



Government Employees Pension Fund

Annual Report 2009/2010

CONTENTS 2010

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GEPF'S VISION, MISSION AND VALUES

VISION

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

MISSION

The GEPF is entrusted as 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, and protect pensions against inflation to the maximum extent affordable, while maintaining the financial soundness of the Fund;
- 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.

By honesty, we mean:

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

By transparency, we mean:

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

By empathy, we mean:

- Working collectively and co-operatively with our stakeholders;
- Caring; and
- Maintaining a customer focus.

By professionalism, we mean:

- Acting with diligence, competence, confidentiality and reliability.

By innovation, we mean:

- Championing research and development in the retirement fund industry worldwide.



*The fund aspires to
be a role model for
pension funds
worldwide.*

Minister's Note to Parliament

Speaker of Parliament

Annual Report of the Government Employees Pension Fund (GEPF) for the year ended 31 March 2010.

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 2009 to 31 March 2010.

PJ Gordhan
Minister of Finance

October 2010

Overview of the GEPF

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. The Fund has more than 1,2 million active members, around 300 000 pensioners and beneficiaries, as well as assets that are worth more than R790 billion. Currently, the GEPF has more than 320 participating employers, including all national and provincial government departments and the South African National Defence Force (SANDF) and intelligence community.

The GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law or GEP Law (as amended), is to manage and administer pensions and other benefits for government employees in South Africa. It is for this reason that we work to give members and pensioners peace of mind about their financial security after retirement and in situations of need. This is done by making sure that all funds in our safekeeping are responsibly invested and accounted for, and that benefits are paid out efficiently, accurately and on time. We have a solid track record in protecting our pensioners against inflation and in safeguarding the value of active members' retirement savings.

The GEPF began with an overall asset base of R127 billion which, over the years, has increased significantly. This growth has gone hand in hand with an improvement in the funding level of the GEPF from 72% in 1996 to 100% as of the latest approved statutory actuarial valuation on 31 March 2008, an actuarial valuation conducted every three years. Overall accountability for the Fund's investment and administrative performance rests with the Board of Trustees, which consists of an equal number of employer and employee representatives. Employee representatives include a pensioner and an SANDF and intelligence community representative elected through a postal ballot.

In 2007, the Board of Trustees agreed to separate the Fund and its administrative arm in the belief that it would best serve the interests of its members. The first step toward this was the establishment of the office of the Principal Officer in June 2008. The Principal Officer and her management team support the Board of Trustees in ensuring that the Fund acts in the best interests of its members, pensioners and beneficiaries, by exercising due care, skill and integrity in safeguarding retirement wealth and complying with all legal and regulatory requirements.

Financial Highlights for the Year Ended 31 March 2010

- The accumulated funds and reserves of the GEPF amounted to R801,004 billion (2009: R639,747 billion) as at 31 March 2010.
- Contributions received and accrued for the year ended 31 March 2010 amounted to R35,510 billion (2009: R30,430 billion) and benefits awarded, inclusive of awards from reserve funds, amounted to R28,199 billion (2009: R28,650 billion).
- The Fund posted a positive return on investment of 19,7% for the period under review as compared to a negative return of 10,2% in 2009. This equates to an investment income of R152,562 billion for the year ended 31 March 2010, as compared to an investment loss of R67,797 billion in 2009.

Figure 1: Accumulated funds and reserves as at 31 March 2010

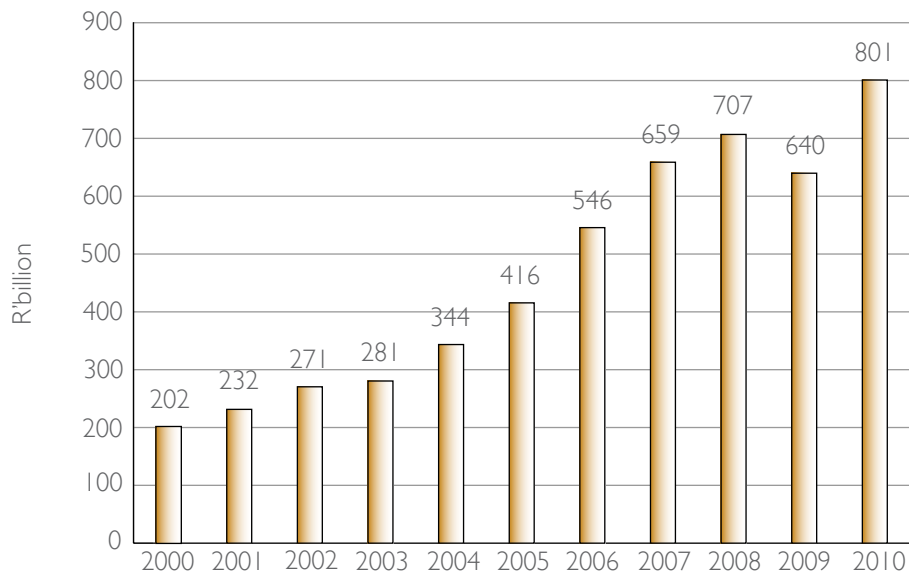


Figure 2: Growth of accumulated funds and reserves for the years ended 31 March

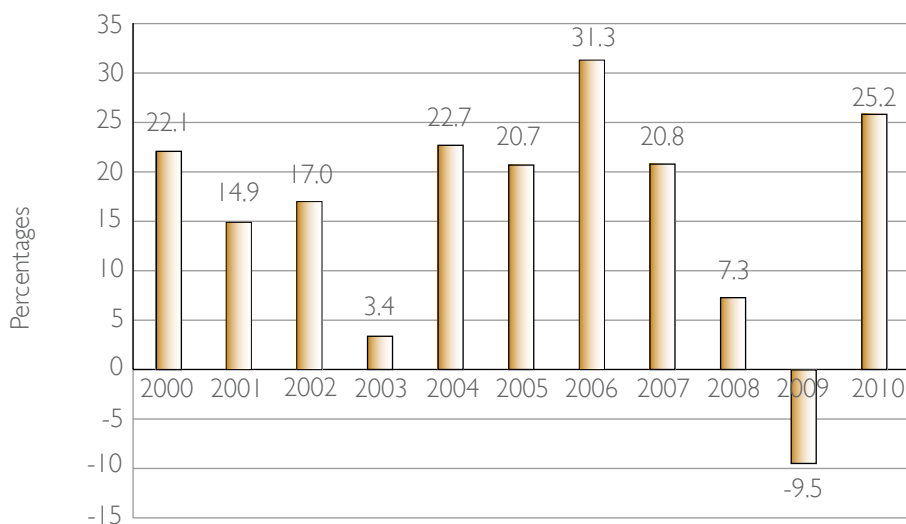


Figure 3: Return on investments for financial years ended 31 March (in percentage)

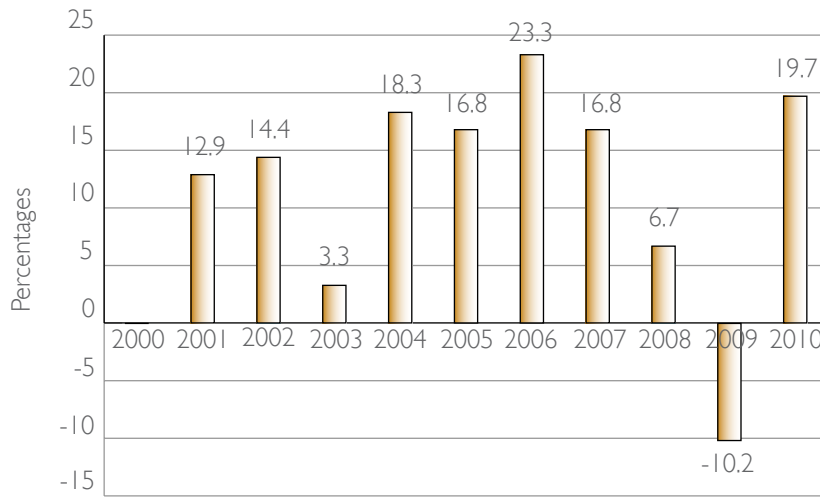


Figure 4: Investment income (loss) for the years ended 31 March

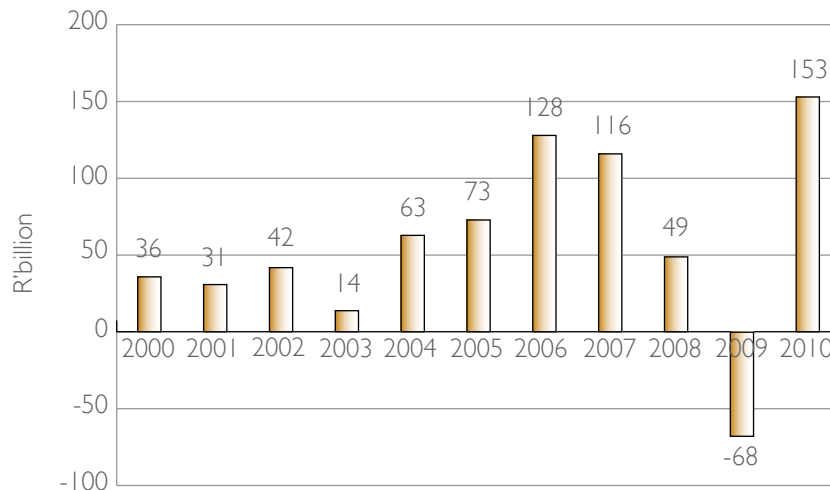
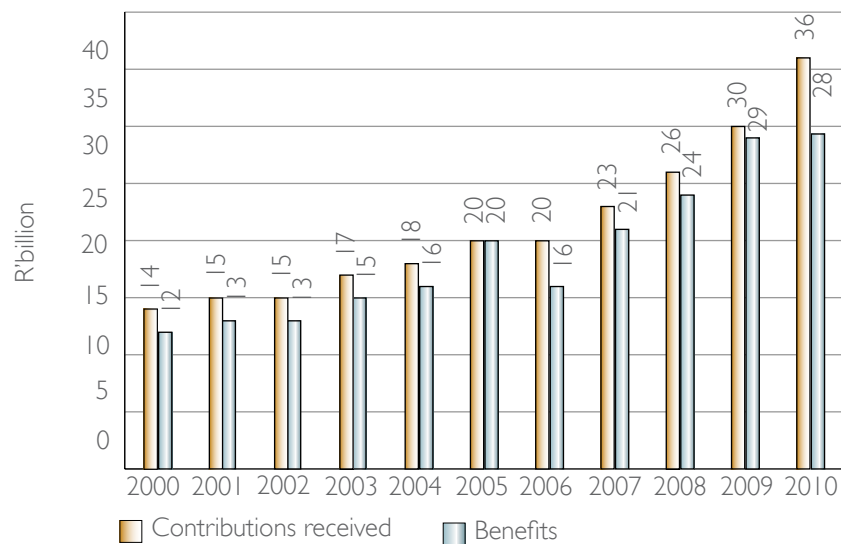


Figure 5: Contributions received and benefits awarded for the years ended 31 March





“Improved investment returns meant that we were able to grant inflation-linked increases to our pensioners in 2010.”

Chairperson’s Review

On 19 June 2009, the four-year term of office of the first GEPF Board of Trustees came to an end and the new Board was inaugurated by the Minister of Finance on 22 September 2009. I was honoured to be elected as the second chairperson of the Board at that meeting. I wish to express my sincere appreciation to the first Board for their stewardship of the Fund and the strides taken in their four-year term. This has placed the GEPF on a path towards becoming a role model for pension funds worldwide.

With much having been achieved by the first Board during its tenure, the newly appointed Board put forward its strategic priorities for the period 2010 to 2013 during a strategic planning session held in December 2009. These include:

- Gearing up for and influencing social and pension reform;
- Forging strategic alliances with all major current and future partners;
- Acquiring the capabilities for best practice pension administration; and
- Branding the GEPF by significantly enhancing its reputation.

In addition to these strategic priorities a number of urgent and important operational goals have been set. The most important of these are to:

- Manage and implement the outsourcing of administration (the “separation”);
- Co-ordinate and ensure sound governance, risk management and compliance;
- Apply optimal manpower resourcing and succession planning;
- Empower the Trustees;
- Simplify the rules of the Fund;
- Revise and implement a treasury management policy and procedure; and
- Continue to implement the Responsible Investment Policy.

It is through these strategic objectives and operational goals that the GEPF will continue to make certain that members' rights are protected, by ensuring that the Fund remains soundly governed and administered.

The challenging environment experienced by financial institutions around the globe continued into the first part of the 2009/10 financial year. While the GEPF did not escape the global economic crisis entirely unscathed, we were able to mitigate its effect on our portfolio by means of sound investment policies and prudent use of our solvency reserves. On behalf of the Board of Trustees, I am proud to report to our stakeholders on the performance of the Fund for the year ended 31 March 2010.

Despite continued volatility in global investment markets into the 2009/10 financial year, the Fund yielded significantly better returns compared with the previous 12 months. During the period under review, investment performance under the management of the GEPF yielded returns of 24% across portfolios compared with last year's returns. The highest returns were seen in the equity portfolio, which performed particularly well in mid-2009 in response to sentiment that the US economy was coming out of recession.

Improved investment returns meant that we were able to grant inflation-linked increases to our pensioners in 2010. Pensioners who retired on or before 1 April 2009 were granted a pension increase of 5,6% effective 1 April 2010. Those who retired after 1 April 2009 received 0,47% for each month since their date of retirement to 31 March 2010, which was equivalent to a proportionate share of 5,6%. Along with these increases, pensioners whose annuities had fallen below 100% of the amount paid at retirement received a catch-up increase to compensate for the effect of inflation. This information was reported in a special edition of the *GEPF News*, a printed newsletter that is sent out to pensioners.

The Fund remained stable during the 2009/10 financial year, with the value of assets under management increasing from R641,818 billion on 31 March 2009 to R798,307 billion as at 31 March 2010. While this represents satisfactory recovery, when seen in the context of the 2008 figure of R707,042 billion, one is able to get a clear picture of the effects that the 2009 global recession had on our economy.

At no time did our funding level drop below 90%, which is the minimum funding level we have set for ourselves to ensure the stability of the Fund. Our asset allocation through the Public Investment Corporation (PIC) also remains within the strategic guidelines set by the Board of Trustees as part of the agreement between the GEPF and the PIC.

Investing in Africa

The Pan African Infrastructure Development Fund (PAIDF) was set up in 2007 as a dedicated fund for investment in infrastructure and other opportunities in Africa. During the 2009/10 financial year, significant investment was made by the Fund in the first phase of the Main One Cable, which links Europe to West Africa. Phase two will see the telecommunications cable extending to Cape Town. This project represents a significant step forward for the African continent in establishing global best practice communications infrastructure, and the GEPF is proud to be a contributor to this kind of development initiative.

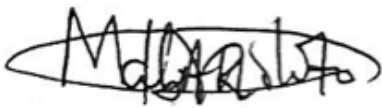
This is only one example of the major impact the GEPF has on the economies of South Africa and the rest of the African continent. Through our investments in the equity market, coupled with our developmental investment strategy which focuses on economic and social infrastructure, sustainability projects and economic upliftment projects, the GEPF remains a significant stakeholder in the South African economy.

Chairperson's Review (continued)

Final words

I'm honoured to report that, for the year under review, the Fund was not impacted by the financial crisis like many other pension funds. The Board of Trustees would like to assure active members, pensioners and other key stakeholders that the financial position of the Fund is sound and that the Board is committed to acting in the best interest of these groups at all times.

I would like to thank the members of the Board of Trustees and its various committees for their commitment to the GEPF, as well as the Principal Officer and her management team, the CEO and his management team, and the staff as a whole, for their conscientious efforts to provide the best possible service to the GEPF's members, pensioners and stakeholders.

A handwritten signature in black ink, enclosed within a hand-drawn oval. The signature is stylized and appears to read 'Arthur Moloto'.

Arthur Moloto
Chairperson of the Board of Trustees
Government Employees Pension Fund

The Finance and Audit Committee's Report



The Finance and Audit Committee of the Board of Trustees reports that it has adopted appropriate formal terms of reference as its charter; has regulated its affairs in compliance with this charter; and has discharged all of its responsibilities contained therein.

In the conduct of its duties, the Finance and Audit Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems;
- The controls over adequacy, reliability and accuracy of financial information provided by management and other users of financial information;
- That executive management implemented effective and cost-effective corrective measures to address accounting and auditing concerns identified as a result of internal and external audits;
- The entity's compliance with certain critical elements of the legal and regulatory framework, policies and procedures;
- The establishment of an effective internal audit function, which reported periodically to the Finance and Audit Committee in line with the approved Audit Coverage Plan for the GEPF;
- The activities of the Internal Audit Unit, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- The independence of and objectivity of the external auditors.

The Finance and Audit Committee has facilitated the development of an Enterprise-wide Risk Policy, Framework, and the accompanying Risk Register, which has been adopted by the Board. The Board and the Office of the Principal Officer have established the necessary structures for the risks to be mitigated on a real time basis.

The Committee is of the opinion that, based on the information and explanations given by management, and the Internal Audit Unit, as well as discussions with the independent external auditors on the result of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the Finance and Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The Committee has evaluated the financial statements of Government Employees Pension Fund for the year ended 31 March 2010 and, based on the information provided, the Committee considers that they comply, in all material respects, with the Government Employees Pension Fund's stated accounting policies, the provisions of the Government Employees Pension Law, 21 of 1996, the rules of the GEPF and the Regulatory Framework which the Finance and Audit Committee recommended to the Board, and which was adopted.

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

The Principal Officer's Report

The GEPF found itself under the stewardship of two separate Boards for the year ended 31 March 2010. The first Board, which was appointed on 20 June 2005, saw the conclusion of its term of office on 19 June 2009. The appointment of this Board brought about a new era of member, pensioner and stakeholder representation, participation and oversight of the GEPF.

The Board agreed right at its inception that its objectives would be to establish the organisation as a leading retirement fund in South Africa and on the African continent in terms of overall Fund governance, service delivery to members, pensioners and beneficiaries, as well as a responsible investor of assets, and fiduciary example for efficiency and effectiveness. Through the commitment, dedication and hard work of all Trustees and their substitutes, the Board was able to realise the following:

- A liability-driven approach taken to investments;
- The conclusion of an investment mandate with the Public Investment Corporation (PIC);
- The signing of the United Nations Principles of Responsible Investment (UNPRI) and spearheading the development of the Responsible Investment Policy;
- The transfer of the GEPF's assets into the name of the GEPF (as per the GEP Law);
- The development and implementation of a governance framework under the auspices of the Governance and Legal Committee;
- The creation of a solvency reserve and inflation-linked pension increases;
- The simplification of the Fund's rules;
- The receipt of unqualified audit reports for the full duration of its term;
- An increase in the operational efficiency of the Administration;
- The development and implementation of policy through the Benefits and Administration Committee; and
- The change in the governance structure of the Fund, through the appointment of the Principle Officer and other Heads within the Fund.

While the conclusion of this term of office saw the end of a chapter for the Fund, it has also seen the new possibilities brought about by the induction of a new Board. The handover went very smoothly, with the new Board immediately beginning to build on the foundations laid by its predecessor, particularly in terms of responsible investment, developmental investment and member communication.

Launch of the Responsible Investment Policy

In 2006, the GEPF became a signatory to the United Nations Principles of Responsible Investment (UNPRI), signalling its intent to deliver solid investment returns while addressing socio-economic imbalances. Responsible investment includes the integration of environmental, social and governance (ESG) issues as an integral part of investment strategy.

Apart from ensuring its own levels of responsible investment remained high, the GEPF was also instrumental in assisting regional signatories to the UNPRI to roll out their ESG policies in line with global best practice. This was achieved through the local PRI network in South Africa, the formation of which was spearheaded by the GEPF in early 2009. The local PRI network, which is chaired by the GEPF through its Head: Investment and Actuarial, has provided vital support and guidance to South African signatories to the UNPRI.

The GEPF's Responsible Investment Policy itself was formally launched at an international conference on investment, held in Soweto on 25 March 2010. The launch was intended to mark the beginning of a new era, not only for the GEPF, but also for other similar institutions across the country, thereby positioning the GEPF as a leader in this space.

Developmental investment strategy

The GEPF's developmental investment strategy was adopted by the Board in February 2010. Through the strategy, the Board has shown a holistic view of investment, as it looks for investment opportunities that will not only grow the Fund but that are also able to assist with challenges around development.

The developmental strategy focuses on four broad categories:

- Economic infrastructure – telecommunications, roads, etc.;
- Social infrastructure – education, healthcare, housing, etc.;
- Sustainability investing – energy storage, renewable energy sources, etc.; and
- Economic upliftment – black economic empowerment, skills development, etc.

Member education and communication

Communication to members and pensioners forms one of the responsibilities of the Board. In order to ensure effective and proactive communication to all stakeholders, the Board instituted the Communication and Education Committee in December 2009. The committee focuses on all communication and education matters of members, pensioners and other stakeholders. It is through this committee that the Board acknowledges the key role played by communication in promoting the corporate image of the Fund and in improving relations with stakeholders.

Post year-end activities

The envisaged separation of the Fund from its administration arm came into effect on 1 April 2010, after the President signed the Proclamation creating the Government Pension Administration Agency (GPAA). The GPAA is a Government Component in terms of the Public Service Act, and reports to the Minister of Finance as its executive authority. The relationship between the Fund and the GPAA is governed by various legal agreements as well as a Service Level Agreement. The responsibility for monitoring the Service Level Agreement is vested in the Office of the Principal Officer.

The Principal Officer's Report (continued)

The Board further enhanced its governance practices by approving a revised Code of Conduct. The Code of Conduct was benchmarked against industry best practice and is also aligned with the requirements of the revised *King Report on Corporate Governance (King III)*.

The Fund's developmental investment strategy was converted to a developmental investment policy and a detailed implementation plan was approved by the Board. The Fund will work closely with its investment manager, the Public Investment Corporation, to implement the policy.

The Fund's focus on sound governance, enhancing service delivery to all stakeholders and oversight will continue into the future, and the GEPF is committed to ensuring that it always acts in the best interests of its pensioners, members and beneficiaries.



Adri van Niekerk
Acting Principal Officer
Government Employees Pension Fund

The Chief Executive Officer's Report

We've witnessed one of the worst global economic crises in the past year, not only in the history of the pension fund industry, but also in all sectors of the economy, and we are happy that this economic crisis is gradually abating. Notwithstanding this global trend, the GEPF received increased member contributions during the year under review. Our role during this crisis was to ensure that the contributions received are preserved and benefits are paid to qualifying members in a timely manner.

As alluded to in my report of last year, delivery of quality service to our members and pensioners is paramount. I am pleased to report once again that we have not departed from this objective. Delivering quality service to our members and pensioners is a permanent theme that we adopted at the inception of our Service Delivery Improvement Plan (SDIP). This is a five-year service delivery improvement initiative that will be reviewed continuously during its implementation and beyond the five-year horizon, to ensure that its momentum is not lost but that the initiative continues to benefit our members and pensioners.

We do not underestimate the level of service delivery expectation from our members, and our objective is to keep in touch with them so that they are consistently aware of our services and of what assistance we require from them in order for us to administer their affairs better.

Overview of activities for the financial year

- **Contributions and benefits payment**

Pension contributions received amounts to R35,5 billion, up 17% on the previous year's figure of R30,4 billion. Benefits paid amount to R28, 2 billion (2009: R28, 7 billion).

