employer departments' interface and reporting capabilities, namely, switching to electronic data capture and removing as many manual processes as possible (which also helps reduce fraud).

Within this financial year GEPF and the GPAA have achieved some notable successes. A partner was appointed in April 2013 for the implementation of the Technical Architecture Design (TAD), and the first deliverables, including the logical operating model, the data centre revamp, and technology acquisition were completed by 31 March 2014.

The benefits payment automation – termed Go Live – was launched on 31 August 2013. Currently 130 employers – representing 81% of membership – have adopted eChannel, the online submission of exit documentation.

The Retirement Member Campaign (RMC) saw a reduction in the turnaround time for exit to date payment from 57 days to approximately 20 days. In addition, GEPF reduced the unclaimed benefit account from R600-million to R493-million. This has been made possible by the appointment of tracking and tracing agents to assist us to locate un-traceable beneficiaries across the country.

The Call Centre Optimization Project was unfortunately delayed when the GPAA decided not to adopt the SARS Telephony option and put out a tender for a hosting solution, which was approved in November 2013. The Executive Committee approved the decision to move the call and walk in centre to the Kingsley Centre, which was completed in April 2014.

Governance

GEPF maintains an on-going review of financial governance processes and procedures to ensure effective management of all operations of the organisation. In addition, GEPF has sound risk management policies in place that monitor the potential risks in all its investments and is able to control those risks in a way best suited to its long-term investment objectives.

GEPF also continues to play a key role in embedding ESG practices in private equity investments, and to ensure that asset managers do not simply use ESG as a box-ticking exercise. It has made significant contributions to international collaborative initiatives such as the ESG Disclosure Framework for Private Equity and the Institutional Limited Partners Association (ILPA) Private Equity Principles.

The Framework is intended to help define the information needed by investors – such as GEPF ¬– in order that they can assess how private equity firms manage ESG risks and opportunities across their portfolios. The document outlines eight objectives common to many investors who require more structured ESG disclosures within their private equity

"GEPF strives to be the employer of choice and believes strongly in the continuous development and training of its personnel as a key driver in the successful implementation of its business objectives."

investments. The first five objectives relate to the fund due diligence process, and the next three relate to disclosures during the life of the fund.

The ILPA Private Equity Principles contains best practice concepts and speaks to issues relating to the alignment of interest between investors and the people managing the money fund governance and transparency, and reporting. It is intended to improve the private equity industry for the long-term benefit of all its participants.

Due to significant functions being outsourced to the GPAA and PIC, the following committees were established during the financial year to ensure that GEPF's strategic partners deliver on their mandate:

- Communication liaison committee between GEPF and the GPAA as well as GEPF and PIC
- Risk Liaison committee between GEPF, the GPAA and PIC

In the 2013/14 financial year, the subsistence and travel policy was reviewed and approved by the Board. Efficiencies in Supply Chain Management (SCM) were also implemented following a process review from an end-to-end perspective.

GEPF strives to ensure that all its Board's governance practices are aligned with the requirements of King III and PF130. During this reporting period there was an increase from 60% to 62% in the practices with which GEPF is in full compliance. A revised project plan was submitted and approved by the Board and implementation thereof will commence in the 2014/15 financial year.

Sustainability reporting

The Global Reporting Initiative (GRI) launched new guidelines for sustainability reporting – referred to as G4 – in May 2013. Members of GEPF's Sustainability Reporting Committee (SRC) were trained in the new guidelines. In addition, GEPF will continue to focus on aligning its Annual Report with the recently approved International Guidelines on Integrated Reporting.

Human Resources

GEPF strives to be the employer of choice and believes strongly in the continuous development and training of its personnel as a key driver in the successful implementation of its business objectives. During the 2013/14 financial year, GEPF conducted an organisation wide skills audit (current situation) and training needs analysis (guidelines to future needs) that provided an accurate overview of its training requirements.

The skills audit focused on behavioural competencies and technical skills in relation to business needs, strategies and priorities. The skills audit implementation plan will also form part of the individual development plans.

GEPF through its Remuneration Committee (REMCOM) embarked on a review of GEPF'S remuneration policy and strategy. Discussions around critical workforce segmentation have been undertaken and will be embedded in the appropriate policies regarding retaining key staff.

Management and staff have all agreed to adopt value-centred behaviours in the conduct of their duties. Value ambassadors were appointed and they will report on their progress to the Principal Executive Officer (PEO).

Employment Equity Plan

Unfortunately, the Employment Equity Plan (EE) Plan was not completed in 2013/14 financial year. However, an Employment Equity Forum was appointed and the Acting PEO issued a Statement of Intent along with workshops to explain the Employment Equity Act. The plan will be developed for 2014/15 financial year and will be submitted to the Department of Labour by end October 2014.

"Another highlight was GEPF's move to its offices in Riverwalk, which was completed on time and within budget due to the great co-operation and hard work of every one involved."

Ethics

GEPF's ethics code and policy were drafted and work shopped with staff, with the view to ensure effective rollout of the policy. In addition, ethical risks have been incorporated into GEPF's Risk Register. In this financial year, a number of deliverables were achieved, including leadership's commitment to ethics, the management, risk assessment and strategy of ethics. The ethics programme will be rolled out during the 2014/15 financial year.

Managing ICT

Service delivery and accountability is being monitored on an on-going basis through monthly Information and Communications Technology Steering Committee (ICT) meetings. A field service engineer (FSE) has been deployed permanently at the GEPF. Additional interventions to enhance ICT capabilities in the Fund will continue to be explored.

Highlights

The year's highlights include GEPF success in hosting and facilitating the seventh annual PRI in Person 2013 to South Africa in October 2013.

GEPF also facilitated a World Bank Symposium in Cape Town.

In addition, GEPF walked off with the inaugural Africa Investor African Pension Fund Initiative of the Year award. The annual Africa Investor (Ai) Index Series Awards 2013 took place at the New York Stock Exchange on 21 September 2013. The Awards are designed to recognise Africa's best performing stock exchanges, listed companies, investment banks, research teams, regulators, socially responsible companies and fund managers. GEPF was also awarded the Institutional Investor of the Year Award in October 2013.

Another highlight was GEPF's move to its offices in Riverwalk, which was completed on time and within budget due to the great co-operation and hard work of every one involved.

Appreciation

I would like to express my gratitude and appreciation to the outgoing Board and Chairperson Mr Arthur Moloto for their support and dedication over the past four years. In turn, I welcome the new Chairperson Dr Renosi Mokate and her Board of Trustees. I am confident that the new Board will bring renewed vigour to the job and lift the GEPF to its next level in its pursuit of being a role model for pension funds worldwide and to fulfil our mission as the custodians of a significant portion of the wealth of our public servants.

I would also like to take the opportunity to thank the management and staff for their hard work, dedication, and continued support during the 2013/14 financial year.

Lastly, I would like to thank Mr Elias Masilela, for his hard work and dedication during his three-year tenure as head of GEPF'S asset manager, PIC. He has not only overseen assets under management that have grown to more than R1.6-trillion, but has also been a major driver of the GEPF's developmental investment policy. GEPF wishes Mr Masilela all the best with his future endeavours and looks forward to continuing our positive on-going relationship with PIC and the Acting CEO Ms Matshepo More.

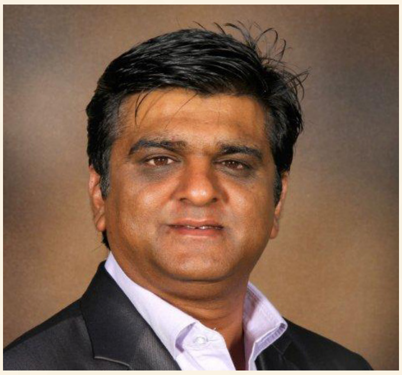
Ms Joelene Moodley
Acting Principal Executive Officer

10

Board of Trustees

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

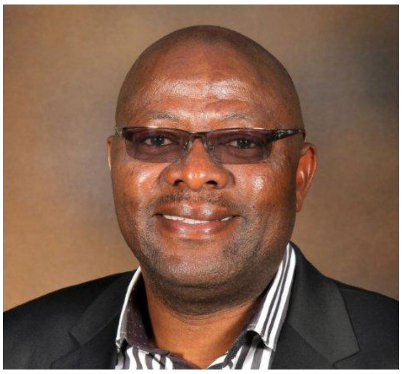
- Chairperson of the Benefits and Administration Committee
- Chief of Human Resource Strategic Direction and Policy of the Department of Defence, Defence Headquarters
- SA Defence Force Personnel Specialist of the Year
- South African Air Force Individual Productivity Award (Gold) (1996)
- Tertiary qualification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

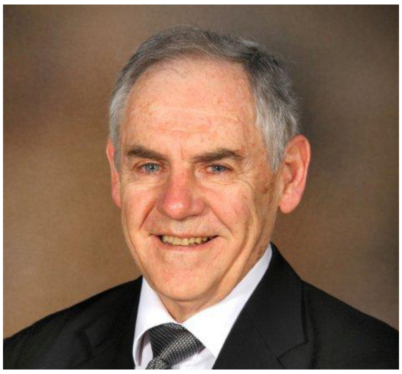
Ms Cecilia Khuzwayo

- 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

- D Com (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

- BA (Psychology) Cheney University, Pennsylvania, Howard
- MEd (Masters in Educational Administration), Cheney University, Pennsylvania:
- PhD (Sociology), Howard University, Washington, D.C:
- Executive Support: Officer 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

- Executive Development Programme: UNISA
- Advanced Diploma, Public Administration, University of the Western Cape
- Board Effectiveness: Toronto University Canada
- Certificate Course: Economic Development, University of the Western Cape
- Investment and Financial Management: Johannesburg Finance College
- Member of the Institute of Directors
- Member of Investment Committee (GEPF)
- Member of Benefits and Administration Committee(GEPF)
- 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
- National Executive Member: Police Music and Cultural Association

Awards/certificates:

- Pretty Shuping Award: “A women of substance”: (POPCRU)
- Best Women Achiever in the province and in the Country: North West Province.

Ms Gladys Modise

- B.Com (Hons) Financial Management – University of North West
- B.Com – University of North West
- Diploma in Management – University of North West
- 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, Chairman of the Properties Committee, Member of the Human Resources and Remuneration Committee, Audit and Risk Committee, , Investment Committee and Director's Affairs Committee
- Thusanang Trust, Director
- Kansai Plascon, Non-Executive Director
- Member of the Institute of Directors

Ms Marion Mbina-Mthembu

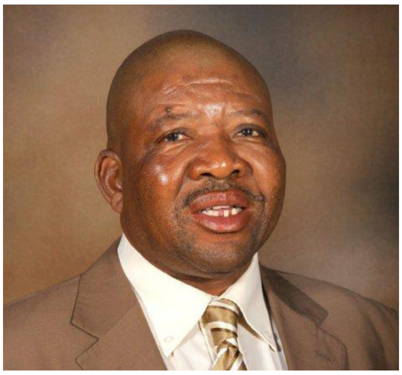
- B.Com (Cost and Management Accounting and Business Administration)
- Associate Cost and Management Accountant: Institute of Cost and Management Accountants
- Head of Department: Eastern Cape Provincial Treasury
- Member of the Institute of Directors

Ms Dorothy Ndlovu

- Diploma in Political Economy – University of Western Cape
- Junior Management Development Programme – Technikon SA
- National Treasurer at Hospersa
- Senior Finance Clerk at Charlotte Maxeke Hospital
- Chairperson of PSI Women`s Committee in SA
- FEDUSA NEC and FINCOM member
- Member of the Institute of Directors

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



Mr Edward Kekana

- Senior Certificate
- Secondary Teachers Diploma
- Certificate Programme in Human Resource Management
- Advanced Certificate in Education
- Provincial Chairperson - Sadtu Gauteng Province
- Member of Sadtu National Executive Committee
- Member of Sadtu International Relations Committee
- Director at Sadtu Curtis Nkondo Professional Development
- Member of Cosatu Retirement Funds
- Director In The Africa Regional Committee On Juche Studies
- Member of the Institute of Directors in Southern Africa

Independence of Board members

Board members serve on the Board of Trustees at GEPF for a period of four years, where after 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.

Currently GEPF has Board members who have served on the Fund's Board for a period of eight years and have been re-appointed to the Board to serve a third term. Trustees are consistently reminded of their fiduciary duty to act independently and in the best interest of its members and pensioners.

11

Corporate Governance

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 Pensions Fund 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 Minister of Finance inaugurated the current Board on 22 September 2009 and its four-year term of office ran until September 2013. However, the Board term was extended and the new Board of Trustees had its first inaugural meeting on 17 April 2014.

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. Eight employer and six employee nominees are represented on the Board. Member representatives include a pensioner and an SANDF and Intelligence Community representative elected through a postal ballot.

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

Employer representatives on the Board of Trustees

Nominee Trustee		Substitute Trustee	
Department	**Name**	**Department**	**Name**
National Treasury	Marion Mbina-Mthembu	National Treasury	Vacant
Department of Public Service and Administration	Kenny Govender	Department of Public Service and Administration	Vacant
National government	Arthur Moloto	National government	Valerie Rennie
Department of Education	Vacant	Department of Education	Gladys Modise
Department of Defence	Mary Ledwaba	Department of Defence	Vacant
PIC	Moira Moses	PIC	Vacant
Specialist Trustee	Cecilia Khuzwayo	Specialist Trustee	Vacant
Specialist Trustee	Fagmeedah Lurie-Petersen	Specialist Trustee	Jeremy Andrew

Table 11.1: Employer representatives on the Board of Trustees

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	Edward Kekana
Health and Other Service Personnel Trade Union	Dorothy Ndlovu	Health and Other Service Personnel Trade Union	Success Mataitsane
South African National Defence Force	Dries de Wit	South African National Defence Force	Itumeleng Mahlwele
Public Servants Association	Vacant	Public Servants Association	Pierre Snyman
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	Vacant
Pensioner	Frans le Roux	Pensioner	Hennie Koekemoer

Table 11.1: Employer representatives on the Board of Trustees (continued)

Skill, knowledge and experience of Trustees

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

The Governance Charter

The Board is governed by a Governance Charter derived from sources that include the GEP Law and Rules, Good Governance on Retirement Funds (Circular PF130, issued by the Financial Services Board) and King III. The 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, Media Policy, Confidentiality Policy, Conflict of Interest Policy, Compliance Policy, Risk Policy and Framework, committee terms of reference, and rules on the delegation of authority.

Board meetings

The Board has a formal meeting schedule and meets at least four times a year, with additional meetings when required. Two-thirds of the 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.

"All Trustees must also attend an accredited Director's or Trustee Development Programme within six months of being appointed."