- **Benefit payment backlog**

There has been a marked improvement in the rate of payment of exit benefit applications when presented to the GEPF by respective employer departments on behalf of exiting members. In this regard, I am pleased to report that the outstanding backlog, i.e. application cases which were older than sixty days at the end of March 2009, decreased by 30% at the end of March 2010.

We are optimistic that the outstanding claims will be paid at a faster rate going forward. This optimism stems from the good working relationship we have built over the past two years with employer departments, who are our only source of information for the payment of exit benefits. Indeed, the accuracy level of exit documents has improved, resulting in faster turnaround times.

To further improve this growing relationship, our Client Liaison Officers (CLOs) who interact directly with employers and train their staff on the GEPF's requirements to pay exiting members accurately and in good time, stepped up interaction and training during the period under review. This approach will continue to bear positive results until we find better ways to interact with employers, particularly in the light of increased use of modern technology.

The Chief Executive Officer's Report (continued)

The challenge we must still aggressively address with members is the upkeep of their tax affairs with the South African Revenue Service (SARS). In some instances, the delay in paying the exit payment in good time is occasioned by the requirement from SARS that members whose tax affairs are not in order or up to date must clear with SARS first before they can be paid. When this happens, most members take time to respond to SARS, hence delaying the payment of their benefits.

- **Regional offices**

We now have a full quota of regional offices in all the nine provinces. What is required of us is to fully capacitate them so that we can service our members better at their locality. We are pleased to note that members are making use of these offices and that, going forward, they will share their experience with us so that we can improve upon efficiency where necessary.

- **Partnership with stakeholders and role-players**

In order for us to succeed, we require a strong partnership with employer departments and labour (recognised trade unions). To this end, we succeeded to a large extent in forging good relationships with both parties. In terms of labour, we have asked unions to assist us by encouraging members to update their particulars with their employers whenever there is a change in their lives.

As for the employer departments, we are working toward a Service Level Agreement to ensure that we accelerate the timely submission of correctly completed exit applications to the Fund. In an effort to promote our partnerships, share our experiences and strategise on how to address challenges going forward, we held nine trade union fora, one in each province, which the GEPPF, trade unions and employer departments attended. In addition, we embarked on a data cleaning project to ensure that we maintain accurate and up-to-date information on our members and pensioners.

- **Education of members**

Last year I reported that we have adopted a non-conventional outreach programme, in the form of community road shows, to educate members, beneficiaries and pensioners about pension administration matters. Road shows were held in Mafikeng, Lebowakgomo, Kimberley, Soshanguve and Bloemfontein. We will continue to visit other regions in the coming financial year to ensure that members are mobilised, and know how to help us serve them better.

- **Systems enhancement**

We have started with the review of our systems, and believe that there is a need to review our technology to ensure that we modernise the way in which we conduct our business.

- **People and processes**

Our people are our most important asset, and equipping them with appropriate training is critical to the success of our business. We offered training to 779 employees on various courses relating to their work, in a bid to increase levels of public service.

In addition, we offered bursaries to 71 officials at a cost of R583 402 to study courses relevant to their field of work, and we believe that we will reap long-term benefits of such investments.

- **Improved governance**

Our risk management and internal control systems are continuously improving and we hope that there will be positive spinoffs for other aspects of our business, as we benefit from improved governance. As part of implementing good governance measures, the GEPF has once again attained an unqualified audit report.

In conclusion, we are pleased that our service delivery is improving and hope that, in the near future, we will be able to serve our members with speed and ease.

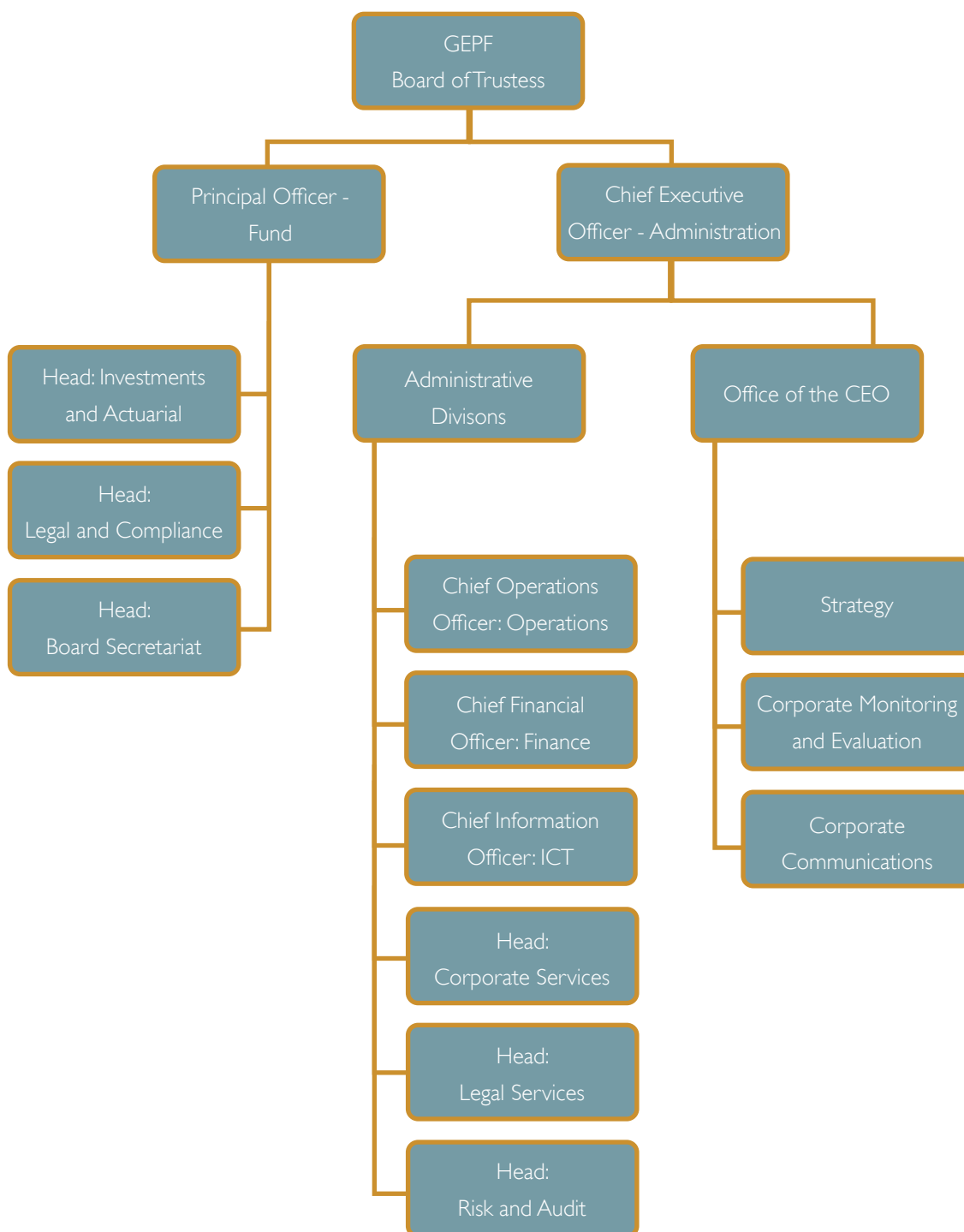


Phenias Tjie
Chief Executive Officer
Government Employees Pension Fund

GEPF's Operating Model

The GEPF operates on two levels, the fiduciary level and that of the administration.

Figure 6: GEPF's high-level organisational structure



Corporate Governance



The GEPF complies with the requirements of the GEP Law but also looks to the Pension Funds Act for best practice where this does not conflict with the GEP Law, and is committed to transparency, integrity and accountability according to accepted corporate governance principles and practices. The Fund is managed by the Board of Trustees, which is accountable for the GEPF's administrative and investment performance. The Board is also responsible for compiling and approving the annual financial statements, which are presented to Parliament via the Minister of Finance.

The Board of Trustees has embarked on a process of strengthening Fund governance and oversight. During the 2008/09 financial year, the Board approved a change in the governance structure of the Fund that resulted in separate fiduciary and administrative entities, in line with retirement fund best practice. This separation took effect from 1 April 2010 and the Fund is now fully separated from its administration service provider (the Government Pensions Administration Agency), which has been established as a Government Component in terms of the Public Service Act.

As a result, the Fund's structure consists of the Principal Officer, together with the Head: Legal and Compliance, the Head: Investments and Actuarial and the Head: Board Secretariat. The Board is confident that the separation of the fiduciary and operational structures is in the best interest of its members, pensioners and other stakeholders since this will strengthen governance and oversight while assuring clients of the best possible pension administration service.

The Board of Trustees

According to the Government Employees Pension Law, fiduciary responsibility for the Fund rests with the Board of Trustees. It is a requirement of the GEP Law that the Board of Trustees be appointed for a four-year term, after which it must make way for a new Board. The term of office of the previous Board ended almost three months into the year under review, on 19 June 2009. The current Board was inaugurated by the Minister of Finance on 22 September 2009 and their four-year term of office will run until September 2013. In line with the GEP Law, the Board consists of 16 Trustees, led by an elected Chairperson and Vice-Chairperson. Each Trustee has an elected or appointed substitute, ensuring full and proper representation at all times.



Corporate Governance (continued)

Composition of the Board of Trustees

Trustees are appointed in accordance with Section 6 of the GEP Law, as amended. Fund members and employers are equally represented on the Board to protect the interest of all stakeholders of the Fund. Member representatives include a pensioner and an SANDF and intelligence community representative elected through a postal ballot.

Table 1: Representatives on the Board of Trustees

EMPLOYER NOMINEE TRUSTEE		EMPLOYER NOMINEE TRUSTEE SUBSTITUTE	
DEPARTMENT	NAME	DEPARTMENT	NAME
National Treasury	Ms M Mbina-Mthembu	National Treasury	Ms R Rasikhinya
DPSA	Mr K Govender	DPSA	Ms Vumendlini-Schalk
DPE	Mr A Moloto	Department of Health	Ms V Rennie
Department of Education	Mr P Padayachee	Department of Education	Ms G Modise
Department of Defence	Dr M Ledwaba	SAPS	Mr J Griesel
PIC	Ms M Moses	PIC	Mr Z Sithole
Independent Specialist	Ms C Khuzwayo	Independent Specialist	Mr E Masilela
Independent Specialist	Ms F Petersen	Independent Specialist	Mr J Andrew

Table 2: Representatives on the Board of Trustees

EMPLOYEE NOMINEE TRUSTEE		EMPLOYEE NOMINEE TRUSTEE SUBSTITUTE	
DEPARTMENT	NAME	DEPARTMENT	NAME
NEHAWU	Mr P Badal	NEHAWU	Ms P Mogotsi
SADTU	Mr S Tshabalala	SADTU	Mr T Ntola
Hospersa	Mr H Murray	NUPSAW	Mr S Mataitsane
Department of Defence	Brig Gen A L de Wit	NIA	Ms I Mahlwele
PSA	Mr R Williams	PSA	Mr P Sello
SAPU	Mr M Kwinika	SAPU	Mr V Matam
Popcru	Mr P Mngconkola	Popcru	Mr D Bout
Pensioner	Dr F le Roux	Pensioner	Mr H Koekemoer

Board committees

Six permanent Board committees ensure the fiduciary effectiveness of the GEPP through active involvement in the Fund's strategic agenda. The committees deal with benefits and administration, finance and audit, governance and legal, human resources, investment matters, and communication and education matters respectively. Over and above the aforementioned committees, a Separation Task Team was constituted by the Board and mandated to oversee the separation of the Fund and the Administration.

All remuneration matters for the year under review were referred to the Human Resources Committee and the Board concluded that the level of Trustee remuneration should remain the same for the 2009/10 financial year.

The Board also established an Impairment Sub-Committee of the Finance and Audit Committee after year-end to deal with the valuation and possible impairment of the Fund's unlisted assets.

Table 3: Board committee membership and responsibilities

BOARD COMMITTEE	COMMITTEE MEMBERS	RESPONSIBILITIES
Benefits and Administration Committee	Brig Gen A L de Wit (Chairperson) Mr J Andrew Mr K Govender Mr J Griesel Dr M Ledwaba Dr F le Roux Mr E Masilela Mr P Mngconkola Ms P Mogotsi Mr H Murray Mr T Ntola Mr S Tshabalala	<ul style="list-style-type: none"> Reviews all aspects of the GEPF's administrative activities Advises and makes recommendations about the GEPF's benefits, administration of its affairs, administration policies, strategy, procedures and management
Finance and Audit Committee	Mr P Badal (Chairperson) Brig Gen A L de Wit Mr H Koekemoer Mr S Mataitsane Mr V Matam Ms G Modise Mr P Padayachee Ms F Petersen Ms R Rasikhinya Mr P Sello Mr Z Sithole	<ul style="list-style-type: none"> Gives effect to the GEPF's audit and financial policies and audit strategies Reviews all aspects of the GEPF's audit and financial activities Advises and makes recommendations about the financial reporting, appointment of auditors, internal auditing, risk policies and procedures and annual financial statements Risk management
Governance and Legal Committee	Ms C Khuzwayo (Chairperson) Mr H Koekemoer Mr M Kwinika Ms I Mahlwele Mr J Matam Ms M Moses Mr P Padayachee Ms V Rennie Mr P Sello Mr R Williams	<ul style="list-style-type: none"> Gives effect to the GEPF's governance and legal policies and strategies Reviews all aspects of the GEPF's governance, risk and legal activities Advises and makes recommendations about the GEPF's Code of Conduct, Board committees and terms of reference, induction, remuneration, evaluation, corporate governance matters, risk management, legal function, dispute resolution, legislation and amendments to the Government Employees Pension Law and rules

Corporate Governance (continued)

BOARD COMMITTEE	COMMITTEE MEMBERS	RESPONSIBILITIES
Human Resources Committee	Mr R Williams (Chairperson) Mr D Bout Mr K Govender Mr J Griesel Dr M Ledwaba Ms C Khuzwayo Mr M Kwinika Mr S Mataitsane Ms P Mogotsi Mr T Ntola Ms V Rennie	<ul style="list-style-type: none"> • Reviews all aspects of the GEPF's human resources matters • Advises and makes recommendations about the Fund's human resources policy, strategy, procedures and administrative structure, including its organisational structure, change management and communication
Investment Committee	Mr P Mngconkola (Chairperson) Mr J Andrew Mr P Badal Mr D Bout Dr F le Roux Ms M Mbina-Mthembu Ms G Modise Ms F Petersen Mr S Tshabalala	<ul style="list-style-type: none"> • Gives effect to the GEPF's investment policies and strategies • Reviews all aspects of the GEPF's investment activities • Implements and gives oversight to the Fund's policy and commitment to the United Nations Principles of Responsible Investment • Monitors the investment mandate • Advises and makes recommendations about asset management, investment policies and strategy
Communication and Education Committee	Ms F Petersen (Chairperson) Mr P Badal Mr S Tshabalala Dr F le Roux Mr E Masilela Ms P Mogotsi Mr S Mataitsane Ms I Mahlwele Mr R Williams Mr H Koekemoer	<ul style="list-style-type: none"> • Gives effect to the requirements of PF 130 issued by the Registrar of Pension Funds regarding communication to stakeholders • Focuses on all communication and education matters of members, pensioners and other stakeholders • Is responsible for brand and reputation management of the GEPF

BOARD COMMITTEE	COMMITTEE MEMBERS	RESPONSIBILITIES
Separation Task Team	Mr P Badal Mr A Moloto Ms C Khuzwayo Mr R Williams Mr K Govender Brig Gen A L de Wit Mr P Mngconkola Ms F Petersen	<ul style="list-style-type: none"> Oversees the separation of the Fund and Administration

Highlights of the Benefits and Administration Committee

During the year under review, the Benefits and Administration Committee continued working on a project to replace the use of life certificates with an improved process of confirmation of life from the Department of Home Affairs. Finality has not yet been reached on the project and further interaction is still required with the Department of Home Affairs before the Committee is in a position to take a decision in this regard. An investigation was launched into the feasibility of establishing functionality within the Administration for the administration of orphans' pensions. Along with this the Committee successfully implemented the payment of pensions on a six-day payment system as well as implementing measures in terms of the deduction of departmental debts. In addition, a gratuity distribution policy was finalised and inflation-linked increases for pensioners were implemented. The Committee also launched an investigation into the implementation of the "clean break principle", reviewed the actuarial factors and launched the rule simplification project.

Highlights of the Finance and Audit Committee

During the 2009/10 financial year the Finance and Audit Committee facilitated the achievement of an unqualified audit opinion for the GEPF. The Committee successfully implemented the Regulatory Reporting Requirements Framework for Retirement Funds, and finalised an Enterprise-wide Risk Management Policy for the Administration. In addition, the following policies were finalised by the Committee post year-end:

- Supply Chain Management Policy;
- Cash Flow Management Policy;
- Enterprise-wide Risk Management Policy for the Fund; and
- Unlisted Investment Policy.

Corporate Governance (continued)

Highlights of the Governance and Legal Committee

During the year under review the Governance and Legal Committee facilitated a smooth and effective handover from the old Board of Trustees to the new Board. Trustee training needs were identified and a training programme was developed for implementation. In addition, the Committee reviewed and updated the terms of reference of all Board committees, drafted and implemented a Conflicts of Interest Policy, Compliance Policy and Framework and revised the Trustee Remuneration Policy. Post year-end, a Trustee Code of Conduct and Ethics was introduced and a Fit and Proper Questionnaire was successfully implemented by the Committee. This Committee was also responsible for reviewing all legal documentation and processes relating to the separation of the Fund from its Administration arm.

Highlights of the Human Resources Committee

During the year under review the Human Resources Committee launched an organisational redesign of the Fund office and finalised various human resources policies for the Fund. Post year-end, the Committee finalised the International Subsistence and Travel Policy for the Board.

Highlights of the Investment Committee

During the financial year ended 31 March 2010 the Investment Committee revised the investment mandate with the Public Investment Corporation (PIC), reviewed the GEPF's investment policy statement and finalised the Responsible Investment Policy. In the same period, the Committee successfully concluded a Developmental Investment Strategy Framework, finalised the Asset Liability Model of the GEPF and developed a revised strategic asset allocation for consideration by the Board and the Minister of Finance.

Highlights of the Communication and Education Committee

This Committee was established post-year end, and in that period finalised the communication and education strategy that won the Fund an award at the Institute of Retirement Funds (IRF). The Committee is in the process of developing and finalising a brand strategy that will assist in appropriately positioning the Fund.

Governance Charter and the Code of Conduct

The Trustees are required to comply with a comprehensive Governance Charter and formal Code of Conduct. The Charter includes the terms of reference for all Board committees and provides for the declaration of interests and financial disclosure by Board members, the completion of a Fit and Proper Questionnaire (post year-end). The Board undergoes regular training to ensure ongoing education of the Trustees and substitutes about the complex matters with which they are faced. The following tables reflect the attendance of Trustees at Board and Board committee meetings and Board training sessions and the remuneration paid to the Trustees and substitutes for the reporting period.

Meetings Attended from 1 April to 19 June 2009

Table 4: Meetings attended to 19 June 2009

Board Of Trustees	Board & Special Board Meetings	Benefits & Administration Committee	Finance & Audit Committee	Governance & Legal Committee	Human Resources Committee	Investment Committee
Meetings/ Training sessions held	3	3	1	1	1	2
Mr M Kuscus (Chairperson)	3	-	-	-	-	-
Mr D Balt (Vice Chairperson)	3	-	1	1	-	2
Mr J Andrew	3	2	-	-	-	2
Mr P Badal	2	-	-	-	-	-
Vice Admiral B Bekker	3	3	-	-	0	-
Ms N Boqwana*	0	-	-	1	-	2
Mr D Bout*	1	-	-	-	-	2
Brig Gen A L de Wit	3	3	-	-	-	-
Mr M Diphofa	2	-	-	1	-	-
Mr A Donaldson	2	2	-	-	-	-
Mr L Ely	3	-	-	-	-	2
Mr K Govender	1	-	-	-	1	-
Mr J Griesel*	3	1	-	-	-	-
Prof H Kock*	1	-	-	-	0	-
Mr H Koekemoer*	1	1	1	-	-	-
Mr T Maqhubela*	0	-	-	-	0	-
Mr B Mashawana*	2	-	-	-	1	-
Mr E Masilela*	1	1	-	-	-	1
Mr P Mngconkola	3	3	-	-	-	-
Mr H Murray*	1	2	-	-	-	-
Mr F Nomvalo	0	-	0	-	-	-
Mr P Padayachee*	1	-	1	-	-	-
Ms F Petersen*	1	-	1	-	-	2
Mr P Sello*	3	-	1	1	-	-
Mr S Tshabalala	3	-	-	-	-	2
Mr L Wort*	0	-	-	0	-	-

* Indicates Substitute Trustees

Corporate Governance (continued)

Meetings Attended from 22 September 2009 to 31 March 2010

Table 5: Meetings attended 2009/10

Board Of Trustees	Board & Special Board Meetings	Benefits & Administration Committee	Communication & Education Committee	Finance & Audit Committee	Governance & Legal Committee	Human Resources Committee	Investment Committee	Board Training, Strategic Planning & Other Workshops
Meetings/ training sessions held	7	5	1	3	2	3	3	6
Mr A Moloto (Chairperson)	7	-	-	-	-	-	-	4
Mr P Badal (Vice Chairperson)	7	-	1	3	-	-	3	5
Mr J Andrew*	3	3	-	-	-	-	3	5
Mr D Bout*	2	-	-	-	-	3	3	6
Brig Gen A L de Wit	7	5	-	3	-	-	-	4
Mr K Govender	5	2	-	-	-	2	-	1
Mr J Griesel *	1	2	-	-	-	1	-	0
Ms C Khuzwayo	6	-	-	-	2	2	-	3
Mr H Koekemoer*	3	-	1	3	2	-	-	4
Mr M Kwinika	7	-	-	-	2	2	-	4
Dr F le Roux	7	5	1	-	-	-	3	2
Dr M Ledwaba	6	4	-	-	-	3	-	3
Ms I Mahlwele*	3	-	1	-	0	-	-	4
Mr E Masilela*	0	2	1	-	-	-	-	4
Mr S Mataitsane*	4	-	1	3	-	3	-	4
Mr J Matam*	3	-	-	3	2	-	-	4
Ms M Mbina-Mthembu	6	-	-	-	-	-	3	4
Mr S Mngconkola	7	3	-	-	-	-	3	6
Ms G Modise*	4	-	-	2	-	-	0	4
Ms P Mogotsi*	4	5	1	-	-	3	-	4
Ms M Moses	2	-	-	-	0	-	-	2
Mr H Murray	7	4	-	-	-	-	-	3
Mr T Ntola*	0	2	-	-	-	1	-	1
Mr S Padayachee	4	-	-	1	0	-	-	3
Ms F Petersen	6	-	1	3	-	-	3	5
Ms R Rasikhinya*	3	-	-	3	-	-	-	2
Ms V Rennie*	2	-	-	-	0	2	-	1
Mr P Sello	3	-	-	2	0	-	-	5
Mr Z Sithole*	4	-	-	3	-	-	-	4
Mr S Tshabalala	7	5	1	-	-	-	3	5
Ms V Vumendlini-Schalk*	2	-	-	-	2	-	3	3
Mr R Williams	7	-	-	-	2	3	-	3

* Indicates Substitute Trustees

Remuneration Paid to Former and Current Trustees and Substitutes

Table 6: Remuneration from 1 April 2009 to 31 March 2010

Name	TRUSTEES FEES			
	GEPF Board		Other Board Attendance	Total
	01/04/2009 - 21/09/2009	22/09/2009 - 31/03/2010	01/04/2009 - 31/03/2010	
Mr D Bout	R19 200,00	R89 750,00	-	R108 950,00
Mr P Mngconkola	R46 250,00	R182 014,57	-	R228 264,57
Mr M Kuscus	R66 011,00	-	-	R66 011,00
Mr M Sello	R52 483,81	R109 522,64	-	R162 006,45
Mr D Balt	R78 146,17	R11 980,58	-	R90 126,75
Mr S Tshabalala	R51 101,44	R159 124,15	-	R210 225,59
Brig Gen A L de Wit	R67 840,00	R176 750,00	-	R244 590,00
Mr L Wort	R14 400,00	-	-	R14 400,00
Mr J Andrew	R83 299,59	R81 585,20	-	R164 884,79
Mr J Andrew	** R28 101,00	-	-	R28 101,00
Mr B Mashawana	R31 113,25	R376,90	-	R31 490,15
Mr K Govender	R24 320,00	-	-	R24 320,00
Mr E Masilela	R14 400,00	R42 026,90	-	R56 426,90
Mr W Maqhubela	R4 800,00	-	-	R4 800,00
Mr M Bekker	R35 200,00	-	-	R35 200,00
Mr H Koekemoer	R33 600,00	R79 150,00	-	R112 750,00
Ms C Khuzwayo	R262,85	R141 205,06	-	R141 467,91
Mr J Matam	R6 250,00	R101 554,45	-	R107 804,45
Dr F le Roux	R12 500,00	R153 269,28	-	R165 769,28
Mr H Murray	R30 100,00	R90 081,94	-	R120 181,94
Ms V Mogotsi	R6 250,00	R99 763,95	-	R106 013,95
Mr Z Sithole	-	R91 600,00	-	R91 600,00
Mr S Mataitsane	R6 250,00	R117 291,65	-	R123 541,65
Mr R Williams	R12 500,00	R146 528,18	-	R159 028,18
Ms G Modise	-	R73 774,87	-	R73 774,87
Mr M Kwinika	R12 500,00	R124 396,29	-	R136 896,29
Ms I Mahlwele	R6 250,00	R81 200,00	-	R87 450,00
Dr M Ledwaba	-	R108 250,00	-	R108 250,00
Mr A Kock	R10 499,66	-	-	R10 499,66
Ms F Petersen	R150 794,00	R143 534,50	*** R301 420,00	R595 748,80
Mr T Ntola	-	R31 250,00	-	R31 250,00
Mr P Badal	R6 250,00	R218 100,00	-	R224 350,00
Mr A Moloto	-	-	-	-
Mr S Padayachee	-	-	-	-
Ms M Moses	-	-	-	-
Ms R Rasikhinya	-	-	-	-
Ms V Vumendlini	-	-	-	-
Mrs V Rennie	-	-	-	-
Mr J Griesel	-	-	-	-
	910 672,77	2 654 081,11	301 420,30	3 866 174,18

** Relates to fees for specialist work

*** Relates to fees paid in respect of meeting attendance at Pan African Infrastructure Development Fund (PAIDF) on behalf of the GEPF

Corporate Governance (continued)

Financial control

Business plans and budgets are prepared annually and submitted to the Board for approval. Operational capital requirements, working capital levels and cash flow projections are reviewed and monitored regularly. Procurement takes place within the approved procurement policies and framework.

Ethics

The values of the GEPF are the cornerstone of its interaction with staff, clients and stakeholders. Employees are expected to maintain the highest ethical standards to ensure that business practices are conducted in a manner that is beyond reproach. The GEPF executive team is responsible for monitoring and taking corrective action on transgressions of ethical practices.

Internal audit

An Internal Audit Unit has been established within the Administration to improve the internal control environment and assist management to perform effectively. An effective Internal Audit Unit contributes to the reduction of external audit costs.

Risk

Risk management is an integral part of the Fund's governance and is approached from an enterprise-wide risk framework perspective. The GEPF has a formal risk management policy, which the Board of Trustees' Governance and Legal Committee adopted during the year under review.

Fraud prevention

The GEPF has a dedicated Forensic and Fraud Prevention Management Unit that proactively and reactively manages matters of fraud, corruption and related matters pertaining to the Fund's business.

Legal compliance

Legal compliance is regarded by the GEPF as an ethical imperative for good governance as well as a vital cultural component among its management and staff. The GEPF's Legal and Compliance Division ensures effective, holistic compliance with relevant statutory, regulatory and supervisory requirements. To assist in entrenching a compliance ethos in the organisation, the Board has approved a compliance policy which has been developed in line with King III requirements. The policy identifies the roles and responsibilities of the Board and staff in driving a culture of compliance throughout the GEPF. Along with the

compliance policy, a comprehensive framework is being developed in order to assist in the monitoring and reporting of compliance issues. The framework encompasses all GEPF stakeholders, including suppliers, Trustees, management and general staff.

Employment equity

The GEPF conforms to the Employment Equity Act in its employment practices. An Employment Equity Forum monitors progress and ensures that legislative provisions are upheld.

Occupational health and safety

The GEPF strives to conform to occupational health and safety laws and standards that add value to the quality of life of its employees.

Financial statements

Financial statements are compiled in accordance with the stated accounting policies, the GEP Law and the rules of the Fund. The Board is responsible for preparing financial statements in a manner that fairly reflects the state of affairs of the Fund's operations. Independent auditors are responsible for auditing the financial statements in accordance with International Standards on Auditing (ISA) as issued by the International Auditing and Assurance Board of the International Federation of Accountants (IFAC) and adopted by the Audit and Assurance Board of the Independent Regulatory Board for Auditors.

Promotion of access to information

The GEPF is committed to keeping its members and pensioners informed and therefore responds to requests for information in line with the spirit and objectives of the Promotion of Access to Information Act 2 of 2000.

The Office of the Principal Officer



The main aim of the office of the Principal Officer is to assist the Board in meeting its fiduciary and oversight obligations in line with the GEP Law as well as other applicable laws and regulations. The Principal Officer's core team consists of the Head: Investments and Actuarial, the Head: Legal and Compliance, and the Head: Board Secretariat supported by Finance, Human Resources and Corporate Communication. Responsibilities of the core team are as follows:

The **Principal Officer** represents the GEPF's Board of Trustees on a policy level and has an overall responsibility for financial reporting and disclosure, consolidating and amending the Fund's rules and valuating funds and assets. The Principal Officer is also responsible for the implementation of all Board decisions as well as giving effect to the Board's strategy. This includes the management of relationships with all key stakeholders.

The **Head: Investments and Actuarial** is responsible for the monitoring and management of the GEPF's assets and liabilities, and is as such responsible for the conducting of actuarial valuations, execution of the Board's investment strategy as well as the practice of responsible investment.

The **Head: Legal and Compliance** acts as legal counsel to the Board and thereby ensures that the Fund is compliant with all relevant legislation and governance.

The **Head: Board Secretariat** ensures that the Board of Trustees practises good governance at all times. The incumbent is therefore responsible for providing an executive secretarial function to the Board and its committees.

Overview of Fund Benefits

Retirement Benefits

The Fund provides 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: The normal retirement age for members as per the rules of the Fund is 60. The benefits paid depend on whether a member has less than 10 years' pensionable service, or 10 or more years of pensionable service. Members with less than 10 years' service receive a gratuity (a once-off lump sum cash payment) that is equal to their actuarial interest in the Fund. Members with 10 or more years' service receive a gratuity and a monthly pension (or annuity).

Early retirement: Under certain circumstances members may retire early, meaning before reaching the normal retirement age of 60. The years of pensionable service also determine the benefits payable on early retirement. Members with 10 or more years of service receive annuities and gratuities. These are 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, when injured on duty, or when their posts are done away with through organisational restructuring. In these circumstances, members are eligible to receive both annuities and gratuities. For members with less than 10 years' pensionable service, the benefits are based on an increased period of service and calculated as a percentage of the member's final salary. If a member has at least 10 years' pensionable service to his or her credit and is discharged on account of ill health not occasioned by his or her own fault, there shall be an annual supplementary amount paid to him or her.

Late retirement: Members are eligible to receive annuities and gratuities if they retire after the age of 60, provided they have the approval of their employer.

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

Death Benefits

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

Overview of Fund Benefits (continued)

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

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

Spouses' annuity: A spouse or eligible life partner is entitled to a percentage of the annuity paid to the member at date of death. The same applies if the member dies while in service and had a full potential service period of at least 10 years (meaning pensionable service years plus unexpired years for normal retirement). In the case of members who retired before 1 December 2002, the spouses' annuity is 50% of the annuity the pensioner was receiving at the date of death. Members who retired on or after 1 December 2002 have the option of increasing the spouses' annuity benefit from 50% to 75%.

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

Funeral Benefits

The Fund provides for funeral benefits on the death of members and pensioners whose pension commenced on or after 1 December 2002, and on the death of spouses and eligible children of members and pensioners whose pension commenced after 1 December 2002.

Investments

Accumulated Funds and Reserves

The accumulated funds and reserves of the Fund as at 31 March 2010 increased by R161,26 billion (2009: R67,30 billion decrease) during the reporting period, from R639,75 billion to R801,00 billion. These figures are further expanded upon in the table below.

Table 7: Accumulated funds and reserves

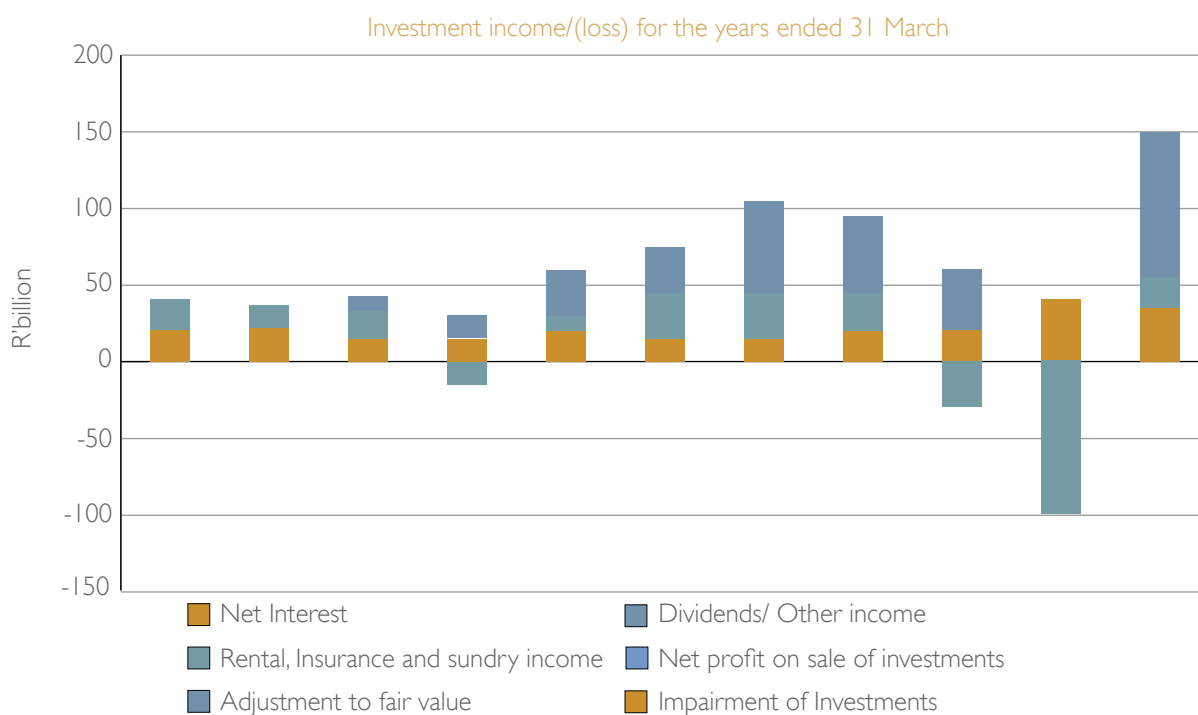
	2010 R'billion	2009 R'billion
Accumulated funds and reserves at the beginning of the year	639,75	707,04
Prior year adjustment – benefits	2,15	-
Contributions received	35,50	30,43
Purchases of service, unclaimed benefits and other income	0,12	0,59
Transfers to and from other funds	-0,44	0,63
Investment income	153,06	-67,24
Other income	0,11	0,07
Benefits awarded	-28,20	-28,65
Interest paid to members	-0,130	-2,22
Portfolio management fee	-0,51	-0,56
Administration expenses	-0,41	-0,34
Accumulated funds and reserves as at 31 March	801,00	639,75

Investment Income/(loss)

The Fund's investment portfolio as at 31 March 2010 amounted to R798,3 billion (2009: R641,8 billion) while gross investment income amounted to R153,93 billion (2009: R66,85 billion loss) and net investment income (net of portfolio management fees) amounted to R152,6 billion (2009: R67,8 billion loss). Net interest received on investments was R29,9 billion (2009: R34,1 billion), dividends R10,8 billion (2009: R21,6 billion), rental, insurance and sundry income from property R0,86 billion (2009: R0,4 billion), net profit on sale of investments R28,3 billion (2009: R0,4 billion), adjustment to fair value of investment R88,7 billion (2009: R120,8 billion loss) and impairment loss on investments R4,7 billion (2009: R2,5 billion). It was therefore a good year for the GEPPF, despite the volatility in the markets. The organisation was able to see a 19,72% return from (mostly) investments in equities (to which the GEPPF had an average of 50% exposure). All of these figures are expanded on in the notes to the financial statements to be found from page 87 onward.

Investments (continued)

Figure 7: Investment income/loss



Investment Process

The GEPF is currently one of the largest investors in the South African economy, with total assets of more than R798 billion invested in a range of asset classes. In determining how much to allocate to each asset class, the Fund employs a technique called Liability Driven Investing (LDI). This technique allows the Fund to optimise its asset allocation, taking into account the risk appetite of the Board, relative to the liabilities.

The approved guidelines for various asset classes are indicated in the table below:

Table 8: Strategic asset allocation percentages

	LOWER LIMIT	STRATEGIC	UPPER LIMIT
	%	%	%
Equities:			
• Domestic listed	40%	53%	55%
• Private equity aimed at infrastructure, socially desirable investments and BEE financing (Isibaya Fund, Pan African Infrastructure Development Fund, etc.)	3%	6% - 8%	9%
Bonds	25%	31%	45%
Property	0%	5%	7%
Cash/money market instruments	0%	5%	10%
Structured investment products	0%	2%	3%
TOTAL		100%	

In terms of the above allocations, the Public Investment Corporation (PIC) manages equity, bonds, and money market and property portfolios internally. A component of the equities portfolio and certain other investment classes have been outsourced to external investment portfolio managers, most of which are monitored by the PIC on behalf of the GEPF. The GEPF's goal is to invest in a way that will enable it to deliver on its benefit promises, by structuring the portfolio in a way that will ensure that performance is in line with liabilities, if not better, through an LDI approach.

The external equity managers are Old Mutual Asset Managers (OMAM), Sanlam Investment Managers (SIM), Stanlib Asset Management (SAM), Future Growth Asset Management (FGAM), Rand Merchant Bank Asset Management (RMBAM) and Cadiz. Various other asset managers are involved with special investments and related investment products.

Along with the above, the GEPF has dedicated a sum of US\$250 million toward the Pan African Infrastructure Development Fund (PAIDF), a fund aimed at contributing towards the improvement of Africa's infrastructure. In this way the GEPF aims to assist the continent by providing funding where the demands for infrastructure are great, while at the same time maximising the returns for the GEPF. Given the sizeable investment that the GEPF has made in the PAIDF, the GEPF has appointed Trustees and employees from the Office of the Principal Officer to the Board and various committees of the Development Fund.

Actuarial Valuation

In terms of the GEP Law and the rules of the Fund, an actuarial valuation must be carried out at least once every three years. Eight actuarial statutory valuations have been undertaken since the establishment of the Fund in May 1996 with the eighth and most recent having been undertaken as at 31 March 2008. This valuation was performed based on the funding policy that was adopted by the Board of Trustees in consultation with the Minister of Finance. This policy provides for the evaluation of the liabilities on a long-term best-estimate basis, and the establishment of a solvency reserve to allow for funding and investment risk and uncertainty relating to future public service remuneration and employment.

The actuarial results of the March 2008 valuation show that the Fund is 100% funded. There were sufficient assets to cover the actuarial liabilities in full; however, a number of the recommended reserves were not fully funded. Table 9 below indicates the funding level as at each valuation. The assumptions underlying these valuations vary, and they are therefore not strictly comparable.

Table 9: Results of GEPF actuarial valuations from May 1996 to March 2008

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

A summary of the membership profile of the GEPF and valuation data is provided in the following tables:

Table 10: GEPF membership profile – contributing members

MEMBER CATEGORY	MALE	FEMALE	TOTAL 2008	TOTAL 2006
“Other” members	381 543	587 400	968 943	901 599
“Services” members	148 513	58 973	207 486	198 953
TOTAL	530 056	646 373	1 176 429	1 100 552

Table 11: GEPF membership profile – pensioners

PENSIONER CATEGORY	MALE	FEMALE	TOTAL 2008	TOTAL 2006
Retired member	99 343	105 668	205 011	203 000
Spouse	9 659	98 746	108 405	104 967
TOTAL	109 002	204 414	313 416	308 467

Market conditions at 31 March 2009 were most extraordinary – the year end was almost the bottom of the trough of investment markets and considerable improvement was seen thereafter, before results could be determined. The 2008 results were thought to give a more realistic long-term picture of the fund's financial situation.

Significant mortality improvements are being observed internationally and in South Africa and the actuaries therefore believe that it is appropriate to include an explicit allowance for future mortality improvements in the 2008 valuation as was the case in the previous valuation.

An in-depth membership experience analysis was undertaken prior to the actuarial valuation of the Fund's liabilities. The purpose of this analysis was to review the appropriateness of the demographic assumptions used in the actuarial valuation in relation to the observed experience. The investigation covered the demographic assumptions relating to retirements, ill-health retirements, death before and after retirement, and cash resignations. Assumptions were updated where it was deemed necessary by the Board to take account of observed and expected changes in the underlying demographic factors affecting the future of the Fund. The results of the GEPF actuarial valuation as at 31 March 2008 are shown in Table 12.

Table 12: GEPF valuation results as at 31 March 2008

FINANCIAL POSITION	31 MARCH 2008 (REVISED BASIS) R'MILLION	31 MARCH 2006 R'MILLION
Contributing member liability	433 286	297 990
Pensioner liability	155 654	120 744
Solvency reserve	-	42 470
100% CPI pension increase reserve	77 854	57 354
Mortality improvement reserve	15 638	11 137
Data and contingency reserves	24 610	6 828
Total liabilities	707 042	536 523
Net assets	707 042	545 563
Surplus/(deficit)	-	9 040

The 2008 actuarial valuation results showed that the funding level has decreased from 101,7% funded in 2006 to 100% funded in 2008. The main reasons for the reduction in the funding level were, among others, the level of salary increases actually awarded and the changes to the valuation assumptions.

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.

Disclosure of Executive Remuneration

Disclosure of Executive Remuneration for the year ended March 2010

Principal Officer

Name	Designation	Basic Salary and other allowances	Bonus	Total
Ramataboe MJ	Principal Officer	1,344,000	130,800	1,474,800

Executive Managers

Name	Designation	Basic Salary and other allowances	Bonus	Total
Tjie MP	Chief Executive Officer	1,343,139	398,083	1,741,222
Kola MJ	Chief Operations Officer	1,028,467	****	1,028,467
Oliphant JR	Head: Actuarial & Investment	1,650,960	327,002	1,977,962
Moodley J	Head : Legal	764,700	75,210	839,910
Van Niekerk AL	Head: Secretariat	634,900	63,467	698,367
Total - Executive Managers		5,422,166	863,762	6,285,928

**** The bonus amount for the year ended 31 March 2010 has not yet been approved.

The Chief Executive Officer's Management Team



The Administration of the GEPF is headed by the Chief Executive Officer (CEO) and his team. This team is responsible for managing the administration of pensions on behalf of members, pensioners and beneficiaries as mandated by the GEP Law. The CEO's management team consists of the following members:

Chief Executive Officer

Chief Operating Officer

Chief Financial Officer

Head: Risk Management and Audit

Chief Information Officer

Head: Corporate Services

Head: Legal Services

Administrative Performance

Performance Outline

Performance Context

The period under review was characterised by significant transitional events. The term of office of the first Board of Trustees started on 20 June 2005 and ended on 19 June 2009, almost three months into the financial year; while the new Board was inaugurated on 22 September 2009. The outgoing Board initiated a process to separate the Fund and the Administration; a process which was not completed by the time their term ended. The new Board expedited this process which culminated with the proclamation of the administration agency known as the Government Pensions Administration Agency (GPAA) by the President on 26 March 2010. The business of the GPAA took effect from 1 April 2010 (a post year-end event). The Administration division of the Fund was sold to the State as a going concern for RI resulting in a transfer of staff, contracts, assets and liabilities related to that division to the GPAA, with a sale effective date of 1 April 2010.

The activities of the financial year under review were guided by the medium-term strategy which was aimed at improving the capability of the Administration to render first-class pension administration services. This was approved by the outgoing Board in 2008. The strategy, which is collectively known as the Service Delivery Improvement Plan (SDIP), extends over five years.

For the period under review, the Administration's systems and processes were still primarily manual. The primary processes, such as member and employer department interactions and claim tracking are still not automated. Pockets of optimisation across the benefit payment value chain – under the banner of quick wins – were implemented during the first year of the SDIP. These enhancements improved the claims turnaround times and responsiveness. The subsequent section will cover the progress made by the GEPF in implementing its strategic objectives for the 2009/10 financial year in the context of the SDIP.

Reduction of Backlog and Optimisation of the Payment of Exits

The prime target of the Administration is to constantly improve the quality of services provided to clients by paying exit benefits and pensions correctly and on time. The organisation has therefore put a great deal of effort into getting processes underway that will work towards reducing service delivery backlogs. Significant progress has been made in this regard. The planning processes identified employer departments as being the key role players in ensuring that exit benefits are paid on time. The Administration has, therefore, been actively involved in educating and enabling these departments in order for them to assist in the GEPF's efforts towards accelerating the payment of the exit benefits of members. Through the Client Liaison Officers' (CLO) programme, the Administration has worked hand in hand with the employers to resolve any challenging service delivery issues. Our ultimate objective for this target is to accurately pay exit benefits within 60 days. Achievement of this objective will benefit our members significantly.

Improvement of Active Member and Pensioner Experiences

On the back of the drive to improve service delivery, one of the largest priorities for the organisation is to build and grow mutually beneficial relations with key stakeholders. These stakeholders include, but are not limited to, the National Treasury, the Department of Public Service and Administration (DPSA), the Public Investment Corporation (PIC), the Public Protector and recognised trade unions. The organisation provides these stakeholders with service delivery information, such as information on pension benefits payments, and ensures that pension-related issues raised by stakeholders are promptly addressed. This in turn improves the level of understanding that the stakeholders have of the processes, policies and procedures of the Administration. In this way, the organisation aims to improve the number of forms completed correctly and submitted in time, making it significantly easier to pay exit benefits to members, thereby improving on service delivery to clients.