Board Committees

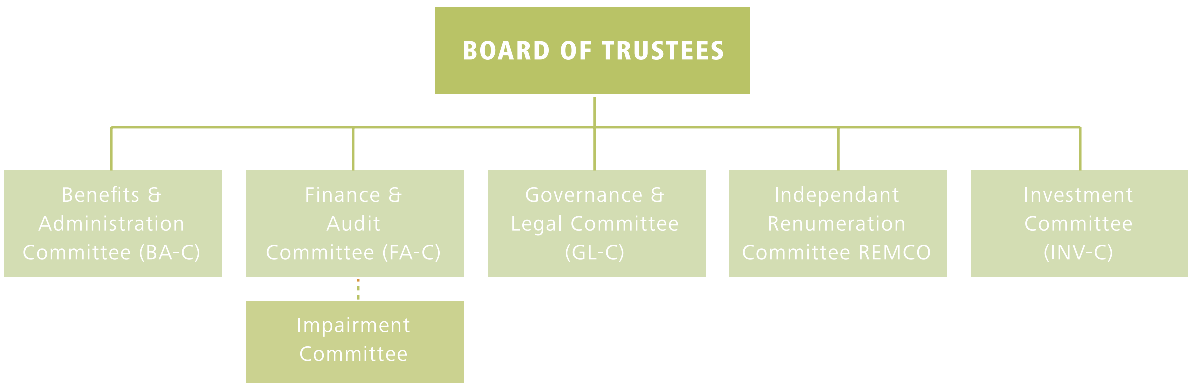


Table 11.2: Board Committees

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
Responsibilities	Reviews all aspects of the GPAA's administration activities Monitors compliance with the SLA between GEPF and the GPAA Advises and makes recommendations about GEPF benefits, administration of its affairs, administration policies, strategy, procedures, and management
2013/14 highlights	Facilitated the endorsement of amendments to the Administration of Death Benefits Policy Facilitated a revision of the Media Policy Facilitated a revision of the Pension Increase Policy Facilitated the 2013-14 pension increase Facilitated the approval of various rule changes such as Market value Adjustment on transfer values, child pension, discharge benefit anomaly and Guardian Fund

Table 11.3: Board committee membership, responsibilities and highlights

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
2013/14 highlights	Facilitated and approved the Fund business plan and budget in line with the Board's strategy for 2013/14 Facilitated the revision of the Enterprise wide Risk Management Policy and Framework Facilitated the approval of the Audit Planning Memorandum Facilitated the approval of the costs associated with the tender for the independent election process run through EISA to elect a pensioner trustee and a Forces Member Facilitated the approval of the budget in respect of the GEPF move to a new premises Facilitated the approval of the Annual Financial Statements for the 2012/13 financial period Facilitated the approval for the budget over the MTEF period of the entire GPAA Modernisation Budget Facilitated the approval of the Revised Risk Registers Facilitated the approval of the Revised Subsistence and Travel Policy Facilitated the approval of an impairment and the adjustment to fair value as recommended by the Impairment Committee

Table 11.3: Board committee membership, responsibilities and highlights (continued)

Governance and Legal Committee	
Committee members	Cecilia Khuzwayo (Chairperson) Kenny Govender Johan Griesel Hennie Koekemoer Mpho Kwinika Itumeleng Mahlwele Success Mataitsane Thobile Ntola Peter Ntsime.
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
2013/14 highlights	Organised formal training sessions for the Board The majority Trustees and their substitutes completed fit and proper questionnaires The majority Trustees and their substitutes completed financial disclosures and Fit and Proper Questionnaires Facilitated the approval of the Board Performance Assessment Action Plans Facilitated the review of the Promotion of Access to Information Manual; Facilitated an amendment to the Insider Trading Policy Facilitated an amendment to the PEO Delegations of Authority Policy Facilitated the approval of the King III and PF130 action plans

Table 11.3: Board committee membership, responsibilities and highlights (continued)

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
2013/14 highlights	Facilitated additional Private Placement Memoranda in the Economic Infrastructure and Rest of Africa Equity Fund Facilitated the Sponsorship of the JSE GEPF Investor Showcase Facilitated the approval of the Framework for the Nomination of Nominee Directors to Investee Company Boards with the GEPF Listed Assets Portfolio Facilitated the approval of the Developmental Indicators Proposal and the summary of the Key Principals of the Fund Facilitated the approval of the Sponsorship to become a platinum sponsor for the Principles for Responsible Investment – UNPRI In-Person event

Table 11.3: Board committee membership, responsibilities and highlights (continued)

Remuneration Committee	
Committee members	Bernard Nkomo (Chairperson) Michael Olivier Basetsane Ramaboa Johan Griesel Kenny Govender Moira Moses Andries de Wit
Responsibilities	Adopt remuneration policies and practices that promote the strategic objectives of the Fund and encourage individual performance over the long term Determine remuneration packages appropriate to attract, retain, and motivate high-performing senior executives Annually review whether the objectives of the Remuneration Policy have been achieved Annually review the principles and levels of Trustee remuneration
2013/14 highlights	Facilitated bonus payments for the GEPF 2013/14 Facilitated the adoption of the Human Resource Strategy Facilitated the approval of an increase in Trustee Remuneration Facilitated the approval of the Remuneration Policy Facilitated the approval of the Performance Management Policy Facilitated the approval of a Trustee Retainer Fee Facilitated the approval of staff salary increases for the 2014/15 period
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.
2013/14 highlights	Facilitated the approval of the impairment of unlisted investments and the adjustment to fair value for the 2012/13 financial year.

Table 11.3: Board committee membership, responsibilities and highlights (continued)

Board of Trustees	Board & special Board meet-ings	Benefits & Administra-tion Committee	Finance & Audit Committee & special Meetings	Governance & Legal Committee	Investment Committee	Remunera-tion Com-mittee	Board training, strategic planning & other work-shops
Meetings/ training sessions held	7	4	8	4	4	4	3
Arthur Moloto (Chair-person)	7				3		1
Prabir Badal (Vice chairperson)	7		8		4	3	2
Jeremy Andrew *	1	4			3		1
Rashied Daniels #	3		1	2			2
Dries de Wit	7	4	8			4	3
Kenny Govender	5	2	1	2			2
Johan Griesel *		3	1	3			0
Edward Kekana *	6	4	8				2
Cecilia Khuzwayo	7		1	4	4	1	2
Hennie Koekemoer *			2	2			2
Mpho Kwinika	6		1	4	3		2
Frans le Roux	7	4	3		4		3
Mary Ledwaba	7	2	2	3			2
Itumeleng Mahlwele *	1		8	4			3
Success Mataitsane *			8	3			3
Marion Mbina -Mthembu	7				4		2
Gladys Modise *	4		3		1		1
Edith Mogotsi	6	4	3		4		2
Pulani Mogotsi *		4	7				1
Moira Moses *	6		1			3	0
Makhubalo Ndaba **	1	3	2	2			3
Dorothy Ndhlovu	7	3	5				2

Table 11.4: Board of Trustees

Board of Trustees	Board & special Board meet-ings	Benefits & Administra-tion Committee	Finance & Audit Committee & special Meetings	Governance & Legal Committee	Investment Committee	Remunera-tion Com-mittee	Board training, strategic planning & other work-shops
Bernard Nkomo (REMCO)	3					4	0
Thobile Ntola	1	1		1			0
Peter Ntsime *	1		6	3			2
Michael Olivier (REMCO)	0					3	0
Fagmeedah Petersen -Lurie #	5		4		1		2
Basetsane Ramaboa (REMCO)	0					2	0
Valerie Rennie *	0						0
Pierre Snyman *	3	3	7				3
Daniel Teffo *#	0						0

Table 11.4: Board of Trustees (continued)

*Indicate substitute trustees
# Indicates resignations during the reporting period

- Daniel Teffo 13/05/2013
- Adv Rashied Daniels October 2013
- Fagmeedah Petersen-Lurie 10/02/2014

** Indicates appointments during the reporting period

- Makhubalo Ndaba 14/05/2013

The new appointed Trustees also successfully attended induction training.

"The Board had revised its Trustee Remuneration Policy to allow for the payment of a meeting fee as well as an annual retainer fee during the reporting period."

Trustee remuneration

According to the GEP Law, Trustees are compensated for their services and expenses on the basis determined by the Board. The Board had revised its Trustee Remuneration Policy to allow for the payment of a meeting fee as well as an annual retainer fee during the reporting period. The revised Trustee Remuneration Policy has 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 as well as an annual retainer fee;
- a retainer fee will be paid to Trustees as well as Substitute Trustees due to the fact that Substitute Trustees participate in Board Committees and other events like Board Strategic Planning Sessions and Training;
- different retainer fees will be paid to Trustees, Substitute Trustees, Chairpersons of Board Committees, Vice Chairperson of the Board and the Chairperson of the Board;
- the annual retainer fee will be paid in four equal parts at the end of each quarter;
- Trustees/Substitute Trustees must attend at least 75% of relevant meetings during a financial year to qualify for the retainer fee. Only meetings scheduled in accordance with the approved annual Board programme will be utilized to establish if a Trustee/ Substitute Trustee has attended the required meeting rate.
- 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; and
- the annual amount of remuneration paid to each Trustee, and to whom the remuneration was paid, should be disclosed in the annual report.

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

Remuneration paid for 2013/14 period

Name	Remuneration	Subsistence and travel claims	Total
Mr A Moloto (Chairperson)	None	8 322	
Mr P Badal (Vice Chairperson)	259 630	None	
Mr J Andrew	93 327	None	
Adv R Daniels	71 808	10 326	
Maj Gen AL de Wit	291 103	None	
Mr K Govender	None	None	
Mr J Griesel	None	None	
Mr E Kekana	174 240	4 612	
Mrs C Khuzwayo	183 339	6 390	
Mr H Koekemoer	50 600	None	
Mr M Kwinika	148 104	None	
Dr F Le Roux	229 909	7 590	
Dr ML Ledwaba	151 008	None	
Mrs F Petersen-Lurie	116 537	22 567	
Ms II Mahlwele	133 886	22 117	
Mr M Mataitsane	90 975	6 400	
Ms M Mbina-Mthembu	147 699	None	
Ms G Modise	87 432	776	
Mrs GE Mogotsi	161 146	None	
Mrs P Mogotsi	90 605	None	
Mrs M Moses	129 694	2 821	
Adv. M Ndaba	88 282	7 585	
Mrs ND Ndhlovu	133 778	27 373	
Mr T Ntola	32 155	None	
Mr P Ntsime	102 251	21 710	
Mr P Padayachee	None	None	
Ms V Rennie	None	None	
Mr P Snyman	165 422	1 678	
Adv D Teffo*	None	1247	
Mr B Nkomo (REMCO)	98 283	None	
Mr M Olivier (REMCO)	73 110	None	
Mrs B Ramaboa (REMCO)	43 658	1 574	
Total paid 2013/14	R 3 347 981	R 153 088	

Table 11.5: Remuneration paid for 2013/14 period

"The financial management and financial reporting of GEPF has been outsourced to the GPAA."

Board Performance Assessment

The Board's term was extended from September 2013 to April 2014 and no formal assessment of the Board took place during the period 2013/14.

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 non-compliance. GEPF also identified certain recommended practices that it will not apply but it has provided the reasons for not doing so.

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 previous financial year and continued during this financial year as an on-going 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 on-going 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 financial reporting of GEPF has been outsourced to the GPAA. The Finance division of the GPAA manages the financial resources available to administer pensions and other benefits using best practice principles.

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.

The core aspects of financial management and reporting outsourced to the 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); and
- 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 Financial Services Board (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.

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

Ethics and the management of GEPF's ethical risks

King III prescribes 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 organisational structures.

A risk assessment has been conducted that involved key stakeholders such as GEFP staff, the Board, and key service providers and the results of the risk assessment have been included in GEPF's overall risk register. The risk assessment has been utilised to build on GEPF's current Code of Ethics for the Board and a Staff Code of Ethics. 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 will 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

Compliance with Legislation and Regulatory Requirements

The Board of Trustees of GEPF is committed to complying with all applicable legislation and regulations, and is kept informed of changes to standards, codes and relevant sector developments that could potentially affect the Fund and its operations. The Board of Trustees also requires all business units, the GPAA and PIC to conform with laws and regulations applicable to the Fund. For the period under review, the Board is satisfied that the Fund has complied with the substance of the principles embodied in King III.

Internal Audit Report for the year ended 31 March 2014

In line with King III Report on Corporate Governance requirements, the Internal Audit provides Management and the Board, through the Finance and Audit Committees, with assurances 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/or weaknesses for corrective action and improvement.

The Fund's Internal Audit Unit functionally reports to the Finance and Audit Committee, with administrative reporting lines to the Fund's Principal Executive Office 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 Internal Audit Unit carries a mandate of effectively discharging its responsibilities in 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.

The Finance and Audit Committee approved the Internal Audit Annual Plan. A number of challenges were encountered during the 2013/14 financial year and, as a result, only 52% coverage of the approved plan (translating to 11 out of 21 planned audits) was achieved through audits conducted by GEPF's internal audit team, our co-sourced service provider, and the administration agency. Out of the remaining audits, a total of three were in progress as at 31 March 2014, with the remaining seven audit projects being rolled over to the 2014/15 financial year.

Below is a summary of audit projects carried out in line with the Fund's 2013/14 Internal Audit Plan:

• Human Resources and Payroll review • Finance review • Marketing and Communication review • Stakeholder Management	• The GPAA and GEPF Mandate and SLA Review • Fraud and Forensic Management Review • Investment Strategy and Investment Asset Liability Model Review (Actuarial).	• Benefits Review • Member Accounts Management Review • Legal and Compliance • Occupational Health and Safety review

In line with King III requirements on combined assurance, GEPF embarked on a process of developing a combined assurance plan with the objective of ensuring optimal assurance for risks as identified through the ERM process. To this end, the Internal Audit unit has, together with other stakeholders, conducted robust sessions relating to the combined assurance plan development to ensure that it is completed and its initial implementation rolled out in 2014/15 financial year.

"Roles and responsibility for risk management within GEPF has been clearly defined within the GEPF's Risk Management Policy and Framework."

GEPF Risk Statement for the year ended 31 March 2014

Introduction

The risk management process assists the Board of Trustees of GEPF to execute its fiduciary duty to actively manage the risks that would otherwise affect or prevent GEPF from achieving its strategic objectives and to ensure the long term sustainability of Fund. The Board of Trustees, through the Finance and Audit Committee, ensures that effective risk management processes and procedures are in place to actively manage risk that effect the Fund's performance.

Mandate:

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;
- ISO 31000:2009, Risk management – Principles and guidelines; and
- other relevant legislation.

The Enterprise Risk Management Policy and Framework has been reviewed and was updated in February 2013 to bring it in line with ISO 31000:2009, Risk management – Principles and guidelines. The Finance and Audit Committee, as well as the Board of Trustees approved the updated policy and framework in March 2013.

Responsibility

Roles and responsibility for risk management within GEPF has been clearly defined within the GEPF's Risk Management Policy and Framework. The Board of Trustees is ultimately responsible for ensuring that the Fund effectively manages risk. To this end, the Board has formally delegated as defined in the Board Charter and the Risk Management Policy and Framework, its oversight role to the Finance and Audit Committee. The Risk Management Policy and Framework allows for specific risks be allocated to the Board subcommittees in line with their mandate and the specific areas of specialisation of each committee and to report on such risks to the Finance and Audit Committee.

The Finance and Audit Committee has established the Risk Management Liaison Committee to coordinate risk management between GEPF, the PIC and the GPAA, who both manage risk on behalf of the Fund.

The Principal Executive Officer is the Fund's nominated Chief Risk Officer and is accountable to the Finance and Audit Committee to coordinate, embed, and report on risk management performance in terms of the Risk Management Policy and Framework. The risk management function has been outsourced to PricewaterhouseCoopers who report directly to the Chief Risk Officer on risk management activity and performance.

Management is responsible for the day-to-day management of risks and assisting the Chief Risk Officer as well as the Board subcommittees with their risk management responsibilities and ensuring that employees are aware of risk management procedures in their operational areas.

> "The various policies implemented by the Board include mechanisms to ensure compliance and continuous improvement."

Monitoring

The Board identified 18 strategic and 35 operational risks for the Fund. During the 2013/14 financial year management implemented controls and action plans to mitigate these risk. Progress on risk management actions and controls was reported to the Executive Management Committee on a monthly basis and quarterly to the Finance and Audit Committee. Independent monitoring of the risk management function and progress is performed by internal audit through a risk-based audit approach and assurance was provided that the controls were adequate and effective in mitigating risk.

Conclusion

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

12

The Office of the Principal Executive Officer

The Office of the Principal Executive Officer comprises the Principal Executive Officer (PEO) 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.

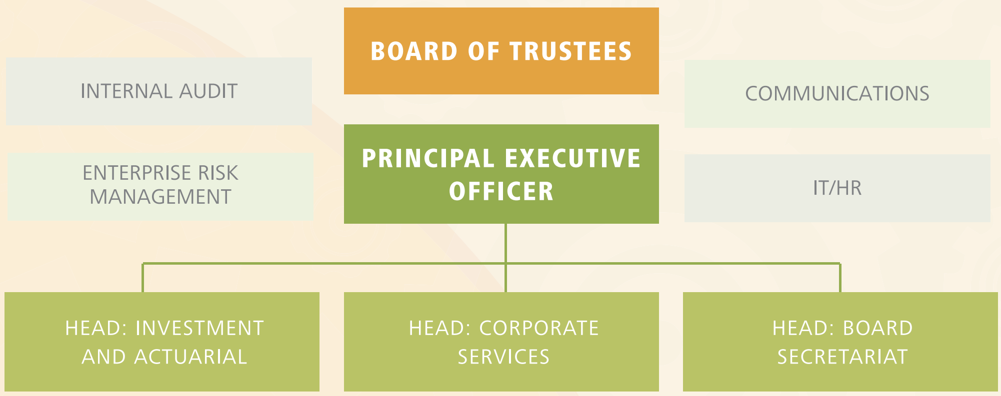


Table 12.1: Board of Trustees

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

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 (RI) and Developmental Policy (DI).

“The Office of the Principal Executive Officer supports the Board of Trustees, ensuring that GEPF acts in the best interest of its members, pansioners and beneficiaries”

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.

Executive management

Ms Jolene Moodley

Acting Principal Executive Officer andHead: Corporate Services

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

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 for Responsible Investment (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)

Mr Hemal Naran

Head: Investment and Actuarial

- B.Com University of Witwatersrand (Actuarial Science and Insurance and Risk Management)
- Investment Management Certificate from the CFA Society of the UK
- Chartered Alternative Investment Analyst (CAIA) Charter Holder.
- Member of the Investment Committee of the Pan African Infrastructure Development Fund (PAIDF)
- Hedge Fund Steering Committee member of the United Nations Supported Principles of Responsible Investment (PRI) Initiative
- Social Finance and Impact Investing Committee Member of the Institute of Actuaries (UK)

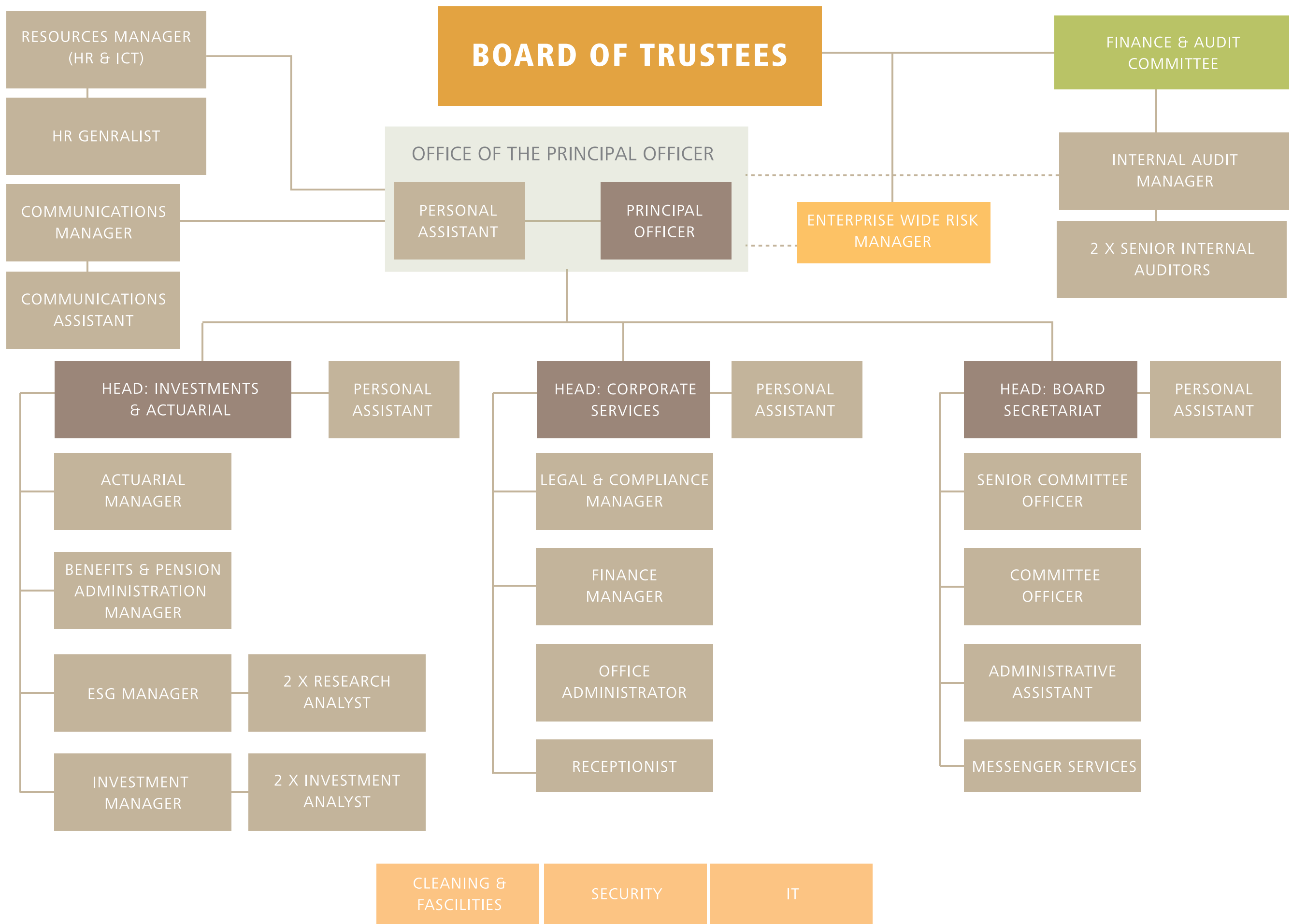


Table 12.2: Board of Trustees

Progress towards being an employer of choice

GEPF regards its employees as valuable assets that enable it to achieve its broad business objectives. It aims, therefore, 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, the Board, and broader stakeholder portfolio.

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

GEPF recorded a 16% cent staff turnover rate during the 2013/14 financial year.

"A total of 88% of GEPF staff, and 87.5% of executive management"

Employment equity

The Employment Equity Act, 55 of 1998, was enacted is to help achieve equity in the workplace. This would be achieved first, by promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination. Second, it would require implementing affirmative action measures to redress the disadvantages in employment experienced by specific groups in order to ensure their equitable representation at all occupational categories and levels in the workforce.

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 87.5% of executive management (i.e. top, senior, and profession) are African, Indian or Coloured. GEPF currently has five vacant positions that will be filled in the coming financial year.

Current as at 31 March 2014												
Level	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL		Total Filled	Va-cant
	M	F	M	F	M	F	M	F	M	F		
Top Management	1	0	0	0	0	0	0	0	1	0	1	0
Senior Management	0	0	0	0	1	1	0	1	1	2	3	0
Professional - Middle Management	4	2	0	1	0	0	1	0	5	3	8	2
Skilled	1	5	0	0	0	0	0	0	1	5	6	2
Semi Skilled	0	4	0	1	0	0	0	1	0	6	6	1
Unskilled	1	0	0	0	0	0	0	0	1	0	1	0
Total	7	11	0	2	1	1	1	2	9	16	25	5

Table 12.3: Employment Equity

"GEPF endeavours to ensure a meaningful link between the performance of its employees and their remuneration."

Employment equity by race and gender

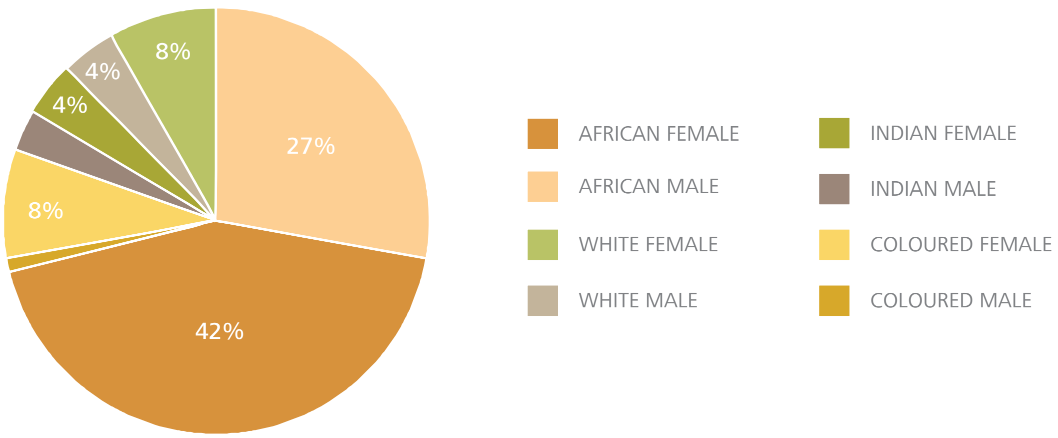


Table 12.4: Employment Equity by race and gender

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	R 2 516 585	-
Joelene Moodley	R 1 355 857*	-
Adri van Niekerk	R 996 396	R 76 493
Hemal Naran	R458 895	-
Total	R 5 327 733	R 76 493

* This amount includes Acting allowance (R276k) as Acting Principal Executive Officer

Table 12.5: Executive remuneration

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Stakeholder engagement

Member education and communication

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 2013/14 financial year.

Road shows

Three road shows were undertaken in three provinces during 2013/14 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 2013/14 financial year.

DATE	EVENT	PROVINCE	AREAS
20 April 2013	Roadshow	KZN	1. Umlazi 2. Ladysmith 3. Richards Bay
22 June 2013	Roadshow	North West	1. Mogwase 2. Klerksdorp 3. Makapanstad
24 August 2013	Roadshow	Limpopo	1. Makhado 2. Jane Furse 3. Phalaborwa

Table 13.1: Roadshows

Retirement Member Campaign

Another project that is contributing to fewer errors and delays in receiving exit documentation from employer departments is the Retiring Member Campaign. This is aimed at educating people close to retirement about the processes they need to follow in order to claim their pension benefits. When members understand exactly what documents to provide and complete, and when, they are more likely to follow the right processes, provide the correct personal information, and even monitor their employer departments' progress as well.

The Retiring Member Campaign was launched at the South African Police Services in KwaZulu-Natal early in 2013/14 financial year, and was then rolled out in the Eastern Cape, Kimberley, and Polokwane to other employer departments. The campaign takes the form of face-to-face information sessions with members approaching retirement, who also receive a DVD and brochure in the official language of their preference.

"The mobile offices provide the same range and quality of services as any of GEPF's regional offices or walk-in centres."

Employer departments are pivotal to the success of the campaign, as they provide details of employees approaching retirement. Customer Relationship Management engages the Auditor-General, political office bearers and platforms such as the Forum of South African Directors-General to obtain their assistance in encouraging the involvement of employer departments. The table below shows the provinces and municipalities that hosted RMC's during 2013/14 financial year.

DATE	EVENT	PROVINCE	AREAS
28 August 2013	RMC launch	KZN	Chatsworth
29 October 2013	RMC workshop	Eastern Cape	Bisho
29 January 2014	RMC workshop	Limpopo	Polokwane
24 March 2014	RMC workshop	Western Cape	Cape Town

Table 13.2: RMC workshops

Mobile Offices

Although GEPF has 13 regional offices and walk-in centres across South Africa, these are in the major cities. Members, pensioners and beneficiaries in rural areas have not had sufficient access and have therefore been underserviced. This started to change in 2013/14 when, following a successful pilot project in Polokwane, the organisation began deploying mobile offices in all nine provinces.

The mobile offices provide the same range and quality of services as any of GEPF's regional offices or walk-in centres. Following routes specifically worked out to reach as many members and pensioners as possible, GEPF visits the most rural parts of each province, typically targeting high-density facilities such as clinics, hospitals, and community centres. With the support of Corporate Communication, mobile office visits are publicised in advance through flyers, radio broadcasts, and letters to government offices.

While the GEPF was using rented vehicles as mobile offices in 2013/14, dedicated vehicles have been purchased, equipped, and branded post year-end. This will enable the mobile offices to penetrate rural areas not yet being reached and in so doing, improve GEPF's ability to trace people eligible for unclaimed benefits.

Issuing of benefits statements

Benefit statements were sent out to 16 948 members during the 2013/14 financial year, contributing to a 20% increase in member requests to update personal details, nominate beneficiaries and the like. As at 31 March 2014, membership had zero outstanding update requests and was fully up to date.

14

GEPF Investments

Investment policy statement

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

- communicate the investment philosophy to the stakeholders and investment managers;
- describe the overall investment objectives, the risk philosophy, the design of the portfolios and different mandates, the benchmarks against which performance will be reviewed, and the risk parameters associated with each of these portfolios; and
- describe the role of consultants as it relates to investments as well as investment managers, in managing the assets of the Fund.

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

- to provide members and their dependants with the benefits promised in the Rules;
- to target the granting of full inflationary increases to pensions. While increases at this level are not promised, the Trustees aim to provide such increases subject to their affordability and have set contingency reserves at a level designed to facilitate such targeting; and
- to keep the employer contribution rate as stable as possible with any changes to the employer contribution rate being introduced gradually.

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

The investment strategy of the Fund has been designed using a liability driven approach that takes the liabilities, and other long-term objectives, into consideration. The allocation of the Fund between the different asset classes, and how much to invest in each asset class, as set out in the table below, was determined after considering expected future benefit payments of the Fund, the Fund's financial position, and the risk to that financial position represented by investing in the underlying asset classes. It also considers the size of the Fund's assets in the context of the South African market, as well as other African and international markets.

"The South African economy was subdued, as the benefits of low interest rates continued to be offset by low consumer confidence, rising inflation and poor market sentiment to developing markets."

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

Table 14.1: Investment Policy

Economic and market review

Stock markets enjoyed a strong rise over the last year supported by loose monetary policy – historically low interest rates and unprecedented levels of additional liquidity from quantitative easing (QE) programmes by central banks. It defied logic to see stock prices driven ahead of earnings growth with riskier, more speculative areas of the market seeing the biggest rises. There were periods of volatility, however, due to the uncertainty surrounding the US "fiscal cliff" – namely, automatic government spending cuts and the end of tax breaks – and investor fears that the US Federal Reserve may reduce QE.

While the fiscal cliff was averted in the US, it has simply pushed tougher decisions further down the road. Fundamental problems remain in Europe with Eurozone banks likely to face a new capital black hole. The global economy faces several headwinds from the uncertainty surrounding the US fiscal policy, Europe's debt problems, slowing growth in China and other emerging markets. The factors creating extreme volatility in markets since 2007 have not gone away. At some point the central banks will have to shrink their massive balance sheets, a long process of normalisation for which there is no historical precedent and interest rates will have to rise eventually.

The South African economy was subdued, as the benefits of low interest rates continued to be offset by low consumer confidence, rising inflation and poor market sentiment to developing markets. Overseas, the US economy continued to experience better growth than the Eurozone, where unemployment was falling and confidence was returning to housing market. Elsewhere, the Japanese economy remained unresponsive and the Emerging and Pacific Basin economies showed some slowdown with China in particular causing concern with its significant slowdown in growth rate.

On the whole, it was a better year for equities and other return seeking assets. Developed markets were seen as a safe haven and enjoyed another good year compared to developing market economies with the so-called flight to quality.

South Africa's inflation, as measured by the Consumer Prices Index (CPI) has risen from a trough of 5.3% in November 2013 and finished the year – 31 March 2014 – at 6%, at the upper end of the Government's target range of 3-6%. The Monetary Policy Committee of the Reserve Bank of South Africa raised interest rates by 0.5% in an attempt to balance the inflation-growth trade-off.

The Rand weakened considerably against the US Dollar and other major currencies over the year. As a result, the Rand finished the 12 months to 31 March 2014 down 12.3% against the US Dollar, down 20% against the British Pound and down 18.4% against the Euro.

After a volatile year, the South African stock market as measured by the JSE All Share Index rose by 19.8% in capital terms over the year, which adjusting for income gave a total return of 23.7%.

Overseas equity markets generally had a positive year, with the global composite (MSCI World Index) giving a total return of 35.5% in Rand terms. Developed markets led the way with European (MSCI Europe Index), US (S&P Index), and Japanese (Topix Index) markets returning 42.9%, 38.9% and 28.2% in Rand terms.

Broader emerging markets suffered more in common with other developing markets this financial year, with the MSCI Emerging Market Index returning 12.2% in Rand terms. Over the same period, African markets, in aggregate as measured by the FTSE EFM Index ex SA, returned 23% in Rand terms over the 12 months to 31 March 2014.

Overall, South African bonds produced disappointing returns over the financial year, with both conventional bonds and index-linked bonds returning 0.6%. Property returns, as measured by the FTSE/JSE SA Listed Property Index, were also disappointing, returning 1% over the year to March 2014.

Investment performance

As at 31 March 2014, GEPF's assets amounted to R1 423-billion, an increase of R185-billion from R1 238-billion a year ago.

The total return for the Fund for the year to 31 March 2014 was 15.4% as compared to a benchmark return of 15.6%. Over the three years ended 31 March 2014, the fund produced an annualised return of 15.4% (or 53.7%) compared to the benchmark return of 15.9% (or 55.6%).

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

Asset class	Strategic Asset Allocation	Asset Allocation as at 31 March 2014	Asset Allocation Range
Cash and money markets	4%	4.8%	0-8%
Domestic bonds	31%	29.7%	26-36%
Domestic property	5%	4.5%	3-7%
Domestic equity	50%	54.3%	45-55%
Africa equity (ex SA)	5%	0.7%	0-5%
Foreign bonds	2%	1.9%	0-4%
Foreign equity	3%	4.1%	1-5%

Table 14.2: Investment Performance

"GEPF had committed almost
R62-billion towards unlisted and developmental investments across a number of sectors."