Member Communication

The GEPF's internal and external communication is aimed at providing meaningful, transparent, timely and accurate information to its stakeholders. Communication will continue to play a key role in promoting the corporate image of the GEPF and in improving stakeholder relations. The organisation increased member communication through the publication of quarterly newsletters for active members and pensioners. The organisation received the following Institute of Retirement Funds (IRF) accolades with regard to communication with members and stakeholders:

- 2008 Winner "Best Performing Member Newsletter" (in the IRF Communication Challenge);
- 2009 Winner "Large Fund Category" (in the IRF Communication Challenge); and
- 2009 Winner "Special Mention Award – Training and Engagement with Organised Labour" (in the IRF Communication Challenge).

In order to increase member communication, non-conventional communication programmes were initiated in order to target non-metropolitan areas. These include:

- Road shows (at Mmabatho; Lebowakgomo; Soshanguve; Galeshewe; Botshabelo and Mafikeng);
- Exhibitions (at the Rand, Pretoria and Royal shows); and
- Community radio talk shows in all provinces and in the predominant language of the regions.

Modernisation Agenda

The Administration has focused intensely on upgrading service standards in line with the norms seen elsewhere in the pension administration industry. The modernisation programme initiated by the first Board of Trustees has been maintained to assist in guiding this process. The Administration now needs to take the implementation of the programme to the next level. Modernisation entails the transformation of the Administration's business approach, processes and technology to meet new business demands and ethos.

The Administration's objective is to continue with the implementation of the SDIP's modernisation element in order to meet the expectations of clients. The primary goal of modernising the Administration is to invest in technology which is

Administrative Performance (continued)

appropriate to manage the business, while allowing the organisation to align its way of doing things with best business practice. The continuous change and evolution of technology presents the Administration with opportunities in which to improve the processing of claims and communication with members and employers through innovative use of leading-edge technology.

Divisional Overview

I. Operations

The Operations Division manages member admission, contribution collection, and member maintenance and exit payments. These key processes ensure accurate and timely benefits to members and beneficiaries and high-quality, responsive client services. In order to meet the client expectations of the GEPF, the Administration operates through a network of regional offices in all provinces, including branch and satellite office networks.

Table 13: Operations Division high-level strategic outcomes and achievements

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Timely and accurate payment of exit benefits	<ul style="list-style-type: none"> • Turnaround times for payment of benefits • Reduction in invalid payments 	<ul style="list-style-type: none"> • 61 615 benefits were paid to members – 61 615 against the 54 386 of the previous year • 39 209 (64%) of cases paid in the 2009/10 financial year were processed within 60 days 	<ul style="list-style-type: none"> • Strive to pay benefits within 60 days of exit
Improved data quality and integrity through implementation of the client information model	<ul style="list-style-type: none"> • Improved data quality 	<ul style="list-style-type: none"> • Improved data quality through the adoption of the client information model, information quality governance and information quality monitoring reports • Carried out field population and clean-up 	<ul style="list-style-type: none"> • Embed the data value chain

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Accurate member records	<ul style="list-style-type: none"> Up-to-date and correct membership roll 	<ul style="list-style-type: none"> Interacted with role players. A memorandum of understanding between employers and the GEPF is in the process of being signed 	

Strategic Outcomes and Achievements

The reduction of benefit payment backlogs and the timely payment of new exit payments remains a focus area for the GEPF. Backlog payments comprise mainly old cases that have been in the system for more than 365 days. The reduction of backlog depends on the co-operation of the employer departments in submitting the missing member information required to finalise these claims. Approximately 4 831 case letters for outstanding cases of more than 365 days were sent to employer departments during the year under review, and only 718 cases of feedback were received. The following tables highlight the payment of benefits in respect of recovery of backlogs.

Table 14: Benefit payments – reduction of backlogs

FINANCIAL YEAR	OUTSTANDING CLAIMS	PERCENTAGE REDUCTION IN BACKLOG
2007/08	20 591	-
2008/09	22 389	8%
2009/10	14 036	37%
2010/11 (Target)	7 018	50%

Table 15: Benefit payments – payment of backlog exits in days

	DAYS								TOTAL
	<60	61-90	91-120	121-150	151-180	181-240	241-365	366>	
GEPF 2008/09	7 939	1 057	821	477	326	473	559	2 899	14 551
GEPF 2009/10	3 616	292	258	241	146	230	276	1 300	6 359
Employer 2008/09	745	161	213	183	143	304	407	4 087	6 243
Employer 2009/10	681	197	133	131	90	187	323	4 070	5 812
Tax Status* 2008/09	415	109	92	88	51	80	135	625	1 595
Tax Status 2009/10	726	135	117	93	42	76	124	552	1 865
Total 2008/09	9 009	1 327	1 126	748	520	857	1 101	7 611	22 389
Total 2009/10	5 023	624	508	465	278	493	723	5 922	14 036

* Benefits are generally taxable and, as such, payment to beneficiaries cannot take place until SARS has issued a tax directive. If SARS declines to issue a directive, the person receiving the benefit is required to resolve the issue directly with SARS. This problem often causes delays in payment of benefits.

Administrative Performance (continued)

Table 16: Contribution Management and Customer Relationship Management strategic outcomes and achievements

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Reduced volumes of complaints from members, pensioners, employers and other stakeholders	<ul style="list-style-type: none"> • Providing appropriate and adequate infrastructure, facilities and staff to manage all enquiries relating to the fund(s) under administration in accordance with the administration and service level agreements • Monitoring and recording of all enquiries made, the administrator's response thereto and turnaround times • Establishing and categorising the nature of complaints • Instituting quality assurance, training and corrective action(s) • Monitoring the tendency in addressing those categories of complaints • Establishing a communication strategy with members and pensioners • Instituting best technology in support of the above 	<ul style="list-style-type: none"> • The GEPF's footprint was increased to 13 provincial offices, thereby improving the GEPF's accessibility to members, employer departments and other key stakeholders • Increased employer visits by Client Liaison Officers (CLOs) and conducted 1 028 employer training sessions • The Client Relationship Barometer indicated an improvement in the GEPF's responsiveness to client queries, requests and complaints • Incoming calls to the Call Centre increased by 19%, with the attainment of a service level average of 93% • Improved the Call Centre's response through updated technology, infrastructure and staff product knowledge • Increased member communication through newsletters and non-conventional outreach programmes 	<ul style="list-style-type: none"> • Improved and formalised co-operation with employers signing a memorandum of understanding and service level agreements

Highlights for 2009/10

The following are highlights of achievements within Operations for 2009/10:

- In total, R35,509 billion accrued to the GEPF in contributions in 2009/10, 17% more than the R30,430 billion of the previous year:
- As at 31 March 2010, the total amount of contributions owing to the GEPF was R10,931 million as compared to R95,327 million in 2008/09. This improvement is attributed to the increased interface with the employers' financial heads and the enforcement of the Fund's rules.

- The backlog benefit payment was reduced by 37%, 7% above the targeted 30%. The increased employer visits by Client Liaison Officers (CLOs) to employer departments and the enhanced capacity of regional offices contributed to the time taken for exit cases to reach the GEPF. Duly completed forms were paid within the 60 day target due to improved productivity.
- The GEPF's non-conventional outreach programmes earned recognition from the prestigious Institute of Retirement Funds (IRF). The GEPF was awarded the following accolades:
 - 2009 Winner "Large Fund Category" (in the IRF Communication Challenge); and
 - 2009 Winner "Special Mention Award – Training and Engagement with Organised Labour"
- Held five community road shows in non-metropolitan areas, namely Mmabatho, Lebowakgomo, Soshanguve, Galeshewe, Botshabelo and Mafikeng.
- Staged three exhibitions at the Rand, Pretoria and Royal shows.
- Conducted targeted community radio talk shows in members' language of choice.
- Conducted national road shows with labour (public sector unions) in all nine provinces.

2. Finance

The Finance Division directs and manages the financial resources available to administer pensions and other benefits provided by the GEPF using best practice principles. In this regard, the Division ensures that financial policies are adhered to, financial record keeping is done according to an appropriate framework, and sufficient cash flow levels are maintained for operational activities.

Strategic Outcomes and Achievements

The Finance Division was tasked with the establishment and implementation of a corporate financial model for the Administration; this was completed in the year under review and incorporates a reporting model for both the Fund and the Administration that complies with the Financial Services Board framework, Generally Accepted Accounting Principles, International Financial Reporting Standards and the Public Finance Management Act (PFMA). Along with this, the Division was able to improve corporate governance within the organisation in order to ensure the Administration's compliance with all financial legislation and to achieve the mandate set out by the Minister of Finance.

Administrative Performance (continued)

Table 17: Finance Division strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS AGAINST STRATEGY	MITIGATING ACTION
An approved financial model for the Fund	<ul style="list-style-type: none"> Development of a reporting model which complies with the Financial Services Board framework, Generally Accepted Accounting Principles and International Financial Reporting Standards Timely reporting to the Board in compliance with the Financial Services Board framework, Generally Accepted Accounting Principles, and International Financial Reporting Standards 	<ul style="list-style-type: none"> A project was undertaken to identify differences between the GEPF's accounting policies and the Pensions Fund Act and Regulatory Reporting Requirements as issued by the Financial Services Board. The gaps identified were addressed by Board approval of the implementation of various policy changes. This has aligned GEPF with best practice in the retirement fund industry in terms of accounting policies and reporting Unqualified annual financial statements for 2008/09 have been approved by the Board within the timelines prescribed by GEP Law 	
Aligned budgetary cycle and voluntary adoption of best practices with the PFMA and medium-term expenditure framework	<ul style="list-style-type: none"> A budget that has been approved by the Board as per cycle 	<ul style="list-style-type: none"> The budget was prepared in compliance with the medium-term expenditure framework guidelines and approved by the Board within the PFMA and medium-term expenditure framework cycle 	
Efficient financial processes to improve reporting	<ul style="list-style-type: none"> The monitoring and reporting of operational expenditure to the relevant stakeholders, in line with the approved budget 	<ul style="list-style-type: none"> Chart of accounts harmonised to ensure correct account classification Monthly, quarterly and six-monthly variance reports are produced and discussed with the relevant stakeholders to monitor spend against the budget and ensure corrective action is taken 	

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS AGAINST STRATEGY	MITIGATING ACTION
<p>A transparent procurement policy that is adopted voluntarily as best practice in line with Section 76 (4) (c) of the PFMA</p>	<ul style="list-style-type: none"> An approved supply chain management policy for the Administration 	<p>A supply chain management policy was approved by the Board based on the legislative guidelines listed below:</p> <ul style="list-style-type: none"> Constitution of South Africa Act no. 108 of 1996, section 217 PFMA Act no. 1 of 1999 Section 38 (a) 3 and 76, Section 4 (a) and (c) Preferential Procurement Policy Framework Act (PPPFA) Act no. 5 of 2000 PPPFA regulations issued August 2001 Broad-Based Black Economic Empowerment (BBBEE) Act no. 53 of 2003 BBBEE strategy and codes of good practice Accounting Officer's Guide for Supply Chain Management Circulars and practice notes issued in terms of section 76 of the PFMA Policy Guide for Uniformity in Procurement Reform, section 1.4 page 18 Treasury Regulation in reference to Chapter 16 (a) issued under Section 76 (4) (c) of the PFMA Act, Section 16 (c) 3.2, page 49 Establishment of governance structures in the Supply Chain Management Unit i.e. Bid Committee and Price Quotation Committee 	

Administrative Performance (continued)

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS AGAINST STRATEGY	MITIGATING ACTION
A transparent procurement policy that is adopted voluntarily as best practice in line with Section 76 (4) (c) of the PFMA (continued)	<ul style="list-style-type: none"> An approved supplier database Physical verification of fixed assets to ensure existence and update of the fixed asset register Disposal of obsolete and redundant assets in line with PFMA guidelines 	<ul style="list-style-type: none"> Suppliers are rotated; supplier database is not yet fully implemented due to staff shortages A fixed asset verification project to update and maintain the fixed asset register was finalised Obsolete and redundant assets are continually monitored and disposed of in line with Section 76 of the PFMA 	<ul style="list-style-type: none"> Approval of organisational structure with the recommended staff complement to ensure operational effectiveness
Restructuring of investment accounting model	<ul style="list-style-type: none"> A business case that is approved by the Board highlighting the merits of migrating investment accounting in-house 	<ul style="list-style-type: none"> A business case is being developed for approval by the Board 	

Highlights for 2009/10

The following are highlights of achievements within Finance for 2009/10:

- The development of a financial model for the Administration and the Fund;
- The voluntary alignment of the budgetary cycle and practices with the PFMA and medium-term expenditure framework;
- Improved service delivery through improved operational standards, such as monthly statutory reporting, effective debt collection and compliance with SARS legislation;
- The updating of accounting policies to comply with Pensions Fund Act and Regulatory Reporting Requirements;
- The reconciliation of the chart of accounts to ensure correct account classification; and
- The establishment of a governance structure in the Supply Chain Management Unit.

3. Corporate Services

The primary aim of Corporate Services is to support the Administration in achieving its strategic goals through the management, co-ordination and oversight of all management support and human resources services within the organisation. In working toward the realisation of these goals, Corporate Services ensures compliance with all legislative requirements for policy formulation and frameworks. The Corporate Services Division therefore works to provide a conducive environment for the employees of the organisation in order to promote optimum service.

Human Resources Unit

Focus Area

The Human Resources Management Unit plays an important role in ensuring that the wellbeing of our employees is catered for in a professional manner:

The organisational structure of the GEPF was only approved by the Board in November 2007 and most positions were filled in the last two financial years, inclusive of the year under review. Human Resources Management was instrumental in ensuring that the GEPF's recruitment processes and practice are in line with best employment practice.

The critical programmes in which the Unit engaged are as follows:

- The implementation of the employment equity plan in terms of the Employment Equity Act. The employment equity report is outlined below;
- The implementation of the skills development plan in terms of the Skills Development Act; and
- Carrying out job evaluations for positions below senior management level.

Strategic Outcomes and Achievements

Table 18: Human Resources strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Competent and professional human capital recruited and retained	<ul style="list-style-type: none"> • Percentage of vacancies filled • Turnover rate 	<ul style="list-style-type: none"> • 62,3% of vacancies filled with a 3,96% turnover rate 	<ul style="list-style-type: none"> • Fill remaining vacancies to increase the operational capacity of the GEPF
Competency and skills level of human capital improved	<ul style="list-style-type: none"> • Training programmes for management implemented • Portion of internship programme implemented • Compliance with Workplace Skills Plan 	<ul style="list-style-type: none"> • Trained 80% of middle management • Appointed 15 interns, two of whom were able to attain permanent employment • Achieved 80% compliance with the Workplace Skills Plan 	<ul style="list-style-type: none"> • Targeted functional training per department
Compliance with employment equity plan	<ul style="list-style-type: none"> • Percentage of compliance with employment equity targets 	<ul style="list-style-type: none"> • Staff comprises 63,87% female and 36,13% male employees • The staff complement is demographically represented by 74,4% African, 2,8% Asian, 6,3% coloured and 16,5% white employees 	<ul style="list-style-type: none"> • Continuous management according to the framework

Administrative Performance (continued)

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Sound employee relations practice	<ul style="list-style-type: none"> Employee health and wellness programme implemented 	<ul style="list-style-type: none"> Successfully encouraged employees to utilise the services provided HIV Counselling and Testing (HCT) campaign was launched Men's Health Day was held, and is earmarked to become an annual activity Health screenings were conducted Successfully managed to encourage employees to join the Government Employees Medical Scheme (GEMS); to date, 56% employees of GEPF are now GEMS members Employee Assistance Programme (EAP), which offers 24 hour counselling services, launched Bimonthly hosting of the South African National Blood Service (SANBS) to encourage employees to donate blood 	<ul style="list-style-type: none"> Management of employee wellness versus absenteeism

Compared to the previous financial year, the staffing environment has been stabilised, as evidenced by a 4% turnover rate against 13% in the previous financial year (highlighted in the table below).

Table 19: Turnover rate in relation to salary bands

SALARY BANDS	NUMBER OF EMPLOYEES PER BAND AS AT 1 APRIL 2009	APPOINTMENTS AND TRANSFERS INTO THE DEPARTMENT	TERMINATIONS AND TRANSFERS OUT OF THE DEPARTMENT	TURNOVER RATE
Lower skilled (Levels 1-2)	20	25	3	15,00%
Skilled (Levels 3-5)	105	21	2	1,90%
Highly skilled production (Levels 6-8)	453	139	14	3,09%
Highly skilled supervision (Levels 9-12)	127	60	9	7,09%
Senior management service band A (Level 13)	20	2	1	5,00%
Senior management service band B (Level 14)	6	1	-	0%
Senior management service band C (Level 15)	1	-	-	0%
Senior management service band D (Level 16)	1	-	-	0%
Total	733	248	29	3,96%

The employment equity figures are highlighted in the table below, which shows the total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2010.

Table 20: Employment equity within the GEPPF

OCCUPATIONAL CATEGORIES (SASCO)	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	16	1	1	5	7	-	-	2	32
Professionals	82	5	6	13	65	6	3	20	200
Technicians and associate professionals	132	10	6	18	277	30	11	86	570
Clerks	37	1	-	1	51	7	-	12	109
Service and sales workers	-	-	-	-	-	-	-	-	-
Skilled agriculture and fishery workers	-	-	-	-	-	-	-	-	-
Craft and related trades workers	-	-	-	-	-	-	-	-	-
Plant and machine operators and assemblers	-	-	-	-	-	-	-	-	-
Elementary occupations	10	-	-	-	31	-	-	-	41
Total	277	17	13	37	431	43	14	120	952
Employees with disabilities	4	1	-	4	3	-	-	1	13

Highlights for 2009/10

The following are highlights of achievements within Human Resources for 2009/10:

- The percentage of vacancies that has been filled is 62,3%;
- The operational plans are now being monitored and evaluated on a continuous basis;
- The hosting of wellness days, including offering HIV Counselling and Testing; and
- The internship programme, implemented in the year under review.

Administrative Performance (continued)

Information Security Unit

Information Security (IS) administers matters related to information and communication technology (ICT) and document security for the GEPF. Its main focus is to identify, recommend and implement security solutions in consultation with role-players from business, ICT, service providers and third parties. IS develops and implements policies and procedures that are compliant with international standards and best practice to ensure the protection of the GEPF's intellectual property and proprietary information.

The Unit keeps the executive committee of the Administration abreast of current and new legislation applicable to the protection of information, in an attempt to protect the GEPF against slander and legal action relating to the abuse of third party information.

Information Security aims to build a secure electronic and manual framework with a competent workforce to embrace and protect all information within the GEPF.

Strategic Objectives and Achievements

Table 21: Information Security strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Document security	<ul style="list-style-type: none"> · Fraud prevention · Workflow system 	<ul style="list-style-type: none"> · The second of a three-phased approach to implement an IS threat and risk assessment was completed, looking at the deficiencies identified during the first phase and providing recommendations to minimise the GEPF's vulnerability · IS started streamlining workflow by creating an escalation tool to assist line management in identifying and highlighting defective workflow areas; and by initiating a project to identify and grade all GEPF information 	<ul style="list-style-type: none"> · IS will initiate the recommendation implementation process together with business, once the threat and risk assessment is approved by the GEPF's executive committee · The go-ahead on the escalation project is pending management approval

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
ICT security	<ul style="list-style-type: none"> · Data security · GEPF business continuity 	<ul style="list-style-type: none"> · The identification and stringent testing of measures to secure the GEPF's electronic data received precedence. Current practices that did not comply with IS requirements were remodelled to ensure compliance · Current ICT disaster recovery plans were tested successfully. A Business Continuity Committee was established and is currently looking at the establishment of an enterprise-wide Business Continuity structure 	<ul style="list-style-type: none"> · The identification and testing of security solutions is time-consuming and meticulous. Careful planning is required to ensure compliance · Streamlining of the disaster recovery plan is required. Training of Business Continuity Committee members is needed to ensure buy-in and cohesion
Information security compliance	<ul style="list-style-type: none"> · Information security compliance · Heightened information security 	<ul style="list-style-type: none"> · International standards and best practice procedures are in place to protect the GEPF's intellectual property and third party information · Compliance by staff members is monitored and enhanced on a frequent basis to minimise the possibility of fraud and corruption 	<ul style="list-style-type: none"> · Additional IS policies and procedures to be drafted and implemented for GEPF to be fully compliant

Highlights for 2009/10

The following are highlights of achievements within Information Security for 2009/10:

- Several policies that were crucial for the governance of the GEPF's ICT processes, as well as others identified by an external audit report, were developed, approved and implemented by Information Security, despite the lack of sufficient personnel;
- The acceptance of phase one of the threat and risk assessment gave momentum to the development of phase two, which would show how the deficiencies should be addressed to ensure maximum mitigation; and
- An information security governance structure was established to communicate information between ICT and business role players on an operational level in order to ensure that business is protected and malicious action is circumvented.

Administrative Performance (continued)

Physical Security Unit

Focus Area

The Physical Security Business Unit works to improve the overall security of the Administration to enable the delivery of client service strategy. This Unit is also responsible for the development and implementation of security-related policies and procedures in order to offer support to the Administration. The Unit works to stamp out fraud and corruption within the Administration using security-related tools, functions, and all means possible. Finally, the Unit enhances the compliance of the Administration's personnel, contractors and service providers through investigations, assessments and awareness campaigns.

Strategic Outcomes and Achievements

Table 22: Physical Security strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Enhancement of visual security with additional security camera system	<ul style="list-style-type: none"> Full commissioning and equipment testing report 	<ul style="list-style-type: none"> Additional surveillance security camera system installed in the Administration's head office in Pretoria 	
Outsource security services	<ul style="list-style-type: none"> Service provider that has accepted a letter of appointment and contract security personnel on site 	<ul style="list-style-type: none"> Identified security services have been outsourced to a qualified service provider 	
Improved access control system	<ul style="list-style-type: none"> Upgrade the current access control software and install sluices (cubicles with metal detectors) and x-ray machines at all access control points 	<ul style="list-style-type: none"> Biometric access systems were installed at strategic locations X-ray machines were installed at two entry points at the head office 	<ul style="list-style-type: none"> X-ray machines to be installed at the branch office entrances

Highlights for 2009/10

The following are highlights of achievements within Physical Security for 2009/10:

- A draft risk assessment has been completed; and
- The evacuation plan for business continuity has been completed, while drills are to be carried out in the 2010/11 financial year.

Management Information Services Unit

Focus Area

The focus area of the Management Information Services (MIS) Unit is to provide support to the Administration's management through well-defined MIS products, strategically aligned and improved MIS systems, and production of the integrated MIS reports that inform the Administration's mandate.

Strategic Outcomes and Achievements

Table 23: Management Information Services strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
MIS products redefined and aligned with GEPF strategy	• Clear roles and functions of MIS in GEPF defined	• MIS products redefined and aligned to the GEPF's strategy	
MIS governance framework developed	• Improved MIS		• MIS policy and framework to be developed and approved

Highlights for 2009/10

The following are highlights of achievements within MIS for 2009/10:

- The creation of the CEO dashboard (a tool that enables the CEO to see the operational performance of the organisation in a real-time environment) was a highlight, although approval has not been finalised in this regard; and
- The extraction of and reporting on a large amount of data for the year.

Administrative Performance (continued)

4. Risk Management and Audit Division

Enterprise-wide Risk Management Unit

Focus area

The focus area of this Unit is to facilitate the identification of risks, compile a risk register, implement the risk management plan and monitor the corrective measures taken as well as emerging risks. The main strategic objective of this Unit is to implement the required risk assessment tools in order to identify risk and enhance operational excellence.

Table 24: Enterprise-wide Risk Management strategic outcomes and achievements

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Risk management framework, strategy and plan	<ul style="list-style-type: none"> Effective governance framework Establishment of the Risk Management Committee 	<ul style="list-style-type: none"> A governance framework and policy established and approved by the Board of Trustees in June 2009 No Risk Management Committee has been appointed in the last financial year 	<ul style="list-style-type: none"> Executive committee members to be appointed as Risk Management Committee members
Risk register	<ul style="list-style-type: none"> The creation of a risk register An enterprise-wide risk assessment 	<ul style="list-style-type: none"> An enterprise-wide risk register has been implemented 49% of risks mitigated in monitored Business Units This is an ongoing process 	<ul style="list-style-type: none"> Each Business Unit manages risks on operational plans

Highlights for 2009/10

The following are highlights and achievements within Enterprise-wide Risk Management for 2009/10:

- The risk management policy (with high-level risks) was approved by the Board of Trustees;
- Risk registers were compiled for each Business Unit and presented to the respective managers;
- Risk champions were nominated, with representation from Business Units, and inducted on the risk management process; and
- Assistance and guidance provided by this Unit, in relation to the operational plans of Business Units, resulted in the enhancement of such plans during the monitoring process of the identified risks.

Internal Audit Unit

Focus Area

The Internal Audit Business Unit of the Administration was re-established in 2008. Internal Audit is mandated by the Finance and Audit Committee of the Board of Trustees to follow up and review all findings from external auditors. The management of Internal Audit, and all the managers of the GEPF, then undertake to address the issues that are raised during the external audit process. The Unit therefore fulfils the role of internal audits, as well as providing IT audit functions on a quarterly basis. The main role of the Business Unit is to give assurance to the Board of Trustees to achieve the mandate of the organisation.

Strategic Outcomes and Achievements

Table 25: Internal Audit strategic outcomes and achievements

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Fully capacitated Business Unit	<ul style="list-style-type: none"> Appointment of IT Audit Manager, Internal Audit Manager, Assistant Audit Managers, Internal Auditors and PA 	<ul style="list-style-type: none"> Filled 90% of personnel vacancies in the Board-approved structure, despite the challenges presented by high staff turnover Six interns were brought on board to assist with the completion of the audit plan Total staff complement of 21 	<ul style="list-style-type: none"> Revisit the staff retention strategy
Risk strategy register	<ul style="list-style-type: none"> Assist KPMG to populate the risk register with relevant risks affecting GEPF 	<ul style="list-style-type: none"> Risk register in use and managed by Unit Reported to the Finance and Audit Committee at regular intervals about progress made by management on the implementation of corrective action that had been agreed upon with external auditors 	
Internal audit charter	<ul style="list-style-type: none"> Review and revise internal audit charter 	<ul style="list-style-type: none"> Audit plan was approved by the Board of Trustees in December 2009 	

Administrative Performance (continued)

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Three-year rolling internal audit strategic plan	· Prepare three-year rolling strategic plan	· Three-year rolling internal audit strategic plan approved by the Finance and Audit Committee of the Board of Trustees on 9 November 2009	
Audit assignments	· Conduct planned and unplanned audit reviews	· Completed the following audit reviews during the period under review: <ul style="list-style-type: none"> – Employment equity – Benefit payment process – Unclaimed benefits – Fleet management – Security management – Customer relationship management in the regional offices 	

Highlights for 2009/10

The following are highlights of achievements within Internal Audit for 2009/10:

- The preparation of a risk-based Internal Audit coverage plan, which included a one-year operation plan as well as a three-year strategic rolling plan. The plan was approved by the Finance and Audit Committee of the Board of Trustees on 9 November 2009 (almost five months before the target of financial year-end);
- The recruitment of 90% of the staff needed for the Unit to function correctly; and
- The creation of an internal audit manual for the use of staff.

Forensics and Fraud Prevention Unit

Focus Area

The Forensics and Fraud Prevention Business Unit is responsible for promoting a fraud-free environment within the GEPPF and mitigating the risk and exposure faced by the organisation.

Strategic Outcomes and Achievements

The main strategic objective of this Unit is to implement the required risk assessment tools in order to identify risk and enhance operational excellence. The first goal for the Unit was to establish a fully functional Forensic and Fraud Prevention Management Unit.

Table 26: Forensics and Fraud Prevention strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
A fraud register	<ul style="list-style-type: none"> · An updated fraud register · The reconciliation of the debt and fraud registers, including recoveries (unrecoverable and recoverable losses) 	<ul style="list-style-type: none"> · The creation of an updated fraud register and reconciliation of all debt and fraud registers · The reconciliation of the debt and fraud registers, including recoveries, concluded 	<ul style="list-style-type: none"> · Continuous management of the risk register
Fraud prevention plan	<ul style="list-style-type: none"> · Education and awareness programmes · Whistle-blowing policy and Fraud Hotline 	<ul style="list-style-type: none"> · The running of education and awareness programmes as part of the fraud prevention plan · The Fraud Hotline has been commissioned with the help of KPMG. Thirty-one cases were received from KPMG, and are currently being investigated 	<ul style="list-style-type: none"> · Implement fraud prevention strategies
The taking of a multi-disciplinary and prosecution-led approach on all investigations	<ul style="list-style-type: none"> · A credible process on all investigations · Effective and improved turnaround times 	<ul style="list-style-type: none"> · The appointment of investigators and prevention officers to ensure a fully functioning Unit · A credible process on all investigations is implemented and reports are compiled on all investigations · Improved turnaround times, albeit dependent on external factors such as the SAPS 	

Administrative Performance (continued)

Highlights for 2009/10

The following are highlights of achievements within Forensics and Fraud Prevention for 2009/10:

- Two external suspects were arrested for fraud; investigations are ongoing and awaiting finalisation at criminal court. A request was placed for the recovery of crime proceeds once the matter has been finalised;
- Two GEPF staff members underwent disciplinary processes for fraud and corruption and were duly dismissed from the Administration;
- An amount of R2 101 208 was re-issued to the rightful beneficiaries after their cases were successfully investigated by the Unit;
- A total amount of R778 611 was recovered from banks during the 2009/10 financial year. The recoveries emanated from anonymous information received by the Unit;
- A total of 31 cases, ready for investigation, have been received since the inception of the Fraud Hotline on 25 November 2009. These cases are being finalised on a 40-day turnaround time;
- Incidents of fraud, irregularities and syndicate operations have been identified and investigations are currently being undertaken; and
- New trends in fraud and corruption were identified during the period under review.

5. Legal Services

The purpose of the Legal Services Division is to address any legal matter or issue to which the Administration may be exposed. The Division is also responsible for providing legal advisory services to the various Business Units within the Administration in their day-to-day operations. The Division has as its goal improved service delivery through ensuring compliance with legislative requirements.

Focus Area

The focus areas of the Division are as follows:

- The administration of legal matters;
- The interpretation, research and analysis of legal matters;
- Litigation management for the Administration; and
- The preparation of contracts, policies and legal documentation as required by the Administration.

Strategic Outcomes and Achievements

The Legal Services Division works to advise the organisation on the GEP Law and the rules of the Fund, as well as the development, interpretation and application of policy and applicable legislation. This allows for correctly interpreted and applied policy and legislation applicable to the Administration, as well as accurate responses to legal enquiries.

Table 27: Legal Services strategic outcomes and achievements

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Advise organisation on GEP Law and rules, development, interpretation and application of policy and applicable legislation	<ul style="list-style-type: none"> • Correctly interpreted and applied policy and legislation applicable to employee benefits, administration and accurate responses to legal enquiries 	<ul style="list-style-type: none"> • Advice given to the organisation on GEP Law and the rules of the Fund • Development, interpretation and application of policy and applicable legislation • Administration of and accurate responses given to legal enquiries 	<ul style="list-style-type: none"> • Legal advice and guidance
Creation of a legal identity for the GEPF	<ul style="list-style-type: none"> • Create a legal identity for GEPF and develop appropriate legislative and compliance frameworks 	<ul style="list-style-type: none"> • Creation of legal identities for the Administration and the Fund 	<ul style="list-style-type: none"> • Legal advice and guidance provided in the process of establishing the new Administration
Management of litigious matters	<ul style="list-style-type: none"> • Minimised legal risk through successful management of litigious matters 	<ul style="list-style-type: none"> • Legal matters regarding the organisation have been opposed and successfully defended 	<ul style="list-style-type: none"> • Legal advice and guidance
Formulation, drafting and vetting of contracts	<ul style="list-style-type: none"> • Minimised legal risk and effective administration through signed and concluded contracts or agreements 	<ul style="list-style-type: none"> • Contracts within the organisation were submitted to Legal Services for vetting to minimise risk for the GEPF 	<ul style="list-style-type: none"> • Legal advice and guidance

Highlights for 2009/10

The following are highlights of achievements within Legal Services for 2009/10:

- The proper application of Section 21(3) of GEP Law, Proclamation 21 of 1996, in relation to the deduction of departmental debt, has been revisited. Clear guidelines have been laid down for employers and the Administration for proper procedures to deduct departmental debt, specifically so as to ensure Constitutional compliance;
- The appointment of new staff to assist in the managing of the Division;
- The establishment of new internal procedures for the evaluation of life partner applications; and
- The establishment of new internal procedures for the collection of debt.

Administrative Performance (continued)

6. Information and Communication Technology (ICT)

The Administration's ICT Division directs and manages the organisation's ICT resources, including the data centre (servers and storage area network), wide and local area networks (LAN and WAN), applications, desktop equipment and databases. ICT is the enabler of the Administration's operations and management as it provides the building blocks and the interoperability required to deliver on the Administration's mandate. The Division strives to provide leading-edge technology solutions and high-quality pension administration support services based on established best practice frameworks, models and standards. In this regard, ICT ensures the security and integrity of the Administration's ICT systems while maintaining a clear organisational chart which lays out the approved levels of authorisation for all staff. The Division also maintains defined and role-based access controls with appropriate authorisation by both ICT and user departments.

Focus Area

Guided by the business imperatives of the organisation, the Division provides ICT support to help drive the vision and mission of the GEPPF, while respecting its values. In this regard, it has created an inclusive governance structure to support collective decision-making arrangements, reflecting the multifunctional nature of key ICT issues and concerns. The ICT Division is divided into three areas: Application Support Services, Infrastructure Support Services and Information Security Services, supported by three sub-committees that focus on operations, change management and security.

Strategic Outcomes and Achievements

The Division was able to enhance the delivery of quality electronic information services during the year under review through the upgrading of the wide and local area networks (WAN and LAN). The strategic objective of improving the quality of the Division's capability services was achieved through the improvement of the quality of hardware and software procurement services and also through the appointment of staff. During the year it became necessary to facilitate user training within the Administration in order to support a migration to Microsoft Office 2007, as the previous Office Suite needed replacement.

Table 28: ICT strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Quality business and management information systems	<ul style="list-style-type: none"> • Adoption and implementation of best practice models • Information management systems strategy and architecture • Enhanced governance • Technology refresh strategy 	<ul style="list-style-type: none"> • COBIT and ITIL adopted and partially implemented • ICT strategy aligned with business strategy • Reviewed terms of reference for established governance committees • Developed desktop lease model 	<ul style="list-style-type: none"> • Initiate projects to facilitate and enable architecture development • Document and schedule strategic projects • Implement desktop lease
Improved ICT capabilities	<ul style="list-style-type: none"> • ICT capability benchmark 		<ul style="list-style-type: none"> • Refine strategy and architecture • Appoint Manager: Knowledge Management on contract
Improved ICT services experience	<ul style="list-style-type: none"> • Revised disaster recovery services and plans • Improved printing services • Decongested networks • Reduction of external audit findings 	<ul style="list-style-type: none"> • Disaster recovery services and plans tested regularly • Implemented enhanced printing services for regional offices • Upgraded the WAN infrastructure bandwidth 	<ul style="list-style-type: none"> • Conclude organisational level agreement with Divisions • Audit network performance regularly • Engage internal audit on any new deployment prior to external audit
Adoption of business-enabling technology	<ul style="list-style-type: none"> • Trained staff on new solutions • New functionalities integrated and adopted 	<ul style="list-style-type: none"> • Trained staff in Microsoft Office 2007 • Automation of Call Centre enquiry in development 	<ul style="list-style-type: none"> • Test and quality assure the solution developed before adoption

Highlights for 2009/10

The following are highlights of achievements within ICT for 2009/10:

- The facilitation of user training to support migration to Microsoft Office 2007;
- The appointment of staff;
- The development and adoption of a best practice ICT governance framework;
- The identification of applications needing replacement and/or consolidation;
- The establishment of three ICT governance committees and an oversight committee;
- The review and implementation of ICT strategy to ensure that all of the Administration's capabilities are benchmarked appropriately;
- The enhancement of service delivery through improvements made on the existing ICT infrastructure and the outlining of related processes; and
- The review of disaster recovery services to accommodate changing organisational continuity requirements.

Administrative Performance (continued)

7. The Office of the CEO

The purpose of the Office of the CEO, and the Business Units that fall within it, is to plan, direct and support the Board of Trustees in order to ensure that employee benefits, pensions and retirement funds are administered according to the GEP Law. This group of Business Units is therefore responsible for ensuring that the Administration is effectively managed in order to deliver services that meet or exceed the requirements of clients.

Table 29: Office of the CEO strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Strategic plan and integrated operational plan	<ul style="list-style-type: none"> Level of achievement of strategic goals 	<ul style="list-style-type: none"> Strategy has been formulated and published for 2010/11 Corporate strategic scorecard developed and cascaded into divisional operation plans An electronic CEO's dashboard reflecting the corporate scorecard was developed 	<ul style="list-style-type: none"> Cascading of operational plans to Business and Sub-business Units during 2010/11 financial year
Best practice governance framework that meets GEPF needs	<ul style="list-style-type: none"> Implementation of a governance framework plan for GEPF 	<ul style="list-style-type: none"> The governance framework for the GEPF was developed and approved in January 2010 	<ul style="list-style-type: none"> Implement the GEPF framework during the 2010/11 financial year
Support and implement an integrated client service delivery model	<ul style="list-style-type: none"> Implementation of various service delivery improvement initiatives 	<ul style="list-style-type: none"> Service delivery initiatives implemented as reflected on the divisional operational plans Service Delivery Improvement Programme (SDIP) manager appointed 	<ul style="list-style-type: none"> Continuous monitoring of service delivery Manage the SDIP
Service level agreement compliance report	<ul style="list-style-type: none"> Service levels agreed upon 	<ul style="list-style-type: none"> Service compliance reports will be generated quarterly on the 14th working day of the following quarter 	<ul style="list-style-type: none"> Quarterly service-level reports

Strategy Unit

Focus Area

The main functions of the Strategy Unit are to implement and co-ordinate corporate strategy and corporate reporting against strategic goals, and to create corporate and ad hoc reports for the CEO.

In this regard the performance of the Administration's Business Units is monitored by tracking their progress through key performance indicators (KPIs). Progress is reported on a quarterly basis and consolidated at the end of the financial year. All initiatives are cascaded from the corporate strategy and aligned to Divisional plans – right through to individual performance plans to ensure consistency of performance monitoring, tracking and reporting throughout all levels of the organisation.

The outcomes and impacts of initiatives are evaluated periodically with the assistance of the Corporate Monitoring and Evaluation Unit and lessons learned are fed back into the strategic planning processes. Corporate performance reporting is based on the assessment of monitoring information from KPIs, outputs, outcomes and the evaluation of impacts. The strategy is influenced by the environmental scan, lessons learnt and the priorities of the Fund and its Administration.

Strategic Outcomes and Achievements

The Administration's strategic planning and performance management programmes are results-based. The Administration, and thus the Strategy Unit, has adopted the government's outcome-based planning and performance monitoring and evaluation approach in delivering services to members and beneficiaries. In planning and utilising this approach, the Administration has identified strategic goals for the realisation of the organisational mandate from 2009 to 2013. The goals were developed in line with the strategic priorities in order to ensure alignment of operational objectives and initiatives to meet the service delivery obligations of the GEPF.

The following strategic objectives have been identified as critical for achieving the strategic vision:

- Improved service delivery and client interactions;
- The attraction, retention and development of competent, principled employees;
- Improved governance to ensure compliance with legislation and the mandate of the organisation;
- The development and maintenance of effective relationships with members, pensioners and participating employers; and
- The provision of efficient and effective technologies, business systems and business processes to drive the core pension administration functions.

Administrative Performance (continued)

The cascaded product allows for the monitoring and evaluation of strategic initiatives. The corporate strategic plan was developed and aligned with the five Administration strategic goals; it was then cascaded from corporate to divisional levels, allowing for easier monitoring and evaluation of strategic initiatives. Operational plans were then developed for the six Divisions of the Administration, namely:

- Operations;
- Finance;
- Corporate Services;
- Legal;
- Risk and Audit; and
- Information and Communication Technology.

Strategic Focus and Direction

The Administration has worked to continue to implement its modernisation programme and the service delivery implementation plan as was defined in 2008. Since formulating the five key performance areas (KPA's) to standardise and automate routine processes, the Administration has been able to make changes in the in the areas of focus.

Corporate Monitoring and Evaluation Unit

Focus Area

The purpose of the Monitoring and Evaluation (M&E) Unit within the Administration is to provide for alignment in and with the corporate plan. The Unit also provides a business performance monitoring and evaluation function, as well as client and stakeholder insight. Furthermore, it provides business strategic alignment, while also providing the means with which to utilise knowledge to effect better processes within the organisation and close the feedback loop.

The strategic objectives of the Business Unit are to monitor and evaluate the Administration's strategies and initiatives in order to promote sound governance and measure the impact and effectiveness of any service delivery initiatives.

Monitoring and Evaluation guiding principles are:

- Utility;
- Feasibility;
- Propriety; and
- Accuracy.

Strategic Outcomes and Achievements

Table 30: Corporate Monitoring and Evaluation strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
M&E function established	· Level of institutionalisation of monitoring and evaluation	· The establishment of the M&E function for the GEPF was completed in 2009/10	
Best practice M&E governance frameworks set	· Institutionalisation of M&E frameworks	<ul style="list-style-type: none"> · Best practice frameworks for the governance of M&E were put in place through the development of the M&E policy, strategy and framework, which are all aligned to the government performance M&E framework · The M&E framework comprises: <ul style="list-style-type: none"> – Guidelines for the development of indicators – Monitoring guidelines – Evaluation guidelines – Guidelines for documenting lessons learnt – Results-based M&E approach document – Indicator protocol document – KPI document 	
GEPF monitoring reporting framework set and the GEPF's vision, mission, goals and organisational capacity aligned with its mandate	· Creation of a GEPF performance monitoring plan with outcomes to monitor and KPIs to measure	<ul style="list-style-type: none"> · The GEPF performance monitoring plan is comprised of: <ul style="list-style-type: none"> – Indicator protocol (a performance monitoring and improvement plan) – Strategy reporting template – Corporate performance monitoring (a baseline report) 	
GEPF outcomes and impacts against objectives evaluated	· Stakeholder feedback	· Framework for evaluating GEPF outcomes and impacts set	
Evaluation reports	· Evaluation reporting/feedback	· Employee satisfaction survey report produced	

Administrative Performance (continued)

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Lessons learnt/ effectiveness report	· Knowledge utilisation	· Reports on some aspects of lessons learnt produced and utilised are: <ul style="list-style-type: none"> – Institutionalisation of M&E in regional offices – Assessment of reporting templates' effectiveness 	· Issue corporate lessons learnt/ effectiveness report in 2010

Highlights for 2009/10

The following are highlights of achievements within Corporate Monitoring and Evaluation for 2009/10:

- Monitoring and evaluation capacity in the GEPF was created within a short timeframe;
- GEPF outcomes and KPIs were identified and agreed upon;
- Monitoring and evaluation frameworks and guidelines were developed;
- An employee satisfaction survey was conducted and completed;
- A strategy reporting template that aligns the GEPF outcomes to the strategic goals was developed; and
- Support within certain Units for the M&E process has been garnered, in turn resulting in improved operations. The support that the Unit has received from top management has been pivotal in helping to drive its achievements.

Quality Control Unit

The Quality Control Unit is a newly established component whose objectives are to facilitate quality planning, determine quality control measures, assess quality assurance for compliance and ensure quality improvement. The purpose of the Unit is to ensure the organisation's compliance in terms of various quality standards, controls, systems and processes. The ultimate goal in this regard is to develop and implement a quality management system in all business components, including regional offices, within the organisation.

Table 31: Quality Control strategic outcomes and achievements

OUTPUT/ OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Establish a Quality Control Unit	<ul style="list-style-type: none"> An established Quality Control Unit 	<ul style="list-style-type: none"> The Quality Control Unit was established during the year under review and was able to institutionalise quality management through interaction with other Units dealing with quality activities 	
Quality assurance, compliance, monitoring and control	<ul style="list-style-type: none"> Quality monitored and controlled 	<ul style="list-style-type: none"> A quality management model was conceptualised to develop quality standards and procedures 	<ul style="list-style-type: none"> <i>The Unit intends to consolidate all of the fragmented quality interventions and initiatives and so ensure quality service</i>

Highlights for 2009/10

The following are highlights of achievements within Quality Control for 2009/10:

- The creation of the Unit within the Administration;
- The development of a concept note on the quality management model; and
- The completion of a gap analysis to identify quality activities within the organisation.

Administrative Performance (continued)

Corporate Communication Unit

Focus Area

The purpose of the Corporate Communication Unit is to manage the reputation of the Fund and the Administration. This is done using internal and external communications, as well as brand management and events.

Strategic Outcomes and Achievements

Table 32: Corporate Communication strategic outcomes and achievements

OUTPUT/OUTCOME	MEASURE/INDICATOR	ACHIEVEMENTS	MITIGATING ACTION
Effective stakeholder engagement and management, strategic media management, media training for management, media analysis, intelligence and tracking, and issue identification and management	<ul style="list-style-type: none"> Enhance the perceptions and build the reputation of the organisation Maintain confidence of members, pensioners, employers and the investment community in the Fund Management to be able to engage with media proactively Proactively manage critical issues of the Fund Enhance media image, stakeholder perceptions and organisational reputation Issues and media risk are managed Stakeholder perceptions and media image are enhanced 	<ul style="list-style-type: none"> Road shows and member education programmes 	
Effective internal communication strategy and policy	<ul style="list-style-type: none"> Informed staff 	<ul style="list-style-type: none"> Produced internal electronic newsletters and a magazine for staff 	
Effective media policy	<ul style="list-style-type: none"> Compliance by Business Units to media policy 	<ul style="list-style-type: none"> Approved media policy and strategy 	
Effective brand positioning and advertising of the GEPF, together with the development of a compelling corporate identity	<ul style="list-style-type: none"> Effective brand positioning and alignment Enhanced corporate agenda and stakeholder perception and organisation reputation 		
Reputation and brand positioning surveys	<ul style="list-style-type: none"> To build the reputation and enhance the brand 	<ul style="list-style-type: none"> Not yet commenced. Awaiting the finalisation of the separation project 	

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Statement of Responsibility by the Board of Trustees

for the year ended 31 March 2010

1.1.1 Responsibilities

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

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

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

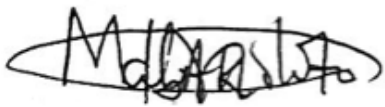
The annual financial statements set out on pages 72 to 126 were prepared in accordance with:

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

The independent auditors Deloitte & Touche, PricewaterhouseCoopers Inc, Gobodo Incorporated and Xabiso Chartered Accountants Incorporated, have reported on these financial statements. During their audit, the auditors were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Trustees believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on page 74.