It can be seen from the above table that the Fund is invested in a pro-growth manner, with 63.6% invested in equities and property, with the remaining 36.4% invested in bonds and cash. The GEPF also makes unlisted investments across its portfolio. The reason for making these investments is twofold – firstly as a large institutional investor, investment in unlisted entities provides a degree of diversification to the GEPF portfolio, and secondly, it allows the GEPF to make investments that fit within the Fund's Developmental Investment agenda.

The GEPF's Developmental Investment Policy promotes investment across four pillars – namely investment in economic infrastructure, social infrastructure, sustainability and enterprise development projects, all of which are expected to produce long-term returns for GEPF's members and pensioners.

To the end of March 2014, GEPF had committed almost R62-billion towards unlisted and developmental investments across a number of sectors. Some notable projects include:

- MainOne – providing data and broadband connectivity to West Africa
- Dark Fibre – providing fibre-optic connectivity in South Africa
- Lanseria Airport – independent airport in South Africa
- Southern Farms – Northern Cape exporter of grapes and dates
- TAV Tunisie – airport in Tunisia
- Socoprim – toll bridge in Abidjan, Ivory Coast
- Aldwych Power – power generation on a Pan-African basis
- Core Energy – solar energy project in Limpopo
- N3TC – operates and maintains circa 420km of the N3 National Highway
- Just Veggies – vegetable processing plant in KwaZulu Natal
- Botshilu hospital – 100 bed hospital in Soshanguve, Pretoria.

15

Responsible Investment Report

GEPF and active ownership

Responsible investment is not simply a "nice-to-have" list of things to do that are never acted upon. GEPF has taken a public and proactive approach articulated in the practice and application of active ownership and environmental, social, and governance (ESG) considerations across the entire GEPF investment portfolio, irrespective of the asset class in which it is invested. GEPF has made it clear to our stakeholders, irrespective of whether they are our peers in the investment community, the entities in which we invest, or the broader South African society, that it 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 voting rights to signal, encourage, and request change in the corporate behaviour of entities in which GEPF has invested and which support the delivery of long-term investment value. GEPF's active ownership approach includes two areas of involvement: engagement and strategic voting.

GEPF and PIC ESG Working Committee

GEPF's Responsible Investment (RI) Policy proposed the establishment of an ESG Working Committee with representation from GEPF and PIC management. This would include GEPF's Head of Investment and Actuarial and PIC's Chief Investment Officer and respective ESG teams. The Committee meets regularly, at least quarterly, to discuss, among other issues, ESG research, proxy voting, transformation, remuneration and environmental issues. The Working Committee is dedicated to constructive engagement with investee companies and seeks to effect change from within rather than simply voting with its feet.

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 the investment processes and by engaging investee company management and boards on issues of mutual concern.

GEPF's leadership in developing the CRISA Code has seen strong support from almost all well-respected South African fund managers that having formally endorsed the principles of CRISA and are reporting at least annually on their respective implementation of the five CRISA principles.

The Working Committee's ESG matrix, a joint venture between the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School and the GEPF and PIC, continued to operate in 2013 but will probably be revised in the next fiscal year.

“GEPF believes engagement, both formal and informal, is a tool to manage the risks and opportunities presented by ESG issues.”

Engagement

GEPF, working with its asset managers – including PIC – seeks to encourage a paradigm shift in investment strategies to focus on the creation of long-term value for a company’s shareholders but also importantly for all its stakeholders. It seeks to achieve a balanced focus on disclosure, compliance, and performance issues by integrating ESG issues within a company’s operations and ensuring that companies disclose the required information while also assessing the company’s actual performance and compliance in certain other defined areas of interest to the GEPF as a responsible investor.

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 is unsuccessful, more public approaches may be considered, such as collaborating with other investors, issuing public statements or organising shareholder resolutions. GEPF may also consider engaging with government departments and regulators to influence policy direction. In extreme situations, GEPF may choose to divest from a company entirely.

GEPF, however, seeks constructive engagement rather than a policy of divestment. While GEPF is the single largest investor in the Johannesburg Stock Exchange, the universe of listed companies remains at no more than 170 companies, and GEPF is bound by a requirement to invest 90% of its assets under management in South Africa. International pension funds often have many thousands of companies globally from which to invest and to apply their investment strategies. Any decision by GEPF to divest would need to take into consideration its benchmark index and it would need to be able to achieve similar investment returns and liquidity elsewhere in order to match its liabilities. Given GEPF’s relatively small international allocation limit of 10% – 5% in the rest of Africa and 5% internationally –disinvestment from specific companies or sectors is an unlikely strategy for the GEPF to pursue over the short term given these constraints. Such a divestment strategy, were it to be applied, would most certainly require GEPF being able to invest a higher percentage of its assets internationally.

The primary objective of GEPF’s on-going 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, 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 corporate commercial activities.

During the 2013/14 financial year, GEPF directly engaged with a total of 25 companies on a variety of ESG issues. Of the 25, seven of the companies were in the construction industry and GEPF was following up the process of investigation by the Competition Commission that revealed some firms had colluded to create the illusion of competition by submitting sham tenders (“cover pricing”) to enable a fellow conspirator to win a tender. The remaining companies that were engaged included six from the mining sector, three in the financial services industry, two in telecommunications, two in property, and two industrial companies. Other sectors engaged included companies in retail, food production, and a chemical company.

> "GEPF's duty to its members requires it to vote at company annual general meetings."

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
- Corporate strategy
- Social issues
- Environmental issues
- Fraud and Corruption
- Ethics

GEPF's duty to its members requires it to 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 for changes in company policy (changes that 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

In 2013/14, GEPF voted at 232 shareholder meetings for a total of 2 911 resolution items. GEPF voted in favour of 2 733 (94%) resolutions and against 173 (6%) cases. Furthermore, GEPF abstained on five resolutions during the 2013/14 financial year.

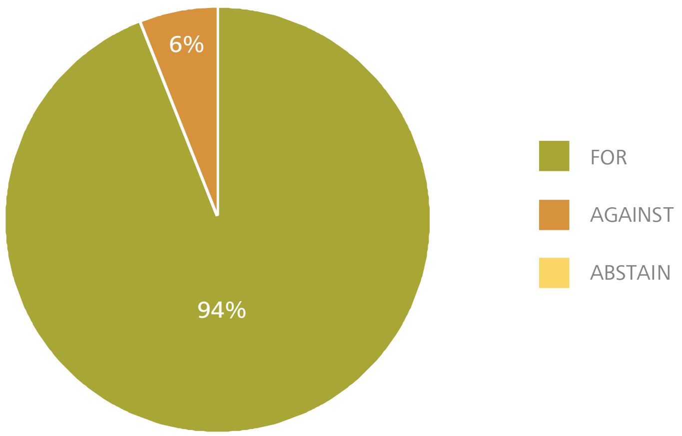

Table 15.1: Proxy vote by Results

"The Fund voted against the approval of share incentive plans in most instances relating to companies' capital structure (40%)."

The number of against votes cast numbered 173, which formed 6% of the total resolutions. The bulk of the resolutions GEPF voted against included remuneration policy (50%), capital structure (32%), and re-election of directors to the audit committee (10%) and non-executive director fees (4%).

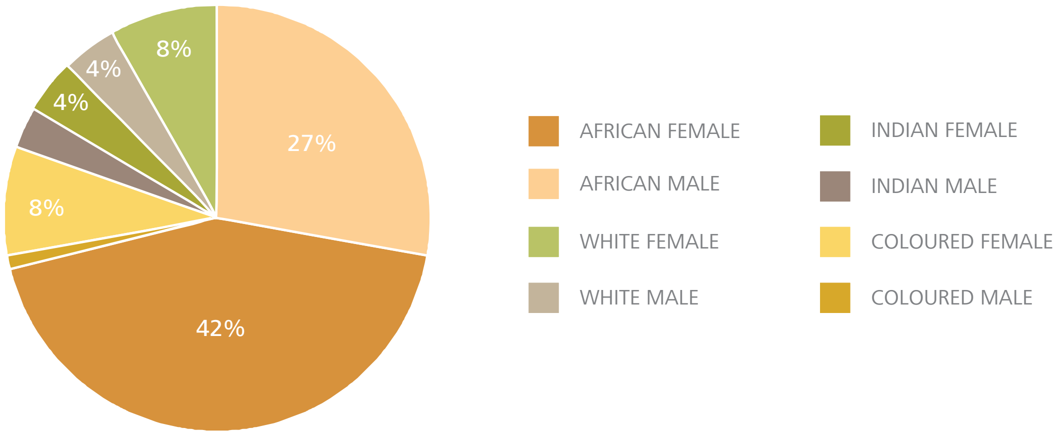

Table 15.2: Breakdown of against votes

The Fund voted against the approval of share incentive plans in most instances relating to companies' capital structure (40%). Other capital structure-related resolutions dealt with issuance of shares for cash (15%) and for the repurchase of shares (15%).

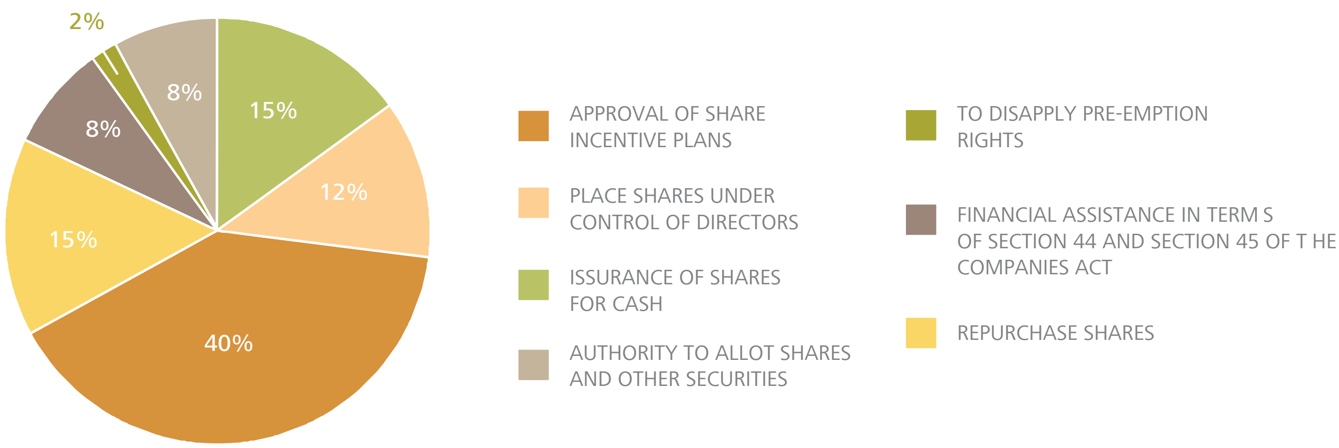

Table 15.3: Breakdown of Capital Structure Votes

"GEPF has continued to work closely with the United Nations-supported Principles for Responsible Investment (PRI)."

Industry initiatives where GEPF has played a leadership role

GEPF has played a major role in a number of both local and international ESG and related initiatives where GEPF either led or was a strategic supporter of the initiative during the year under review.

Principles for Responsible Investment (PRI)

GEPF has continued to work closely with the United Nations-supported Principles for Responsible Investment (PRI). Being a signatory to the Principles helped GEPF formalise its investment policies and research practices relating to ESG issues, requiring that it take a long-term, holistic approach to risk and return and to ensure that it got to know the companies in which it invested and understood the ESG issues that are financially material to each investee company's business and strategy. GEPF also serves on the international Advisory Council of PRI.

To read more about GEPF's implementation of the six PRI Principles - GEPF's annual PRI Reporting and Assessment Survey is publicly available for review on the PRI website available at www.unpri.org

PRI in Person

As a member of the International Advisory Council of PRI, GEPF was instrumental in bringing the seventh annual PRI in Person 2013 to South Africa, and provided delegates with a number of responsible investment side events that were staged around the conference.

PRI in Person 2013, the signatory investor event of the United Nations-supported Principles for Responsible Investment (PRI), was held at the Cape Town International Convention Centre (CTICC) on 1-2 October 2013. It was an opportunity for signatories – and potential signatories – to meet, collaborate, and learn from their peers while engaging in debate with experts and thought leaders. The former Minister of Finance, Minister Gordhan, provided the opening keynote address to delegates and GEPF's Principal Executive Officer, Mr John Oliphant, delivered the closing speech giving clear indication of South Africa's support for the global PRI initiative.

Apart from the two full days packed with solution-seeking roundtables, thought-provoking sessions, peer-to-peer dialogues, and with plenty of time to network, there was a number of additional events that delegates attended.

PRI, STANLIB Asset Management and GEPF offered a limited number of investor delegates a chance to visit the mining operations of Lonmin and Impala Platinum, in Rustenburg. The visit was preceded by a forum that debated issues surrounding mining including regulation, governance, and labour followed by a site visit the following day where local and international investor representatives were able to descend a platinum mine shaft and do a site inspection of mining operations, including visiting mine employee housing villages. On 30 September 2013, the Johannesburg Stock Exchange (JSE) and GEPF in collaboration with the PRI, held an ESG investor briefing showcasing constituents of the JSE's Socially Responsible Investment Index. JSE SRI Index companies shared their company prospects, with reference to how they integrate ESG and other, sustainability considerations within their company strategy and operations.

"GEPF's responsible investment report competed against others from Australia, Canada, France, The Netherlands, New Zealand, Norway and Sweden"

RI Reporting Awards 2014

The Government Employees' Pension Fund was jointly honoured with a Commended, Best RI Report by a Large Fund at the annual Responsible Investment Reporting Awards 2014 at RI Europe 2014 in London.

GEPF's 2013 Annual Report had close to ten pages of reporting on the ESG implementation activities of its team led by ESG Manager Mr Adrian Bertrand. Judges said that the "strongest aspects of this report are the clarity of its commitment to responsible investment and to economic development in South Africa and Africa more generally".

GEPF's responsible investment report competed against others from Australia, Canada, France, The Netherlands, New Zealand, Norway and Sweden for the prestigious award in the large pension funds sector — those with assets under management greater than €25-billion. GEPF shared the commended honour with the Canadian Pension Plan Investment Board (CPPIB).

GEPF Chairperson Dr Renosi Mokate accepted the commendation on behalf of GEPF and said it was an affirmation of the Fund's commitment to responsible investment and reflected how it systematically integrated all material ESG issues into its traditional financially driven investment decision-making processes.

The RI Reporting Awards 2014 showcases excellence in responsible investment and environmental, social and governance (ESG) reporting and is intended to encourage best practice and transparency by recognising the highest standards in the disclosure of responsible investment (RI) activities by asset owners globally.

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.

CRISA recommends that the institutional investor should incorporate sustainability considerations, including environmental, social, and governance (ESG) issues, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries. Institutional investors are requested to consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.

CRISA adheres to a voluntary governance framework and, like the King Report, this set of principles and practices is complied with on an "apply or explain" basis. The CRISA Committee has 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 Mr Adrian Bertrand.

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 on-going implementation of the CRISA principles may be tracked. Disclosure should occur at least annually or on a continual basis according to each institutional investor's requirements. 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

"GEPF serves on the JSE SRI Index Advisory Committee and assists the JSE with the SRI Index strategy review"

Sustainable Returns for Pensions and Society Project

GEPF together with other stakeholders has been working on the Sustainable Returns for Pensions and Society Project, which is aimed at providing information, education and training for Southern African pension fund trustees. This is in line with the concerns of National Treasury over pension fund governance articulated in the report, "Discussion Paper Preservation, Portability and Governance". Treasury is concerned that many trustees may lack the competence and necessary skills to make investment and management decisions consistent with the best interest of beneficiaries. The Sustainable Returns Project sought to provide Southern African pension fund trustees with a toolkit for the implementation of ESG requirements as per Regulation 28 of the Pension Funds Act and the CRISA Code.

JSE SRI Index

GEPF serves on the JSE SRI Index Advisory Committee and assists 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 SA listed companies. GEPF and the JSE have had a successful partnership over the last number of years in which GEPF has financially supported part of the annual research costs of the JSE SRI Index in exchange for the ESG data used in assessing companies for inclusion in the annual index assessment.

For more on the JSE SRI Index, please visit:
http://www.jse.co.za/Products/SRI.aspx

GEPF has partnered with the Public Investment Corporation (PIC), GEPF's primary asset manager, on an ESG matrix that analyses the JSE Top 100 companies against ESG criteria. (See above "GEPF and PIC ESG Working Committee".) GEPF and PIC are currently in discussions with the JSE as to how best to harmonize the research process for both the ESG matrix as well as the JSE SRI Index.