These audited annual financial statements:

- 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 2010, as well as the results of its activities for the year then ended; and
- Were approved by the Board of Trustees and are signed on its behalf.



Mr Arthur Moloto
Chairperson

11 October 2010



Mr Prabir Badal
Vice Chairperson

11 October 2010

Report of the Independent Auditors to the Board of Trustees for the year ended 31 March 2010

We have audited the annual financial statements of the Government Employees Pension Fund (GEPF), which comprise the report of the Board of Trustees, the statement of net assets and funds as at 31 March 2010, 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 79 to 126.

Trustees' responsibility for the annual financial statements

The Trustees are responsible for the preparation and presentation of these financial statements for regulatory purposes, in accordance with the basis of preparation applicable to the Government Employees Pension Law, 21 of 1996, and the rules of the GEPF, as set out in the notes to the financial statements. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Audit opinion

In our opinion the annual financial statements of the Government Employees Pension Fund (GEPF) for the year ended 31 March 2010 are prepared, in all material respects, in accordance with the GEPF's stated accounting policies, the provisions of the Government Employees Pension Law, 21 of 1996, and the rules of the GEPF.

Other matters

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

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

We have reviewed the Annual Report as required by Section 13(2) of the Government Employees Pension Law 21 of 1996, as amended, and in our opinion, the information furnished in terms of Section 9 and 10 of the Government Employees Pension Law, is presented fairly in all material respects.

With reference to Section 13(14) of the Government Employees Pension Law, 21 of 1996, as amended, we draw your attention to the matters highlighted by the Fund in the Annual Report.

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

			
Deloitte & Touche	PricewaterhouseCoopers	Gobodo Incorporated	Xabiso Chartered
Registered Auditors	Incorporated. Registered Auditors	Registered Auditors	Accountants Incorporated Registered Auditors
Per E Lehapa	Per S Masuku	Per D Simpson	Per L Dhlamini
Partner	Director	Director	Director
Pretoria	Johannesburg	Pretoria	Johannesburg
11 October 2010	11 October 2010	11 October 2010	11 October 2010

Report of the Valuator

for the year ended 31 March 2010

Particulars of financial condition of the Fund

1. Net assets available for benefits amounted to R707,042 billion as at 31 March 2008.
2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement benefits, amounted to R707,042 billion as at 31 March 2008.
3. The actuarial present value of promised retirement benefits in respect of active members amounted to R433,286 billion as at 31 March 2008.
4. The actuarial present value of retirement benefits in respect of pensioners amounted to R155,654 billion as at 31 March 2008.
5. The full value of the data and contingency reserve accounts held by the Fund, on my recommendation, amounted to R118,108 billion as at 31 March 2008. This was less than the full extent of the reserves that would have been recommended and was limited to the assets available to allocate to the reserves.
6. Details of the valuation method adopted (including that in respect of contingency reserves) and details of any changes since the previous summary of report:
 - The projected unit method was used to determine past service liabilities and the future service contribution rate.
 - Under the projected unit method, the present value of benefits that have accrued to members in respect of service prior to the valuation date is compared with the value of the Fund's assets. Allowance is made in the valuation of the accrued benefits for estimated future salary increases, withdrawals, ill-health retirements and deaths.
 - Allowance was made for mortality improvements for all members of 1% per annum.
 - An active member data and contingency reserve of approximately 4,5% of the active member liabilities was held.
 - A pensioner contingency reserve was calculated to allow for suspended pensioners who may be reinstated. Only future pension payments were taken into account, as back-payments are allowed for in the 'S'-case provision.
 - Our results include the reserve held in respect of previous discriminatory practices, being the accumulated value of 1% of the funding level in 1998.
 - In the previous valuation, a solvency reserve was set up such that there was a probability of 90% that the funding level after a three year period would be at least equal to 100%. The solvency reserve was calculated by investment consultants to the GEPF. For the valuation as at 31 March 2008, we have calculated the solvency reserve by reducing the pre-retirement discount rate by 0,5% and setting aside the difference in actuarial liabilities based on this assumption and the valuation assumption as a solvency reserve. As at the valuation date the assets of the Fund were not sufficient asset to fund this reserve.
 - 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. The Fund could only afford to hold a reserve in respect of the accrued service provision for both active members and pensioners.

- When the above contingency reserves were set up at the previous valuation date, it was not the intention of the Trustees to hold such reserves if it would place the Fund into a deficit funding level position. As at 31 March 2008 the Fund could only afford to hold a total of R118 108 million as a reserve. On this basis the full value of the active and pensioner data reserves, the previous discriminatory practices reserves and the 100% CPI increase for pensionable service accrued to the valuation date for both current active members and pensioners could be afforded to be held, together with 93% of the mortality improvements reserve.
7. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report:
- Net pre-retirement discount rate: 10,8% (previously 8,94%).
 - Post-retirement net discount rate: 5,0% per annum for active members and 5,1% per annum for current pensioners (previously 4,96% for active members and 4,97% for pensioners).
 - Post retirement mortality: Rates based on observed GEPF mortality. These rates have been adjusted based on an experience analysis carried out for the Fund over period to 31 March 2008.
 - Salary increases: 7,9% (previously 5,74%). It is assumed that salaries will increase at an average rate of 1% in excess of the long-term inflation assumption of 6,9% for active members (previously 4,74%). In addition, an allowance is made for merit salary increments. The assumptions in respect of merit and promotional increases were updated in line with the Fund's experience investigation conducted for the period to 31 March 2008.
 - Proportion married: Various assumptions have been made regarding proportions of members who are married at each age. Age difference between males and females is assumed to be four years.
 - Expense: Allowance for future administration expenses was 0,2% of payroll per annum.
 - The Fund had undertaken an investigation into the allowance for membership movements in respect of cash withdrawals, ill health and early retirements as well as deaths in service. The actuarial assumptions in this respect were revised based on this investigation.
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 greater than or equal to accrued liabilities and contingency reserves on a best estimate basis.

Prepared by:



Anton Nel

Fellow of the Actuarial Society of South Africa

Fellow of the Institute of Actuaries

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

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

13 August 2010

Report of the Valuator (continued)

for the year ended 31 March 2010

Remarks

For the purposes of this summary of the report:

- (a) Net assets available for benefits are the fair value of the assets of the Fund less liabilities other than the actuarial present value of promised retirement benefits.
- (b) The actuarial present value of promised retirement benefits means:
 - i. the actuarial liabilities in respect of past service benefits (including accrued bonus service) of active members, with due allowance for future salary increases where these affect the benefits in respect of past service, and with due allowance for increases in pension and deferred pensions at rates consistent with the pension increase policy of the Fund;
 - ii. the actuarial liabilities in respect of pensions in course of payment and deferred pensions, including any contingent annuity payable on the death of a pensioner, with due allowance for increases at rates consistent with the pension increase policy of the Fund;
 - iii. any other accrued liability.
- (c) Vested benefits are benefits, the right to which, under the conditions of the Fund, is not conditional upon continued employment.

Report of the Board of Trustees

for the year ended 31 March 2010

I Description of the Fund

I.1 Type of fund

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

I.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 the PF Circular 126 as issued by the Financial Services Board.

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

I.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 emoluments to the GEPF.

I.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 one percent of funding level of the GEPF, based on the result of the actuarial valuation as at 31 March 2001, was set aside to address past discriminatory practices. The GEP Law and rules thereto were amended to increase the pensionable service for members of former Non-Statutory Forces, employees that participated in strikes in the former Ciskei, and other employees that were previously discriminated against. The actuarial reserve set aside to address past

Report of the Board of Trustees (continued)

for the year ended 31 March 2010

discriminatory practices is allocated to account for the recognition of periods of pensionable service based on agreements concluded in the PSCBC.

The accounting provision for the reserves set aside to address past discriminatory practices is summarised as follows (refer to note 9 to the annual financial statements):

Reserve account balance	31 March 2010 R'000	31 March 2009 R'000
Non-statutory forces	1 053 304	1 009 305
Ciskei strikers	136 488	129 512
General assistants	75 472	72 444
Other past discriminatory practices	3 670 866	3 042 929
Total balance at year end	4 936 130	4 254 190

1.5 Rule amendments

There have been no rule amendments in the current financial year.

1.6 Board of Trustees

A Board of Trustees was constituted on 20 June 2005 to manage the GEFP until 19 June 2009, after which a new Board was constituted on 22 September 2009. This Board consists of 16 members, with equal employer and employee 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, whilst Trustees and substitutes participate in Board committee meetings.

2 Investments

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

- Absa Asset Management (Pty) Ltd;
- Aeon Investment Management (Pty) Ltd (post year end);
- Afena Capital (Pty) Ltd;
- Argon Asset Management (Pty) Ltd;
- Cadiz Asset Management Ltd;
- Catalyst Fund Managers SA (Pty) Ltd;
- Coronation Asset Management (Pty) Ltd;
- Element Investment Managers (Pty) Ltd;
- Future Growth Asset Management;
- Investec Asset Managers (Pty) Ltd;
- Kagiso Asset Managers (Pty) Ltd;

- Mazi Capital (Pty) Ltd;
- Meago (Pty) Ltd;
- Mergence Africa Investments (Pty) Ltd;
- Old Mutual Investment Group SA (OMIGSA);
- Prudential Portfolio Managers (Pty) Ltd;
- Public Investment Corporation Ltd;
- Rand Merchant Bank Asset Management (RMBAM);
- Sanlam Investment Managers (Pty) Ltd;
- Sentio Capital Management (Pty) Ltd (post year end);
- Sortino Fund Managers (Pty) Ltd;
- Stanlib Asset Management Ltd; and
- Taquanta Asset Managers (Pty) Ltd.

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

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

2.1 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.

Report of the Board of Trustees (continued)

for the year ended 31 March 2010

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

Guidelines have been set for the various asset classes and funds are invested accordingly to allow for a balanced portfolio.

The approved guidelines and actual asset allocation for the financial year under review are as follows:

Asset classes	Guideline %	Actual % 31 Mar 2010
Local equity	40-55	56
Unlisted property	0-7	2,1
Listed property	1-3	1,4
Bonds	25-45	36,3
Money market instruments	0-10	3,9
Isibaya Fund	2-8	0,4
Total	100	100

- The asset allocation consists of an equal mix between equities and fixed-interest instruments. The strategic asset allocation is being reviewed in consultation with the Minister of Finance as part of an interactive asset liability modelling exercise. A revised investment mandate was finalised and approved by the Board during the current year.
- The 1% excess on the local equity is acceptable as the share value moves up and down on a daily basis.
- The Isibaya portfolio falls below the lower limit due to the impairment of R4,6 billion which was not anticipated.

2.3 Investment properties (title deeds not yet registered in the name of the GEPF)

In the previous financial year, all title deeds of investment properties were registered in the name of the GEPF except one which relates to Tlhabane Flats constructed in Rustenburg by Sefalana Employee Benefits Organisation (SEBO) to whom GEPF is the successor in title. This property was constructed on state land without proper title to the land being given to SEBO. The process of transferring this property into the name of the GEPF was concluded on the 15 December 2009.

2.4 Other investments not in the name of the GEPF

In the previous financial year, other 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 the GEPF. A process of transferring the scrip accounts from the name of the PIC to the GEPF was concluded in the current year except for the Isibaya investments and some of the investment managers' call accounts which are not in the name of the GEPF.

3 Membership

The GEPF's membership as at 31 March 2010 consisted of 1,213 million (Mar 2009: 1,197 million) government and parastatal employees, as well as 336 586 (Mar 2009: 317 924) pensioners receiving monthly annuity benefits. In the previous year, pensioner numbers were rounded in thousands. Hence, the prior year, pensioner numbers were reported as 318 000.

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 2008 based on the funding policy adopted by the Board of Trustees 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 and investment risks and uncertainty relating to future public service remuneration and employment. The required level of solvency was calculated independently based on a detailed asset-liability study. The next actuarial valuation is in process of being finalised and will be as at 31 March 2010.

5 Subsequent Events

On 26 March 2010 a government notice contained in the *Government Gazette* establishing an administration agency called Government Pensions Administration Agency (GPAA) was issued by the Minister of Finance with effect from 1 April 2010.

Subsequent to the establishment of GPAA, a proclamation by the President of the Republic of South Africa was issued, amending Part A of Schedule 3 of the Public Service Act of 1994 to include GPAA as a government component with effect from 1 April 2010.

The process of transferring employees, assets and liabilities from the GEPF to GPAA is underway.

Statement of Net Assets and Funds

as at 31 March 2010

	Notes	2010 R'000	2009 R'000
Assets			
Non-current assets			
Equipment	2	42 233	25 223
Investments	3	798 307 353	641 817 536
Current assets			
Funding loan	4	3 538	3 538
Inventory	5	1 109	1 263
Accounts receivable	6	3 663 019	3 988 296
Transfers receivable	12.2	1 330	320
Contributions receivable	7	465 901	524 965
Cash and cash equivalents	8	15 108 181	14 435 152
Total assets		817 592 664	660 796 293
Funds and liabilities			
Funds and surplus account			
Accumulated funds	9	796 067 982	635 492 980
Reserves			
Reserve account	9	4 936 130	4 254 190
Total funds and reserves		801 004 112	639 747 170
Non-current liabilities			
Unclaimed benefits	10	549 838	189 630
Current liabilities			
Benefits payable	11	14 113 707	18 510 537
Transfers payable	12.1	6 189	33 115
Accounts payable	13	1 905 190	2 306 511
Provisions	14	13 628	9 330
Total funds and liabilities		817 592 664	660 796 293

Statement of Changes in Net Assets and Funds

for the year ended 31 March 2010

	Notes	Accumulated funds R'000	Reserve accounts R'000	Total 2010 R'000	Total 2009 R'000
Net income/(loss) before transfers and benefits		187 883 035	(136)	187 882 899	(37 060 009)
Contributions received and accrued	7.2	35 509 729	-	35 509 729	30 429 516
Purchase of periods of service	15	116 797	-	116 797	564 682
Unclaimed benefits forfeited	10	-	-	-	9 982
Net investment income	16	152 562 111	-	152 562 111	(67 797 473)
Other income	17	108 622	-	108 622	73 683
Less:					
Administrative expenses	18	(414 224)	(136)	(414 360)	(340 399)
Transfers and benefits		(28 732 731)	(40 226)	(28 772 957)	(30 235 202)
Benefits	11	(28 159 186)	(40 226)	(28 199 412)	(28 650 103)
Transfers to other funds	12.1	(450 054)	-	(450 054)	624 022
Transfers from other funds	12.2	7 009	-	7 009	8 200
Interest paid	19	(130 500)	-	(130 500)	(2 217 321)
Net income/(loss) after transfers and benefits		159 150 304	(40 362)	159 109 942	(67 295 211)
Funds and reserves					
Balance at beginning of the year	9	635 492 980	4 254 190	639 747 170	707 042 381
Prior year adjustment - benefits		2 147 000	-	2 147 000	-
Transfer to reserves					
Net investment return on reserves	9	(722 302)	722 302	-	-
Balance at end of the year		796 067 982	4 936 130	801 004 112	639 747 170

Cash Flow Statement

for the year ended 31 March 2010

	Notes	2010 R'000	2009 R'000
Cash flow from operating activities			
Cash flow generated from operations	21	5 300 038	4 500 902
Contributions and other income received		35 566 690	30 223 240
Benefits paid during the year		(30 028 344)	(25 508 377)
Other expenses paid		(238 308)	(213 961)
Interest received		30 060 343	34 167 885
Interest paid		(1 112 564)	(2 217 592)
Dividends received		11 032 054	21 639 942
Transfers and bought services received		(352 433)	125 093
Net cash inflow from operating activities		44 927 438	58 216 230
Net cash outflow from investing activities			
Proceeds on sale of equipment		159	8
Additions to equipment		(27 217)	(17 166)
Additions to investments		(44 227 351)	(52 292 678)
Net increase in cash and cash equivalents		673 029	5 906 394
Cash and cash equivalents at beginning of the year		14 435 152	8 528 758
Cash and cash equivalents at end of the year	8	15 108 181	14 435 152

Notes to the Annual Financial Statements

for the year ended 31 March 2010

I Principal Accounting Policies

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

1.1 Basis of presentation of financial statements

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

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

1.2 Equipment

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

Equipment is stated at historical cost less accumulated depreciation.

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

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

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

1.3 Financial instruments

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

1.3.1 Classification

1.3.1.1 GEPF classifies its financial assets in 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 equity, capital market instruments, options and interest swaps, structured investment products and derivatives.

1.3.1.1.2 Loans and receivables

Financial assets classified as loans comprise 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 include 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, any directly attributable transaction costs.

Financial assets 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, other than those classified at fair value through the statement of changes in net assets and funds, are measured at amortised cost using the effective interest rate method.

1.3.3.1 Equities

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

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

- **Listed equities**

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

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

- **Unlisted equities**

Unlisted equity instruments are subsequently measured at fair value, using the pricing models determined by the GEPP, or by applying valuation techniques such as discounted cash flow model or at arm's length market transactions. When discounted cash flows techniques are used, discounted cash flows are based on management's best estimates and the discount rates used are market rates at the statement of net assets and funds date applicable for an instrument with similar terms and conditions.

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

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 listed preference shares traded on active liquid markets is based on regulated exchange quoted closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.
- **Unlisted preference shares**
The fair value of unlisted preference shares is determined by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transaction in respect of preference shares.

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 listed and unlisted debentures.

- **Listed debentures**
The fair value of listed debentures traded on active 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 debentures**
Unlisted 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 bills and bonds**
The fair value of listed bills and 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 and bonds**

The market yield is determined by using the appropriate yields of existing listed bills and bonds 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 an open market fair value at the statement of net assets and fund date, if the open market fair value cannot be reliably determined, alternative valuation methods, such as discounted cash flow projections or recent prices on active markets for transactions of a similar nature are used.

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

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

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 is the quoted unit values as derived by the collective investment schemes administrator with reference to the rules of each particular collective investment scheme, multiplied by the number of units.

1.3.3.7 Derivative market instruments

Derivative market instruments consist of options, equity index-linked instruments, futures/forwards-SAFEX/foreign currency swaps and interest swaps.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value.

Fair values are obtained from the regulated exchange quoted market prices in active markets, including recent market transactions, and valuation techniques, cash flow models and options pricing models as appropriate.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

All derivatives are carried as assets when the fair value is positive and as liability when the fair value is negative. The fund does not classify any derivatives as hedges in a hedging relationship.

The best evidence of the fair value of derivatives at initial recognition is the transaction price, unless the fair value of that instrument is evident by comparison with other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets.

- **Options**

Options are valued using the Black-Scholes model.

- **Futures/Forwards**

The fair value of publicly traded derivatives is on quoted closing prices for assets held or liabilities issued, and current offer prices for assets to be acquired and liabilities held.

- **Swaps**

Swaps are valued by means of discounted cash flow models, using the swap zero curve from a regulated exchange such as BESA, to discount fixed and variable rates cash flows, as well as to calculate the implied forward rates to determine the floating interest rate amount.

The net present value of the fixed part and the variable part of the swap are offset to calculate the fair value of the swap.

1.3.3.8 Structured products

Investments in structured 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.

1.3.3.9 Direct loans

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

1.3.3.10 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 it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

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

1.3.5 Impairments

1.3.5.1 Financial assets carried at amortised cost

The Fund assesses at each statement of net assets and fund date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence 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 comes 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 in 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 exists for individually assessed assets, the Fund assesses a group of financial assets with similar credit risk characteristics, collectively (Refer to note 16 for additional information).

Assets that are individually assessed for impairment and for which impairment losses are or continue to be recognised are included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held to maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the assets carrying amount and the present value of the 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's fair value using an observable market price.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Such characteristics must be 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 a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of changes in net assets and funds.

1.3.5.2 Impairment of other non-financial assets

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

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

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

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

1.3.5.3 Impairment of loans and receivables

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

1.4 Cash and cash equivalents

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

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

Trade receivables

Trade receivables 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.

Purchase of service receivables

Purchase of 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. This is in line with the PF Circular 126 as issued by the Financial Services Board.

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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

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 funds, 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 property 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 agreement, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased assets is diminished.

Property expenses are recognised in the statement of changes in net assets and funds under net income.

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 investment and of all other financial instruments are recognised in net investment income/(loss) 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's 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 Judgments and estimates

Critical judgments in applying the entity's accounting policies

In the process of applying the GEPF's accounting policies, the Board of Trustees has made the following judgments 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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

- **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 balance sheet 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 the GEPF.

Contingent liabilities are disclosed when there is a possible obligation that arises from the past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the GEPF, or it is 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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

2 Equipment

	Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Office equipment R'000	Motor vehicles R'000	Tools R'000	Total R'000
2.1 Current year, 2010							
Gross carrying amount	32 765	4 803	17 869	19 110	2 609	9	77 165
At beginning of the year	32 286	1 785	12 678	11 319	2 503	13	60 584
Additions	9 858	3 018	5 778	8 376	186	1	27 217
Disposals	(9 379)	-	(587)	(585)	(80)	(5)	(10 636)
Accumulated depreciation and impairment	(17 443)	(1 453)	(7 600)	(6 751)	(1 680)	(5)	(34 932)
At beginning of the year	(20 489)	(924)	(6 503)	(5 991)	(1 445)	(9)	(35 361)
Depreciation	(6 295)	(529)	(1 668)	(1 342)	(315)	(1)	(10 150)
Impairment loss	-	-	-	(2)	-	-	(2)
Accumulated depreciation on disposals	9 341	-	571	584	80	5	10 581
Net carrying amount at end of the year	15 322	3 350	10 269	12 359	929	4	42 233
2.2 Prior year, 2009							
Gross carrying amount	32 286	1 785	12 678	11 319	2 503	13	60 584
At beginning of year	25 266	1 271	8 566	6 671	1 862	13	43 649
Additions	7 040	514	4 354	4 651	641	-	17 200
Disposals	(20)	-	(242)	(3)	-	-	(265)
Accumulated depreciation and impairment	(20 489)	(924)	(6 503)	(5 991)	(1 445)	(9)	(35 361)
At beginning of year	(16 563)	(713)	(5 602)	(5 028)	(1 208)	(8)	(29 122)
Depreciation	(3 945)	(211)	(1 128)	(966)	(237)	(1)	(6 488)
Impairment	-	-	(6)	-	-	-	(6)
Accumulated depreciation on disposals	19	-	233	3	-	-	255
Net carrying amount at end of year	11 797	861	6 175	5 328	1 058	4	25 223

3 Investments

		Fair value	Amortised cost	Total	Total	Category
		2010	2010	2010	2009	(IAS 39)
		R'000	R'000	R'000	R'000	AC 133
3.1	Investment summary					
	Notes					
	3.1.1	-	31 152 272	31 152 272	52 355 494	*
	3.1.2	-	3 118 500	3 118 500	15 827 746	*
	3.1.3	44 990	-	44 990	32 662	**
	3.1.4	290 072 467	-	290 072 467	260 660 301	**
	3.1.5	6 722 111	-	6 722 111	5 822 256	**
	3.1.6	449 256 685	-	449 256 685	287 883 749	
	Listed equities	446 253 064	-	446 253 064	272 939 004	**
	Primary listings	323 969 197	-	323 969 197	218 138 957	
	Secondary listings	112 347 086	-	112 347 086	46 013 006	
	Foreign equities	9 936 781	-	9 936 781	8 787 041	
	Unlisted equities	3 003 621	-	3 003 621	14 944 745	**
	Local equities	2 406 134	-	2 406 134	14 765 289	
	Foreign equities	597 487	-	597 487	179 456	
	3.1.7	550 599	-	550 599	530 351	
	3.1.8	16 311 686	-	16 311 686	17 769 510	**
	3.1.9	1 078 043	-	1 078 043	922 700	**
	3.1.10	-	-	-	12 767	**
		764 036 581	34 270 772	798 307 353	641 817 536	

* Classified as loans and receivables.

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

Included in listed equities are 27 851 891 ordinary shares in Telkom SA Ltd valued at R951 million (March 2009: R2,9 billion) of which the "B" rights belong to Black Ginger 33 (Pty) Ltd. The "B" rights entitles Black Ginger 33 (Pty) Ltd to register ownership and voting rights attached to Telkom shares, but specifically excludes the "A" rights. The price payable for the "B" rights shall be R1 and shall be payable to Black Ginger 33 (Pty) Ltd on final date, which is March 2011.

During the current financial year, Telkom disposed of its holding in Vodacom. Altogether, 70% of the disposed shares were distributed to its shareholders at a ratio of one Vodacom share for every Telkom share held. This resulted in Black Ginger obtaining 27 851 891 Vodacom shares of which the "B" rights are owned by Black Ginger. The 27 851 891 ordinary shares in Vodacom to the value of R1,5 billion are also included in listed equities.

Included in the unlisted foreign equities above are investments in the Pan African Infrastructure Development Fund (PAIDF) to the value of US\$81 million (R597,5 million). These infrastructure investments are in Seawolf Jackup Ltd, Aldwych Holdings Ltd, Essar Telecoms Kenya Holdings Ltd, Main One Cable Company Ltd and Community Investment Venture Holdings. Additional investments to the value of R517,7 million were made in PAIDF during the current year.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

Money market instruments with original maturities of three months or less are classified as cash and cash equivalents in terms of the Regulatory Reporting Requirements of Retirement Funds. Money market instruments to the value of R14,8 billion were previously incorrectly classified as cash and cash equivalents, have been reclassified by increasing investments and decreasing cash and cash equivalent prior year figures.

Accrued interest on money market instruments and bills and bonds was previously classified as a separate debtor under accounts receivable, and is currently included in investments. Comparative figures on accrued interest on money market instruments to the value of R1,8 billion and on bills and bonds to the value of R3,3 billion were also reclassified to investments.

The details of the minimum top 25% on the investments above have been provided in the detailed schedules and the rest is included in other, where practicable.

Investments which met the top 25% 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.

3.1.1 Money market instruments

	Amortised cost	Amortised cost
	2010	2009
	R'000	R'000
Certificate of deposits	16 091 538	11 342 624
Fixed deposits	11 558 782	31 950 108
Promissory notes	3 501 952	9 062 762
Total money market instruments	31 152 272	52 355 494

3.1.2 Direct loans

	Secured by	Amortised cost	Amortised cost
		2010	2009
		R'000	R'000
Consol Holdings (Pty) Ltd	Not secured*	232 081	246 213
University of Western Cape	Standard Bank zero coupon bond	2 708	2 689
University of the North	Not secured	-	1 096
FirstRand Ltd	40 million FirstRand shares	321 056	304 688
Investec Bank	33,5 million Investec shares	496 595	499 238
Afrisam (Pty) Ltd	Not secured**	1 175 349	4 796 059
New Shelf 664 (Pty) Ltd	Not secured	-	9 817 658
Brevity 12 (Pty) Ltd	97 million Doves shares	-	20 861
Legend Lodges	40% of Entabeni Holdings shares	89 926	132 348
Wireless Broadband Solution Holdings	4,8 million WBS Holdings shares	-	6 896
King Sabata Dalindyebo Municipality	Municipal building in Umtata	49 099	-
Batho Bonke Capital	ABSA shares	741 870	-
Womens Development Business	Womens Development Business	9 816	-
	loan book		
Total loans		3 118 500	15 827 746

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

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

3.1.3 Debentures

	Secured by/ unsecured	Redemption value R'000	Fair value 2010 R'000	Fair value 2009 R'000
Lereko Mobile	Unsecured	43 725	44 990	32 662
Total debentures		43 725	44 990	32 662

3.1.4 Direct bonds and bills

	Secured by/ unsecured	Fair value 2010 R'000	Fair value 2009 R'000
Bills			
Eskom	Unsecured	2 452 860	6 614 878
Telkom SA Ltd	Unsecured	-	759 756
Other		235 944	-
Total		2 688 804	7 374 634
Government bonds			
197 R197 RSA 5,5% 071223	Unsecured	30 595 562	-
R189 RSA 6,25% 310313	Unsecured	25 452 919	26 217 030
157 R157 RSA 13,5% 150915	Unsecured	-	23 470 644
Other		116 076 743	111 106 651
Total		172 125 224	160 794 325
Corporate bonds			
Eskom	Unsecured	-	12 570 969
Transnet	Unsecured	10 377 337	6 675 163
Trans-Caledon Tunnel Authority	Unsecured	5 522 624	-
Development Bank of SA	Unsecured	3 375 491	-
Other		56 502 701	60 768 889
Total		75 778 153	80 015 021
Commercial paper D5			
Anglo American SA Finance Ltd	Unsecured	-	397 844
Other	Unsecured	-	1 181 586
Total		-	1 579 430
Parastatal bonds			
Eskom	Unsecured	12 912 076	8 431 805
Other	Unsecured	24 578 891	-
Total		37 490 967	8 431 805
Other bonds			
Telkom SA Ltd	Unsecured	1 328 395	1 231 304
Other	Unsecured	660 924	1 233 781
Total		1 989 319	2 465 085
Total bills bonds and other securities		290 072 467	260 660 301

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

3.1.5 Investment properties

	Fair value 2010 R'000	Fair value 2009 R'000
Current developments	515 473	344 415
Residential properties	30 990	30 420
Industrial properties	1 031 335	1 044 125
Office properties	4 013 130	3 574 376
Retail properties	1 105 500	820 558
Specialised properties	73 900	76 277
Vacant land	14 689	5 886
Lease income accrual	(62 906)	(73 801)
Total properties	6 722 111	5 822 256

Name of properties	Address	Valuation method	Date of last valuation	Pledged as guarantee	Fair value 2010 R'000	Fair value 2009 R'000
Riverwalk Office Park	Ashlea Gardens, Garsfontein	Eight-year discounted cash flow	2010/03/31	No	490 110	256 806
Iparioli Office Park	1166 Park/ Duncan Street Hatfield	Six-year discounted cash flow	2010/03/31	No	266 000	243 000
Pdis Discovery Health	3 Alice Lane Sandown	Six-year discounted cash flow	2010/03/31	No	340 000	344 577
GijimaAst Holdings	47 Landmarks Avenue, Kosmosdal	Six-year discounted cash flow	2010/03/31	No	311 000	362 700
Jakaranda Shopping Centre	Cnr Michael Brink and Frates Streets Rietfontein	Five-year discounted cash flow	2010/03/31	No	222 200	257 832
Vantage Shopping	Vanguard Drive Athlone Cape Town	Eleven-year discounted cash flow	2010/03/31	No	425 000	-
Other					4 730 707	4 431 142
Lease income accrual					(62 906)	(73 801)
Total properties					6 722 111	5 822 256

		2010	2009
		R'000	R'000
3.1.5.1	Investment properties		
	Balance at beginning of the year	5 896 056	3 059 037
	Additions		
	- Direct acquisition	1 190 826	3 391 692
	- Capital expenditure	302 515	293 715
	- Properties inherited from SEBO	-	487
	Disposals	(27 152)	(769 886)
	Fair value adjustment	(577 228)	(78 988)
	Closing fair value	6 785 017	5 896 057
	Operating lease income accrual	(62 906)	(73 801)
	Balance at end of year	6 722 111	5 822 256

An independent valuation of the investment properties was performed as at 31 March 2010. 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 are included for tenant risk and building factors, plus account is taken of vacancies, rental reversions to market, property costs, tenant installations and capital expenditure. The key assumptions used by the valuers include the capitalisation rate and the discount rate. The discount rates reflect the risks inherent in the net cash flows and are constantly monitored by reference to comparable market transactions.

The independent valuation was performed by professional valuers from Mills Fitchett and Associates who are registered valuers in terms of Section 19 of the Valuers Professional Act (Act No 47 of 2000), and have recent experience in valuing similar properties at similar locations.

3.1.5.2 Title deeds of investment properties (not registered in the name of the GEPF)

In the previous financial year, all title deeds of investment properties were registered in the name of the GEPF except one which relates to Tilhabane Flats constructed in Rustenburg by Sefalana Employee Benefits Organisation (SEBO) to whom the GEPF is the successor in title. This property was constructed on state land without proper title to the land being given to SEBO. The process of transferring this property into the name of the GEPF was concluded on the 15 December 2009.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

3.1.6 Equities

	Fair value 2010 R'000	Fair value 2009 R'000
1. Primary listing on JSE	323 969 197	218 138 957
2. Secondary listing on JSE	112 347 086	46 013 006
3. Foreign listed equities	9 936 781	8 787 041
4. Unlisted equities	3 003 621	14 944 745
Total equities	449 256 685	287 883 749

	Issued shares	Holding number	Holding %	Fair value 2010 R'000	Fair value 2009 R'000
1. Primary listing on the JSE					
Sasol Ltd	638 635 816	104 923 319	16	31 763 436	32 285 270
MTN Group Ltd	1 840 549 097	426 199 533	23	47 734 348	22 916 995
Standard Bank Group	1 560 507 136	197 966 561	13	22 686 968	-
Other				221 784 445	162 936 692
Total equity holding				323 969 197	218 138 957
2. Secondary listing on the JSE					
Billiton Plc	2 231 121 202	112 347 637	5	28 311 604	20 248 782
Other				84 035 482	25 764 222
Total equity holding				112 347 086	46 013 004
3. Foreign listed equities					
British Tobacco Plc	2 025 364 622	39 182 890	2	9 936 781	8 787 041
Total equity holding				9 936 781	8 787 041
4. Unlisted equities					
CBS Properties	192 581 610	192 581 610	100	2 050 000	-
MTN Group preference shares				-	10 459 781
Other				953 621	4 484 964
Total equity holding				3 003 621	14 944 745

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

Name of lender	Description	Percentage of total assets	Value of transaction R'000
PIC on behalf of the GEPP	Gold Fields Ltd	0,02	184 400
Total			184 400

Scrip lending

Transaction date	Scrip on lent	Security in place R'000	Fair value R'000	Number of shares on lent	Name of counterparty	Scrip custodian
31/03/2010	Gold Fields Ltd	190 764	184 400	2 000 000	Nedcor Securities	Nedbank

The security in place for the above shares lent is the cash collateral which equals to 105% of the daily market value of the Gold Fields shares. This collateral amount is verified daily against the previous day's closing value of the Gold Fields shares. The collateral amount changes in accordance to the changes in the Gold Fields share price to ensure that the collateral is at any stage equal to 105% of the daily closing value of the shares.

3.1.7 Preference shares

	Issued shares	Holding number	Holding %	Fair value 2010	Fair value 2009
				R'000	R'000
Afripalm Resource A	173 015 526	173 015 526	100	229 771	239 775
Afripalm Resource B	163 480 000	163 480 000	100	217 412	197 494
Afripalm Resource C	30 480 000	30 480 000	100	40 929	56 024
Afripalm Resource D	50	50	100	62 487	37 058
Total preference shares				550 599	530 351

3.1.8 Special investment products and policies

Description	Holding	Holding %	Fair value 2010	Fair value 2009
			R'000	R'000
Old Mutual Asset Management	4 328 946 720	Not available	4 649 789	3 863 619
Pareto			-	3 934 526
RMB Pooled Fund	3 518 309 003	Not available	3 733 664	-
Other			7 928 233	9 971 365
Total			16 311 686	17 769 510

Special investment products combine traditional financial instruments with derivative instruments, whose values are based on the underlying security. These products efficiently combine different investments to provide an extensive choice of sophisticated solutions that will match our objective and enhance our return.

Some of the special investment products have been reclassified to the different asset classes in the current year. Comparative figures have not been reclassified as the necessary information was not readily available or obtainable.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

3.1.9 Collective market instruments

Description	Holding	Holding %	Fair value	Fair value
			2010	2009
			R'000	R'000
Old Mutual Community Gilt Fund	37 655 813	Not available	293 305	243 529
Other			784 738	679 171
Total			1 078 043	922 700

Options

Description	Strike price	Expiry date	Put/call	Premium	2010	2009
					Full exposure	Full exposure
					(notional amount)	(notional amount)
					R'000	R'000
Standard Merchant Bank					-	(21)
Absa Bank					-	18 534
Total options					-	18 513

Interest rate swaps

Description	Fixed rate %	Variable rate	Notional amount	Fair value	Fair value
				2010	2009
			R'000	R'000	R'000
Rand Merchant Bank				-	(1 035)
Rand Merchant Bank				-	212
Rand Merchant Bank				-	(4 923)
Total interest rate swaps				-	(5 746)
Total derivative market instruments			12 767		

3.1.10 Risk management

Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/ liquid asset with counterparty R'000	Scrip lending transactions R'000	Guarantees	Any other instrument R'000	Total per counterparty	Exposure to counterparty as a % of the fair value of the assets
Banks							
ABSA	8 870 779	585 179	-	No	10 106 171	19 562 129	2,39
ABN Amro	-	-	-	No	202 001	202 001	0,02
African Bank	4 038 824	-	-	No	694 647	4 733 471	0,58
African Dev Bank	-	-	-	No	1 091 017	1 091 017	0,13
Capitec	-	-	-	No	73 617	73 617	0,01
China Bank	-	19 914	-	No	-	19 914	-
Deutsche Bank	-	20 289	-	No	190 149	210 438	0,03
DBSA	-	-	-	No	9 400 788	9 400 788	1,15
FNB	12 507 950	251 360	-	No	9 606 496	22 365 806	2,74
HSBC	-	15 500	-	No	-	15 500	-
Investec	6 001 982	5 270	-	No	2 486 680	8 493 932	1,04
Land Bank	-	-	-	No	3 100 748	3 100 748	0,38
Nedbank	5 276 620	4 213 877	-	No	7 465 211	16 955 708	2,07
RMB	-	638 400	-	No	3 793 810	4 432 210	0,54
Standard Bank	22 496 686	4 118 833	-	No	11 966 116	38 581 635	4,72

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

3.1.11 Risk management

Credit/counterparty risk

Counterparty	Direct investment in counterparty R'000	Deposit/ liquid asset with counterparty R'000	Scrip lending transactions R'000	Guarantees	Any other instrument R'000	Total per counterparty	Exposure to counterparty as a % of the fair value of the assets
Asset managers							
Cadiz	-	-	-	No	133 104	133 104	0,02
Coronation	1 19 478	-	-	No	-	1 19 478	0,01
PIC	-	-	184 400	No	-	184 400	0,02
Harith Fund	597 487	-	-	No	-	597 487	0,07
Managers							
Insurance companies							
Alexander Forbes	228 222	-	-	No	-	228 222	0,03
Discovery Holdings	1 856 286	-	-	No	-	1 856 286	0,23
Stanlib	3 889 286	-	-	No	21 978	3 911 264	0,48
Metropolitan	1 401 530	-	-	No	-	1 401 530	0,17
Old Mutual	5 727 787	-	-	No	10 309 136	16 036 923	1,96
Sanlam	7 773 787	-	-	No	581 269	8 355 056	1,02
Santam	610 944	-	-	No	615 541	1 226 485	0,15
Momentum	-	-	-	No	92 851	92 851	0,01

3.1.12 Market risk

Equity holdings

10 largest Rand-value equity holdings

	Fair value at end of period R'000	Total fair value of holdings and open instruments R'000	Market movement by 5% R'000
MTN Group Ltd	47 734 348	47 734 348	2 386 717
Sasol Ltd	31 763 436	31 763 436	1 588 172
Billiton Plc	28 311 604	28 311 604	1 415 580
Anglo American Plc	22 017 374	22 017 374	1 100 869
Standard Bank Group Ltd	22 686 968	22 686 968	1 134 348
South African Breweries	17 403 767	17 403 767	870 188
Naspers Ltd	16 556 070	16 556 070	827 804
Impala Platinum	16 588 899	16 588 899	829 445
FirstRand	12 595 178	12 595 178	629 759
Anglo American Platinum	10 953 964	10 953 964	547 698
Total value of 10 largest equity holdings		226 611 608	11 330 580
As a percentage of total investments plus bank balances		28%	1%

3.1.13 Other financial instruments

10 largest Rand-value other financial instruments

	Holdings	Total fair value of holdings and open instruments R'000	Market movement by 5% R'000
R197 RSA 5, 5% 071223	14 468 183 495	30 595 562	1 529 778
R189 RSA 6, 25% 310313	12 410 461 568	25 452 918	1 272 646
R186 RSA 10, 5% 211226	16 970 763 376	19 953 158	997 658
R201 RSA 5, 5% 071223	16 964 619 585	17 893 997	894 700
R157 RSA 13, 5% 150915	10 241 189 592	12 776 246	638 812
E170 ESKOM 13, 5% 010820	9 795 700 000	12 912 076	645 604
R203 RSA 8, 25% 150917	12 651 970 000	12 568 066	628 403
R207 RSA 7, 25% 150120	13 551 482 000	12 528 953	626 448
R208 RSA 6, 75% 310321	13 280 309 401	11 440 530	572 026
R204 RSA 8% 211218	10 371 257 000	10 278 735	513 937
Total value of 10 largest other instruments		166 400 241	8 320 012
As a percentage of total investments plus bank balances		20%	1%

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

3.1.14 Foreign currency exposure

Description	Fair value at end of period '000	Fair value at end of period R'000	Market movement by 5% R'000
Pan African Infrastructure Development Fund (PAIDF)	USD 81 465	597 487	29 874
British Tobacco Plc	GBP 892 726	9 936 781	496 839
Total value of foreign instruments		10 534 268	526 713
As a percentage of total investments plus bank balances		1%	-

4 Funding Loan

Sefalana Employee Benefits Organisation (SEBO)

2010 R'000	2009 R'000
3 538	3 538

This is an unsecured, interest free loan utilised to fund SEBO's property, plant and equipment. Recovery is dependent on the fair value of SEBO's assets upon liquidation. The fair value of the GEPF's equitable share of the distribution account of SEBO cannot be determined yet.

Liquidators were appointed to liquidate SEBO during the 2005 financial year. The liquidation is dependent on 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 are in the process of finalising the liquidation of SEBO.

5 Inventory

Inventory consists of consumables

2010 R'000	2009 R'000
1 109	1 263

6 Accounts Receivable

	2010 R'000	2009 R'000
Accrued interest	75 685	103 422
Accrued dividend	656 139	910 565
Associated Institutions Pension Fund	11 537	5 886
Estates debt	45 380	45 129
Total estates debt	54 327	53 160
Less: provision for impairment of receivables	(8 947)	(8 031)
Fraud cases debt	-	-
Total fraud cases debt	40 394	39 827
Less: provision for impairment of receivables	(40 394)	(39 827)
Investment debtors*	2 739 601	2 784 147
Lease debtor	62 906	73 801
National Treasury	20 605	15 582
Purchased service	19 355	21 093
Purchased service not recovered at retirement or death	444	457
South African Post Office	1 524	2 881
Non-statutory force	23 676	20 717
Staff debtors	68	68
Sundry debtors	676	581
Temporary Employees Pension Fund	599	1 303
Overpayments debt	4 824	2 664
Total overpayments debt	32 622	24 294
Less: provision for impairment of receivables	(27 798)	(21 630)
	3 663 019	3 988 296

* Investment debtors include a loan to Black Ginger 33 (Pty) Limited, for the purchases of 18 753 104 Telkom shares at a current market value of R640 418 502 (March 2009: R1 978 037 527) and a distribution of 18 753 104 Vodacom shares valued at R1 042 672 582 received by Black Ginger 33 (Pty) Limited due to Telkom unbundling during the year. The market value of this loan is linked to the value of both Telkom and Vodacom shares. The amount to be repaid will be determined as and when the shares are sold by Black Ginger 33 (Pty) Limited. This investment debtor has no fixed repayment terms.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

7 Contributions

7.1 Contributions receivable

Participating employers	11 120	95 373
Arrear contributions*	833	1 250
Additional liabilities**	453 409	426 432
Interest on outstanding contributions	539	1 910
Statement of net assets and funds	465 901	524 965

	2010 R'000	2009 R'000
Participating employers	11 120	95 373
Arrear contributions*	833	1 250
Additional liabilities**	453 409	426 432
Interest on outstanding contributions	539	1 910
Statement of net assets and funds	465 901	524 965

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

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

7.2 Reconciliation of contributions receivable

Member contributions	12 580 454	(12 580 871)	833	1 250
Employer contributions	22 928 543	(22 985 819)	464 529	521 805
Interest on outstanding contributions	732	(2 103)	539	1 910
Statement of Changes in net assets and funds	35 509 729	(35 568 793)	465 901	524 965

	2010 R'000	2010 R'000	2010 R'000	2009 R'000
	Contributions accrued	Contributions received	Contributions receivable	Contributions receivable
Member contributions	12 580 454	(12 580 871)	833	1 250
Employer contributions	22 928 543	(22 985 819)	464 529	521 805
Interest on outstanding contributions	732	(2 103)	539	1 910
Statement of Changes in net assets and funds	35 509 729	(35 568 793)	465 901	524 965
				35 509 729

8 Cash and Cash Equivalents

Cash resources	1 142 832	1 512 173
Short-term investments	13 965 349	12 922 979
	15 108 181	14 435 152

	2010 R'000	2009 R'000
Cash resources	1 142 832	1 512 173
Short-term investments	13 965 349	12 922 979
	15 108 181	14 435 152

The money market instruments with original maturities of three months or less are classified as cash and cash equivalents in terms of Regulatory Reporting Requirements of Retirement Funds. Money market instruments to the value of R14,8 billion were previously classified as cash and cash equivalents, and have been reclassified by increasing investments and decreasing cash and cash equivalent prior figures.

Included in the cash and cash equivalents balance are some of the investment managers' call accounts which are not in the name of the GEPP.

9 Accumulated Funds and Reserves

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

This note illustrates the detailed split of the reserve balance between Non-Statutory Forces, Ciskei Strikers, General Assistants and other Past Discriminatory Practices.