For more info on the ESG matrix, please visit:
http://www.governance.usb.ac.za/current-projects/pic-corporate-governance-rating-matrix.aspx

Global Real Estate Sustainability Benchmark (GRESB)

GEPF has endorsed and signed on as an investor member of the Global Real Estate Sustainability Benchmark (GRESB), an "industry-driven organization committed to assessing the sustainability performance of real estate portfolios around the globe". Prior to GEPF's endorsement of GRESB, no South African property companies had participated in the annual GRESB survey. In the first year of GEPF's participation of the GRESB survey only PIC Properties and Pareto, both wholly owned GEPF property companies participated in the 2013 survey.

An initial survey report was requested from the property portfolio managers and the process of measuring the environmental performance of real estate investment vehicles is currently on going.

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% – 7% asset allocation to be invested in property. GRESB will assist GEPF further drive the sustainability of the SA property sector and specifically those property companies – both directly held and indirectly held – in which the GEPF has invested.

For more info on GRESB, please visit: http://gresb.com/

“GEPF is a strong advocate for integrated reporting, which is backed by South Africa’s financial governance and regulatory system“

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 and Investor Network in South Africa and is a strong advocate for integrated reporting, which is backed by South Africa’s financial governance and regulatory system. GEPF has provided feedback to the IIRC on the IIRC Consultation Framework as well as to a number of investee companies as to how best to improve the quality of their integrated reports from an investor perspective. GEPF has also been represented at a number of integrated reporting events in the year under review.

For more info on the IIRC, please visit: http://www.theiirc.org/

Forward looking commitments:

While GEPF has celebrated a number of successes with regards to its responsible investment implementation during the year under review, in the forthcoming year the GEPF ESG Unit intends to review and update the GEPF Responsible Investment Policy (2010). This is intended to achieve the following:

- to bring the policy in line with current best practices;
- to review and amend GEPF’s investment mandate with PIC;
- to further elaborate on GEPF’s active ownership and ESG integration expectations of PIC and other fund managers investing on GEPF’s behalf;
- to implement GEPF Board-approved policy and framework for the election of nominee directors to listed companies in which GEPF is invested; and
- to establish a set of ESG criteria that will apply to GEPF’s fast growing private equity portfolio as well as to further formalise and improve the monitoring of GEPF’s external fund manager performance with regards to their active ownership activities, ESG integration efforts within investment decision making, and the public disclosure of such activities as required by the CRISA Code.

16

Administration

To meet the requirements of GEPF's Service Level Agreement (SLA), the GPAA set out to pay 80% of benefits within 60 days upon receipt of correctly completed documents.

Employee Benefits

Employee Benefits is the engine of the business, taking end-to-end responsibility for admitting GEPF members, maintaining their records, collecting contributions, paying pensions and other benefits, and looking after pensioner maintenance. This includes doing life verification, updating personal and banking details, and processing claims for spouses' and orphans' claims.

Highlights, achievements and challenges

Employee Benefits surpassed several previous pension administration milestones in the 2013/14 financial year. The team reached a five-year high for the number of exit benefits paid (62 771) and collected R50-billion in contributions. Despite a 20% increase in the member maintenance workload, 100% of all member requests to update personal details were successfully handled.

Good progress was made with the automatic life verification process for pensioners, and in implementing the Pension Redress Programme for members unfairly discriminated against in the past. In addition, the unit was instrumental in raising the overall level of knowledge in the GPAA about the finer details of the Government Employees Pension Law – a crucial piece of legislation for all employees. Business Support Services was the inspiration behind the decision to introduce enterprise-wide training in the GEP Law for the GPAA employees.

In terms of overall performance, Employee Benefits exceeded five of the eight performance targets set for the year including those for paying benefits accurately and on time.

Below is a brief overview of some of the main achievements of the four sub-programmes in Employee Benefits.

- Membership: benefit statements were sent out to 16 948 members in 2013/14 financial year, contributing to a 20% increase in member requests to update personal details, nominate beneficiaries and the like. As at 31 March 2014, Membership had zero outstanding update requests and was fully up to date.
- Operations: 100% of all exit payments were paid accurately, against the target of 80%, and 77% were paid within 60 days, exceeding the target of 75%. The sub-programme paid a record number of exit claims (62 771:2013/14; 54 607:2012/13). In addition, Operations made 4 262 clean-break payments to the spouses of divorcing members and pre-verified more than 138 200 applications under the Pension Redress Programme.

Modernisation – the GPAA's Service Delivery Improvement Programme

The GPAA's vision is to be the leading and preferred fund benefits administrator. To ground this vision in reality, the organisation embarked on a transformational journey in 2011

“Only in exceptional circumstances is it still necessary to request a pensioner to follow the manual life verification process”

called the Modernisation Programme. The programme is intended to elevate the GPAA’s operational effectiveness and efficiency, stakeholder management and governance.

Modernisation Roadmap 2014/2015

The primary focus for 2014/2015 will be the provision of appropriate processes and systems that will transform the 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.

eChannel – GEPF Online

eChannel was piloted in the previous financial year among seven employer departments before full-scale deployment commenced. By the end of the 2013/14 financial year, over 160 out of 708 employer departments (81%) of active members had adopted eChannel.

Apart from improving payment turnaround times, the deployment of eChannel is enabling client liaison officers to use their time on more productive, value-adding functions such as building relationships with employer departments and stakeholders, and focusing on employer education, awareness and compliance Automatic life verification

GEPF pensioners are experiencing the benefits of the modernisation drive under way at the GPAA. Automatic life verification was introduced during the year under review, sparing pensioners the inconvenience of having to complete a manual life verification process each year or risk having their pension benefits suspended.

Using an automated process, Employee Benefits now conducts life verification by referring to the National Population Register. Only in exceptional circumstances is it still necessary to request a pensioner to follow the manual life verification process.

Automatic verification has reduced life verification errors and contributed to significant cost and time savings as it is no longer necessary to process between 20 000 and 30 000 paper forms every month.

Pension Redress Programme

This programme seeks to remedy past discriminatory practices in the administration of pensions and benefits. It has targeted three primary groups of people who were previously unfairly denied certain benefits, typically as a result of gender or race discrimination, or because of their employment status.

These three groups were strikers in the employ of the former homelands whose pension contributions were suspended for the duration of the strikes: people who were arbitrarily compelled to wait for two to five years before being allowed to make pension contributions, and others, such as pregnant women, who were forced to resign for maternity leave.

During the year under review, Employee Benefits pre-verified 132 228 applications made through the Pension Redress Programme, meaning that these claims were validated as complete and eligible for redress. The next steps are to quantify the liability and submit a proposal to the Public Service Coordinating Bargaining Council.

“The greatest priority of most members, pensioners and beneficiaries is how quickly and accurately they receive their benefits.”

Customer Relationship Management

Active member and pensioner customer experience

Customer Relationship Management is the first point of contact between the GPAA and its customers, as well as the vehicle for all subsequent interaction. The unit’s many touch-points with members, pensioners, and beneficiaries include walk-in centres, mobile offices, the call centre, road shows, and special campaigns.

The greatest priority of most members, pensioners and beneficiaries is how quickly and accurately they receive their benefits. For the GPAA, one of the biggest obstacles standing in the way of prompt, correct payment has been the time-consuming, error-prone method for receiving documentation from employer departments. The advent of eChannel has had a major positive impact on the GPAA’s turnaround times as it obviates the need for client liaison officers to collect or courier documents from employer departments and reduces error rates by providing for online validation of documentation.

Call centre

Owing to the use of out-dated technology and downtime in the hosting system used, the call centre did not perform satisfactorily during the year under review. The call centre achieved a service level of only 62% against the target of 80%.

However, the GPAA moved decisively during the year to resolve the problems being experienced. First, the decision was made to acquire new hosting technology and to relocate the call centre in April 2014. Once operational, the new technology will have greater call-handling capacity and the functionality to monitor call answering times and call durations.

Unclaimed benefits

Unclaimed benefits refer to benefits not paid within 24 months of a member exiting the public service. There are various reasons for this, the main one being difficulties in tracing former employees because their personal information was incomplete or incorrect.

At the start of the 2013/14 financial year, the opening balance of the account stood at R583-million. This was reduced by 65% during the course of the year. However, these gains were offset by an even greater inflow of new cases, which were 16% higher than in the previous year.

To deal with the influx of new cases, the GPAA has engaged an external service provider that applies non-conventional methods, such as engaging traditional leaders and village chiefs in deep rural areas, to trace beneficiaries.

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Actuarial valuation

In terms of the GEP Law and 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 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. There were sufficient assets to cover the actuarial liabilities in full; the recommended reserves, however, were not fully funded. The table below indicates the funding level as at each valuation. The assumptions underlying these valuations vary and 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.

Table 17.1: Results of GEPF actualrial valuations from May 1996 to March 2012

GEPF membership profile – contributing members

MEMBER CATEGORY	MALE	FEMALE	TOTAL 2012	TOTAL 2010
"Other" members	411 779	683 933	1 095 712	1 009 880
"Services" members	153 579	49 103	202 682	225 168
TOTAL	565 358	733 036	1 298 394	1 235 048

Table 17.2: GEPF membership profile - contributing members

GEPF membership profile – pensioners

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

Table 17.3: GEPF membership Profile - Pensioners

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.

"Members of the fund contribute at a rate of 7,5% of pensionable salary."

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)	-	-

Table 17.4: GEPF valuation results as at 31 March 2012

* 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

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Annual Financial Statements

31 MARCH 2014

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Statement of Responsibility by the Board of Trustees

for the year ended 31 March 2014

Responsibilities

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

- Ensured that proper registers, books and records of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board,
- Ensured that proper internal control systems were implemented by or on behalf of the Fund,
- Ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the rules of the Fund,
- Took all reasonable steps to ensure that contributions, where applicable, were paid in a timely manner to the Fund,
- Obtained expert advice on matters where it required additional expertise,
- Ensured that the rules, operation and administration of the Fund complied with the applicable laws,
- Was not aware of non-compliance with any applicable legislation, and
- Ensured that investments of the Fund were 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. The Board fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls.

These controls, which were implemented and executed by the Fund, provide reasonable assurance that:

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

The annual financial statements set out on pages x to x 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 GEPF, and
- The provisions of the Government Employees Pension Law (GEP 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 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 x to x.

These audited annual financial statements:

- Were approved by the Board 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 2014, as well as the results of its activities for the year then ended.

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Dr Renosi Mokate

Chairperson

.... 2014

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Mr Prabir Badal

Vice Chairperson

.... 2014

The Finance and Audit Committee Report

for the year ended 31 March 2014

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

The FA-C's responsibilities included the following:

- Examine and review the quality (adequacy, reliability and accuracy) of GEPF's annual financial statements and interim financial statements.
- Make recommendations to the Board regarding the approval of the annual financial statements, as well as the adoption of the interim financial statements.
- Review the effectiveness of the internal control systems.
- Ensure that executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified in internal and external audits.
- Ensure the entity's compliance with certain critical elements of the legal and regulatory framework, policies and procedures.
- Oversee the establishment of the internal audit function for the Fund (previously GEPF only relied on Government Pensions Administration Agency (GPAA) internal audit before separation), which included
    - Approval of internal audit charter, methodology and the internal audit three year rolling plan
    - Approval of reporting lines for internal audit, i.e. functionally to the FA-C and administratively to the Principal 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, and receiving the reports of significant findings of GPAA internal audit and ensuring that management of GPAA implement agreed management actions.
- Recommended the appointment of external auditors for the five year period and ensure their independence and objectivity
- Appointed a service provider to render risk management services to the Fund, separating this function from internal audit to ensure the independence of internal audit.

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

The FA-C has evaluated the financial statements of the GEPF for the year ended 31 March 2014. Based on the information provided, they comply, in all material respects, with the Fund's stated accounting policies, the provisions of the GEP Law (21 of 1996), the GEPF Rules and the regulatory framework, which the Board adopted based on the FA-C's recommendation.

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

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Mr Prabir Badal
Chairperson: FA-C

.... 2014

Risk management statement

for the year ended 31 March 2014

Introduction

The risk management process assists the Board to execute its fiduciary duty to actively manage the risks that would otherwise affect or prevent the GEPF from achieving its strategic objectives and to ensure the long term sustainability of Fund. The Board, through the FA-C ensures that effective risk management processes and procedures are in place to actively manage risk that affect the Fund's performance.

Mandate

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

- The requirements of Section 6 and 7 of GEP Law and Rules;
- The Pension Fund guideline for good governance, known as PF130, issued by the Financial Services Board (FSB);
- 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;
- ISO 31000:2009, Risk management – Principles and guidelines; and
- Other relevant legislation.

The enterprise risk management policy and framework has been reviewed and updated in February 2013 and brought in line with ISO 31000:2009, Risk management – Principles and guidelines. The updated risk management policy and framework has been approved by the FA-C as well as the Board in March 2013.

Responsibility

Roles and responsibility for risk management within the GEPF has been clearly defined within the GEPF's risk management policy and framework. The Board is ultimately responsible to ensure that the Fund effectively manages risk. To this end, the Board has formally delegated as defined in the Board Charter and the Risk Management Policy and Framework, its oversight role to the FA-C. The Risk Management Policy and Framework allows for specific risks be allocated to the Board subcommittees in line with their mandate and the specific areas of specialisation of each committee and to report on such risks to the FA-C.

The FA-C has established the Risk Management Liaison Committee to coordinate risk management between the GEPF, the Public Investment Corporation (PIC) and the GPAA, who both manage risk on behalf of the Fund.

The Principal Executive Officer is the Fund's nominated Chief Risk Officer, and is accountable to the FA-C to coordinate, embed and report on risk management performance in terms of the Risk Management Policy and Framework. The risk management function has been outsourced to PricewaterhouseCoopers (PwC) and reports directly to the Chief Risk Officer on risk management activity and performance.

Management is responsible for the day-to-day management of risks and assisting the Chief Risk Officer as well as the Board subcommittees with their risk management responsibilities and ensuring that employees are aware of risk management procedures in their operational areas.

Monitoring

The Board identified 18 strategic and 35 operational risks for the Fund. During the year 2013/14 management implemented controls and action plans to mitigate these risk. Progress on risk management actions and controls was reported to the executive management committee on a monthly basis and quarterly to the FA-C. Independent monitoring of the risk management function and progress is performed by internal audit through a risk based audit approach and assurance was provided that the controls are adequate and effective in mitigate risk.

Conclusion

The integrity of the GEPF's financial reporting relies upon a sound system of internal control and effective risk management processes. The Board has implemented adequate and effective policies and procedures covering the risk exposures prioritised by the Board. The various policies implemented by the Board include mechanisms to ensure compliance and continuous improvement. The Board is of the opinion that it has 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 2014

We have audited the annual financial statements of the GEPF, which comprise the report of the Board, the statement of net assets and funds as at 31 March 2014, 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 x to x.

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 GEP Law, 21 of 1996, and the rules of the GEPF, as set out in the notes to the financial statements, and for such internal controls as the trustees determine is necessary to enable the preparation of financial statements that are free from material statements, whether due to fraud or error.

Auditors' responsibility

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

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

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

Audit opinion

In our opinion the annual financial statements of the GEPF for the year ended 31 March 2014 are prepared, in all material respects, in accordance with the GEPF's stated accounting policies, the provisions of the GEP Law, 21 of 1996, and the rules of the GEPF.

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.

Other matters

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

We have reviewed the Annual Report as required by Section 13(2) of the GEP Law 21 of 1996, as amended, and in our opinion, the information furnished in terms of Section 9 and 10 of the GEP Law, is presented in all material respect in accordance with the requirements of the GEP Law 21 of 1996.

With reference to Section 13(14) of the GEP Law, 21 of 1996, as amended, we concur with the matters highlighted by the Fund in the Annual Report.

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

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Deloitte & Touche
Registered Auditors

Per D Munu
Partner

Johannesburg

....

Nexia SAB&T.
Registered Auditors

Per B Adam
Partner

Pretoria

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 ac cumulated 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 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 will 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).
   - 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

1 DESCRIPTION OF THE FUND

1.1 Type of fund

The GEPF is a defined benefit fund established in terms of the GEP Law, 21 of 1996, as amended. In terms of Section 1 of the Income Tax Act, Act 56 of 1962, the GEPF is classified as a pension fund established by law.