	2010 R'000	2010 R'000	2010 R'000	2010 R'000	2010 R'000	2010 R'000
	Non- statutory forces reserve	Ciskei strikers reserve	General assistants reserve	Other past discriminatory practices reserve	Total reserve accounts	Accumulated funds (excluding reserves)
Balance at beginning of year	1 009 305	129 512	72 444	3 042 929	4 254 190	635 492 980
Prior year adjustment - benefits						2 147 000
Net income before transfers and benefits	(136)	-	-	-	(136)	187 883 035
Contributions received and accrued	-	-	-	-	-	35 509 729
Purchase of periods of service	-	-	-	-	-	116 797
Net investment income	-	-	-	-	-	152 562 111
Other income	-	-	-	-	-	108 622
Less:						
Administrative expenditure	(136)	-	-	-	(136)	(414 224)
Transfers and benefits	(34 365)	(3 259)	(2 602)		(40 226)	(28 732 731)
Benefits	(34 365)	(3 259)	(2 602)		(40 226)	(28 159 186)
Transfers to other funds	-	-	-	-	-	(450 054)
Transfers from other funds	-	-	-	-	-	7 009
Interest paid	-	-	-	-	-	(130 500)
Net income after transfers and benefits	(34 501)	(3 259)	(2 602)	-	(40 362)	159 150 304
Transfer to reserves						
Net investment return on reserve amount	78 500	10 235	5 630	627 937	722 302	(722 302)
At end of period	1 053 304	136 488	75 472	3 670 866	4 936 130	796 067 982

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

10 Unclaimed Benefits

Balance at beginning of year
Transferred from benefits payable
Less:
Benefits paid
Benefits forfeited
Balance at end of period

	2010 R'000	2009 R'000
Balance at beginning of year	189 630	132 887
Transferred from benefits payable	951 090	434 164
Less:		
Benefits paid	(590 882)	(367 439)
Benefits forfeited	-	(9 982)
Balance at end of period	549 838	189 630

11 Benefits

Net Benefit Payments

Gratuities

Withdrawal benefits

Monthly pensions

Retrenchment benefits

Death benefits

Funeral benefits

Orphan benefits*

Unclaimed benefits**

Interest to members

Total

	2009 R'000	2010 R'000	2010 R'000	2010 R'000
	Benefits payable	Benefits accrued current year	Benefits paid during year	Benefits Payable ***
Net Benefit Payments	14 421 640	26 012 186	(29 437 462)	10 996 364
Gratuities	4 607 129	71 056	(3 479 512)	1 198 673
Withdrawal benefits	5 842 395	3 558 124	(5 097 855)	4 302 664
Monthly pensions	1 767 352	16 472 327	(16 791 116)	1 448 563
Retrenchment benefits	124 723	363 650	(395 528)	92 845
Death benefits	1 793 504	5 414 775	(3 522 367)	3 685 912
Funeral benefits	277 000	97 277	(130 277)	244 000
Orphan benefits*	9 537	31 226	(17 056)	23 707
Unclaimed benefits**	-	3 751	(3 751)	-
Interest to members	4 088 897	76 158	(1 047 712)	3 117 343
Total	18 510 537	26 088 344	(30 485 174)	14 113 707

Benefits accrued – current year

Prior year adjustment - benefits

Statement of Changes in net assets and funds

26 012 186

2 147 000

28 159 186

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

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

*** Benefits payable as at 31 March 2010 and benefits accrued during the year includes an amount of R2 444 million (2009: R2 914 million), representing exit cases that were work in progress at year-end.

11.1 Benefits Payable Provision – Prior Year Adjustment

	2010 R'000	2009 R'000
Benefit payable	14 113 707	18 510 537
Adjustment	-	(2 147 000)
Revised provision	14 113 707	16 363 537

The revised provision is as a result of subsequent identification of a number of members who had received their benefit due from the Fund prior to 31 March 2009 and should not have been included in the benefits due provision.

In line with the Regulatory Reporting Requirements for Retirement Funds in South Africa, as issued by the Financial Services Board (FSB), and the accounting policy of the Fund, the adjustment of R2,147 million relating to the 2009 benefits payable provision has been applied prospectively and therefore recognised in the current financial year.

12 Transfers

12.1 Transfers to other funds

	Effective Date	Number of members	2009 R'000 At beginning of period	2010 R'000 Transfers approved	2010 R'000 Return on transfer	2010 R'000 Transfers paid	2010 R'000 Transfers Payable
Bulk transfers in terms of Rule 12 of the GEP Law Ezemvelo KZN							
Wildlife Provident Fund	2008/09		1 103 627	-	-	-	1 103 627
Municipal transfers	2009/10	876	(375 044)	212 821	-	(211 060)	(373 283)
Municipal transfers overprovided	2009/10	(166)	(696 780)	(27 693)	-	-	(724 473)
NHLS Pension Plan	2009/10	565	-	248 531	-	(248 531)	-
X-DWM Global Pension Fund	2009/10	50	-	14 976	-	(14 976)	-
Individuals	2009/10	3	1 312	775	644	(2 413)	318
		1 328	33 115	449 410	644	(476 980)	6 189

Transfers approved	449 410
Return on transfers	644
Statement of changes in net assets and funds	450 054

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

12.2 Transfers from other funds

		2009	2010	2010	2010	2010	
		R'000	R'000	R'000	R'000	R'000	
Effective Date	Number of members	At beginning of period	Transfers approved	Return on transfers	Transfer received	Transfers Receivable	
Transfers in terms of Rule 12 of the GEP Law							
X Omeh Orion	2009/10	1	-	250	-	(250)	-
Cultural Religious Linguistic	2009/10	12	-	833	-	(833)	-
Dep of Social Development OFS	2009/10	32	-	1 390	-	(1 390)	-
Individual transfers	2009/10	24	320	3 853	683	(3 526)	1 330
		69	320	6 326	683	(5 999)	1 330
Transfer approved							6 326
Return on transfers							683
Statement of changes in net assets and funds							7 009

13 Accounts Payable

	2010	2009
	R'000	R'000
Administrative creditors	34 509	37 852
Operating lease accrual	1 275	2 691
Child maintenance (court orders)	66	248
Contributions (employers)	1 932	458
Dormant members	948	918
Investment creditors	962 344	1 495 644
National Treasury	817	139
Non-Statutory Forces contribution*	818 364	719 342
Outstanding SA Post Office vouchers	1 312	3 386
Portfolio management fees payable	74 523	44 671
Sundry creditors	9 100	1 162
Total	1 905 190	2 306 511

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

14 Provisions

Provision for accumulated leave pay	
Balance at beginning of year	
Provided	
Utilised	
Provision for bonuses	
Balance at beginning of year	
Provided	
Utilised	
Balance at end of period	

	2010	2009
	R'000	R'000
	6 977	3 373
	3 373	2 059
	3 754	1 526
	(150)	(212)
	6 651	5 956
	5 956	3 493
	4 595	6 587
	(3 900)	(4 124)
	13 628	9 330

Bonuses are calculated based on 3% of the budgeted labour costs and the leave pay provision based on the current leave entitlement pro-rata plus the cap leave of staff members over 55 years of age.

15 Purchase of Periods of Service

GEPF members	
Non-Statutory Forces members	

	2010	2009
	R'000	R'000
	19 777	20 233
	97 020	544 449
	116 797	564 682

16 Net Investment Income

Income from investments	
Interest	
Other income	
Rentals	
Net profit on sale of investments*	
Adjustment to fair value**	
Impairment of Investments****	
Total investment income/(loss)	
Less: expenses incurred in managing investments	
- Management Fees***	
- PAIDF (Management fees and other expense)	
- Bad debts investments	
- Rental expense	
- Transaction costs and other expenses	
Total investment expenses	
Net investment income/(loss)	

	2010	2009
	R'000	R'000
	30 783 049	34 479 454
	29 921 881	34 093 241
	1 797	76 903
	859 371	309 310
	28 322 625	365 510
	99 502 844	(99 181 231)
	(4 682 972)	(2 509 317)
	153 925 546	(66 845 584)
	(511 653)	(556 963)
	(48 629)	(47 914)
	(8 206)	(19 184)
	(256 430)	(137 255)
	(538 517)	(190 572)
	(1 363 435)	(951 889)
	152 562 111	(67 797 473)
	28 533 776	4 832 913
	(211 151)	(4 467 403)
	28 322 625	365 510

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

** Dividend income amounting to R10,778 billion (2009: R21,639 billion) has been included in the adjustment to fair value, in line with the requirements of the Regulatory Reporting Requirements for Retirement Funds. Included in the dividend income amount is a special dividend declared by Telkom to the value of R529,1 million.

*** Management fees are broken down as follows:

	2010 R'000	2009 R'000
PIC management fees	212 291	340 721
Other external management fees	299 362	216 242
Total	511 653	556 963

***** Some of the loans entered into by the PIC on behalf of the GEPF in their capacity as the Fund's asset manager have been impaired based on the independent valuation as stated below:

Reconciliation of impairment

	2010 R'000	2009 R'000
Wireless Broadband Solution Holdings	6 896	-
Brevity 12 (Pty) Ltd	3 027	-
Batho Bonke Capital	180	-
Afrisam (Pty) Ltd	4 617 444	2 187 731
Legend Lodges	55 425	-
Brits	-	15 971
Other	-	305 615
Total	4 682 972	2 509 317

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

- Uncertainties in relation to the going concern or 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, a decrease in enterprise value of the investees.
- Anticipated pressure on investees in servicing their debt obligations.

17 Other Income

	2010 R'000	2009 R'000
Interest received		
Arrear contributions	9 848	14 287
Purchase of service	1 833	-
Additional liabilities	32 071	-
Operating bank account	64 870	59 396
	108 622	73 683

18 Administrative Expenditure

	2010 R'000	2009 R'000
18.1 Total administrative expenditure		
Actuarial fees	7 819	5 128
Investment accounting fees	8 963	8 810
Investment performance analysis	3 653	-
Audit fees – current year	377	5 224
Depreciation	10 150	6 494
Foreign currency loss	20	29
Legal costs	3 560	1 889
(Profit)/loss on sale of property, plant and equipment	(104)	2
Impairment on assets	2	-
Operating expenses	142 909	168 780
Operating lease payments	8 143	5 842
Operating lease smoothing adjustment	1 587	2 691
Personnel expenses	219 494	127 836
Personnel expenditure (refer note 18.2)	185 494	108 568
Senior management expenditure (refer to note 18.3)	22 373	10 227
Executive Officer expenses (refer to note 18.4)	6 286	5 124
Principal Officer expenditure (refer to note 18.5)	1 475	1 023
Trustee expenditure (refer to note 18.6)	3 866	2 894
Increase in provision for doubtful debt	7 651	6 773
	414 224	339 499
18.2 Personnel remuneration and expenses		
Remuneration to permanent and contract employees	153 086	85 819
Contributions to the GEPF	15 140	8 790
Training expenses	4 104	3 543
Other benefits (housing, medical, etc)	13 164	10 416
	185 494	108 568
18.3 Senior management remuneration and expenses		
Remuneration and allowances	21 342	9 907
Bonuses	1 031	320
	22 373	10 227
18.4 Chief Executive Officer expenses		
Remuneration and allowances	5 422	4 281
Bonuses	864	843
	6 286	5 124
18.5 Principal Officer remuneration and expenses		
Remuneration and allowances	1 344	1 023
Bonuses	131	-
	1 475	1 023
18.6 Board of Trustees remuneration and expenses		
Meeting allowances	3 735	2 714
Expenses	131	180
	3 866	2 894

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

19 Interest Paid

	2010 R'000	2009 R'000
Interest paid to members	75 514	2 135 876
Interest paid to members exited from the GEPF*	(11 638)	2 046 626
Interest paid to external funds in respect of members exited from the GEPF	76 023	79 001
Interest returns from unclaimed benefits	-	(178)
Interest paid to Non-Statutory Forces members	11 129	10 427
Interest paid to employers (Non-Statutory Forces)	54 900	81 362
Interest paid to dormant members	86	83
	130 500	2 217 321

* Interest paid to members exited from the GEPF includes a movement in interest on benefits payable, which decreased from R4,089 million in 2009 to R3,117 million in 2010. This had resulted in interest credit of R971 million.

20 Operating Lease

Income

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

	2010 R'000	2009 R'000
Receivable within one year	666 418	89 734
Receivable between two and five years	1 813 919	380 347
Receivable after five years	879 174	41 302
	3 359 511	511 383

Expenses

Future minimum lease payments under non-cancellable operating leases:

	2010 R'000	2009 R'000
Payable within one year	8 306	5 669
Payable between two and five years	18 435	24 208
Payable after five years	2 481	-
	29 222	29 877

21 Cash Flow Generated From Operations

	2010	2009
	R'000	R'000
Net income/(loss) after transfers and benefits	159 109 942	(67 295 211)
Adjusted for:	(153 507 793)	73 671 267
Interest received	(30 031 235)	(34 167 885)
Interest paid	141 010	2 217 592
Dividends received	(10 777 628)	(21 639 942)
Adjustment to fair values of investments	(88 725 216)	120 870 780
Profit on sale of investments and property	(28 533 776)	(4 832 913)
Loss on sale of investments and property	211 151	4 467 403
Impairment of Investments	4 682 972	2 509 317
(Profit)/loss on sale of fixed assets	(104)	2
Foreign currency loss/(gain)	86 548	(16 705)
Depreciation	10 150	6 494
Debts written-off	8 206	19 184
Increase in doubtful debt provision	7 651	6 773
Movement in provisions	(913 770)	4 862 315
Net transfers out/(in)	326 248	(631 148)
Adjusted net income after transfers and benefits	5 602 149	6 376 056
Changes in working capital	(302 111)	(1 875 154)
Decrease/(increase) in accounts receivable	99 056	(1 071 655)
Decrease/(increase) in inventory	154	(323)
Decrease in accounts payable	(401 321)	(803 176)
Cash flow generated from operations	5 300 038	4 500 902

22 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.

22.1 Market risk and interest rate risk

Market risk is the risk that the value of a financial instrument or investment will fluctuate due to changes in market prices, irrespective of whether those changes are caused by circumstances particular to the investment or to the investment market in general. Financial instruments are recognised at fair value and all changes in market conditions directly affect net investment income. Exposure to market and interest risk is for the account of the GEPF due to it being a defined benefit arrangement, and is managed primarily by setting strategic asset allocation percentages for the various asset classes, which are designed to match the inflation risk that impacts both the liabilities and assets, as well as market and interest risk.

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

Equities are the most volatile asset class and therefore the biggest source of short-term risk for the portfolio. The Investment Committee, on behalf of the Board of Trustees, monitors this risk against predetermined benchmarks. The investment manager outsources the management of approximately 25% of the equity portfolio to other external fund managers who possess both the resources and expertise to adequately address any potential equity market risk. The fair value of the equity portfolio at 31 March 2010 was R449,2 billion (March 2009: R288,4 billion).

Interest rate risk is the risk that the value of a financial instrument or the income received from such instruments will fluctuate due to movements in market interest rates.

22.2 Credit risk

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

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

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

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

22.3 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.

22.4 Currency risk

Currency risk is the risk that the value of a financial instrument denominated in a currency other than the reporting currency may fluctuate due to changes in foreign currency exchange rates, between the reporting currency and the currency in which the instrument is denominated. The Fund's exposure to currency risk is mainly in respect of the foreign investments made in the Pan African Infrastructure Development Fund and British Tobacco Plc, which are denominated in US Dollars and British Pounds.

Currency risk is managed by management on a quarterly basis, and any significant changes on foreign currency balances are followed up and reported throughout the year.

22.5 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.

23 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 R23 billion (2009: R20 billion) and contributions receivable of R0,47 billion (2009: R0,52 billion) are from the employer which is the government of the Republic of South Africa.

24 Contingent Liabilities

24.1 Benefits

A contingent liability exists for members who retired from the GEPF prior to 31 March 2010 and for whom no duly completed exit documentation has been received. The GEPF cannot estimate the benefits payable to such members exactly, because the quantum of the liability is dependent on:

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

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

24.2 Investments

A loan was provided to Black Ginger 33 (Pty) Limited relating to an initial purchase of a 15,1% interest in Telkom. The remaining portion of the loan has been included in accounts receivable (note 6), and relates to a remaining 3.37% holding in Telkom. The loan has been included at a market value of the underlying Telkom shares and that of Vodacom shares received by Black Ginger 33 (Pty) Limited due to Telkom unbundling during the current year. As these shares were initially acquired at a discount, they will possibly be disposed of at a discount equivalent to that at which they were initially acquired. An equivalent discount that would possibly be allowed on the remaining shares approximates R286 million (2009: R340 million).

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2010

24.3 Pending liability

A contingent liability exists in respect of various legal matters brought against the GEPF. The estimated liability to the GEPF is between R308 110 and R1,581 million. This amount includes legal costs and was obtained from the GEPF's independent attorneys.

25 Capital Commitments

During the 2007/08 financial period, the GEPF committed to an investment to the Pan African Infrastructure Development Fund (PAIDF). As part of this investment the GEPF committed to make capital contributions amounting to US\$250 million translating to R2,048 billion. At 31 March 2010, US\$98,920 million translating to R803,135 million of the initial commitment has been invested. The total capital commitment of US\$151,080 million translating to R1,245 billion is payable approximately within the next six years. The PAIDF investment is being managed by Harith Fund Managers.

26 Changes in Accounting Policies

During the current period, the following changes in accounting policies were implemented in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa:

- Unclaimed benefits are not written back to income as per the Prescription Act. This is in line with the PF Circular 126 as issued by the Financial Services Board.
- Transfers to/(from) the Fund are recognised on the earlier of receipt/(payment) of the actual transfer value or the written notice of transfer (Recognition of Transfer).
- Transactions and balances with related parties are disclosed in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa.

27 Subsequent Events

On the 26 March 2010 a government notice contained in a government gazette establishing an administration agency called Government Pensions Administration Agency (GPAA) was issued by the Minister of Finance with effect from 1 April 2010.

Subsequent to the establishment of GPAA, a proclamation by the President of the Republic of South Africa was issued, amending Part A of Schedule 3 of the Public Service Act of 1994 to include GPAA as a government component with effect from 1 April 2010.

The process of transferring employees, assets and liabilities from the GEPF to GPAA is underway.

Glossary

Client	Customer of a professional service provider; or the principal of an agent or contractor
Customer	An entity that receives or consumes goods or services and has the ability to choose between different products and suppliers, or an entity served by an organisation
Employer	Any government entity employing persons in government services
Expected results	Outputs, outcomes or impact
External audit	Periodic or ad hoc audits, conducted by qualified, independent accountants, the objective of which is to determine whether the accounting records are accurate and complete, prepared in accordance with the provisions of Generally Accepted Accounting Principles (GAAP), and that the statements fairly represent the organisation's financial position and results of its financial operations
GEPF – Government Employees Pension Fund	A pension fund governed by the Government Employees Pension Law (GEP Law) of 1996
GEP Law	Government Employees Pension Law of 1996
Government	The Government of the Republic of South Africa
Government component	A government component can be established through proclamation by the President on a recommendation from the Minister of Public Service and Administration
Human capital	The collective value of the organisation's intellectual capital (competencies, knowledge and skills)
ICT	Information and Communication Technology
Impact	Long-term effects produced by an intervention
Internal audit	Frequent or ongoing audits conducted by a organisation's in-house accountants to monitor operating results, verify financial records, evaluate internal controls, assist with increasing efficiency and effectiveness of operations, and detect fraud
IRF	Institute of Retirement Funds
Key Performance Indicators (KPIs)	Quantifiable measurements that reflect the critical success factors of an organisation
Outcome	Short- and medium-term effects of any intervention
Output	Products, capital goods and services which result from any intervention
PFMA	Public Finance Management Act (1 of 1999 as amended by Act 29 of 1999)
Shareholder	An individual, group or organisation that holds one or more shares in a firm, and in whose name the share certificate is issued
Stakeholder	A person, group or organisation that has a direct or indirect stake in an organisation and can affect or be affected by the organisation's actions, objectives and policies
Target milestone	Milestones leading toward the achievement of expected results, expressed in terms of quantity or time frames

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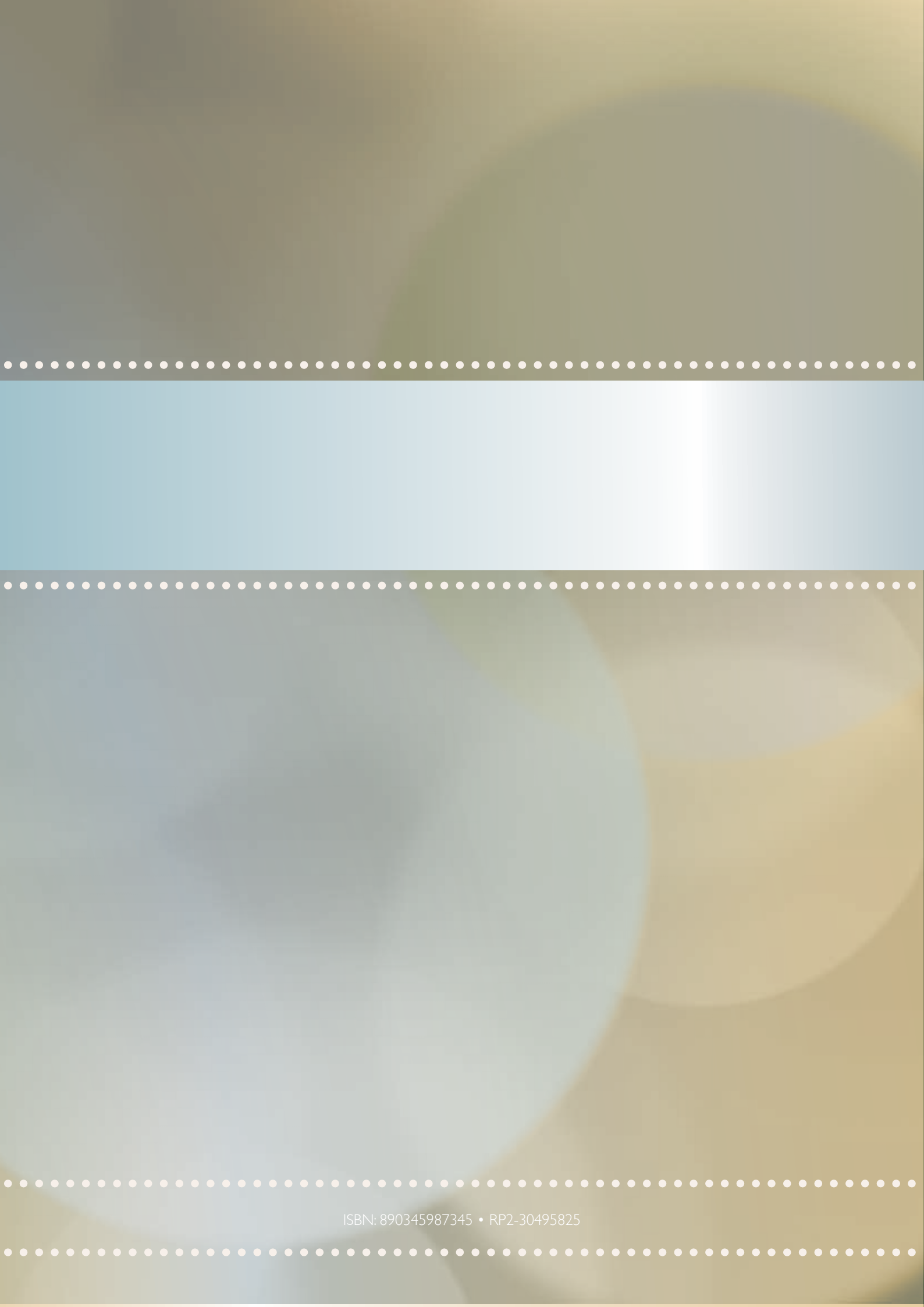
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