1.2 Benefits

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

- Normal retirement benefits,
- Early retirement benefits,
- Ill health and other retirement (discharge) benefits,
- Late retirement benefits,
- Resignation benefits,
- Death 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 FSB.

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

1.3 Contributions

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

1.4 Reserves

In terms of a collective agreement negotiated and agreed to in the Public Service Co-ordinating Bargaining Council (PSCBC) an actuarial reserve equal to 1% of funding level of the GEPF, based on the result of the actuarial valuation as at 31 March 2001, was set aside to address past discriminatory practices. The GEP Law and rules thereto were amended to increase the pensionable service for members of former Non-Statutory Forces (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	2014 R'000	2013 R'000
Ciskei Strikers	150 451	148 293
General Assistants	94 444	89 628
Other past discriminatory practices	6 397 900	5 535 778
Total balance at end of period	6 642 795	5 773 699

Table 18.1: Reserves

1.5 Rule amendments

The following new rules or rule amendments became effective from 30 August 2013:

- Implementation of the Board term limit in terms of the revised rule 4.1.2

Previously, the GEP Law determined that the term of office of a trustee shall be four years.

In terms of the revised rule, the term of office of a trustee shall be four years. In the event that a new trustee or substitute trustee has not been appointed at the expiration of such term of the office, the term of office of the existing trustee or substitute trustee will be automatically extended until day before the date of the appointment of the new trustee or substitute trustee.

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 the GEPF are managed primarily by the PIC. In terms of their mandate the PIC appointed the following external asset managers to manage part of the portfolio:

- Aeon Investment Management (Pty) Ltd.
- Argon Asset Management (Pty) Ltd.
- Black Rock Advisors UK 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.
- Prudential Portfolio Managers (Pty) Ltd.
- Sanlam Investment Managers (Pty) Ltd.
- Sentio Capital Management (Pty) Ltd.
- Mvunonala Asset Managers (Pty) Ltd.
- Perpetua Investment Managers (Pty) Ltd.
- JM Busha Asset Managers (Pty) Ltd.
- Vunani Fund Managers (Pty) Ltd.
- Absa Asset Management (Pty) Ltd
  (Appointment terminated in December 2013).
- Afena Capital (Pty) Ltd
  (Appointment terminated in December 2013).
- Cadiz Asset Management Ltd
  (Appointment terminated in July 2013).
- Catalyst Fund Managers SA (Pty) Ltd
  (Appointment terminated in July 2013).
- Stanlib Asset Management Ltd
  (Appointment terminated in July 2013).
- Taquanta Asset Managers (Pty) Ltd
  (Appointment terminated in July 2013).

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

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

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

- Equities (shares in listed and unlisted companies);
- Fixed interest instruments;
- Money market instruments;
- Property; 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 class	Strategic Asset Allocation	Asset Allocation Range
Cash and money markets	4%	0-8%
Domestic bonds	31%	26-36%
Domestic property	5%	3-7%
Domestic equity	50%	45-55%
Africa equity (ex SA)	5%	0-5%
Foreign bonds	2%	0-4%
Foreign equity	3%	1-5%

Table 18.2: Asset Classes

2.3 Other investments not in the name of the GEPF

In the 2010 financial year, some securities managed by the PIC were registered in the nominee name of Standard Bank of South Africa Limited and Nedcor Bank Limited, and the scrip accounts were in the name of the PIC on behalf of GEPF. 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

The GEPF membership as at 31 March 2014 consisted of 1 276 753 (2013: 1 275 206) government and parastatal employees, as well as 391 071 (2013: 375 809) pensioners receiving monthly annuity benefits.

4 ACTUARIAL VALUATION

An actuarial valuation of the GEPF is conducted at least every three years as prescribed in section 17(3) of the GEP Law. The latest actuarial valuation was performed as at 31 March 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.

5 SUBSEQUENT EVENTS

Subsequent to the year-end, the Board approved a write off of irrecoverable debt comprising of both estate and disallowances overpayments amounting to R6,4-million. The debt write off was done in line with the debt collection policy of the GEPF.

Statement of net assets and funds

as at 31 March 2014

	Notes	2014 R'000	2013 R'000
Assets			
Non-current assets		**1 422 910 682**	1 237 929 038
Equipment	2	**6 172**	2 467
Investments	3	**1 422 904 510**	1 237 926 571
Current assets		**27 040 586**	25 369 722
Funding loan	4	**6 716**	6 716
Accounts receivable	5	**6 365 748**	11 854 054
Transfers receivable	11.2	**4 261**	34 546
Contributions receivable	6	**5 456 338**	7 797 298
Cash and cash equivalents	7	**15 207 523**	5 677 108
Total assets		**1 449 951 268**	1 263 298 760
Funds and liabilities			
Funds		**1 419 075 891**	1 238 586 187
Accumulated funds		**1 419 075 891**	1 238 586 187
Reserves		**6 642 795**	5 773 699
Reserve account	8	**6 642 795**	5 773 699
Total funds and reserves		**1 425 718 686**	1 244 359 886
Non-current liabilities		**574 270**	583 095
Unclaimed benefits	9	**574 270**	583 095
Current liabilities		**23 658 312**	18 355 779
Benefits payable	10	**22 270 952**	16 613 581
Transfers payable	11.1	**848**	3 539
Accounts payable	12	**1 384 030**	1 736 417
Provisions	13	**2 482**	2 242
Total funds and liabilities		**1 449 951 268**	1 263 298 760

Statement of changes in net assets and funds

for the year ended 31 March 2014

	Notes	Accumulated funds R'000	Reserve accounts R'000	**Total 2014 R'000**	Total 2013 R'000
Net income before transfers and benefits		240 847 684	-	**240 847 684**	246 392 797
Contributions received and accrued	6.2	50 495 008	-	**50 495 008**	49 076 395
Purchase of periods of service	14	32 096	-	**32 096**	24 304
Net investment income	15	190 519 994	-	**190 519 994**	196 701 321
Other income	16	623 620	-	**623 620**	1 114 083
Less:					
Administrative expenses	17	(823 034)	-	**(823 034)**	(523 306)
Transfers and benefits		(59 483 074)	(5 810)	**(59 488 884)**	(44 530 081)
Benefits	10 & 8	(57 857 685)	(5 810)	**(57 863 495)**	(43 245 768)
Transfers to other funds	11.1	(27 747)	-	**(27 747)**	(65 557)
Transfers from other funds	11.2	(22 722)	-	**(22 722)**	9 490
Interest paid	18	(1 574 920)	-	**(1 574 920)**	(1 228 246)
Net income after transfers and benefits		181 364 610	(5 810)	**181 358 800**	201 862 716
Net income for the period		181 364 610	(5 810)	**181 358 800**	201 862 716
Funds and reserves					
Balance at beginning of the period		1 238 586 187	5 773 699	**1 244 359 886**	1 038 946 197
Prior year adjustment – benefits		-	-	-	3 550 973
Transfer of net investment return to reserves	8	(874 906)	874 906	-	-
Balance at end of the period		1 419 075 891	6 642 795	**1 425 718 686**	1 244 359 886

Cash flow statement

for the year ended 31 March 2014

	Notes	2014 R'000	2013 R'000
Cash flow from operating activities			
Cash generated from operations	20	**(3 250 245)**	5 010 739
Contributions and other income received		**53 459 588**	48 117 481
Benefits paid during the year		**(52 214 950)**	(39 769 902)
Other expenses paid		**(4 494 883)**	(3 336 840)
Interest received		**33 033 165**	32 122 996
Interest paid		**(1 204 459)**	(812 897)
Dividends received		**25 458 009**	22 912 160
Transfers and bought services received/(paid)		**9 221**	(31 334)
Net cash inflow from operating activities		**54 045 691**	59 201 664
Net cash outflow from investing activities		**(44 515 276)**	(64 013 887)
Additions to equipment		**(5 265)**	(1 090)
Additions to investments		**(44 510 011)**	(64 012 797)
Net (decrease)/ increase in cash and cash equivalents		**9 530 415**	(4 812 223)
Cash and cash equivalents at beginning of the year		**5 677 108**	10 489 331
Cash and cash equivalents at end of the period	7	**15 207 523**	5 677 108

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 (RRR) for Retirement Funds in South Africa as issued by the FSB.

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

1.2 Equipment

Historical cost includes costs that are directly attributable to the acquisition of the asset. Subsequent costs are included in 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%
Leasehold Improvements	20%

Table 18.3: Annual Depreciation

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

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

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

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

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

1.3.3 Measurement

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

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

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

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

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

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

Unlisted Equities
Unlisted equity instruments are subsequently measured at fair value, using the pricing models determined by the GEPF, or by applying valuation techniques such as discounted cash flow model, 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

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

The GEPF uses the weighted average method to determine realised gains and losses on derecognition. 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 the GEPF for the recognition of the purchase of a period as pensionable service. No provision is made for potential doubtful purchase of service debtors, as only the period paid for vests in favour of the member.

1.7 Unclaimed benefits

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

1.8 Accounts payable

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

1.9 Provisions

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

1.10 Contributions

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

1.11 Purchase of service

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

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

1.12.1 Dividend income

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

1.12.2 Interest income

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

1.12.3 Rental income

Rental income from investment properties is recognised in the statement of changes in net assets and funds as it accrues on a straight-line basis over the period of lease agreements, unless another systematic basis is more repre sentative 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 the GEPF

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

1.14 Interest payable to members exited from the GEPF

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

1.15 Interest payable to dormant members

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

1.16 Foreign exchange gains or losses

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

1.17 Operating leases

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

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

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

1.19 Expenses incurred in managing investments

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

1.20 Judgements and estimates

Critical judgements in applying the entity's accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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	Computer software	Furniture and fittings	Office equipment	Motor vehicles	Leasehold improvements	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2.1 Current year, 2014							
Gross carrying amount	**1 309**	**311**	**2 885**	**2 855**	**656**	**3 333**	**11 349**
At beginning of the year	1 054	311	2 188	1 875	656	-	6 084
Additions	255	-	697	980	-	3 333	5 265
Accumulated depreciation	**(790)**	**(259)**	**(1 812)**	**(1 555)**	**(317)**	**(444)**	**(5 177)**
At beginning of the year	(584)	(245)	(1 414)	(1 177)	(197)	-	(3 617)
Depreciation	(206)	(14)	(398)	(378)	(120)	(444)	(1 560)
Net carrying amount at end of the period	**519**	**52**	**1 073**	**1 300**	**339**	**2 889**	**6 172**
2.2 Prior 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**

3 INVESTMENTS

3.1 Investment Summary

	Notes	Fair Value 2014 R' 000	Amortised Cost 2014 R'000	Total 2014 R'000	Total 2013 R'000
Money market instruments*	3.1.1	-	**43 858 316**	**43 858 316**	57 707 253
Direct loans*	3.1.2	-	**7 407 070**	**7 407 070**	3 962 512
Bills and bonds**	3.1.3	**459 427 717**	-	**459 427 717**	439 231 842
Local		**432 083 462**	-	**432 083 462**	408 982 412
Foreign		**27 344 255**	-	**27 344 255**	30 249 430
Investment properties**	3.1.4	**9 594 759**	-	**9 594 759**	9 658 199
Equities**	3.1.5	**841 842 861**	-	**841 842 861**	685 661 149
Listed equities		**803 387 637**	-	**803 387 637**	651 311 554
Primary listings		**602 680 798**	-	**602 680 798**	489 815 182
Secondary listings		**200 706 839**	-	**200 706 839**	161 496 372
Unlisted equities		**38 455 224**	-	**38 455 224**	34 349 595
Local equities		**36 523 589**	-	**36 523 589**	32 758 731
Foreign equities		**1 931 635**	-	**1 931 635**	1 590 864
Preference shares**	3.1.6	**910 968**	-	**910 968**	957 160
Collective investment schemes**	3.1.7	**59 862 819**	-	**59 862 819**	40 748 456
Local instruments		**122 653**	-	**122 653**	181 411
Foreign instruments		**59 740 166**	-	**59 740 166**	40 567 045
		1 371 639 124	**51 265 386**	**1 422 904 510**	1 237 926 571

*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 R87,1-billion (2013: R70,8-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 PAIDF to the value of R1,9-billion. These infrastructure investments are in Seawolf Jackup Ltd, Aldwych Holdings Ltd, Essar Telecoms Kenya Holdings Ltd, Main One Cable Company Ltd, Main Street 652 (Pty) Ltd, Bongwe Investments (Pty) Ltd, TAV Tunisie SA, Socoprim and Lanseria International Airports. Additional investments to the value of R261,4-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 2014 R'000	Amortised Cost 2013 R'000
Certificate of deposits	**981 832**	**255 300**
Development Bank of SA Ltd	981 832	203 718
Sanlam Ltd	-	51 582
Fixed deposits	**37 610 333**	**52 525 558**
Nedbank Ltd	9 098 221	12 404 242
Standard Bank Group Ltd	8 658 966	10 979 481
ABSA Group Ltd	8 582 832	13 529 929
First Rand Ltd	7 984 123	12 400 786
Investec Bank Ltd	3 282 133	2 039 028
Venda Building Soc Ltd	4 058	4 034
African Bank Ltd	-	1 168 058
Promissory notes	**5 266 151**	**4 926 395**
Land and Agricultural Development Bank of SA	4 677 244	4 144 068
Sanlam Ltd	588 907	782 327
Total money market instruments	**43 858 316**	**57 707 253**

Table 18.4: Money Market Instruments

3.1.2 Direct loans

	Secured by	Amortised Cost 2014 R'000	Amortised Cost 2013 R'000
Opiconsivia Investments 239 (Pty) Ltd	Second ranking security over all Afrisam assets	1 287 963	1 241 361
Industrial Development Corporation SOC Limited	Not secured*	1 034 833	517 409
Independent News & Media (South Africa) (Pty) Ltd	Borrower cession and pledge in security, Guarantee from Sekunjalo, pledge and cession of shares	791 452	-
Bafepi Agri (Pty) Ltd	Borrower cedes and pledges its right, title and interest in and to the AgriGroupe shares, borrower shareholder loans and any claim against AgriGroupe to the lender	637 212	-
Bakwena Platinum Corridor Concessionaire (Pty) Ltd	Suretyship, cession of bond and shares, shareholder loans, equity options and contracts, general notarial bond	408 444	408 089
Business Partners Ltd	Cession of loan book and bank account	402 133	291 451
CBS Property Portfolio Ltd	Properties held in CBS Property Portfolio Ltd	366 171	335 395
Acapulco trade and investments 164 (RF) Pty Ltd	Cession of equity and shareholders loan claim which Acapulco Trade and Investment 164 (Pty) Ltd has in Lanseria Holdings (Pty) Ltd	299 451	-
Trust for Urban Housing Finance Loan	Cession of loan book	290 080	300 149
Menlyn Main	Cession and pledge of all shares held by BVI in MMIH; cession of rights to dividends paid by MMIH; cession of rights to proceeds paid by MMIH on shareholder loan; PIC to have at least 3 directors on BVI Board and veto rights on any matter that may have a financial impact on PIC loan.	208 963	-
Consol Holdings (Pty) Ltd	Not secured**	-	140 830
Edu-Loan (Pty) Ltd	Cession of loan book	-	130 000
Solar Capital De Aar(Pty) Ltd	Shares in project company	-	111 236
Johannesburg Housing Company	Mortgage against property	-	89 635
Other		1 680 368	396 957
Total loans		**7 407 070**	**3 962 512**

Table 18.5: Direct Loans

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

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

Only loans that meet the top ten criteria in terms of market value have been separately disclosed in line with explanatory note on page x, and the remaining loans have been disclosed as part of "Other".

3.1.3 Bills and bonds

	Issuer Rating Long term	Fair value 2014 R'000	Fair value 2013 R'000
Bills		**3 836 009**	**2 812 559**
Eskom Holdings Ltd	AAA	3 716 153	2 614 590
Republic of SA	AAA	119 856	-
Telkom SA Ltd	AAA	-	197 969
Commercial paper		**1 283 741**	**2 185 222**
Bidvest Group Ltd	AA	394 627	545 311
Macquarie Group SA Ltd	AA-	249 480	795 615
Toyota SA Ltd	AA+	199 264	-
Mercedes-Benz SA Pty Ltd	AA+	191 534	328 248
Imperial (Pty) Ltd	A	148 192	-
Barloworld Ltd	A+	100 644	280 714
MTN Group Ltd	AA-	-	235 334
Government bonds		**281 005 752**	**249 340 947**
Republic of SA	AAA	280 793 498	249 129 643
Republic of Namibia	AA-	212 254	211 304
Corporate bonds		**25 137 157**	**27 249 487**
Standard Bank Group Ltd	AA	7 995 352	9 232 611
First Rand Ltd	AA	2 821 310	2 991 791
ABSA Group Ltd	AAA	2 691 448	3 686 760
Nedbank Ltd	AA	1 229 485	1 527 154
Mercedes-Benz SA Pty Ltd	AA+	1 218 747	969 372
Old Mutual Life Assurance Ltd	AA+	1 159 735	1 196 452
African Bank Limited	A	1 140 211	897 268
MTN Group Ltd	AA-	1 064 037	1 368 930
Pareto Limited	A	899 045	-
Investec Group Ltd	A+-	713 217	571 145
RMB Holdings Ltd	A+	-	587 826

Table 18.6: Bills and Bonds

	Issuer Rating Long term	Fair value 2014 R'000	Fair value 2013 R'000
Other	-	4 204 570	4 220 178
Parastatal bonds		**120 760 455**	**127 329 763**
Eskom Holdings Ltd	AAA	56 920 687	55 525 401
Transnet Ltd	AA	19 028 314	20 442 870
South African National Road Agency Ltd	A3	17 908 772	19 883 249
Trans-Caledon Tunnel Authority	AAA	12 040 356	12 157 181
Development Bank of SA Ltd	AA+	11 331 379	14 891 197
City of Cape Town	Aa3	764 689	816 977
City of Johannesburg	AA-	753 454	1 125 291
Airports Company SA	AA-	616 034	815 503
Telkom SA Ltd	A	498 685	475 008
Ekurhuleni Metropolitan Municipality	AA-	423 459	-
Land and Agricultural Development Bank of SA	AA+	-	525 439
Other	-	474 626	671 647
Other bonds		**60 348**	**64 434**
Lesotho Highlands	*	60 348	64 434
Foreign Bonds		**27 344 255**	**30 249 430**
Black Rock Advisors (UK)	**	23 319 504	22 873 274
International Bank for Reconstruction and Development	**	4 024 751	7 376 156
Total bills and bonds		**459 427 717**	**439 231 842**

Table 18.6: Bills and Bonds (continued)

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 PIC 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 2014 R'000	Fair Value 2013 R'000
Residential properties	52 476	55 630
Industrial properties	1 398 000	1 270 551
Office properties	6 291 350	6 310 161
Retail properties	1 783 600	1 750 421
Specialised properties	82 200	87 224
Vacant land	237 735	204 090
Lease income accrual	(250 602)	(19 878)
Total properties	**9 594 759**	**9 658 199**

Name of property	Address	Valuation Method	Date of last valuation	Pledged as guarantee	Fair Value 2014 R'000	Fair Value 2013 R'000
Trevenna	70 Meintjies Street, Trevenna, Pretoria	DCF	2012/03/31	No	622 450	324 573
Riverwalk Office Park	41 Matroosberg Street, Ashlea Gardens, Pretoria	DCF	2012/03/31	No	580 000	548 577
Vangate Shopping	Vanguard Drive, Athlone, Cape Town	DCF	2012/03/31	No	475 800	457 633
Discovery Health	3 Alice Lane, Sandown, Sandton	DCF	2012/03/31	No	308 500	372 000
GijimaAst Holdings	47 Landmarks Avenue, Kosmosdal	DCF	2012/03/31	No	243 600	292 000
Iparioli Office Park	1166 Park Street, Hatfield	DCF	2012/03/31	No	234 200	287 655
Webber Wentzel	10 Fricker Road, Illovo, Johannesburg	DCF	2012/03/31	No	238 200	223 000

Table 18.7: Investment Properties

Name of property	Address	Valuation Method	Date of last valuation	Pledged as guarantee	Fair Value 2014 R'000	Fair Value 2013 R'000
Jakaranda Shopping Centre	Cnr Michael Brink and Frates Street Rietfontein	DCF	2012/03/31	No	202 000	213 500
Joggie Vermooten	57 Joyner Road, Prospection, Isipingo Ext. 12, Durban	DCF	2012/03/31	No	213 500	190 384
The Wedge	255 Rivonia Road, Morningside, Sandton	DCF	2013/03/31	No	185 000	-
HSBC	Cnr Maude Street & Gwen Lane, Sandown	DCF	2012/03/31	No	-	185 000

Table 18.7: Investment Properties (continued)

Name of property	Address	Valuation Method	Date of last valuation	Pledged as guarantee	Fair Value 2014 R'000	Fair Value 2013 R'000
Other					6 542 111	6 583 755
Lease income accrual					(250 602)	(19 878)
Total properties					**9 594 759**	**9 658 199**

Table 18.8: Investment Properties Total

		2014 R'000	2013 R'000
3.1.4.1	**Investment properties**		
	Balance at beginning of the year	**9 678 077**	**9 461 006**
	Additions		
	- Direct acquisition	422 773	-
	- Capital expenditure	45 732	59 138
	Disposals	-	(36 556)
	Fair value adjustment	(301 221)	194 489
	Closing fair value	**9 845 361**	**9 678 077**
	Operating lease income accrual	(250 602)	(19 878)
	Balance at end of year	**9 594 759**	**9 658 199**

An independent valuation of the investment properties was performed as at 31 March 2014. 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 DDP Valuers 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 2014 R'000	Fair Value 2013 R'000
Primary listing on the JSE	602 680 798	489 815 182
Secondary listing on the JSE	200 706 839	161 496 372
Unlisted equities	38 455 224	34 349 595
Total equities	**841 842 861**	**685 661 149**

Table 18.9: Equities

	Total Issued shares (Number)	GEPF's Holding (Number)	GEPF's Holding %	Fair Value 2014 R'000	Fair Value 2013 R'000
1. Primary listing on the JSE				**602 680 798**	**489 815 182**
Naspers Ltd	415 941 759	68 714 448	17	79 800 837	34 036 287
MTN Group Ltd	1 872 213 682	318 349 827	17	68 620 305	51 427 182
Sasol Ltd	649 976 616	95 165 728	15	56 106 858	34 090 334
Standard Bank Group Ltd	1 618 159 727	217 361 487	13	30 169 774	26 708 061
Sanlam Ltd	2 166 471 806	307 964 474	14	17 720 276	14 237 194
Remgro Ltd	481 106 370	84 820 672	18	17 383 149	15 297 589
First Rand Ltd	5 637 941 689	478 589 066	8	17 277 065	19 598 888
Steinhoff International Holdings Ltd	2 124 799 031	331 513 344	16	16 907 181	-
Aspen Phamcare Holdings Ltd	456 320 571	53 036 022	12	14 919 033	-
Bidvest Group Ltd	327 955 381	45 404 522	14	12 641 073	12 872 413
Shoprite Holdings Ltd	570 579 460	76 431 454	13	-	13 971 670
Growthpoint Property Ltd	1 823 603 559	413 199 552	23	-	11 135 728
Other	-	-	-	271 135 247	256 439 836
2. Secondary listing on the JSE				**200 706 839**	**161 496 372**
Anglo American Plc	1 405 467 840	125 713 243	9	33 767 834	25 523 953
British American Tobacco Plc	2 026 456 406	57 059 882	3	33 532 951	20 939 483
SAB Miller Plc	1 672 353 230	58 414 786	3	30 722 672	25 017 109
BHP Billiton Plc	2 136 185 454	83 517 606	4	27 165 772	29 501 003
Richmont Securities AG	5 220 000 000	205 980 832	4	20 799 944	19 199 900
Old Mutual Plc	4 896 992 874	497 162 498	10	17 604 525	14 457 661
Reinet Investments S.C.A	1 959 412 860	264 252 426	13	6 138 584	5 447 656
Investec Plc	608 898 187	71 229 118	12	6 040 229	5 448 896
Mondi Ltd	367 240 805	31 036 933	8	5 734 384	4 151 763
Dangote Cement Plc	17 040 507 405	255 607 605	1	3 949 749	-
Ecobank Transnational Inc	-	-	20	-	3 276 485
Other				15 250 195	8 532 463
3. Unlisted equities				**38 455 224**	**34 349 595**
Pareto Ltd	3 459 251 062	3 459 251 062	100	15 262 000	13 839 313
Lexshell 44 General Trading (Pty) Ltd	200 000	100 000	50	5 655 000	5 270 500
Opiconsivia Investments 230 (Pty) Ltd	100	65.99	65.99	4 622 000	4 608 000
Community Property Fund**	-	-	57.73	3 118 623	2 910 177
ADR International Airports SA (Pty)Ltd	166 000	166 000	100	2 254 000	2 100 000
Pan African Infrastructure					
Development Fund**	-	-	39.68	1 931 635	1 590 864
Free World Coating Ltd	-	-	-	585 691	-
Housing Impact Fund of SA	-	-	10.93	570 104	532 054

Table 18.10: Shares

	Total Issued shares (Number)	GEPF's Holding (Number)	GEPF's Holding %	Fair Value 2014 R'000	Fair Value 2013 R'000
CBS Property Portfolio Ltd	280 944 599	280 944 599	100	539 863	538 751
Schools and Education Investment Impact Fund of SA	-	-	-	335 099	-
Bakwena Platinum Corridor					
Concessionaire (Pty) Ltd**	-	-	7.81	-	282 420
PFN Holdings (Pty) Ltd			100	-	295 000
Other				3 581 209	2 382 516

Table 18.10: Shares

There were no scrip lending transactions for the period ending 31 March 2014.

**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 2014 R'000	Fair Value 2013 R'000
Allied Electronics Corporation	249 859 875	38 823 574	16	888 105	942 192
Alexander Forbes	324 407 089	1 178 528	-	22 863	14 968
Total preference shares				910 968	957 160

Table 18.11: Preference shares

3.1.7 Collective investment schemes

Description	GEPF's Holding (Number)	Fair value 2014 R'000	Fair value 2013 R'000
Black Rock Advisors (UK)	315 819 605	58 612 181	40 567 045
Investec Africa	197 061 312	620 956	-
Coronation African Frontiers Unit Trust	1 474 738	507 029	-
Sanlam Ltd	4 752 166	122 653	153 540
Liberty Group Ltd	-	-	27 871
Total		59 862 819	40 748 456

Table 18.12: Collective Investment Schemes

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	-	868 094	No	11 455 212	12 323 306	1
African Bank Ltd	2 476 680	-	No	1 140 211	3 616 891	-
Barclays Africa Group Ltd	8 344 956	-	No	-	8 334 956	1
Capitec Holdings Ltd	2 786 163	-	No	342 451	3 128 614	-
Development Bank SA Ltd	-	-	No	12 313 211	12 313 211	1
Ecobank Transnational Inc	2 898 487	-	No	-	2 898 487	-
First Rand Ltd	17 277 065	-	No	10 805 434	28 082 499	2
Investec Ltd	9 307 074	3 012	No	4 817 187	14 127 273	1
Land and Agricultural Development Bank	-	-	No	4 921 586	4 921 586	-
Nedbank Ltd	8 380 942	8 676 982	No	10 327 707	27 385 631	2
Rand Merchant Bank	-	250 000	No	-	250 000	-
South African Reserve Bank	-	83 173	No	42	83 215	-
Standard Bank Group Ltd	30 169 774	4 830 693	No	16 654 318	51 654 785	4
Asset managers						
Black Rock Advisors UK)	-	-	No	82 123 042	82 123 042	6
Coronation Asset Management (Pty) Ltd	2 725 658	-	No	507 029	3 232 687	-
International Bank for Reconstruction and Development	-	-	No	4 033 552	4 033 552	-
Insurance companies						
Alexander Forbes Ltd	22 863	-	No	-	22 863	-
Discovery Holdings Ltd	4 376 915	-	No	-	4 376 915	-
Liberty Group Ltd	1 512 685	-	No	-	1 512 685	-
MMI Holdings Ltd	4 057 654	-	No	313 081	4 057 654	-
Old Mutual Life Assurance Company SA Ltd	17 604 524	-	No	1 159 735	18 764 259	1
Sanlam Ltd	17 720 276	-	No	1 020 683	18 740 959	1
Santam Ltd	1 515 866	-	No	212 616	1 728 482	-

Table 18.13: Risk Management

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
Naspers Ltd	79 800 837	3 990 042
MTN Group Ltd	68 620 305	3 431 015
Sasol Ltd	56 106 858	2 805 343
Anglo American Plc	33 767 834	1 688 392
British American Tobacco Plc Shares	33 532 951	1 676 648
SA Breweries Ltd	30 722 673	1 536 134
Standard Bank Group Ltd	30 169 774	1 508 489
Billiton Plc	27 165 772	1 358 289
Richmont Securities AG	20 799 944	1 039 997
Sanlam Ltd	17 720 276	886 014
Total value of 10 largest equity holdings	**398 407 224**	**19 920 363**
As a percentage of total investment plus bank balances	**28%**	**1%**

Table 18.14: Market Risk

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
Black Rock Global Equity Fund	266 929 467	58 612 181	2 930 609
RSA 186	45 880 864 344	54 667 087	2 733 354
RSA 197	16 181 415 888	45 035 604	2 251 780
Blackrock Global Short Bond Barclays	16 871 415 888	23 319 504	1 165 975
RSA 210	14 300 596 502	23 235 473	1 161 774

Table 18.15: Other Financial Instruments

	GEPF's Holding	Total fair value holdings and open instruments R'000	Market movement by 5% R'000
RSA 202	10 567 300 000	22 928 484	1 146 424
RSA 208	19 036 069 778	17 611 384	880 569
RSA203	16 841 282 133	17 248 706	862 435
RSA 204	15 887 264 503	16 363 482	818 174
RSA 212	10 548 719 749	13 806 128	690 306
Total value of 10 largest other instruments		**292 828 033**	**14 641 400**
As a percentage of total investments plus bank balances		**20%**	**1%**

Table 18.15: Other Financial Instruments (continued)

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)	183 366	1 931 635	96 582
Black Rock Advisors UK Ltd	7 795 776	82 123 042	4 106 152
Ecobank Transnational Inc	275 148	2 898 487	144 924
Dangote Cement Plc	374 942	3 949 749	197 487
International Bank for Reconstruction and Development	382 897	4 033 552	201 678
Investec Africa	58 946	620 956	31 048
Coronation Africa	48 131	507 029	25 351
Total value of foreign instruments	**9 119 206**	**96 064 450**	**4 803 222**
As a percentage of total investments plus bank balances		**7%**	**-**

Table 18.16: Foreign Currency Exposure

		2014	2013
		R'000	R'000
4	**FUNDING LOAN**		
	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 the GEPF, the liquidators would then finalise the liquidation of SEBO. The liquidators have used three different scenarios to estimate the amount which will be due to the GEPF on the final liquidation of SEBO. GEPF has followed a conservative approach by adopting the lowest estimate provided by the liquidators.

	2014	2013
	R'000	R'000
5 ACCOUNTS RECEIVABLE		
Accrued interest	**40 390**	34 651
Accrued dividend	**2 290 469**	4 067 186
Estates debt	**23 944**	23 981
Total estates debt	**70 179**	64 971
Less: provision for doubtful debts	**(46 235)**	(40 990)
Fraud cases debt	**-**	-
Total fraud cases debt	**44 239**	43 171
Less: provision for doubtful debts	**(44 239)**	(43 171)
Investment debtors	**901 580**	6 240 644
Lease debtor	**250 602**	19 878
Government Pensions Administration Agency	**20 125**	22 694
Purchased service	**40 030**	27 772
Purchased service not recovered at retirement or death	**518**	155
Divorce debt	**1 304 679**	407 363
South African Post Office	**2 218**	2 913
Sundry debtors	**349**	975 053
Associated Institutions Pension Fund	**17 895**	-
National Treasury	**14 250**	-
Temporary Employees Pension Fund	**252**	-
Prepayments	**1 422 172**	-
Overpayments	**36 275**	31 764
Total overpayments	**49 517**	43 046
Less: provision for doubtful debts	**(13 242)**	(11 282)
	6 365 748	11 854 054

	2014 R'000	2013 R'000

6 CONTRIBUTIONS

6.1 Contributions receivable

Participating employers	**96 928**	31 353
Additional employer contributions*	**1 222 563**	1 493 680
Additional NSF employer contributions**	**4 136 503**	6 271 791
Interest on outstanding contributions	**344**	474
Statement of net assets and funds	**5 456 338**	**7 797 298**

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

**This is an amount owing to the 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

	2014 R'000 Contributions accrued	**2014 R'000 Contributions received**	**2014 R'000 Contributions receivable**	2013 R'000 Contributions receivable
Member contributions	**18 666 444**	**(18 666 444)**	**-**	-
Employer contributions	**31 828 340**	**(34 169 170)**	**5 455 994**	7 796 824
Interest on outstanding contributions	**224**	**(354)**	**344**	474
	50 495 008	**(52 835 968)**	**5 456 338**	7 797 298
Statement of Changes in net assets and funds				**50 495 008**

	2014 R'000	2013 R'000

7 CASH AND CASH EQUIVALENTS

	2014 R'000	2013 R'000
Cash resources	**1 536 376**	1 468 997
Short term investments	**13 671 147**	4 208 111
	15 207 523	5 677 108

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 PSCBC, 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.

	2014 R'000 Ciskei strikers reserve	2014 R'000 General assistants reserve	2014 R'000 Other past discriminatory practices reserve	2013 R'000 Total reserve accounts
Balance at beginning of the period	**148 293**	**89 628**	**5 535 778**	**5 773 699**
Transfers and benefits	**(5 810)**	**-**	**-**	**(5 810)**
Benefits paid	(5 810)	-	-	(5 810)
Net loss after transfers and benefits	**(5 810)**	**-**	**-**	**(5 810)**
Net loss for the period	-	-	-	-
Transfer from net investment return to reserves	7 968	4 816	862 122	874 906
Balance at end of period	**150 451**	**94 444**	**6 397 900**	**6 642 795**

9 UNCLAIMED BENEFITS

	2014 R'000	2013 R'000
Balance at the beginning of the period	**583 095**	758 483
Transferred from benefits	**856 985**	737 556
Benefits paid	**(962 781)**	(1 007 241)
Interest provision	**96 971**	94 297
Balance at the end of period	**574 270**	583 095

RECONCILIATION OF NUMBER OF CASES

		2014 R'000		2013 R'000
	Cases	**Amount**	Cases	Amount
Bank rejections	**6 460**	**154 441**	8 076	134 155
Benefits directly transferred to unclaimed upon exit	**5 923**	**239 077**	10 788	395 287
Unclaimed funeral benefits	**528**	**3 566**	592	3 909
Benefits transferred to unclaimed without complete documents	**652**	**37 577**	711	41 488
Benefits payments with a tax directive declined	**271**	**15 981**	306	7 016
Dispute cases	**42**	**6 549**	13	1 240
Untraced transfer to external service provider	**3 215**	**117 079**	-	-
Balance at the end of period	**17 091**	**574 270**	20 486	583 095

In the prior year, a unit consisting of 18 staff members responsible for tracing unclaimed benefits was established. This has resulted in a 1.5% reduction from the prior year balance.

10 BENEFITS

	2013 R'000 Benefits payable	**2014 R'000 Benefits accrued current year**	**2014 R'000 Benefits paid during year**	**2014 R'000 Benefits payable**
Net Benefit Payments	14 797 376	**57 857 685**	**(52 570 775)**	**20 084 286**
Gratuities	2 321 017	**8 276 630**	**(8 241 275)**	**2 356 372**
Withdrawal benefits	7 098 415	**18 768 175**	**(15 066 143)**	**10 800 447**
Monthly pensions	1 001 548	**24 849 838**	**(24 721 010)**	**1 130 376**
Retrenchment benefits	21 438	**123 698**	**(116 978)**	**28 158**
Death benefits	4 302 968	**5 636 514**	**(4 220 788)**	**5 718 694**
Funeral benefits	38 702	**164 990**	**(170 099)**	**33 593**
Orphan benefits*	13 288	**36 365**	**(33 007)**	**16 646**
Unclaimed benefits**	-	**1 475**	**(1 475)**	**-**
Interest to members	1 816 205	**1 528 981**	**(1 158 520)**	**2 186 666**
Benefits payable***	16 613 581	**59 386 666**	**(53 729 295)**	**22 270 952**
Statement of Changes in net assets and funds				**57 857 685**

*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 2014 and benefits accrued during the year includes an amount of R4,7-billion (2013: R3,7-billion) representing exit cases that were not fully processed at year-end.

11 TRANSFERS

11.1 Transfers to other funds

	Effective Date	Number of members	2013 R'000 Transfers Payable	**2014 R'000 Transfers approved**	**2014 R'000 Return on transfer**	**2014 R'000 Transfers paid**	**2014 R'000 Transfers Payable**
Bulk transfers in terms of Rule 12 of the GEP Law							
Municipal transfers	2013/2014	89	3 539	**23 249**	**6 921**	**(30 171)**	**3 538**
Individual transfers		1		**267**		**(267)**	**-**
Prior year adjustment*				**(2 339)**	**(351)**		**(2 690)**
		90	3 539	**21 177**	**6 570**	**(30 438)**	**848**

Transfers approved	**21 177**
Return on transfers	**6 570**
Statement of changes in net assets and funds	**27 747**

***Prior year adjustment**

The adjustment of R2,7-million transfers payable relates to the reversal of transfers expense raised in the prior year on members who requested to transfer to other funds. The reversal is mainly due to members deciding not to transfer or passing away before the actual transfer.

In line with the accounting framework of the GEPF, the adjustment of R2,7-million relating to the transfers expense in the prior year has been applied prospectively and therefore recognised in the current year.

11.2 Transfers from other funds

	Effective Date	Number of members	2013 R'000 Transfers Receivable	**2014 R'000 Transfers approved**	**2014 R'000 Return on transfer**	**2014 R'000 Transfers received**	**2014 R'000 Transfers Receivable**
Transfers in terms of Rule 12 of the GEP Law							
Individual transfers	2013/2014	35	34 546	**10 142**	**493**	**(7 563)**	**37 618**
Prior year adjustment*				**(29 802)**	**(3 555)**		**(33 357)**
		35	34 546	**(19 660)**	**(3 062)**	**(7 563)**	**4 261**

Transfer approved	**(19 660)**
Return on transfers	**(3 062)**
Statement of changes in net assets and funds	**(22 722)**

***Prior year adjustment**

The adjustment of R33,4-million on transfers receivable relates to the reversal of transfers income raised in the prior year on members who requested to transfer to GEPF. This was according to article 4(6)(e) of the Act on the Abolition of Development Bodies, 1986(Act 75 of 1986) which states that a person shall within six months be given a non-current choice either to remain a member of the respective pension fund or to become a member of the pension fund applicable to employees in the Public Service.

In the current financial year, a letter was sent to the employer of the abovementioned members informing them of the reversal of the requested transfers. This reversal is in accordance with article 2(2) of the said Act, which states that abolishment of the development body shall not be later than 30 June 1987.

In line with the accounting framework of the GEPF, the adjustment of R33,4-million relating to the transfers income in the prior year has been applied prospectively and therefore recognised in the current financial year.

	2014 R'000	2013 R'000
12 ACCOUNTS PAYABLE		
Administrative creditors	**112 524**	5 421
Operating lease accrual	**541**	140
Child maintenance (court orders)	**2 198**	848
Contributions (employers)	**4 612**	2 782
Dormant members	**1 185**	1 078
Associated Institutions Pension Fund	**-**	2 084
Temporary Employees Pension Fund	**-**	403
Investment creditors	**925 981**	1 182 049
Income Received in Advance*	**10 000**	-
National Treasury	**15 403**	341
Non-Statutory Forces contribution	**-**	344 337
Outstanding SA Post Office vouchers	**1 852**	2 875
Portfolio management fees payable	**232 394**	158 591
Sundry creditors	**77 340**	35 468
	1 384 030	1 736 417

*This is cash received in the prior year from Mpilo Consortium for a call option that was granted by the Fund to purchase 50% of shares held in Ecobank Transnational Incorporated. Refer to note 23 for additional information.

	2014 R'000	2013 R'000
13 PROVISIONS		
Provision for accumulated leave pay	**446**	227
Balance at beginning of year	**227**	225
Provided	**1 098**	830
Utilised	**(879)**	(828)
Provision for bonuses	**2 036**	2 015
Balance at beginning of year	**2 015**	1 436
Provided	**1 913**	1 900
Utilised	**(1 892)**	(1 321)
Balance at end of period	**2 482**	**2 242**

		2014 R'000	2013 R'000
14	**PURCHASE OF PERIODS OF SERVICE**		
	GEPF members	**26 286**	20 343
	Past discriminatory members	**5 810**	3 961
		32 096	24 304
15	**NET INVESTMENT INCOME**		
	Income from investments	**34 089 802**	32 633 124
	Interest	**32 415 284**	31 000 599
	Other income	**266 161**	228 227
	Property income	**1 408 357**	1 404 298
	Net profit on sale of investments*	**35 652 827**	32 495 237
	Adjustment to fair value**	**126 105 829**	133 392 356
	Impairment of Investments***	**-**	(20 345)
	Total investment income	**195 848 458**	198 500 372
	Less: expenses incurred in managing investments		
	- Management Fees	**(1 484 979)**	(773 480)
	- PAIDF (Management fees and other expense)	**(57 913)**	(48 251)
	- Property expenses	**(560 058)**	(480 790)
	- Transaction costs and other expenses	**(3 225 514)**	(496 530)
	Total investment expenses	**(5 328 464)**	(1 799 051)
	Net investment income	**190 519 994**	196 701 321
	*Profit on sale of investments	**39 375 216**	32 597 733
	Loss on sale of investments	**(3 722 389)**	(102 496)
	Net profit on sale of investments	**35 652 827**	32 495 237

**Dividend income amounting R23,6-billion (2013: R22,4-billion) is included in the adjustment to fair value, in line with the requirements of the RRR for Retirement Funds in South Africa as issued by the FSB.

***There were no impairment adjustments in the current year based on the independent valuation as stated below:

Reconciliation of impairment

	2014 R'000	2013 R'000
Legend Lodges (Pty) Ltd	-	20 345
Total	-	20 345

Table 18.17: Reconciliation of Impairment

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

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

16 OTHER INCOME

Interest received	**2014** **R'000**	2013 R'000
Arrear contributions	**2 141**	1 777
Purchase of service	**2 133**	5 512
Additional employer contributions – early retirement	**104 413**	44 187
Additional employer contributions – NSF	**440 277**	1 030 850
Divorce debt	**20 989**	6 935
Operating bank account	**53 446**	24 540
Other	**221**	282
	623 620	1 114 083

17 ADMINISTRATIVE EXPENDITURE

	2014 R'000	2013 R'000
17.1 Total administrative expenditure		
Administration expenses	**731 816**	446 883
Actuarial fees	**2 989**	5 542
Investment accounting fees	**10 058**	8 373
Investment performance analysis	**4 092**	3 430
Audit fees	**2 568**	2 392
Depreciation	**1 560**	873
Foreign currency loss	**38**	66
Legal costs	**4 216**	1 042
Bad debts	**-**	423
Operating expenses	**28 454**	23 262
Operating lease payments	**5 202**	2 895
Operating lease smoothing adjustment	**400**	(344)
Personnel expenses	**23 368**	20 218
Personnel expenditure (refer note 17.2)	**14 462**	11 427
Executive officer expenditure (refer note 17.3)	**2 612**	2 750
Principal officer expenditure (refer note 17.4)	**2 793**	2 308
Trustee expenditure (refer note 17.5)	**3 501**	3 733
Increase in provision for doubtful debt	**8 273**	8 251
	823 034	523 306

	2014 R'000	2013 R'000
17.2 Personnel remuneration and expenses		
Remuneration to permanent and contract employees	**12 544**	9 379
Retirement funds contributions	**1 224**	1 434
Training expenses	**432**	375
Other benefits (housing, medical, etc)	**262**	239
	14 462	11 427

	2014 R'000	2013 R'000
17.3 Executive officers remuneration and expenses		
Remuneration and allowances	**2 535**	2 465
Bonuses	**77**	285
	2 612	2 750
17.4 Principal officer remuneration and expenses		
Remuneration and allowances	**2 517**	1 848
Acting Allowance	**276**	-
Bonuses	**-**	460
	2 793	2 308
17.5 Board of Trustees remuneration and expenses		
Meeting allowances	**3 348**	3 634
Expenses	**153**	99
	3 501	3 733

18 INTEREST PAID

	2014 R'000	2013 R'000
Interest paid to members	**1 528 981**	1 171 528
Interest paid to members exited from the GEPF	**1 354 540**	1 100 024
Interest paid to external funds in respect of members exited from the GEPF	**88 714**	69 573
Interest paid to NSF members	**85 727**	1 931
Interest paid to employers (NSF)	**45 831**	56 620
Interest paid to dormant members	**108**	98
	1 574 920	1 228 246

19 OPERATING LEASE

	2014 R'000	2013 R'000
INCOME		
Future minimum lease payments receivable under non-cancellable operating leases:		
Receivable within one year	**833 809**	870 931
Receivable between two and five years	**1 631 571**	2 008 327
Receivable after five years	**268 233**	350 331
	2 733 613	3 229 589
EXPENSES		
Future minimum lease payments under non-cancellable operating leases:		
Payable within one year	**4 501**	846
Payable between two and five years	**16 874**	-
	21 375	846

	2014 R'000	2013 R'000
20 CASH GENERATED FROM OPERATIONS		
Net income after transfers and benefits	**181 358 800**	201 862 716
Adjusted for:	**(185 382 688)**	(193 450 588)
Interest received	**(33 038 904)**	(32 114 682)
Interest paid	**1 574 920**	1 228 246
Dividends received	**(23 681 292)**	(22 402 333)
Adjustment to fair values of investments	**(102 424 537)**	(110 990 023)
Profit on sale of investments and property	**(35 652 827)**	(32 495 237)
Impairment of investments	**-**	20 345
Foreign currency loss/(income)	**2 533 421**	(210 276)
Depreciation	**1 560**	873
Increase in doubtful debt provision	**8 273**	8 251
Movement in provisions	**5 278 325**	3 472 486
Net transfers (in)/out	**18 373**	31 762
Adjusted net income after transfers and benefits	**(4 023 888)**	8 412 128
Changes in working capital	**773 643**	(3 401 389)
Decrease /(Increase) in accounts receivable	**954 166**	(3 482 011)
Increase/(Decrease) in accounts payable	**(180 523)**	80 622
Cash flow generated from operations	**(3 250 245)**	5 010 739

21 FINANCIAL MANAGEMENT AND ASSOCIATED RISKS

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

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 the GEPF due to it being a defined benefit arrangement, and is managed primarily by setting strategic asset allocation percentages for the various asset classes, which are designed to match the inflation risk that impacts both the liabilities and assets, as well as market and interest risk.

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

Equities are the most volatile asset class and therefore the biggest source of short-term risk for the portfolio. The Investment Committee, on behalf of the Board, monitors this risk against pre-determined 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 2014 was R841,8-billion (2013: R685,7-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 the GEPF.

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

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

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 3.1.12).

Currency risk is managed primarily by setting limits to strategic asset allocation percentages for foreign asset classes and hedging in other instances.

21.5 Solvency risk

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the GEPF's contractual obligations to members. An undertaking by the Government, as employer, to ensure that the funding level remains above 90% and the setting of strategic asset allocation percentages following an asset-liability modelling exercise, mitigates this risk. Such an exercise will be repeated regularly to ensure that the employer contribution rate, solvency reserve and strategic asset allocation percentages are managed to 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 R34,2-billion (2013: R29,9-billion) and contributions receivable of R186-million (2013: R479,6-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 R775,7-million (2013: R416,2-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 the GEPF prior to 31 March 2014, for whom no duly completed exit documentation have been received. The GEPF cannot estimate the benefits payable to such members exactly, because the quantum of the liability is dependent on:

- the reason for exit from service,
- the final salary of the respective members upon exit, 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 Investments

GEPF granted Mpilo Consortium a call option to purchase 50% of the shares held in Ecobank Transnational Incorporated. The period of the call option is 5 years from 31 August 2012 with a strike price of USD0,20. As at 31 March 2014 the shares were trading at USD0,09 per share and it is management's view that the strike price is unlikely to be met, and thus unlikely for Mpilo to exercise the option. Due to the uncertainty over the share price ever matching the strike price, the Mpilo option is assessed as a contingent liability.

23.3 Pending liability

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

24 CAPITAL COMMITMENTS

During the 2007/2008 financial period, the GEPF committed to an investment to the PAIDF. As part of this investment the GEPF committed to make capital contributions amounting to USD 250,0-million translating to R2,6-billion. At 31 March 2014, USD 204,6-million translating to R2,1-billion, of the initial commitment has been invested. The remaining capital commitment of USD 45,4-million translating to R478,4-million is payable approximately within the next two years. The PAIDF investment is managed by Harith Fund Managers.

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